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Introduction: Why research international subcontracting chains?

Angela Hale, Women Working Worldwide

This document presents the outcome of research carried out between March 2002 and March 2003 as part of a WWW project entitled “The rights of workers in garment industry subcontracting chains: a research, education and action project with workers organisations in Asia and Eastern Europe”. The research was a collaborative exercise with organisations in Bangladesh, Bulgaria, India, Pakistan, Sri Lanka, Philippines, Thailand and Hong Kong/China. The main aim was to enable each organisation to understand more fully how the garment industry operates in their locality and what the implications are for workers. Taking local factories as the starting point they traced the chain both downwards through levels of outworking and upwards to the retailing and brand based companies which are driving the subcontracting process. They also ascertained from worker how pay and conditions vary at different levels of the supply chain. The information is now being used in education and organising work in both Asia and Europe.

The need to understand how international subcontracting operates has emerged from the work of the participant organisations. All are supporting workers in export industries such as garments. In most cases these are primarily workers in factories, often in Free Trade Zones where trade unionism is banned. However all the organisations realise that more and more work in the garment industry is being outsourced to small factories and workshops. This reflects a general and contradictory trend in the world economy. Whilst economists report greater global integration, more and more workers, particularly women workers, find themselves increasingly dispersed and isolated from other workers in the same production chain. This is accompanied by a loss of employment status and associated lack of labour rights. In an international conference in 2000 representatives from trade unions and women workers’ organisations all over Asia and Europe reported a similar experience.¹ Whilst the main

recommendation from the conference was to take every measure possible to reverse this process of informalisation, it was also realised that there was a need to understand more clearly what was driving this process and what the implications are for organising strategies.

More specifically this research has emerged from previous work that WWW has carried out with partner organisations in Asia. Between 1998 and 2001 an education and consultation programme was conducted on company codes of conduct.² At the time codes were becoming widely adopted by companies as a response to public exposure about poor labour standards in their supply chains, However no-one was informing workers of this development. The organisations which participated in the WWW programme reported that at first workers found it very difficult to understand where codes were coming from, since they had no information about how their workplace linked to a parent company. Some explanation of subcontracting was built into the education programme, but the organisers realised that they themselves usually did not know what the specific links were between local factories and retailers in North America and Europe. If codes were to become a useful tool for workers they needed to be able to identify these links.

The need for workers to understand the links between their workplaces and overseas retailers is matched by the need for organisations in Europe and N America to know more about the supply chains of retailers they are targeting in campaigns. Labour conditions in the garment industry are now the focus of a campaign that stretches across most European countries, known as the Clean Clothes Campaign. One of the activities of this campaign is to support specific disputes in workplaces in Asia and elsewhere. Because of the complexity of subcontracting it is often difficult to trace the links between workplace and retailer and to know where exactly the power lies in

the production chain. Similar problems confront organisations working with the Ethical Trading Initiative, an organisation set up to work towards the properly monitored implementation of company codes.⁴ Companies which are members of this initiative often do not know themselves what happens to the supply chain beyond a certain stage.

In recognition of the importance of understanding the increase in subcontracting, WWW organised a conference in 2000 entitled “Organising along International Subcontracting Chains in the Garment Industry”⁵ Presentations were made by representatives from trade unions and research organisations from a number of different countries. However at the end of the conference it was acknowledged that not enough information was available for participant organisations to really understand how subcontracting operated and what the implications are for workers. The proposal was therefore drawn up for this collaborative project. The benefits of collaboration were recognised immediately, including the sharing of information and the appointment of a UK based researcher to work

on the global picture. In the second year of the project it also includes working together on the development and piloting of educational materials on subcontracting chains with workers.

Although the aim of this research has primarily been to facilitate the local organising and education work of trade unions and labour organisations, taken together it provides a wealth of information for anyone interested in how the garment industry actually operates. It demonstrates not only the structure of particular production chains, notably Gap, but also presents a global picture of how the industry is developing. It reveals a common subcontracting hierarchy which includes levels of worker controlled subcontracting outside the factory. The comparison between labour conditions at different levels of the hierarchy also reveals how subcontracting is undermining workers’ rights. It substantiates the serious concerns which have been expressed about the implications of globalisation for the trade union and labour movement and the need to re-examine organising strategies.

1. *Company Codes of Conduct and Workers Rights: Report of an education and consultation programme with garment workers in Asia.* WWW 2002
2. *Globalisation and Informalisation: Report of International Women Workers Workshop.* WWW 2001
3. *Clean Clothes Campaign website: www.cleanclothes.org*
4. *ETI Website: www.ethicaltrade.org*
5. *Organising Along International Subcontracting Chains in the Garment Industry: Conference Report WWW 2001*

Executive Summary

The findings of the reports provide evidence that reinforces the impact that the major issues and trends in the garment industry are having on workers in these subcontracting chains. This bulletin provides an overview of the key research findings. These come under three headings

- The operation of subcontracting chains in the garment industry
- Trends in subcontracting
- Issues for workers in subcontracting chains

The Operation of Subcontracting Chains in the Garment Industry

1. Four tier manufacturing subcontracting chains

One of the key research findings is that, despite the differences between the various groups' focus, the subcontracting chains of large brand names and retailers appear to have four manufacturing tiers. Orders from large brand names and international retailers come through their sourcing offices and are contracted out to the largest manufacturers in the producing country. These manufacturers subcontract either all or parts of the garment to medium sized manufacturers. They, in turn, subcontract work out to smaller units and homeworkers.

2. Blurring of the distinction between employer and employee

Although the blurring of distinctions between formal and informal work is well-known in the garment industry, another key finding from the research is the blurring of the line between employee and employer. Research from WWP shows that line leaders are acting as agents to homeworkers during peak times. Line leaders within large manufacturing units subcontract out work to homeworkers or to another subcontractor (they earn more if they do it this way). The researchers discovered that they pay homeworkers 20-3% of the price they receive for the tasks. The homeworkers earn about P88 (\$1.64) per day, during peak season, while one line leader, who has 80 homeworkers, earns \$316.80 per day during peak season. The line leaders act as agents for homeworkers even though they are employees

themselves; this overlap between employee and employer can create tensions at work and in the community. This happens at work because management allocate additional quotas, which can be subcontracted out, to line leaders they like – some line leaders have enough to subcontract out to four or five homeworkers while others get enough to subcontract out to eighty homeworkers. It also happens in the homeworkers' community because most homebased work comes from personal connections; this can create tensions within the community and within families who view line leader as source of income, but also recognise the exploitative nature of the relationship.

Trends in Subcontracting

1. The decentralisation of production

The primary motivation behind this relocation of production is to reduce costs. Many manufacturers are now relocating either internationally, regionally, or nationally. At the international level UK manufacturers are subcontracting garment production overseas. Regionally, manufacturers are relocating to cheaper countries, as seen by the rapid increase in Hong Kong-based investment in Guangdong Province, China. Nationally, manufacturers are either relocating to smaller towns or to the provinces, where wages are lower and trade unions are less active.

2. The increased informalisation of the workforce

Production in all nine countries is dominated by small-scale factories and workshops, frequently employing workers on short-term contracts or without contracts. In Pakistan and Bangladesh 95% of those interviewed have no contract letter, so they cannot prove that they are employed and consequently denying them their rights as a worker. In several countries national labour laws implicitly support the informalisation of workers as the laws do not apply to small companies so workers are unable to protect themselves. The research in Sri Lanka highlights another method used by employers to avoid their responsibilities. Some of the workers interviewed described themselves as 'self-employed' even though their hours, pay and work were clearly organised by others. This may be because their employers tell the workers that they are self-employed in order to avoid paying these workers social welfare payments and other contributions.

3. The exploitation of gender and ethnic inequalities.

The garment industry already has a highly feminised workforce. Rather worryingly, the research highlights a hardening of hierarchies, biases and discrimination in the workplace. Gender, age and ethnicity are being used against workers in order to further fragment worker solidarity. This has severe implications in a climate where trade unions are under such sustained threat.

Issues for Workers in Subcontracting Chains.

1. Underpayment of wages and social welfare

Workers are frequently underpaid and paid late. Payment methods are very complex, in several cases they are based on a combined time and piece-rate payment. This complicated system makes it very difficult for workers to calculate their wages in advance or to check that they have been paid what they are owed. Many workers report signing a blank sheet of paper when given their wages, which means that their employers are not declaring the actual earnings of the workers. There are also many cases where workers who are entitled to social welfare contributions find that their deductions have not been remitted, but kept by their employers, leaving them without medical or social welfare cover.

2. Hours of work

The research shows that working hours fall between two extremes: either too much work or too little. Workers frequently work 10-16 hours a day with no days off during peak season months. Equally, as a result of increased informalisation, many workers are either on short-term contracts or have no contracts, so they are retrenched during the low season. Overwork is linked to subminimum wages. In Bulgaria a family wage is €650 – €700 (\$555 – \$598) per month, but the average salary of a seamstress is about €115 – €130 (\$98 – \$111) per month. To compensate for the low pay levels, they work 12 – 16 hours a day without breaks. In this way they can earn up to €225 (\$192) – just 30% of the living wage.

3. Health and safety Issues

The health and safety issues covered in the reports are almost identical. They include: excessively high temperatures – or very low temperatures in Britain; dust; inadequate ventilation; inadequate lighting;

excessive noise; lack of fire-fighting equipment; blocked exits; bad sanitation; unhygienic canteens; and lack of drinking water. Apart from specific illnesses brought on by these conditions, many workers complain of constant fatigue, headaches and reoccurring fevers, yet workers find it very difficult, if not impossible to take time off due to illness.

4. Harassment

Harassment is an issue that often has a very gendered impact, as female workers are more likely to be harassed than male workers. It was highlighted in four of the ten reports and has been included because it is an issue that, though frequently ignored, needs to be highlighted. Workers are subject to verbal, sexual and physical harassment. An interesting link was highlighted in the reports from Pakistan and Bangladesh between excessive overtime and sexual harassment. Long overtime means that women finish work late at night when there is no secure transport, so they are more vulnerable to sexual harassment and attacks at this time.

5. Trade unions and organising

All the reports highlight the increasing pressures faced by trade unions, from Bulgaria and the UK to Bangladesh and the Philippines. Activists are being retrenched and blacklisted, undermining any form of unionisation in factories, while increased informalisation, combined with management intimidation, makes it harder for workers to join unions. In many cases, where Collective Bargaining Agreements have been concluded, unions are finding it increasingly difficult to improve them.

Garment Industry Subcontracting Chains and Working Conditions

Research Overview

*Jennifer Hurley, Women Working
Worldwide*

Introduction

This paper presents an overview of the findings of a year long research programme carried out by ten NGOs in nine countries: Bulgaria, Hong Kong, Thailand, Philippines, Sri Lanka, India, Bangladesh, United Kingdom, Pakistan. The project developed from WWW's previous work with partner organisations on subcontracting chains and codes of conduct in the garment industry. Participants recognised the need to increase their understanding of the industry and subcontracting in their locality. The aim of the research was two-fold. Firstly, it was to help workers and activists to increase their understanding of the processes of subcontracting starting from the garment factories in which they work. Secondly, it was to use this information for organising and to increase awareness among workers through worker education.

Given these very different aims and objectives each research report has a different focus and highlights different issues. This presents challenges when it comes to writing an overview report! The numbers of people interviewed for each research project varies considerably, ranging from 185 workers in Sri Lanka to 30 workers in Bangladesh. The findings of these reports provide indications of the major issues in garment industry subcontracting chains, but this report is not a definitive guide and does not aim to be. Instead, it attempts to highlight the issues that are repeatedly mentioned in the various reports. However, as each country is researching issues that specifically interest them, it is impossible to make easy comparisons between the countries, as it is not possible to follow a specific theme across the various reports.

This document is divided into four sections. Section 1, *The Research Interests of the Partner Organisations*, presents an overview of the diverse interests of the partner organisations. The following three sections

explore different aspects of the research findings. They look at:

- The operation of subcontracting chains in the garment industry
- Trends in subcontracting
- Issues for workers in subcontracting chains

Section 2, *The Operation of Subcontracting Chains in the Garment Industry*, looks at the operation of subcontracting chains. It provides an overview of:

1. Different forms of subcontracting
2. Different kinds of agents
3. The structure of subcontracting chains

Section 3, *Trends in Subcontracting*, explores the most significant features highlighted in the various reports. These are:

1. The decentralisation of production
2. The increased informalisation of the workforce
3. The exploitation of gender and ethnic inequalities.

The three key features highlighted in the previous section are directly responsible for the worsening of workers' rights. The increasing pressures on workers and the erosion of their rights are highlighted in the Section 4, *Issues for Workers in Subcontracting Chains*. These issues are:

1. Underpayment of wages and social welfare
2. Hours of work
3. Health and safety issues
4. Harassment
5. Trade unions and organising

Section 1 The Research Interests of the Partner Organisations

The Bulgarian-European Partnership Association (BEPA) undertook horizontal and vertical mapping of the subcontracting chains of several international companies, including homemaker where possible. They wanted to assess pay and conditions in industry, which has increased in size since the fall of communism, but which employs a lot of contract, temporary and informal sector workers.

The Hong Kong Christian Industrial Committee (HKCIC) presented an overview of supply chains from Hong Kong-based firms in Guangdong Province, China. They also document the working conditions of workers, especially home/informal workers

and contrasted these with the conditions of formal workers.

Friends of Women (FOW), Thailand, choose three companies and explored their subcontracting chains as well as documenting the terms and conditions of these workers. This project was carried out in cooperation with the trade unions in the three companies. The union members in the companies were taught the research techniques so that they could carry out the research themselves and continue the research even after the project ends so that the union will be up to date with the companies' subcontracting practices.

In Bangladesh Karmojibi Nari examined the roles of owners, middle men and government in the industry and in the structure of supply chains. They compared quota and non-quota industries and looked at the obstacles and possible strategies facing the garment industry after the MFA phase out in 2005. Finally, they looked at the problems faced by workers and explored ways of enhancing the trade union movement by incorporating stakeholders at different points in the chain.

The Philippine Resource Centre (PRC) looked at the financial importance of the garment industry on the Philippines and its exports. It examined the structure and production strategies in the subcontracting chains of three foreign TNCs. It also explored the Philippine Government's strategy for the MFA phase out.

Women Workers' Program (WWP), also in the Philippines, studied the garment industry in Baguio EPZ and mapped the subcontracting chain of Adriste and Dae Gu Apparel. It documented the situation of workers along the chain and contrasted these with the conditions of women workers in the traditional hand weaving industry, who are largely homebased workers. Finally, it explored ways for contract and permanent workers to organise together.

In Sri Lanka Transnational Information Exchange (TIE-Asia) researched the structure of subcontracting in the Sri Lankan garment industry, in order to substantiate anecdotal evidence of subcontracting garments for export to informal enterprises and homeworkers. The project mapped the subcontracting chain of a UK-based retailer to Sri Lankan suppliers

and home workers and explored the relationship between those who produce for brand labels and the informal sector

Union Research Group (URG) in India examined the structure of the Indian garment industry with a particular focus on export production links in the subcontracting chain. It documented employment conditions of workers in the informal sector and mapped three subcontracting chains from TNCs to informal workers and homeworkers in Bombay. It also researched legislation to support workers.

In Pakistan Working Women's Organisation (WWO) mapped the subcontracting chain of two large TNCs as well as collecting data about contracting and subcontracting chains in the garment industry in general, looking at the role of contractors, middlemen and actual companies. Finally, it researched conditions for women workers (factory and home-based) in the chain.

In the UK Women Working Worldwide (WWW) explored how subcontracting is structured in UK and how industry changes affect each point in the chain. It compared conditions in three different chains, focusing on a company that produces in the UK and subcontracts abroad, knitwear companies that produce only in the UK and homeworkers.

Section 2 The Operation of Subcontracting Chains in the Garment Industry

The research reflects the many changes in the garment industry over the past thirty years. Intense international and local competition in the garment industry means that manufacturers in industrialised countries are outsourcing more production to lower wage economies. The effect on production has been an increased focus on flexibility and price. This has resulted in a dramatic increase in subcontracting as buyers are more mobile and can switch manufacturers with ease. Changes in trade rules, such as the Multi-Fibre Agreement, resulted in the development of garment industries in countries like Bangladesh, Sri Lanka and Pakistan – where one worker in four is employed in the garment industry. These countries are now dependent on an industry that may no longer be competitive when trade rules change in 2005.

In order to be as competitive as possible, manufacturers in countries are cutting costs and increasing their flexibility by decreasing their core workforce and passing work on to smaller producers and homeworkers. In this way, the insecurity is passed on to those lowest down the chain who have least ability to resist these pressures and, because they lack power, they are forced to accept whatever conditions they receive. This is happening in the largest manufacturers as well as smaller units, in Export Processing Zones (EPZs) and industrial parks, creating complex local subcontracting chains. The relationships between these companies and units are volatile at best as they rely on cheap production.

Subcontracting splinters the industry by playing one country off against another country, by playing one firm off against another firm and by playing one worker off against another worker, all in the name of cheaper production and quicker turnaround times. The result is greater insecurity for small employers and workers, as well as increasing tensions around gender, ethnicity, religion, caste and class.

As the research reveals, workers on opposite sides of the globe have felt the impacts of these changes. Whether they work in India or in the UK, the effects are the same: temporary employment; job insecurity; long working hours; very low wages; non availability of pension, maternity leave, sick leave, bonuses or provident funds; bans on unionism and collective bargaining; unhealthy environmental conditions at the workplace; and sexual harassment by management. While the research reveals many overlaps and similarities, there are also some interesting differences.

Different forms of subcontracting

This research began by looking at the garments that are made by the workers interviewed and traced the subcontracting chains from these garments through different manufacturers and agents to their ultimate retailers. The aim of the research was to find out how manufacturers subcontracted out work in their own countries and localities. International subcontracting chains are very complex and, in many cases, extremely difficult to locate as many of their links are hidden. There are two types of chains:

1. vertical chains
2. horizontal chains

Vertical chains describe a hierarchy of units through which an order is passed: for example, a large factory subcontracts to a smaller factory which then subcontracts out to a small unit. Horizontal chains is when the units involved in an order are in the same tier: for example one factory sending orders to a sibling factory.

There are five different kinds of subcontracting that were identified through this project. They can be put under two different headings: in-sourcing and out-sourcing. In-sourcing is where the company bring extra workers into the company during times of peak demand. This can be done in several ways: Getting workers to do overtime. The payment for this is below overtime rates and late, if they are paid at all

Hiring contract and piece-rate workers during peak season – these workers can either be hired by the management or through a recruitment agency. If they are hired through a recruitment agency, the workers are not paid by the company so it has no legal responsibility for these workers. These workers are paid by piece rate and are not entitled to any social welfare benefits.

When the management out-sources, rather than getting in additional workers, it sends the production out of the factory to be completed by other workers. This is also done in several different ways:

1. A line leader (the line leader is a regular worker of the company who supervises each assembly line) or supervisor will give the work to homebased workshops and/or homebased workers
2. The work is given to an agent who subcontracts the work to smaller factories, workshops and/or homeworkers
3. The work is sent to another company. This may be to another 'sibling' factory, that is part of the same firm, or another factory that has no formal link to first company

Different kinds of agents

The research highlighted four key agents who move the orders through the subcontracting chain. Although there are many names given to agents, they all share a common function: to find manufacturers to fill their order on time at a set price and quality level. Although profit margins can vary, Karmojibi Nari's research

found that agents in Bangladesh make approximately 5-7% of the value of the order. They receive orders from 5-6 buyers – who may be sourcing houses, buyers or buying offices – and work with 10-15 manufacturers of different sizes.

‘Sourcing offices’, ‘buyers’ and ‘buying offices’ generally refer to agents who contract work to the large manufacturers in Tier 1. ‘Subcontractors’ and ‘middlemen’ work between the various tiers below Tier 1. They get orders from factories to subcontract garments – either the whole garment or part of the process – to other factories. ‘Middlemen’ can include small buying firms or small independent agents, company management or people who have a personal relationship with the management of the firm – such as former employees, former managers and current supervisors and line leaders. As all these agents have such a powerful influence over the production in the chain, it’s worth looking at them in greater detail.

1. **Sourcing offices.** Large retailers and brand names have their own sourcing offices. The Gap, for example, have regional sourcing offices – in Asia the regional sourcing office is located in Singapore – as well as national sourcing offices located in the countries where they do a lot of business, for example the Philippines, Bangladesh and Pakistan.
2. **Buyers.** Buyers can work from retailers’ headquarters and sourcing offices, as well as working for small shops where the owner or manager is also the buyer. There are also independent buyers who do not work for any specific company. Buyers often attend trade fairs and visit manufacturers to source the garments for the next season as well as working with manufacturers that they already know.
3. **Buying offices.** These can be independent buying houses or belong to large manufacturers. While the biggest buying houses have a steady flow of orders, smaller buying houses have to approach buyers to get orders from them. One large textiles and garment manufacturer in Pakistan receives 70% of its orders from its own New York office. While it is commonly known that manufacturers subcontract out risky orders, in Bangladesh the researchers discovered that agents will subcontract out risky orders to smaller buying houses/agents in order to protect themselves from that risk.

4. **Supervisors/line leaders.** During peak seasons, line leaders within large manufacturing units subcontract out work to homeworkers or to another subcontractor (they earn more if they do it this way). Research from WWP in the Philippines discovered that they only pay homeworkers 20-3% of the price they receive for the tasks. The homeworkers earn about P88 (\$1.64) per day, during peak season; one line leader who has 80 homeworkers, earns \$316.80 per day during peak season. Line leaders acting as subcontractors shows that the line between employee and employer is a very grey line that can create tensions at work and in the community. This happens at work because management allocates additional quotas, which can be subcontracted out, to line leaders they like – some line leaders have enough to subcontract out to four or five homeworkers while others get enough to subcontract out to eighty homeworkers. As much homebased work comes from personal connections it can create tensions within the community and within families who view line leader as source of income, but also recognise the exploitative nature of the relationship.

The structure of subcontracting chains

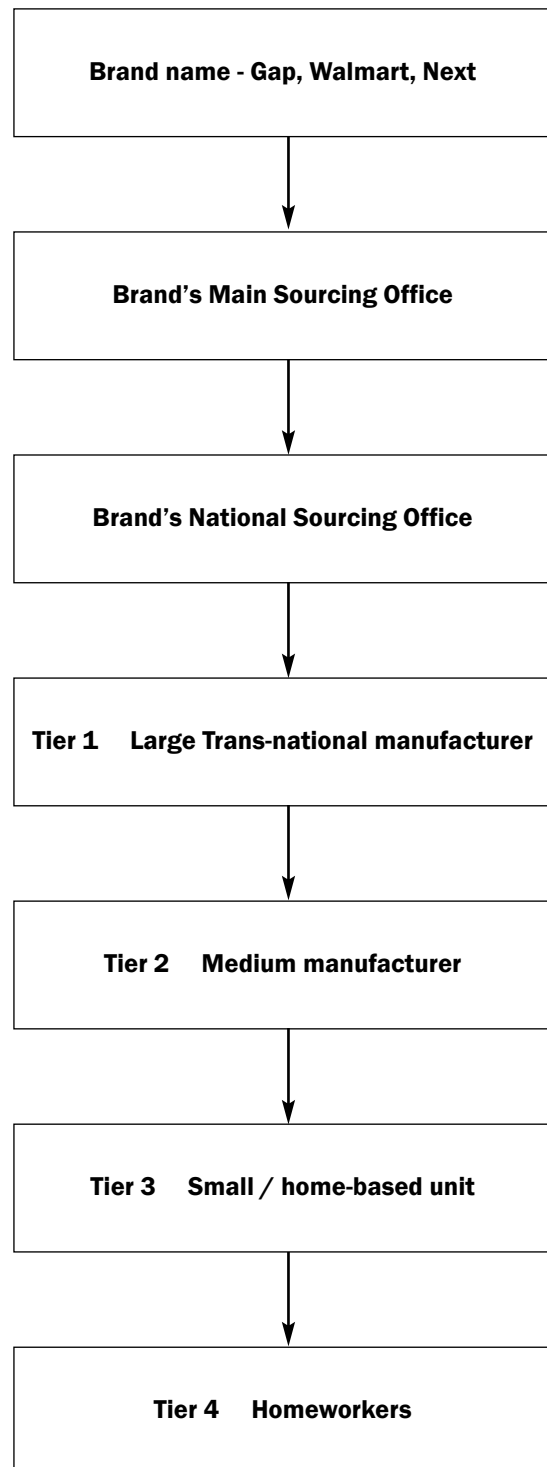
As each research group had a different focus and analysis of the chains, identifying common characteristics was a difficult task. It was further complicated by the existence of multiple manufacturers at each level, making it more difficult to distinguish between horizontal chains and vertical chains. Not all companies have four tiers below them, many have less. The length of the chain is determined by the size of the lead firm and its role. The research found that in most countries there are between three and four vertical tiers in the manufacturing supply chain. The first tier is the manufacturer *contracted* to make the garments. The manufacturer may then *subcontract* work out to smaller factories below them. The largest manufacturers – contractors – have up to three vertical tiers below them and many manufacturers forming horizontal tiers at each tier. Chains are structured rather like pyramids: the higher up the chain, the fewer manufacturers there are. In Pakistan, Levi’s likes to work with 10-20 large manufacturers with whom it has long standing business relationships: this creates a horizontal chain of 10-20 manufacturers at Tier 1. Each of these

manufacturers will also have vertical and horizontal chains below them.

The map on the following page shows a simplified subcontracting chain from a large brand or retailer. There are some noteworthy features. Firstly, the research reveals the largest brands and retailers have a complex sourcing infrastructure. Orders have to pass through several layers within the company before they are relayed to the manufacturer. They frequently have regional sourcing offices that are responsible for allocating the countries and companies from whom they source. The orders are either relayed to the brand's national sourcing office or directly to the Tier 1 manufacturer. The relationships between Tier 1 manufacturers and the large brands are quite stable and cooperative, however relationships become more unstable further down the chain.

As we have seen, orders are passed through this chain by a variety of different agents. Another interesting feature in the chain is the length of the manufacturing supply chain. This model shows four tiers of manufacturers. As previously mentioned, longer vertical chains are generally found in large export orders, which normally come from global brands. Smaller export orders and domestic production have smaller chains. These chains may not begin in Tier 1, but may begin in Tiers 2, 3 or 4, depending on the size of the order. The following section will explore the dynamics within these different tiers in greater detail.

Simplified Subcontracting Chain of a Brand Name

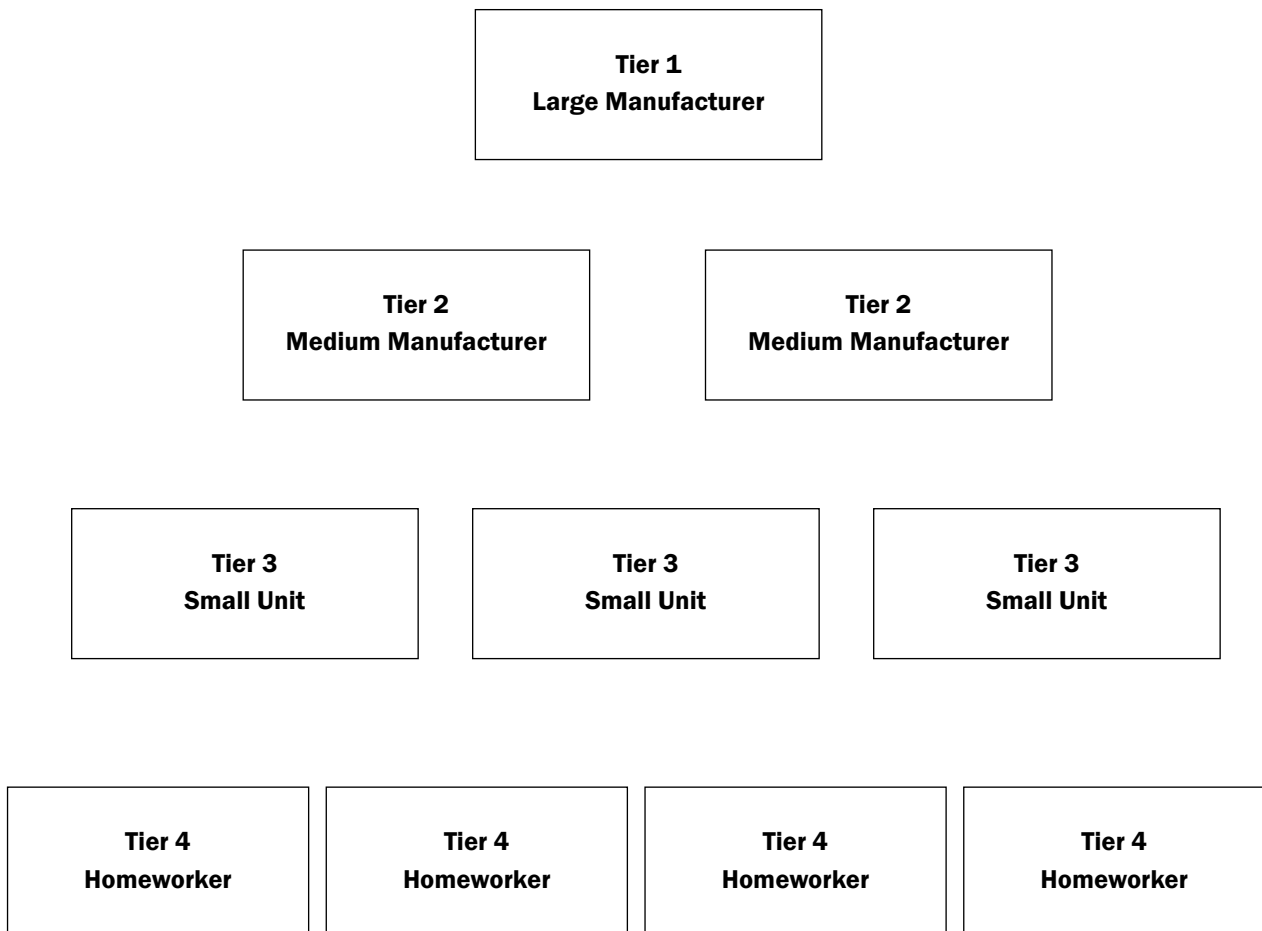


Two criteria emerged from the research which appear to play powerful roles in determining the length of the chain. Longer vertical chains are found when (a) the garment is for export and (b) if it comes from one of the large manufacturing companies in the first tier. Putting together the findings from the research there are several conclusions that we can draw about the structure of the chain. The first is that there appear to be two types of export-oriented chains – large volume production and smaller volume production – and two types of domestic-oriented production – large volume

production and smaller volume production. These different forms of subcontracting appear to have different entry points into the chain. It is important to point out that this is a trend observed from the research and will not accurately reflect the experience of all factories.

This diagram shows a simplified model of a subcontracting chain. At every manufacturing level there may be many more manufacturers.

Simplified Supply Chain Showing Vertical and Horizontal Manufacturing Subcontracting Chains



Tier 1 – Large Manufacturers

Manufacturer size: The largest manufacturers are found at the top tier: the largest of these companies are just one unit of a regional or international chain of multinationals that focus on textile production and manufacturing.

Manufacturer investment: They are mostly backed with foreign direct investment, either from international or regional investors, such as Taiwanese or Korean investors.

Manufacturer governance: These companies dominate their national industries. A clear example of this is found in the Philippines where only five firms, out of 1,500 registered garment firms, control 20% of the garment industry. This means that they have some influence with the government over changes in labour legislation and investment policies. When united in employers and industry associations they form a very strong lobby. They also play the lead role in the chains below them, dictating turnaround times, prices and quality levels.

Type of operations performed: The very big manufacturers often provide a wide range of services, including 'full package' production, design, sourcing materials, distribution and logistics. Smaller companies at this level may not have the distribution and logistics capabilities.

Product type: Large bulk orders, especially for global brands

Product destination: They make up the majority of national export orders and do not appear to manufacture as much for domestic markets

Flow of orders: Orders tend to come through the companies' headquarters or are relayed from the sourcing offices of large buyers. These firms are frequently parent firms that either do not subcontract in or out, as 100% of their production can be done in-house, or subcontract out only.

Workers' conditions: Conditions in many of these factories can be quite good because they are often used as show cases for auditors, monitors, labour inspectors and potential buyers.

Tier 2 – Medium Manufacturers

Manufacturer size: In the second tier there are manufacturers that are still large, but do not have the international scale of the companies in the first tier. In some cases these factories are subsidiaries of first tier companies. Tier 2 companies can vary quite widely in size: in Guangdong Province, they employ 400-1000 workers, while in Sri Lanka they employ 40-80 workers.

Manufacturer investment: The largest of these factories are often funded through FDI, while smaller factories within this category are locally funded.

Manufacturer governance: These factories may subcontract orders from Tier 1 companies and receive orders directly from a customer. Where they are part of Tier 1's chain, the factories at this level do not have much power within the chain, as they are responsible to factories in Tier 1. In situations where they receive direct orders from a customer, they have greater power, i.e. when they are at the top of a smaller chain.

Type of operations performed: These factories do not offer a very wide range of services and tend to focus on CMT.

Product type: Production is structured in three ways at this level:

- these factories receive production from Tier 1 that is subcontracted down;
- these factories receive smaller orders for export from retailers, brands that are smaller than mega-brands like Gap or Nike. These orders do not pass through Tier 1 but come directly to these companies
- these companies also manufacture for the domestic market – either department stores or national brands – and in some cases, these manufacturers may also develop their own brand names for sale in the domestic market

Product destination: Export and domestic

Flow of orders: These companies subcontract in from companies in Tier 1, receive independent orders for export and domestic goods and subcontract out to Tier 3 and/or Tier 4. Some companies, like Crystal Group, are very strict about subcontracting and quality. Research from Guangdong Province shows

that tier two factories are more likely to subcontract their own production, rather than subcontract the orders that they have received from Tier 1 Crystal factories.

Workers' conditions: Workers' rights as well as health and safety conditions are under pressure at this tier.

Tier 3 – Smaller units

Manufacturer size: Manufacturing units in Tier 3 tend to be much smaller in scale. The factories range small factories, sweatshops and informal factories to units operating out of someone's house. Again, the size of these units varies depending on the location: in Sri Lanka they can have twenty employees, while in China the scale is much larger with several hundred workers in Tier 3 units.

Manufacturer investment: Factories at this level tend to be funded by local capital, sometimes by local entrepreneurs moving up from Tier 4.

Manufacturer governance: These units have little power as they are located close to the bottom of the chain. Moreover, their small size means that they are not as strong a lobby as Tier 1 units.

Type of operations performed: They generally work on sew and trim for work that is subcontracted in from Tier 2 factories and CMT for domestic production.

Product type: Subcontracted export orders and small domestic orders

Product destination: These units produce for the international market through work subcontracted in. They also produce for the local domestic market; they are less likely to work for national department stores or brand names, but to produce for local markets and provincial wholesalers.

Flow of orders: Orders are either subcontracted from Tier 2 or the unit receives smaller independent orders from local retailers and/or wholesalers

Workers' conditions: Workers' rights and health and safety conditions are under even greater pressure at this tier

Tier 4 – Homeworkers

Manufacturer size: Homebased workers are included in a separate tier to draw attention to the distinct nature of their work and their position at the bottom of the supply chain. They are individual workers working from their homes, as distinct from home-based units where a few women work from someone's home. Homeworking emerged in three different ways in the research.

- Work can be supplementary work – this is done in the evenings and at weekends – or form the workers' core income
- It can be seasonal or all year work
- Work is either for own account sales or a supplier

Manufacturer investment: Generally the workers pay for their own equipment and overheads.

Manufacturer governance: Homeworkers have almost no power in the chain and, in most cases, they lack the organisational structures necessary to lobby employers and governments effectively.

Type of operations performed: Homeworkers provide stop-gap production where they sew and trim pre-cut garments. The research also revealed another dimension to this work. The work that homeworkers do is generally work that is either very labour intensive or very dangerous. In the report from Pakistan this includes embroidery, while the WWP report from the Philippines, highlights finishing off knitwear, which needs to be hand-sewn, and traditional weaving. This is detailed, time consuming work and factories find it cheaper and faster to subcontract this work to homeworkers. In Sri Lanka, they found that down-filled jackets, which involve workers stuffing the linings of jackets with goose feathers was subcontracted to homeworkers. This work can induce allergies and breathing difficulties, and the feathers constitute a fire hazard. The work is considered too dangerous to be done in the factories so it is subcontracted out to homeworkers, so that the factory continues to comply with health and safety requirements.

Product type: Subcontracted export orders and local orders.

Product destination: In almost all countries, homework is done for the export market as well as for the domestic market, frequently at a very local level.

Flow of orders: In Sri Lanka, most of the homeworkers get work directly from a firm, while a quarter get it from a subcontractor. Several reports stated that homeworkers generally work for just one agent, but that they may work for two or three agents during off-peak seasons.

Workers' conditions: Conditions for work in the home, especially for more hazardous operations, are worse than in factories. There is a wider impact to health and safety hazards for homeworkers as they do not just affect workers but their families as well. In contrast to other homeworkers, those interviewed in Guangdong province in China, where conditions are higher than in the rest of China, find working at home freer than working in the factories. This is because they can determine their own work schedule which means that they avoid fights between workers over better-priced jobs as in the factory. This means that if they finish quickly the management will not press down the unit price, so they feel that they have more control over their work and that the pressure is less intense.

Section 3 Trends in Subcontracting

There are several features that stood out in the research reports. They all share the common theme of increased exploitation of already marginalised workers. While the features themselves are not new, the research findings underline their intensification and highlight some new dimensions that come into clear focus when chains are researched from the perspective of workers. The features in this section are:

1. The decentralisation of production
2. The increased informalisation of the workforce
3. The exploitation of gender and ethnic inequalities.

The Decentralisation of Production

There is a clear move by larger manufacturers to move from cities and large urban areas to cheaper areas either in the provinces or in rural areas. This is to cut costs in several ways. It can cut wage costs. In the Philippines the minimum wage is set regionally. This affects employers' decisions on location. The minimum wage in the capital Manila is P280 (\$5.60) per day; in southern Luzon it is P237 (\$4.74) per day and in Baguio City, a five hour trip from Manila, the minimum wage is P195 (\$3.68) per day. Employers also hope to avoid trade unions and labour auditors by relocating to more remote areas. This means that health and safety legislation is not enforced, hours

and wages are not monitored and workers are less aware of their rights and how to organise to protect these rights. The erosion of these rights saves employers money but undermines the workers.

The research revealed three levels of relocation: international, regional and national. The UK garment industry is experiencing international relocation rather than local or national relocation. Companies are either closing down or sourcing production overseas: employment in the garment industry has decreased by 11% for the past five years. In order to compete, the companies that remain are cutting jobs – some factories only operate six months a year – decreasing salaries and benefits in order to compete. They are unable to afford new equipment or to improve conditions, so workers endure conditions that are very cold, noisy, lack ventilation and adequate light.

At the regional level, production is moving to cheaper countries within the same region. Hong Kong is moving production to China, specifically Guangdong province. Over 70% of Guangdong province's total foreign investment comes from Hong Kong and an estimated 10 million people in Guangdong are employed either directly and indirectly for Hong Kong-based manufacturing and trading firms. Equally, in Europe garment production has moved to cheaper European countries like Bulgaria. It has seen an annual increase of 8%-9% every year in the number of garment industries registered. Its garment industry has increased because labour there is cheaper than elsewhere in Europe. Although it is on the outer European rim, it is still closer than other cheap producers in Latin America and Asia. The wages in Bulgaria are seven times lower than in Greece and fourteen times lower than in Germany.

Finally, manufacturers are relocating at a national level. They are moving from cities to the provinces where wages are lower, workers are not aware of their rights and monitors are less likely to visit to inspect factories. This is currently happening on an increasing scale in Thailand and the Philippines. In the Philippines only three of the top fifty producers in the country now have their factories in the capital.

The Increased Informalisation of the Workforce

The research shows that production in all nine countries is dominated by small-scale factories and

workshops, frequently employing workers on short-term contracts or without contracts. In Pakistan 70% of units have 4-10 machines and two irons. In the UK the informal workforce has increased while the formal workforce has decreased: the informal workforce is now only 20% smaller than the formal workforce. As this comes from official statistics the actual size of the informal workforce could be higher still. In Thailand, 70% of the labour force are employed in small and medium sized units where conditions are steadily declining.

In many cases labour laws do not apply to small companies so workers are unable to protect themselves. In Pakistan and Bangladesh 95% of those interviewed had no contract letter. This means that they cannot prove that they are workers and therefore eligible for certain entitlements under the law. If they are fired they cannot prove that they were ever employed, so the employers can escape any responsibility to workers. The research in Sri Lanka highlights another method used by employers to avoid their responsibilities. Some of the workers interviewed described themselves as 'self-employed' even though their hours, pay and work were clearly organised by others. This may be because their employers tell the workers that they are self-employed in order to avoid paying these workers social welfare payments and other contributions.

As work becomes more insecure many women begin working at home, if they have contacts from whom they can get work. This work is frequently done by older women, many of whom have children: they need an income but also need to take care of the children. There are also additional reasons why women work from home. In the UK Asian women form a large proportion of homeworkers due to language barriers, childcare, lack of social networks and restrictions on working outside the house. Sri Lanka proved to be a very interesting case study because there was no information on the existence of homeworkers, except for anecdotal evidence, though small homebased enterprises were known. Through 185 interviews they found 15 home workers. Although this is a small number, it proves that homeworkers do exist in Sri Lanka and that they work for export. Identifying homeworkers and cataloguing their conditions fulfilled one of the main goals of the Sri Lankan research.

Although they are very hidden, the conditions of homeworking in Sri Lanka are the same as those for homeworkers in all countries. They work to a piece-rate and must redo mistakes without payment. Orders are very unstable, hours are long and the income from homeworking is very unstable, below the average garment industry income and well below national minimum wages. In the UK homeworkers can earn between £1.30 (\$1.75) and £3 (\$4.50) per hour, which is below the minimum wage of £4.10 (\$6.15). In Guangdong province monthly incomes fluctuate from RMB800 (\$66) to RMB3000 (\$250), depending on the season. The most interesting difference between the homeworkers in Sri Lanka and in other countries was the payment of expenses. A third had to bear all the expenses, a third had to bear expenses sometimes and a third had no expenses. Research from the other countries indicated that most homeworkers bear all the expenses.

One of the most remarkable features highlighted in the research was that homeworkers in Guangdong province have to pay a down payment to the agent who gives them work. This is generally a month's salary in advance. The reason is to ensure that the homemaker will complete the work for this agent and not sell the goods to another agent. The money is returned to the homemaker when they cease to work with that agent. As Guangdong province is one of the wealthiest provinces in China, the research found that it is not overly difficult for the homeworkers to get this deposit and they do not have to get into debt in order to raise the deposit.

The Exploitation of Gender and Ethnic Inequalities

The garment industry is dominated by women workers, but even though it employs more women than almost any other industry, there is a notable lack of women beyond the production line. Although, India and Pakistan are two notable exceptions where stitching is considered male work, except in very large firms and EPZs. The research confirms a general trend towards the feminisation of production in the industry: while men are concentrated in ownership, management and administration, women dominate in production. As a result, women workers are generally more marginalised and vulnerable than male workers. The research from Bulgaria demonstrates this bias very clearly.

- Owners – 10% women
- Management – 20% women
- Administrative personnel – 50% women
- Workers in production – 90% women
- Home workers – 100% women

As a result of the gendered nature of the industry, changes in the garment industry have a significantly gendered impact which frequently undermines the already weakened position in the workforce. The research from the UK provides a clear example of this process. The shift in the UK industry towards sourcing overseas has resulted in an increase in female unemployment in the garment industry. In the last few years female employment has dropped by 50%. This is because men are employed in management, cutting and distribution, while women dominate in sewing – the work that is now outsourced or subcontracted to overseas units.

Other social biases are also reinforced by increasingly informal and insecure jobs, including ethnic, caste, religion, age and class differences. Workers in the Pakistani garment industry are predominantly widows, orphans and from the poorest backgrounds. Such differences are frequently used by management and agents to play workers off against each other and to increase tensions between workers. This can undermine their ability to unite behind common issues and organise collectively to address these problems, though there are exceptions. One large garment company in India has a diverse ethnic, caste and religious workforce, employing caste Hindus, dalits and Muslims, and workers from North, South and West India. The employer tried to play on one of these divisions (which also coincided with a gender divide) by encouraging the young North Indian men who worked as tailors to join another union. Despite this the workers interviewed for the research, all of whom belonged to the trade union Sarva Shramik Sangh, said that workers had maintained good relations and general solidarity in the face of their employer's tactics. Within the UK there has been a significant trend towards Asian ownership and workforces in some geographic areas and sectors of the industry. It is most frequently in the sectors where competition from exports is worst and, consequently, conditions are also abysmal.

Section 4 Issues for Women Workers in Subcontracting Chains

Along with describing subcontracting chains, the research highlights the conditions and difficulties faced by workers in these chains. Many of the issues are well-established issues that have been reinforced by increased subcontracting. These issues need to be addressed in order to improve the conditions for workers in the garment industry regardless of where they are in the chain or what countries they live in. The findings reinforce the persuasiveness of these problems, and although it may seem surprising to some, workers in the United Kingdom face the same problems as workers in India. The issues addressed in this section are:

1. Underpayment of wages and social welfare entitlements
2. Hours of work
3. Health and safety issues
4. Harassment
5. Trade unions and organising

Underpayment of Wages and Social Welfare Entitlements

In the reports the importance of women's wages to themselves and the family is clear. In Bulgaria the women are the main bread winners, while in Pakistan 95% of the women interviewed were earning supplementary wages and they began working because their families were in financial crisis. The minimum wage in Pakistan for unskilled workers is RS. 2500 (US\$43) per month, or \$1.43 per day, but they are paid less than this by employers. The most common complaint in the reports was that wages are low, late and incomplete. The research found that wages are purposely made complex, so that the workers cannot compute their wages in advance or know if they have been underpaid. Calculating wages can be based on piece rate, time rate, or a mixed piece rate and time rate is also mentioned.

In Bangladesh workers are legally entitled to accommodation allowances, transport allowances, meal allowances, medical allowances, bonuses, pension, provident fund and insurance benefits, but they are often unaware of these entitlements and few receive these payments. In the Philippines, as in several other countries, transport allowances, living

allowances and bonuses are not paid and many workers are unaware that they are entitled to these payments.

Workers also face a long list of offences for which money is deducted from their wages. These range from being sick or late to not achieving daily or weekly quotas. Legitimate deductions for various social welfare payments are frequently made but the deductions are not remitted to the government. In China payment of social welfare contributions only happens in tier one and tier two companies. It is not paid for manufacturing staff and is only paid for workers who have high status, such as managers and senior administrators. Management jobs are done almost exclusively by men and manufacturing work is done by women, this means that there is a significant gender bias in the payment of social welfare.

Quality control is a contentious area in relation to wages. In some cases workers are obliged to repair errors without payment. In other cases workers must pay for mistakes as well as repair them. In Guangdong one factory has strict control over the quality and workers are fined RMB10-50 for defects and quality problems which increases the pressure under which they must work. This fine is not shown on the pay record so it is not seen by external auditors.

The following chain shows a four tier supply chain. It comes from the HKCIC's report on garment supply chains in Guangdong Province in China. This is one of the wealthiest provinces in China, so conditions here are better than they may be in some other provinces. In Guangdong province the minimum wage is RMB 450 (\$37.50) per month. The chain shows seven features that are common to almost all the reports.

1. Wages are higher the closer the factory is to the top of the chain
2. Bigger factories have a minimum wage during low seasons. This is not for all workers; it is only for the core workers who are retained during the low season. Most workers are retrenched, frequently without compensation.
3. Piece rate payment is almost universal outside big factories – and even in some big factories. Workers who earn on the piece rate system experience dramatic changes in income between high season and low season which creates great instability
4. Wages for most workers are sub-minimum during

low seasons as they are either retrenched or they have no work to do

5. Late payment is not uncommon. Some workers have to wait several weeks and in this chain workers can wait up to two or three months for payment.
6. In this chain there are great similarity between workers' wages further down the chain. Workers in factories, workshops and homeworkers all earn RMB500-1000 (\$42.66 - \$83.33) per month during the peak season and RMB200-300 (\$16.66 - \$25) during the low season. These homeworkers earn a piece rate which is dependent on filling a quota and could indicate that workers in factories, workshops and at home are all completing a similar volume of work, regardless of where they work
7. Interestingly, homeworkers here are earning, on average, slightly more than factory/workshop workers at RMB800-900 (\$66.66 - \$75). This could be because Guangdong is a wealthy province so rates are a little higher. This coincides with findings from Sri Lanka which indicate that, during the peak season, homeworkers' and factory workers' wages are almost equal as homeworkers get higher bonuses and only marginally less wages

However, when looked at over a longer period of time – rather than focusing on one season – differences between formal and informal workers' wages are a common theme. In Sri Lanka wages in the informal sector are about 40% lower than in formal work, with some workers earning only \$1.03 per day. Although their monthly wages are generally paid on time, few workers receive social welfare benefits. In India, wages in the sweatshops were abysmal; in one, workers were being paid Rs 700 (\$16.27) per month, less than a quarter of the minimum wage. When they demanded an increase, the employer switched to piece-rates and the workers then had to work harder for the same wage. Equally, in the UK workers earn about 33% less than men, and in informal sector they earn as little as £1 (\$1.50), which is only 25% of the national minimum wage of £4.10 (\$6.75) per hour. This may seem like more money than workers in Eastern Europe or Asia earn. However, it is important to remember that costs in the UK are much higher than in Eastern Europe or Asia. This means that these women share the same experiences as women in Eastern Europe and Asia. They are not paid enough money to support themselves and their families

adequately. Neither are all homeworkers paid the same amount in the UK. One supplier said that when he employed Asian homeworkers he paid them less than white workers.

Once these deductions and bonuses are calculated into the wage, it can be almost impossible for workers

to calculate their wages in advance or check that the amount they are paid is correct. When they are paid, many reports note that workers are forced to sign white sheets of paper when they collect their wages, this way the employer can write a different wage on the docket for inspectors and monitors.

Comparison of wages down the supply chain

First Tier - Supply Factory

- Rmb 700-1000 (\$58 - \$83) in peak season
- Piece rate
- No other form of subsidy
- Minimum wage paid in low season

Second Tier - Sub-contractor Factory

- Rmb500-1000 (\$41 - \$83) a month for skilled workers in peak season at piece rate
- Rmb 300 (\$35) a month in low season
- Piece rate
- No subsidy
- Wages paid 2-3 months late
- No minimum wage or subsidy in low season

Third Tier - Sub-contractor Workshop

- Rmb 500- 800 (\$41 - \$66) a month for skilled workers in peak season at piece rate Rmb 200-300 (\$16 - \$35) in low season
- Piece rate
- No subsidy
- No minimum wage or subsidy in low season

Fourth Tier - Sub-contractor Units / Homeworkers

- Rmb 800-900 (\$66 - \$75) a month in peak season at piece rate
- Rmb 200-300 (\$16 - \$35) in low season
- Piece rate
- No subsidy
- No minimum wage or subsidy in low season

Hours of Work

The research confirms the intensification of working hours, both in terms of over work and under work. Overwork is closely related to inadequate wages. In Bulgaria a family wage is €650 – €700 (\$555 - \$598) per month, but the average salary of a seamstress is about €115 – €130 (\$98 - \$111) per month. To compensate for the low pay levels, they work 12 – 16 hours a day without breaks. In this way they can earn up to €225 (\$192) – just 30% of the living wage.

There are two forms of overtime: implicit and explicit. Implicit overtime is when workers are not directly asked to perform overtime but know that they are not free to leave at the end of the day. This can be as a result of management's attitude or because quotas are so high it is impossible to finish them during the working day, so workers are obliged to work overtime. Explicit overtime is where workers are forced to work overtime because there is a physical barrier stopping them leaving the factory, for example when they are locked into the factory. A refusal to do overtime can be used as a pretext for dismissal.

Overtime work seems to depend on the type of unit where workers are employed. Just as in the chain shown in the previous section on wages, better conditions are more likely towards the top of the chain. This is due to a number of factors: these factories are more likely to be monitored and audited; trade unions – where they exist – have negotiated less overtime; and some large factories employ two shifts, so workers have to leave their positions so that the next shift can begin.

Working days vary in length. While overtime in these large factories is officially limited to 2-4 hours per day, hours in other factories and smaller units are much longer and 12-16 hour days are not uncommon. Eight hour shifts with two hours overtime, are mentioned in the reports from Sri Lanka and Bangladesh; 10 hour days with two hours overtime in Guangdong province and 12-16 hours a day is noted in Pakistan. Most workers are denied a day off during peak season, which can continue for several months so workers go for months without time off.

Many reports state that workers are forced to work overnight. Interestingly, one factory mentioned in the India report had overtime for 24 hours straight. Men

were forced to do this overtime but women with small children were allowed to go home, after they had completed two hours of compulsory overtime. Working overtime, especially late into the night, can create wider social problems. The majority of factories do not provide transport, and in many cases local transport is either far away or has stopped its services for the night. Returning home from work late at night leaves women open to harassment. In both Pakistan and Bangladesh women report being sexually harassed while returning home from work late at night. In its most extreme forms this has a direct impact on these women's lives, sometimes forcing them to leave their job and their community. In the long term this can make it more difficult for these women to marry and therefore affects their future employment, income and status in the community.

The more informal the work is, the more 'flexible' the hours are. Greater flexibility in the garment industry corresponds with increased pressure on the workers in the industry. One of the clearest demonstrations of this is with homeworkers, where the reports from Sri Lanka and the Philippines state that 16 hour days are not uncommon and some workers do 60-90 hours a week. This figure that does not include the additional work carried out by members of the homeworkers' families either through direct help filling the quota or supportive help with household responsibilities.

Underwork is the underside of flexible hours. Just as breaks and leave are inadequate and difficult to take during peak seasons, there is retrenchment and compulsory use of leave during low seasons. Workers are obliged to use their holiday time during low seasons so that the company does not have to pay them when orders are low. And these are the lucky workers: all the reports state that significant numbers of workers are retrenched during low seasons. In this period they have no work and need to find alternative jobs. This is particularly serious for the vast majority of workers who do not have permanent contracts and it means that homeworkers find work is infrequent and hard to predict, so their hours fluctuate from 2 to 17 hours a day. Although workers may know what time of year orders drop, they are frequently not informed of changes in advance, or when the situation may improve. This lack of communication between agents, management and workers – either in factory units or at home – reinforces the unpredictability and insecurity of jobs in the garment industry.

Health and Safety Issues

Health and safety issues are a constant problem in the garment industry. The issues covered in the reports are almost identical. They include: excessively high temperature – or very low temperatures in Britain; dust; inadequate ventilation; inadequate lighting; excessive noise; lack of fire-fighting equipment; blocked exits; bad sanitation; unhygienic canteens; and lack of drinking water. The physical effects of these conditions are worsened by sitting bent over a sewing machine on stools and broken chairs or using a heavy iron all day. The list of illnesses, infections and injuries cited in all reports is almost as long as the list of health and safety violations. They include fevers, headaches, eye sight problems, skin allergies, kidney infections, back ache, stomach cramps, breathing difficulties and constant exhaustion.

Toilet breaks are generally inadequate and some companies do not provide drinking water in order to minimise the number of toilet breaks that women take. The report from Sri Lanka finds that workers are only allowed one-minute toilet breaks in some factories. In other countries workers are only allowed two toilet breaks in a ten or twelve hour day and these are often timed breaks. The result of this is dehydration and kidney infections.

The report from Thailand notes that in some factories separate dormitory space is not provided for workers, so they must sleep in their workspace. Not only is this grossly inadequate, but it reduces human beings to machines denying them of the most basic of human rights.

Employers seem unwilling to invest in improving minimum health and safety standards either because it would cost too much or because the units are rented so they do not see the point in investing in a building that they only rent. The Bulgarian report states that according to the Labour Inspectorate's estimates, about 2/3 of the enterprises are in rented premises and employers do not wish to invest in minimum health and safety standards, so these factories and units fail to meet minimum standards. Interestingly, the Philippine government is trying to improve these standards. The Garment and Textile Export Board are attempting to offset the potential impact of the MFA phase out by improving standards in the industry.

The initiatives, some of which are problematic for workers' rights, include a set of rules based on the Responsible Apparel Production Program (RAPP) that covers accepted global standards of productivity, efficiency and requirements for social and labour standards. At the end of 2001, 470 firms out of the 561 targeted firms had complied – at least at the time they were monitored!

Despite the conditions in which women have to work it is difficult to take time off due to illness so most workers continue to work even when they are sick. The report from Bangladesh found that women spend 8% of their salary on ill health but men only spend 4%. It is probable that this is because women are more likely to work in production than in management so they are more likely to suffer from greater ill health.

Exhaustion, ergonomic problems – which relate to the movements necessary to carry out the work, the conditions in the factory environment – the deprivation of basic bodily functions such as drinking water and using the toilet are reoccurring problems for workers. It is not just workers' physical health that is undermined by these conditions but also their mental and emotional health as a result of excessive hours, unsustainable work intensity due to high quotas as well as verbal and psychological harassment from management.

Harassment

Harassment is an issue that often has a very gendered impact, as female workers are more likely to be harassed than male workers. It was highlighted in four of the ten reports and has been included in this review because it is an issue that, though frequently ignored, needs to be highlighted.

The research indicates three different types of harassment: verbal/psychological; sexual; and physical. The report from Bulgaria notes that some workers are harassed verbally and subjected to psychological harassment. Although this is only mentioned in the Bulgarian report, it is likely that verbal and psychological harassment are so widespread, at all points of international subcontracting chains, that this treatment is considered normal by workers, consequently this issue is under-reported.

Physical harassment and intimidation, used against trade union organisers and members, are highlighted in the reports from Bangladesh and the UK. In Bangladesh workers involved with trade union face retrenchment, harassment and intimidation, as well as murder threats.

The report from Pakistan notes that sexual harassment by management is widespread with 70% of the women workers interviewed experiencing work-based sexual harassment. This ranges from prohibitions on lipstick, make up and henna on their hands to supervisors forcing them to cover their head not allowing them to talk to any men yet, in all factories visited, women have male supervisors. In Bangladesh half of the surveyed female garment workers faced various different types of violence and harassment in the month prior to interviews.

Women workers also face additional harassment as a result of excessive overtime. When they are allowed to go home at the end of the overtime shift, it is often very late at night and there is no secure transport available. At this time of the night, women are more vulnerable than male workers and the research from Bangladesh shows that women workers are more likely than male workers to be the victims of robbery, physical attacks, beatings, kidnapping, sexual harassment and rape. The report highlights the case of a fifteen year old girl who was abducted and raped after leaving work after five hours overtime. The invisible link between underpayment, which leads to excessive overtime which can then lead to many forms of harassment highlights the complexity and interwoven nature of the issues facing women workers in the garment industry. There is clearly a need for women workers to defend their rights but trade unions and other forms of worker organisation are coming under increasing pressure.

Trade Unions and Organising

Trade unions are under pressure internally, as a result of corruption and working in complicity with employers, and externally, through government and employer hostility which makes workers fearful of joining unions. The increase in subcontracting, informal work and the shift to more remote areas have all had a damaging effect on workers' right to organise. The reports highlight the current trend of falling trade union membership. Only 10% of factories

in Bulgaria are unionised. No independent unions are allowed at any level in the supply chain in China. In Bangladesh, as with many other countries, trade unions are prohibited in EPZs and only formal workers have the right to organise. In the Philippines, trade unions are unofficially prohibited in EPZs. In the UK union membership has gone from 32% to 20% in the garment industry. In the UK trade unions have failed to gain a large membership because they lack the experience and personnel to organise in the new smaller companies and to include ethnic workers in the formal sector. Cultural and language differences between ethnic workers and trade unions have played a role in this and unions now recognise that if they are to survive they have to reach this segment of the workforce.

Government legislation frequently supports employers' interests at the expense of workers' interests by making small units exempt from labour laws, as a result workers are deprived of their entitlement to basic rights. In India large manufacturers are lobbying governments to change labour laws so that they can hire contract workers for permanent work. Labour laws in Pakistan only apply to workplaces employing more than 50 workers and do not recognise anyone who works less than 180 continuous days per year. Moreover, there are large groups that are denied the right to form a union including workers in EPZs and the informal sector. In the Philippines there is a 'no union, no strike' policy in EPZs, although workers are legally entitled to organise. This unofficial prohibition means that EPZs are almost union-free. While industry-wide employers' associations exist, workers are not allowed to form industry-wide organisations. In Guangdong province no independent unionising is allowed at any level of the supply chain. Many of these government/employer strategies are noted in the reports.

In India, as in many other countries, employers frequently subdivide their units. Instead of having a factory employing a hundred workers, they have five different units each employing twenty workers. This is a strategy designed to undermine and break the union; it stops workers uniting as they work in different units that are sometimes in different parts of the city. If workers in one or two units do unite or go on strike, the owner can close the units and immediately transfer the work to other units, so production is not

affected. At Go Go International, India, 110 workers joined a union in January 1999. They were locked out of the factory. A settlement had been arrived at, whereby the workers 'voluntarily' resigned, but would be paid their dues and retrenchment compensation, with contributions to the union being deducted from each. As the employer had 22 different units, he could quickly send the work to the other units so that production continued unaffected. Even for the rare minority of workers who have won the right to organise and collective bargaining – 10% of all workers in Bulgaria, 3% of women workers in Bangladesh – the right is under constant pressure. Their power to negotiate is undermined by the fear that it will affect their jobs.

The reports also highlight the increasing use of harassment, intimidation and violence on trade union members and organisers. They are frequently harassed by management, as are the families in some cases, retrenched, and prevented from undertaking union activities. In Bangladesh factory management often employ an armed mastan (muscleman) group to drive out the union. In a number of garments factories workers seen talking to union leaders are instantly dismissed and workers suspected of organising were also dismissed in many cases. One blatant form of harassment/punishment is when management print posters listing the names of trade union activists under the heading "Beware of these workers". These posters are hung at the gates of all factories in the local area. This makes it very difficult for these workers to get jobs in the garment sector. In addition to open postering, the names of union leaders and activists are blacklisted and sent to the management in all garment factories.

An aggressive anti-union stance among employers in the UK has also resulted in the use of harassment and intimidation of workers involved in unions. This ranges from gentle assurances by management to their workers that trade unions are not needed to outright harassment and dismissal of workers involved in trade unions. Employers in the informal sector have been particularly aggressive against workers who attempt to unionise, so it is very difficult to maintain any consistent union membership in this sector. The Textile and Garment Workers' Union (T&GWU) recruited 500 informal sector workers in North London five years ago. However, despite the existence of legal protection for workers in unions, employers

orchestrated a campaign of lockouts, intimidation and dismissals until the membership was lost. There have also been cases of dogs being set upon visiting union reps at factories.

Despite these problems, unions have had some successes. The Thai report notes that in a few factories several demands have been fulfilled on wages, welfare and free transport. The union now has over 500 members out of 700 employees. However, the more general picture appears to be that where Collective Bargaining Agreements have been negotiated by trade unions, they are finding it increasingly difficult to improve them during negotiations.

Clearly, increased informalisation and subcontracting decreases the ability of workers to organise as employers can transfer work to informal workers or other units. This divides worker solidarity and creates tensions between different categories of workers, from permanent workers with contracts to contract, piece-rate and home workers. This presents a problem around collective identity for many workers: many do not work in the same place or know where other units of the same company are located. Tensions between different workers can be seen in the Thai report, where some unionised workers feel that workers in the subcontracting system not only take away their work but also decrease their income as overtime is reduced. In the UK there is resentment among some workers who that their work is being sent to workers in other countries. These tensions could undermine attempts to organise locally and internationally, although workers in UK companies that subcontract overseas said that they would be interested to meet foreign workers who produced for their companies but they did not feel this could help to improve their working conditions.

In the informal sector in Sri Lanka workers know that their rights are being violated and over half of the respondents said that they would like more information about their rights. This is an essential first step. However, organising is very difficult. Informal workers are more isolated and, like all workers, there is widespread fear of losing their jobs. The increase of home-based workers has implications for organising as these workers face very specific problems. They frequently do not know who their co-workers are or who their ultimate employers are, nor are they aware

of the chains in they are working. Another issue that is more pertinent to homeworking – because it is based on personal contacts – is that organising can be seen as a threat to workers’ relationships in the community and in the family. As the WWP report points out, homeworkers are dependent on family members and friends for a source of income and an exploiter at the same time. The report from Sri Lanka shows that the initial interest is there, there just needs to be creative ways of bridging the gap. One possible strategy is highlighted in the UK report. Homeworkers interviewed in one city are in contact with homeworking support groups. They use the group to get contacts for work, help filling in forms and information. These homeworkers, who are all Asian, get help to deal with official requirements in English, which they find useful. Another group organises a weekly meeting for homeworkers and frequently invites guest speakers to talk about issues that the homeworkers might find useful. These homeworkers find the groups useful as they help them learn about their rights and overcome their isolation.

Conclusion

The greatest strength of this research project is that it is carried out using an action research methodology which starts with the concerns, needs and knowledge of workers. This places a very different focus on the research from more traditional top-down methodologies. While the findings from the research substantiate general theories on the garment industry, it also goes further and uncovers hidden dimensions that may only be visible from the perspective of workers.

As a result of the worker focus of the research, new dimensions are added to our understanding of the way in which subcontracting chains in the garment industry function. Among these findings are the four-tier model of national subcontracting chains, subcontracting the most dangerous and time consuming work to homeworkers and the blurring of distinctions between employee and employer, seen most clearly in the case of line leaders acting as agents to homeworkers.

There are clear indications in the research that increased worker insecurity is a common theme in all the participating countries. The findings highlight the disintegration of laws, codes and standards

throughout the chain. Excessive working hours, or lack of work, sub-minimum wages and the denial of the right to organise and negotiate are all deeply interwoven. Increased flexibility leads to increased informalisation and job insecurity. While workers are afraid of losing their jobs they are more willing to accept lower wages in order to keep their jobs. When wages are low, workers have to work longer hours in an attempt to earn anything like a decent wage. Insecure jobs mean that workers are unable to organise, as they can lose their jobs for organising.

The research also highlights the hardening of hierarchies, biases and discrimination in the workplace. Gender, age and ethnicity are being used against workers in order to further fragment worker solidarity. This has severe implications in a climate where trade unions are under such sustained threat.

Yet despite the many challenges facing workers in the garment industry, there are ways forward. The purpose of this research project is to inform workers in garment industry about how the industry is structured, so that they can see the links from their work to the global economy. Through education comes awareness, which is a vital step in helping workers organise themselves in order to reclaim their rights.

SOUTH ASIAN REPORTS

Subcontracting Chain in the Garment Sector of Bangladesh and State of Labour Standards

Karmojibi Nari, Bangladesh

1. Introduction

1.1. Background

A subcontracting chain consists of activities that are required to bring a product from conception through the intermediary phases of production to final consumers. This chain crosses national boundaries in most cases. There are two kinds of subcontracting chain. One is buyer-driven chain and the other one is producer-driven chain. The first describes the chains where buyers play the dominant role in setting up the production network, whereas the second describes a chain where producers play the dominant role. Buyer-driven subcontracting is a pattern of trade led industrialization, which is common in the case of labor-intensive industries including garments. Garment industries in all developing countries including Bangladesh has grown through this trade led industrialization.

Various forms of economic gains are distributed through the subcontracting chain. Amount of gains depends on the extent of control one can exert at various stages of this chain. In the buyer-driven subcontracting chain, the buyers are at the center of power. Lion share of gains emerged from this chain are enjoyed by the buyers. But they don't know how long is the chain at the production end and where their goods are produced. A number of middlemen are involved in between the buyers and the actual producers. These middlemen who have to meet the cost of demands of the buying companies maximize their own profits by squeezing manufacturers who ultimately squeeze workers. On top of that, the subcontracting chain will be rearranged following the phasing out of Multi Fiber Arrangement (MFA) in January 2005. Because, the countries, which become the cheapest source for garment manufacturing due

to quota facility received under MFA may not remain as cheapest source after the withdrawal of this facility due to the phasing out of MFA. This rearrangement will greatly affect the livelihood of thousands of garment workers who are mostly women. This situation presents a huge challenge to the labour movement. For this purpose, it is very necessary to undertake a study to map out the sub-contracting chain and to find out the condition of women workers involved in this chain.

1.2 Objectives

Primary objective of this study is to map out the sub-contracting chain in the garment sector of Bangladesh and to find out to what extent the rights of garment workers are protected at various stages of this chain and whether there is gender differential in the enjoyment of workers' rights. In addition to this primary objective, following secondary objectives have been adopted in this study:

1. to understand the nature and extent of each of the stages of sub-contracting chain existing in the garment sector of Bangladesh and the conditions placed at each stage of this chain;
2. to know how long is the sub-contracting chain in the RMG sector of Bangladesh and the factors affecting the length of this chain;
3. to investigate into who has power in the subcontracting chain and whether power varies at each stage of this chain;
4. to investigate into whether impact of sub-contracting on labour varies according to the length of subcontracting chain;.
5. to highlight workers' grievances and needs;
6. to find out to what extent different companies are workers friendly;
7. to enable Karmajibi Nari (KN) to identify its areas of intervention for organizing the garment workers and getting their demand fulfilled and
8. to launch an national and international campaign concerning protection and promotion of workers' rights at each and every point in the subcontracting chain.

1.3 Research Overview and Methodology

This research has been done by two professional researchers. Survey, interviews focus group discussions (FGD) and case study were used to trace the subcontracting chain in the garment sector of Bangladesh, and also to assess the extent of the

deprivation of rights of the garment workers, particularly of the female garment workers at various stages of this chain. Qualitative data were drawn from in-depth interviews and discussions with the members of the BGMEA, the Ministry of Labour and Manpower, garment employers, NGO management, and trade union leaders. Along with these qualitative data, this study has used some quantitative data collected through structured questionnaire from 17 garment owners, management of 3 buying houses (BH), management of three brand name companies and 30 workers. In addition to these data, this study brings together quantitative data drawn from a combination of existing empirical research and surveys on the garment industry in Bangladesh.

Working conditions and the extent of the deprivation of rights of the garment workers are supposed to vary according to the length of subcontracting chain. Therefore, factories surveyed for the present study has been divided into three groups as follows:

- Group 1: Factories, which neither subcontract out nor subcontract in;
- Group 2: Factories, which both subcontract out and subcontract in;
- Group 3: Factories, which subcontract out only.

10 workers from each group have been interviewed to see to what extent labour standards and compliance vary according to the length of subcontracting chain. All workers were interviewed during their lunch time. In addition, three case study have been done to substantiate the findings obtained from this sample survey

Numerous problems were faced while trying to interview the various players in the chain. Primarily, it was very difficult to reach the brand name companies. The buying houses did not want to reveal which labels they work with, because there are a lot of informal subcontracting going on in the industry. The buyer and the retailer inspect the factories that are working with the orders from the buying house they placed order with. But they have no idea that other factories linked to the subcontracted buying house are doing part of the order. Similarly, some of the manufacturing units subcontract their work to other manufacturing units. The buyers are also not aware of this. For example, GAP has a buying office in Bangladesh. But since their volume is so large, they put a lot of orders through

other buying houses or directly through manufacturing units. These agents (BH and Manufacturing unit) in turn sub-contract it out to another BH or manufacturing unit. While GAP is inspecting the BH or manufacturing unit they placed orders with, some other units are making their products. So none of the small BHs or manufacturing unit will ever say what labels they are working with.

Another problem, which was faced while interviewing the garment manufacturers or buying houses was that some of them did not want to answer the amount of raw materials they were importing. Problems were also faced in collecting data about the work hours. Most of the owners we talked to, said that the work hours in their factory are according to the standard labor laws. However, after talking to the workers it was found that the work hours are much longer than the standard work hours in most of the factories. Inconsistency in data collected was also traced. For example, GAP said in an interview that all the GAP's orders in Bangladesh are done through their own buying office. They directly contact the manufacturers through their buying house. However, while interviewing personnel from other independent buying houses it was found that since the volume of business of GAP in Bangladesh is so large that they often give most of the risky orders to other buying houses. These buying houses in turn contact the manufacturers and get the orders done. Thus, the subcontracting chain in the garment sector of Bangladesh is so complicated that it was very difficult to identify who is working for which company. In the same way, it was very difficult to collect correct information about the subcontracting chain existing in the garment sector of Bangladesh.

The surprise obtained during the interviews with the management of companies and factories is very encouraging. It was felt during the discussion with them that while sourcing, the companies take into consideration the social factors like manufacturer-buyer relationship, buyers' acquaintance with the country's socio-economic and political structure etc., in addition to maximization of profit.

2. A Brief Account of the Growth of the Export-oriented Ready-made Garments (RMG) Industry in Bangladesh

The export-oriented ready-made garments (RMG) sector in Bangladesh has been experiencing a

phenomenal growth during the last two decades. This sector contributed only US\$ 1 million to export revenue of Bangladesh in 1978. By fiscal year 1999-2000, within a span of two decades, the annual export income from this industry increased to more than US\$ 4 billion, which constituted about 76 per cent of the total foreign exchange earned by the country in a particular year. Over the past decade alone, this sector registered a compound growth rate of 15 per cent per annum (Bhattacharya and Rahman 2000). The number of garment factories increased from 50 factories in 1983 to more than 3,400 in 2001; the level of employment has reached approximately 1.5 million. Women workers account for about 70 per cent of this employment. At present, the country is the 6th largest apparel supplier to the USA and EU countries. The products include both knit and woven wear. Share of knitwear in the total production of garments in Bangladesh is steadily increasing over time. At present, knit wear accounts for about 35 per cent of the total production.

A number of national and international factors contributed to this phenomenal growth. Availability of quota under the Multi-Fiber Arrangement (MFA) and preferential access of Bangladesh in the European union market under the European Union Generalized System of Preference (EU-GSP) Schemes (which provides Bangladesh with zero-tariffs access to EU markets), created an ensured market for Bangladeshi garments in the world market. This ensured market together with the availability of cheap female labor encouraged both national and international investors to invest in the garment sector of Bangladesh. In addition to these facilities, industrial policies of the Government of Bangladesh (GOB) also encouraged the multi-national companies to invest in the garment sector of Bangladesh. These policies focused in particular on waiving regulatory provision pertaining to investment in Bangladesh and gave the management of public sector corporations somewhat greater autonomy for commercialization of their operations. Among the other policy instruments having important bearing on the multi-national companies' entrance into the export-oriented garment industries of Bangladesh are exchange rate adjustment, lower interest rate, duty drawback scheme, export performance benefit, bonded warehouse scheme, tax holiday to export industries and back to back letter of credit (Roy 1993).

Growth of garment industry in Bangladesh and Composition of Production

Table 1 clearly shows that RMG sector's share in total foreign exchange earnings and employment is steadily increasing over time. However, at present RMG sector in Bangladesh is facing a debacle due to various national and international reasons. Among them, drastic fall in demand for Bangladeshi apparels in USA after attack on WTC tower on 11th September and phasing out of MFA in near future (2005) are the most important ones. But estimate of the Bangladesh Export Promotion Bureau (BEPB) shows that even after this debacle, the RMG sector earns 76.6 per cent of total foreign exchange during the fiscal year 2001 - 2002.

It was observed that knitwear was coming up as a new product and it demanded more of male labor. The share of knitwear exports (in '000 DZ) in total RMG exports (in '000 DZ) increased from 24.8 to 47.0 per cent between 1994-02. The firms employ more men than women and had to pay on a piece rate basis. Hence, diversification to knitwear had effects on home-based subcontracting and women's employment. The female share of employment in factories producing woven clothing is about 70 per cent, whereas their share in the knitwear factories was found to be only 35 per cent.

Table 1: Growth of RMG Industry in Bangladesh

Note: '*' means estimated

Year	RMG Export (Mil. US\$)	RMG share in total exports (per cent)	Employment (No. in Mil.)	No. of RMG factories
1989-90	624.16	32.45	0.335	759
1990-91	866.82	50.47	0.402	834
1991-92	1182.57	59.31	0.582	1163
1992-93	1445.02	60.64	0.804	1537
1993-94	1555.79	61.40	0.827	1839
1994-95	2228.35	64.17	1.20	2182
1995-96	2547.13	65.61	1.29	2353
1996-97	3001.25	67.93	1.30*	2503
1997-98	3781.94	73.28	1.50*	2726
1998-99	3847.35	73.11	1.50	3000
1999-00	4157.63	76.15	1.60	3200
2000-01	4859.83	75.10	1.80	3470

Source: Information collected from BGMEA

High-value products are Shirts, Jackets, Coats, Blouses, Sportswear and many more casual and fashion apparels. Table 2 shows that share of high value products like shirt decreased from about 58 per cent in the fiscal year 1993-94 to only 19 per cent in the fiscal year 2001-02. Share of Jacket, another high-value product increased a little over this period. Thus product diversification in the Bangladesh garment industry has been rather slow and products are mainly low-value and low-fashion items.

Because of quota facilities, USA became the major

market for Bangladeshi ready-made garments. It can be noticed from Table 3 that in the fiscal year 2001-2002, more than 40 per cent of the total garment production of Bangladesh was exported to USA. The table also shows that in the same year, about 53 per cent of the total production was exported to various European countries (EU). Among the EU countries, Germany is the biggest importer of Bangladeshi apparel. Garment employers in Bangladesh are trying hard to expand their market in the EU countries since quota facilities provided by USA will be withdrawn by 2005.

Table 2: Main Apparel Items Exported from Bangladesh

(Value in MN. US\$)

Year	Shirt	T-Shirt	Trousers	Jackets	Sweater	Others	Total export earning of RMG
1993-94	805.34	225.90	80.56	126.85	-	318.14	1556.79
	(51.7)	(14.5)	(5.2)	(8.1)		(20.5)	(100.0)
1994-95	791.20	232.24	101.23	146.83	-	956.85	2228.35
	(35.5)	(10.4)	(4.5)	(6.6)		(42.9)	(100.0)
1995-96	807.66	366.36	112.02	171.73	70.41	1018.95	2547.13
	(31.7)	(14.4)	(4.4)	(6.7)	(2.8)	(40.0)	(100.0)
1996-97	759.57	391.21	230.98	309.21	196.60	1113.68	3001.25
	(25.3)	(13.0)	(7.7)	(10.3)	(6.6)	(37.1)	(100.0)
1997-98	961.13	388.50	333.28	467.19	296.29	1335.55	3781.94
	(25.4)	(10.3)	(8.8)	(12.4)	(7.8)	(35.3)	(100.0)
1998-99	1043.11	471.88	394.85	393.44	271.70	1445.00	4019.98
	(25.9)	(11.7)	(9.8)	(9.8)	(6.8)	(35.9)	(100.0)
1999-2000	1021.17	563.58	484.06	439.77	325.07	1515.76	4349.41
	(23.5)	(13.0)	(11.1)	(10.1)	(7.5)	(34.8)	(100.0)
2000-2001	1073.59	597.42	656.33	573.74	476.87	1418.88	4859.83
	(22.1)	(12.3)	(13.5)	(11.8)	(9.8)	(30.5)	(100.0)
2001-2002	871.21	546.28	636.61	412.34	517.83	1599.48	4583.75
	(19.0)	(11.9)	(13.9)	(9.0)	(11.3)	(34.9)	(100.0)

Source: Export Promotion Bureau

Table 3: Main Apparel Items Exported from Bangladesh

(Value in MN US\$)

Countries	Woven	Knit	Total	% of Total
Austria	4.51	5.41	9.92	0.22
Belgium	69.15	75.7	144.85	3.16
Denmark	23.04	34.97	58.01	1.27
Finland	12.01	12.50	24.51	0.53
France	204.29	156.21	360.50	7.86
Germany	380.10	261.71	641.81	14.00
Greece	1.83	1.75	3.58	0.08
Ireland	19.44	6.69	26.13	0.57
Italy	121.04	79.04	200.08	4.36
Netherlands	148.47	100.42	248.89	5.43
Portugal	3.02	3.17	6.19	0.14
Spain	60.90	51.34	112.24	2.45
Sweden	48.58	31.96	80.54	1.76
UK	301.39	167.90	469.29	10.24
Total EU	1397.77	1018.77	2416.54	52.72
USA	1473.93	363.66	1837.59	40.09
Canada	62.26	35.65	97.91	2.14
Others	190.86	40.85	231.71	5.06
Grand Total	3124.82	1485.93	4583.75	100.00

Source: Export Promotion Bureau

2.2 Organization of the firm

At present there are 3400 RMG manufacturing units in Bangladesh. Among them, about 20 per cent produce only knit wear; 60 per cent produce only woven wear and the 20 per cent produce both woven and knit wear. Legal ownership of almost all RMG manufacturing units is private. A small amount of the factories are owned by foreigners and some factories are owned jointly by the Bangladeshi and foreign nationals. Among the Bangladeshi owners, very few (only 6) are found women and among them only two are found active owners and the rest are owners only in papers. Foreign owned companies are found mostly in the Export processing zones (EPZs) of Dhaka and Chittagong – two most important cities of Bangladesh. It is note worthy that with the adoption of EOI strategy; there has been a rapid rise in the development of EPZs in almost all Asian countries. But in Bangladesh the development of EPZs is not so rapid. At present, (more than a decade after the adoption of EOI strategy) only about 7 per cent of total garment factories of

Bangladesh are located in the EPZs of Chittagong and Dhaka, while in Mauritius, cent per cent of the export-oriented garment industries are located in the EPZs (Paul-Majumder 1998).

Two types of garment firms, 'group' and 'non-group' have been found. Most of the firms belong to one or another group. The firms in a 'group' have either been bought as sick firm or have been leased in. In some cases, it was observed that one entrepreneur established more than one factory as they accumulated profit from the garment sector. The management of each firm is different but in many cases, have same set of owners. A factory can also become the member of a group without losing identity. There is a parent or lead firm in each group. In some cases, a parent factory has some separate units with separate management. Among the surveyed factories, only 3 (more than 27 per cent) were found to be single unit factories and the rest 13

factories (about 73 percent) were found to be members of groups. The parent firm generally subcontracts out its order among the other members firms. The buyers monitor compliance of labor standards only in the parent firms. The surveyed entrepreneurs reported that they could diversify their products and use the machine and labor more efficiently if they could integrate a number of firms together. Alternately, specialization is achieved through vertically integrating the processes across firms. It was observed that the parent factories having other units divide the work among all the units. Group members also in some cases, divide the operation among them. It was observed during the field trip that in some factories all the finishing work of the member firm of the group was done in the parent firm.

2.3 Characteristics of the Firms

More than 27 percent of the surveyed firms are completely non-quota, and the rest are mixed firms. Not a single firm was found to produce entirely under quota system, whereas a study done by BIDS in 1990 showed that 22 percent of the firms produced completely under quota arrangement. Two factories were found that produced completely under quota system previously, but recently started to produce non-quota items also. It indicates that garment industry in Bangladesh is becoming less and less dependent on quota. Horizontal subcontracting was found to be more among the non-quota firms than the quota firms. However, it is just opposite in case of vertical sub-contracting.

2.4 Post MFA Challenges for Bangladesh

The phasing out of multi-fiber arrangement (MFA), as envisaged by the Agreement on Textile and Apparels (ATC), by January 1, 2005 is expected to open up market opportunities leading to export expansion by the developing and least developed countries on one hand and intensify the competition among the exporting countries for global market share on the other. The realization of the gains from expanding market opportunities will depend on the capability of countries to successfully address the needs arising from the acute competition in the textile and RMG sector. Competitiveness of Bangladesh in the world garment relies on cheap labor. Increasing productivity of labor remains the core of competitiveness, which in turn depends on the level of technological capability, wage incentives, working conditions and up grading

skills. However, findings show that even now Bangladesh could not achieve all these elements to improve labor productivity (this can be seen from the next section of this study). As a result, productivity of the garment workers in Bangladesh is less than other competing countries. Hence, it is believed that the phasing out of MFA will cause serious market disruption for the RMG sector in Bangladesh with severe implication for the future of the industry and the livelihood of RMG workers who are mostly women. Their livelihood also will be at stake if employers extract more rents from their workforce to be competitive. Whereas, several studies have shown that employment in the garment industry has empowered women both socially and economically.

In addition to labor productivity, relative competitiveness of a country depends on: (a) supply of fabric, yarn and other materials; (b) infrastructure for transport and marketing and (c) nearness to markets. In terms of all these conditions also, Bangladesh is far behind most of her competitor countries. Bangladesh supplies only 30 per cent of total raw materials required for her garment manufacturing. In procuring raw materials, particularly yarn and fabric, Bangladesh has to prove the genuine country of origin. Otherwise she will not get the facility of Generalized System of Preference (GSP) under which she gets duty free access to EU countries. Phasing out of Quota in USA will affect the non-GSP exports of Bangladesh too.

3. Subcontracting Chain in the Garment Sector of Bangladesh

Sub-contracting is widely practiced in the ready made garment industry of Bangladesh from its inception, due to the quota hopping character of MNCs, who came to Bangladesh in search of ways around the Multi Fiber Arrangement (MFA), introduced in 1974 under the General Agreement on Tariffs and Trade (GATT). Through the MFA, USA, Canada and some European countries sought to protect their own garment industries from cheap import of garments from the developing countries by imposing import quota on those countries. However, Bangladesh remained beyond this import restriction since garment industry in this country was not developed during that time to be a threat to the industries of those in the developed countries. As a result, many East Asian firms, unable to export to countries like

the US because their countries' quotas had already been exhausted, simply reallocated to Bangladesh, either in the form of direct investments (EDI), or as joint ventures, or even as 'Buying Houses' (S. I. Khan 2001). This leads to the growth of sub-contracting business in the garment sector of Bangladesh. This growth received a big-push in January 1985, when a number of countries including Italy, the UK and France, imposed quota on imports of garments from Bangladesh under the Multi Fiber Arrangement (MFA). The US also followed with a quota. This quota facility and GSP¹ facility in the European Union (EU) provided a captive market for Bangladeshi garments. This captive market and the availability of cheap female labor in Bangladesh encouraged many quota-hopping multi-national buyers to come to Bangladesh with production order. They used to go to the firms directly and sub contract out their orders to them. With the growth of globalization and liberalization, this sub-contracting system is expanding continuously and adding newer and newer dimensions to it. Now this system is limited not only to finished product of garment but also to raw materials of the garment industry. An idea is obtained from the preliminary discussion with a number of garment employers that now almost all garment factories included in this industry are integrated in the sub-contracting chain either vertically or horizontally or both. The whole subcontracting chain in the garment sector of Bangladesh can be divided into three parts as (1) marketing end; (2) trading end and (3) production end.

Subcontracting has a number of negative impacts. Most of these negative impacts affect labor standards, since to meet the conditions of the buyers the subcontracting agencies largely depend on labor, as garment is a labor-intensive industry. It also deprives a country from the due share of her production. However, all these depend on who control the power of this chain. Rest of this sub section attempts to identify who holds the key of the subcontracting chain in the garment sector of Bangladesh, and the factors that help them to hold the key. An attempt has also been made in the rest of this sub section to identify women's position in this chain.

3.1 Market end of the subcontracting chain in the garment sector of Bangladesh

At the market end of the subcontracting chain, the players are the buyers or the brand companies, the shops and consumers. Shops and consumers are beyond the purview of Bangladesh although some big garment factories have outlets abroad for their own production. The main players at the market end are brand companies. It was found that a factory produces for a number of companies. About 200 big and small brand companies are active in the garment sector of Bangladesh. However, Wall Mart, JCPenny, GAP, Levis, H & M, Nike etc. are the most influential buyers.

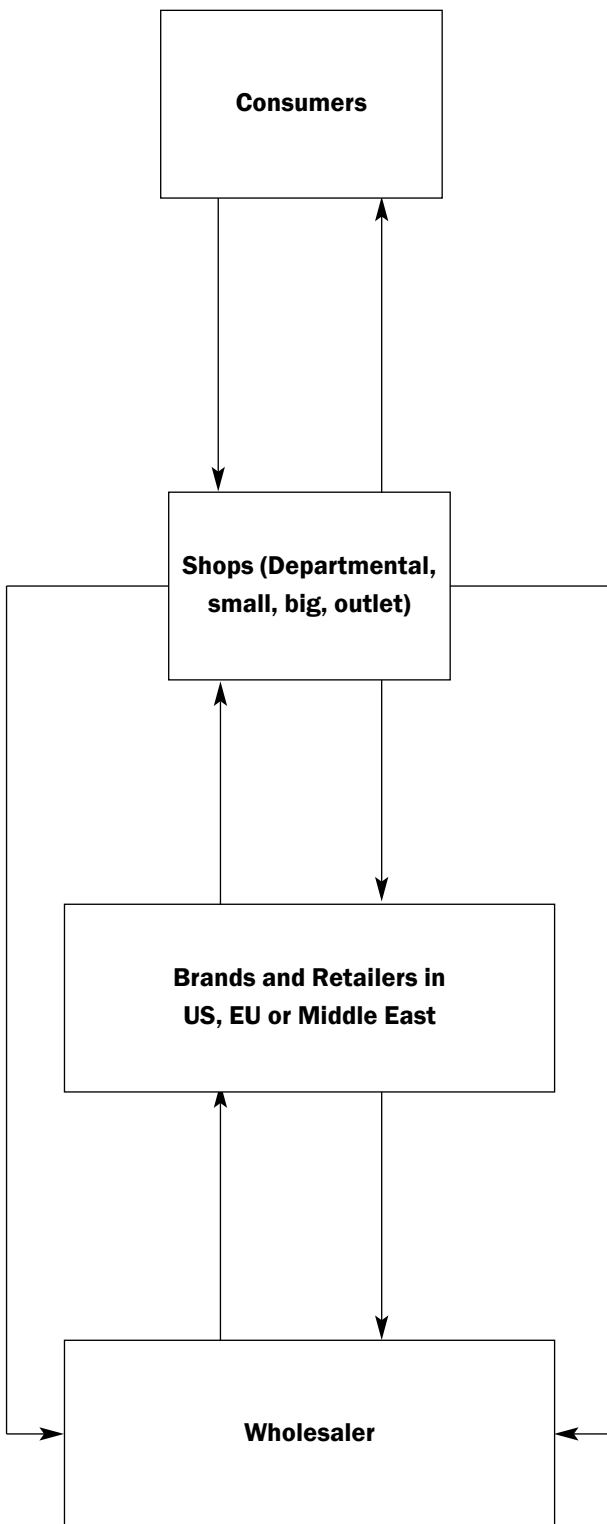
It was observed during our survey that big firms have some fixed buyers/retailers/importers. It was found that big retailers like to depend on few manufacturers and to buy directly from them. All the big retailers have their own office in Bangladesh. Thus, subcontracting chain at the marketing end has reduced. It has a positive impact on lead-time. But, it was found that they specify the suppliers of raw materials in the case of about 75 per cent of woven garments and 20 per cent of knitwear. When the buyers specify the suppliers, the manufacturers have to pay a higher price. They have not only to pay a higher price but also have to bear the loss incurred due to long lead-time, i.e. the time required to get raw materials. The buyer specifies the supplier, confirms the sample and color and sends it to the manufacturers. The manufacturers produce according to the specifications and ship after receiving the L/C.

All buying companies have their own code of conduct. It was observed that buyers monitor compliance of their code of conduct very strictly. Each and every big brand company has a number of compliance officers who regularly visit factories to monitor if the code of conduct is followed. Monitoring has a significant positive impact on the working conditions of the garment factories. It was observed that working conditions is good in those factories where there is monitoring of compliance. But most of the factories remain outside the scope of monitoring since the retailer makes the contract with the parent firm. (See Figure 1 for map of marketing end).

¹ Bangladesh enjoys preferential access in the EU under the European Union Generalized System of Preference (GSP) schemes, which provides Bangladesh with zero tariffs access to European Union market.

* Time required for raw materials to reach the factory after placing order.

Figure 1: Map of Subcontracting Chain of Market End



3.1.1 Operation of GAP in the garment sector of Bangladesh

GAP started to import garments from Bangladesh in the year 1995. The same year a buying office for GAP was set up. The main reason that GAP imports garments from Bangladesh is the quota Bangladeshi garments has in the US market. At present, GAP is importing garments from more than 100 different countries. Out of all the apparels made by GAP in Bangladesh, only 10-20 per cent of them are high-end apparels.

GAP does direct sourcing to factories through their buying office in Bangladesh. The labels they produce in Bangladesh are: (a) GAP (b) Old Navy and (c) banana republic. The countries where Bangladeshi garments are supplied are: (a) USA (b) Japan and (c) UK. The buying office directly contacts local manufacturers with their order. The manufacturer makes a sample and does the costing. If the manufacturer and the buying office come to terms, then they sign a contract.

What GAP tries to do is to create a rapport with several manufacturers in Bangladesh. It chooses the factories according to the standard of the factory and if it sees a future with the factory. Then GAP brings them up in a way so that they follow all the standard laws and procedures. GAP inspects these factories 3 times a year. The factory is happy to abide by GAP's rules and regulations since it ensures them good business in the future. Sometimes manufacturers themselves approach GAP for business. Sometimes they come in terms and sometimes they don't. GAP ensures all the steps involved in making their product meet the standard.

All the raw materials used for production of GAP garments are nominated by GAP. They ask the manufacturers where to get the raw materials. GAP mainly collects their raw materials from China and India. They obtain their fabric both from China and India and generally get their accessories from China. After the product is made, it is shipped to the retailers and they in turn supply the products to the various outlet stores.

GAP does not have their specific code of conduct or conditions they ask manufacturers to follow. They ask them to follow the basic labor laws and occupational

health and safety standards. They basically follow the rules and regulations set by the Bangladesh govt. on these issues. GAP does get a code of conduct signed with the manufacturers for each order. Other than basic labor laws and occupational health and safety standard, other things that are part of this code of conduct is quality, integrity and legal requirements.

The quality control (QC) is done directly by the buying office of the GAP. All the inspections regarding labor laws and standards are also done through the buying office. GAP also imposes penalty for not maintaining labor standards properly. Most of the time, GAP sends a legal warning to the manufacturer. But repeated incompliance results in their business being taken away. GAP however mentioned that when manufacturers become non-compliant, they become costly due to various reasons and thus they loose out in the market. According to the compliance officer of GAP, the most efficient buying system is when the buyers directly work with the manufacturers.

Generally, GAP employs a large number of women. At the central level, 90 per cent of the employees are women. Also, in the regional level (Sub-Continent) there are between 60-80 per cent female employees. However, it was very sad to see that there was only one female employee at the GAP buying office in Dhaka. The operation of GAP in Bangladesh can be seen in Figure 2.

It was very encouraging to observe during the survey that buyers have favorable attitude towards the garment industry in Bangladesh. After talking to some buyers, we learnt that they think social capital is one of the elements for profit maximization. Social and personal relationship with the manufacturer is like a capital to them. They would rather work with the same manufacturers and build a rapport with them. This makes the job of the buyers much easier as they do not have to worry about imposing their code of conduct every time they work with a new manufacturer. They would settle for even a bit lesser profit for this. The buyers we talked to told us that they have already created a rapport with the manufacturers in Bangladesh. Thus, they would like to order from Bangladesh even after the phasing out of MFA given that the logistics of the country for garment export facilitates them.

It was observed during our interviews with the buyers that some of them are sincere very much to protect

labour rights and to increase productivity of garment workers in Bangladesh. Some buyers like JCPenny and H&M are already giving hand on training. It is of course, for their own interests. They think Bangladesh would be the cheapest market for garment manufacturing even after phasing out of MFA if the productivity of labour could be raised.

3.2 Subcontracting at the trading end

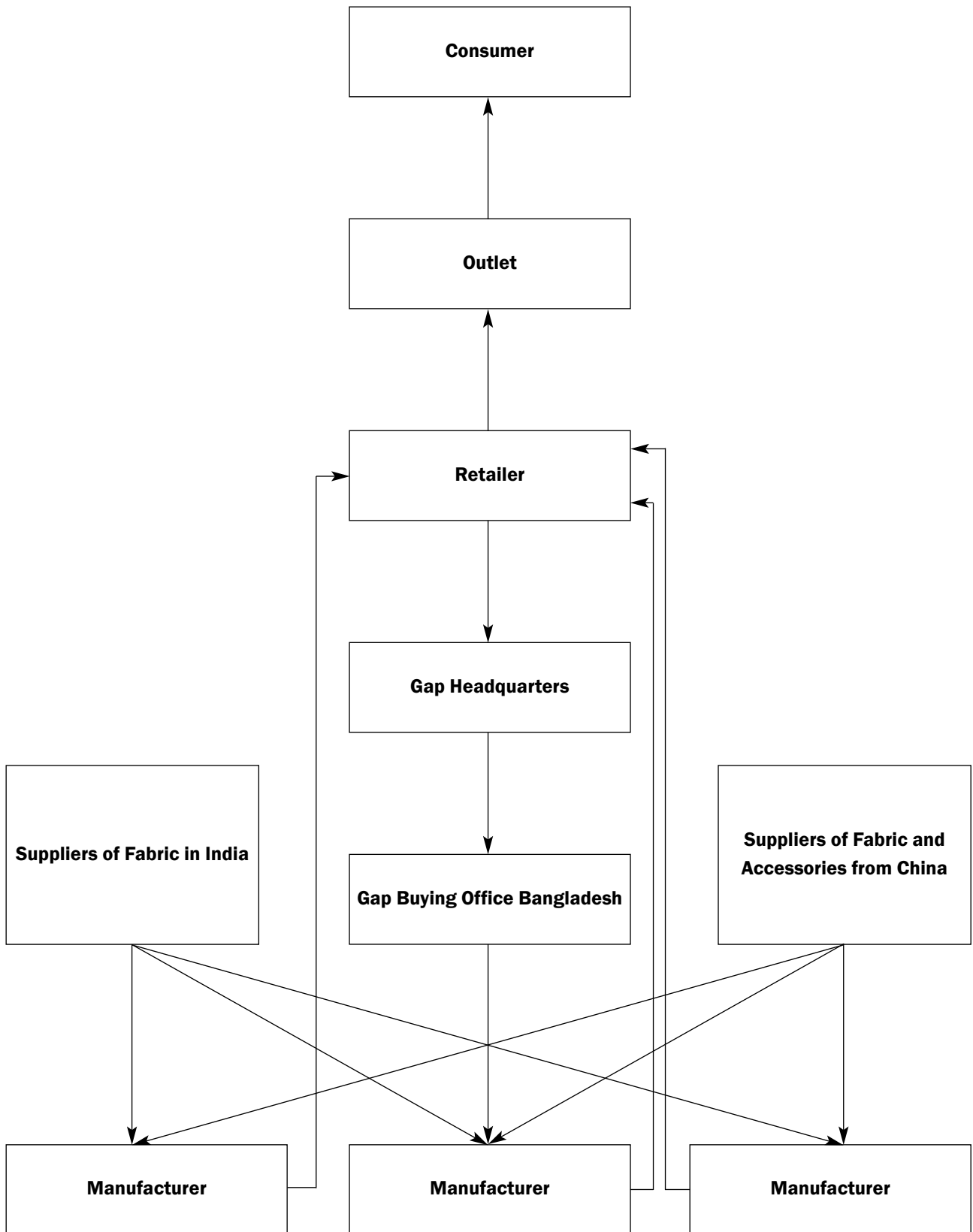
At the trading end, buying houses came into being as a new development. Before that, the buyers would directly contact the local manufacturers and get their orders executed. Gradually, the need for a middleman arose and buying house came into being and added a new ring in the subcontracting chain. During the last few years there is mushroom growth of buying houses in Bangladesh. According to BGMEA, at present there are 595 buying house in Bangladesh.

Buying houses go out, grab orders from different customers mainly based in Europe, the US and the Middle East, and execute them through local manufacturers. Against the order, the customer (buyer) gives a certain percentage (3 generally) to the buying house. Also, sometimes the buyer comes to the buying houses with orders and asks the buying house to execute their orders. A well-known buying house will always have buyers coming to them with orders. The smaller ones have to go out and get orders from the buyers.

The buying house determines a rate for their services before they execute it. When the customer (buyer) and the buying house come in terms with the rate, the buying house sits with local manufacturers and finds the cheapest rate. Once the rate is decided, the buying house places the order with the local manufacturer. As for the materials, sometimes the buyers provide with it or tell the buying house where to get it. Sometimes the buyer gives the buying house freedom with materials in which case the buying house tries to find the cheapest materials.

Then the buying house sees that the order is executed and shipped off to the buyer by the local manufacturer. A buying house generally keeps continuous liaison with 10-15 local garment manufacturers. But it was found that they were least aware about the working conditions in factories of these manufactures.

Figure 2: Map of subcontracting chain of GAP, Bangladesh

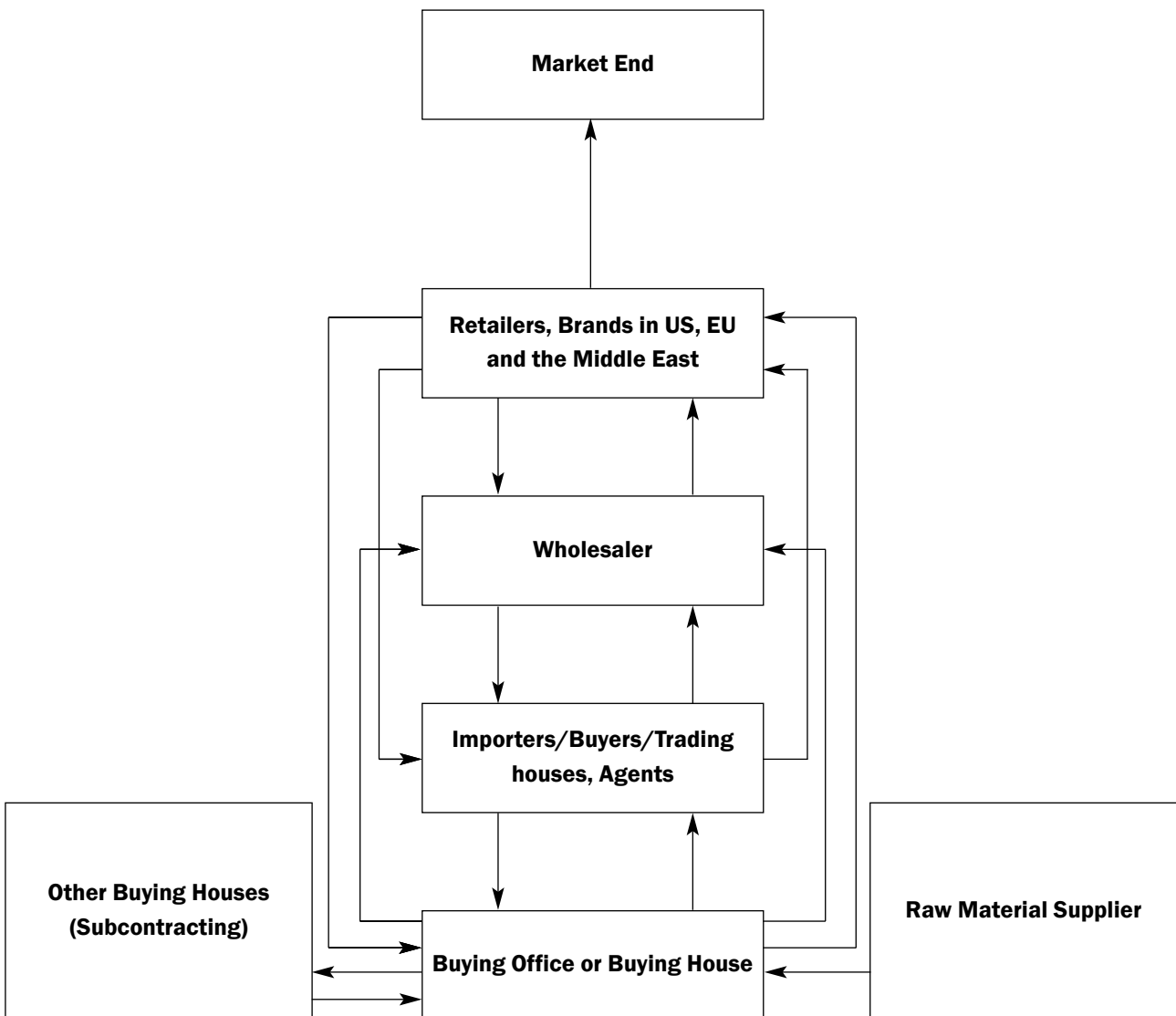


At the beginning there were a lot of Indian buying houses. They have become very big over the years, and recently a lot of Korean companies have entered this business. Since the Indians were the first to enter this business, they have reaped a lot of benefits and have become very big over the years.

A lot of the garment factories have turned into buying houses over the years. It is mainly because that the return on investment on this is very high. The garment factories under the US quota turned into buying houses. They had a lot of orders and it was more lucrative to sub-contract. For example, they would get

an order of US\$ 5 per shirt and get them manufactured by US\$ 2 from other factories. Thus the return would be huge compared to the investment. Each buying house generally has relation with 5-6 buying companies. Some buying companies like GAP, Levis' has their own Buying house. In each order, a buying house generally makes 5 -7 per cent of the total contract and the factory around 15 per cent. Gradually, buyers and manufacturers are dealing more directly with each other like before, and as a result, the buying houses are opening their own manufacturing unit. Figure 3 shows the map of trading end.

Figure 3: Map of subcontracting chain of Trading End



Women's involvement at the trading end of the subcontracting chain was found negligible. Very few women were found at the management level. Some women were found in the buying houses surveyed, employed as computer operators, telephone operators and receptionists. Some of the buying houses have compliance officers. These compliance officers become active when the buyers give pressure for monitoring the compliance.

3.4 Production end of the Subcontracting chain

At the production end, the main players are employers and workers. Also overseas and local suppliers are involved at this end. Both horizontal and vertical subcontracting is found at this end. Generally, we find the following types of subcontracting in the garment industry of Bangladesh (Table 4).

Table 4: Distribution of the Firms by type of Subcontracting (Figures shown in percentage)

Type of sub-contract	Present survey	Survey done by BIDS in 1990
Subcontract out Only	18.2	18.8
Subcontract out and in	54.5	18.8
Subcontract in Only	0.0	18.8
Neither subcontract out nor subcontract in	27.3	43.6
Total Number of Firm	17	32

(a) Subcontract out Only

Firms that only subcontract out are usually those who avail large share of quota. There are 18.2 percent of the firms in our sample belonging to this group. In 1990 also, almost the same number of firms belonged to this group. These firms are usually those that are a parent firm of a group. In these firms, working conditions are supposed to be good as these firms have direct contact with the buyers or the agents of the buyers and thus fall within the purview of the inspection by the buyers. But the firms to which this parent firm distributed the order remain beyond the preview of the inspection by the buyers. In this system the subcontracting chain is very short. (See Appendix 4 for map of production end).

(b) Both subcontract in and subcontract out

Firms that subcontract both ways are firms that have a small amount of quota. Thus, during the peak quota period, they subcontract out work, while in the slack period they subcontract in work. About 18.8 percent of firms belonged to this group in 1990. The number of firms belonging to this group has increased over time as more and more firms are getting work order from the European countries (EC). In our present survey we got 6 firms (54.5 per cent) that subcontract both ways. Quality of labor standards in these firms depends on how much of their total production is subcontracted in. Finding of the present study showed that 60-90 per cent of total production of these firms was produced by subcontracting in last year. Thus, in most cases, these firms may escape the monitoring of compliance of the code of conduct by the buyers since in these firms buyers do not have direct contact with these firms. Therefore, labour standards in these firms are supposed to be bad.

(a) Subcontract in Only

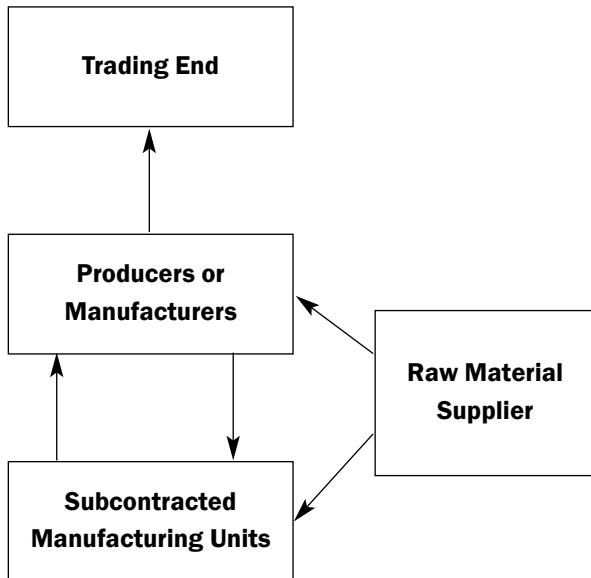
Firms that only subcontract in constituted to about 18.8 percent of the sample in 1990. But during our present survey we have not got such a firm. According to BGMEA, the number of firms in this group has increased overtime. However, it was observed during the present survey that owners or management of the firms are reluctant to disclose the fact that they subcontract in only. Among the firms that both subcontract in and subcontract out, 4 firms were found to subcontract in about 90 per cent of their total production. They are usually subsidiary firms of the groups and remain beyond the purview of the inspection of the buyers. It is very likely that labor standards in these firms are fairly poor.

(b) Neither subcontract in and subcontract out

Firms that do not engage in any subcontract work throughout the year accounted for 43.6 percent of firms in 1990. But the number of firms belonging to this group decreased overtime indicating that subcontracting system of production has been strengthened over time. In our present survey, we got three factories accounting a little more than 27 per cent of total surveyed factory belonging to this group. This group consists of firms who produce for either 100 percent quota or for 100 percent non-quota or both quota and non-quota items. In these firms, working conditions are supposed to be good as these

firms have direct contact with the buyer or the agents of the buyers and thus fall within the purview of the inspection by the buyers. In this system, subcontracting chain is very short (Figure 4).

Figure 4: Map of Subcontracting Chain of Production End



3.5 Vertical subcontracting chain

Subcontracting among the vertically placed firms is more commonly observed in the case of finishing. Four firms in our sample reported that they did not have any finishing section. If the firm belonged to a group, the parent firm carried out the aforesaid activity. In case of a non-group firm, the work is contracted out to a contractor who provides the service of finishing. There are a number of finishing firms that provide finishing service. It was found that workers are also aware about this type of vertical subcontracting. While asked about subcontracting, some of the participants in the FGDs said that subcontracting is not there most of the time in their factories. In most cases, the whole work is done in one factory. However, there have been instances where they sent products elsewhere for finishing. Some workers also said that sometimes the contract or order is too large. Then the sewing and linking is done in other factories.

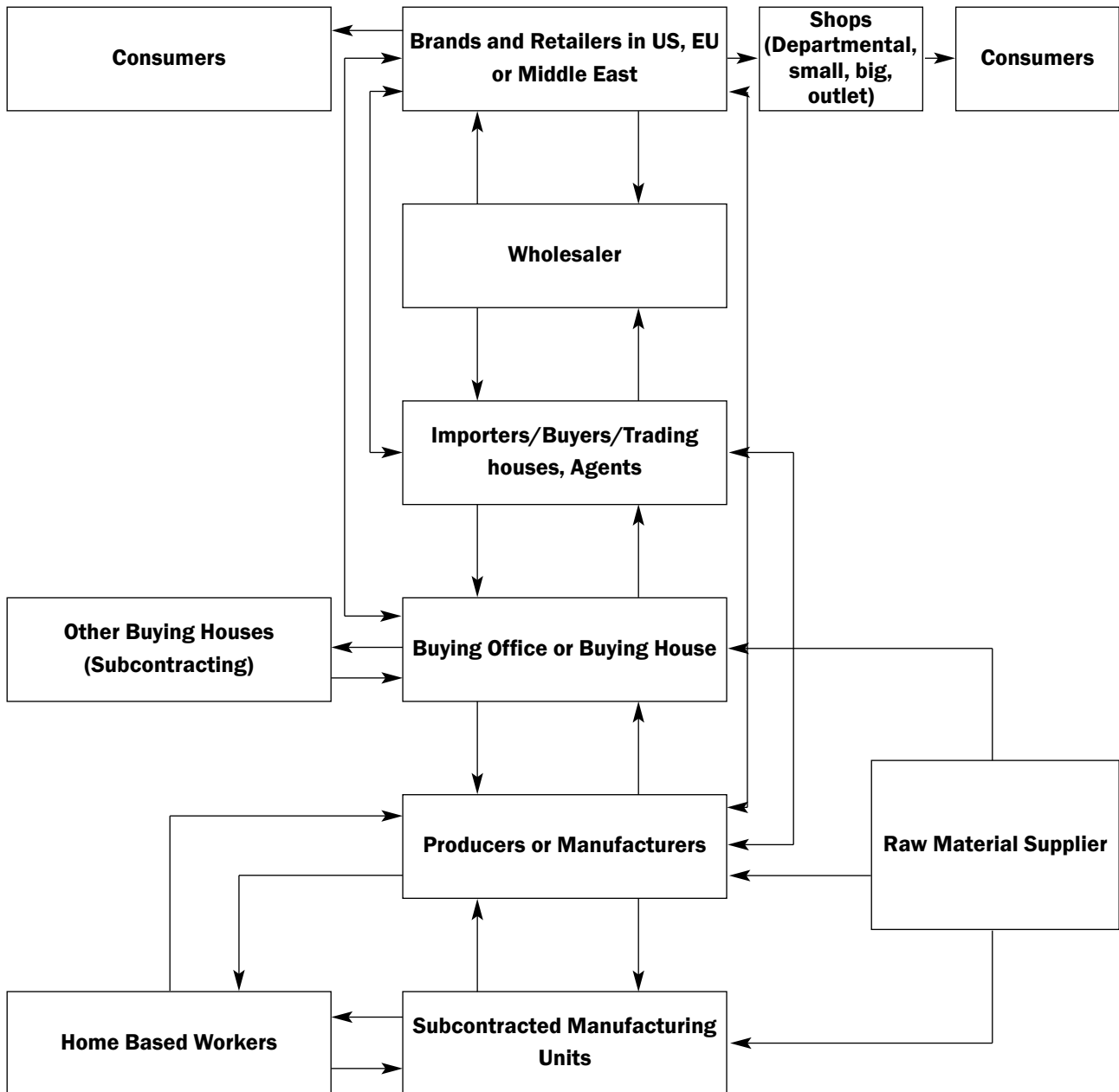
Another interesting aspect of vertical sub-contracting is the fact that some entrepreneurs use firms located at Chittagong to do the subcontracting work. By doing so, they save their inland transport cost and also saves the transportation time.

There are several other cases of vertical subcontracting which may more appropriately be identified as special types of labor arrangement. In almost all cases of knit work, we found that the work is contracted out to a contractor firm. The latter take the responsibility of finishing the work by a certain date. The principal firm is free from the responsibility of supervision and managing workers. However, the quality is ensured by the factory, which contracted out. It has been reported by one firm that the contractor firm took as profit about 40 percent of the labor cost.

3.5.1 Home-based work

Subcontracting chains in the Bangladeshi garment sector do not extend to homeworkers, largely because home-based production is very limited. In our survey, we did not get any firm which contracts out work to the home-based workers. It was learnt from the discussion with the employers that in very few cases of hand embroidery work, it was subcontracted out to the home-based workers. However, during the survey of 1990, one firm reported that for woven production, some women did the stitching work in their residence. They used to collect the cut cloth from the factory, and only stitching was done in their house employing 10-15 female workers. The products were later brought back to the factory for finishing. Similar information was also obtained from the FGD carried out by the authors among the garment workers. When asked about subcontracting, participant workers in the FGDs said that in sweater factories the home-based work was quite common. Most of the sweaters have embroidered work in them. The embroidery is mostly done in other places. Common knowledge is that it is done through home-based workers. Also, the workers said that there is more handwork involved in knit factories than woven factories. In the woven factories, machine work is more. As a result, a lot of the work of knit factories is done through home-based workers. However, the workers mentioned that the order does not directly go to the home-based workers from the knit factories. They said that there is always a buffer involved who takes the subcontracted order from the garments factories and passes it on to home-based workers. In the present survey, no employers reported about home-based work. It may be due the fact that these days, buyers supervise the compliance of labour standards very strictly. The whole system of the subcontracting system in the garment can be seen in Figure 5.

Figure 5: Map of Subcontracting Chain present in Bangladesh



3.6 Problems of the employers

The garment employers in Bangladesh face a number of problems for which they lose most of the share of the value arising from the subcontracting chain. Moreover, in many cases these problems lead to workers' deprivation from their rights. The entrepreneur in our survey reported the following problems:

(a) Long lead-time

As Bangladesh has almost no backward linkages, all suppliers, particularly suppliers of fabric are located abroad. Therefore, long distance travel and customs formalities are involved in the procurement of raw materials. Because of this and other specifications imposed by buyers, about 90 days are required for the raw materials to reach the factory after placing order.

This long lead-time raises the cost of Bangladeshi garments. In addition, long lead time is the main reason for workers' deprivation from their right of working 8 hours a day. Because, with a time limit of 120 days for delivery of the finished goods, reaching raw materials at the factory leave only 30 days to complete production. Workers are employed for longer hour violating their right to work 8 hours a day to meet the time limit of delivery of finished goods.

(b) Custom delays

In Bangladesh, there are too many custom formalities. At present, 14 licenses and 65 signatures are needed to import a good. These formalities are time consuming and expensive. This also lengthens lead time and raises the cost of production, which in turn affects wage bill and working hour, since employers always try to meet the additional cost of production by cutting wage bill rather than cutting their profit margin.

(c) Lack of efficient infrastructure facilities

In the port, loading and unloading facilities are extremely inadequate. Therefore, in most cases the garment employers have to face the problem of congestion at the port. Some times they had to wait a long time to release imported raw materials. They also face problems in case of shipment of their products. Road transport facilities are also inadequate and insecure in Bangladesh. All these problems also lengthen lead time and raise cost affecting working hour and wage bill.

(d) Stringent code of conduct

Cost effectiveness of the Bangladeshi garments is further affected by the stringent code of conduct given by the buyers. It was observed that many codes of conduct are not in conformity with the socio-economic conditions of the country. For example, change of towel in the wash room every hour, 60 hours of work per week, 500 cubic feet of work space per worker etc., are very difficult for the employers to comply with. In most cases, compliance raises the cost of production. To meet the additional cost incurred for compliance, the employers cut the wage bill instead of cutting their profit. It was further observed that there is no uniform code of conduct. Each and every big brand company has its own code of conduct. Some of them think that code of conduct is their trade secret and don't want to share with others. This also makes

some inconvenience for the employers since they have to rearrange working conditions for each company which involves both time and monetary cost. About 42 per cent of the surveyed employers reported that stringent code of conduct deteriorates labour standards since to comply with these codes of conduct, employers' demand excessively from the workers in terms of their time and wages.

(e) Lack of purpose built factory building

Garment industry in Bangladesh started in haste because the profit maximizing greed of the buying companies. In most cases buying companies did not give adequate time to the Bangladeshi entrepreneurs to prepare the material base for industrialization. The hasty industrialization of the garment sector in Bangladesh resulted in factories being built without necessary precautions. Most factories in the city started manufacturing in rented buildings, which were not designed for any factory work. As a result it was found that in most of these factories, ventilation was inadequate, staircases were narrow, and ceilings were low. Because of these conditions of factory buildings, compliance becomes very difficult and expensive, which in turn deprive workers from their right to congenial working conditions.

(f) Lack of marketing efficiency

The garment firms in Bangladesh lack marketing efficiency. In most cases, buyers come to the firm. About 50 per cent of the firms have retailers or the direct agents of retailer as their main buyers. The rest 50 percent do their business through buying houses. It was observed that some firms have their own buying house. Thus, garment firms in Bangladesh depend on passive marketing. As such, they have to accept all demands (doable or undoable) of the buyers and thus lose much of the gains emerging from the subcontracting chain. In many cases, employers become unable to protect many of the rights of the workers because of the loss emerging from the subcontracting chain.

Because of all these reasons, the buyers hold the key of the subcontracting chain prevalent in the garment industry of Bangladesh. The garment firms and workers who are the influential players in this chain have control on miniscule part of value emerging from this chain. It was estimated that about 35 per cent of retail price of a shirt produced in Bangladesh

accounts for cost at FOB. Around 60-70 per cent of FOB price is accountable to suppliers on whom firms have no control. Thus, garment employers and workers have control only on 12-15 per cent of retail price of a shirt.

3.7 Employers' Awareness about the Deprivation of Garment Workers from their Labour Rights

Interviews with garment employers show that the almost all of them are greatly ignorant about the workers' deprivation from their labour rights. None of them agreed that workers are given very low wage. Most of them said that wage rate is absolutely alright compared to their profitability. However, a big gap is observed between the amount of wages received by our surveyed female workers and the rate mentioned by the management. Similar gap is also observed between the employers' reporting of working hour, availability of leave facilities, physical working conditions etc and those reported by our surveyed workers. Most of the surveyed employers reported that whatever adverse working conditions exist in their factories are mainly due to the fact that their factories have been built in the rented house, which are not purpose built and also due to complying with some stringent codes of conduct given by the buyers. However, it is encouraging to know that some of the employers have plan to improve the working conditions by shifting their factories to suburb where they will build their factory building following all factory rules. Some of them also mentioned that they would introduce provident fund scheme for the upper category workers in future.

4. Working Conditions at the Production End of the Subcontracting chain and the Extent of Deprivation of the Garment Workers from their Labour Rights

Garment employers in Bangladesh lose much of their control on the subcontracting chain not only due to the problems of long lead time, lack of efficient infrastructural facilities, customs delay, stringent code of conduct or lack of marketing efficiency but also due to inefficiency of their workers. However, most inefficiency of workers arises from uncongenial working conditions and deprivation of workers from their right to decent work. Findings of several studies showed that the garment workers, particularly the women garment workers are deprived from almost all rights of workers, whereas the rights of workers are

basic human rights, as contained in the Universal Declaration of Human Rights. (Zohir and Paul-Majumder 1996, Afsar 2000, Paul-Majumder 2000, Amin 1997, Paul-Majumder and Begum 1997, Paul-Majumder 1998). Survey of workers undertaken for the present study also reveals the same facts. This survey shows that violation of labour laws and factory rules provided by Factory Acts 1965 and Factory Rules 1979 of Bangladesh are widespread in the garment sector. They are also deprived from the international labour standards formulated by ILO. For all these reasons garment workers in Bangladesh are deprived from their right to 'decent work' as defined by the *ILO Declaration on Fundamental Principles and Rights at Work* and these results in sub-human standards of their life and livelihood. This also results in loss of their production efficiency. Research shows that the productivity of workers in the garment industry of Bangladesh is lower than that in Sri Lanka, South Korea and Hong Kong (Reza, Rashid and Rahman 1998). With such low productivity, the women garment workers in Bangladesh are unable to meet the conditions of the sub-contracting agencies. As a result, garment employers in Bangladesh lose much of their control on the subcontracting chain and thereby much of their share in values emerged at different point of this subcontracting chain.

Large-scale deprivation of workers' rights results partly from the lack of garment employers' control on the subcontracting chain and partly from their exploitative tendency. Exploitation of workers by the employer becomes larger and larger as the subcontracting chain lengthens. This section attempts at assessing how the extent of exploitation varies according to the length of subcontracting chain at the production end. It has already been mentioned earlier that three categories of factories like (1) factories, which both subcontract out and subcontract in; (2) factories, which subcontract out only and (3) factories, which neither subcontract out nor subcontract in have been found according to the nature of subcontracting at the production end. Extent of deprivation of the garment workers from their rights is supposed to vary in these three categories of factories since length of subcontracting chain varies according to nature of subcontracting. An attempt has been made in this section to have an idea about the extent of garment workers' deprivation from their rights and also whether the extent of deprivation varies with length of subcontracting chain.

4.1 Socio-demographic Characteristics of the garment workers in Bangladesh

Socio-demographic characteristics of workers are influential factors affecting the acquisition of labour rights by the workers. Employers can deprive very young, less educated, married and migrant workers from their rights very easily since these workers are supposed to have very little knowledge about the labour market and labour rights. Survey data indicate that the female garment workers are very young, unmarried with little education, of rural origin and from poor families. Even after mass scale retrenchment of the child labour from the garment industry of Bangladesh due to enactment of Harkin Bill,² the workers are still very young. Findings of the survey show that age of the most of the garment workers ranges from 14 to 19 years (Table 5). This finding is also corroborated by the findings obtained from FGDs undertaken for the present study. The workers complained that the factories do not take workers who

are old. However, over the last few years average age of the female garment workers rose from 19 years to about 24 years. TNCs have a role in raising the age level of the garment workers since they strictly monitor the compliance of their code of conduct regarding child labour. It was found during our factory visit that one TNC fixed the minimum age for workers at 18 years, whereas in ILO convention on child labour fixed minimum age for workers at 14 years. Table 5 shows that age of the workers rises significantly in those factories, which neither subcontract in nor subcontract out (category 2) and those which subcontract out only (category 3), i.e. the factories, which have direct contact with the buyers or the agents of the buyers and where the subcontracting chain is shorter. Not a single child labour was found in the factories belonging to categories 2 and 3. But in factories belonging to category 1, one worker was found very young. It is mainly due to the fact that these factories often remain beyond the purview of the buyers.

Table 5: Distribution of the surveyed Garment Workers by Socio-demographic

Characteristics	Type of subcontracting			All Categories
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	
	Category 1	Category 2	Category 3	
Age (year)				
14-19 years	30.0	10.0	10.0	16.6
20-29 years	50.0	60.0	50.0	66.4
30 years and above	20.0	30.0	40.0	17.0
Mean age (in years)	21.3	24.6	24.2	23.7
Education				
No education	20.0	-	10.0	6.7
Primary	50.0	30.0	20.0	33.3
Secondary	20.0	50.0	40.0	36.7
Higher secondary and above	10.0	20.0	30.0	20.0
Marital status				
Unmarried	20.0	80.0	70.0	56.6
Currently married	50.0	20.0	30.0	33.3
Widow/divorced	30.0	-	-	10.0
Total no. of workers	10	10	10	30

Source: Survey of workers undertaken for the present study

² A bill entitled "The Child Labor Deterrence Act of 1993" was placed in the U.S. Senate by Senator Tom Harkin. The stated intention of the bill was to "prohibit the importation of goods (to U.S.A.) produced abroad with child labor."

One striking change that took place among the female garment workers in Bangladesh is in the level of education. The study undertaken in 1990 showed that more than 22 per cent of the garment workers were illiterate. But only about 7 per cent of the workers in our present survey were found illiterate. The same fact also revealed from our FGDs. It is very interesting to notice from Table 5 that level of education is higher among the workers, who are employed in the factories belonging to the category 2 and 3 i.e. where the subcontracting chain is shorter. Level of education would have been improved more if the TNCs put a code of conduct regarding minimum level of education of the workers. But no TNC put such code of conduct whereas, education is a factor that empowers a worker most to attain his/her rights.

A big difference between the category 1 and category 2 and 3 has also been observed regarding workers' marital status. Table 5 shows that in the factories belonging to category 1 only 20 per cent of female worker were unmarried whereas in category 2 and 3 their share was 80 and 70 per cent respectively. The married women can be paid less since in most cases their income is considered as secondary to household income.

All these facts reveal that workers employed in the factories, which have direct contact with the buyers are in better position in terms socio-demographic factors than the workers employed in the factories which do not have direct contact with the buyers. Hence, it may be concluded that the workers employed in the former category of factories are empowered more than the workers employed in the later category of factories to attain their rights. But findings of our entrepreneur survey show that only 32 per cent of the garment factories get order directly from the buyers.

4.2 Extent of deprivation of the garment workers from their labour rights and role of subcontracting system in affecting labour rights

a) Deprivation from the right of getting security of employment

Conditions of employment have been presented in Table 6. It can be noticed from the table that garment workers are not given an appointment letter. Thus,

security of employment is absent in the garment sector, whereas security of employment is a basic right of workers. In addition, appointment letter is the basic requirement for protecting their labour rights. It is observed that the garment workers are dismissed from their jobs without any prior notice. This situation has not changed overtime rather deteriorated due to emergence of more and more contract labour. It was understood from the FGDs with the garment workers that the workers in the knitwear factories are employed mostly as piece rate workers. Nature of employment will be more and more informal as the subcontracting chain lengthens at the bottom end. It can be noticed from Table 6 that not a single worker employed in the factories which subcontract in most of their production from other factories got appointment letter.

It was observed during the present survey that buyers never inquired about whether workers get security of employment. They asked workers question mainly regarding the amount of wages, regularity of wage payment, worker's age and health facilities in the factories. Security of employment was not included in the codes of conduct of the TNC.

b) Deprivation from the right to get adequate income for maintaining the worker and workers' family including basic health and education

The right to get adequate income for maintaining the worker and workers' family including basic health and education is one of the core aspects of decent employment contained in the ILO Declaration on Fundamental Principles and Rights at Work. Garment workers could not attain this right to a large extent. Several studies reveal that the garment workers, specially the female garment workers, are heavily underpaid (Zohir and Paul-Majumder 1996, Paul-Majumder 1998, 2000, Bhattacharya 1997, Afsar 2000). Employment in the garment industry gave the first opportunity for wage employment to about 90 per cent of the female workers employed in this industry. A study done in 1998 estimated monthly earnings for the female garment workers at Tk.1717 (about 36 US dollars), whereas for male workers it is estimated at Tk. 2687 (more than 60 US dollars) (Paul-Majumder 1998). During the last few years, price level of the country rises by about 10 per cent annually. Thus, the amount of female workers' earnings stands at Tk 2765 if inflated at the flat rate of 10 per cent annually.

Table 6: Security of Employment and Wage rate (Figures are percentage of total workers)

Security of Employment & Average monthly earnings	Type of subcontracting			
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	All Categories
	Category 1	Category 2	Category 3	
Whether got appointment letter				
Yes	0.0	20.0	30.0	16.7
No	100.0	80.0	70.0	83.3
Got Identity card	80.0	90.0	100.0	90.0
Average monthly earnings				
Average monthly earnings of female workers (in tk)	2257	2400	2933	2510
Average monthly earnings of male workers (in tk)	2571	2750	3055	2833
Gender differentials in earning (female workers' earnings as % of male workers' earnings)	87.8	87.3	96.0	88.6
Total no. of workers	10	10	10	30

Source: Workers' survey undertaken for the present study.

But average monthly earnings are estimated at only Tk.2510 from data of the workers' survey undertaken for the present study. Thus, real income of the female garment workers decreases overtime although nominal income rises.

However, it is interestingly found from our present survey that wage rate is significantly higher in the factories which have direct contact with the buyers than that in the factories which have no direct contact with the buyers. It is mainly due to the fact that in the former types of factories, buyers monitor the compliance of their codes of conduct. But the buyers monitor whether workers get minimum wages fixed for the lowest category of workers (helper category) by the Minimum Wage Ordinance, 1994. According to this ordinance minimum wage has been fixed at Tk. 930 for the lowest category of workers. Buyers are not aware of the fact that due to high rate inflation in the country, this amount of minimum wages becomes almost double in the year 2003. They were also not aware of the fact that living wage rather than minimum wage can enable the workers to maintain them and their family including basic health and education. It was observed that monthly earnings of the garment workers are not adequate to maintain the worker and worker's family. Most of the participants in our focus group discussions (FGDs) reported that they have to

pay a big amount of their earnings (about 25 per cent of their monthly earnings) for house rent and another big amount they pay for transport. They are left very small amount of their earnings after paying for transport cost and house rent. They further reported that because of low wages, they couldn't eat quality food. For the same reason, they also couldn't take health care. Findings of a previous study showed that only 40 per cent of the garment workers could eat protein in their last working day's lunch (Paul-Majumder 1998). Same study further showed that about half of the sick garment workers could not take treatment because of low wage. This has tremendous adverse impact on their health and labour productivity.

c) Deprivation from minimum wage

Garment workers are deprived not only from living wage but also from minimum wage as fixed by the Minimum Wage Ordinance, 1994. Our survey findings showed that about 17 per cent of the workers did not get minimum wage Tk. 930. Findings of the focus group discussion (FGD) held on 19th December, 2002 and 24th January, 2003 also revealed that violation of Minimum Wage Ordinance, 1994 is rampant in the garment sector of Bangladesh. When asked about the wage rate, 7 participating workers in the FGDs (18 per cent of FGD participant workers) said that they got below the minimum wage of Tk. 930 per month.

Minimum Wage Ordinance, 1994 was found to be violated more in the factories where production was carried mostly on subcontract basis. Female garment workers are also deprived from severance pays although they are dismissed frequently. Depriving the workers from minimum wage and severance pays, the garment employers are accumulating hugely. But neither the buying companies nor the inspection department of the Ministry Labour and Employment of Bangladesh penalize these employers for the violation of Minimum Wage Ordinance.

However, not a single entrepreneur in our survey admitted that they violated this ordinance. They reported that whatever low wage is given is due to high cost of their production resulting from compliance of some unjust codes of conduct like supply of towel and soap in the toilet, giving of shoes and apron to the workers etc. They said that their profitability is very low because they get very little from the value chain and also because the compliance of codes of conduct cost them highly. On top that buying companies are offering less and less price for the same product as time passes on. With very small profit they afford little to pay more to the workers.

d) Deprivation from the right to get equal wage for equal work and gender equality

Rights to equal wages for equal work and gender equality have been conferred to the workers both by the labour law of the country and ILO Convention on Equal Remuneration, 1951 (No. 100) and Convention on discrimination (Employment and Occupation), 1958 (No. 111). But these nationally and internationally accepted workers' rights have been grossly violated in the garment sector of Bangladesh. It is note-worthy from the findings of the present survey that gender-gap in earnings narrows significantly over the last few year. It can be noticed from Table 7 that a female worker in the garments sector does not get equal wage for equal work. The table shows that in each and every occupation there is gender gap in wage rate. A female worker earns 88 per cent of an average male worker's earnings. Gender difference in earnings is often justified by the employers by saying that female workers get lower income than male workers because they are less efficient than male workers since they are younger, less educated and less experienced than male workers and hold different jobs. But findings show

that gender gap in wage rate persists even after controlling of all factors affecting wage rate (Paul-Majumder and Zohir 1993, 1994).

Table 7: Extent of deprivation from the right to equal wage for equal work

Source: Workers' survey undertaken for the present study

Type of Occupation	Wages in Tk.		Gender gap in Wages (female workers' wage as % of male workers' Wage)
	Male	Female	
Quality Controller	7000	6000	85.7
Supervisor	4750	4050	85.3
Quality Inspector	2567	2233	87.0
Operator	2837	2629	92.7
Helper	1480	1300	87.8
Average	2833	2510	88.6

e) Irregular wage payment

Garment workers are also largely deprived from regular wage payment. It was observed during the focus group discussions with the female garment workers that most of the complaints the female garment workers made against their employers are related to irregular wage payment and non-payment of wages. Information collected from the trade union leaders revealed that on behalf of garment workers they filed a number of cases with the labour court for non-payment of regular wages. More than 43 per cent of our surveyed workers mentioned irregular wage payment as one of the problems they faced the most.

f) Deprivation from the right to get 8 hour working day and leave facilities

Our survey of workers shows that that an average garment worker works for more than 11 hours with a lunch break of 54 minutes although according to Factory Act 1965, no workers are to be compelled to work for 6 hours at a stretch without an hour break or two half-hour breaks. Table 8 shows that only 10 per cent of the surveyed workers could attain the right of working for 8 hours daily. Factory Act 1965 of Bangladesh provides for a weekly holiday, i.e. Friday, and no worker is to work more than 10 days consecutively without a holiday. Codes of conduct of all TNCs require that long working hour should be avoided and weekly holiday should be

provided to the workers. All the factories surveyed violated this law also. It can be noticed from Table 8 that only a little more than 7 per cent of the surveyed workers enjoyed more than two weekly holidays last month. More than 13 per cent of workers worked all 30 days of the last month whereas according to Factory Act 1965, no worker should work more than 10 days consecutively without a holiday. Findings show that these violations are more rampant in the factories that subcontracted in largely (Table 8).

Other leave facilities like casual leave, medical leave, maternity leave etc., are also absent in the garment industry of Bangladesh. Participants in our FGDs said that none of them got maternity leave. Our survey shows that more than 33 percent took leave last month. About 60 per cent of them were granted leave without pay. Due to absence of medical leave the workers continue their work even though they are sick. However, the employers we surveyed did not agree that workers work for long time and they are not granted leave and weekly holiday. About 54 per cent of them reported that their workers work for standard 8 hours a day.

It was learnt from the participant in our FGDs that workers are compelled to work long hours. They said that in many cases, workers are retrenched if they refuse to work long hours. Sometimes their salary is also cut and bonus is refused for not doing overtime work. This is some kind of forced labour whereas ILO Declaration of Fundamental Principles and Rights at Work prohibited forced labour. Codes of conduct of the TNCs also prohibited forced and bonded labour. Another core aspect of decent work as contained in the ILO Declaration of Fundamental Principles and Rights at Work is to attain a balance between family life and working life. The female garment workers can not attain this due to long work hour. Most of the workers participated in our FGDs expressed their deep dissatisfaction regarding their family life. Married workers reported that in-laws and husbands scold them severely for reaching home late at night after completing overtime work. Unmarried workers also reported in the similar way that their parents scold them for reaching home late. The mother workers complained that they can not take care of their small child because of long working hours. The absence of crèche facilities at the work place is one more factor affecting the balance between female workers' working and family life. Only one surveyed factory was

Table 8: Work hours and leave facilities (Figures are percentage of total workers)

Conditions of Employment	Type of subcontracting			All Categories
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	
	Category 1	Category 2	Category 3	
Work hour				
Up to 8 hours	10.0	-	20.0	10.0
More than 8 hours	90.0	100.0	70.0	90.0
Mean of working hour	11.6	10.9	10.6	11.1
Mean of lunch time (in minute)	40	50	60	54
No. of weekly holiday enjoyed last month				
0	30.0	10.0	-	13.3
1	50.0	40.0	-	30.0
2	20.0	40.0	40.0	33.3
More than 2 weekly holidays		10.0	60.0	7.3
Average no. of night duty done last month	2	-	-	2
Total no. of workers	10	10	10	30

Source: Workers' survey undertaken for the present study

found to provide crèche facility at the work place, whereas according to labour laws female workers have a right to get crèche facility at the work place.

Long working hour and deprivation from leave facilities affect not only balance between garment workers' working life and family life, but also their health and labour productivity very adversely since it cuts their leisure and recreation time drastically. Moreover, due to long working hours, the female garment workers face various social insecurities including sexual harassment while commuting at late night. Findings of our case study revealed the fact that Delowara, a beautiful unmarried garment worker, aged only 15 years was kidnapped while she was returning home late at night after finishing overtime work. She narrated the event as follows:

"One day, a local tout, who was teasing me for a long time, forcefully took me in a scooter while I was returning home after finishing 5 hours of overtime work at a garment factory which was about 2 kilometers away from my residence. I was crying loudly, but nobody came to save me. The tout put a handkerchief on my mouth, and within a few seconds I fainted. He took me to his relative's house, where he identified me as his wife. He proposed me to marry him. But I did not agree since he was a tout and drug addict. That night he raped me several times. I was bleeding profusely. But he did not care for that. He kept me in that house three days and everyday he raped me inhumanly. After three days he left me free. I came back to my house where there were my parents and two young sisters. My parents were very angry to see me. They did not allow me to reside with them. My elder sister, who is married and a garment worker, helped me a lot. She took me to my parents' house and reasoned with my parents that I had no fault in this event. My father went to the court and filed a rape case on my behalf. Within a few days that tout was arrested. He is in jail now. My father also took me to the private doctor. He requested the doctor to keep everything secret.

I was accepted in my family but the neighbours did not accept me. The neighbours looked down upon my family and me. They often passed demeaning words at me and at my parents. It became impossible for me and for my parents to live in that area. My father was forced to shift over residence to a new place

where nobody knows about my accident. In this place we are living in peace.

Not only the neighbours, but my colleagues also did not accept me. They always laughed at me. The male colleagues were calling me a prostitute and invited me to their bed. The female colleagues were avoiding me aside. They did not talk to me. I could not stay in that factory. I undertook job in another garment factory where I changed my name. Here I am working as a finishing helper and drawing a monthly salary of Tk. 1000 including overtime income.

I have got back my family and job. But I have lost my identity. Now I am a new person. I don't have any future. Nobody will marry me. My parents are trying to get me married. I will marry that person who will agree to marry me after knowing the violence happened against me. But I know nobody will agree. I know I have to lead my life unmarried. Now I don't feel interested in anything. I don't have any aspiration. Previously I used to go to cinema. But now I don't go to cinema. Always I feel that people are laughing at me. Now, I am always afraid of being raped either in the factory or on the street. I don't know how long I have to live with this psychological condition. No rehabilitation center or government can save me from this psychological condition."

In many cases the female garment workers were thrown out of the labour market due to violence on them in the street. This fact was corroborated by the findings of one of our case study. Majeda, a beautiful unmarried female garment worker, aged only 18, lost her job after being a victim of sexual harassment on the street. Her story has been presented as follows.

One day I was kidnapped by four touts from the street when I was returning home at 10 p.m. after finishing my overtime work at a garment factory, about 2 kilometers away from my residence. They took me to a building, which was under construction. Four touts raped me repetitively and left me in a senseless condition. Regaining my sense I came back home. Looking at my condition both my parents and neighbour could understand what happened to me. My father was very sympathetic to me. He went to the factory and requested the management to file a complaint against those touts to the police. But

they refused. My father filed a complaint to the police on my behalf.

The police came to my residence and the factory. Seeing police both my neighbours and factory management got annoyed. For this reason I was retrenched from my job. For the same reason the neighbours evacuated my parents from their residence. We shifted our residence to another place. In this new place nobody knows about my accident. Therefore the neighbours behave nicely. But they became hostile to my family when they came to know that I am pregnant. My father took me to a clinic where I got aborted. After abortion I often feel severe pain.

Now I am desperately looking for job since my parents are very poor. But no garment factory is ready to give me job when they come to know that I have a police case. I like to withdraw the case. But it is very difficult since police asked money from me to withdraw the case. Now I think I have done wrong filing a complaint. From complaint I got nothing except deprivation. We are very poor and weak. To get legal support we need government's help.

In addition to violence against women, society also becomes hostile against female garment workers for working in the factory late at night. They often faced objection like "women get spoiled in the garment industry". They faced this objection mainly because they have to work over night. Findings showed that on an average the surveyed workers did over night work for two days during the last month (Table 8).

However, our surveyed garment employers opined that workers are employed for long hour not because of their fault but primarily because of the long lead time. As mentioned earlier that lead time lengthens mainly because TNCs want raw materials to be collected from specific country with specific quality and design. With a time limit of 120 days for delivery of the finished goods, long lead time leave very short time to complete production. The employers are forced to employ workers for long hour to complete the production and to get the production ready for shipment as per time fixed in the contract signed between them and the buyers. They lose the whole order if they fail to keep the time.

To meet the requirement of overtime work a two-shift working system in each and every garment

factory may be introduced instead of employing the same worker for over time work. Most employers in our survey reported that introduction of a two-shift working system is not possible since there is an acute shortage of skilled labours and skilled management personnel.

g) Deprivation from promotion granting

According to ILO Declaration on Fundamental Principles and Rights at Work an employment must have scope for development of human resource potential. Without this scope a worker cannot acquire efficiency in his/her work and thus can not improve their working life. Garment workers are grossly deprived from the scope of development of their human resource since prospect for promotion in the garment sector is very slim. Therefore, in most cases the garment workers remain in the same job throughout their working life. But female workers' deprivation from promotion is evident when gender difference in promotion granting is observed. Very few female operators got promoted to the post of higher-ranking job of supervisor or production manager. In contrast, it was found that operator category male workers got promoted to these posts very quickly. It was found that in the absence of any promotion prospect, the garment workers, particularly the female garment workers change their jobs very frequently. It can be noticed from Table 9 that only about 27 per cent of the surveyed workers did not change their job. About half of the workers changed their job more than two times. Table 9 shows that the workers employed in the factories which primarily subcontract in their production are most mobile. They cannot stay in one factory more than two years. Discontinuity of job affects their working life very adversely.

h) Deprivation from the right to social security of employment

It was observed that unlike male, female garment workers become the victims of various forms of social insecurity like attack by hijackers, sexual harassment, accident in the street, kidnapping, beating, raping etc. Findings showed that about half of the surveyed female garment workers faced one or other type of this violence during the month prior to interviews. Most of the FGD participants also reported so. This is also corroborated by the case studies presented earlier Social and health impacts of violence are serious. Due

Table 9: Promotion and Mobility (Figures are percentage of total workers)

Promotion & Mobility	Type of subcontracting			
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	All Categories
	Category 1	Category 2	Category 3	
Whether got promotion during working life				
Yes	10.0	10.0	20.0	13.3
No	90.0	90.0	80.0	86.7
Mobility (No of job change)				
0	10.0	20.0	50.0	26.7
1	20.0	30.0	30.0	26.7
2	30.0	30.0	10.0	23.3
More than 2 times	40.0	20.0	10.0	23.3
Average Length of service in the present job (in month)	24.8	57.6	87.0	56.5
Total no. of workers	10	10	10	30

Source: Workers' survey undertaken for the present study

to sexual harassment the young female workers become vulnerable to Sexually Transmitted Diseases (STD). Findings further showed that sexual harassment not only impacts female garment workers' health but also makes the victim's life hell by withdrawing them from work and residence (Paul-Majumder 2000). But this problem was addressed neither by the Government of the country nor the TNCs and employers. This situation would have been improved a lot if the TNCs impose social security of the workers as an undeniable condition on the employers.

i) Deprivation from the right to have safe and secure work place

Safe and secure work place is a basic right of a worker. It is also a human right. In recently declared "ILO declaration of Fundamental Principles and Rights at Work," rights to safe and secure work place have been indicated as a basic right of workers. But garment workers in Bangladesh lack this right to a large extent. It was observed that Factory Rules 1979, which regulates the occupational safety in the industrial sector of Bangladesh, are violated grossly in the garment industry. As a result, occupational hazards were found widespread in the garment industry. It was found that women are the worst sufferers from the adverse working conditions since they are mostly employed in the low paid and low skilled jobs where occupational hazards are comparatively more.

It has been observed during our factory visit that most of the garment factory buildings were overcrowded, congested and poorly ventilated. As a result, it was found that the garment workers, particularly the female workers were exposed to toxic substance and dust. Raw materials used in the garment industry are of various types of fabric, cotton, synthetic and wool, which contain dust and fiber particles. It has been observed that clouds of thread particles hang in the air. Dye is a toxic substance emitted from colored cloth and it spreads in the workroom. The workers, particularly the operator and sewing helper category workers, who are mostly women, continuously inhale these substances. Congested and overcrowded working conditions without proper ventilation result in also temperature hazards. Garment workers are exposed to fire hazards too as most garment factories do not have adequate fire prevention measures although garment factories are very prone to fire accidents since all the raw materials used in this industry are highly inflammable. Most participants in our FGDs said that most of the fire fighting equipments doesn't work and they are just for show. Fire exits tend to be very narrow and very dangerous. Also in some factories, fire exits are used for storing boxes. They said that most of the deaths caused by fire in the garment factories are due to accidents while running down the stairs, and not fire. Most of the workers die in the stampede.

When asked about clean toilets and drinking water, most of the FGD participants said that there is no provision of clean toilet and drinking water. In most of the factories, the toilets are very dirty. They also complained about the small toilet break. Also, they complained that the supervisors do not let them drink water properly as it increased their chance of going to the bathroom. Working conditions are subhuman in most of the factories, which do not have direct contact with the buyer.

The government of Bangladesh is greatly responsible for in congenial working conditions in the garment sector of Bangladesh since it hardly monitors the compliance of the Factory Act 1965 and Factory rules 1979 – two influential legislation protecting the working condition of a industry. The TNCs are also greatly responsible for in congenial working conditions in the garment sector of Bangladesh since excessive demand of TNCs leads to hasty industrialization of the garment industry in Bangladesh. This hasty growth in

fact, pushed through without necessary precautions. Because of this over hasty growth most garment factories started manufacturing without its own plans. TNCs’ demand did not give enough time to construct its own factory building. For this reason, most garment factories were not purposes-built. Our survey of entrepreneur shows that 82 per cent of the garment factories started production in rented buildings which were not designed for factory purpose. As such, these factory buildings were not built following the codes of factory building. As a result these factories could not provide congenial working conditions.

j) Deprivation from the right to get health facilities at the workplace

Factory Rules of 1979 of Bangladesh provided that “the medical practitioner shall always be available on call during working hour.” ILO Declaration on Fundamental Principles and Rights at work also contains that workers must have health facilities for themselves and their family members. Garment workers in Bangladesh are grossly deprived from this right. Only 20 per cent of our surveyed workers reported that their factory has full

Table 10: Distribution of the surveyed Garment Workers by their health conditions and type of subcontracting (Figures are percentage of total workers)

Health Conditions	Type of subcontracting			All Categories
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	
	Category 1	Category 2	Category 3	
Whether suffer from any disease last month				
Yes	100.0	70.0	60.0	76.7
No		30.0	40.0	25.3
What are the diseases and illnesses did you suffered from last month				
Cough/cold/headache	30.0	-	20.0	16.7
Fever	20.0	-	10.0	10.0
Diarrhea /dysentery/diarrhea	-	10.0	-	3.3
Body ache/eye ache	20.0	20.0	10.0	16.7
Breathing problems	10.0	20.0	-	10.0
Skin disease	10.0	20.0	-	10.0
Others	10.0	-	20.0	10.0
Whether took treatment (figures are percentages of sick workers)				
Yes	60.0	57.1	66.7	60.9
No	40.0	42.9	33.3	39.1
Whether your factory has a full-time doctor				
Yes	10.0	-	50.0	20.0
No	90.0	100.0	50.0	80.0
Total no. of workers	10	10	10	30

Source: Workers’ survey undertaken for the present study

time doctor (Table 10), whereas garment workers suffer from a large number of illnesses and diseases due to occupational hazards. Table 10 shows that about 77 per cent of the surveyed workers experienced one type of illness or disease or another. But due to absence of full time doctor in the factory more than 39 per cent of the sick workers did not take treatment in their illnesses or diseases.

These findings are further corroborated by the case study of Sharifa as presented below:

Garment factory worker named Sharifa; aged twenty has been working in the garment industry for the last six years. Her day's duty begins at 7.30 a.m. until 8.30 p.m. At night she goes to bed at 11.00 p.m. and wakes up at 6.45 a.m. Sharifa does some house-work to help her mother. Before her garment job, Sharifa's health was comparatively better. In the village she rarely fell ill and so did not need any medication. However, after undertaking job in the garment factory she often became sick. Since two years, Sharifa is feeling very weak. She has frequent headaches and suffers from stomach pains. She did not have these complaints before. But she can not take proper medication since the factory did not employ any doctor. She can not take any treatment from any source outside the factory since she is not allowed any break during working hour to take treatment. Too much work and irregular meal timings have made her prone to these ailments. She said that although she does not suffer from eye disorder, many workers of the factory have been complaining of eye problems. Other girls within the factory have the same medical problems as Sharifa. While new in Dhaka, Sharifa had an accident when she was run-over by a cycle. She received injuries in the left hand. She did not meet with any other accident.

She has to spend a lot of time working under the glare of a high-powered bulb, in intense heat, within closed doors and windows and with untidily heaped clothes strewn around. The working environment is very uncomfortable and saps her energy. According to her the working condition of the factory must be improved to keep the workers healthy and fit. Besides congenial working, to remain fit every day it is necessary to eat well and to avoid excess work strain.

Large-scale deprivation from medical facilities not only throws the female garment workers into large-scale health insecurity, but also drastically cuts their wage earnings since they have to spend a large amount of

money on their ill health resulting from occupational hazards and workplace stress. The same also saps much of their labour productivity. Findings show that on an average a female garment worker keeps herself off from work for two days a month for illnesses and diseases (Paul-Majumder 1998).

k) Deprivation from fringe benefits

Garment worker's deprivation from fringe benefits is also very high. Being a worker in the formal sector of garment industry, a garment worker is entitled to various non-wage benefits including accommodation allowances, transport allowances, meal allowances, medical allowances, bonuses, pension, provident fund, insurance benefits etc. The Factory Act, 1965 of Bangladesh provides all these benefits. But the workers at the garment industry, are largely deprived from these benefits.

Garment industry situated primarily in the urban areas pulled out a large number of women workers from rural areas. Research shows that 93 per cent of women garment workers migrated from rural areas (Paul-Majumder 1998). In the absence of any accommodation facilities, these migrant women face a tremendous problem in the urban areas where housing facilities are already scarce. They took shelter in the dilapidated condition of slum areas and continuously face the problem of basic utilities like pure drinking water, electricity, sewerage, waste disposal etc. These problems throw the garment workers in huge health and social insecurity. Workers participated in our FGDs reported that they always remained afraid of local touts. The local touts come to them regularly to collect chanda (subscription). They threaten the garment workers in several ways if they refuse to give subscription. Some of them reported that they were assaulted and insulted by the local touts. For the female garment workers the possibility of being raped by the local touts is also very high since in slums and squatter settlement there is no law imposing authority. Findings of a study showed that in slums and squatter settlement there are a number of dens for flesh trading (Paul-Majumder et.al.1996). Liquor and drug trading is also widespread in slums and squatter settlement. Under these circumstances young garment workers could become the easy prey of flesh trading.

Due to the absence of transport facility the garment workers have to face rampant insecurity in commuting.

They face various mishaps in the street due to insecure mode of transport. Two case studies presented earlier showed how young garment workers are vulnerable to sexual harassment in the absence of safe and secure transport. Absence of transport facility also has tremendous adverse impact on garment worker's health since most garment workers walked to and from the garment factory a long distance. It was estimated that, on an average, these workers walked more than 5 kilometers during the day prior to the interviews. Evidently, this long-distance walking on foot affected the workers' health security very adversely. This long distance walking also affect their social security since various mishaps took place on women while traveling this distance on foot at night. The workers who traveled on foot have reported many incidents like attack by mastan (local touts), harassment by police, harassment by boys in the street, etc.

According to ILO Declaration on Fundamental Principles and Rights at Work, an employment must protect workers against contingencies and uncertainties. But employment in the garment industry could not ensure this right to the workers since it does not give any provident fund, pension or insurance facility to the workers. Thus, a garment worker will be thrown into the quagmire of poverty if she faces sudden illness, disability and fatigue from strenuous garment work. Retrenchment will also throw them into the same situation.

The garment employers can violate the labour laws regarding fringe benefit mainly because of the lack of monitoring of compliance of these laws both by the government of Bangladesh and the TNCs. It was observed that no TNC imposed any codes of conduct on the garment employer regarding fringe benefits.

I) Deprivation from right to association

Workers' right to organize themselves into associations is protected by the Industrial Relation Ordinance XXIII of 1969. Moreover, freedom of association and the right to organize and engage in collective bargaining, as provided in the ILO Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and the Right to Organize and Collective Bargaining Convention, 1949 (No. 98), were ratified by Bangladesh long ago. Right to organize is also enshrined in Bangladesh's Constitution. In addition, codes of conduct of each

and every buyer contain this right of garment workers. Thus, it is obligatory for each and every industry in Bangladesh to allow its workers to exercise the rights.

But the workers in the garment sector are deprived of this right grossly. Trade unionism has not yet been grown in the garment industry in spite of the fact that large scale violation of workers' right is present in this sector. Findings of a study showed that only 15.3 per cent of male and 3.3 per cent of female garment workers are members of trade union (Paul-Majumder 2002). Findings of our present survey also reveal that only a little more than 3 per cent of surveyed female garment workers are trade union members (Table 11). Very little difference was observed between factories which have direct contact with the buyers and the factories which don't have direct contact.

Discussion with the trade union leaders reveals that they have ambitious plan for organizing the garment workers. But they face severe hostility from the employers. They reported that any effort to unionize is met with the utmost brutality. The workers involved with trade union face retrenchment, harassment, intimidation and even threat to murder. The factory management often armed a mastan (muscleman) group to drive out the union. In a number of garments factories the workers seen talking to union leaders are instantly dismissed. The workers suspected of organizing were also dismissed in many cases. The worst type of punishment they received is when there is poster in their names with writings "Beware of these workers". This poster is hung at the gates of all factories situated at the same area. As a result of this postering it becomes very difficult for these workers to get jobs in the garment sector. In addition to open postering, the names of the union leaders and activists were blacklisted and sent to the management of all garment factories.

Our discussion with the employers also reveals that most of them have unfavourable attitude towards trade unionism. Because of all these reasons, garment workers, particularly the female garment workers could not organise themselves to raise their collective voice against deprivation of their labour rights although there is a Bangladesh National Committee for Women Workers' Development (BNCWWD) and several women's organisations including Karmajibi Nari (KN) are trying earnestly to organise them.

Table 11: Membership in the trade union and Awareness of the surveyed garment workers about labor law and subcontracting chain (Figures are percentage of total workers)

Membership in the trade union and Awareness about subcontracting chain	Type of subcontracting			All Categories
	Factories, which both subcontract out and subcontract in	Factories, which subcontract out only	Factories, which neither subcontract out nor subcontract in	
	Category 1	Category 2	Category 3	
Whether member of any trade union or workers' organization				
Yes	0.0	10.0	0.0	3.3
No	100.0	90.0	100.0	96.7
Do you know about labour laws				
Yes	20.0	30.0	50.0	33.3
No	70.0	40.0	40.0	50.0
Know very little	10.0	30.0	10.0	16.7
Whether the workers know where the garment produced by then go				
Yes	30.0	90.0	90.0	70.0
No	0.0	0.0	0.0	0.0
Know little	70.0	10.0	10.0	30.0
Whether the workers are aware about the labels they produce for				
Yes	20.0	70.0	80.0	56.7
No	80.0	0.0	0.0	6.6
Know little	-	30.0	20.0	16.7
Whether they have any idea about the price paid by the consumer of their produced garment				
Yes	0.0	20.0	10.0	10.0
No	80.0	80.0	80.0	80.0
Know little	20.0	-	10.0	10.0
Do you have any idea about the conditions of MFA				
Quota will be withdrawn	20.0	20.0	20.0	20.0
Many garment factory will be closed	70.0	20.0	20.0	36.7
Don't know	10.0	60.0	60.0	43.3
Total no. of Workers	10	10	10	10

Source: Workers' survey undertaken for the present study

In addition to vehement resentment from the employers, large-scale unawareness of the female garment workers about their legal rights and role and function of unionization is also a serious problem faced by these women's organization to organise the female garment workers. Very low education of the female garment workers, lack of leadership among them and their apprehension of losing their job are also serious problems faced by the women's

organisation in organising female garment workers. It can be noticed from Table 11 that half of the surveyed workers do not know anything about labour laws. Only 10 per cent have an idea about the price paid by the consumer of the garment manufactured by them. None of them knows about how to increase their share in the price paid by the consumers. Therefore, majority of the workers are unaware about the extent of their deprivation from the value they created. It was

observed that less educated workers are more unaware about labour laws and labour rights.

The employers discourage formation of any workers' organization on the ground that export-oriented garment manufacturing demands a non-volatile labour market, so that a strict production schedule can be maintained. To ensure an undisturbed labour market they employ more women than men, as it is widely believed that women have lesser tendencies to organize in trade unions. But the employers are not aware of the fact that labour organization is an essential factor affecting workers' well being and their labour productivity.

Government's inefficiency in enforcing the workers' right to association is also responsible for deprivation of the garment workers from this right. It was observed that the TNCs also do not monitor the compliance of their codes of conduct regarding workers' right to association. During their visit in the factory they never asked any worker questions regarding their involvement in the trade union.

5. Conclusion

The analysis and discussion in this paper clearly reveals that working conditions at the bottom end of the subcontracting chain in the garment sector of Bangladesh is sub-human and the workers are deprived from almost all their labour rights although there is well defined national and international labour laws. It is also revealed that because of their deprivation from workers' rights, they become the weakest players in the subcontracting chain. They get a minute amount of the value generated in the subcontracting chain whereas they add the maximum amount of value in this chain. It is mainly due to their large-scale deprivation from their labour rights. In addition to deprivation from their labour rights and due share of the values generated in the subcontracting chain, the garment workers in Bangladesh will face tremendous problem when MFA will be phased out in 2005 as their productivity is less than the productivity of other competing countries' workers. It is apprehended that thousands of female garment workers in Bangladesh will be thrown out of the labour market in 2005 as the TNCs will source from those countries where wage bill will be lowest due to high labour productivity.

But the employers, government and the TNCs, who are responsible for conferring and ensuring workers rights are not aware about this situation. They are also not much aware of the fact that sub-human working conditions not only sap the vitality of the workers and adversely affect their well being, but also sap their labour productivity greatly. The garment employers were found not much aware of the fact that labour is the most important input in Bangladesh's garment industry, and ensuring of labour rights is essential if productivity and competitiveness are to be improved. Moreover, they are not much aware of the fact that garment industry aims at a global market which is giving increasing importance to labour standards. TNCs are also not aware that reputation of the name of their brand will be adversely affected if the consumers come to know that the garment of a particular brand name involves so much sub-human labour. Thus, labour rights of the garment workers should be protected not only for the interest of the workers but also for the interest of the employers, Government and TNCs. Only these three stakeholders can confer and protect rights of the workers. But it is understood from the present research that they will not do this on their own. Therefore, strategy has to be formulated to make them obliged to do this. Workers' movement is the most effective strategy to make these three stakeholders oblige to confer and protect the rights of garment workers since it is the workers who have to make these three stakeholders work for them. But without gaining collective bargaining power women workers can not do this job. Hence arises the urgent need of organizing the garment workers into trade union or any other form of workers' association. Trade unions or workers' association will put pressure constantly on the government, employers and TNCs to make the labour laws and codes of conduct work for women garment workers.

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Women Working in the Informal Sector in Sri Lanka

Producing clothing and accessories for export

Transnationals Information Exchange – Asia Sri Lanka

Introduction

The Research

To understand what the situation is for informal sector garment workers, producing for export, and their role in the production end of the subcontracting chain in Sri Lanka.

To our knowledge¹ this specific sector of the garment industry has not been researched in detail, and as outlined in this report there is little supporting data in Sri Lanka on the subject. Research of this nature is important for highlighting the issues and needs of mostly women workers in this area, contributing to debate and building programmes and organising work (of various organisations/unions) in an informed and strategic way, as well as providing a complete picture of the garment subcontracting chain.

Most garments made for export in Sri Lanka are produced in factories; however, it is the experience of TIE-Asia, as documented anecdotally through labour activists that some parts of the process are subcontracted out further in the informal sector. And at times the whole process of production of garments is undertaken by the informal sector.

Overview of export orientated garment industry in Sri Lanka

At present the garment-manufacturing sector accounts for 69% of total industrial exports² in Sri Lanka. Garments are exported mainly to the USA, 60%, and the European Union, 35%. It is the top export sector followed by tea and the second largest earner of foreign exchange after overseas remittances from workers abroad: eg: women domestic workers in the

Middle East. Of the 7 million strong labour force, over 1 million people are employed the garment sector.

Sri Lanka was the first South Asian country to change from import substitution, which included protective tariffs, and import controls to an export orientated economy, under World Bank/IMF structural adjustment policies. In 1977 under then President Jayawardena, the newly elected UNP government unlocked the doors for foreign investment. This is when Free Trade Zones (FTZs) were established.

Foreign investors were enticed to Sri Lanka on the promise of low wages, a skilled and literate workforce and the absence of trade unions in FTZs.⁴

The first Free Trade Zone was established at Katunayake (near to the airport and capital Colombo) in 1978. Over 100,000 workers are directly employed inside the FTZs of Sri Lanka. 75% of workers are single women.⁵

These women have migrated from their villages in rural areas to work in the zones. The average age of women workers is between 20 - 29 years.⁶

Women are preferred as workers in the FTZs as they are seen as a more flexible work force for employers, easily manipulated and less likely to demand their rights. Women working in factories have a poor image and marriage ads in major Sri Lankan newspapers often state “no factory girls”.⁷

Some examples of conditions for workers inside the zones include:⁸

- Being forced to work long hours of overtime to reach unrealistically high production targets (up to 60 to 90 hours per month, depending on which study/research is cited);
- Repression of the right to organise, form a union and bargain collectively;
- Denial of legal entitlements, with leave being extremely difficult to take;
- Excessive fines and penalties: ranging from being late; sick; not reaching production targets and refusing compulsory overtime. Bonuses, fines and penalties are complex and workers frequently cannot calculate how much they will earn each month;
- Poor or non-existent Occupational Health and Safety practices;

¹ Based on an extensive literature search and discussions with various research organisations in Sri Lanka.

² Central Bank of Sri Lanka Annual Report - 2001, page 43.

³⁻⁹ From: Dent K, Transnationals Information Exchange-Asia, and Marcus A, Free Trade Zone Workers Union, (May 2002) Rights: Denied! case study; pages 4/5; Colombo, Sri Lanka.

- Precarious work conditions, where job security is not assured (surveys have shown that workers would not work in their current jobs if there were alternatives open to them) and wages are low;
- Labour laws - guaranteeing minimum protection are not, in reality, implemented and are constantly under threat of being regressively rewritten, offering even less protection for workers and more freedom for employers and investors to exploit workers. Frequent misrepresentation by the BOI of Labour Law;
- Women workers are harassed in the workplace and in the communities where they live, and on the way to and from work
- Imposition of inhumane restrictions such as a time limit per week for going to the toilet;
- Lack of transportation, especially after late night shifts;
- Cramped, inadequate boarding houses, sometimes without electricity or adequate ventilation and having to queue at the well for a bath;
- Inadequate time for rest, to participate in social or cultural activities and often barely have enough time to cook for themselves, or enough money to eat nutritiously.

Outside of the FTZs, conditions for workers are poor and wages are often lower than in the FTZs. However there is more freedom for unions to be formed and the living conditions are generally better as workers tend to stay within their village community.⁹

Garment factories can be classified into three main groups:¹⁰

1. Garment factories operating within Free Trade Zones (FTZ) - [Under Board of Investment (BOI)];
2. Garment factories operating outside Free Trade Zones (but still approved by Board of Investment)
3. Garment factories operating under normal Company Law (not covered under Board of Investment)

The garment factories operating under BOI - (categories 1 and 2) and non-garment manufacturing BOI companies are allowed to manufacture for export only. The garment factories, which are not covered

under BOI, are free to produce for the local market, for export or both.¹¹

Garment factories are located both inside the various Free Trade Zones (FTZs), Industrial Parks and Estates and outside in the villages and districts. In 1992, President Ranasinghe Premadasa declared the whole of the country a Free Trade Zone and simultaneously set up garment factories in each of the districts under the Garment 200 Factory Programme.¹²

The domestic garment industry, while not specifically a focus of this study, plays a considerable role in the informal sector also. Although we were unable to find a statistic to indicate the percentage it accounts for of the garment industry as a whole. It is documented in other researches¹³ that the domestic sector has expanded at the same time as the expansion of the export orientated market “with the trickling down of factory seconds to the local open market”¹⁴.

Existing research into Sri Lankan garment industry

There have been numerous researches and studies carried out on the garment industry of Sri Lanka. However there are few that mention the role of the informal sector and specifically home based workers in this industry. Fewer still concentrate on the role of home based workers in the subcontracting chain producing garments for export.

In 1997 the Centre for the Welfare of Garment Workers¹⁵ conducted the first situational analysis of women workers employed in the 200 Garment Factory programme set up in 1992. Under this programme factories were set up island wide, and the whole of the country declared a Free Trade Zone.

Garment industry and the informal sector

It was the belief of the research team before conducting this research that very little data and statistical information existed on informal sector garment workers in Sri Lanka.

For the duration of this project we tried to find statistics and data about this group through the various sources outlined below. All of this effort produced minimal results: supporting our belief

¹⁰⁻¹² Dent K, TIE-Asia, and Marcus A, FTZWU (April 2001) *Law and Reality in Sri Lanka's Garment Factories*, page 1, Colombo, Sri Lanka.

¹³ Including: CENWOR study series nos.20 & 21 (2001) *Home-based workers in the Garment Industry - the Informal Sector*.

¹⁴ Jayaweera S and Dias M, Commonwealth Secretariat (1989), *Subcontracting in Industry: Impact on Women*.

(based on experience) that garment workers in the informal sector are “invisible” and particularly in the eyes of government they simply do not exist.

One of our initial tasks was to find an official definition and statistical information for the “informal sector” in Sri Lanka. The informal sector has been defined by various other studies¹⁶ and in other forums, such as UN reports etc, but we were unable to source any official government definition or statistics.

Our assistant researcher made numerous enquiries and did a great deal of travelling around the Colombo district in the search for information which took her to: Colombo Public Library (run by Municipal council); National Library of Sri Lanka (government); Department of Census and Statistics; Central Bank; and several NGOs.

The Central Bank of Sri Lanka, which according to its Annual Report of 2001 says “the informal private sector has the highest enrolment in economic activity, and is around 70 percent of the overall employed workforce”, was not able to give a clear definition of informal sector. Six different people within the department were asked, yet not one could provide a definition.

It was a similar outcome at the Department of Census and Statistics. After visits to several departments we were able to learn from the library that the Sri Lankan government’s statistical information focuses mainly on the formal sector, with little concentration on the informal sector and includes just a few industries such as construction, agriculture and the plantation sector.

Supporting research for this study that we were able to source is on the whole relatively old - studies conducted up to 10 years ago. As the garment industry is one of Sri Lanka’s most rapidly developing and changing industries, a lot of the information found in these researches is not necessarily relevant to the current situation for garment workers, whether in the formal or informal sector.

More recent studies¹⁷ on the garment industry as a

whole include the impacts of the removal of quotas under the phase out of the MultiFibre Agreement in 2005; the knock-on effects will also have an impact on informal sector workers as well.

Most information was obtained from CENWOR (Centre for Women’s Research), whose work focuses on women and issues facing women in Sri Lanka. Home based garment workers have been included in more general studies about the informal sector, but not as the sole focus of any research.

However, it is important to mention that home based workers were not the sole focus of our research either.

The subcontracting chain¹⁸

Subcontracted work is defined by the ILO as an industrial or commercial practice whereby the party placing the contract requests another enterprise or establishment (the subcontractor), to manufacture or process parts of the whole of a product, or products, that it sells as its own.

Clean Clothes Campaign (CCC) produced a video in which a film team travelled with a man’s suit, following the production process. The designer and owner of a small Canadian company travelled to Paris for ideas and to determine fashion trends, while there they visited a huge textile trade fair to decide what kind of cloth to use. They decided on a woollen suit and placed the order for cloth in India. The wool came from Australia and the spinning and weaving took place in two different locations in India. The cloth for the lining was made in Korea and sewn in China. The lining and the woollen cloth were shipped to Hamburg (Germany) then onto Russia. The cut, make and trim (actual garment manufacture) took place somewhere in Siberia. The buttons came from Canada. Even this is only a part of the story. To understand the full story of the suit we need to know how the Canadian company places its orders. Do they send a sample direct to the Russian company who orders the cloth and lining? Or do they place the order with a Hong Kong trading

¹⁵ Heward S (1997) *Garment Workers and the 200 Garment Factory Program, Colombo, Sri Lanka.*

¹⁶ Kottegoda S (1991) *CENWOR Working Paper No.2, Women in the Informal Sector, goes into detail about 'Conceptualising the Informal Sector' (pages 3-13) on both the international scale and specifically in Sri Lanka.*

¹⁷ Such as: Dent K and Tyne M, *TIE-Asia, (May 2001) Unravelling the MFA (MultiFibre Agreement), Colombo*

¹⁸ Unless separately footnoted material in this section has been compiled from a range of sources including: *Globalization Changes the Face of Textile, Clothing and Footwear industries, ILO Press Release 28/10/96 (ILO/96/33)*; Florence Palpacuer "Development of core-periphery forms of organisation: Some lessons from the New York garment industry"; www.ilo.org/public/english/bureau/inst/papers/ and material presented by Sony Karsono, Indonesia at a TIE-Asia Seminar, 2002 "Workers Organising Against Transnational Corporations (TNCs) and State Instruments of Control"

* (From the documentary "Made in?", Director: Josh Freed, Distributor: Mundo Vision, 300 Rue Leo-Perizeau, 2400, Montreal, Quebec, Canada)

company who buys the materials and ships them to Hamburg and onto Russia? Or was the order placed with the Indian company who made the cloth but finds it cheaper to have it sewn in Russia? It is also probable that the Russian company who receives the order does not do the sewing itself but subcontracts to this to other companies, small units or home based workers.* **Appendix C** provides three pictorial representations of the subcontracting chain for the garment industry.

The subcontracting chain for major brand labels such as Gap, Tommy Hilfiger, Victoria's Secret is complex. Garments have usually gone through a long process before they end up on the shop rack.

During the 1970s garment industry brand label¹⁹ Transnational Corporations (TNCs)²⁰ began opening their own branches, in Hong Kong, Taiwan, Singapore, South Korea. They rented land, bought equipment and employed workers directly, usually in countries where labour costs were low and repression of the labour movement was high. By opening many branches in different countries TNCs made a huge profit, however they still faced the risk of opposition from the labour movement.

Around 1980 a new strategy was found, this was called subcontracting. Under the subcontracting system the brand label or retail TNCs still developed the labels and maintained control over their design, thus ensuring that technology transfer did not take place from developed countries to the majority world. However, production took place in the majority world. In countries such as Philippines, Indonesia, Thailand and Malaysia. Later in Bangladesh, Pakistan, Sri Lanka and more recently Laos, Nepal and Vietnam. China however, has become the leading world producer and supplier of clothing – currently generating almost 13 percent of the world supply - without outsourcing from other countries.

The TNC sells a contract to a company in the majority world. The contract specifies the amount, type, quality, period of time for production and price. If the company agrees to these conditions then they are given the

contract. As labour costs are low within the majority world TNCs can make a huge profit, they can also distance themselves further from labour opposition. Codes of conduct in their various forms emerged in large numbers during this period as an attempt to make retail and brand label TNCs responsible for the conditions throughout the supply chain. TNCs also encourage competition among subcontractors. For example telling a subcontractor in Sri Lanka that they have been offered a lower price for the production of their goods by a subcontractor in Indonesia and that unless they lower their price then they will award the contract to the Indonesian supplier subcontractor.

Some Asian countries who themselves were originally producing for TNCs have become subcontracting agents. For example a subcontractor factory in Taiwan might win a contract, however they may not be able to produce the goods at a cheap price so they subcontract out to countries whose production costs, including labour are much cheaper. In this way the subcontractor in Taiwan, who handles many such contracts becomes a subcontractor themselves. Subcontractors within a country may also subcontract out further to smaller factories, units and/or to home based workers.

This subcontracting system has resulted in precarious employment. Meaning that employment is highly flexibilised (to the benefit of the employer), irregular or unstable, unsafe with regulation rarely enforced. A study by Humanika into home based workers in Indonesia says "the putting out system has underlying it a simultaneously persisting capitalistic, patriarchal, segregative and lawless work relationship pattern". This system is a deliberate strategy of capital to intensify capital accumulation using the dominant patriarchal ideology which segregates, marginalises and further exploits women workers ²¹

One example from this research highlighting safety issues is: Work is subcontracted out by a large factory, which is about to receive ISO certification. This factory subcontracts to a smaller factory and to a home based enterprise (of five workers) when there is very

¹⁹ A few examples of brand label companies include sportswear; such as NIKE and Adidas; Clothing such as Levis Strauss, GAP and Calvin Klein. An example of a brand label retailer would be Walmart and Marks and Spencer.

²⁰ "TNCs are defined as those corporations which own or have a controlling interest in subsidiary enterprises in countries other than in the country of the parent company. Such corporations are not new but they have increased in number, wealth and power in the period since World War 2. Two-thirds of world trade in goods and services is controlled by transnational corporations. Only one third of international trade is not directly controlled by TNCs and not subjected to their monopoly pricing or other monopoly practices." From *TNCs Stride the World*, Ana Pha, Guardian Newspaper of the Socialist Party of Australia, www.thirdworldtraveler.com

labour intensive, difficult and unsafe work to perform. In this example workers in the home based enterprise were required to stuff duck feathers into the lining of winter jackets without any protective equipment.

The subcontracting system as described above is what happens in the garment industry in Sri Lanka today. In fact it could be argued that the garment industry in Sri Lanka came into existence because of this subcontracting strategy, aided by World Bank structural adjustment programmes who saw an opportunity for foreign investment in Sri Lanka and by the MultiFibre Agreement quota system that provided markets for garment exports to the US and Europe. Under these influences the garment industry in Sri Lanka was narrowly developed which will be to its detriment when the MFA is abolished in 2005.

The owner of the factory [in Sri Lanka] explained that he preferred contract workers because when he had manufactured toys from a factory, the workers slowed down production during the periods of high demand and asked for higher wages. Contract workers did not have the opportunity to organise and therefore he was better able to deal with market demand.²²

The labels produced by workers interviewed during this research are listed on page 24 of this report. The subcontracting chains will be researched and followed in detail for several of these labels and will be produced as documents separate to this research. An additional 70 subcontractor factories have been identified for these labels.

Some elements of the subcontracting chain for the label NEXT are detailed over the page. The field research showed that NEXT was being produced in six different workplaces.

NOTES TO SUB CONTRACTING DIAGRAM (on opposite page)

** Names of the garment factories have been changed to protect the identity and jobs of the workers interviewed during this research. All other details are accurate to the best of our knowledge*

*** Next Asia Limited is a subsidiary undertaking. This means NEXT has invested in the company but does not own or manage the company. This is done by another company*

This diagram does not show the chain for the sourcing and producing of raw materials, as this is unknown at this stage.

It is likely that subcontracting chains in other producing countries (mostly in the majority world) are similar. Some subcontracting of production including to home based workers also occurs in the developed world.

Next is now a member of the ETI (Ethical Trading Initiative) and as such is bound by the ETI Base Code of Conduct.

Next also has a Code of Practice which sets out terms for working conditions and rates of pay.

SOURCES for subcontracting diagram: this research; Centre for the Welfare of Garment Workers of Sri Lanka: Database; NEXT fact file No.3; www.next.co.uk; www.hoovers.com; www.kompass.com; Buyers Directories; press clippings.

²¹ Humanika "Home Based Workers in Indonesia - A Survey Report " in "Asian Women Workers Newsletter, Vol.21 No.4, October 2002, Committee for Asian Women, Bangkok

²² Balarkrishnan R (ed) (2002) *The Hidden Assembly Line*, Kumarian Press, Connecticut, USA.

NEXT

Home Based or Small Unit Subcontractors

*Mercury Garments
Located near to
Negombo, Sri Lanka: 7
workers.

CASE STUDY
See (page 61)

*Venus Garment Factory
- located near Ja-Ela,
Sri Lanka
20 workers

*Neptune Garment
Factory - located
Kandana, Sri Lanka
7 workers do not know
where orders come from.

*Pluto Home - located
near Ja-Ela, Sri Lanka: 5
workers do not know
where orders come from.

*Sun Garment Factory -
located Seeduwa,
Sri Lanka.
Hong Kong Owned
Joint Venture with MAS
Holdings
Main Shareholders:
MAST Industries Far East;
Phoenix Venture Ltd;
Omar family

*Sunshine
Garment Factory -
located near Ja Ela,
Sri Lanka
Some directors are
the same as Joint
Venture with MAS
Holdings

*Mars Garment
Factory - located
Kandana,
Sri Lanka: 80
workers

*Saturn Garment Factory-
located near Ja Ela,
Sri Lanka. Directors are
British / Chinese.
Workers are not allowed
to form a union and are
punished if they do not
reach their target.

*Uranis Garment
Factory - located
Moratuwa,
Sri Lanka
50 workers

Other known
subcontractors
producing for
NEXT in
Sri Lanka:
Comfort Wear
(Pvt) Ltd
NVM
Manufacturers
Sam Son Exporters
Shadeline - Kandy
Shadeline -
Mahiyanganaya
Lina Mas (Mas
Holdings)
NOTE: The last 3
companies are part
of MAS Holdings
CASE STUDY
see (page 62)

Subcontracting Factories

Transnational Corporations (TNCs)

**Next Asia Limited has a
branch (local buying office) in
Sri Lanka. NEXXT is listed as
the buyer with a Vendor
(subcontractor base of 20)

There are two other Sri Lankan
based buyers who list NEXXT
as a client. They are: NV
Production Limited (25
subcontractors)
Silvergrand Sourcing Limited
(5 permanent subcontractors)

NEXXT
(Asia) Limited
Overseas sourcing
services located in Hong
Kong, India and Thailand

(not sure how orders are placed with these buyers)

NEXXT Brand Label Company
Produces clothes, shoes and accessories for
women, men and children and home wares.
Headquarters located in the United Kingdom and
employs 1,400 staff. NEXXT trades from 330 stores
in the UK and Ireland and 49 overseas locations.
NEXXT does not have a code of conduct but it is a
member of the UK based Ethical Trading Initiative
(ETI).
Also owns Ventura, which provides a call centre and customer
support services for other companies

Shipped either
directly or through
the sourcing agent
or another agent to
a NEXXT distribu-
tion centre,
located in Yorkshire,
UK, where final
quality control is
performed then it is
despatched to
NEXXT Retail
stores.

CASE STUDY

Home Based Subcontractor-Sri Lanka

During the interview process the field researchers found a group of self-employed, home based workers producing parts of garments for NEXT. They are identified as Mercury Garments in the Subcontracting Chain diagram on the previous page.

A group of seven workers do the work together in one person's home in a village about 30km north of Colombo. Those involved in the industry are family members and neighbours.

The worker interviewed was the daughter of the woman who was considered to be the "boss".

Field researchers said this small group of workers considered themselves to be self-employed as the work was not regular – about two weeks per month, and they do not get enough work to make payments for EPF or other benefits.

The workers receive ready-made t-shirts with the NEXT logo embroidered on the front, from a large garment manufacturer. They are then required to hand stitch and attach approximately 20 beads over the embroidered letters.

For this work they receive 10 cents of one rupee per t-shirt - the equivalent of US\$0.001.

If the large garment manufacturer is not satisfied with their work, the workers are given a special pass to go into the factory and redo the beadwork. They are not paid to redo the work.

The worker interviewed said when work is not corrected; deductions are made from their payment.

If the work is regular workers can earn between Rs2000-2500 per month (US\$20.83-\$26.04).

This t-shirt retails for approximately 15.00 pounds in the UK – about 2,325.00 Sri Lankan Rupees.

CASE STUDY

Manufacturing TNC

Mast Industries describes itself as one of the world's biggest contract manufacturers, importers, and distributors of apparel, including bras for Victoria's Secret and sportswear for brands such as Abercrombie & Fitch. The company is a major supplier to two of the world's largest specialty retailers: Limited Brands, which acquired MAST in 1978; and Intimate Brands, owner of Victoria's Secret. Founded in 1970 by Martin Trust and his wife, Dena, the company headquarters is in Massachusetts.

In Sri Lanka, Mast Industries is known by several names such as Mast Industries, Mas Holdings and Mas Lanka.

Mast has manufacturing operations and joint ventures in more than a dozen countries including China, Israel, Mexico, and Sri Lanka.

Additional information is available on some of these companies.

Joint Venture	Date Established	Number of Facilities	Product Category
Bodyline	1992	3	FOUNDATIONS
DTM Buttons	1997	1	BUTTONS
Freshtex	1996	1	WET PROCESSING
Gil Garments	1991	1	SPORTSWEAR
Jewelknit	1994	4	UNDERWEAR, SPORTSWEAR
Kuruwita Manchester	1993	6	WOVEN FABRICS
Leisureline	1998	1	SPORTSWEAR
Linea MAS	1998	1	LINGERIE, SPORTSWEAR
LM Apparels	1986	2	SPORTSWEAR
LM Collections	1992	1	LINGERIE
Lux Shirts	1994	1	SPORTSWEAR
Lux Shirts - Kahawatta	1994	1	SPORTSWEAR
Manchester Yarn & Thread	1997	1	THREAD
MAST Lanka	1993	2	SPORTSWEAR, LINGERIE
Ocean Lanka	1994	1	KNIT FABRICS
Phoenix College of Clothing Technology	1997	1	TRAINING
Phoenix Fashions	1991	1	SPORTSWEAR
Shadeline	1994	1	SPORTSWEAR, LINGERIE
Shadowline	1989	1	LINGERIE
Slimline	1993	1	SPORTSWEAR, UNDERWEAR
Slenderline	1994	1	UNDERWEAR
Stretchline	1996	1	ELASTIC
Unichela	1987	2	LINGERIE

Legal position on informal sector garment workers²³

If an **employee** is covered under the definition of a “workman” as stated in the Industrial Disputes Act (1956) as amended then all of the labour laws apply within the scope and operation of each statute or law - for instance the Shop and Office Employees’ Act (SOE Act) applies only to employees in a shop or office, the Wages Boards Ordinance applies only to trades in respect of which a Wages Board has been established by the Minister of Labour, etc. There is a wages board for the garment industry. Of course the normal problems with lack of enforcement still exist. Every act of labour law refers to the definition of a “workman” as contained in the Industrial Disputes Act.

The Industrial Disputes Act defines an employee as:

“Any person who has entered into or works under a contract with an employer in any capacity, whether the contract is expressed or implied, oral or in writing, and whether it is a contract of service or of apprenticeship, or a contract to personally execute any work or labour, and includes any person ordinarily employed under any such contract whether such a person is or is not in employment at any particular time.”

However it may be difficult to prove that a home worker or workers in a very small enterprise are **employees**. First you would have to prove that there is an employee/employer relationship, then you would have to prove who the employer is. It may be possible to show that the person who is providing the work and making the payment is the employer.

If there is no employer/employee relationship then the person could be considered self employed, because that person could be providing services as an Independent Contractor.

If they are self-employed then they are an independent entity and are providing a service. Under this arrangement they may voluntarily contribute to EPF²⁴ etc (from their own money).

Any breach of contract between the self employed

person and the contractor (factory, buyer or middle person) would have to be heard before the district court as a common law matter and not before the labour courts as a breach of labour law.

The Workman’s Compensation law (workers compensation) may apply in some instances where there is an accident. However it is difficult to prove that the accident/injury/illness that occurred was while completing work for a specific contractor or during work time, especially if the work is in the home.

Example: women who undertake to finish some aspect of manufacturer in relation to garments (embroidery, adding buttons, etc.) at home. If they supply more than one customer, and are injured while working at home, it would be difficult to establish the nexus (ie: who were they working for when the injury occurred and therefore who was responsible for the injury).

According to the Factories Ordinance Act of 1957 the definition of a **factory** is broad and covers “any premise” where people are “employed in manual labour in any process” including making any article or part of an article; “altering, repairing, ornamenting, finishing, cleaning, or washing; or the adapting for sale of any article”. The employer does not have to be located on the premises and includes anyone who “has the right of access and control” over employees. Any place that employs two or more workers is deemed a workplace and is also covered under this act providing the work is undertaken with the permission of the owner or occupier.

Under the Wages Board Ordinance No 27 of 1941 (as amended) the definition of an **employer** is wide and covers:

The immediate employer of the worker AND if the immediate employer is also employed by another employer (principal employer) both/all are considered to be the employer (section 45).

Any agent or person employed by the principal employer who commits an offence under the Wages Board Ordinance is liable “to be proceeded against” or convicted in the same manner as the employer {section 59.(1)}

An employer under the interpretation of this act is

²³ This section was written with substantial assistance by Shyamalie Ranaraja who is a Colombo-based lawyer, with specialist knowledge on labour law, especially for women and the informal sector.

²⁴ Employees Provident Fund (EPF) is a lump sum upon retirement, for men 55 years, women 50 years or when they marry. EPF contributions come from the employer (12%) and the worker (8%).

Employees Trust Fund (ETF) exists at workplaces with more than 15 employees. The employer must contribute 3% of the worker's earned salary to the ETF. Employees may withdraw from this fund after five years.

defined as any person who employs a worker, in any trade, themselves, or employs a workers for someone else and “includes any person who on behalf of any other person employs any worker in any trade” (section 64).

Any person who makes any arrangement with any other person for trade or commercial purposes for any work that the minimum rate of pay applies to is also deemed to be the employer of the person whom they made the arrangement with {section 38(1)}.

Concerning **payment** section 20 of the Wages Board Ordinance No 27 of 1941 (as amended) says that workers can be employed on a “piece rate” basis however this piece rate should not come below the minimum “time rate” of pay determined for the work performed.

ILO Convention No. 177 on Home Work is relevant to home based workers, however Sri Lanka has not yet ratified this convention.

Another issue of relevance in relation to employees in this sector is the entitlement to paid maternity leave, and the special protection available in law to women during pregnancy and after giving birth.

All this does not mean that home workers/small enterprise workers cannot organise and collectively try to achieve some agreed upon demands. However the methods of lobbying for demands will have to be carefully considered. For example if a small group of home workers demand that their pay is increased the supplier will just take the work to other home workers. It may be possible to put pressure on large companies to be responsible for the conditions of workers all along the subcontracting chain, including home workers. Codes of conduct could have a use here. Home workers could organise with factory workers, who could also try to put forward their demands.

Informal Sector Definitions²⁵

Many definitions of the informal sector exist. This research will not debate the various definitions. To provide a context to this informal sector research, key

elements of the ILO definition of the informal sector will be used.

The ILO describes the informal sector as “encompassing production units of different features and in a wide range of economic activities, as well as people (i.e. workers, producers, employers) working or producing under many different types of employment relations and production arrangements”.

“The ILO/ICFTU international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorised into three broad groups: (a) owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices; (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices; and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labour, homeworkers and paid domestic workers”.

These definitions focus on the unit of enterprise (including the household) as the production unit. An alternative that has been proposed by “researchers and social scientists is to focus on the worker or a job as the unit of analysis. Informality characterises not only the management structure of an enterprise, but also the contractual status and conditions of employment. For example, a worker could be hired without an employment contract, or unregistered and undeclared, by an enterprise belonging in the formal sector; thus the worker belongs to the informal sector. The widespread strategy of outsourcing and subcontracting services and production to ever smaller enterprises, family undertakings and homeworkers has contributed to what is generally referred to as “informalisation” of employment”.

This research focuses on both the broad categories of production units and the informalisation of employment.

“Women’s share of informal sector employment has remained high, estimated at typically 60 to 80 percent”. “The widespread strategy of subcontracting production and services to family enterprises and

²⁵ All quotes and most information from this section is taken from “Skills Development for the Informal Sector” www.ilo.org/public/english/employment/skills/informal/who.htm

home based labour has contributed to the further integration of women's home based labour into the formal production system under informal, flexible employment arrangements. As in the formal sector, in contrast to their male counterparts, women workers tend to be concentrated in a narrower range of activities or occupations (common stereotyped activities are food processing, garment sewing, domestic services), in tasks that require less or no skills and pay less, and in the lower-end of the markets. Moreover, in addition to constraints faced by workers and producers in the informal sector with regards to assets, markets, services and regulatory frameworks, women face additional gender-specific barriers (e.g. restrictions to entering into contracts, insecure land and property rights, household and childcare responsibilities)".

The gender dimension of the informal sector is examined and discussed in various sections of this report.

The research question

TIE-Asia's research is centred on the following question:

- What is the situation of mostly women workers employed in the informal sector producing garments for export?

We are examining the role and place of the informal garment sector (that produces for export) in the subcontracting chain.

- Garment = ready made garments, accessories, footwear, ready-made fashion jewellery and bags.
- Informal sector = home workers and workers in micro (under 50) and small (under 100) enterprises.

Methodology

The Process

A draft research proposal was developed and discussions took place on the usefulness of this type of research. It was agreed that research of this nature would be useful in educating workers about their rights, and in organising and campaigning. It would also make a positive contribution to the information and research into the garment and related industries that exists.

Several methods were used for gathering data. A literature search was conducted and documented all research; papers, articles, reports and newspaper clippings that might inform this research, as well as official reports and statistics were gathered. Government departments and NGOs were visited and interviewed. Discussions also took place with an Attorney at Law, trade union officials and other labour activists.

The primary method used for gathering data was through interviews based on a survey form of 30 questions. Field researchers carried out the interviews in Sinhala and the questionnaires were then translated into English for statistical compilation and analysis by the researcher and assistant researcher. Preliminary findings were translated back into Sinhala, as the final research report will be, with translation into Tamil also.

The survey questionnaire forms were developed jointly by the research team over several months, and there were regular meetings of the team during the research process. Before conducting the questionnaire field researchers were briefed on the rights of workers in the informal sector.

The interview process was mostly on an individual basis. Sometimes the field researchers interviewed two or three workers together at the same time. Field researchers identified themselves and their organisation, and explained the purpose of the research. A guarantee of anonymity in the research was also given.

The interviewees were not paid for their time to provide information for the research. A focus group seminar held in December was designed to verify and discuss our findings. The workers who participated in this seminar were reimbursed for lost working time.

Limitations

We used the snowball sampling method. This is because the sector we researched has not been documented in any detail before. We were unable to find any lists or registers or records of women workers employed in the informal sector producing garments for export, eliminating any possibility of conducting random surveys or other more ‘scientific’ methods of research.

There are constraints with this method, but until government recognises this group of workers and keeps data on the sector, and further researches are conducted, it will remain difficult to gather information under any other more ‘accurate’ methodologies.

Questionnaires of workers at factories of more than 100 employees were not included, as for our purposes, they were not deemed to be a “small factory” and therefore the information was not suitable for the purposes of this research.

Altogether there were 22 questionnaires out of 207 that were discounted. The information gathered will be used in a different, ongoing database research project being conducted by The Centre for the Welfare of Garment Workers (CWGW).

The experience of the field researchers

TIE-Asia worked with two women’s organisations to conduct the field-based research - DaBindu Collective and the Women’s Centre.

Both organisations are based in the Katunayake Free Trade Zone (FTZ)²⁶, near to Colombo, and work with garment workers both in the FTZs and also regional districts throughout the island.

The Women’s Centre and DaBindu provide support and opportunities for women workers to meet outside the factory and boarding house environments. They also conduct training and education programmes to inform women of their rights and how to obtain these.

Both groups used their organisers as the field researchers. Many of these women have experience working in garment factories in the FTZs themselves from between three to eight years.

Some, like most of the women working in the zones, migrated from their villages seeking employment to support their families.

All the field researchers have been working with

organisations that support garment workers for at least one year, up to 17 years.

The field researchers for this project were:

DaBindu Collective

H.I. Samanmali

P.K. Chamila Thushari

Malanie Rakapaksa

Himali Fernando

Women’s Centre

Padmini Weerasuriya

Sriya Ahangamage

Seeta Balasuriya

Kanthi Sriyalatha
Dissanayake (CWGW,
assisted)

Chamila Kumari

Nalika Priyangane

Beruwalage

The first hand experience of the field researchers was vital in obtaining information for this research. Their intimate knowledge of the subject matter and ability to empathise with the workers they were interviewing was an important factor.

Obtaining information from workers, and finding the home based workers in the first instance was a great challenge. It could have proven to be even more difficult if different field researchers were used for the project.

The field researchers said that on some occasions, when interviewees were dissatisfied with their working conditions, the interviewing process took a long time. Workers who were keen to learn more about their rights and take action to improve their conditions spent a great deal of time in discussion with the field researchers.

The biggest initial test was in actually finding the home based workers producing garments for export in the informal sector. The field researchers were able to find women producing for the local market, but those producing primarily for export were trickier to locate. During the research we found they are more “hidden” because sometimes supervisors from large factories will take excess work home with them and then distribute to home based workers. Or supervisors act as intermediaries between management and home based workers, and often will not disclose this information.

Field researchers investigated various leads further a field (ie: regional areas, away from their usual area of activities) to locate home based workers. This meant

²⁶ The Women’s Centre also has centres at Ekala Industrial Estate, Biyagama and Kogalla Free Trade Zones.

that the field research took longer than originally planned and more travel was undertaken.

Small factories of under 100 workers were included in the hope of finding linkages to home based workers through these smaller factories.

The field researchers faced many difficulties while conducting the research. Mostly this was due to logistics and methodology.

Some women were reluctant, even frightened, to be seen talking to the field researchers. They were afraid the people who provide them with work may find out, and as a result they may lose this work.

The field researchers therefore had to be creative in their approach to gain access to the workers, and to alleviate their suspicions, as well as those of employers or management.

Some workers thought the field researchers were from the Inland Revenue department.

Sometimes field researchers stood on the road to speak with workers on their way home; workers would at times walk away without warning, when they noticed their manager/employer watching the discussion taking place.

The field researchers waited outside small factories and places where they believed garment manufacturing was occurring in people's home to speak with workers as they left. Under these circumstances some workers claimed they were happy with their conditions and had no complaints, others referred the field researchers to the manager. Some workers told the field researchers to meet them at their home or boarding place where they could speak more freely.

Another issue was the fact that often workers were employed in the small factory or home based enterprise by friends or relatives. This made it difficult to gauge whether workers were in fact pleased with their conditions, or would not make any adverse comments because of the domestic nature of the workplace.

On one occasion the field researchers were followed by the manager of a small factory, who then confronted them when they returned later to speak with some workers. However, the manager was quite helpful when the field researchers asked him about the abolition of the MFA (MultiFibre Agreement) and the removal of quotas, and how it might affect his factory. The manager commented that the whole country would be in a quandary when the quotas

expire and he was critical of the government.

For these reasons improvisation was a key component in gathering data for this research.

However, in the instances where the interviewers had no problem in gaining information they took full advantage, and were able to inform workers of their rights, as well as distribute booklets and materials.

During the early stages of the interviewing process one group of field researchers felt the research was not a success because the workers were reluctant to give information about their conditions. However, as the research process went on, and further meetings were held with discussion and analysis of the data found, their opinion changed.

Findings²⁷

Part A

Generally and statistically

This research is drawn from the findings of 185 interviews conducted by our field researchers, based on a questionnaire survey (see *Appendix A*) developed by the research team.

A total of 207 surveys were completed - 22 were discounted: 19 (10.3%)²⁸ were not included for analysis as they provide information about workplaces with more than 100 workers, which is beyond the scope of this particular research; two surveys were based on the local market only, while one survey was deemed by the field researchers to be unreliable.

The 185 surveys provide information from approximately 160-170 workplaces, including at least 10 home based enterprises.

90.8% of the survey comprise workers: 82.7% female workers and 8.1% male workers.

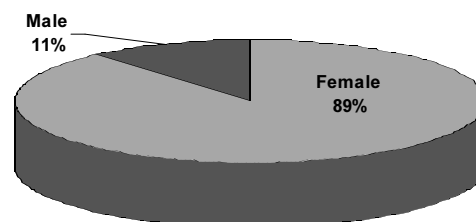
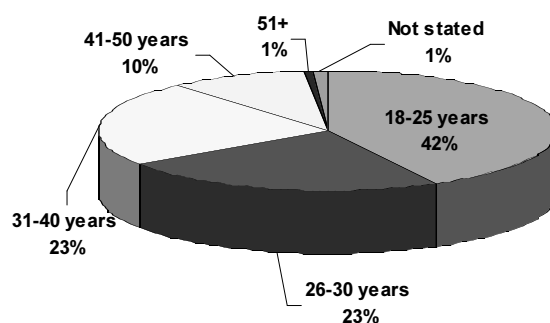
9.2% of the survey comprises factory managers/owners/supervisors: 3.2% male and 5.9% female.

All workers interviewed were Sinhala speaking.

Responses of managers (where identifiable) have been indicated separately from worker responses.

It is important to note that the category “manager” includes five respondents who were clearly identified as owners of small enterprises. Others in this category include supervisors, and coordinators of work - in some instances the interviewee appeared to coordinate the work of several people deemed to be “self-employed”. In other cases the work may take place from their residence with other family members or friends/neighbours. The field researchers indicated on the survey questionnaire forms whether the interviewee was to be included in the “manager” category.

The survey group



88.6% of the surveys comprise women, with 11.4% men. Of the 88.6% women, 57.3% fall in the age groups of between 18 - 30 years (see *Appendix B, Table 1.4*).

²⁷ Note: Responses in the Blank category mean nothing was written under this question on the survey form

²⁸ Note: Some percentages do not equal exactly 100% due to rounding.

Income earning status

20.5% of those surveyed were sole income earners, including 1.6% in the “manager” category²⁹. (Appendix B, Tables 1.2, 1.3 and 1.3A).

Those in the 31-40 age group were the highest statistic (6.5%, of a total of 17.3%) of women sole income earners. Collectively women aged between 18-30 comprised 8.6% of sole income earners.

The majority of workers (68.1%) were not the only income earners for their household, with a further 1.6% declaring themselves as the main income earner – in these instances the women said their husbands had no regular income and did “odd jobs”, or their salary was very low.

Of the 61.6% women who shared income-earning responsibilities, the majority (28.1%) fell in the 18-25 year age group.

Work and home locations

The interview area for the research covered mostly Colombo and neighbouring districts within a radius of approximately 35km from the capital. Workplaces in the Colombo area accounted for 23.8% of the sample, with nearby districts 60%. Outstation areas (ie: regional areas of Sri Lanka) comprise 15.1% of the survey for work places.

Where people lived provided similar results – Colombo 15.7%; nearby districts 60.5%; outstation 21.6%.

Districts are made up of many towns and villages – for example towns to be included in the Gampaha district were Ja-Ela, Ekala, Wattala, Kandana, Ragama and Katunayake.

There are some discrepancies in the outstation section – a few people mentioned their hometown as their home address, but we can assume that this is not the place from where they travel every day for work. Rather they are probably living locally, nearer to the workplace.

In nearly all instances people interviewed lived relatively close to their place of work – less than two hours travelling time. Many lived in the same village or on the same street as the factory. A number of these people boarded nearby and had migrated from villages some distance from Colombo, as is the situation for most of the women who work in the zones.

Dependants

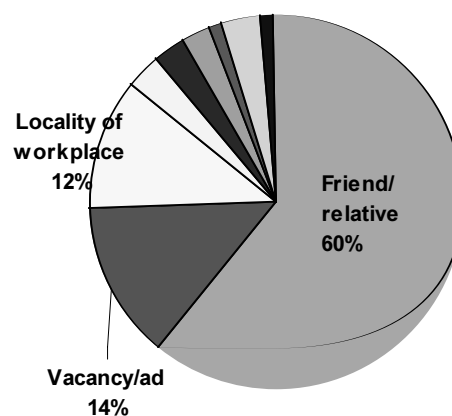
17.8% (33 respondents) were the sole income earner with one or more dependants (Appendix B, Table 1.8). Of the sole income group (38 of 185) this is 86.8% who have dependants

Providing for three dependants plus themselves was the highest statistic, 7.6% of the total survey, and 36.8% of the sole income earner category.

32.0% of the survey had one or more dependants and were joint income earners with another family member, usually a husband (27.6% - Appendix B, Table 1.5) or father (10.3%).

13.5% had no dependants and used their income for themselves. Some from this group mentioned occasionally contributing to family expenses by buying clothes or giving money for food or schoolbooks, but none were relied upon for their earnings.

How work found



- Due to factory closure
- Other
- Left garment factory
- Through someone at factory
- Blanks
- Know owners

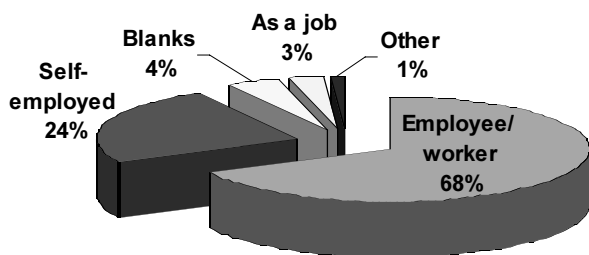
²⁹ For explanation regarding the “manager” category see page 20

The overwhelming majority of respondents (60.5%) found their employment through a friend or relative. Two women in this category said they had worked in other garment factories previously, but left due to ill health.

Of 11.9% who found their job due to the location of the workplace, five workers also mentioned they had previously worked in other garment factories, from between 5-11 years. Two of those specifically mentioned working in a Free Trade Zone.

Four (2.2%) workers had worked previously worked in garment factories elsewhere. One woman, aged 40, left due to a heavy workload and said she enjoyed greater freedom at the new workplace, where she has been employed for the past two years.

Employment status



Managers

As mentioned earlier (see page 20) the category “manager” also includes supervisors, owners of small enterprises and people who coordinate work for several others, or provide the premises for work to be carried out.

Of the 17 people in the manager category 12 are self-employed; 4 did not provide an answer; and 1 said they were an employee.

Self-employed

The survey revealed some confusion about people’s definition of their employment status. On a few occasions people working in a factory with a boss figure or someone else who paid their salary, said they were self-employed. This issue is addressed further in the “Discussion” section (page 36).

For the purposes of this research we have not tried to determine what the correct employment status may be, we have used the workers’ statements on their status.

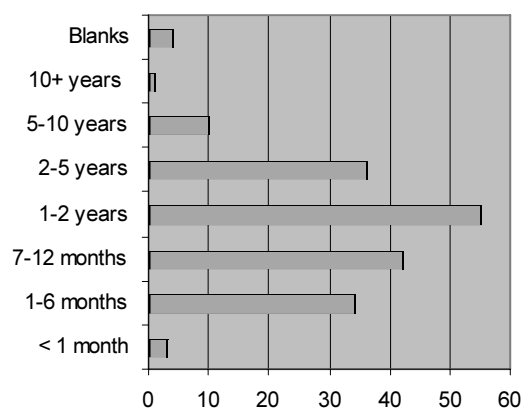
Home based workers

From the total sample there were 15 (8.1%) who clearly stated that they conducted the work from their own home. Four of the 15 said they were employees or workers, 10 considered themselves to be self-employed, while one did not state either way. Of the 10 self-employed, 6 of those are owners of small enterprises or coordinators of a group of workers/other self-employed people.

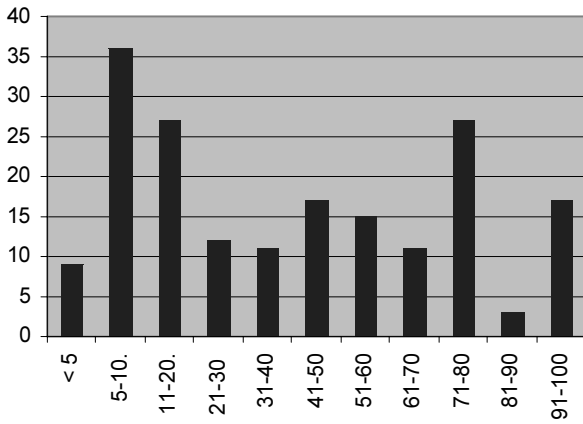
Others interviewed for this research may also conduct the work from home or the home of a neighbour or elsewhere in the village, but it is not clear from the surveys.

From the 15 home based workers we can say that in general workers are paid by the piece rate system (71.4%). They are required to redo any mistakes in production, usually without payment for the extra work. On the whole (73.3%) they receive work directly from a company/factory; with just four (26.6%) saying they work through another subcontractor. In most instances (60%) work is coordinated by management, the remaining workers (40%) coordinate themselves or with the help of relatives. Approximately 1/3 of the group bear expenses related directly to their work, 1/3 said they had no work expenses, while the remaining 1/3 have expenses occasionally.

Length of employment



Number of workers



The majority of workers (49.1%) have been doing this work for between 1 to 5 years. Those who have been working for six months or less comprise 20.0% of the survey, 1.6% of those had worked for less than one month at the time of interview.

What is produced

Garments (dress, shirts, baby kits, blouses, trousers)	70	37.8%
Jackets (pocket, zippers, padding, cutting)	37	20.0%
Others (cutting, fixing buttons, checking)	27	14.6%
Bag (in most cases - parts of a bag)	16	8.6%
Embroidery	9	4.9%
Machine operator (see Note 1)	7	3.8%
Underwear (men and women)	5	2.7%
Blanks	5	2.7%
Fix padding for gloves	3	1.6%
Making accessories (jewellery, ornaments)	3	1.6%
Ironing and packing (jackets, t-shirts)	2	1.1%
Painting dress	1	0.5%
Total	185	

Notes to table:

The products are not mentioned in detail on the surveys whether they are produced partly/fully.

The workers do not mention the same products; sometimes the products they produce change.

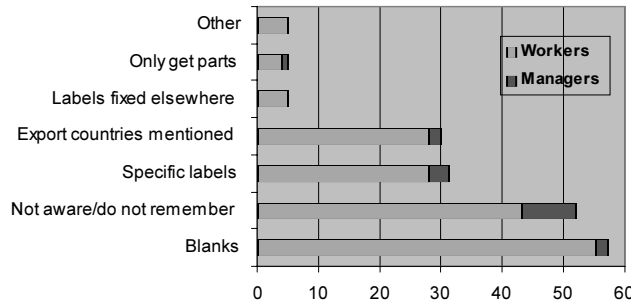
The products sometimes differ according to the seasons.

Of the total survey 52 workers (28.1%) said they were always doing similar work.

There were 47 (25.4%) who clearly mentioned always making the same single item, or same single part of the item. Eg: pocket of a shirt, the front of a jersey, the handle of a bag.

Labels

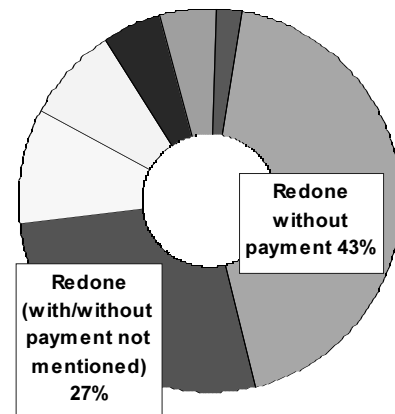
Labels mentioned: Next (7 times); Tommy Hilfiger (3); Liz Claiborne (2); Gap (2) plus Old Navy (2); Wal-Mart (2); Polo (2); Victoria's Secret (2); Polo (Ralph Lauren) (2) Adidas (1); Timberland (1); Hudson Bay (1) and Ladybird (1).



Only 16.7% of those interviewed were able to provide specific label names. Almost half (49.7%) had no idea of labels they were producing for. Some (16.2%) were aware of the countries the garments were exported to including: USA, Belgium, Canada, Korea, Italy, Japan, Australia, UK, Thailand, Middle East, Europe. Others (2.7%) said labels were fixed elsewhere as they only produced part of the garment. 30.8% provided no response at all.

QC levels

What happens with goods that do not meet the QC levels?



Nearly half (43.2%) of workers interviewed said they had to redo damages again without any payment. One person said in their workplace, damages are attended to collectively, but "the person responsible for the damage does not correct it". Other comments included:

- "Have to correct without a payment and fulfil the target too."
- "Thread has to be cut without a payment. We are abused in such instances."

A further 27% said they had to redo, but did not specifically mention whether they were paid for making corrections. If we make the assumption that they are not paid for this work, then a total of 70.2% of workers may be redoing work, without receiving payment.

Only 2.2% said they were paid for redoing work: one person said experienced workers correct any damages and they were paid overtime for this work.

Average hours per day

66.4% of those interviewed worked between 7 to 10 hours per day (Appendix B, Table 1.9). Of this number, 32.9% worked overtime as well – 16.7% mentioning it was between 1-3 hours per day, while the remaining 16.2% did not mention the amount of overtime in hours, nor whether it was every day. Of this group a common response was “overtime on heavy days” or for “urgent orders”. One person said, “When there are urgent shipments have to work about 17 hours.” Another said, “We do overtime when work is urgent. I do about 1.5 hours. Those who live far away are sent home and those living close by are made to stay back.”

Average wages per month

(including overtime and allowances)³⁰

Most people (51.3%) interviewed earned on average between Rs2600 (US\$27) and Rs4500 (US\$46) per month (Appendix B, Table 1.7). Of this category – the highest figure of 16.2% was for those who earned between Rs2600-3000 (US\$27-31). Those earning Rs2500 (US\$26) or less was 12.9% of the survey.

Managers

Sri Lanka Rupees SLRs	US\$	Manager	%
< 1000	< \$10	1	0.5
2600-3000	\$27-31	1	16.2
3100-3500	\$32-36	3	13.5
3600-4000	\$37-41	2	11.9
4100-4500	\$42-46	1	9.7
4600-5000	\$47-57	2	13.0
Piece rate		2	1.1
Did not want to divulge		3	1.6
Blank		1	2.7
Total		17	

In the “manager” category it was not always clear if they were referring to the wages they receive, or the wages paid to their workers. We assume it is more likely the latter.

One woman who was deemed to be in the “manager” category by the field researchers, said she earned only Rs900 (US\$9.37) per month. The woman, self-employed, works from home attaching chain hooks to necklaces. She works about 4 hours per day and is paid Rs450 per packet completed – there are 7000 hooks in one packet.

System of payment

Most people (70.3%) are paid monthly, followed by piece rate at 16.2% (Appendix B, Table 1.6).

Examples of the amount paid per piece include:

- 50 cents (US\$0.005) per dress – this woman did not mention how many dresses she made per day, but stated her monthly salary as Rs1300 (US\$13), and said she would like to do something to make them pay more. However she said enjoyed this work because she could earn extra income while working at home. Interestingly though this woman considered herself to be an employee, and not self-employed.
- 50 cents (US\$0.005) per piece to attach Velcro to gloves and cut the thread. There was no mention of how many were completed in one day. The monthly salary is nearly Rs1700 (US\$17); payment is made on time, and there are no deductions taken from her salary. This woman said she is working happily as she can come to work without travelling expenses and they are not strict although her pay may be small.

Owners/managers

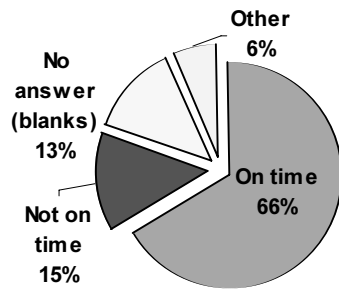
One owner was unable to say what the method of payment was. Why they were unable to say, when presumably they were the ones making the payment is not clear. Perhaps what they meant is that they did not wish to say what the method of payment was.

³⁰ Exchange rate used: US\$1 = SLR96

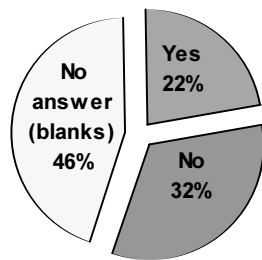
Payment on time?

Are deductions made from your pay? If so, what are they?

Payment made



Deductions made?



This section was not entirely clear from the data gathered, however it seems few workers are receiving EPF/ETF payments and if deductions are made, workers are not always clear on how much or how often. This theory is supported by other researches³¹ and in the work of TIE-Asia, DaBindu and the Women’s Centre, and was also evident in the focus group seminar held as part of this research (see page 34).

Work expenses

	Worker	Manager	Total	%
"No" (none)	91	4	95	57.3
Blanks	63	6	69	37.3
Transport (regularly)	6	2	8	4.3
Not clear	6		6	3.2
Transport (occasionally)	1	3	4	2.2
"Yes" Not specified		1	1	0.5
Equipment (bank loan to purchase)	1		1	0.5
Not willing to divulge		1	1	0.5
Total	168	17	185	

Given there were very few actual home based workers, in the true sense of the meaning, in that work was conducted in the individuals’ home, it is not surprising

that most workers (57.3%) had no expenses for work. The high number of blanks (37.3%) could also be taken as a “no” or “none”, therefore the total number of those who have no work related expenses is 164 (94.6%). Those who were working from home are likely to have expenses such as electricity, but none of the interviewees specifically mentioned this as an expense.

Average expenses (personal) per month

Most people (42.2%) had expenses of between Rs2100-Rs5000 (US\$21-52) per month (Appendix B, Table 1.10). The highest statistic overall was 27.0% for those who were unable to give an exact amount of their expenses, but said all their earnings were put towards household and day-to-day expenditure. Asking for a breakdown of anyone’s monthly expenses without any warning is a difficult task, so it is not surprising so many were not able to do so.

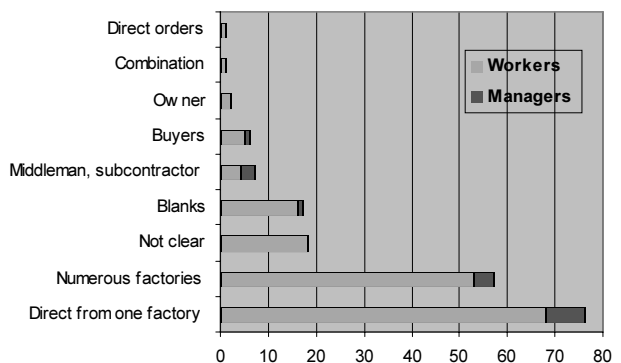
Earnings are spent on essential items for living – food, accommodation, education of children, medicine, clothing (although several workers said they purchased clothes only every few months or two or three times per year). Few mentioned being able to save any of their salary, more said all their earnings were spent and it was difficult to make ends meet.

“The earnings are not sufficient for food at least.”

Some sent money home to their families whenever financially possible, or indicated they would like to be able to do so more often.

“After I pay for my food and boarding, I am not left with anything to be sent to my mother.”

Where work comes from (subcontracting chain)



This data collected from this research reveals that the subcontracting chain at the production end is a relatively straightforward process; in most cases work that subcontractors (whether individuals or small

³¹ Including: Jayaweera S, Dias M (1989) *Subcontracting in Industry: Impact on Women*, Chapter 5 - Garment Manufacture, Commonwealth Secretariat.

enterprises) source is directly from a larger factory.

Only 3.8% of those interviewed said the work came through a middleman or another subcontractor.

71.9% of the survey said work came directly from a factory, with 41.1% stating it was from one factory only and 30.8% said several factories provided work. Of these two groups who said work came directly from a factory/factories, 72.2% (ie: 96 of 133) were able to provide the name of the factory. In the separate question (*Appendix B, Table 1.11*) asking who coordinates the work 66.5% said it was by management.

Subcontracting out to others

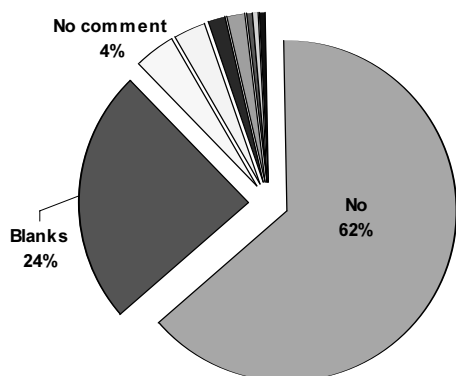
This question presented some problems for the research, in that the meaning was changed through translation.

In English the question was “do you ever subcontract work out to others?” in an attempt to find out about the extent of the subcontracting chain.

However the Sinhala translation made the question read – “Whether you do subcontract work from others also?” That is, in addition to the work they are already doing.

During our focus group seminar we presented this question again seeking clarification from the workers. They confirmed they had understood the question to mean the latter, as described above.

Union Involvement



Only three people (1.6%) were involved in an organisation or association. None of these were in a union; one said they were a member of a Workers Council (*Appendix B, Table 1.15*).

Of the 117 respondents that said no (63.2%), one said there had been a strike over the formation of a trade union, and now they (management/employers) are very watchful about workers.

Of the six other responses (3.2%) one woman said in the place where she worked, “they don’t employ men because they will form unions”. Another said there once was a trade union but now it is not functioning.

Would you like to join a union, organisation, association?

This question provided a diverse range of responses. Excluding answers of yes, no, and “blank”, there were 39 (20.9%) other responses sorted into 14 different categories, sometimes with just one response per category (*Appendix B, Table 1.16*).

38.3% of people said they would like to join an organisation to help them with any problems they faced at work. Comments from workers included:

- “I am willing, but I will have to face problems in the company.”
- “I would like to join a union. If I make a complaint, it is all alone, no one supports me.”

Four (2.2%) specifically said they would like to but were scared. A further four (2.2%) did not say yes or no, but said it was difficult or they were scared:

- “It is very difficult as the industry is run in the madam’s house. Most workers live there.”
- “Rules are strictly enforced. Difficult to obtain leave, so scared about getting organised.”
- “Though I like the idea it is difficult as the other workers have different ideas.”

Of the 15 home based workers two said they would like to join such an organisation; three said no; and six provided no response. Two said there was no such need - “as this is a home based job”; one said, “do not think the company will allow it”, and one person said she was afraid.

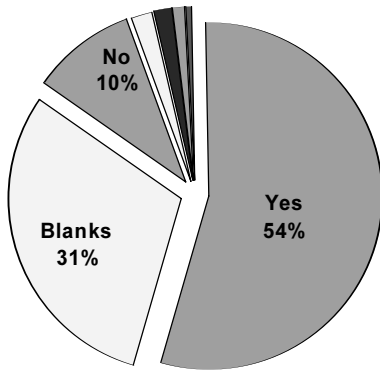
It is interesting to note the responses that make up the remaining categories:

- Two people felt the company would not allow them to join a union, therefore we can conclude that in their view if the company did not allow it, it was then not something they could consider;
- One person said they could not decide on their own – this could indicate they need to establish the position of their workmates, families, or even their employers before reaching a decision themselves;
- One person simply said they had no idea if they wanted to join an organisation or not;

- Another person said they had no knowledge of such organisations even existing.

Blank answers were the second highest response (23.8%) for this question. Five in the manager category were included in this section.

Would you like information on your rights?



The majority of those interviewed (54%) said they would like information on their rights (Appendix B, Table 1.1). Two of those said they would be happy to receive such information but did not know if there would be time to do so.

One worker said they would like to know, *“however if I am not able to implement them that will become an additional problem.”*

14 interviewees (9.7%) did not want information about their rights; four of those were in the “owners” category. Field researchers observed that one owner *“did not express willingness to learn more”, while another “was afraid he would lose the contract”.*

There were 46 blank responses (30.8%) to this question. Four owners were included in this section. This may indicate no interest, so could be added to the “No” section, totalling 75 (40.5%).

Or it could mean indifference, in that this is not an issue of concern, or one that does not enter into the workers’ daily thinking.

It may mean it is an issue they have not considered because they were not aware they had any rights in the workplace.

Like

What do you like about your work?

People who did their work from home said they enjoyed the ability to do so: to be able to earn extra

income from home; the ability to do the work while doing household chores; to be able to stay at home and earn an income while also maintaining their household responsibilities, such as childcare (Appendix B, Table 1.12).

Others liked that their place of work was close to home, and they were not required to travel to get to work. Some specifically mentioned the extra freedom this aspect gave them.

There were a high proportion of blank responses (24.3%), it is difficult to say whether these are affirmative or negative replies – ie: whether they like or dislike their work.

Dislike

What do you dislike about your work?

This question provided more blank responses than the earlier question (see previous page) – 32.4% of those interviewed did not provide any answer regarding what they disliked about their work – again it is difficult to gauge what the blanks mean (Appendix B, Table 1.13).

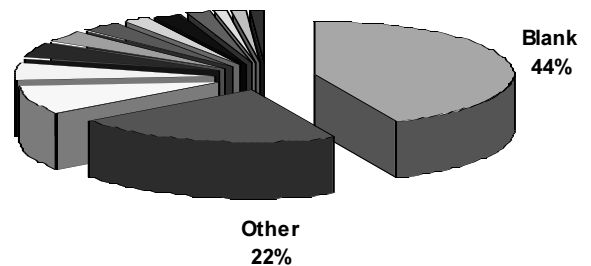
Not being able to reach targets (9.2%) was by far the most common specific complaint people had about their work.

One person said the worst thing that had happened was an accident at the workplace:

“A girl’s hair got caught in a motor. She was taken to the hospital after it was switched off.”

Change

What would you change about your work if you could?



This question created 80 (43.2%) blank responses (Appendix B, Table 1.14).

In addition to this figure there was a total of 38 other answers, such as “no”, “no comment”, or “not necessary”.

If a blank on the survey form is taken to mean the same thing as “no comment”, then the total number is 118 or 63.7% of the survey who feel there is nothing they would like to change at the workplace.

There were two included in this figure who did not mention any changes they would make; but from their comments appear to be satisfied in their work:

- “My intention is to help the owner of the company as he is helpful, and to get a good income for the goods I make”.
- “This factory was opened recently, pay is okay.”

While 43.2% provided no response at all, seven (3.8%) people said they were unable or it was difficult to say what they would change, and a further eight (4.3%) people said there was no chance or it was not possible to change anything about their work. Of the 4.3% one specifically said they didn’t have such a right. Another said they had “no right to talk of anything therefore changing laws is only a dream”.

Four people (2.2%) did not mention any changes they would make; rather their comments were related to how they may not continue to work at the same place:

- “I do not wish to continue working here.
- “I have no idea of working continuously.”
- “I will find some other work.”
- “Our jobs are in jeopardy as the factory is running at a loss.”

Four others (2.2%) indicated they were keen for changes to occur, but did not elaborate more.

- “According to the needs that arise from time to time”.
- “Wish for a change”.
- “Would like to work more comfortably.”
- “I am ready but there is no unity.”

There were 40 (21.6%) responses where people mentioned various, specific changes they would like to occur. Some examples include:

- Speak out against injustices and/or fight for their rights.
- Form a trade union/get organised or obtain worker rights (3.2%).
- Encourage workers to finish garments up to the standard required.
- Get basic salary increased.
- Develop own business.

- “Do something to make them pay more.”
- “Each one to work honestly.”
- “Get EPF.”
- “Having a fixed income.”
- “Get the canteen cleaned up on make it more hygienic.”
- “Reducing the target.”
- “Regarding quality control.”
- “Stop the abuse.”

Part B

Findings – Observations by the field researchers

From the interview process the field researchers made varying conclusions.

They said some of the workers interviewed were happy with their conditions and made no complaints. In other instances the researchers said they learnt there are many informal sector workers who have been denied their rights, with some receiving only marginally more salary than what they were paid in their first salary 12 years ago.

Significant though was that according to the field researchers most workers were aware their rights were being violated, however the issue was that they didn’t feel they were strong enough to fight for these rights.

According to the field researchers - snapshots of workers’ conditions:

Based on their own experiences of workers in FTZs, the field researchers said they felt that the smaller subcontracting factories pay a bigger attendance bonus when compared with other factories, inside the zones. A few of the smaller subcontracting factories pay Rs200 (US\$2.08), but most pay between Rs500-1000 (US\$5.21-10.41), as an incentive for workers to come to work.

All attendance bonus schemes are monthly based.³² Companies included in a 2001 survey on the garment industry by the Employers’ Federation of Ceylon revealed the following schemes:

1. Monthly 100% attendance Rs500; if one day absent Rs250
2. Monthly 100% attendance Rs300 or Rs750; if one day absent Rs200 or Rs400; if two days absent Rs160 or Rs250.

³² Survey on Wages and Terms and Conditions in the Garment Industry 2001, by the Employers’ Federation of Ceylon.

3. Monthly 100% attendance Rs500; if ½ day absent Rs300; if 1 day absent Rs200.

While the field researchers felt attendance bonuses were more in the smaller subcontracted factories, the penalties for non-attendance appeared as harsh as in the more formal sector. That is, in some instances, even for one day's absenteeism in a month, the worker would not receive any attendance bonus at all.

At some workplaces, workers do not have continuous work – it is a mixed business, sometimes subcontracting, sometimes doing cut pieces. These workers asked the field researchers if they could help them find more work.

Malpractices were also found in the subcontracting system. A factory located near to Colombo is supposed to subcontract to a place run by the government social services department, providing employment for workers with disabilities. However, in reality a middleman required to coordinate work between the larger factory and the subcontracting facility, completely bypasses the government workshop and subcontracts to another small factory altogether where he gets a commission.

Part C

Findings – Focus Group

Following the compilation of survey questionnaires and the initial analysis of data, the research team held a focus group meeting of eight workers (six women, two men) who had been interviewed as part of the research process.

Other participants in the meeting were members of the research team – seven field researchers, two researchers, and project coordinator, as well as a lawyer, translator and one trade unionist.

The meeting provided the research team with the opportunity to share and verify the information gathered, and to find out what, if anything, the workers would like to gain from participating in the research.

One of the key aspects of the meeting was a presentation on the rights of workers in the informal sector. The research revealed that more than half (54%) of those interviewed wanted to receive information on their rights, and it was clear from the participation of the workers that they benefited from the experience. They directed numerous questions at the lawyer with specific complaints regarding non-payment of EPF and ETF, regulation of working hours and difficulty in obtaining leave. One worker said various deductions were made from her wages, including Rs3.50 to pay for a stamp to sign on to receive the salary (even though this is no longer a legal requirement). But as she was not given a pay slip she did not have a clear idea of how much was specifically deducted for payments such as EPF.

The research team also gave a short presentation of the analysis of the data to present a picture of informal sector garment workers. In addition, our assistant researcher was able to give a brief outline of the situation for the informal garment sector in other South Asian countries, following a regional research meeting held in Bangladesh in November 2002.

From the focus group we were able to learn that the average educational level of workers was similar to that of those working in the formal garment sector. The Sri Lankan education system is based on the British GCE system and most of the focus group had studied to Ordinary levels (6) and two up to Advanced levels.

As mentioned earlier and referred to in the “Discussion” section (page 36), the confusion surrounding employee and self-employed was confirmed through the focus group. One worker considered herself to be a home based worker and when asked, said she was “self-employed”. However she went on to explain that there were 10 people working from the place where she boards, with a person who collects and brings the work paying their salaries. This person also pays the rent on the boarding house, but does not pay EPF or fulfil any other employer responsibilities.

The main issue for workers, as evidenced through the survey data, and supported by the focus group, is the difficulties faced in trying to get their basic rights and entitlements such as obtaining leave, receiving EPF/ETF payments, and being paid properly for the hours worked.

These specific concerns are what the workers said they would like to change. However, one of the women workers said while she would like to make changes, it was very difficult to get organised as she lived in the village where she worked, and there would be many obstacles in trying to unite workers.

Nevertheless, when asked what they would like to gain from participating in the research, workers said they wanted to make people aware of their rights and to stop further injustices from taking place.

Discussion³³

This project is an action-based research and will be the basis for developing training materials to be used in organising and disseminating information about workers’ rights, concentrating on, but not restricted to the informal garment sector.

One of the key outcomes of this research is that workers (54%) in the informal sector, whether home based or employed in a small enterprise, want to know about their rights.

Of 207 completed survey questionnaires, the findings are based on the data from 185 surveys. This figure includes a small proportion (9.2%) of people grouped in the “manager” category, which also included

supervisors, owners of small enterprises, and coordinators of work. It was our experience that in some instances, people who were deemed to fit in this category were sometimes more like a coordinator, organising the work for several people – most often others who were self-employed. It was not always clear from the surveys whether these people were paid more than those they distributed work to, or if they were acting in a “middleman” role and received any commission or percentage of profits.

88.6% of the surveys comprise women, with 11.4% men. No specific quota was given on the number of women to be interviewed. As in the more formal garment sector, this research shows women also dominate the informal sector. Age provided another similarity - of the 88.6% women, 53.7% fall in the age groups of between 18 – 30 years. This scenario is the same for women working in garment factories in the Free Trade Zones (FTZs) and the districts of Sri Lanka, where the average age of workers is between 20-29 years.

The interview area for this research covered mostly the Colombo and neighbouring districts and included small factories of between 5 to 100 workers, as well as those who are self-employed, or employ a small number of workers in their home. The majority (60.5%) of workplaces used for the research employ 50 workers or less, with the most (19.4%) coming from workplaces of between 5-10 people. These were located in areas in close proximity to industrial estates and Free Trade Zones, where larger factories are subcontracting out to smaller enterprises. However, we cannot say if there are more or less informal sector workers in other parts of the country, as regional areas only contributed to a small part (15.1%) of this study. This could be the focus of a broader research for projects with more time and resources available to conduct an island-wide survey.

This research reveals there are few home workers producing garments for export in Sri Lanka. Nonetheless this research has confirmed that they do exist and are producing for major brand labels. We were able to find just 10 (5.4%) who described themselves as self-employed, with only 15 home based workers from the total sample of 185. However there are a number of smaller factories, including

³³ Note: Responses in the Blank category mean nothing was written under this question on the survey form.

small home based enterprises (of 5-20 workers) operating as subcontractors to larger factories producing for export. It would be useful to continue to document the extent of the informal sector producing for export in the course of normal labour programmes and activist work.

The fact we were not able to find many home based, self-employed workers (despite concerted efforts) reconfirms our belief that this sector of workers is hidden. Our attempts to find official statistical data did not provide any concrete results.

For this reason the research was limited to the snowball sampling method. This type of sampling has often been highly criticised as the final sample may present a biased group. That is, the results may not have the same characteristics of project results where the sample was chosen by random selection.³⁴

However, while government continues to ignore the sector and while no lists or registers exist of home based workers in the informal garment sector, then this is the only alternative available for compiling information.

The small number of home based workers may also indicate a change in the way work is sourced, particularly the complexities involved in the subcontracting chain. However this research reveals that from the perspective of workers it is a relatively straightforward process of one or more large factories subcontracting directly to a smaller factory or home based enterprise - 71.9% of the sample indicated this was the case.

It is usual for most people located in various stages and positions of the subcontracting chain to only understand the one or two levels most connected to their work or role within the chain.

However it is well known and documented in other researches³⁵ that the subcontracting chain as a whole is incredibly complex.

For this research, time did not permit for a thorough investigation on how the orders come from the larger factories. It is likely there is a middleman element that has not been openly discussed during the interviews, and this part of the process may also be not disclosed to workers.

While a detailed knowledge of the subcontracting chain is perhaps not necessary, a basic understanding of the subcontracting chain and the

places within the chain that can be influenced or where pressure can be applied is critical. Effective campaigning for the implementation and improvement of workers' rights within the global supply chain requires this understanding.

Our attempts to find out more about the subcontracting chain from the informal sector end were regrettably flawed. The question "do you even subcontract out to others?" was designed to try and gain insight into further subcontracting practices, if any. Unfortunately in the translation from English to Sinhala the question was made to be "do you get other subcontracts from others?" (i.e.: in addition to the work they already receive). This was discovered only after all the survey forms were completed.

However incidental reports included elsewhere in the survey forms reveals there is some further subcontracting out, whether on an informal basis to friends and relatives, or through a "middleman":

- One woman who appeared to be acting in a subcontractor role had the help of her brother who organised the work. *"Items are distributed among above 15 neighbours when I get orders."* She also said, *"even houses get subcontracts"* in addition to small garment factories.
- One worker interviewed said the owner of the workplace was a supervisor at one of the largest garment manufacturing companies in Sri Lanka. She brought rejected items from this factory to be corrected at the home based enterprise, where 10 people were employed. The field researchers also spoke with the owner, who claimed she was not running a business, however the name of the workplace indicated otherwise, clearly stating the word "apparels" in the address. The field researchers also discovered that workers were sometimes brought from an orphanage at a nearby convent to help with the work.
- One self-employed woman said the factory delivered work to her home and she in turn distributed among a few other houses in the area.

Almost half (49.1%) of those interviewed have been working for between 1-5 years; further analysis showed that 29.7% had been working at their current job for 1-2 years.

³⁴ Heward S (1997) *Garment Workers and the 200 Garment Factory Program, Colombo, Sri Lanka.*

³⁵ Jayaweera S (2000) *Invisible Women: Workers in Subcontracted Industries in Sri Lanka. CENWOR study series No.15, Colombo, Sri Lanka.*

Most are employees at these workplaces; there are few who consider themselves to be self-employed. The definition of “self-employed” revealed confusion among the sample group. Some people interviewed deemed themselves to be self-employed, even though they were working for someone else and they appeared to be employed in an employee/employer relationship where there was clearly a boss who determined working hours, conditions and paid salaries to the “self-employed workers”. For example, one woman who described herself as self-employed worked in a factory and went on to comment about the conditions at the factory and how they could be improved.

However the most important aspect we were able to learn from the surveys was that workers are being told they are self-employed by their employers, in order to avoid their legal obligations of paying EPF etc, and renege on all other employer responsibilities towards workers.

Gothsar in her article *Labour Contract, Sub-Contracting and Casualisation – the Case of India*, argues that in many instances “self-employed” workers are often casual labourers. This means that the extent of casualisation is often underestimated.³⁶

It was also clear from the surveys that whether workers considered themselves to be “employees” or “self-employed” there was still uncertainty regarding EPF payments and deductions of any kind. While some employers tell their workers they are self-employed to avoid payment, even those who are obviously employees are not sure if any deductions are made from their salaries, and if they are, what the deductions are for.

One employee interviewed said she had doubts about the death allowance deduction. She believed no donation was given; she had the same doubt about EPF and ETF³⁷ deductions, which are taken from her salary, but in her opinion not necessarily deposited in to the relevant funds.

This is a common complaint among all workers whether working in the informal sector, or for large factories in the FTZs or districts of Sri Lanka according to the 2001 paper ‘*Law and Reality in Sri Lanka’s Garment Factories*’.³⁸

It is not a new complaint. A study carried out into home based enterprises producing garments, in 1989 revealed: “The subcontractor did not feel obliged to conform to formal rules governing employment of labour such as payments of Employment Trust Fund (ETF), Employment Provident fund (EPF) and overtime. Low profit margins and their own job security were cited as the reasons behind this.”³⁹

*The issue is not exclusive to the garment industry either – less than 40% of employers in Sri Lanka pay EPF.*⁴⁰

Those who have established an EPF/ETF fund also mentioned difficulties in claiming the money owed to them. This was particularly evident in our focus group seminar when most questions directed at the lawyer present, were related to this subject.

The overwhelming majority of those interviewed (60.5%) found their employment through a friend or a relative.

There were a number of people who had worked in other garment industries prior to their current employment. A 48-year-old woman left a garment factory after 10 years to claim the EPF payments owing to her. This woman considered herself to be self-employed as a machine operator. At the workplace there are a total of 26 workers. She had the following to say about her workplace:

“Gratuity, salaries not paid on time. Work is not stopped in time or at the end of the day. It is difficult to obtain leave. If leave is obtained we are made to stand under a tree for 3 hours.”

In response to the question “*what would you change about your workplace if you could?*” the woman said “*nothing*”.

Another woman said there was nothing special about

³⁶ Gothoskar, Sujarta (2002) *Labour Contract, Sub-Contracting and Casualisation - the Case of India*, article in "Asian Women Workers Newsletter, Vol.21 No.4, October 2002, Committee for Asian Women, Bangkok

³⁷ Employees Provident Fund (EPF) is a lump sum upon retirement, for men 55 years, women 50 years or when they marry. EPF contributions come from the employer (12%) and the worker (8%).

Employees Trust Fund (ETF) exists at workplaces with more than 15 employees. The employer must contribute 3% of the worker's earned salary to the ETF. Employees may withdraw from this fund after five years.

³⁸ Dent K, *Transnationals Information Exchange-Asia*, Marcus A, *Free Trade Zone Workers Union*; (April 2001) *Law and Reality in Sri Lanka's Garment Factories*, Colombo, Sri Lanka.

³⁹ Jayaweera S, Dias M (1989) *Subcontracting in Industry: Impact on Women*, Chapter 5 - *Garment Manufacture*, Commonwealth Secretariat.

⁴⁰ According to Shyamalie Ranaraja, Attorney-at-law, as cited in a focus group seminar as part of this research, 8 December 2002.

her work, but she could not find another job due to her age – 47 years. Others said employers took advantage of this particular situation:

“The owner knows that we cannot find work at larger garment factories owing to our age and doesn’t want to change our conditions.”

An average day for a worker is around 8 hours plus two hours overtime (32.9%). Overtime, like in the zones, seems to vary according to the orders received and can fluctuate from an additional two hours per day to 17-hour days and working through the night, *“when there are urgent orders”* or *“when work is heavy”*. 4.9% said they had no specific hours of work – some of these were working at home, completing jobs in between household chores. Others in the this group were those working by piece rate, where the number of hours is maybe considered irrelevant to them, as their pay is determined by how much they can complete.

Most are paid for doing overtime, though there we were unable to draw clear statistics about this. When it comes to redoing mistakes in production, around 70% of those interviewed have to do the work again without being paid. Sometimes the corrections are done outside normal working hours, so the work is in fact unpaid overtime. Workers are also blamed for circumstance - *“If orders are cancelled they recover the loss from our salary.”*

From the data we can say the average wage of an informal sector garment worker is about Rs2800 per month (inclusive of attendance bonus and overtime), roughly Rs103 per day based on a minimum of 27 working days per month. This equals approximately US\$1.08 per day⁴¹, Dent and Marcus say in their 2002 ILO case study⁴² about wages in the garment industry: *“Pay levels are based on the minimum wages concept and are between US\$1.04 to US\$1.49 per day; The World Bank defines extreme poverty as US\$1.00 per day. This means working for poverty wages.”*

In the more formalised garment sector the minimum wage ranges from Rs2,500 to 3,200 per month (US\$26.00 – 33.00) depending on the classification.⁴³ Average wages, with overtime and attendance bonus, are between Rs3,650 to 5,844 per month, (US\$38.00 – 61.50), with the average being Rs4,747.00, again depending on the classification and the number of hours of overtime worked and actually paid.⁴⁴

These figures indicate that wages in the informal sector (average Rs2,800 per month inclusive of overtime) are approximately 40% less than the average wage, with overtime, of workers in the more formalised sector.

In the CENWOR paper⁴⁵ based on a 1999 study of home-based subcontracted workers in the embroidery industry, 50% of workers earned between Rs1500-2000 per month. At the 1999 exchange rate this equals around US\$0.93 per day⁴⁶.

So while wages have increased marginally since this time, they are still considered not enough. Many of those interviewed for our research said they spent all their earnings every month, and some are not able to make ends meet, even with other family members contributing to the household income. The cost of living in Sri Lanka has dramatically increased in the past three years.⁴⁷

There were few sole income earners from the sample group; just 20.5% were relied upon for their income. Most people (73.0%) shared income-earning responsibilities, in most instances women with their husband (27.6%), or father (10.3%) for those who were not married.

Of the sole income-earning group, nearly 87% were providing for one or more dependants, with 42% of this group having three others also relying on their income.

Those interviewed for the research were involved in the production of mostly parts of various garments

⁴¹ Exchange rate used: US\$1 = SLR96

⁴² Dent K, Transnationals Information Exchange-Asia, and Marcus A, *Free Trade Zone Workers Union, (May 2002) Rights: Denied! case study*; page 5; Colombo, Sri Lanka.

⁴³ Based on government declared minimum (outside zone) and BOI rates inside the zones. This figure is accurate as at 31st December 2002.

⁴⁴ Overtime rates are based on a survey by the Ceylon Employers Federation, pg 5, *Survey on Wages and Terms and conditions in the Garment Manufacturing Trade, 2001*

⁴⁵ Balakrishnan R (ed 2002); *The Hidden Assembly Line: Gender Dynamics of Subcontracted Work in the Global Economy*; NY: Kumar Press Inc; chapter drawn from CENWOR study *Invisible Women: Workers in Subcontracted Industries in Sri Lanka. Study series No.15; Jayaweera S.*

⁴⁶ Based on US\$1 = SLR70

⁴⁷ This is due to the implementation of a GST (now VAT as of 2002), a national security levy (to fund the war), rising costs of gas and diesel and the free floating of the rupee.

and some accessories, like bags. Some were involved in the final stages of production such as checking or the cutting of thread, or attaching buttons and zippers. The types of garments, or parts thereof, varied – just 25% always made the same single item.

When it came to finding out the names of labels being produced for, the research revealed that this aspect is somewhat hidden from workers, or perhaps not considered relevant to them.

Just 16.7% were able to provide the specific names of labels. However as much of the work at this end of the subcontracting chain involves the completion of parts of garments it is also likely that labels are fixed elsewhere – some workers mentioned this.

16.2% were aware the garments were exported and in some instances were able to mention the countries by name, including: USA, Belgium, Canada, Korea, Italy, Japan, Australia, UK, Thailand, Middle East, Europe. 28% said they were not aware or didn't know or couldn't remember. Blank responses accounted for 30% of the survey and may mean similar things.

There were significant numbers of blank responses from the survey group.

At times it seems particular questions proved to be either too difficult or the interviewees had no ideas or opinion about the topic whatsoever.

The field researchers said questions regarding trade unions were particularly difficult, as many workers were not aware of or did not understand about unions. Some also equated unions with the loss of jobs, while others who identified as self-employed did not think unions were relevant to their particular situation.

They also said most respondents made the field researchers promise not to tell the owners or management that they had been talking with them. So fear was a contributing factor to consider in assessing the findings.

The field researchers said they felt the survey form was too long as for the most part they were talking to people on their way home from work. One said people's faces "turned sour" when they saw the field researchers turn the pages to ask more questions. However, when we asked participants at the focus group seminar about the length of the questionnaire, one of the workers said it wasn't long enough!

This was another important aspect of the research, to let women working in the informal garment sector know that they are not alone.

The training material to be produced from the research will also aid in this process and it is one of the key aims of the work of TIE-Asia - providing women garment workers with information about their rights, and their role in the subcontracting chain within the broader effects of globalisation. However, these are complex issues and were not gone into in any length with interviewees, or at the focus group seminar.

Apart from questions regarding trade unions, another topic to provide a high number of blanks was concerning what change people would make to their workplace if they could. Almost half (44%) of the responses were blank answers.

The high number of no comments could indicate that workers are not used to being asked what they would change about their work.

It could also be interpreted as workers feeling it was not possible to make any changes, so they felt no need to respond, as in their eyes it was a pointless exercise. Perhaps too it is not an issue they had considered relevant to them. This might be because workers undertake this employment as a means of earning income to support themselves and their families, and are not necessarily considering job satisfaction or whether or not their conditions are good, bad or indifferent. The important factor for them may be whether they get paid or not, and whether they are paid on time, with all benefits owing to them.

In this section one person said they were unable to do anything, as their employer was their neighbour.

The other issue is that maybe workers when interviewed could not think off the top of their heads what it was they would like to change about their workplace. It could have been there were too many things for them to consider changing, that it was difficult to know where to begin.

It is also important to consider the situation in which some of the interviews took place, sometimes it was in the presence of management or with other colleagues, so perhaps not conducive to expressing dissatisfaction (if any) about the workplace. On other occasions the interviews took place on the road, or outside workplaces. So perhaps by the time this question was asked, the interviewees were feeling anxious about who may be observing them, such as management, and were keen to finish the interviewing process. A number of field researchers stated this as a concern from workers.

In addition to these concerns, workers were at times suspicious of the motives of the field researchers and made comments like, “I can’t say without knowing the purpose of getting our ideas on these matters”.

The field researchers were able to make the following observation about one of the interviewees:

“She appears to be curious about this survey after we asked her about joining a trade union. She said she thought we had come to deprive her of her Samurdhi allowance.”

Only three people (1.6%) interviewed were involved in an organisation or association. Answers left blank were the second highest response to this question. If blanks are considered as a “no” then the total number of “nos” can be given as 86.4%. Compared with workers employed in bigger factories, especially in the FTZs, this statistic indicates that those in the informal sector are less organised than those in the more formal sector.

As most workers interviewed for this research are working in enterprises of less than 50 workers, this is not a surprising conclusion. With fewer employees in a workplace, it can be harder to raise support and the strength to be organised. In addition some workers indicated their employment was not secure and therefore they may work in several places, or be forced to look for new employment on a regular basis. This reduces the chances of workers getting together to be organised.

While few were involved in anything remotely like a union, 38.3% said they would like to be involved in one or an organisation that would help them with their problems at work. However, some people mentioned they were scared about joining a union, or it would be difficult to do so. The difficulty in gaining support from work colleagues or others around them was also pointed out as an obstacle by workers who participated in the focus group seminar.

When it came to asking people what they liked or disliked about their work, we were not able to draw any concrete conclusions regarding happiness at the workplace. We can say that from the answers provided approximately 43% appear to be happy in their work, while more negative replies accounted for

about 24% of the survey. However, there were several similar replies like: “We work here because it is close to home, not because we like it,” which perhaps surmises the opinion of most people interviewed.

Home based workers (8.1%) said they enjoyed being able to earn extra income from home while doing household chores and maintaining their household responsibilities, such as childcare. This is a common finding in research on the informal sector⁴⁸. Certainly the economic benefits (often vital to the family’s survival) and freedoms that women experience as a result of working in paid employment which often include increased status in the family, should not be underestimated. However, it is important that these issues are examined further and explored with women in detail. Patriarchal systems and relationships intertwined with repressive aspects of culture often mean that women who need to work have no other choice but to do so from home. For example if there is no affordable child care or no care for elderly parents is available or if women once married are not allowed by their husbands to work outside the home.

Just because women want to or need to work from home does not mean that they should be forced to accept work that is poorly paid, irregular, unsafe and unregulated. It is the responsibility of governments to ensure that all workers are protected adequately. Likewise TNCs must take responsibility for workers throughout the entire subcontracting chain.

Implications for Organising

A detailed discussion for organising on the implications for organising the informal sector is beyond the scope of this research. However, some key issues generally and arising from the research are worth mentioning. These are:

- 54% of workers interviewed in this research said that they want to know about their rights. This clearly demonstrates the need for extensive awareness raising programmes as an essential first step in the organising cycle.
- Despite some workers being unaware of their rights and sometimes of trade unions, and/or

⁴⁸ Other researches already referred to in this study [including: (2000) *Invisible Women Workers in Subcontracted Industries in Sri Lanka*, CENWOR study series No.15; Dias M, Jayaweera S (1989) *Subcontracting in Industry: Impact on Women*, Commonwealth Secretariat; Kottegoda S (1991) *Women in the Informal Sector*, CENWOR Working Paper No.2] mention the joint role women can play by being income earners for the family, while still being able to maintain responsibility for the majority of household tasks and decision making.

scared of being seen talking to the interviewers, 38.3% of people interviewed said they would like to join an organisation to help them with problems they faced at work.

- While informal sector workers are largely invisible and/or not recognised as workers (24% of workers in the survey identified as self employed) in the eyes of government, TNCs (and their complex subcontracting chains) and society in general, it is extremely difficult for them to organise to obtain their rights. Recognition as a worker must come first, then informal sector workers can fight alongside their sisters (and brothers) in the more formalised sector for their rights as workers, most importantly their right to organise, form and join unions and bargain collectively.
- This research confirms that BOI approved factories in the FTZs and industrial estate are subcontracting out further, garments being produced for export, to micro enterprises and home based workers. It is not clear how long this trend has been occurring and/or whether it is because of increased organising by unions in the larger subcontractor garment factories particularly inside the Free Trade Zones. Unions should consider this within their current organising strategies. Linking more formal and informal workers may be the only way of ensuring the right of all workers.
- Sri Lankan labour law applies to workers in the informal sector, however, like workers in the more formalised and formal sectors, the problem remains a lack of willingness by government to enforce the laws.
- This research shows that informal sector workers are being paid on average 40% less than their sisters in the more formal sector - well below the legal minimum wage. Again this has serious implications for unions in protecting the wages and conditions of all workers.
- In instances where the labour law might not apply to home workers, or for strengthening the rights of this particularly vulnerable group of workers, ratification and implementation of the ILO Convention on Home Work is critical. Joining with other groups to lobby for ratification of this convention is an important organising activity.

- Brand label and retail TNCs must be held accountable for the conditions of workers all the way along the subcontracting chain. They must ensure that all human rights including labour rights are adhered to. They must ensure that their buying practices allow for these rights to be upheld. Substantial campaigning in this area nationally and internationally is already occurring and need to be continued.
- Actual documented experiences of organising informal sector workers show that organising is the key to bringing about empowerment in people's lives. Organising need to be creative and take into account the needs of women workers such as access to child care, and other assistance caused through lack of social security and sick benefits. Informal sector workers may need support to negotiate contracts with factories or middle people who they subcontract from or ideas on how to access more regular work and therefore more income.

Conclusion

This study focused on the subcontracting chain in the export garment and related industries from the perspective of workers in the informal sector. It provided us with a "snapshot" that allowed us to fill in some gaps on both the informal sector and the subcontracting chain. The results show these workers exist but are hidden. This "snapshot" is by no means conclusive or final and there is much scope for further research. For example, what is the extent of informalisation in the subcontracting chains throughout the country? Why has subcontracting out to micro enterprises and home based workers from the larger and more formalised factories occurred?

Our research has shown that a typical profile of a worker in the informal sector is: a young woman aged between 18 and 30 years, who found her job through a relative or friend and is working to contribute to the family income. She has been working at the current place of employment for between one to two years. Her average salary is around SLRs2,800.00 (US\$29.47) per month inclusive of attendance bonus and overtime. This is on average 40% less than a worker in a more formalised factory would earn. There is a 24% chance she may have been told by her employer that she is self-employed as a way of

avoiding paying EPF and ETF, even though a clear employee/employer relationship exists.

If she is a home worker then it is more than likely she is paid a piece rate, is required to perform the most labour intensive aspects of production and is required to redo any mistakes without pay. She may enjoy the flexibility that working from home affords in relation to the juggling of housework work and childcare responsibilities. However this does not mean that she should be forced to accept work that is poorly paid, unregulated, irregular and unsafe.

This profile is comparable to women working in the more formalised sector with several exceptions: 34% of those interviewed were above the age of 30 years and 32% had dependants. In both sectors women as workers are taken advantage of, and in particular in the informal sector, employers are even less concerned about any of their legal obligations or the basic human rights that must be upheld. The research also confirmed many similarities in work processes between informal and more formal workers, highlighting that the informal sector is not easy to define.

Significantly 54% of workers interviewed said that they wanted to learn more about their rights and 38.3% said that they would like to be involved in an organisation that helped them with work problems. However, it is also acknowledged that ways of organising for informal sector workers and fighting for their rights are indeed challenging, perhaps more so than in the more formal sector. There are fewer workers in the one location to rally for support and there may also be issues of disrupting family and village dynamics where the small home based factory may be the primary source of employment for that area.

This research has shown that the subcontracting chains of the major retailers and brand labels reach as far as home based workers in Sri Lanka. Generally workers in the informal sector have the least power in the chain, receive the lowest wages and are the most vulnerable.

The implications for organising arising from this research deserve serious attention by trade unions and women's organisations. Some of the issues for consideration have been listed in the previous section. Recommendations arising from this research

appear on the following page. These recommendations will be used in a second phase of this project on organising, education and campaigning with workers from the informal sector.

Government must ensure that labour law adequately recognises and protects all workers, and is fully implemented, before protecting the rights of investors. As a central platform this must include recognition as a worker and the right to organise, form and join unions of choice. Failure to do so will result in the loss of this industry.

Retail and brand label TNCs must be held accountable for their buying practices throughout the entire subcontracting chain. Their current practices repress and exploit workers.

Recommendations

This research is an important tool to use in organising including education, training, campaigning, advocacy and lobbying. Its strategic value should be maximised, therefore, the following recommendations arising from this report are made:

1. The research be translated into Sinhala and Tamil.
2. The research report is launched, with government officials, employers/ investors, buyers, the ILO, NGOs including women's and research organisations, trade unions and the media invited to attend. With a specific press conference being held.
3. The report launch should be used as an opportunity to lobby government and buyers for changes. A clear set of demands should be presented and followed through on.
4. Both the Women's Centre and DaBindu who were involved in the field research, are keen to follow up on the links that they made with informal sector workers in the garment and related industries and beyond. They also wish to use this report and what they have learnt during the research to inform their programme development and organising strategies and activities. This work must be supported and encouraged.
5. We encourage the trade union movement to use the information contained within this research in

the future development of organising strategies and negotiations along the subcontracting chain and the inclusion of informal sector workers within these strategies.

6. The invisibility of informal sector workers needs to be made visible to government and society generally. Public awareness on these issues should be increased.
7. To improve visibility and ensure informal sector workers obtain the rights owing to them under law, they must be recognised as workers. Once they are recognised as workers then they are able to fight for rights such as the right to organise, form and join unions, collectively bargain, decent wages and safe work places. Alarmingly this research has revealed that 24% of workers consider themselves to be self-employed, when there is clearly an employee/employer relationship. This situation has been manipulated by employers as a way of avoiding their responsibilities to their workers, at the same time denying them of their rights. An essential first step is the registration of all factories/workplaces under the Factories Ordinance Act of 1957; government must also recognise and accurately record this sector.
8. Home workers are the least visible and most vulnerable workers in the subcontracting chain. There is an urgent need for joint lobbying with other organisations and networks, of the Sri Lankan government to ratify and implement the ILO Convention (No. 177) on Home Work.
9. Trade unions organising in the zones and larger garment factories need to ensure that efforts to organise unions and collectively bargain are not undermined through increased subcontracting out to the informal sector including home based workers.
10. The buying practices of Transnational brand labels and retailers that create intensive competition along the subcontracting chain, must be held responsible (along with government, employers and investors) for the lack of implementation of workers' human rights. This includes freedom of association, the right to organise and collectively bargain, along with the

poor wages, conditions and health of the mostly women workers who produce the goods sold for huge profits by these companies. TNCs should be forced to abide by the law, ILO Conventions and Codes of Conduct.

11. There is a need to continue with and develop further creative strategies, informed by ongoing research, that organise along the subcontracting chain internationally.

- Appendix E offers further suggestions for campaigning, lobbying and advocacy.

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TIE-Asia is a non-profit, independent, regional labour network.

It began in 1992 in response to the growing number of mostly women workers, who are largely unorganised and precariously employed in the export orientated textile, garment and related industries, within and outside of the zones, which are dominated by suppliers to transnational corporations (TNCs).

Its regional office is based in Colombo, Sri Lanka with programmes also in Thailand, Indonesia and Bangladesh.

TIE-Asia encourages and supports the development of democratic and independent trade unions and democratic workers' organisations in the export orientated industries (with a focus on garment industries) of South and South East Asia, and to promote and implement the rights of mainly women workers.

TIE-Asia is part of Transnationals Information Exchange (TIE) – an international network of workers.

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Subcontracting Chains in the Garment Industry of India

Union Research Group India

*Rohini Hensman and
Chanda Korgaokar*

Industry Overview

Employment in the garment industry in India is largely in the informal sector. According to the *Annual Survey of Industries, 1994-5*, which covers units registered under the Factories Act, 1948 (covering units of ten or more workers with electrical power and twenty or more without), there were 228,899 workers engaged in the manufacture of garments and clothing accessories, generating a net value added of Rs 22,903 million. According to the National Sample Survey Organisation's *Survey of the Unorganised Manufacturing Sector, 1994-95*, there were 411,637 workers in the unorganised sector (i.e. not covered by the Factories Act) of this industry, generating a gross value added of Rs 7,844 million. A few words of caution need to be added about the official statistics. (a) The number of workers in the 'unorganised' sector is most probably understated, since some of the very tiny units, often located in homes, as well as homeworkers, would not be included in it. (b) 'Organised' and 'Formal' are not coterminous, the former referring to the kind of unit, and the latter to labour. There are a large number of informal workers (i.e. those who lack any regular employment status) in the organised sector too. If these workers are taken into account, it is likely that around 80-90 per cent of workers in the garment industry are informal.

The economic liberalisation of 1991 led to a spurt in the growth of garment exports from India, although the domestic market had been relatively stagnant. Thus the value of garment exports rose from US\$ 1,598 million in 1989-90 to US\$ 3,675 in 1995-96, more than doubling within five years, and becoming 12 per cent of India's merchandise exports and 16 per cent of manufactured exports. India's share of world exports of clothing rose from 1.5 per cent in 1980 to 2.6 per cent in 1994 (Unni and Bali 2002:119). This is a considerable rise, yet by global standards the share remains very small. Even within

the Indian economy, the share is not so large that the whole economy is dependent on garment exports. Moreover, in the latter part of the decade, there was a reversal of this trend. Not only did the growth in textile and garment exports decline as a result of stiff competition from cheaper and/or better quality products from other Third World countries, but even the domestic market began to be invaded by these more competitive products (Shah 2001).

A large part of the problem, which will become even more intense after the MFA phase-out, is the fragmented and small-scale nature of the industry, which acts as an obstacle to technological upgradation and utilisation of economies of scale, and even to routine quality control. This is largely a product of government policy, which encourages small-scale production with a large number of incentives, including exemption from most labour laws. The rationale for this policy is that the informal sector supposedly creates employment, but there is very little evidence for this supposition. For example, the more rapid growth of informal sector employment compared to stagnation in formal sector employment is taken as evidence for the employment-generating properties of the informal sector, but on closer examination, it becomes evident that in many cases - textiles is a striking example - production and employment have merely been shifted from the formal to the informal sector (Baud 1983:31-32; van Wersch 1992:40-46). So this is in no way employment creation, but, on the contrary, replacement of employment in regulated and relatively better conditions by unregulated employment in abysmal conditions.

The impact of this policy is amplified by employer preference for a minimum of regulation - not only by evading labour laws but also by evading taxes, environmental laws and so on. So society as a whole loses (loss of government revenue, environmental degradation, etc.), but workers lose most of all. Some of the methods whereby large companies default on their responsibilities to their workers are by subdividing what is patently a single workplace into several different 'companies'; subcontracting work through labour contractors to either workers who come to the premises or who work elsewhere, sometimes at home, and have no status as workers; or simply failing to give workers an appointment letter or to put them on the rolls of the company. Such

workers are excluded from most of the labour laws, and even the laws which do apply to them - such as Minimum Wage legislation and the right to unionise - cannot be implemented, because the moment they try to organise or demand better wages or conditions, they are thrown out of work, and, lacking any proof of employment, have no legal redress.

All this has its effect on the structure of the industry. Although there are a few large-scale units, some in Export Processing Zones, the bulk of production takes place in small, scattered workplaces. Even where the main employer is a big industrialist, as in two of our case studies, and you see pictures of clean, modern factories when you look for them on the Internet, the bulk of their production is still done in sweated conditions. Many commentators agree that the industry cannot be competitive internationally without large-scale, modern production, but so long as the incentives for staying small are so attractive to employers with a distaste for regulation, this development will not take place, except for some growth of large units in EPZs.

The strategy of employers faced with this dilemma is to demand that even the larger units should not be subject to labour laws, and clauses in existing laws prohibiting the use of contract labour for permanent or perennial work should be deleted. These are the demands which have shaped the second Report of the National Commission on Labour, which came out in 2002. The calculation, presumably, is that once the large-scale sector too has been deregulated, employers will be able to expand their units without having to contend with troublesome labour legislation. In other words, it looks as if the government has bought the argument that labour legislation is the main obstacle to competitiveness. At least, the major 'support' given to the industry, apart from liberalising the import of machinery, has been the so-called 'reform' of labour legislation proposed by the Report.

This Report has, predictably, faced blanket opposition from trade unions. Yet its drafters have cleverly inserted provisions for the informal sector, such as identity cards for informal workers (Vol.II, p74), which have been demands made by workers in this sector for a long time. The lack of representation of informal workers in the trade union movement makes it hard to work for a strategy that will help workers in both sectors: not just a rejection of the recommendations

in the report, but the formulation of an alternative which will include the demands and interests of workers in the informal sector.

The Garment Industry in Bombay

The garment industry in Bombay has some peculiar characteristics. There are very few large units; most production takes place in 'galas' (small rooms in multi-storeyed industrial estates) employing, typically, 10-19 workers, or in even smaller units in slums. The value of the garments is low, by comparison with Delhi, and virtually the only strategy employers employ in the struggle to be competitive is to spend as little as possible on their workers. Thus not only are wages way below the legal minimum in the vast majority of cases, but facilities are also abysmal, with toilets, for example, often in a filthy and unusable condition or absent altogether. (Gothoskar et al. 1998, ASK 2001) Except in the few large units, not only the cutting but also much of the stitching is done by men, while most of the women workers are relegated to even more poorly-paid occupations. There is increasing evidence that after a brief surge, garment export production in Bombay is already declining, with units closing down in large numbers and workers left jobless.

By contrast Tirupur in Tamil Nadu, which has emerged as a major garment centre, has much larger units. Even here, most workers do not have the status of permanent employees; although in some cases they are given identity cards, they can be dismissed without notice and without any adequate reason being given. Employers consciously discourage unionisation, yet the potential for organising seems to be slightly better than in Bombay. The gender division of labour in these units is more along the lines familiar in most South and South-East Asian countries - i.e., with the majority of sewing machine operators being young, single women. Most importantly, industrialists here seem to have a strategy for surviving in a very competitive industry. They specialise in batch production, on a scale too small to be handled by, say, units in China, and have formed 'industrial clusters' in which several units pool resources to buy expensive machinery (e.g. embroidery machines) and then share the use of it (Swaminathan 2002, interview with Swaminathan 2003). Thus they seem to have better chances of surviving the MFA phase-out than the vast majority of units in Bombay.

Research Overview

The research was done by Rohini and Chanda, both of whom had been involved in the earlier project on Codes of Conduct. This meant that we already knew most of the workers, they trusted us, and we had established procedures for interviewing them without jeopardising their jobs, which was an advantage so far as getting information from workers was concerned. However, given the extremely polarised labour situation in the industry, it was very difficult for us to approach employers without arousing distrust in the workers - i.e., even if we had explained to them that we were going to meet management in order to get information which could be useful to them, they would still have felt uneasy and possibly suspicious. Therefore, given the reluctance of employers to part with information which could have helped our research, we did not go to them directly. From this point of view, it might have been better to employ a professional researcher who did not have contact with the workers to interview employers.

We selected three chains, each starting from a factory whose workers we were already in touch with: Go Go International, Patel Hosiery and Prakash Garments. The reason why we picked these three units was that in one way or another, we came to know of retailers whom they were supplying. In the case of Go Go International, the office workers managed to get a full list of the buyers being supplied by the company. Patel Hosiery, we found, was one of the companies supplying Pinault-Printemps-Redoute, which was being investigated by the AFL-CIO for its anti-union activities in the US. And Prakash Garments was supplying the Dutch retail chain Zeeman, which was being audited by the Fair Wear Foundation.

Thus at the ground level, we could rely on workers as a source to give us whatever information they had about subcontracting, homeworking, and other units of the same company within Bombay and elsewhere. In Patel Hosiery and Prakash Garments, we could also obtain information about the retail end of the chain from the AFL-CIO and FWF. And in all three cases, we could supplement these sources with information obtained from the Internet. However, there were still major gaps in our information that we could not fill.

For example, in the case of Go Go we had the most comprehensive list of buyers, yet we could not find out

how much production was going to which buyer. Without this information it is hard to work out the balance of power between producer and buyer. In the other cases we had even less information about how much was being supplied to whom. The other area where there were gaps was in the local networks: other units of the same company within Bombay and in other parts of India, and the network of units to which work was subcontracted. In the case of a relatively high-profile company like Go Go, information about major units in other cities could be obtained from the Internet, but in the case of Patel, this was not possible. Tracing the chains was not helped by the fact that they kept shifting.

Finding the workers was no problem, since we started with those who had participated in the Codes project, and they led us to others; also, Chanda had contacts among workers in this locality (Parel) going back even earlier. We used collective interviews and workshops as ways of obtaining information. We felt the advantage of this method was that there was some collective check on the information provided by each worker; also, they could pool their information about subcontracting chains and come out with a more complete picture, whereas we would have found it that much more difficult to piece together information obtained from individual workers. We paid for their time, since many of them would have been losing some of their meagre pay during the time they spent with us.

Many of the women, especially the homeworkers, articulated a desire to organise in order to improve their conditions, and partly because they saw the interviews and workshops as moving towards that end, they were happy to participate. It is not that we promised them anything; they simply assumed that since we were telling them about workers' rights and ways of getting them, and were obviously engaged in this exercise only because we believed they should have those rights, we would be willing to help them actually do that. It is difficult to know what their attitude would have been if they had just seen us as gathering information, or even as providing education which was of no practical relevance to their employment conditions; they might have been less willing to help us. In a way that put us in a difficult position, since neither of us is in a position to be able to help them to organise. But it is difficult to know how

else we could have approached them. In the event, we tried to solve the problem by introducing them to someone (Apoorva) who did express her willingness to help them to organise. Additional information about the chains would be useful, simply in order to get a more complete picture of how complex they are.

Supply Chain Overview

Go Go International was set up in 1983 by S.S.Goenka, who hails from a family of big industrialists, and was later joined by his two sons, Rajeev and Achal Goenka. Today, Go Go is one of the biggest quota holders in India, shipping 3 million pieces per year to the US and Europe. Knitted garments constitute the bulk of its exports. The company has received many awards, including some for its export performance, but it is of special interest to note that despite being big industrialists, they received the Award for Best Export Performance by Small Scale Industry, awarded by the government of Maharashtra (the state in which Bombay is located) for every year from 1987 to 1997. There are around 1000 regular employees, but the number of irregular workers would be many times greater.

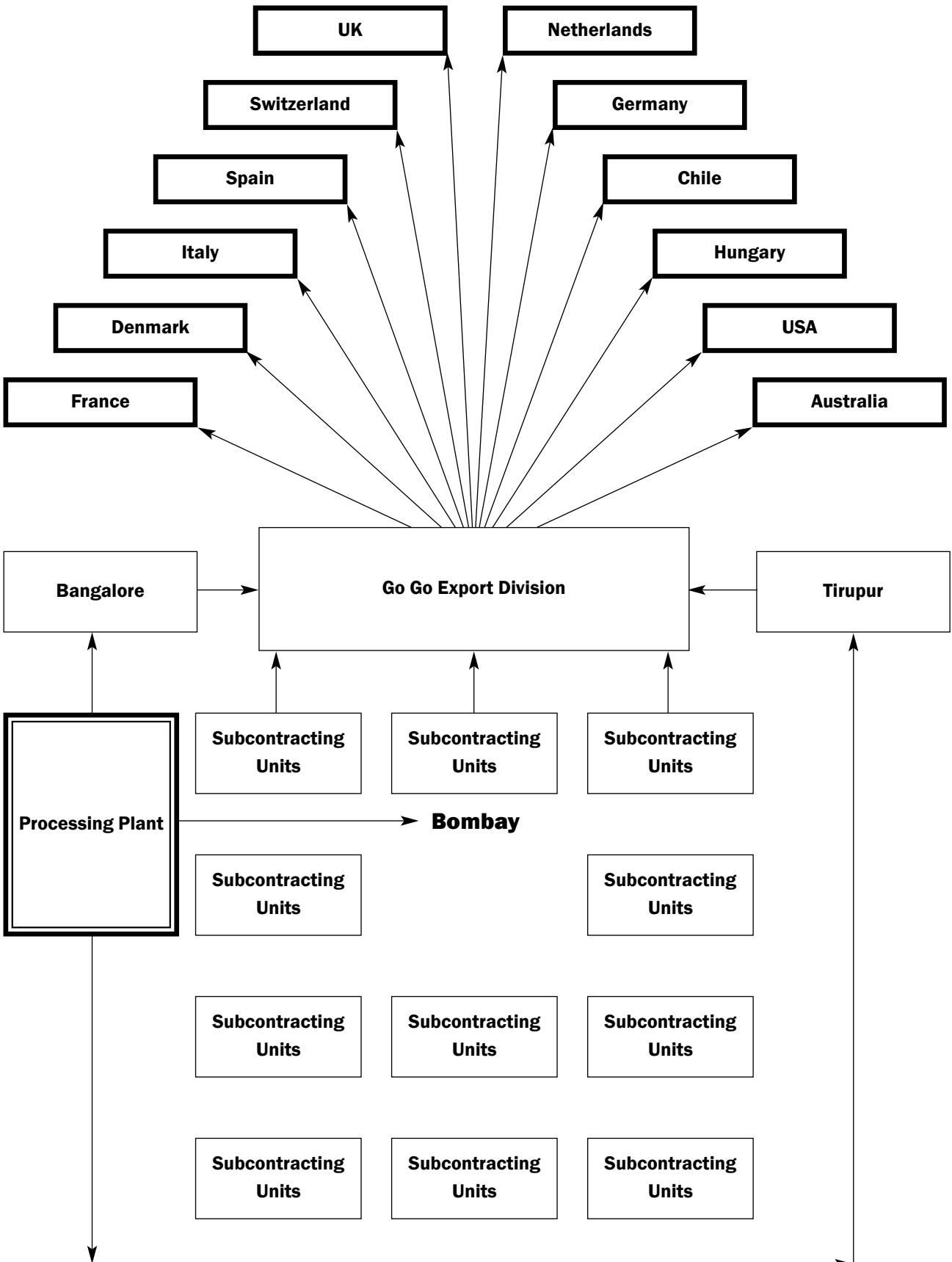
The regular employees must be employed at the fabric processing plant in Bangalore and the main stitching units in Bombay, Bangalore and Tirupur, all extremely modern. Bombay is the hub of Go Go's activities, with manufacturing as well as support departments: Shipping, Quality Control, Designing, Sampling, Computer embroidery, Computerised pattern making, Banking and Accounts, as well as a warehouse near the port. At Bangalore, apart from the highly automated processing plant, there are an administrative office and garment manufacturing factory. And at Tirupur there is a garment manufacturing and curing plant as well as computer embroidery machines.

These are the official activities of Go Go International: those advertised on its website. The unofficial activities can be judged from the fact that in Shah and Nahar Industrial Estate in Lower Parel (an industrial estate, typically, consists of several multi-storey buildings with many small workshops in each), it owns 22 of these units, and its accounts suggest that each is registered as a separate company: Go Go International, Goenka and Goenka,

Go Go Export Pvt. Ltd., Goenka Silk Mills, Goenka Enterprises, Five Stars, Four Corners, Go Go Investment Pvt. Ltd., Go Go Fashion, Go Go Creations, Arty Apparels, Fashion Fitters, Mod Models, Ananda International, Creativity, Royal Craft, Unique Craft, United Craft, Modern Craft, and so on. Around 110 workers in one of these units joined a union in January 1999, and were locked out on the 24th, on the pretext that there were no orders. (This, of course, directly contradicts the information on their website, and sounds most unlikely given the large number of buyers it supplies.) By the end of March, a settlement had been arrived at, whereby the workers 'voluntarily' resigned, but would be paid their dues and retrenchment compensation, with contributions to the union being deducted from each. (The bona fides of the union is not above suspicion!) Production, of course, would have carried on, but in other locations and with other workers. A clear case where subcontracting was used to break a union.

On the export side, the office workers managed to get a full list of the buyers being supplied by the company. These are: Somotex, Didier Romi, Yael Soldes, Barel, Auchan, Roumi, Christian Cane, Akwa, Safico, Carrefour, Louva International, Via Forum, Samino, Trading Diffusion, Vetura, Societe Boozzy and Farel in France; G.D.Esse, Gate XI, Centerstock, Bivak, Arnetta, Linfleur, A.G.T., SWEI, Randi, Campagnolo, Edelweiss, Co-op Italia, Alba, Bross Miss, Oviessa, Standa and Flaviatex in Italy; Best Corporation in Australia; Sertrad, Interlen, Marsan and Uni Commercial in Spain; Charles Vogel and Hobotex in Switzerland; Vroom & Dreesman, (BHL?) and Zeetex in The Netherlands; Perlei, Woolworth, Contex, Kaufring and Studio Borgelt in Germany; FDB (Kappahl) in Denmark; W.W.Textiles, Triton and United Textiles in the UK; Sauer, Ripley, Hilotex, Henry, San Giovanni, Johnson, Enrique Ketlun, Montana, La Polar and Corona in Chile; Fue Follet in the USA; and Tricotex in Hungary. This amazingly long and varied list suggests that the question of power is not as simple as it may seem - i.e., the power to improve workers' rights is not necessarily concentrated at the top of the production chain. Where a supplier has as much choice as Go Go obviously has, it would be quite easy to drop a buyer who insists too much on labour standards, and simply deal with those who do not.

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Prakash Garments is a partnership firm owned jointly by Vishnu Jalan (Managing Director), Dilipkumar Jalan and Mahesh Jalan, along with Ashok and Amitab Jalan. This family firm owns M/s Prakash Cotton Mill (Stitching Unit), M/s Prakash Cotton Mill Garments and M/s Prakash Garments, as well as various textile units. All three of these garment companies are located in one factory, with one set of machines and one group of workers, but have been registered as separate entities in order to take advantage of loopholes in the labour and tax laws. The Deputy Director, Industrial Safety & Health, Bombay, noted that although it was evident that these premises constitute a factory, they have not been registered as such. Moreover, at regular intervals the owners float new companies and abandon earlier ones. The main products are bed sheets, pillowcases, bed covers, table cloths and napkins, and these are exported to Germany, The Netherlands, Denmark, Sweden, the USA and New Zealand by Prakash Cotton Mills [Export Division]. Among the buyers are: Betton Welt, Elasta (Germany), Florex (Germany), Finntex AB (Germany), Han, Ikea (Sweden), JYSK (Denmark), Jotex AB (Germany), Karstadt (Germany), Kronberg (Germany), Potter (Germany), Paururi de Lit, Schumulle Backe, Universum and Zeeman (Netherlands). The total volume of exports is large, with an average of 5,000 pieces per day per unit or 25 containers per month.

The companies employed 250 workers in these premises, along with another 51 workers employed through a labour contractor, M.M. Brother. 60 per cent of the workers are women, and do mainly semi-skilled and unskilled jobs: helpers (holding and turning the sheets while they are being stitched, filling bobbins, hemming), thread trimming, folding, checking, etc. None of the workers were supplied with documents such as an appointment letter, identity card, pay slip or attendance card, which made it extremely difficult if not impossible to prove any employee-employer relationship and fight in a court of law for their legal rights, including the right to freedom of association and collective bargaining.

Workers observed that in the past, the employer had scuttled every effort to unionise. As soon as the workers got unionised under the banner of the Sarva Shramik Sangh at the beginning of 2002, the office-bearers were threatened with dismissal and workers threatened that they would be thrashed by goons. The

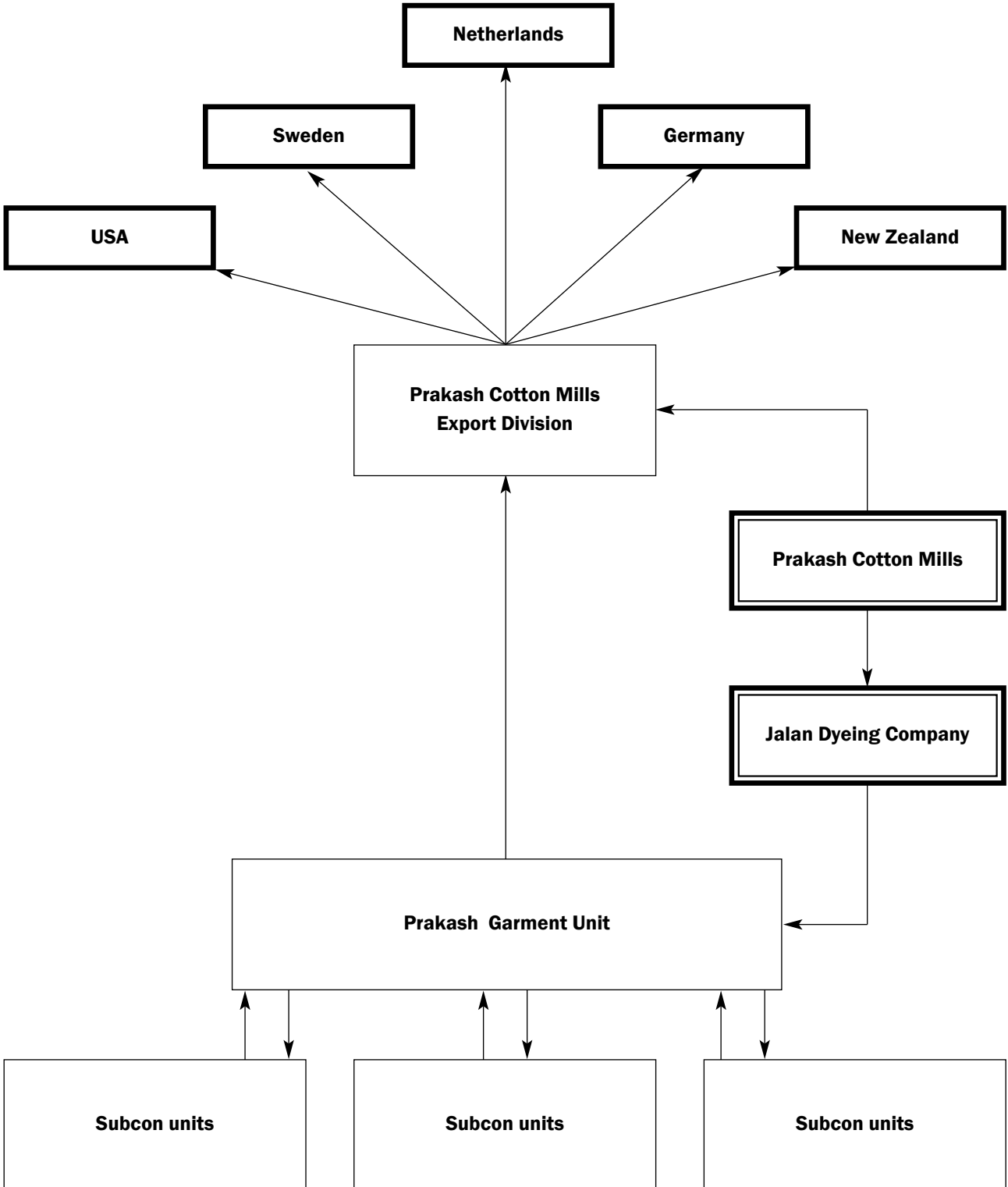
union then filed a complaint under the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act (MRTU and PULP Act), 1971, in the Industrial Court, appealing that no worker should be dismissed unlawfully, the employer should not be allowed to shift or sell machinery, the employer should comply with the recommendations of the Minimum Wages Inspectorate, and the employer should be prohibited from outsourcing production or employing a new group of workers, either as direct recruits or through a labour contractor, to replace the workers who had joined the union.

As a result of the employer's tactics, the skilled workers (tailors, mostly young men from North India) joined another union, and 100 workers did not join either union. This latter group were employed as workers of Prakash Garments A, while the unionised workers were employed as workers of Prakash Garments B, and on 3 April 2002, the employer declared a partial lockout affecting the 151 unionised workers, who had already been denied work since 11 March, although they had upto then been allowed to enter the factory. The Sarva Shramik Sangh took the case to court, claiming that the lockout was illegal; this case is still pending, and probably will drag on for years. Meanwhile, the employers began subcontracting production to other units, namely M.M.Fabricators, Sona Garments, Kamal Garments and Stirling Garments.

This, again, is a clear case where subcontracting is being used to break a union. Since one of the major buyers, Zeeman, was a member of the Fair Wear Foundation, we requested the latter to raise the matter of union-breaking in Prakash Garments, which they did. Zeeman responded by prevaricating, and eventually, as we learned recently, left the Fair Wear Foundation! It is hard to tell how effective Zeeman's pressure would have been if they had chosen to insist that Prakash Garments should abide by their code; possibly there might have been some success. But we will never know, since they refused to make the attempt.

Patel Hosiery Mills, owned by Ishwarbhai Patel, subcontracts production to over 50 sweatshops, and also to a large number of homeworkers who do finishing operations like thread-trimming and button-holing in their own homes. Most of our interviews were with the homeworkers, who were all women, whereas

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most of the factory workers were men. They told us there were also units in Goregaon and Vashi, more distant suburbs of Bombay, but we were unable to find out whether there were production units in other cities. Patel Hosiery is one of the suppliers of Pinault-Printemps-Redoute, a French retailer producing garments for high-profile labels such as Gucci and Yves Saint Laurent, and sent over 15 separate shipments of men's knitted shorts, shirts and underwear to PPR's Brylane King-size division in 2001. PPR was under attack from UNITE, the union of apparel, textile, and garment workers in North America, because of its attempts to break their union at the Brylane distribution centre in Indianapolis.

As part of their campaign against PPR, UNITE investigated and publicised conditions in PPR subsidiaries around the world as well as in the Brylane unit itself, where the right to organise as well as health and safety problems were major concerns. The investigation showed that several units in Bombay, including Patel Hosiery, and Tirupur, were suppliers to the French multinational. Other suppliers included several factories in Karachi, with workers working up to 7 days a week without proper facilities; several factories in Bandung, where workers were sometimes required to work up to 14 hours per day, 7 days a week in an unhealthy environment; two factories in Thailand where working hours were up to 17 hours per shift and workers stayed 20 to a room in over-crowded company-owned dormitories; a factory in Rizal Province, The Philippines, where most of the workers were kept as temporaries and denied social security; a factory in Romania where workers were told by management that they could not legally belong to a union; and factories in Saipan where workers were living and working in slave-like conditions.

The women homeworkers producing for Patel Hosiery had to carry large bundles of clothing on their heads from the factory, and then return them to the factory in the same way when the work was done. Apart from the very low rates they got for the work, which added up to much less than the legal minimum wage, their biggest problem was lack of any status as workers and the completely casual nature of their employment: sometimes they would go to the factory and get no work at all, at other times, when there was an order to be finished, they would have to work night and day to complete it. More about this in the next section.

As a result of the campaign launched by UNITE, and the embarrassment caused by it to PPR, the latter finally negotiated an agreement with the union, showing that such pressure can result in improved conditions in units in the North. The agreement apparently also mentions conditions in supplier factories, but it remains to be seen if these clauses can actually be used to improve conditions there.

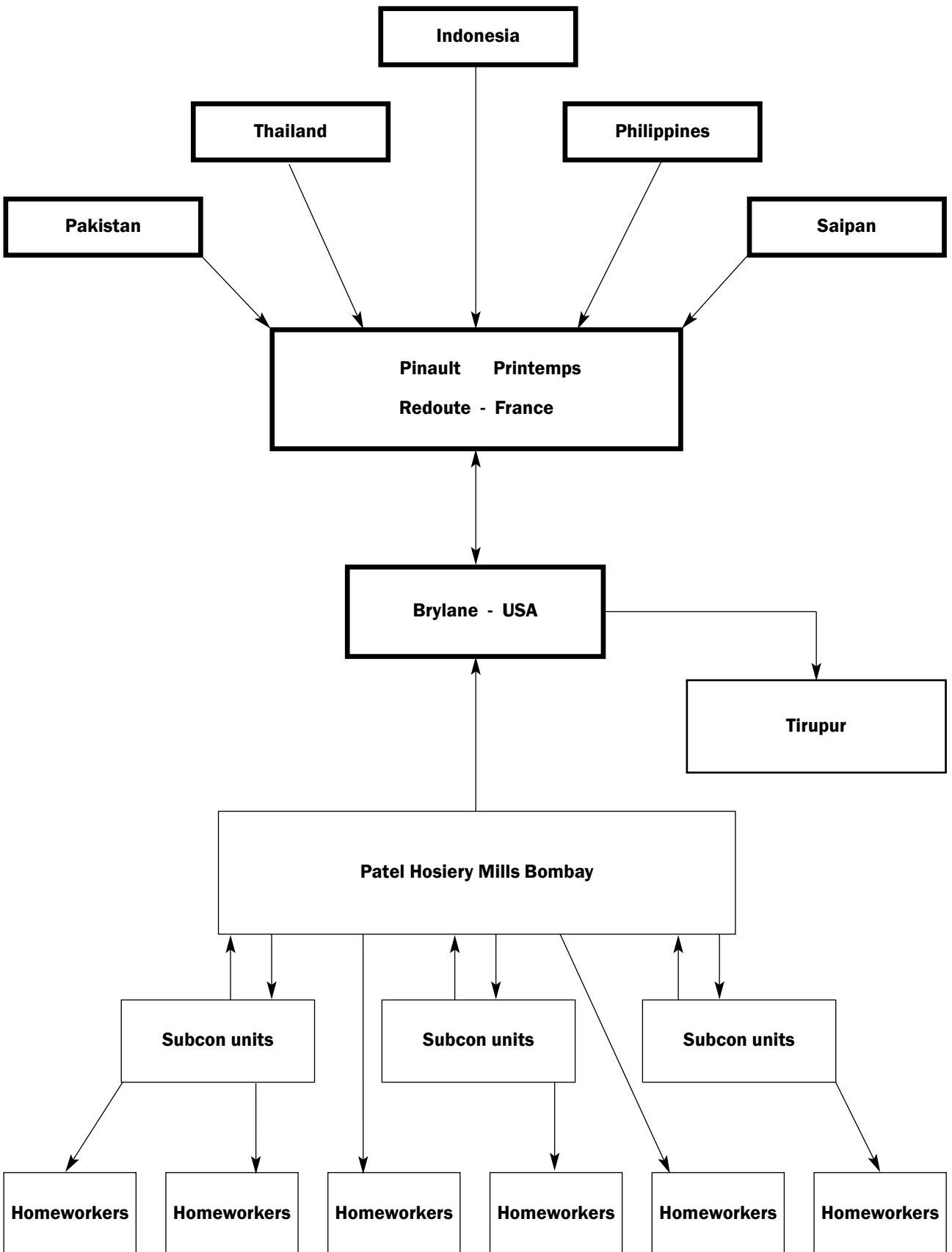
Detailed Information on Chains

Permanent workers in larger factories were in a relatively stronger position, sometimes receiving the Minimum Wage (around Rs 3000 per month, depending on the work). However, even in factories, many workers might be employed on a temporary basis or through labour contractors, in which case they would not receive any of the allowances or social security benefits enjoyed by permanent workers, and might be receiving well below the minimum wage. At Prakash Garments the workers did not have any proof of employment (appointment letter, identity card, attendance card or payment slips), did not get paid holidays or paid leave of any kind (annual, casual or sick leave), there was no weekly off-day and no social security benefits, and in the factory records this lack of status was justified by showing breaks in service against all the workers, even those who had been working continuously for up to ten years.

The gender composition of factory workforces varied considerably; for example, in Go Go International there were only 4 women out of a workforce of around 100, while in Excel (which was not part of our sample for the subcontracting study) all the 150 workers were women. However, even where a large number of women were employed, they would tend to be at the middle to lower end of the wage scale. Thus in Prakash Garments (where of 150 workers 90 were women), all the tailors (30 of them) and the four supervisors at the higher end of the scale, earning Rs 150 per day, were men, while the rest of the workers were earning around Rs 45 per day, and even there, women helpers were earning a few rupees less than male helpers. At the other end of the scale, all of those engaged in thread trimming and checking were women.

We were not able to interview workers in any of the large, modern factories, where it is likely that working conditions and health and safety would be relatively good, since these were the workplaces show-cased by

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companies like Go Go International. The smaller factories from which our interviewees came had plenty of problems: dust, heat and humidity, lack of proper lighting and ventilation, poor ergonomics leading to all kinds of aches and pains, lack of fire-fighting equipment and adequate toilet facilities. However, even these would be better than most of the sweatshops, some of which were located in shanties lacking even running water and toilets. Wages in the sweatshops too were abysmal; in one, workers were being paid Rs 700 per month, less than a quarter of the minimum wage. When they demanded an increase, the employer switched to piece-rates, and the end result was that they were working harder for the same wage. In another, where workers were earning Rs 850 per month, they formed a union and presented a charter of demands. Instead of negotiating, the employer closed down the unit, restarted it after two months, and took back the workers on a wage of Rs 800/- per month! And of course the homeworkers worked in their own homes - also mostly shanties - where they had to juggle their work with other tasks like collecting water (which sometimes came just for three hours a day in the afternoon) from the public water taps, cooking, cleaning and looking after children. Their piece-rates were on a par with those at sweatshops, but their work was more irregular, and so their monthly earnings would also tend to be less. The gender composition of the workforce in sweatshops, like that in factories, would vary, but the homeworkers were all women. For homeworkers, of course, there was no such thing as overtime, but even in the factories and sweatshops, overtime was often compulsory and never paid at proper overtime rates - indeed, there were cases where it was not paid for at all.

The ethnic, caste and religious composition of the workforce was most varied at Prakash Garments, where there were caste Hindus, dalits and Muslims, and workers from North, South and West India. The employer had tried to play on one of these divisions (which also coincided with a gender divide) by encouraging the young North Indian men who worked as tailors to join another union, but amongst the workers whom we interviewed, all of whom belonged to the Sarva Shramik Sangh, there appeared to be good relations and general solidarity in the face of employer oppression. The women in the other factories were almost uniformly Maharashtrian Hindus, and they occasionally voiced negative views about other

communities, e.g. Marwaris (from a different region) and Muslims. The full extent of such prejudices would only become apparent over a longer period of time, but it is undoubtedly true that employers use them to divide the workforce. Another ploy was to use some workers as informers. This engendered such fear in the rest that they were afraid to meet us anywhere near the factory premises, in case these informers spotted them and reported to the employer that they were meeting suspicious-looking characters who might be intending to organise them, in which case they would be in danger of losing their jobs.

However, the main strategy used by employers to disorganise the workers was clearly subcontracting itself: dividing what is essentially a single labour process into a multitude of different workplaces, and shifting it around from time to time so that even these long and complicated chains do not remain the same for long. How much the workers knew about the chains varied; quite often they knew, or were able to find out, a surprising amount about the supply chain at the ground level - i.e., in terms of the local networks of subcontracting units - and in one case, even about the buyers. They had a vague idea that there were other units of the company in other parts of India, but had less knowledge about these. However, the futility of even a large amount of knowledge was demonstrated by the case of Go Go, where workers, with the help of office staff, managed to get a full list of buyers, and the main locations of production within India were also known, and yet nothing could be done (despite our appeals through WWW) to save their jobs. And as a result of the closure of their factory, of course, the chain shifted and changed.

The structure of subcontracting chains in India, combined with government policy which encourages informalisation, gives employers immense power vis-à-vis workers - power which is invariably used to obstruct all attempts to organise by dismissing those workers who attempt to do so and terrorising the rest. Where local employers also supply a large number of buyers, they probably are in a position to withstand pressure from one or two buyers to improve their record on workers' rights; and even where there are fewer buyers, the subcontracting chains make it virtually impossible for a buyer - or, indeed, an independent monitor - to be sure that workers rights are being respected, unless a huge amount of time and effort are put into this work.

Two Case Studies

In 1999, A... was working on an overlocking machine at Go Go International, earning Rs 2,600 per month. She had been working there for approximately six years, but had not been made permanent, nor had other workers who had been working there for up to ten years. Fear of dismissal was used by the employer as a means of control over the workers, especially since there were informers among the workers too who were used as a means of surveillance over the others. Increments were granted according to the whim of the employer, with preference given to workers coming from the same region as the employer, and those who were more cooperative, for example in working overtime, while those who were more outspoken got less than the average. A... worked 48 hours a week, 9.30 a.m. to 6.00 p.m. Monday to Saturday, with a half-hour lunch break and two ten-minute tea breaks. There was more or less compulsory overtime of up to two hours per day for women, while men might even have to work 24 hours at a stretch; only women with small children were let off. The employer said he preferred to employ men, probably because they could be forced to do more overtime, and penalised women if they arrived late, regardless of the problems they might have with public transport. Once A..., who had to travel quite a long way to work, had been sent home for arriving just ten minutes late when she was pregnant. But she had not suffered sexual harassment, and she did get ESIS (Employees' State Insurance Scheme) maternity benefits.

A... had formerly been employed in another company, Contessa Knitwear, from where she had been dismissed for trying to form a union. She had heard from other workers that at Go Go too there had been an attempt to form a union about seven years previously, but many workers had been dismissed and the union had been broken. 'People are afraid of saying anything openly in case the next person is an informer, and this makes it difficult to do anything,' A... complained. Nonetheless, she was one of those who took the initiative to sign up workers in the factory to join a union. The response from the employer was swift: the factory was locked out on the plea that there were no orders, although it was obvious to the workers that the real purpose was to break the union. Having participated in our Codes project, A... gave the information she had gathered to the union organiser,

who in turn used it to negotiate a much higher level of compensation for the dismissed workers than they would have got otherwise. At the end of the day, however, A... was jobless yet again, and forced to go looking for employment.

V....., a homemaker who mostly worked on thread-trimming, never got to the point of organising, although she had many grievances. Piece-rates were set at a level which made it impossible for one worker alone to earn anything like the minimum wage, so other members of the family, especially girls, got drawn in. Apart from this obvious inadequacy, she felt there were also hidden deductions. For example, she had to buy the thread-cutter for trimming, and thread if she was button-holing, which cut into the piece rate. Moreover, she had to carry the heavy bundle of clothing from the factory to her home in a gunny sack on her head, and then back to the factory and up several flights of stairs when the work was finished, and this work, of course, was not compensated. And even the meager wages were not always there: if she arrived late at the factory, there might not be any work, and she would have to go home empty-handed. The same problem arose when demand was slack.

However when there was an urgent order to be completed, the employer expected them to put aside everything else in order to complete it. 'The employer doesn't consider our problems - for example, if we can't complete an urgent order, he yells at us or threatens not to give us orders in future. We have to tolerate this behaviour,' complained V..... At such times it became evident that the notion that homework was suitable for women because they could combine it with domestic duties was a myth. Not only did they not get any paid leave or holidays, but they were often forced to work extra on festival days, when they would have preferred to relax with their families. On top of everything, the supervisors and male workers at the factory often made 'dirty remarks' to the women, making them feel they were not treated with respect. Along with her companions, V..... felt that there should not be discrimination between factory workers and homeworkers: 'We are workers and there should be equal respect for our labour.'

Conclusions

Since the whole purpose of this research exercise is to strengthen workers' rights in the garment industry, we

need to take up the most glaring problem facing workers here, which is the predominantly informal nature of employment. This pool of informal labour makes it difficult even for workers in the formal sector to organise (since their work can then be transferred to the informal sector), but it is even more of a problem for informal workers, for whom organising is virtually impossible. So defending the rights of workers in the garment industry really translates into ensuring the rights of workers in the informal sector.

The ILO and the trade union movement generally have seen the right to organise and bargain collectively as the most fundamental rights on which all other workers' rights depend. Yet these rights cannot be realised so long as workers can be dismissed without redress for organising, and this is always the case if workers have no formal status as workers: after dismissing them for trying to organise, the employer can always claim they were never employed by him in the first place. So either there has to be an even more fundamental right - the right to be recognised as a worker - or this right has to be incorporated into the ILO Convention on Freedom of Association. Otherwise, as many informal workers and those trying to organise them have noted, freedom of association cannot be implemented in practice.

There is great difficulty in getting male trade unionists in the formal sector to recognise what the women workers we interviewed see as their primary problem and foremost demand: the need for recognition as workers. Thus in all the proposals for organising and supporting them, it is rarely acknowledged that informality itself is the fundamental problem (e.g. Gallin2001). Even the huge report on the informal sector produced for the International Labour Conference in 2002 (ILO 2002) lumps together own-account workers, unpaid family workers and wage-workers in the 'informal economy', thereby obscuring the main problem faced by the last category, which is the lack of any formal employment status. Unless the labour movement questions the existence of informal employment instead of simply taking it for granted, this large and growing sector of workers will continue to suffer from a denial of their rights.

Northern trade unions, consumer campaigns and ethical trading organisations need to incorporate the requirement of a proper employment contract into their agreements and codes and, taking note of the fact that subcontracting is used quite cynically to

circumvent the need to respect workers' rights, take measures to offset this strategy. Probably the most effective way of doing this is to make signatories all down the line - from retailers to suppliers - legally responsible for ensuring that workers' rights will be respected in the units to which they themselves subcontract, so that any violations will exact a penalty. Such agreements should also, of course, specify the responsibilities of buyers vis-à-vis suppliers, and suppliers vis-à-vis subcontractors, so that they have to provide the conditions which will allow workers' rights to be respected. It is true that such requirements will tend to shorten subcontracting chains and eliminate sweatshops and homeworkers from the chain, but this cannot be a serious objection. In the long run it is a positive development, because it will result in the transfer of production from the informal sector to the formal sector. And in the short run, there should be local strategies to support workers who might suffer loss of employment.

The right to a proper employment contract needs to be incorporated into national legislation too, and implemented rigorously. In India, there are a few laws which are relevant from this point of view. One is the Contract Labour (Regulation and Abolition) Act, 1970. ('Contract labour' in this context means labour that is employed through a labour contractor.) This is a very common way in which the principal employer evades all responsibility for workers, because these workers are not considered to be employed by the company; for example, Otis hires untrained contract workers to maintain its lifts, and on more than one occasion when these workers have had fatal accidents, the company has refused to pay any compensation on the grounds that these workers are not employed by them. On the other side, the contractor also finds ways to evade responsibility for these workers. In fact, a clause in this law states that contract workers may not be hired for work of a perennial or permanent nature; in other words, for such work, regular or permanent employees should be hired. This provision is widely flouted by employers, including the government, and currently the legislation, weak as it is, is under attack: employers want the provision for abolishing contract labour (which is so clearly an evasion of regulation) to be removed, and are demanding the freedom to use contract labour for any and all work. Their justification for this demand is that this is required in the interests of 'flexibility', but the real reason, clearly, is to make it difficult or impossible

for these workers to organise without losing their jobs. So from the side of workers, the demand should be that if the work itself is permanent, workers should be hired directly (not through a contractor) and get permanent or regular status after a short period of probation. If the nature of the work is such that it is mobile - for example, construction work - then the person who is now designated as the contractor should be deemed to be the employer, and should take on the responsibilities of an employer.

However, even workers who are not hired through a contractor may be treated in the same casual manner, being denied permanent status even though they work for the same company for years on end. They too should be given an appointment letter after a period of probation, and after that should not be dismissed unless either there is proof of incompetence or wrongdoing on their part, or the job itself disappears (in which case, no other worker can be hired to do it). The same constraints should apply to a whole unit closing down and either moving to a new location or re-opening in the same location with the same workers on new contracts or different workers: again, the work is continuous but the contracts or workers are changed, and again, this should not be allowed. At present, there is provision in the Industrial Disputes Act, 1947, for the scrutiny by the government of applications for dismissal or closure. However, this applies only to units with 100 workers or more, which is already a small minority, and employers have many different ruses to ensure that the workers on their rolls are fewer than this (e.g. subdividing their enterprise, like Go Go International, or subcontracting to sweatshops). Moreover, this provision too is now under attack, with employers demanding the 'freedom' to hire and fire at will, even in larger enterprises. The demand from the side of workers should be that if there is a complaint from workers that a dismissal or closure is not bona fide, there should be a mechanism for investigating what the real reason is, and in the meantime the dismissal or closure should be stayed, no matter how small the enterprise or unit.

Another piece of legislation which is worth looking at, although it does not actually apply to garment workers, is the Maharashtra Mathadi, Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act, 1969. This applies to casual workers employed for genuinely casual employment, and has provisions for the registration of such workers as well

as the employers, with certain social security and welfare benefits being provided to the workers. If this were applied to the homeworkers we interviewed, who may or may not get work depending on orders, it would give them some status as workers and the rights which go along with it. We can use the fact that the Report of the National Commission on Labour has recommended that all workers should have Identity Cards, which would require registration, and has argued that the state is capable of doing this. Indeed, given the fact that computers are now available to help with such a task, it is by no means impossible, especially if the ILO assists in implementing the process. If Attendance Cards are also issued, and are stamped by employers, this will provide some record of how many days who is working for whom.

What we are talking about, basically, is the formalisation of informal labour, and it seems clear to us that the rights of informal sector workers *simply cannot be defended* unless this takes place. Even implementing the Home Work Convention presupposes a minimum degree of formalisation, because the basic demand that homeworkers should be treated as workers cannot be realised so long as they have no proof of their status as workers. This could work even better if they were organised into cooperatives which could distribute work in such a way that some workers are not working night and day while others are idle, and which could also undertake work of its own. Such cooperatives could in addition serve as a fall-back for workers who lose their jobs as a result of organising, as they have done in SEWA.

The wide and scattered nature of the subcontracting chains, spreading out not only to different parts of Bombay but across the whole of India, also makes it imperative to think of organising on a national level; otherwise it is all too easy for a company to shift its operations out of one region and relocate to regions where unions pose no threat. This kind of relocation has virtually wiped out the Bombay pharmaceutical industry, which once provided some of the best jobs for women available in the whole country. Given the fragmented nature of the union movement in India, some kind of national federation would in the long term be advisable, although the most we can do is to propose this to those who have the resources to create it. Internationally coordinated campaigns would also be necessary to prevent relocation of production from one country to another in order to avoid recognising

unions and bargaining collectively with them.

These are our most important findings. The research has had quite a profound effect on our organisation, in the sense that the URG previously worked only with unionised workers in the formal sector, so the question of organising did not arise: it was only a question of providing information and analysis that would help the unions in their struggles. Working with non-unionised informal workers, however, throws up the whole issue of organising. Information and even education of these workers makes very little sense to them unless the knowledge can be used to improve their conditions, and this in turn requires organising. Action research is by definition research linked with action!

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Subcontracting Chain in Garment Industry of Pakistan

Working Womens' Organisation

Pakistan

Background

Four years back when WWO started to work on codes of conduct with women workers in garment and sportswear, we experienced that it's really difficult for workers as well for organizers to get information about the chain of TNCs' subcontracting system. Without getting information on the role of contractors, middlemen and actual company, it is difficult to chalk out concrete strategies for organizing workers. It is recognized that within very complex contracting and subcontracting system, workers are quite unaware from whom they should demand for their rights. Women workers in training workshops on code of conduct recommended that there is need to organize a specific research program for finding out information regarding subcontracting chain. Trade unions also pointed out need of concrete research and data collection about contracting and subcontracting chain.

It was decided that research outputs will help organizers and workers to understand the complexity of TNCs' subcontracting system and make them able to prepare strategies for mobilizing workers accordingly. Research will enable WWO to provide information to workers and trade unions about the chain of contractors, subcontractors and companies as well as support them to target where they need to put pressure for getting their rights. Research will help to highlight workers' grievances and needs nationally and internationally along with assist different international campaigns concerning workers' protection in TNCs.

For that reason, WWO started research on subcontracting system in 2002 with support of Women Working Worldwide. WWO intends to use the findings of research in educational material for workers and also use it as tool for advocacy with government's authorities in terms of protection of workers rights.

Profile of Country

Name of Country	Islamic Republic of Pakistan
Area	796,095 Square Kilometers
Population	144 Million
Literacy Rate	38.9%
GDP	US\$ 66 Billion
Inflation	4.8% (2000-2001)
Languages	Urdu (National Language) English (Official Language) Different ethnic languages
Religion	Islam
Capital	Islamabad
Sea Ports	Karachi, Muhammad Bin Qasim Gawadar & Pasni
Dry Ports	Hyderabad, Lahore, Rawalpindi, Sialkot, Multan, Faisalabad, Peshawar, Quetta
Currency	Pakistani Rupee
Economy	Free Market Economy
Exports	9.14 US\$ Billion (2000-2001)
Imports	10.66 US\$ Billion (2000-2001)
Major Industries	Ready made Garments, Textiles, Leather Garments, Paper Products, Steel, Sugar, Sports goods, Surgical Instruments, Carpets, Cement, Fertilizer, Chemicals, Software, Cutlery
Major Exports	Cotton, Textile Goods, Rice Leather Items, Handicrafts.
Major Trading Partners	EU,US, Hong Kong, Japan China

Sources: Official Statistics

Objective of Research

1. Data collection about contracting and subcontracting chain in Garment industry.
2. Enable WWO to provide information to workers regarding the chain of contractors, subcontractors, companies along with support them to identify their target where workers need to put pressure for getting their demands.
3. Highlight workers' grievances and needs, nationally and internationally as well as assist different international campaigns concerning protection of workers rights in TNCs.
4. Use research findings as a tool for advocacy with government authorities for getting workers rights.

Methodology

Research conducted by participatory, qualitative and quantitative research methods.

Area of Research.

Province: Punjab

Cities: Lahore, Faislabad, Sialkot, Islamabad.

Selected Companies Nationally & TNC.

Nationally

- **HighNoon Textile,**
(its further subcontractors in formal and informal sector)
- **Masood Textile,**
(its further subcontractors in formal and informal sector)
- **Irfan Group,**
(its further subcontractors in formal and informal sector)
- **Ammar textiles,**
(its further subcontractors in formal and informal sector)

Transnaional Companies

- **GAP**
- **Levi Strauss**

UK is 3rd big garment investor in Pakistan, first it was planned to trace UK TNC but it was found through our research that in Lahore most of exporters are working for American TNC, so it was decided to search for US Company Levi-Strauss.

Sources of Information and Data

WWO INTERVIEWS FOLLOWING PERSONS:

- Factory managers
(2 managers from big factories and 2 from small units)
- Clerical staff
(3 persons)
- Factory workers
(Individually 10 women workers, 4 core groups of workers consist of 6 workers)

Other Government departments and organizations

- Export Promotion Bureau
- Small and Medium Enterprise Development Authority
- Board of Investment
- Labour department
- Ministry of Labour
- Ministry of Commerce and Industry
- Pakistan Ready Made Garments Manufacturers & Exporter Association.
- Camber of Commerce
- NGOs like Kashaf Foundation, Hawwa Women Craft & Cooperatives
- Trade Union Federations
- Buying House and buying offices GAP and Levi-Strauss
- Visits university, organizations and government departments' libraries

Profile of Textile Industry

Total Capacities:	
Spinning	1550 Million Kgs Yarn
Weaving	4368 Million Sq. Mtr. Fabric
Finishing	4000 Million Sq. Mtr.
Garments	670 Million Pcs.
KnitWear	400 Million Pcs.
Towels	53 Million Kgs.

Number of Units:	
Ginning	1221
Spinning	442

Weaving:	
Large	124
Small	425
Power Looms	20600

Finishing:	
Large	10
Small	625

Garments:	
Large	50
Small	2500
Knitwear	600
Towels	400

Contribution to total exports	60% (US \$ 5.2 Billion)
Contribution to Manufacturing	46% of total Manufacturing
Contribution to Value Addition	30% of Industrial Value Addition
Contribution to GDP	8.5% of Total GDP
Sector Employment	40% of Total Employment
Skilled & Un Skilled Ratio	70:30
Market Capitalization	12% of total Market Capitalization
Salaries and Wages	44 Billion Per Annum
Total sector Investment	31% of Total Investment(Rs.140Billion)
Technology	Medium
Sources of Machinery	Germany, Switzerland, Belgium China.

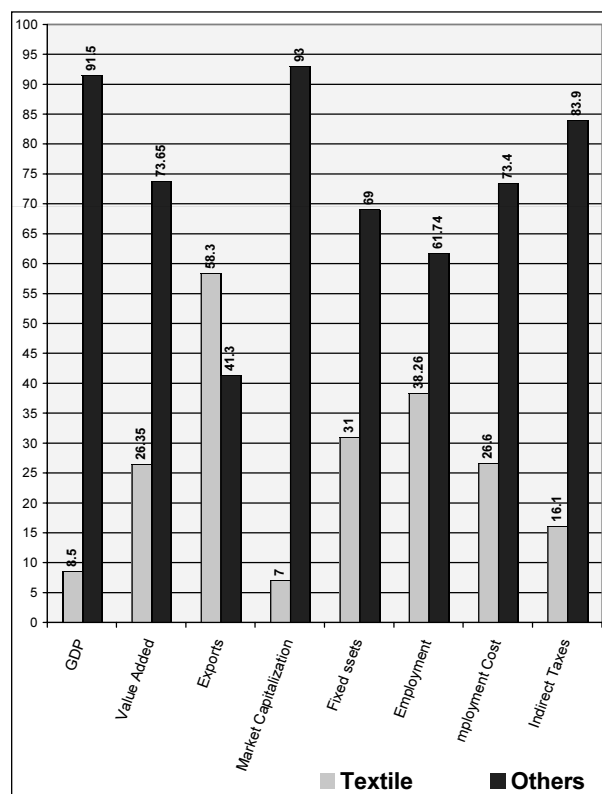
Introduction of Textile Industry

The textile industry has an important place in the economies of many countries. For Pakistan, it plays a crucial role in the economy excluding synthetics its contribution in the country's industrial production is 18% and share in total exports has been over 60%. Textile industry is mostly concentrated on cotton spinning. Pakistan's textile industry enjoys several competitive advantages over other producers. These include low wage labour, substantial investment incentives, large export quotas and major non-quota export destinations in the Far East.

However, these are qualified by the industry's competitive disadvantages which include imposition of QRS by the developed countries, old machinery and limited use of advanced technology, over expansion of the spinning sector, concentration on a few low value products, little product development, lack of co-ordination among the different sub-sectors, weak marketing and selling institution and reputation for poor quality exports.

From a position of being a commodity supplier of raw cotton, cotton yarn and gray cloth, the country is attempting to convert its raw and semi-processed products into higher value added goods. Clothing, of course is a basic good, which requires mass production to meet a large and growing demand all over the world. Although, some official efforts have been extended to help develop the textile industry, very little Government attention has been paid to upgrading the clothing sector. Some fiscal and financial incentives have been given by the Government to textiles but these have not been given down stream to the clothing sector. For these reasons the scope for the further development of the clothing industry has been constrained because of its dependence on the raw material produced by the upstream sector, which has continued to produce poor quality products. It is important to develop a full-fledged garment industry. Presently, 1600 million pieces of garment are produced each year of which 80% are exported. The following table illustrates the contribution of textile sector in national economy.

CONTRIBUTION OF TEXTILE SECTOR IN NATIONAL ECONOMY

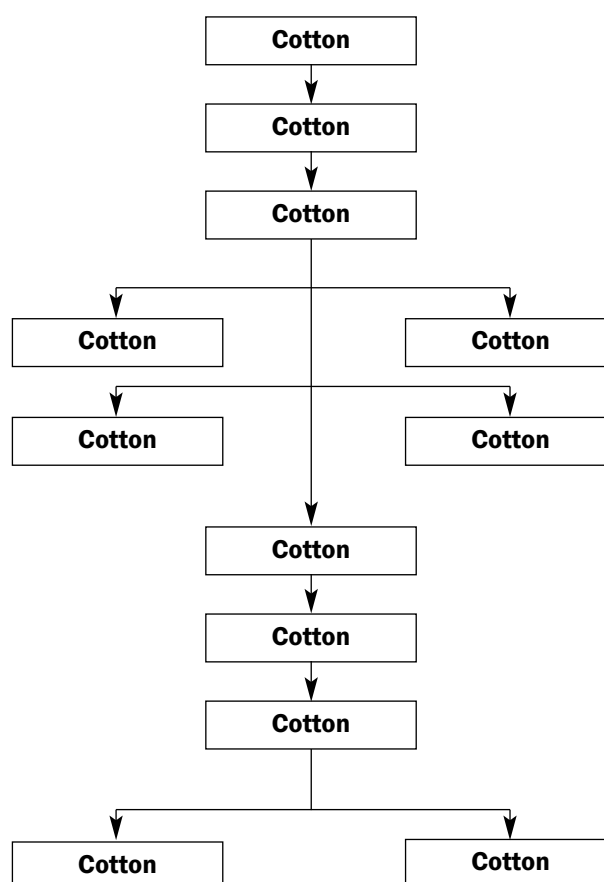


Contribution of Textile Sector in National Economy

Cotton cultivation provides the principal sources of raw materials for the textile and clothing industry which gives employment to 40% approximately of the country's labour force and also makes a significant contribution to the public exchequer in the form of various taxes and duties. About 64% of the foreign exchange earnings in 1998-99 came from the export of cotton and its manufacturers. Its contribution to value added was 27%. The domestic mill use of cotton lint increased from 3.1 million bales in 1985-86 to 9.0 million bales in 1995-96 in terms of spindles, the capacity of the textile sector increased from 4.4 to 9.4 million. Consequently, yarn production has increased from 982 to 1550 million KGS and cloth production rose from 253 million square meters. This illustrates the importance of the crop for the economy.

On a global basis Pakistan is the fourth largest cotton producing country of the world after China, India and USA. Pakistan's share of total world cotton production, in 1995-96 stood at 9% approximately. In the international market, demand for Pakistani cotton is declining, consumption is falling all over the world due to the increasing contribution of man-made fibres, and competition in international trade is growing.

Value Chain of the Garment Industry



DIFFERENT CATEGORIES

SR. NO.	H.S. CODE	PRODUCT	1995	1996	1997	1998	1999
1-	841	Men's/Boys	375,313	467,313	508,864	460,864	497,266
2-	842	Women/Girl Clothing Woven	112,938	154,100	110,765	121,365	112,490
3-	843	Men's/Boys Wear Knitted Cloth	289,794	327,115	339,115	436,902	503,272
4-	844	Women/Girl Wear Knit Cloth	71,106	74,114	62,343	80,335	95,638
5-	845	Articles of Apparel Nes	265,301	318,230	285,367	266,875	282,550
6-	846	Clothing Accessories	167,946	161,662	146,352	146,117,115	130,039

CATEGORY OF MAJOR EXPORTS OF PAKSITAN

SR.NO.	H.S. CODE	VALUE IN '000'DOLLARS	PRODUCT
1-	843	503,272	Men/Boy Wear Knitted Cloth
2-	841	497,266	Men's/Boys Wear Woven

PAKISTAN'S POSITION IN EXPORTERS OF TEXTILE IN ASIA

1998 Value in Million Dollars

SR.NO.	COUNTRY	TOTAL
1-	China	39,485
2-	Korea	15,557
3-	Hong Kong	10,980
4-	Turkey	9,900
5-	India	9,275
6-	Japan	6,260
7-	Thailand	4,967
8-	Pakistan	4,897
9-	Indonesia	4,862
10-	Bangladesh	3,571

Pakistan's share of world textile export is only 2%

TOP TEN EXPORTERS OF GARMENTS OF THE WORLD

SR.NO.	COUNTRIES	SUM OF FIVE YEARS IN '000" DOLLARS	AVERAGE SUM OF FIVE YEARS/5
1-	China	193,620,610	38724122
2-	Italy	106,339,390	2126786
3-	Hong Kong	62,069,588	12413917.6
4-	USA	55,499,704	11099940.8
5-	Germany	51,008,368	10201673.6
6-	Turkey	43,655,128	8731025.6
7-	France	43,321,836	8664367.2
8-	Mexico	34,168,960	6833792
9-	U.K.	33,420,468	6684093.6
10-	Korea	32,130,412	6426082.4

TOP TEN EXPORTERS OF GARMENTS OF ASIA

SR.NO.	COUNTRIES	SUM OF FIVE YEARS IN '000" DOLLARS	AVERAGE EXPORT (SUM/5)
1-	China	193,620,610	38724122
2-	Hong Kong	62,069,588	12413917.6
3-	Turkey	43,655,128	8731917.6
4-	Korea Rep.	32,130,412	6426082.4
5-	Thailand	26,850,840	5370168
6-	Indonesia	24,312,948	4862589.6
7-	India	22,844,800	4568960
8-	Bangladesh	15,840,145	3168029
9-	Philippines	13,895,050	2779010
10-	Pakistan	12,482,383	2496476.6

PAKISTAN'S POSITION IN THE EXPORT OF KNITTED GARMENTS IN WORLD

SR.NO.	COUNTRY	SUM OF FIVE YEARS IN '000' DOLLARS	AVERAGE OF SUM OF FIVE YEARS
1-	China	72,788,567	14557715.2
2-	Italy	40,459,680	8091936
3-	Turkey	27,012,548	5402509.6
4-	Hong Kong	25,522,586	5104517.2
5-	USA	24,261,848	4852369.6
6-	France	16,435,184	3287036.8
7-	Netherlands	15,918,573	3183714.6
8-	Germany	15,558,688	3111737.6
9-	Korea Rep.	15,344,837	3068967.4
10-	Mexico	14,317,949	2863589.8
11-	Portugal	13,981,930	2796386
12-	UK	12,971,539	2594307.8
13-	Thailand	12,852,282	2570456.4
14-	Belgium-Lix	8,953,873	1790774.6
15-	Indonesia	7,897,226	1579445.2
16-	Greece	7,329,170	1465834
17-	Singapore	7,110,361	1422072.2
18-	Pakistan	6,561,115	1312223
19-	India	6,455,139	1291027.8

POSITION OF PAKISTAN IN EXPORT OF WOVEN GARMENTS

SR.NO.	COUNTRY	SUM OF FIVE YEARS VALUE IN '000' DOLLARS	AVERAGE OF SUM
1-	China	103229,860	20645972
2-	Italy	57297,624	11459524.8
3-	Germany	30913,308	6182661.8
4-	Hong Kong	30158,560	6031712
5-	USA	19663,918	3932783.6
6-	France	17403,176	3480635.2
7-	India	15755,958	3151191.6
8-	Mexico	15630,725	3126145
9-	UK	15479,619	3095923.8
10-	Turkey	15420,878	3084175.6
11-	Indonesia	15010,192	3002038.4
12-	Korea Rep.	11983,834	2396766.8
13-	Bangladesh	12413,985	242779
14-	Poland	12021,084	2404216.8
15-	Thailand	11371,812	2274362.4
16-	Netherlands	11303,032	2260606.4
17-	Belgium-Lex	11092,904	2218580.8
18-	Tunisia	10682,577	2136515.4
19-	Portugal	9978,163	1995632.6
20-	Romania	8924,169	1784833.8
21-	Philippine	6193,447	1238689.4
22-	Spain	5305,490	1061098
23-	Pakistan	5106,364	1021272.8

LIST OF TOP TEN EXPORTERS OF KNITTED GARMENTS IN ASIA

SR.NO.	COUNTRY	SUM OF FIVE YEARS IN '000' DOLLARS	AVERAGE OF SUM OF FIVE YEARS
1-	China	72,788,576	14557715.2
2-	Turkey	27,012,548	5402509.6
3-	Hong Kong	25,522,586	5104517.2
4-	Korea Rep.	15,344,837	3068967.4
5-	Thailand	12,852,282	2570456.4
6-	Indonesia	7,897,226	1579445.2
7-	Singapore	7,110,361	1422072.2
8-	Pakistan	6,561,115	1312223
9-	India	6,455,189	1291037.8
10-	Philippines	5,951,189	1190237.8

LIST OF TOP TEN EXPORTERS OF WOVEN GARMENTS IN ASIA

SR.NO.	COUNTRY	SUM OF FIVE YEARS IN '000' DOLLARS	AVERAGE OF SUM OF FIVE YEARS
1-	China	103,229,860	20645972
2-	Hong Kong	30,158,560	6031712
3-	India	15,755,958	3151191.6
4-	Turkey	15,420,878	3084175.6
5-	Indonesia	15,010,192	3002038.4
6-	Korea Rep.	14,983,834	2996766.8
7-	Bangladesh	12,413,895	2482779
8-	Thailand	11,371,821	2274362.4
9-	Philippines	6,193,447	1238689.4
10-	Pakistan	5,106,364	1021272.8

MAJOR EXPORT PARTNERS OF PAKISTAN FOR READY-MADE GARMENTS

VALUE IN '000' DOLLARS

SR.NO.	COUNTRY	1999-2000 (July-Dec) VALUE IN 000 DOLLARS	% OF TOTAL EXPORTS TOTAL EXPORT 384,218
1-	USA	171004	44.5
2-	Germany	46173	12
3-	UK	33243	8.66
4-	France	26064	6.79
5-	Netherlands	18887	4.91
6-	Belgium	13892	3.62
7-	Canada	13472	3.51
8-	Saudi Arabia	11417	2.97
9-	Italy	9141	2.38
10-	Spain	7424	19.3

MAJOR EXPORT PARTNER OF PAKISTAN FOR HOSIERY

SR.NO.	COUNTRY	1999-2000 (July-Dec) VALUE IN '000' DOLLARS	% OF TOTAL EXPORTS TOTAL EXPORTS 434,950
1-	USA	277788	63.87
2-	Germany	32572	7.49
3-	UK	27975	6.43
4-	Netherlands	17666	4.06
5-	France	16522	3.80
6-	Belgium	11694	2.69
7-	Canada	10758	2.47
8-	Italy	5695	1.31
9-	Spain	4835	1.11
10-	Sweden	2563	0.59

MAJOR COMPETITORS OF PAKISTAN IN ASIA

China	India
Korea	Japan
Hong Kong	Thailand
Turkey	
Bangladesh	Indonesia

FUTURE SCENARIO OF THE CLOTHING INDUSTRY

Information revolution promises to bring the world closer together. In the emerging face of fast moving information, technological transfer is bound to take place at a higher speed. As the international borders blur Supply Chain Management and Information Technology take a crucial role in apparel manufacturing. Global partners in the clothing supply chain are exchanging information electronically, thus the need for Pakistani Clothing Industry to spruce up.

Upcoming technologies for mass customization such as three-dimensional non-contact body measurement and digital printing ought to be discussed thoroughly and implemented fast. This mass customization shall be successful for meeting unpredictable demand levels, for luxury goods, uncertain customer wants and for heterogeneous demand. It is to be noted that mass customization is different from mass production.

The future requires generation of real value service for the customers, comprehensive studies of multifaceted and multi-layered supply chain, and global integration of supplies system in a cost and time effective manner. Inventory planning, sales forecasting, manufacturing strategy, distribution network and transportation management are some of the areas, which need improvement. The economic scene of its trade partners and US need to be eyed carefully if Pakistani is to survive in the faster and cut throat competition of 21st century.

CHALLENGES OF WTO & MFA

The Multi-fibre arrangement is due to expire by the year 2005, as a result competition will increase drastically. In Italy, a cluster of small specialized textile firms are competing on end products, Germans weave for 24 hours under "light out" arrangement. Total quality management is ensured in Japanese and American plants, looming robots are installed and firms in Southern USA are reported to be researching

the use of genetic engineering, cellular biology and tissue culture to grow colored cotton.

Under these circumstances, Pakistan needs to go a longer way. The study points out the loopholes in Pakistani Textile Industry as long manufacturing and delivery times, conflict 'n' competition between small, medium and large players and amongst links of supply chain viz. cotton producers, spinners, weavers etc., poor process control, outdated technology, non existent indigenous R & D, etc.

At present Chinese textile firms are imparting 70 hours of training each year to an experienced worker as opposed to 10 hours by Indian firms, investing in R&D for New Application Areas, addressing the issue of quality systematically and also canalizing export through centralized channels.

The main challenge for Pakistani Garment Industry lies in protection domestic market after year 2005. The 3 C's of Commitment, Co-ordination and Co-operation need to be applied at all levels by the industry to be able to maintain its presence in the global market.

Government Plan for Garment industry after the MFA phased out

Government is giving lots of support to exporters of ready-made garment. Export Promotion Bureau informed that Government has planned to give more advantages to ready-made Garment manufactures in terms of more relaxation in Taxes.

Three Export Processing Zones are working in Pakistan.

- **Karachi Export Processing Zone:** Karachi is located at the centre of the main international trade routes both through sea and air, making it the gate-way to the Gulf, Middle East, and Central Asian Republics (CARs). This is in addition to the own business charm of Karachi.
- **Sialkot Export Processing Zone:** It is at a stone throw distance from the Indian border, depicting the heartfelt desire of every Pakistani for peace and amity with India.
- **Risalpur Export Processing Zone:** It is about 100 Kms from the Pak-Afghan border. It is also conveniently connected to the KKH (Karakurram Highway) - the road link between Pakistan, People's Republic of China, and beyond.

ELIGIBILITY FOR INVESTMENT

Eligible investors are:

- a foreign investor
- a foreign investor in collaboration with Pakistani citizens & Cos.
- A resident citizen of Pakistan or a Pakistani company investing 100% out of his/its own foreign exchange resources without burdening the country's F.E. resources. Such persons/companies can also acquire at least 60% equity share of an enterprise in the zone from their own F.E. resources and not more than 40% share by purchasing F.E. from the State Bank of Pakistan, against surrender of Pakistan rupees.

FACILITIES PROVIDED TO INVESTORS

- One window service & simplified procedures.
- Infrastructure facilities provided by EPZA.
- Labour force available in abundance.
- Subcontracting within/outside the Zones allowed.
- EPZ garment units can participate in quota auctions.
- GSP concessions also available to units in EPZs.
- Inter-unit transfer of finished goods allowed.

INCENTIVES IN THE ZONES

- 100% ownership rights.
- 100% repatriation of capital and profits.
- No maximum/minimum limits on investments.
- Duty-free imports of machinery, equipment, and material.
- No sales tax on inputs including bills of electricity and gas.
- Old machinery can be sold in Pakistan after payment of duties and taxes.
- No excise and custom duty on construction materials used in the zones.
- No national restrictions on imports.
- Foreign exchange regulations of Pakistan not applicable.
- Defective goods/waste (upto maximum 3% of total value of exports) can be sold in Pakistan after payment of duties.
- Duty free import of vehicles allowed under certain conditions. After 5 years, domestic disposal allowed on payment of reduced duty.
- Domestic market available on the pattern of outside imports.
- Units in EPZs can subcontract for tariff area units subject to duty and taxes payment on value addition only.

- EPZA collects presumptive tax on exports as final tax liability.
- EPZ units can supply goods to Custom manufacturing bonds.
- EPZA regulates operation of production-oriented labour laws.
- EPZ manufacturers will be treated at par with bonded manufacturers for giving any future incentives.
- Relief from double taxation available as per bilateral treaties.

With all these advantages government is providing support to local and national investors in Pakistan.

READY-MADE GARMENTS INDUSTRY: PROBLEMS AND PROSPECTS

Ready-made garment industry has emerged as one of the important small scale industries in Pakistan. Its products have large demand both at home and abroad. The local requirements of ready-made garments are almost wholly made by this industry. Its exports in 1999-2000 stood at US\$772 million or 8.5% of the total exports.

Garment industry is also a good source of providing employment opportunities to a large number of people at a very low capital investment. It mainly uses locally produced raw materials. Most of the machines used by this industry are imported or locally made and assembled.

The ready-made garment industry started in 1970's in Pakistan. With the passage of time and industrialization, this industry expanded very rapidly. The majority of the units making cotton fashion garments are medium and small size in terms of machines, workers and output, with a few notable exceptions and scattered throughout Pakistan. The importance of this industry lies in the value it adds to indigenous raw material - cotton + blended cloth - thereby substantially increasing the revenue from its sale in the international market.

After meeting expanding domestic requirements, the industry is capable of making available a large volume of its products for export. The industry turns out various kinds of garments for men, women, boys such as plain/embroidered/printed dresses, blouses, maxis, shirts, skirts, night dresses, track suits,

middies, trousers, sub-dresses etc. All sorts of ready-made garments are made from cotton fabric and synthetic fiber.

The bulk of these garments are mainly exported to developed countries, like USA, Europe, Japan and Australia. However, our country's exported ready-made garments are inferior in quality in comparison with garments from India, Korea, Hong Kong, Taiwan, Philippines and Sri-Lanka. Consumption of local fabrics in making of garment and apparel accounts for 80% in Thailand, 70% in Hong Kong and 100% in India. This shows that our neighbouring country India, our main competitor, has increased its exports of ready-made garments nearly 20-fold over the ten years period. Nevertheless, Pakistan's cotton textile industry has won worldwide recognition for producing cool and colorful lawns, which cater for the fashion needs of the people, both at home and abroad. In hot weather of the tropical East during summer, people just can't put up with clothes made of synthetic fabrics as insulated they do not absorb perspiration and become quite sticky. As a result, some people get rashes on the skin and develop allergy.

During summer, when everybody wants to keep his or her body cool, the cool and colorful lawns, produced by the Pakistani textile industry come in handy. No wonder, therefore, that Pakistani markets are flooded with tastefully designed printed lawns during summer. These fine cotton fabrics are displayed in showcases and prominently advertised on television. Every year the old designs are discarded and new ones introduced. They attract a large number of buyers, who like to live in style and go for the latest fashions.

Other fashion fabrics are silk, linen and man-made materials, which are generally blended with cotton. Much of the success of any design depends on the clever handling of such elements as line, shape, colour and texture. Pakistani textile craftsmen are increasingly acknowledging the importance of this, along with the qualities of balancing as a center of interest repetition, rhythm and contrast.

In Pakistan women garments have grown rapidly in recent years and now account for almost 10% of Pakistani's total export earnings. North America and the EU are the major markets supplied by Pakistan and together account for over 50% of Pakistani garment exports.

Major Problems of Industry

1) Lack of diversity

Lack of diversification in both product and markets our products mainly go to the market of USA and Europe. There is need to diversify the market, more steps is to be take for exploring new market of Middle East and South America. Our current product mix is mainly based on knitwear and men's wear, there is a need to balance this product mix with a shift toward women's wear and children wear, with more emphasis on woven garment.

2) Quota Policy

Presently, quota is allocated on basis of performance in terms of quantity. There is need to balance this quota policy towards value addition.

3) Problems of Image of Pakistan Abroad

Pakistan's current image is "low quality, low price, non-consistent and unreliable supplier." There is a need to change this image of Pakistan; this is quite urgent if Pakistan is to compete in 'WTO' regime. The process of image building can be achieved through exhibition and fairs at both international and national level.

4) Dearth of National Brand

Despite having a strong export base in textile, Pakistani companies have failed to develop their own brands. Because development of brand require large investment. The highest level of value addition occur (in term of earnings) when products are sold under brand name.

5) Lack of Joint Venture

In the textile sector of Pakistan, there is lack of foreign joint ventures, which can helped them to enjoy benefits of advanced technology.

6) Social and Environmental Issues

In WTO regime and post quota world the western buyers are going to insist on social and environmental standards. Hence, there is need of unit getting ISO 9000 and ISO 14000 certification.

7) Lack of Training Facility

Major problem of this industry is back of skilled men power. Government should establish textile schools to impart specialized training. Moreover, there is also need to train the trainee.

Raw Materials

The ready-made garment industry uses both locally produced and imported raw materials, but it mainly uses locally produced raw materials. Both locally produced and imported are readily available in the market. The production of cotton and cotton-blended cloth, which are largely used by the garment industry, is not only sufficient but also surplus for exports.

Besides, the mill sector, the non-mill sector also produces cotton cloth, which is widely used by the garment industry. The non-mill sector is scattered and unorganized. Its production is estimated to have risen to 3,690 million square meters in 1999-2000, from 2,561 million square meters in 1990-91. According to an estimate there were about 250,000 looms operating in the non-mill sector in 1999-2000. The power loom sector produces pure cotton, polyester, viscose and blended fabrics, which usually fetches low prices in the market. Production of cloth in mill and non-mill sectors is given in Table-1.

Table-1 Production of Cloth (Mill and Non-mill Sector)
(Million Sq. Meters)

Year	Mill Sector	Non-mill Sector	Total
1990-1991	293	2,561	2,854
1991-1992	308	2,931	3,239
1992-1993	325	3,035	3,360
1993-1994	315	3,063	3,378
1994-1995	322	2,779	3,101
1995-1996	327	3,379	3,706
1996-1997	333	3,448	3,781
1997-1998	340	3,573	3,913
1998-1999	385	3,600	3,985
1999-2000	449	3,690	4,139

Source: I) All Pakistan Textile Mills Association.

II) Federal Bureau of Statistics, Government of Pakistan.

The other locally produced raw materials of the ready-made garment industry which include lining, thread, buttons, buckram, labels, polythene etc. are either imported or manufactured by the unorganized sector. The production data of these is not available. However, these are also produced locally in fairly large quantities and have easy availability.

The quality of some of the locally produced raw materials, such as threads, buttons, buckram, etc., is

not as good as the imported. Secondly, some items of the ready-made garment industry are not produced locally, the requirements, of which are met through imports. Import of major raw materials is given in Table-2.

Pakistan also imports cotton cloth as well as silky, nylon, synthetic and art-silk fabrics. Pakistan has occasionally been importing cotton cloth bleached handloom, cotton drills and jeans both mill and non-mill made. The quantity of these has been meager and is exclusively imported to manufacture garments for exports. Apart from locally produced and imported raw materials, the garment industry also obtains some raw materials from the imported worn clothing. These include zips, lining and buttons etc. The first two items are frequently used, particularly by the unorganized sector which manufactures garments for local markets. Such inferior raw materials are generally not used in the manufacture of export garments.

Production

Ready-made garment industry in Pakistan generally operates on a small and unorganized scale. According to an estimate about 70% of its units are in the unorganized sector and are established in small shops, flats and houses. These units also do not have modern machines like overlocking, creasing, collar pressing buttoning and cutting etc. These units are mostly equipped with 4-10 sewing machines and 1-2 electric irons. These items are usually Pakistan-made/assembled and give satisfactory service. The useful life of a sewing machine is stated to be about eight to ten years, whereas, an electric iron is expected to last one to two years only. However, their durability depends on their handling. The garment industry uses both industrial sewing machines and domestic sewing machines. The domestic sewing machines operate at a considerably slower speed of up to 250 stitches per minute. These are of low price and require much less skill to operate than the industrial sewing machines. As such these are commonly used in small units. There are seven factories, which reduce sewing machines in Pakistan. Their production shows an erratic trend during the last five years. Local production of sewing machines decreased from 68,131 numbers in 1994-1995 to 35,690 numbers in 1999-2000.

Table-2 Import of Raw Materials for Garments
(Rs.in '000')

Products	1997-1998	1996-1997		
	Qty	Value	Qty	Value
Sewing Thread Synth. Filaments	249,994	61,752	397,840	71,676
Sewing Thread Artificial Filaments	3,006	523	2,720	512
Sewing Threads Synth. Staple Fiber	22,252	4,433	4,841	1,189
Sewing Thread Art Staple Fiber	3,355	756	25,259	5,229
Buckram	63,129	7,969	104,199	12,118
Hooks	43,811	4,817	22,252	1,984
Buckles	15,727	1,513	33,642	3,380
Claps	29,938	2,612	82,434	3,232
Eyes of Apparel	214,790	19,975	178,964	14,820
Ribbons	3,552	2,104	3,669	1,634
Total	649,554	106,454	855,820	115,774

Source: Federal Bureau of Statistics, Government of Pakistan

Table-3 Local Production of Sewing Machines

Year	No. of Units	Production (Number)
1994-1995	3	68,131
1995-1996	5	84,137
1996-1997	6	61,131
1997-1998	7	36,191
1998-1999	7	29,696
1999-2000	7	35,690

Source: Federal Bureau of Statistics, Government of Pakistan.

Table-4 Import of Sewing Machines and their Parts
(Rs. In '000')

Product	Unit	1997-1998		1996-1997	
		Qty	Value	Qty	Value
Sewing Machines(House Hold Type)	No.	6,755	7,619	4,193	3,263
Sewing Machines (Industrial)	No.	47,435	563,059	25,408	250,946
Other Sewing Machines NS	No.	5,788	35,148	3,930	15,050
Sewing Machine Needles	Kg.	35,745	185,897	68,245	35,353
Domestic Sewing Machines Parts	Kg.	30,920	5,067	29,532	3,991
Industrial Sewing Machine Parts	Kg.	317,897	87,033	169,261	59,483

Source: Federal Bureau of Statistics, Government of Pakistan.

The industrial sewing machines are mainly imported from Japan and are capable of working at high-speed up to 4,500 stitches per minute. These are especially suitable for assembly line operation and are mostly used by the organized sector. Besides industrial sewing machines, household sewing machines along with parts and electric irons etc. are also being imported. Imports of sewing machines and their parts are given in Table 4.

The other important machines used by the ready-made garment industry is the over-locking, which is used to trim the edges of cut cloth. In addition, specialized machines are used for cutting, making buttonholes and stitching of buttons. According to an estimate, one specialized machine is required for very five sewing machines.

Ready-made garment industry mostly produces cotton

and cotton blend shirts, T-shirts, Bush-Shirts, Pants, Children's suits, school uniforms, skirts, blouses and maxis. Among these men's shirts and children garments are widely manufactured for local markets. These are mostly made of cotton-blended cloth. In cotton articles, the non-mill made cotton cloth is largely used as against mill-made cloth. The unorganized sector of the industry largely uses non-mill made cotton cloth even when it manufacturers garments for exports.

The mill made cotton and cotton-blended cloth is used mainly for manufacturing shirts, T-shirts, Pants, Kurtas and Shalwars. The non-mill made cloth is used for shirts, T-shirts, maxies, shirts, blouses and children suits, which have potential markets abroad. Apart from these, some traditional, as well as regional dresses of ladies such as Sindhi and Balochi long Kurtas, are also manufactured, particularly for export.

In spite of the fact that the industry has shown rapid growth no figures of annual production are available either from the data published by Federal Bureau of Statistics or from other sources, including the Ready-made Garments Manufacturers and Exporters Association. Further, determination of production in this industry is difficult to make. Firstly, due to predominance of unorganized cottage scale units where the major portion of the work is performed manually. Secondly, the capacity of the same machine varies significantly, depending upon the type of garments prepared. Thirdly, it is easy to switch over from one product to another. The production of the garment industry is roughly worked out at 60 million dozens per annum.

The ready-made garment industry basically follows the piecework system which involves completion of the whole garment, except cutting, by one person. A few organized and large scale units use the trolley system (division of labour) in which one garment is prepared by different persons.

Each Industry employs/engages labour force according to the number of sewing machines operated, besides one or two garment cutters and a pressman. The production capacity of each worker depends on the nature of garment, which he stitches. Labour in this industry consists of both male and female. Female labour is mostly of widows, orphan and members of low earning families. The production

capacity of male labour is higher compared with female labour. It is due mainly to additional responsibilities of the female folk. The stitching of units established in houses is also not as good as that of established commercial centers with male labour.

The organized and large-scale units mostly hire labour on monthly basis while unorganized small units hire labour on daily wages or contract basis. The stitching charges of garments vary according to their nature and quality of work. Ladies garments are stitched at a bit higher rate as compared with the gent's garments. The exact stitching charges cannot be ascertained as it varies from unit to unit and also depends upon the efficiency and experience of the labourer.

Export

Production of garments by units depends on export orders directly or indirectly. These orders have somewhat risen in terms of value, but they have fluctuated widely in terms of quantity. Generally export earnings from garments have increased tremendously. Pakistan's export of ready-made garment and apparel came up 5th position during 1999-2000. Exports increased from 19 million dozens of various types of ready-made garments worth US\$394 million in 1989-1990 to 31 million dozens worth US\$772 million in 1998-1999, thus, showing an increase of 96% in terms of value. Export of ready-made garments for the last eleven years is given in Table-5 & 6.

Pakistan exports garments to a number of countries. Major buyers of ready-made garments during 1998-1999 were USA, Germany, UK, France, Canada and Saudi Arabia. Country-wise exports of ready-made garments are given in Table-7. Pakistan's export success in the US is limited to categories 338 and 339 (men and women's knitted shirts) Pakistan's share of all US knitted garments exports is less than 3% in most years. The share of the EU market in knitwear is typically 1% vast untapped scope exists for expansion in the following products group:

USA - Playsuits, baby wear, nightwear, underwear and sweaters.

EU-gloves, socks, shirts, nightwear, trousers, baby wear and sportswear.

Local demand of ready-made garments during the

past five years increased manifold due to increase in GNP, urbanization and population. Growing tailoring charges will induce the people to purchase ready-made garments in larger quantities in the coming years.

On the other hand industry also provides an impetus to many other allied industries such as spinning, weaving, printing/dyeing processing and also provides employment to various artisans, such as embroidery art work, block printing and hand screen printing, cutting, stitching and packing etc. The potential for export of ready-made garments is estimated at more than US\$2.0 million in the year 2005, provided appropriate measures are taken to solve the problems confronting the high value-added industry.

KNITWEAR (HOSIERY): BRIGHT PROSPECTS FOR EXPORTS

The knitwear (hosiery) is playing pivotal role in value addition in textile sector. The products made in Pakistan include T-shirts, jogging suits, jerseys, pyjamas, sport shirts, children wear, gloves, nightgowns, tracksuits, sweaters, sock, etc. knitwear (hosiery) has increased primarily due to its low price as compared to woven and blended cloth shirts. It is a convenient wearing apparel and easy to wash. It requires no vest or under garments due to its inherent absorbent quality. The share of this industry in the value added in the manufacture is obviously small. A large scale of the production process in this industry i.e. bleaching, dyeing, stitching, finishing and packing is labour intensive while knitting is a mechanized, it is a small part of the total manufacturing operation.

Today, knitwear industry, alone provides direct employment of 20,000 persons, skilled, unskilled men and women. According to estimates of Pakistan Hosiery Manufacturers Association, current production of knitwear is at the level of 6,000 million on 1.5 shift basis. Out of this production, 60% comprising jersey, knitted fabric, T-shirts, sweat shirts, polo shirts, jogging suits, track suits and children outer wear, etc. Export of Knitwear (Hosiery) increased from 19.0 million dozens worth \$274 million in 1989-1990 to 39 million dozens worth \$873 million in 1999-2000 thus, showing an average increase of 20% annum in terms of value. Export of knitwear for the last ten years is given in Table 5.

Table-5 Export of Knitwear (Hosiery) from Pakistan

Year	Quantity (000 Doz)	Value (in US\$ million)
1989-1990	19,048	274
1990-1991	17,668	334
1991-1992	23,427	425
1992-1993	23,052	464
1993-1994	26,450	509
1994-1995	32,418	689
1995-1996	30,040	703
1996-1997	27,719	689
1997-1998	29,312	697
1998-1999	32,477	742
1999-2000	39,313	873
2000-2001	19,275	361

Source: Export Promotion Bureau, Government of Pakistan.

Both domestic and foreign demand for knitwear (hosiery) is increasing rapidly. Domestic use of undergarments such as vests and underwear are common in all groups in urban areas and about 15% of the total output is consumed domestically. Export of knitwear's of USA and ECC countries are governed by Multi Fiber Agreement (MFA). Nonetheless, the items covering knitwear products have shown sizable potential for growth, Pakistan knitwear products have a big scope for sale. This indicates the radical shift in fashion in the industrialized countries of the world. This trend is expected to persist in the coming years especially in view of the substitution of cotton fabrics for man-made materials.

Problems Faced during research.

1. In the beginning of research, recruitment of suitable person as researcher was the biggest problem.
2. Selection of TNC's was also very challenging. WWO decided to hunt those TNC's who have biggest investment in Pakistan but find out that which are those TNC's was also very difficult.
3. Getting information from Government departments was another problem, because they were not ready to believe that our research is an academic and we are not trying to get secrets of Pakistan nuclear program. Even when we met

factories' management they had doubts that we may want to establish our own garment factory or want to get foreign orders.

4. Assistant Director of Labour Department informed us that government strictly prohibits disclosure of information regarding trade and has passed an ordinance in this regard.
5. Mostly Government officers pretended that they do not have any information regarding TNCs. Different officers gave different answers of similar questions. For example EBP give us the detail of 379 big Garments factories in Lahore and near 200 garment factories are exporting their garments to USA. But information which we got from PRGMEA showed that in Lahore 212 big exporters are working and most of them export their garments to USA. Then Labour department have total different figures which described that 179 garments exporters are in Lahore and department is not aware which country they send their production.
6. Contact with management and visits of factories were also very difficult.
7. To know about buying offices and buying houses was a big task because they are quite invisible. After hard and long struggle when we contacted them they gave us time for meeting but later refused to give us proper information regarding their process of work in Pakistan and claimed it would be against of their working rules.
8. When we visited Government departments we experienced age and gender discriminations. Like when I met to Director of Chamber of Commerce, he looked quite disappointed due to our ages and simple out fits and excused not to give interview while when I phoned him, he was quite eager to talk to us. He introduced us one of his woman subordinates, she supposed to response our questions but she said that I don't know answers of your questions, only our director can tell you about it.
9. Some factories' managers refused to allow us to come to their factories for interviewing them, they said just fax them our questionnaire and then they will try to response us. Factories' managers didn't like when we asked them about workers' working conditions and implementation of Labor laws in their factories.
10. NGOs have their own fears to talk about their contacts with TNCs or their subcontractors. They were thought we might want to establish our

business. We were informed that TNC put restrictions on organizations that they wouldn't inform any one about their working relations.

11. During interviews with management it was found that they don't have adequate information regarding machines which are using in Garment industry. It made us difficult to compare different factories' working environment as well as compare that whether different machinery effect on factory production or not and those factories which have ISO certificate, do they have different machines and apply different health and safety measures?
12. Contact with workers was also not an easy. Workers were afraid to give us information regarding their factories and management. It was also difficult for them to give us time for interview due to long working hours and then after work there are responsible for house works. When women workers came for interviews they covered their selves with big Shal (big piece of cloth) so no one could get idea that who are they?
13. Workers only gave us information about the workers working condition in factory but they have no idea about Labels and countries where their production go. It is not possible for women workers to read the English labels.
14. Trough different resources we got bulk of information, it was extremely difficult and time consuming to find out required information.

How have they overcome?

Selection of researcher has done through vacancy advertisement in newspapers, asked different organizations, individuals and interviewed several people. Regarding Government Departments we decided to visit all departments, which are dealing with Ready Made garments and Textile industry. We tried to contact with management through their associations. We bought some new ready-made dresses for visiting to Management and Governments departments. We introduced ourselves differently with different people.

We visited associations' and departments' websites. We contacted workers through WWO's town committees' members who have relations with workers or know them because living in same communities as well as with the contacts of trade unions.

Working Conditions of Women Workers in TNC

Due to TNCs and its subcontracting system in Pakistan workers particularly women workers experience enormous hardships and uncertainty regarding their employment. Which include temporary employment, job insecurity, long working hours, very low wages, non availability of pension, maternity leave, bonuses or provident fund, ban on unionism, deprive collective bargaining, misbehavior and sexual harassment by management, unhealthy environmental conditions at the workplace. Piece rate work is increasing under subcontracting system.

The majority of women workers are illiterate and unskilled. Women are working in packing, quality control and clipping. They are not working on stitching department in big garment factories but in small units women are doing stitching. They work on piece rate basis, temporary, casual and seasonal work. Women are forced to work 12 to 16 hours a day even sometimes day and night for meet their quotas. Often women are not allowed to go to their homes at night.

Women workers start their work at 7: 00 AM without knowing when they will be free from factory. Generally they come back at their home mid nights and some time for weeks they just stay at factory. Women workers do not have any security when they go back to their homes at mid night or late night. There are many examples of sexual harassment in side and out side factory. During our research 85% women informed us that they are not allow to put lipstick or any kind of make up and Hina on hands. Supervisor forces them to cover their head always and not to any man in factory. In all factories women have male supervisor. Workers told us that "when we leave house our male members of family instruct never forget family respect and honor and never think or do anything which annoy them". Hard for women workers to get leaves, even they have to work on Sunday too. In all garment factory situation is same.

During interviews of management people when we asked them that there is no woman in their stitching department they said men give more fine production compared to women.

Women workers are forced for overtime with inadequate wages; minimum wages for unskilled workers fixed by the government is RS. 2500 = US\$

43 per month but not paid by employers. 95% women workers have no appointment letters, employer do not keep their services in record. There is wage discrimination between men and women for same work, women are paid less than men workers are. 70% women describe harassment on workplace, 30% said that discrimination existed in form of lack of training, lack of promotion opportunities and lack of women in managerial capacities.

Women workers suffered health problems such as miscarriages. Eyes infections, Asthma, headache, injures in hands etc. 80% of the management not provides Health & Safety equipment to workers such as, mask, uniform, etc. Majority of women workers is entirely unaware about existing labor laws. They do not have information about the union. Majority factory workers had no union. Temporary and casual employment keeps workers away from any organization or unionization. Government attitude is also against the unionization.

Though number of women industrial workers have increased over the years. But statistic about the women industrial work force is not available for both formal and informal sectors because of the absence of a serious effort to collect compile and study them by government. Meanwhile present situation reveals that they are hired because they are docile, unorganized or not unionized and are ready to work at cheaper rates.

Woman workers' earning role is as one of helping the main bread-earner and is thus marginalised. 95% women are working due to financial crises. They keep no money for their personal expenditure and majority of the women workers also performed household work. In this way, women are exploited both by the employer and by their family. The intensity and scope of this increase of this issue manifold in the informal sector. Gender and age discrimination has expanded; men are occupying management and technical position, while women are concentrated in operative level positions.

International comparison of hourly labor cost in the textile industry Year 2000

Country	Hourly Labour Cost (US\$)	Country	Hourly Labour Cost (US\$)
Indonesia	0.24	Portugal	5.85
	0.40	Taiwan	6.49
Pakistan	0.41	New Zealand	6.98
Madagascar	0.43	Israel	7.99
Bangladesh	0.46	Greece	8.49
Kenya	0.48	Spain	10.76
Zambia	0.49	Ireland	11.39
	0.60	Australia	12.97
Sri Lanka	0.62	USA	13.58
India	1.09	UK	13.93
	1.12	Canada	14.16
China	1.41	France	15.81
Thailand	1.76	Italy	19.41
Philippines	2.05	Sweden	20.70
	3.16	Japan	21.48
Mauritius	3.30	Germany	23.10
Tunisia	3.63	Denmark	
South Africa	4.05		
Chile			
Venezuela			
South Korea			
Brazil			

Source: Werner International

Trade Unions

Statistics	
Total Population	144.00 million
Total Labor force	40.84 million
Male Labor Force	34.62 million
Female Labor Force	6.22 million
Urban Labor Force	12.60 million
Rural Labor Force	28.24 million
Employed Labor Force	38.43 million
Organized workers in trade union	8.000.00
Registered Trade Unions	6,500

During our research we found trade unions are most helpful and supportive. It was easy to talk with trade unions. Trade unions' representatives gave us time and discussed about workers conditions in garment factories. But they don't have much information about TNC's subcontracting chain. Subcontracting system in

garment industry make it extremely hard to form unions in garment factories. In some factories unions exist but they are not very effective for protecting workers rights. Trade unions explained how does subcontracting system is badly effecting trade unions and workers movement?

Workers and clerical staffs were also very helpful to talk about workers conditions, production, labels, local employers and which countries production goes etc.

Labor laws in Pakistan apply only to workplaces employing more than 50 workers and do not recognize those whom work less than continuous 180 days per year. Right to form union, a constitutional provision, is denied to a large proportion of the work force. Consequently, collective bargaining that is an instrument to protect workers rights cannot be practiced by the majority. In fact, existing labor laws do not cover the agricultural sector as well as informal sector too, where the largest number of work force is working. Employers can breakup factories into small units to avoid having to comply with labor laws, to keep workers far from union; this practice is wide spreading in Pakistan.

Work of trade union is seriously constrained by government officials such as labor department officer's loyalties are with the employers rather than workers. Corrupt officials and their coalition with employers has also been found detrimental to the growth of trade unionism. Furthermore, many fierce action by government authorities have scared workers away from taking part in union activities, for instance arresting union activists including women, threatening their families and firing them out of jobs. Even when government perceive that trade unions are becoming strong and getting a position as a pressure groups then they take severe action against unions and its members.

Workers belong to Hospitals, Educational Institutions, Railway (Open Line), Radio Corporation, Security Printing Press, Defence Housing Societies, Agricultural workers, Export Processing Zone, Defence factories, Federal and Provincial Government Service and informal sectors are having no right to formulate their unions and collective bargaining. Government has imposed essential services ordinance on public sector's workers who have the right of union and collective bargaining but they have no right to strike

and the government have the authority to ban their trade union activities any time.

Government also made amendments in the Banking Ordinance 1986 where in section 27B provides that no worker can be entitled to become member or officer of the trade union, if he or she is retrenched from the service. Presently in November 2002 government announced amendments in Industrial Relation Ordinance (IRO) which is against "Workers right, "Freedom of Association & Collective Bargaining". Government has restricted labor courts not to give back benefits to workers who have been dismissed or terminated from service. Government imposed restriction on National Industrial Relation Commission (NIRC), not provide relief of stay order to the workers and office bearers of the union.

Most important and surprising findings

During our research we visited different departments which are working for export and for garment industry. We found that business community is getting lots of benefits from government on the name of promotion of ready-made garment industry and women entrepreneurs. Businessmen send their wife to visit to different countries and send their production free of cost because women entrepreneurs get lots of discount on their production and everybody knows about it. Some women entrepreneurs are also working as subcontractor of big local investors.

For protection of business, different government's departments are working with all privileges, necessary equipment, staff and big offices. But for protection of workers rights, we see just one department exists which actually doesn't work and also doesn't have necessary equipment, staff, and office buildings even doesn't has any data regarding work force in Pakistan.

So it not only subcontracting is affecting workers, government polices are also one big reason of workers' very poor conditions and deprivation of basic human rights.

We also found that NGOs are also working as a subcontractor of TNCs, and they are practicing the same way, which is factory owner practice. But NGOs claim that they are giving much better atmosphere to workers than traditional factories owner. One NGO

called "Kashf Foundation" works for Local investor High Noon and Irfan Texties are subcontractor of Gap. During interview they said that Gap office Lahore contacts with them but they refused to tell us address of GAP office in Lahore. We also found most of exporters made their label locally and it made by local manufacturers. So label not always import.

During research we found that every Government department, management staff and buying offices say that they are working according to law and their system is very transparent but they refused to give us name of their subcontractors and information about their profit. Particularly Gap buying office is very invisible in Lahore. Though it claims to practise according to law but then why are they afraid to face people and Media?

Subcontracting in Pakistan

In Pakistan subcontracting system in garment industry is more complicated than we were expecting and extremely difficult to identify. Different TNCs have different way of subcontracting. Like in the beginning we thought "HIGHNOON" textiles is only working for GAP but later it we discovered that it is also working for Levi's and dealing with several subcontractors. Highnoon has very complicated subcontracting chain and deal with small units as well as home based workers. In Pakistan big Manufacturers have their own offices in USA and they are not depending on buying offices and buying houses for example Irfan textiles has it own office in New York and they are only get 30% through buying offices and 70% from their own office.

In subcontracting chain in Pakistan buyers, retailers their stores and outlet come on the top. Second are buying offices, buying houses and third are producers, subcontractors of local producers, home based workers. Subcontracting is an effectively using for division of workers' power and also using informalization of formal work.

LEVI STRAUSS

Address: 1- A, Awami Complex, Garden town, Lahore.
54600
Pakistan.
Tel # 92 - 42 - 5862046 up to 49
Fax # 92 - 42 - 5862306 up to 07

Year of establishment in Pakistan:

1990 Levi's buying office is one of pioneer buying office in Pakistan.

Ownership status:

Levi Strauss U.S.A

Number of women in management:

One woman out of 20 management staff in Lahore office, they don't know about centre level.

Labels:

Two Labels

1. Levi's
2. Dockers

Countries:

- USA
- EU
- Canada

Way of work:

- Levi's receives order from head office and then Lahore office contact with manufactures or manufacturers contact with them and after mutual understanding order is placed and contract signed.
- Levi's office has its own designing department they make their design, make sample and get order from different retailers and also produces their products for local market and for their own outlet in Pakistan and USA.
- Sometimes manufacturers bring their own design and if design approved by Levi's USA office then they get orders.

Selection of Manufacturers:

- Levi's selects manufacturers according to Levi's standard.
- Levi's is working with 10 to 20 manufacturers from long time in Pakistan and according to their capacity it gives order to them and prefers to work with old partners but it also encourages new manufacturers.
- Usually Levi's works with big manufacturers but sometimes it also gives orders to small units for embroidery and printing.

Conditions:

- Levi's have its own code of conduct and it is compulsory for every manufacturer to sign it at the time of getting order.

- Levi's makes no restrictions on any manufactures about raw material but occasionally it guide manufacturers that from where they can get good and required raw material. It gives instructions only on specified items.
- If manufacturers fail to ship in time they will responsible for all loss.

Monitoring:

1. When Production starts quality control is done by Levi's office.
2. Levi's inspects every step of production and after getting approval from Levi's manufactory start next step.
3. There is no fix schedule for inspection of factory.
4. Levi's doesn't monitor regularly to their old partner because they understand the quality standard of Levi's.
5. Levi's instructs their manufacturers to follow Levi's code of conduct and regarding minimum wage Levi's follows country's labor laws.
6. If Levi's found any defect in production during the manufacturing, it warns manufacturers and if they do not take proper step to solve the problem Levi's can withdraw its order.
7. Levi's also check audit reports.
8. When shipment is ready and they found any defect at that time in the production then it is not only manufacturer fault, Levi's office would also responsible for this defect.
9. When production is ready, manufactures ship it to the retailers in USA, UK and Canada under the supervision of Levi's

Profit

- According to Levi's different manufacturers has a different margin of profit.
- Margin of profit depends on products; Levi's refused to tell exact percentage of profit margin.
- Prices of different products are same in Levi's own outlet and stores in Pakistan. Different local retailers who buy Levi's products they can put their on priers on Levi's products, Levi's doesn't bother about their profit margin.

Problems:

Following problems are main concern of Levi's.

1. Political unsustainability
2. War fear against India
3. Pakistanis manufacturers have no sense of quality

4. Manufacturers in Pakistan prefer to invest on capacity but not on quality

Subcontracting in Levi's.

- Levi's doesn't bother about subcontracting in and out of the factory, it only concern about quality of production.
- Levi's prefers to work with big units but it also gives orders to small units for embroidery and printing.
- According to Levi's, manufacturers place their order on time through subcontracting but it could be the reason of delay also.

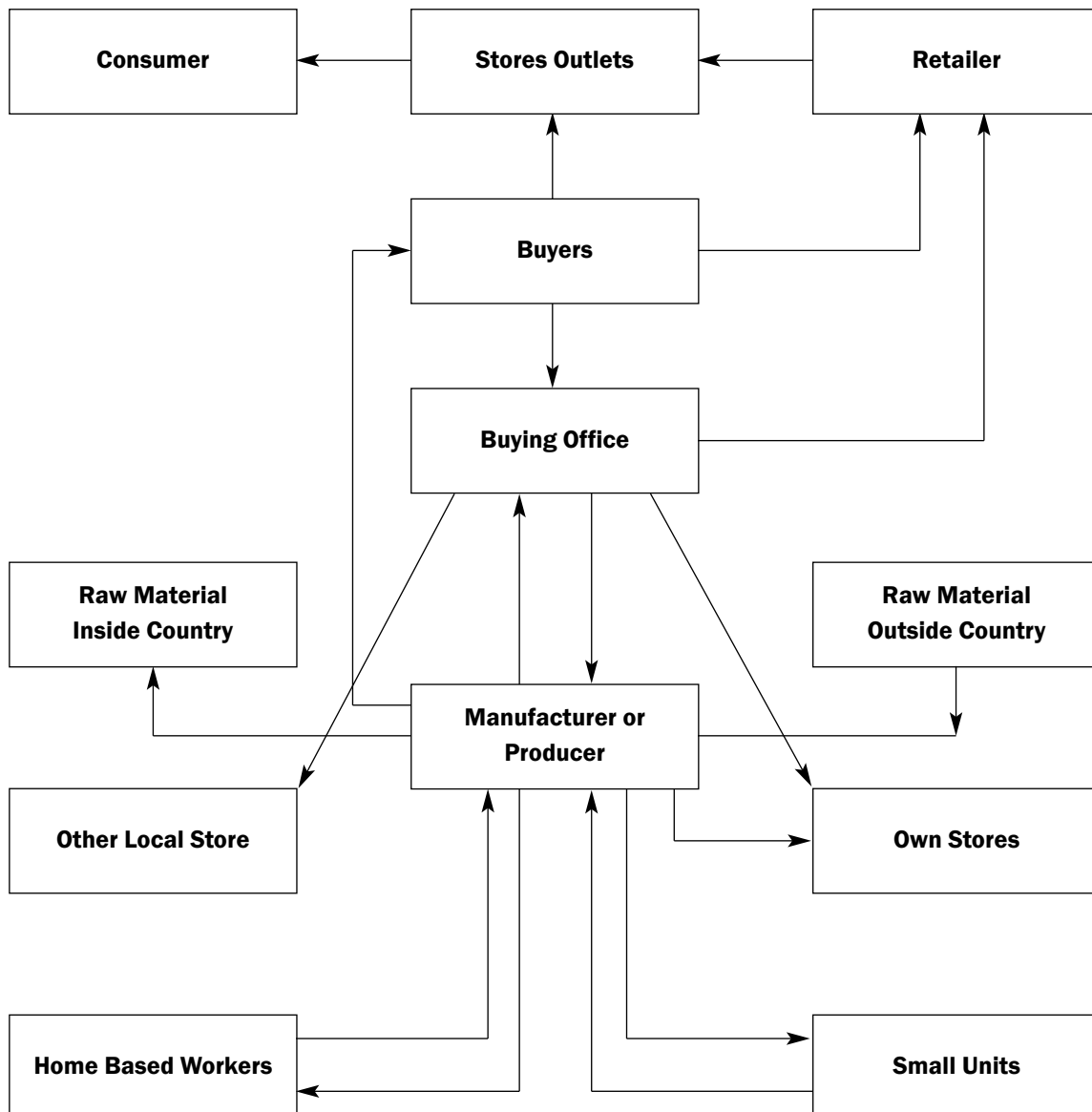
Multi-fibre agreement (MFA)

Levi's will continue their work in Pakistan after 2004 when quota system will remove. According to Levi's, Pakistani manufacturers have capacity to face the future challenges in Garment industry due to their raw material and cheap labour. Levi's will encourage manufacturers to invest in quality and increase their investment in value added thing.

Levi's recommendations:

- For successfully face the challenges after 2004, garment industry of Pakistan should move to other markets like Middle East and Africa.
- Manufacturers should invest on training and invest more to improve their quality.

MAP OF LEVI'S SUBCONTRACTING MAP



GAP

Address: F1/07, Block D, Canal cottages, New Muslim Town, Lahore. 54600 Pakistan.
Tel # 92 - 42 - 5861372
Fax # 92 - 42 - 5860961

Year of establishment in Pakistan:

Started work in 1991 but establishment their own office in Pakistan 1997. Gap is biggest importer from Pakistan

Ownership status

GAP International Sourcing (California) Inc.

Number of women in management:

One female out of 5 staff members in Lahore office, they don't know about centre level.

Labels:

- Banana Republic (for Elite)
- Gap (mediocre)
- Old Navy (Less price)

Countries:

- USA
- UK

Manufacturers

- Irfan Textiles (Pvt) Ltd.
- Comfort Knitwear (Pvt) Ltd.
- Highnoon Textiles Ltd.
- Shahkam Industries (pvt) Ltd.
- Masood textiles Mills. (Faisalabad)
- Kashf Foundation (NGO)

Way of work:

- Singapore Gap office selects manufacturers according to Gap standard and then they place order to manufacturers in Pakistan.
- Usually Gap works with big manufacturers but some time it also give order to small units for embroidery.
- After placing order to factory, Lahore office starts executing.

Selection of Manufacturers.

1. Gap selects manufacturers according to its standards.
2. Gap is working with many manufacturers from long time in Pakistan and according to

3. their capacity it gives order to them and prefers to work with old Partners
4. Gap works with big manufacturers.
5. Gap is pioneer in hand embroidery and for this it work with NGOs and NGOs have very small units where 20 to 30 women workers work.

Conditions

- Gap has code of conduct and it is compulsory for every manufacturer to sing it on the time of getting order.
- Gap ensures that the manufacturers follow code of conduct.

Monitoring

1. When Production starts quality control is done by Lahore office.
2. Gap inspects every step of production
3. Gap checks audit reports.
4. Gap shows interest to improve quality of life of workers so it monitors labour standard in factory.
5. When production is finished, manufacturer ship the products under the supervision of Gap Lahore office to the Gap office in Singapore and they send it to USA, UK

Profit

Gap said it is trade secret.

Problems

Following problems are main concern of GAP.

- Pakistanis Manufacturers don't bother about quality.
- Labour in Pakistan is not literate so they don't care about quality.
- No proper arrangement for workers training.
- Lack of diversification

Subcontracting in GAP

Gap claims it doesn't allow subcontracting out of factory because it is very sensitive about quality. But Gap started hand embroidery in Pakistan and its all work done in home based level.

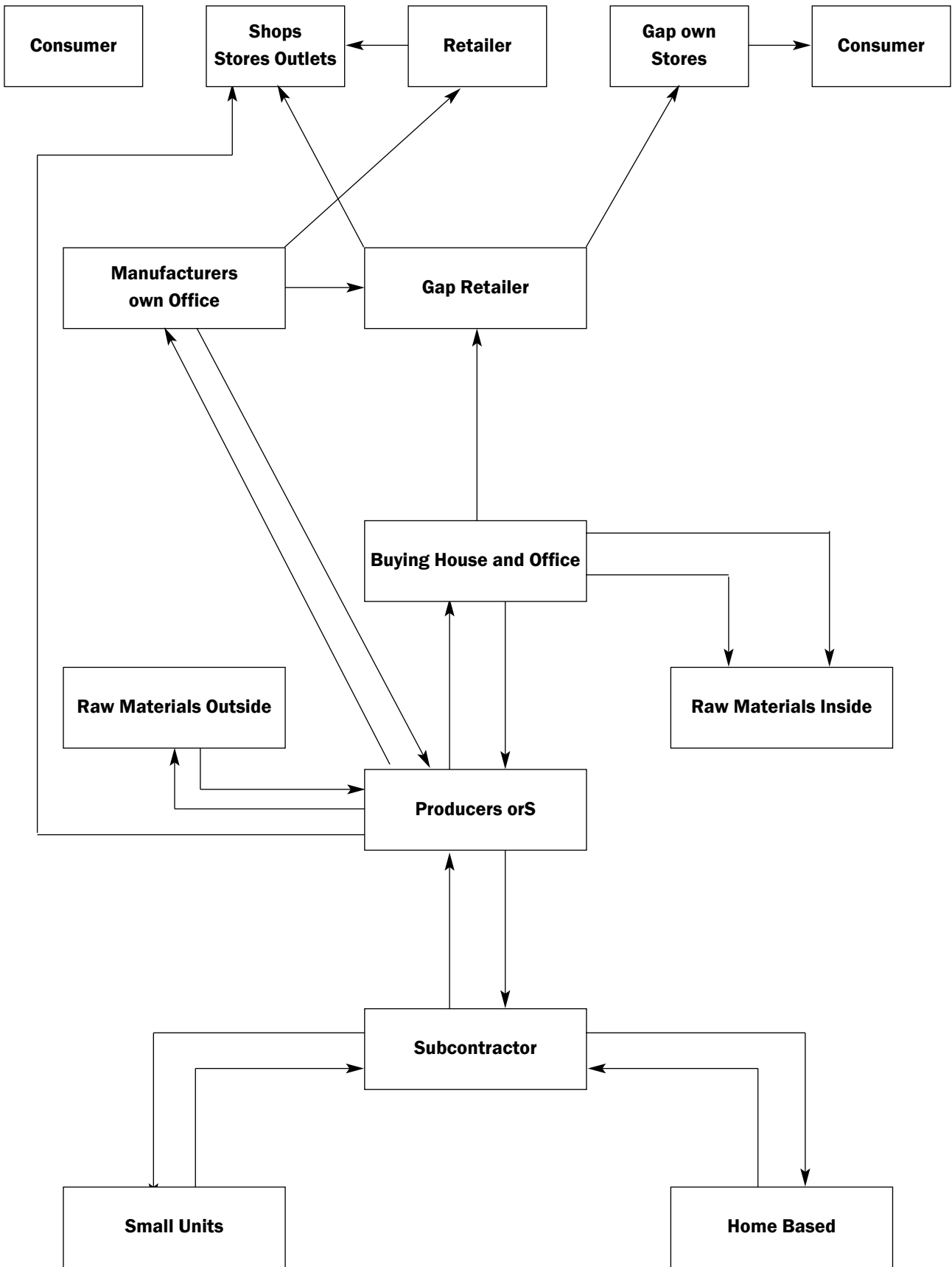
Multi-fibre agreement (MFA)

Gap will continue its work in Pakistan after 2004.

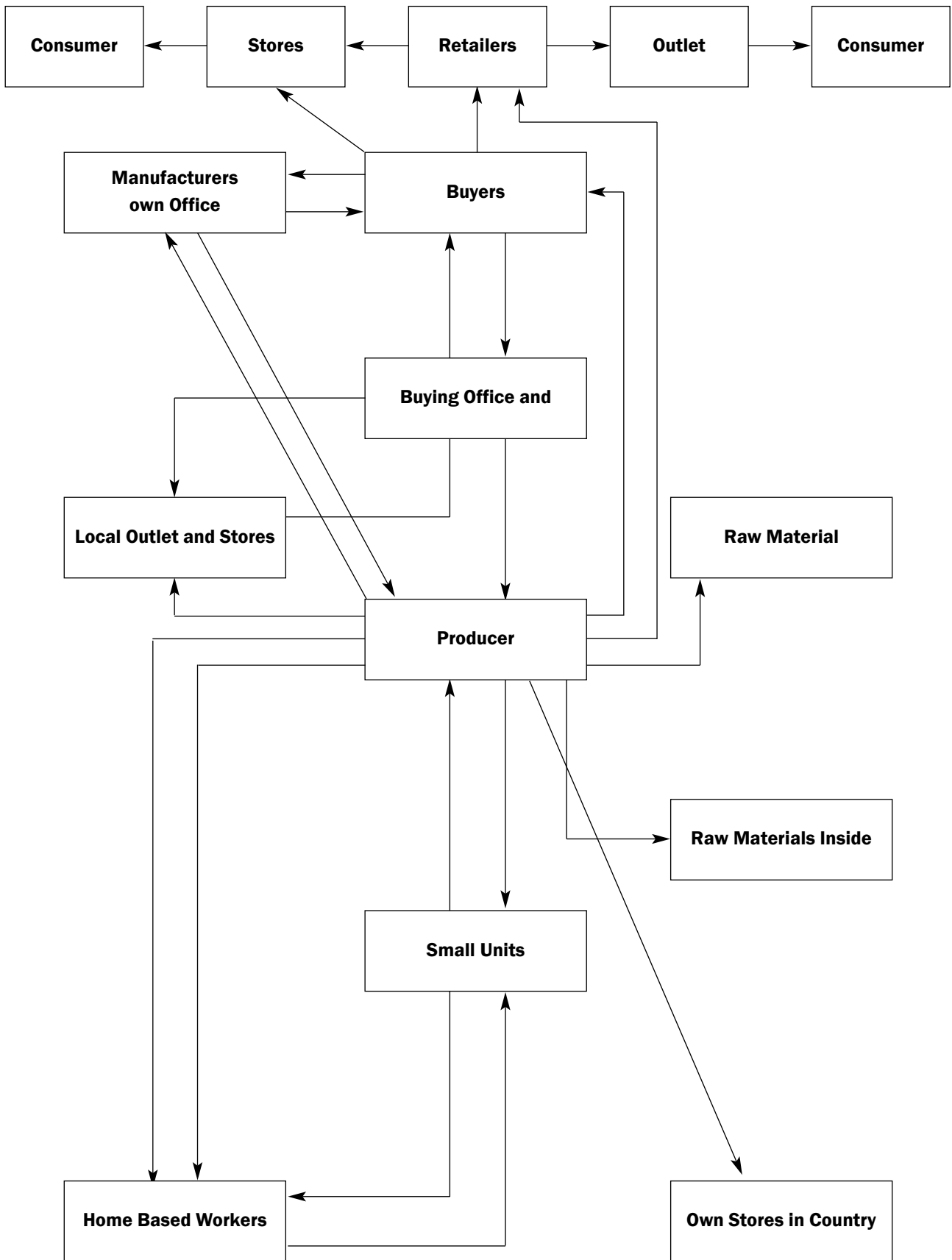
Suggestions

1. Manufacturers should make quality main ingredient of their product.
2. Hire trained and educated workers.
3. Manufactures should Adopt diversity in their work

MAP OF GAP'S SUBCONTRACTING MAP



SUBCONTRACTING IN GARMENT INDUSTRY OF PAKISTAN



AMMAR TEXTILES

(Levi's Subcontractor)

Factory:

Ammar is located on 18- km Multan Road.

Tell: 92- 42- 111-111-301

Fax: 92- 42- 7510508-9

It is one of the top ten exporters of knitwear of Pakistan.

Production

Men, Boys, Women's and Girls 100% Cotton, CVC and CVS knitted Tops and Buttons.

In the year 2000, Ammar shipped 8.5 million high-quality garments, with 98.6% on-time deliver. It has dyeing and washing capacity of 750,000 garments. At present, its total production capacity is 1.2 million per month.

Persons Consulted

- 1) Mr. Naveed Khokar
Senior Manager (Exports)
- 2) Mr. Naeem Siraj
Manager (Merchandizing)

Company History

It was established in 1982, Ammar pioneered the value added knitwear industry in Pakistan and has most modern vertically integrated knitwear manufacturing plant in Pakistan with mostly German hardware. Ammar is the first Knitwear Company to get ISO 9002 certification in Pakistan. Ammar is now a days working with Levi's.

Present Customers of Ammar

- 1) Levis
- 2) Tommy Hilfiger
- 3) Nike
- 4) AMC
- 5) Anow
- 6) Nautica
- 7) Timberland
- 8) Vantage
- 9) Land Rover
- 10)Hagger

Problems

Ammar concern following problems.

- 1) Export policies lack consistency.
- 2) Allocation of quota should be on value addition.
- 3) Refund of sales tax and export rebates.

Detail of Subcontractors of Ammar

In Ammar textiles, there is in house subcontracting along with outside the factory. During peak time Ammar distributes work in house and outside subcontractors. Ammar's subcontractor told that Ammar doesn't give work for whole year, so we are not only working for Ammar we also get order from others ready-made garment manufacturers. One of Ammar's subcontractors is "Latif Son" that has small unit 2-km off bhoptian Chowk Riawind Road, Lahore. 150 to 200 workers are there and 80% are women.

Highnoon Textiles

(Levi's Subcontractor)

Address

71- B/C-2, Gulberg - III

Number of Workers

Regular workers: 1,050

Piece Rated-Contractual: 600 (all Women)

Quota

275,000 dozens (in assorted categories)

Export Markets

U.S.A., Europe, Asia Pacific, Canada, South America

List of Clients

- 1) Levi's(Levi's & Dockers Brands)
- 2) Warnaco(Chaps Ralph Lauren/Chaps basics/Calvin Klein/Speedo)
- 3) Eddie Bauer
- 4) Fila (Enyce Brand)
- 5) Gap(Old Navy Brand)
- 6) Antigua

Annual Capacity

300,000 Dzn/4,320,000 units

Annual Production Value

U.S.\$ 18,000,000

Minimum Order

Knit: 500 dozen per style/100 dozen per colour for knit

Woven: 100 Dz per style per colour for regular Denim

Woven: 100 Dz per style/500 Dz per Fabric Quality for textured

Fabric Types Made

Jersey, Pique, Interlock, Rib, Waffle, Fleece, Flat back Rib, Mini Waffle, French Terry, Double Knits, Single Jacquard (piece dyed and yard dyed)

Detail of Subcontractors of Highnoon

In Highnoon textiles, there is also in house subcontracting along with outside the factory. Highnoon distributes work in house and outside subcontractors. Highnoon give work to home based workers with help of one NGO for hand embroidery for GAP and Gap also knows about it.

Gap said that they don't allow stitching outside the factory but we found that there is some small units doing stitching for Highnoon. But we are not sure that Gap knows about it or not.

MASOOD TEXTILE

(working for GAP)

Head office

Sargodha Road, Faisalabad, Pakistan
Masood textile now a days also working with GAP.

Factory

Sargodha Road, Faisalabad, Pakistan

Mills

32 Km, Shiekhupura Road, Faisalabad, Pakistan

Lahore Office

16/34, Eden Homes, Main Gulberg, Lahore.
Phone: (92-41)787931-34, (92-41)748001-13
Fax: (92-41) 781361
Email: shahid@masoodtextile.com
tayab@masoodtextile.com

Products

Currently, 85% of production is exported to US while 15% to EUROPE.

Labels

- Polo Ralph Lauren
- Calvin Klein
- Gap
- Nautica
- Chaps Ralph Lauren

- JCPenney
- Speedo
- Champion
- RUSSELL
- Vantage
- Hanes
- Catalina
- Colors by AJ
- American Eagle
- Carli Gry
- Tom Tailor
- POLO JEANS
- SPEEDO
- GJM
- DISCUSS ATHLETIS

Number of Workers

Total : 3,400 700 are women workers but they did not tell us how many are temporary or permanent.

Contacts:

Shahid Nazir Ahmed (CEO)
Tayab Masood (Markeing Manager)

Quota Holding

The present quota holding pattern of Masood Textiles is an under: -

USA	Category	Holding	EEC	Category
	338	254,000 Doz.	4	
	339	45,000 Doz.	5	
	352	28,000 Doz.		
	347	35,482 Doz.		
CANADA				
	8A	20,000 Doz.		

Detail of Subcontractors of Masood Textiles

Masood Textiles working with Many brands and one important brand is GAP they also have in house and outside subcontracting. Masood is working with two to three subcontractors and in Faisalabad and hundreds of women workers are working in garment industry of Faisalabad and they are working in small units with numbers of 100 to 180. For hand embroider they give their work on home based level where 30 to 40 women workers work.

IRFAN GROUP

Company History

The Irfan Group of Companies is a leading group of Pakistan in the field of Textile Manufacturing, Marketing, Food Products and General Trading. The Group was established in 1949 and has achieved phenomenal growth and now consists of the following companies: -

- 1) Irfan Textiles (Pvt.) Limited
- 2) Harmony Apparels (Pvt.) Limited.
- 3) Irfan Foods (Pvt.) Limited (Formerly Irfan Exports (Pvt.) Limited.
- 4) Famous Brands (Pvt.) Limited.

Irfan Textiles (Pvt.) Limited is one of the companies of the Irfan Group and is owned by the Irfan family. Although, group is in the textiles business for over a decade, ITL it's present existence and form was born in 1990 i.e. a new company was incorporated to take over all the existing business of the group to form Irfan Textiles (Pvt.) Limited. Irfan combines its knitting, dyeing, finishing, printing, embroidery, peaching/sueding, garment washing and stitching operations in one complex that has a covered area of four hundred thousand square feet approximately.

Factory:

31- km. Ferozepur Road, Lahore. Pakistan

Tell: 92- 42- 5270731- 4

Fax: 92- 42- 5270730/ 5270740

**Irfan Textiles also has their own office in New York.
U.S.A**

Management Staff

45 staff members, only two women are working with there

Contacts

Major Muhammad Yousuf (Manager administration)

Amir shafi (Markeing Manager)

Production

Current production capacity is 700,000 pcs. per month. 95% Production go to USA, 4% go Canada and 1% go Japan

Labels

- Old Navy
- Sears Canada
- Gap
- Izod
- Phillips Van Heusen
- J.C.Penney
- Perry Ellis
- VF Image Wear
- Tommy Hilfiger
- Russell
- American Eagle Outfitters
- Mossimo
- Cherochie

Company is also licensee for Hang Ten, Slazenger and Jockey for Pakistan and they have their owns exclusive Retail Outlets for its brands in all major cities of Pakistan.

Number of workers

3,000 in one unit and 1200 in other unit. In one unit where 3000 workers work, it was told that just 300 women are working there who are temporary or work on piece rate.

Subcontracting of Irfan textiles

An Irfan textile has their own two small units in Lahore and except these two they also place their order to other small units. Some women entrepreneurs are also working as subcontractor of Irfan textiles.

Exporters Dealing with Retailers/Brand Names**STATEMENT SHOWING THE NAMES OF THE EXPORTERS OF FAISLABAD DEALING WITH INTERNATIONAL CHAIN STORES/DEPARTMENTAL STORES**1) **M/s Chenab Limited**, Nishatabad, Faisalabad.

Ph: 041-754472-6 Fax: 753400-752700

Name of Stores	Name of Country	Name of Products
Lane Bryant	USA	Bed Linen, Madeups
Target Stores	USA	- do -
Walmart	USA	- do -
J.C. Penny	USA	- do -
Sears	USA	- do -
Federated Merchandizing Group	USA	- do -
Kpfold	UK	- do -
Bon Prix	Germany	- do -

2) **M/s Amtex Private Limited**, 1-KM, Khurrianwala, Jaranwala Road, Faisalabad.

Ph: 04691-361724-30 Fax: 04691-361726-27

Name of Stores	Name of Country	Name of Products
Harvey Norman	Australia	Bed Linen, Madeups
Mayers	Australia	- do -
Grace Bors	Australia	- do -
David Jones	Australia	- do -
Spot Light	Australia	- do -
Jysk	Denmark	- do -
Carrefour	France	- do -
Auchan	France	- do -
Laredoute	France	- do -
S. Suisse	France	- do -
Damary	France	- do -
Bricomarche	France	- do -
Castorama	France	- do -
BHV	France	- do -
Giffi	France	- do -
Ba Bou	France	- do -
Cellebus (Catalogue)	Sweden	- do -
Jotex (Catalogue)	Sweden	- do -
Walmart	USA	- do -
Target	USA	- do -
K.Mart	USA	- do -
JC Penny	USA	- do -
Family Dollar	USA	- do -
Lowe's	USA	- do -
Ames	USA	- do -
Domesticatior	USA	- do -
Marlan	UK	- do -
Asca	UK	- do -
Wilkinsons	UK	- do -
Littlewoods	UK	- do -
British Home Store	UK	- do -

3) **M/s Jaguar (Pvt) Limited, P-79**, Sheikhpura Road,
Faisalabad.
Ph: 041-780712-13 Fax: 041-762221-781121

Name of Stores	Name of Country	Name of Products
Auchan Textile	France	Knitwear
Scapino	Holland	- do -
Asda P/C	UK	- do -
Yourmove Stone	UK	- do -
British Home Store	UK	- do -
American Eagle	USA	- do -
Target	USA	- do -
Walmart	USA	- do -

4) **M/s Kern Hosiery (Pvt) Limited, P-79**, Sheikhpura Road,
Faisalabad.
Ph: 041-51181-53714-780712 Fax: 041-762221-781121-52221

Name of Stores	Name of Country	Name of Products
Auchan Textile	France	Knitwear
Scapino	Holland	- do -
Asda P/C	UK	- do -
Yourmove Stone	UK	- do -
British Home Store	UK	- do -
American Eagle	USA	- do -
Target	USA	- do -
Walmart	USA	- do -

5) **M/s Bismillah Textiles(Pvt) Limited, 1-KM Jaranwala Road, Khurrianwala**,
Faisalabad.
Ph: 04691-362636 Fax: 362640

Name of Stores	Name of Country	Name of Products
Ames	USA	Bed Linen Madeups
Federated Merchandizing Group	USA	- do -
Family Dollar Doilar General	USA	- do -

6) **M/s Sadaqat Textile Mills(Pvt) Limited, Sadaqat Street, Sargodha Road**,
Faisalabad.
Ph: 786590-93 Fax: 785755

Name of Stores	Name of Country	Name of Products
Walmart	USA	Bed Linen Madeups
JC Penny	USA	- do -
Tweel Home	USA	- do -
Ikes Trading	EU	- do -
Big W. Store	Austrlia	- do -

7) M/s Masood Textile Mills Limited, Sargodha Road,
Faisalabad.
Ph: 041-783890-787932 Fax: 781361

Name of Stores	Name of Country	Name of Products
Polo Ralph Lauren	USA	Knitwear
Chaps Ralph Lauren	USA	- do -
Calvin Klein	USA	- do -
GAP	USA	- do -
Old Navy	USA	- do -
Russell	USA	- do -
JC Penny	USA	- do -
Speedo	USA	- do -
Polo Jeans	USA	- do -
Champion	USA	- do -
Vantage	USA	- do -
Hanes	USA	- do -
Catalina	USA	- do -
Colours by AJ	USA	- do -
American Eagle	USA	- do -
Champs	USA	- do -
Garll Gry (Jacket Cottonfield)	Canada	- do -
Tom Tailor	Germany	- do -

**List of Brand Names in Knitwear exported from
Lahore and Faisalbad , Pakistan to USA, European
Union and Canada**

USA

Sr.No.	Brand Name
1-	GAP
2-	PHILIPS VAN-HEUSEN
3-	WARNACO
4-	GOODYS FAMILY CLOTHING INC.
5-	HILTON
6-	KNIGHTS APPAREL
7-	JORDACHE
8-	WHITE MOUNTAIN
9-	LEE COMPANY
10-	ENYCE
11-	KAZOO
12-	LEVI STRAUSS
13-	NIKE
14-	CAMP DAVID
15-	EDDIE BAVER
16-	TOMMY HILFIGER
17-	EAGLE DRY
18-	SEARS ROELUCK
19-	MOTHESS WORK
20-	JERRY LEIGH
21-	STARTER
22-	AMERICAN DESIGN STATUS (ADS)
23-	AMERICAN MARKETING INC. (AMI)
24-	QUICK SILVER (QS)

EU

Sr.No.	Brand Name
1-	HAGGAR CLOTHING
2-	FILA
3-	WILROW
4-	DDP
5-	EASY JEANS
6-	STEF JEANS
7-	DEGAL BOYS

CANADA

Sr.No.	Brand Name
1-	OLD NAVY
2-	CHAPS RALPH LAUREN
3-	CAVLIN ULEIN
4-	AMERICAN EAGLE
5-	MANHATTAN

Sr.No.	Brand Name
1-	RALPH LARENT
2-	TIMBER LAND
3-	ADIDAS
4-	DOCKER'S
5-	CAREERA
6-	MUSTANG
7-	BLUE CUT
8-	BONENZA
9-	KIABA
10-	MILES
11-	MASCOTI
12-	WALMART
13-	JORDACHE

Case Studies

Case Study 1

Razia works in Daisy Knitwear in finishing department where 15 women and five men work together. Supervisor is male. Company is located in Lahore, province of Punjab and exporting T-shirts and jeans to USA and UK. Totally 500 women works in this factory age between 14 to 30.

She had been working since three years but still temporary. She starts her work at 7:00 A.M. and finishes at 10 to 11:00 P.M and has no fix working hours. Often she has no idea when she will back to home. She told

"When boss allows us then we come back at home. We work long hours without getting overtime. My male supervisor misbehaves and harasses me by passing unwelcome remarks. He tried to make affair with young girls and threatens them he would stop their salary if they will refuse him. If I refuse to overtime, supervisor and mangers asked me to leave the factory. we are not allowed to talk with each others".

In her factory very few women are married and they are not getting any maternity leave. Razia is not getting equal wage for equal work. There is no separate toilet for women and no place to eat. Razia sit on floor at lunchtime and bring her food from her home. There is no fix time for tea break, sometime supervisor allowed to take tea some time doesn't.

Razia works on piece rate. She works in dim light and because of this she got severe headache and eye

problem. There is no proper air ventilation system and because of this mostly girls/women suffering Asthma and lungs problem. Razia is getting wages RS. 1200 /- per month (US\$ 24). Employer gives the salary and takes sign on blank paper.

Razia has five sisters and two brothers, her father is sick and he is doing nothing, mother and her two sisters are working as a domestic workers, her one brother is drug addict because he could not get job and become frustrated. Razia told that there is no union in the factory, if any worker try to form union he/she turned out from job without any reason.

Case Study 2

Bano employed in Creast Garment Factory located in Lahore which is a sub contractor of Big ready-made garment manufacturer they are producing garment for big brand name and export in USA and UK. Bano joined factory two years back, before that she was working in another factory, which was shut down. In Creast garment factory she is working in clipping department, boss deducts Bano's salary if piece get damage due to wrong clipping, no job security, no appointment letter and work on piece rate. Bano works more than 12 hours a day and getting only RS. 1400 to 1600/-. She gets RS. 1600/per month when there is peak time. Bano has work six days in a week, but during peak time she works on holidays too. If Bano takes leave her salary deduct.

In her factory Workers have no facilities such as job security, maternity leave, social security, annual/casual and sick leave provided under the labor law. She is not allowed to go to Toilet more then two times a day. There is no facility of drinking water in her department, so Bano goes to male department and male passed unwelcome remarks on her.

Because of no proper transport facility Bano has to change two buses to reach factory on time, her factory starts at 8:00 A.M, she leaves her home two hours before her factory hours.

Case Study 3

Zarina has been working in Nadia Texties from last one year before she work in A.U international Garment factory. A.U garment Factory is located in Sheikhpura

Road, Lahore and exports shirts and jeans in USA. More than 600 workers are working, in which 400 are women. She works temporarily, has no social security card even attendance marks on blank paper every day. Salary is given and signed on white paper. Zarina starts her work at 8:00 A.M. without knowing when she will be free from factory because it depend when she finish her quota. Often she comes back at her home 10:00 pm and sometime she has to stay in factory due to heavy burden of work. When she stay for whole nigh for work in factory employer proved them food and 20 Rupees. Zarina comes at home on transport provided by factory. She told.

"On May 2001, I along with other 6 women workers were kidnapped while going back home, kidnapers took us under constructed place where six persons raped us and thrown us back in wagon. In spite of giving any compensation to my other colleagues and me factory management refused to accept us as their employees. My family and I approached to local police station but police attitude was very rude and no criminal case has been registered against the culprits". That why she leave A.U international and now working in Nadia textiles.

Conclusion

Working Women Organization has extensive experience to work with workers and different government's departments in terms of protection of workers rights. But through research on subcontracting system in garment industry, first time WWO deal with business organizations and their representatives which is entirely different and new experience for organization as well research team. Research exposed different aspect of workers exploitation and capitalists and government's tactics for grabbing huge profit and making workers weak and voiceless. It is really very difficult to say that in this complicated subcontracting chain that who is the main player of this chain and who has power but it is very easy to find out that workers are the most suppressed and powerless in this chain. In Pakistan, many departments and sub departments exist for promotion of garment export but they are doing nothing. Non-professional and ineligible people occupy these departments. Corruption, insufficiency and ignorance are main ingredients of these departments. There is not any single concern on workers issues or rights,

employers can find different ways to violate workers basic rights and get more and more profit.

Access on information is almost impossible in Pakistan. Through lots of departments Government and exporters make things complicated and abstract. One important issue is that in Pakistan there is industry wise Employer's association but according to labour law in Pakistan it is not possible to make Industries wise Trade union federation. In new Industrial relation ordinance, contract system has been legalized. This ordinance divides workers and badly effect on their united struggle. Industries wise trade unions are extremely necessary for strengthening workers movement. With collaboration of trade unions WWO is planning to lobby with Labour ministry regarding this Issue.

Gender is another vital issue in the subcontracting chain. Very few women work in management level. On factory level majority of women are unskilled, unorganized, temporary and low paid and work in miserable conditions. 50% women workers come from small and cottage industry and mostly work in garment industry. They are young between age of 16 to 30.

Meaningful progress and women participation in labour force cannot be made without proper integration of women workers in the policy making process. But as above-mentioned that women discriminatory position in Pakistan is result of deep-rooted socio cultural environment. Therefore, their restoration is not amenable to short cut, instead sustained and concerted efforts, well coordinated and properly integrated, are required.

Another point that came out through research is that each employer's associations and factories owners, use religions as a safe guard for themselves. In front of workers they presented themselves very pious and religious. They preach that if they are wealthy, powerful and workers are poor, it is GOD wish. Workers must accept fact with out making any complain. In every big factory we can found little Mosque for prays but not any dispensary or child care centre for workers.

Issues of job security, appointment letter and organization of informal sector are another significant points highlighted by research and these elements should be covered in educational material.

South East Asian Reports

Subcontracting in the Garment Industry in Thailand

Friends of Women

Thailand

Thai Garment and Textile Industry

The structural development of the Garment and Textile Industry had its basis on the continuous growth of home demand. Recently, garment and textiles became the country's major economic industry in terms of income generation and the ratio of employment to the country's labour force. A steady growth in export volumes made both industries the spearhead of Thai export products. Its growth developed from the country's industry policies from import-substituted strategy to export-led strategy as promoted by the state policies and administrative regulations. The establishment of Textile Development Department to provide full subsidies and support for entrepreneurs and investors makes this clear. Such policies brought about the growth of export volumes and sales and the United States of America was, and remains, its major customer up to now.

The garment and textile industry can be categorised into 3 stages which are all interlinked. The 3 stages are:

1. Fabric industry which is the first stage of textile and garment industry
2. The middle stage of textile and garment industry

Total number of factories involved in textile and garment industry

Business Categorization	1997	1998	1999	2000	2001
Clothing and Apparel	2,856	2,742	2,666	2,672	2,641
Artificial Fabric	18	18	18	17	17
Cottoning	158	153	150	148	149
Knitting and Sewing	1,391	1,327	1,310	1,308	1,322
Dyeing and Printing	426	414	414	412	405
Total Amount	4,849	4,654	4,554	4,557	4,554

Source : Textile Division, Industrial Supporting Department, The Ministry of Industrial Affairs

are printing, knitting, sewing, cutting, dyeing and cottoning

3. The third and the most developed stage of the industry is clothing and apparel.

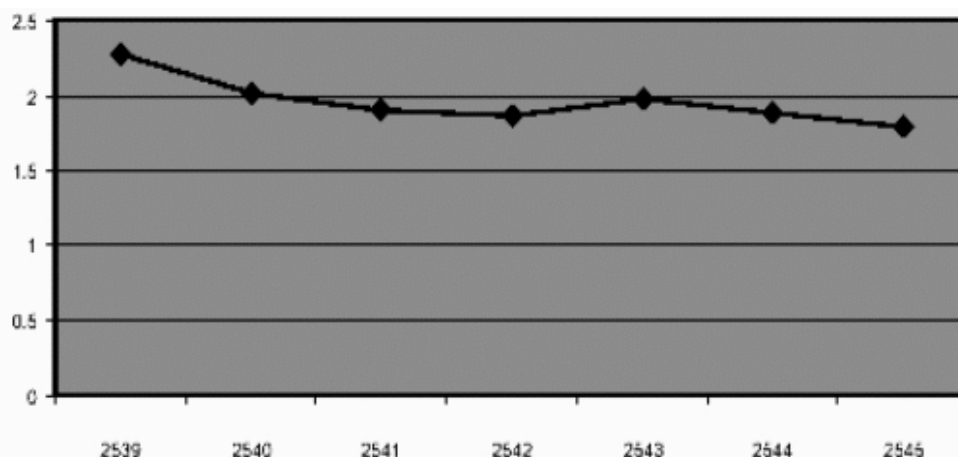
The Fall of Nation Entrepreneurs

The 1997 economic crisis in financial and banking industries was the beginning of the crisis in the country's economy. Local textile and garment entrepreneurs began to lack finances. This was worst in small and medium business firms. While the devaluation of the country's currency meant that firms were unable to import essential overseas capital and products, which were important for their business transactions, the country's crisis also resulted in a steady fall in local demand. Between 1998-1999, the textile and garment industries saw the death and disappearance of numerous local entrepreneurs. Not surprisingly, most of them were in clothing and apparel sector of economy.

Even though the fall in clothing and dyeing still remains, there has been a revival in some segments of these industries in the last couple of years, especially in fabric and woven-related goods and products. The bankruptcy of clothing and dyeing are based on its failure to participate in a highly competitive world market, and the collapse of local demand as appeared in 2001.

At present there are 2,600 entrepreneurs in clothing and woven industries. 70% of them are small scale producers that make clothes for mass market. The rest are medium scale and large scale entrepreneurs who produce high quality products.

Few Scenarios regarding Thai Clothing and Apparel Market Quota in Global Market ¹



- The country's market caps for clothing and apparel products in the global market is continuously reducing from 2.27 pct in 1996 to 1.98 pct in 2000. This steady fall of Thailand market caps should reach its lower level at 1.79 pct in 2002.
- The emergence of new producers such as China and Vietnam have undermined Thailand's comparative advantage in terms of low production cost, low wages, and low selling prices.
- The economic implication of a steady fall in textile and garment industries is dangerous for the growth of the country's economy since textile and industries are of vital importance to the Thai export economy (apart from tourism, automobile and vehicle components, software and foods)
- To cope with changes in highly competitive global markets, Thai garment and textile industries should develop long term structural strategies to upgrade the quality of goods and products. Moreover, the resurgence of Thai garment and textile industries also requires the creation of Thai brand awareness as much as the diversification of Thai products.
- To be the centre of fashion industry of South East Asia geographical regional is the most important strategy for the country's achievement in high quality products in clothing and apparel industries. Thai brand need to be accepted internationally by this measure.
- Government must provide full support and subsidy to the industries, especially in term of data, information, technology invention and training.

Market Sharing Export Garment (shown in percentages)

COUNTRIES	1996	1997	1998	1999	2000	2001*	2002*
1. China	15.25	17.45	16.15	16.16	18.13	18.71	19.24
2. Hong Kong	13.39	12.68	11.91	12.02	12.17	11.67	11.15
3. Italy	9.85	8.15	7.93	7.35	6.64	5.91	5.24
4. Mexico	2.29	3.09	3.55	4.18	4.37	5.08	5.88
5. USA	4.58	4.76	4.73	4.44	4.35	4.22	4.08
6. Germany	4.62	4.12	4.31	4.17	3.44	3.14	2.86
7. Turkey	3.70	3.67	3.79	3.50	3.28	3.13	2.98
8. France	3.37	2.93	3.09	3.05	2.73	2.24	2.36
9. India	2.57	2.38	2.57	2.77	n.a	n.a	n.a
10. South Korea	2.57	2.30	2.50	2.62	2.53	2.47	2.40
11.Indonesia	2.19	1.59	1.41	2.07	2.38	2.45	2.52
12.Unuted Kingdom	3.16	2.90	2.64	2.41	2.07	1.82	1.61
13.Thailand	2.27	2.02	1.90	1.86	1.98	1.89	1.79
14.Belgium	1.84	1.92	2.17	2.25	1.98	1.99	1.99
15.Taiwan	1.95	1.87	1.71	1.54	1.49	1.37	1.26
16.Other	26.41	28.17	29.62	29.61	32.46	33.60	34.66
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

SOURCE: WTO * Research and Planning Office BankThai

¹ Note: 2545 is Year 2002, 2544 is Year 2001, 2543 is Year 2000 etc.

The Export Garment Each Countries

Million (Dollars USA)

COUNTRIES	1996	1997	1998	1999	2000	2001*	2002*
1. China	25.034	31.803	30.048	36.071	36.071	39.819	43.956
2. Hong Kong	21.976	23.107	22.164	24.215	24.215	24.835	25.471
3. Italy	16.172	14.857	14.744	13.217	13.217	12.573	11.961
4. Mexico	3.753	5.636	6.603	8.696	8.696	10.803	13.421
5. USA	7.511	8.672	8.793	8.646	8.646	8.980	9.326
6. Germany	7.579	7.503	8.014	6.837	6.837	6.679	6.525
7. Turkey	6.067	6.697	7.058	6.516	6.533	6.670	6.809
8. France	5.529	5.345	5.748	5.685	5.427	5.407	5.388
9. India	4.217	4.343	4.782	5.153	n.a.	n.a.	n.a.
10. South Korea	4.221	4.192	4.651	4.871	5.026	5.254	5.493
11.Indonesia	3.591	2.904	2.630	3.857	4.734	5.217	5.750
12.Unuted Kingdom	5.185	5.281	4.920	4.487	4.111	3.883	3.668
13.Thailand	3.729	3.686	3.540	3.453	3.948	4.015	4.083
14.Belgium	3.017	3.494	4.042	4.193	3.942	4.230	4.539
15.Taiwan	3.206	3.409	3.189	2.862	2.967	2.917	2.868
16.Other	43.353	51.351	55.094	55.101	64.570	71.498	79.170
Total	164.140	182.280	186.020	186.110	198.940	212.781	228.427

SOURCE: WTO * Research and Planning Office BankThai

Thai garment and textile industries are encountering new problems and challenges as a result of the phase out of the MFA that will be fully implemented in 2005. The emergence of new competitors such as China will take the country's market quota in the industry. Thailand will unavoidably lose her share in world textile and garment market. If textile and garment entrepreneurs fail to adapt themselves to new emerging problems and challenges, the country will face a steady fall in export volume and rate of employment. At present there are about 1 million employed in these industries.

The fall of the Thai apparel industry in terms of its comparative advantage in competing for market quota in a highly competitive world market is clear. This issue should be considered seriously and continuously by either the Thai government or private business sector. Low wages and low production costs can no longer ensure the country's comparative advantage in the face of producers like China and Vietnam.

For the time being, Thailand needs to recognize the importance of long term strategy to develop and upgrade her products and to create her own brand. It has to diversify its products to cope with changes in customer tastes and demands. It should project itself to be the fashion center in the region. The National Government must strongly and fully support this

strategy by means of data, information, technology invention and skill training to help the country succeed to extend her market quota in world market, or at least sustain this rate of ratio.

Recently on October 2, 2002 the board of competitiveness development has approved the 'Bangkok as Fashion Center' pilot project as part of a master plan to transform the country to be the center of fashion world in Asia and Pacific regional.

Government Regulations for Supporting Thailand's Textile and Garment Industries

Background Problems

The implementation of international labour standards and the use of these labour standards as trade conditions by international labour agencies has created new kind of problems for Thai textile and garment exporters. These producers need to be supported by Government agencies to help them cope with changes and challenges in this stage of development. Recently, the government of the Kingdom has approved new policies and regulations to implement labour standards policies as required by international free trade agreements. They specified the establishment of a labour standards office to implement these policies.

Urgent Missions

The labour standards office has its urgent missions to provide full support for the creation and the implementation of rigorous labour standards among Thai entrepreneurs which is required for current international trade. These new standards should be established with clear directions to help gain international acceptance by conducting labour practices and activities as mentioned by the framework of labour development for promoting free trade system.

Working Procedures

1. To study and analyse the international labour standards and to determine the most appropriate practices and procedures regarding labour standards in textile and garment industries
2. To ensure compliance by all sides, once the international labour standards agreement is signed
3. To certify and determine the qualification of the external auditors on labour standards as well as their working systems
4. To coordinate and certify local labour standards
5. To oversee and follow up the development of labour standards and to certify the new emerging labour standards
6. To train and develop human resources regarding labour standards

Services

1. Conducting intensive training courses on labour standards for advisors, employee auditors, and employer auditors
2. Providing information and knowledge required for the drafting of labour standards
3. Making a labour standards blueprint for entrepreneurs and factories
4. Building a collaborative network to promote the idea of labour standards
5. Investigating the readiness of entrepreneurs before implementing labour standards in case they need to be certified
6. Providing data and information on labour standards

METHODS USED IN DATA GATHERING

FIRST STEP COORDINATING WITH LABOUR UNION

This research began with coordination between three labour union

1. Lian Thai trade union

2. British -Thai Sin Trade Union
3. TUW Trade union

Before we started collecting information for this research, committee members from all three trade unions were given training at the beginning to make sure they would have a better understanding of the project and the methodology. And we hope that we will produce more researchers from the labour sector. The main researchers and trade union committee will be gathering information into the future.

SECOND STEP VISITS AND INTERVIEWS IN EACH FACTORY

We visit and interview in areas where sub-contracting work is done for each factory to collect information on the system.

1. Find out how producers and agents work
2. How and who producers contact about getting work
3. How many workers are involved
4. How much and what kind of work they do
5. What brand names are produced and if Codes of Conduct are respected
6. Average production (units per day/month/year)
7. Safety and environmental protection measures at the work site
8. Formation of trade union and negotiation

Note: Money was not be paid for participants but they may receive a manual on women provided by the foundation. However, if the interview occurs during weekends or in the evening, dinner will be provided

THIRD STEP ANALYSING THE INFORMATION

Seminars were organised to bring together target groups from each factory, there was a certain interlude to exchange between sub-factory workers /home worker and factory workers, for the union's committee members to discuss problems and effects with the sub-factory workers / homeworkers. Then there will be a center stage for discussions and we will preparing to analyze the information. The case study will be selected to reflect problems and process of sub-contracting from each factory. And analysis of the problems and situations of the sub-contract each factory

FOURTH STEP WRITING CONCLUSIONS

Writing conclusions from one-to-one interviews, seminars to exchange information and case studies. Analysis of the problems and situation of the factory will enable workers to identify trends and possible

future outcome. The information will also be used to produce materials for general distribution.

Report on the Information Collected

Lian Thai Apparel Co. Ltd.

Lian Thai Factory is a pilot factory from which we started collecting information. We received full cooperation from the labour union's committee and its members. The workers who helped us collect information work in a department distributing work to a sub-contractor and this has facilitated our collection. Before conducting our research with the labour union, we had a meeting with the committee and its members to clarify the project and to plan the collection strategy.

Profile of Lian Thai Textile Co. Ltd.

Lian Thai Textile Co. Ltd. is a garment production company, making jackets and children's clothes, and exporting them to Europe, Taiwan, and Hong Kong. The company employs over 700 workers. Most of them are women. The owner is Ms. Vivien a Hong Kong Chinese and the manager is Mr. Thienchai Mahasiri (Ms. Vivien's ex-husband). They manufacture for, among others, NIKE, PUMA, LEE, GAP, NEXT. (Code of Conduct by NIKE, GAP, NEXT is posted in the factory compound)

Manufacturing System

Production volume depends on levels of sewing complications. If it is an easy sewing task, a large volume of products can be expected, and vice versa. Machinery is used to ensure the quality of work, for example, pattern-cutting machines, pocket-cutting machines, button-holing machines. The products are ready-made and the materials used are imported. Since the 'ital' system (conveyor belt system) has been in use, more repair work occurs, and as a result of this, products are returned after leaving the factory. Production targets are set for workers to fulfill.

Recruiting and hiring workers

Candidates aged from 18-28 years with Grade 4 elementary school education are recruited and tested on their ability to sew. If a candidate passes the test, he/she will be accepted on a 4-month probation term. After the probation, the worker becomes a permanent employee and receives a minimum wage of 165 baht/day. She is legally entitled to business leave,

plus 6 days of annual leave and a 3-month maternity leave. Employees with longer work service period will receive higher pay in accordance with their service period. Living expenses are 270 baht; overtime payment is 1.5 times of the daily wage; productivity reward is 3 times the daily wage during the Chinese New Year holiday.

Welfare

Transport: Buses are provided for two routes: Bangkok and Nakorn Pathom

Food and drinking water: Drinking water is provided in the factory and canteen areas. Three pots of rice in the morning and four pots of rice at lunch are provided for the workers.

Accommodation: Dormitories for men and women are provided separately for free lodging. One room accommodates 6-7 people. (12 people in the past)

Recreation areas: Annual sport activities are organized and competitions are staged during lunchtime. There are six colours and each worker will be given a shirt according to their colour group. Sports in the event include football, chairball, takraw and volleyball.

Uniform: Permanent workers receive 2 shirts each year with cloth for trousers. New workers wear white shirts and each department has different colour shirts.

Health and Environment

Safety system: Four fire drills per year. Steel gloves are used for protection when using machinery and face masks are provided.

Ventilation: No windows but fans are installed and temperature is high.

Toilets: There are some 20 toilets, which is insufficient.

Waste materials management: Post-production waste is sold.

Right and freedom in forming a union

A labour union has been formed and officially registered. Negotiations and labour relations are conducted with the employer. Several demands have been fulfilled, for example, wages, welfare and free transport. The union now has over 500 members out of 700 employees. The committee's term of office is two years. They have coordinated with external organizations and other labour unions, Friends of

Women Foundation, Om Noi-Om Yai labour groups, and co-operatives. The union occasionally organizes camp activities for its members.

Worker's family life

Most workers are from Nakorn Pathom, suburbs of Bangkok and neighboring provinces such as Kanchanaburi and Samut Sakorn. Some single workers live in a dormitory, some in rental accommodation. Married workers from elsewhere usually settle in Nakorn Pathom to begin a family.

Information Collection

Now we have names, addresses, and phone numbers of 91 sub-contract factories. They can be categorized into five groups.

1. Factory/company in provincial areas
2. Factory/company in Bangkok and its suburbs
3. Home worker in provincial areas (A person's name is used when sub-contracting)
4. Home worker in Bangkok and its suburbs (A person's name is used when sub-contracting)
5. An agent or a group of people sub-contracting work and distributing it among smaller factories and homes

Sub-contracting work

Lian Thai Apparel Co. Ltd receives sub-contract work order and the next biggest sub-contractor from Lien Thai is Pacific Thailand Co. Ltd.

- Notes:
1. Lian Thai Apparel Co. Ltd. The owner is Ms. Vivien a Hong Kong Chinese the manger is Mr. Thienchai Mahasiri (Ms.Vivien's ex-husband)
 2. Pacific Thailand Co. Ltd whose owner and director is Mr. Thienchai Mahasiri.

It should be noted that Lian Thai Co. Ltd. acts as order forwarder and sub-contractor, especially for NIKE brand.

Vejwiwat Co. Ltd. is a big garment company with several branches and the brand they produce is NIKE. If Vejwiwat cannot meet the deadline, they give some work to Lian Thai. And if Lian Thai cannot produce the required volume, Vejwiwat will be given the excess work. This is like a sibling relationship providing each other help. Besides Vejwiwat, there are Wah Thai Factory and British Thai-Syn Factory. British Thai-Syn

Factory is one of our three target factories (Lian Thai, British Thai-Syn and TUW).

Case Study on the dismissal of workers in sub-contract system

This case study occurred in one factory that is known its use of sub-contract system by taken all raw materials from its mother company. On 28 October 2002 the representatives of the employer and employees failed to complete their negotiation as the employer refused to listen to the problem the employees were facing. Workers were humiliated and quit their job. The 6 employee representatives decided to stop working at 1 p.m. This measure was illegal but 77 workers participated later on.

Without basic knowledge in local labour law, workers agreed to sign a document for compensation payment (approximately 280,000 baht) when employer convinced the local labour authority to resolve the case and the authority mentioned to those 77+6 workers that they might be charged guilty for their sudden decision to quit work.

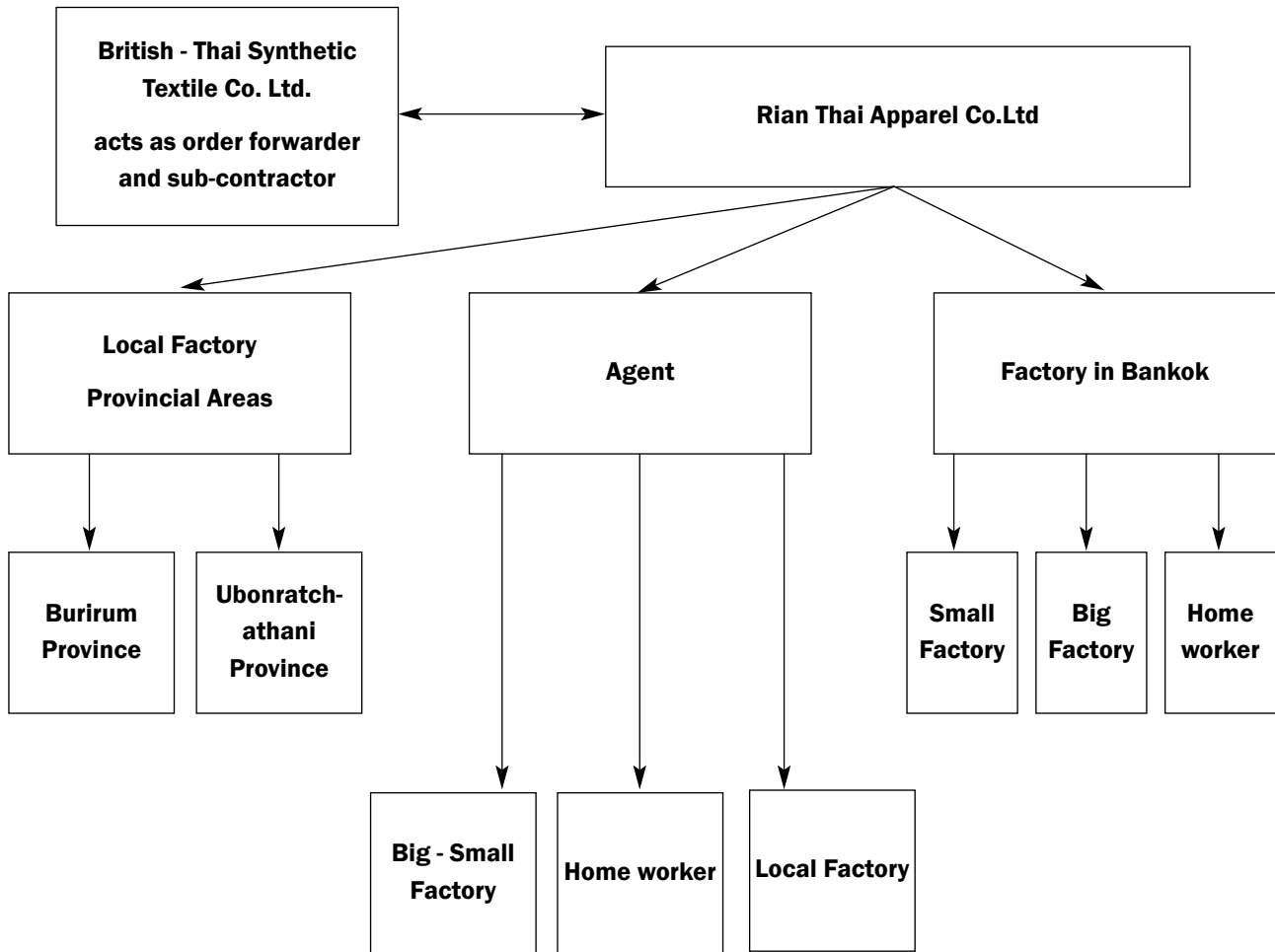
This factory has never completed the procedures of labour law. Workers were paid a rate that was lower than what government has proclaimed. They were forced to do overtime job. They were compelled to work on holidays without extra payment. Moreover, disabled workers have been discriminated by the deduction of their daily wages to 100 baht/day.

On 11 November 2002 workers representatives decided to submit their problem to Social Welfare and Labour Protection Department. Labour officials attempted to resolve the dispute. The discussion to settle the dispute had been attended by labour officials, the employer and workers' representatives. Finally the employer promised to rehire the 77+6 workers in their former jobs.

When the first 20 workers went to report themselves to the company as promised, the employer objected their rehiring saying that all jobs were occupied. Finally all of 77+6 workers faced similar situation.

From this event, workers united to sue the employer in return. They said the employer betrayed the deal. Moreover, they sued the employer for cheating their compensation and overtime payment.

STRUCTURE OF THE LIAN THAI SUBCONTRACTING CHAIN



Synthetic Textile Ltd.

We worked with the labour union's committee at the factory. We interviewed the committee and the labour union but we have not yet collected information on sub-contractors. Therefore, the information that we have now about British-Thai Syn is a rough overall picture.

Profile of British-Thai Synthetic Textile Co. Ltd.

British-Thai Synthetic Textile Co. Ltd. is a company producing garments from beginning to end, and exporting to the US, Europe, Japan, and Hong Kong. Products made are for several brands such as POLO, GEAR and TOMMY. The company was founded in 1972. The owner, Mr. Kian Wah Thum, is a Hong-Kong Chinese with British nationality. The company officially employs 1,500 workers but actually employs 1,300. 90% of the workers are female and 10% are male. The company divides its production into two factories. The first factory (its old factory) deals with sewing, dyeing and sterilizing. The second factory (ISO qualified) deals with weaving, patter-cutting and pressing.

Manufacturing system

There are two factories (Old and New). Two-tier employing system is in use, namely, daily worker system and regular worker system. Daily workers receive better welfare than those hired as regular workers. Production targets are set for workers to fulfill and I.E. machine (timing machine) is used to calculate the percentage of pay or target setting. When workers try to meet targets, they can sometimes make mistakes. As a result, they are warned and thus feel under stress. Production volume by daily workers depends on how hard it is to get the work done. If it is easy work, the volume at the end of the day is high. Machinery is used in the manufacturing system, such as pattern-cutting machines. There is no work safety; no steel gloves are provided to give protection against possible danger from using the machine.

Manufacturing process starts from textile weaving to packaging ready for sales. Some raw materials are

imported. Products manufactured are t-shirts and polo-necked t-shirts. There is also a sub-contract system, delegating work such as sewing and embroidering to small or medium-sized factories. British-Thai Synthetic manufactures for many famous companies in Europe and America, such as SPRINGFILED, GANT, NIKE, MARCO POLO, OXFORD INDITEX, POLOMAN, PEAK ,TOMMY, BIDDER MAN, ZARABOY, ASHWORT, AMC, ARMY, GEAR, POLO RALPH LAUREN. There is a CODE OF CONDUCT by POLO RALPH LAUREN , GEAR FOR SPORT and TOMMY posted in the factory area.

Recruiting and hiring workers

Experienced candidates aged 18 years and over with ability to use industrial sewing machines and with Grade 4 elementary education are recruited. Candidates have to undergo a sewing test. For QC department, candidates must have secondary school education (Mathayom 6:Grade 12). After a four-month probation, the workers will be permanently hired and receive 165 baht of minimum wage per day. Employees can take business leave as entitled by law. Employees with over five years of service receive an increase of 2 baht for their daily wage. Employees receive 10 baht each as food expenses when working overtime. After they have reached their first six months of working at the factory, they will receive a living allowance of 12 baht per working day. Employees are entitled to a three-month maternity leave. For daily workers, bonus is 43 times of minimum wage while it is 25 times for regular workers.

Welfare

Transport: Buses are provided to and from Nakornchaisri, Nongkham, Tha Pra, Buddhamonthon V, Angthong Farm, Ta Sao, Wat Don, Ping, Kae Rai.

Food and Drinking water: There is a canteen with reasonably priced food (12-15 baht a dish) in the second factory and there are also food stalls outside the factory. Drinking water provided by the factory is from a cooler and from a water purifier with RO system, which pumps water up from underground into the purifier. There has not been a test to see if the purified water is harmful. It should be noted there are many factories in the area; it is possible that underground water could be contaminated if the purifying system is not competent.

Accommodation: a free dormitory is provided for both male and female workers in the second factory's compound.

Uniform: Workers under probation period wear white shirts purchased by themselves. After probation, they wear the factory's uniform which they have to buy at 80 baht for a shirt and 120 baht for a pair of trousers. A free uniform is given to workers after their first year of working at the factory.

Recreation areas: There is a lawn near the dormitory but employees are not allowed to use it. There have been sporting events organized in the past.

Social security: Employees pay by themselves for the first three months of employment.

Medical treatment: There is no good first-aid system. The first-aid room is in such a bad condition that it cannot accommodate workers if they fall sick while working.

Health and Environment

At present the workers have to endure chemical odours, fumes, toilet smells, food odours. Chemical and toilet odours are sometimes so heavy that some workers could not bear them and fainted. The factory uses a drawn-in air-conditioning system (normally used in a chicken-run) which is not suitable because there are several industries in the area and the air-conditioner draws every odor into the factory. Fire exit is open only when there are visitors.

Post-production waste is sold and money obtained from that is paid as bonus to the workers every 6 months.

Right and freedom in forming a union

A trade union was established in 1989. Labor relations with the union are not good. Demands and negotiations forwarded by the union have encountered difficulties.

The British-Thai Syn trade union is a registered union with a two-year term of office for a committee. Activities are arranged for its members but there are difficulties in timing; most of its members are married with children. The union also stages activities with the Om Noi-Om Yai labour groups and Friends of Women Foundation.

During 1997-1998 economic downfall, the employer and the consultant claimed they had cash flow problems and no orders from abroad. They told some workers to stop working without posting an advance notice. When the workers arrived and there was no work, they were told to return home. Some workers were told to take leave for months. During this temporary work stop, the factory still recruited and

discrimination was practiced by supervisors. The employer said this temporary work stop was allowed by the law—clause 75— that the employer is entitled to order the employees to stop working for the benefit of the employer and the employees were paid not less than 50% of the daily wage. This action of the employer was to pressurize the employees to finally resign by reducing their working days and income that did not cover their daily expenses.

Worker's family life

Workers in this factory are from Nakorn Pathom, Samut Sakorn, Bangkok and the suburbs. Some are from other provinces. Some marry and start families locally. Single workers live in dormitories or rented accommodation nearby.

Workers who come from other provinces have to remit money to support their parents and some have to send money back home to redeem their lands.

TUW Textile Company Ltd.

There are two factories at TUW, and the trade union's committee members are in both factories, which results in misunderstandings between both committees. We do not consider this a big problem because our foundation has a good relationship with both committees.

Profile of TUW

TUW factory is a joint venture between RiKi Corporation and Parfun Co. Ltd. which are in Japan. Products manufactured here are t-shirts, men's underwear (vests, pyjama shorts), women's underwear.

Production process includes textile-weaving, dyeing, pattern-cutting, sewing, labeling, to packaging before exporting the products to Japan and Europe.

Brands manufactured for are: Nike , Puma , Jockey , Charey , Jaspal ,Unic, Renown, Wacoal, Tommy, Uny, Ogiwara, Okamoto, Fujibo, Teberi, Silver ox etc. (Code of Conduct by NIKE is posted in the factory compound)

There is a sub-contracting system. The factory forwards work to sub-contractors and also sub-contracts work from outside to manufacture in the factory. In-depth information on TUW will be collected in November (the same period as with British-Thai Syn).

Research Findings

Types of subcontracting

1. Workers and supervisors are subcontracted to finish certain procedures and receive payment according to the amount of pieces they do. This type of sub-contracting is usually done after work in the evening or on weekends.
2. Supervisors act as agents distributing work to others. These workers manufacturing parts of goods will not receive the same amount of income and benefit as prescribed by law and cannot form a union.
3. An agent subcontracts the whole procedures of production (including raw material) and distributes the work to a small company. The company which the agent subcontracts from does not have the responsibility of paying wages and welfare.
4. Owner opens a new company within the same factory and recruits workers to work in the production department. Workers receive the same amount of pay and welfare as other existing workers. This type of subcontracting creates conflicts in labour union as committee and members work in both factories.
5. Owner lets another enterprise hires workers to work in the production department but they are not considered employees of the main company and it is a short-term employment. These workers work during the night shifts and receive less wages than those employed by the main company. They cannot become members and join activities of the union.
6. The associate company subcontracts the whole production and machinery, raw materials, wages, and welfare are paid by its mother company. This type of subcontracting is aimed to reduce production cost as associate factory or company is located upcountry and wages are lower than that in the city, and labour union is not established.

Main reasons why companies choose subcontracting system to manufacture goods

1. They want to reduce the negotiation power of a labour union or demolish the network of labour union, as it is difficult for workers in the system to form a union.
2. They want to move the manufacturing base upcountry to avoid labour laws and tax regulation. Most of the factories located in the provinces are free of labour union.

3. To reduce production cost as they do not bear the wages and welfare. There is no employment contract either so employers are free to stop hiring whenever they like.
4. Employers believe workers in subcontracting system are submissive and easy to control. Workers are always taken advantage of.

Workers in sub-contracting system can be categorized into two types

First type: Local people are usually found in factories that have moved the manufacturing base from the city

Second type: Workers come from different parts of the country and become friends later as they work in the same factory

Problems of workers in main factories where subcontracting of production is practised

1. Some of these workers feel that workers in subcontracting system take away some of their work and decrease their income as their overtime payment is reduced. This is a major problem causing dissatisfaction among some groups of workers in the main factory.
2. They fear of losing their employment as employer moves the manufacturing base to the province
3. Workers are under pressure brought about by the employer; such as being moved to a department where they are not skilled for and they later can't bear the workload, so they resign and the employer doesn't have to pay compensation.
4. They try to work harder to reach production targets to show that employer needs no subcontracting. Workers get sick easily from overworking.
5. Work sent to be finished outside often comes back with lower standards. Mending is needed and done by workers in the main factory.
6. Supervisors in the main factory have to go out to train workers in subcontracting system, usually in the province. They have to be away from their families for at least 3-4 months and live in an unfamiliar environment.
7. It is impossible to get the workers in the subcontracting system to be members of the labour union although they have the same employer.
8. Their power to negotiate is reduced as they fear that it will affect their employment, since the employer may subcontract more or stop hiring them and close down the factory.

Problems of workers in sub-contracting system of production

1. Work environment is poor. Inspection by labour officials is hardly possible. In some factories workers work and sleep in the same area. Ventilation is poor.
2. Workers' wages and Overtime payment is lower than those in the main company or even less than prescribed by law. This is because the employer wants to reduce cost and workers are not educated about labour law so they are easily taken advantage of.
3. Welfare and benefits are limited or non-existent, such as transport, living allowance, bonus, etc.
4. Workers cannot be members of a union or join union's activities. Thus, they can't demand changes in their employment term with employers.
5. Workers face insecure employment, as there is no employment contract.
6. They are constantly under pressure as they are threatened by the employers that if they can't work, they have to resign.
7. Supervisors are on the same side with employers and always look for mistakes. If workers dissatisfy the supervisor, they have to resign without receiving any compensation even though their service years are long.

Research Findings

1. The subcontracting system in production in the target groups studied are mostly factories which manufacture for export and for brand names like Nike, Next, Adidas, Reebok, Polo, Gear, etc.
2. Most employers choose to use subcontracting system to reduce production cost, to avoid following labour laws and to demolish labour union.
3. Workers in subcontracting system and workers in the main factories face the same serious problems
4. Employers in the subcontracting system have to bear the expenses. Some bear all expenses and some bear only part of the expenses. No employers are free from this responsibility.
5. As a result of increased subcontracting, the employers have more negotiation power with the union.
6. There is an increasing trend of subcontracting the work and moving the manufacturing base. There is a possibility that short-term employment in the subcontracting system will be on the rise in the future.

Future steps

1. To organize fieldwork and exchange of experience among workers in the factory and workers in subcontracting system
2. To build a network in the three targeted factories to follow up on the subcontracting system situation and bring the neighbouring factories to be their supporting group in their work.
3. To form a group of workers to strengthen the work of the labour union.
4. To educate workers in the subcontracting system about their labour rights, the subcontracting system of production of goods and labour unions.
5. To publish the research in order to follow up on the present situation, to analyse the future trend of problems and work together to find solutions.

Garment Industry Supply Chains and Women Workers in the Guangdong Province China

Hong Kong Christian Industrial Committee

The Research Problem

This research started off with the following questions.

- (1) Do we have home workers in the export-oriented garment production in Guangdong province of mainland China?
- (2) How is the supply chain of export-oriented garment production organized in Guangdong province?

These questions lead to more questions:

- At what phase in the process of garment industrialization in Guangdong province did home workers play a critical role? At what stage were they not needed? What does it tell about the industrialization, the capitalization and production model of the garment industry in Guangdong province?
- If home workers are not needed in the garment industry in Guangdong province, what does it reveal about the labor market conditions in the China as the economy transitions?
- workers in the garment industry in Guangdong province as reflected in the case studies?

2.1 What is the role played by the Hong Kong garment enterprises in the global supply chain?

2.2 What was the impact of production quota and factory relocation on the garment industry and workers in Hong Kong?

2.3 How is the garment industry organized in mainland China and Guangdong province? How does the Chinese garment industry view the MFA phase-out and China's entering the WTO?

2.4 What do the case studies show about the strategies of Hong Kong garment manufacturers in view of the MFA phase-out and China's entering the WTO?

Garment Industry in Guangdong Province and the Role of Hong Kong Manufacturers

Export-Oriented Economy - the Pearl River Delta area of Guangdong province

- The first Special Economic Zone of mainland China was established under the Open Door Policy in 1979 in Shenzhen, the border town of Hong Kong in Guangdong province. From then onwards, Hong Kong capital sought an escape in the Pearl River Delta of Guangdong province as a result of the high production costs in Hong Kong.
- Diversified forms of investment and capital ownerships are co-existing in mainland China after the implementation of the open door policy. Besides State Owned Enterprises, private enterprises of different extent are found. These include the Contracting Enterprises², Joint Ventures, Foreign Enterprises, local-owned Private Enterprises etc.
- Concessions eg land lease, tax holidays, tariff and free import of materials are extended to foreign investments.
- Because of historical reasons, Guangdong province is an export-oriented economy and has low concentration of state owned enterprises as compared to other industrial cities in China.

	Gross industrial output (RMBbn)	Share of SOE	Share of Foreign enterprises	Others
Guangdong	1403.5 (US\$116.95)	5.1%	62.2%	32.7%

Building an Export Oriented Economy in the Pearl River Delta (PRD)

- The Pearl River Delta on the mainland alone has absorbed China's largest share of Foreign Direct Investment (FDI). From 1995 to 2001, the cumulative actual FDI of the Pearl River Delta amounted to US\$72 billion, i.e. 24% of the national total.
- In 2001, the Pearl River Delta accounted for 34% of China's total exports.
- In 2001, 57% of Pearl River Delta's exports were made by foreign-invested enterprises.
- The Pearl River Delta's GDP reached US\$101

² Or the "San-Lai-Yi-Bu" industries meaning the foreign investors supply materials, design etc, the mainland facilities do the processing or sell the finished products to the foreign investors

billion and accounted for 8.7% of China's GDP in 2001. The combined GDP of Hong Kong and the Pearl River Delta, at about US\$265 billion in 2001, was greater than that of any other region in the Chinese mainland, and equivalent to that of Switzerland.

- Major industrial cities in the Pearl River Delta are Guangzhou, Shenzhen, Dongguan, Foshan, Zhuhai, Zhongshan, Huizhou,

The Role of Hong Kong Manufacturers in the Pearl River Delta

- Hong Kong is the leading investor in the region. 93% of Hong Kong manufacturers have production facilities in the Pearl River Delta.
- 60,000 factories in Guangdong are Hong Kong investment or produce for Hong Kong companies
- over 70% of Guangdong's total foreign investment comes from Hong Kong
- 83% of Hong Kong traders source from Guangdong.
- According to a recent study by the Federation of Hong Kong Industries, it was estimated that the number of workers employed directly or indirectly for manufacturing activities of Hong Kong manufacturing and trading firms reached 10 million in the Guangdong province.
- Hong Kong has moved up the in the value chain and performed the functions of product research, design, logistics and marketing. Hong Kong manufacturers help foreign companies to source, manufacture and manage their production in China thereby reducing the management risk of foreign investors

Snapshot of the Garment Industry in China

- After 1945, the Open Door Policy, the garment industry was founded in state-owned enterprises.
- In 1979 the Open Door Policy was implemented.
- In 1979, the Sino-US diplomatic relationship was resumed. Chinese textile and garment products enjoyed the Most Favored Nation Treatment. The Chinese garment industry was opened to private ownership, foreign investment and export.
- Benefiting from Hong Kong investment, the garment industry in Guangdong province grew quickly. 1979 to 1982 saw fast growth of Chinese garment export to the US.
- In September 1980, the first Textile Product Trade Agreement (1980-1982) was signed. The US

started to impose export quota to Chinese products unilaterally.

- In 1983 the Communist practice of garment rationing was abolished thus officially marking the growth of private garment enterprises.
- The second Textile Product Trade Agreement was signed between China and the US in 1983. The second agreement was effective from 1983 to 1987. The quota on China was elevated to equal that on Hong Kong, Taiwan and South Korea.
- January 1984, China signed the MFA. Import of textile and garment related materials to China were subject to tariff. Local enterprises had to apply export quota from the government.
- Composition of the garment industry in China: (1) State-owned garment enterprises; (2) Public ownership garment enterprises; (3) Local capital private garment enterprises; (4) Joint Ventures; (5) Foreign investment enterprises.
- to (3) are mostly local market oriented; (3) and (4) are mainly export oriented.

The Garment industry in Guangdong province

Comparison of major textile and garment production areas

Guangdong exports of garments: US\$7698mn in value which is 25.6% of China's total export (2001)

Textile output in 2001 (in RMB bn)

Guangdong province	RMB58.3 or US\$7.47bn
Shanghai city	RMB25.5bn or US\$3.3bn
Jiangsu province	RMB135bn or US\$17.3bn
Zhejiang province	RMB107.3bn or US\$13.8bn

Textile and garment products in 2001 (in RMB bn)

Guangdong province	RMB60.2 or US\$7.7bn
Shanghai city	RMB25.6bn or US\$3.3bn
Jiangsu province	RMB51.4bn or US\$6.6bn
Zhejiang province	RMB50.5bn or US\$6.5bn

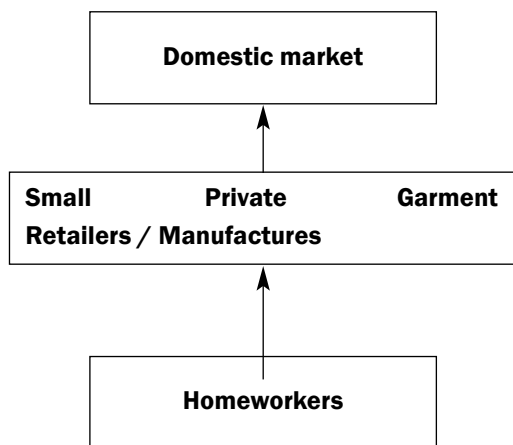
Clothing and accessories in Dongguan City (Guangdong province)

- Dongguan is an important production base of light industries in Guangdong province. The export value of the garment production in Dongguan in 2001 was US\$1391mn, 14.1% of Guangdong province's total and 4.6% of China's total.
- 92.8% of Dongguan's textile and garment production was owned by foreign companies (2001)

- 7000 clothing manufacturers found in Dongguan are located mainly in Humen Town (woven clothing, over 1000 factories), Dalang (knit wear), Changping Town, Changan Town (woven clothing) and Houjie Town.
- The yarns and fabric supply is relying on imports from Japan, S Korea and Taiwan.

Three types of garment production chains found in Guangdong province

Chain A: Garment supply chain supplying to the domestic market



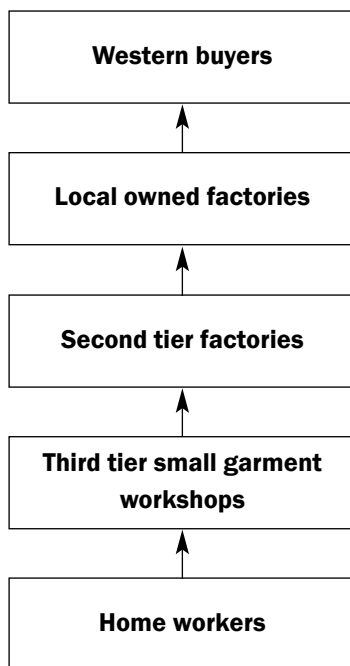
Private garment retailers/manufacturers

- This chain supplies to the domestic market in Guangdong province.
- We start off with the homeworkers in a city in Guangdong province. They are middle-aged married women of local origin. They get orders from a small garment store owner in the neighbourhood.
- The garment store owner/manufacture produces and sells the garments in the local market. The owner copies various styles, buys the materials from the wholesale market in Town A, cuts them at home and distributes to the homeworkers for sewing. The finished products are collected and the store owner whole-sells them in the Town A Garment Wholesale Market.
- Sometimes the wholesalers will also place orders with these individual garment store owners/manufacturers. The store owner/manufacture will also manufacture according to the designs and orders placed by buyers in the wholesale market.
- This chain produces low-priced and low-quality products that sell at RMB10-15 (US\$0.83 - US\$1.25) in the local market.

Home workers

- Most of the home workers are middle-aged married women living in the neighbourhood. Some of them have worked as formal workers in factories before. They become home workers when they have delivered babies or when they have to take care of the children and family.
- Home workers receive orders from the private garment retailer/manufacture. Their supplying relationship is built on personal relationship.
- Home workers go to the private store owners/manufacturers to get the cut materials to sew at home.
- They are paid by piece rate. A home worker can finish 20-30 pieces a day. For a pair of trousers that sells at RMB10-15 (US\$0.83 - US\$1.25), the home workers get RMB0.9-1 (US\$0.075-US\$0.083). They earn about RMB800-900 (US\$66.66-US\$75) a month when orders are abundant. But the orders are not stable and their income in the low season drops to RMB200-300 (US\$16.66-US\$25). The store owner usually asks for a month's salary from the home workers as down payment.
- The home workers have one chief "buyer". They will supply to more "buyers" in time of the low season.
- The "buyer" has a supply pool of home workers. The "buyer" (store owner/manufacture) controls the supplying relationships with the home workers by the way he/she distributes the orders.
- "Good" suppliers - meaning home workers that deliver in time, has no reject work or no need to rework etc - are rewarded by placing better-priced products or more orders with them.
- Home workers buy the sewing machines, threads and pays for the electricity.
- They work flexible hours and have to work long hours on their own to deliver the goods on time. On-time delivery is a critical factor in maintaining supplying relations. They would be fined if they have late delivery.
- Other family members help.
- The three interviewed home workers have worked for 4 and 5 years in the chain. Details of the interview are found in Appendix I.

Chain B: Woven Garment Supply Chain for export in Town B, Dongguan City



- This chain is found in a town in Dongguan City of Guangdong province. The chain supplies woven woolen products for export.
- Home workers are needed in certain production process. The factory employer does not want to employ formal workers to do the labor intensive processes that cannot be mechanized such as trimming or making knots. The chain might be supplying to second line western brand name companies that might not have strict labor rights compliance program. Finding information is difficult in this chain because the players are in keen competition.
- Woven woolen products are the chief form of textile and clothing products found in Town A. A lot of the local origin people start off their garment business by setting up small local workshops or factories producing woven garments. They start off by getting subcontracting orders from small sized local workshops and factories and gradually move up the chain to get orders from larger factories or foreign investment enterprises. Home workers are used.
- Home workers get sewn or assembled woolen garments from a contractor. The contractor has connections with local factories that want to contract out labor intensive and hand-making processes such as trimming.

- The contractor then distributes the orders to a bunch of local home workers. The home workers can work at the contractor's place (like a small workshop with a few sewing machines) or at home. The contractor would go to the home workers and collect the finished products. The contractor would have 40-day salary from the home workers as down payment.
- The home workers can earn about RMB30-40 (US\$2.50-US\$3.33) if they are quick.
- They only know that the products are for export but do not know the labels or the western buyers up the chain.
- The interviewed home workers find working at home freer than working in the factories. They can determine the work and leisure time. They finish the job on their own and that avoids fights between workers over better-priced jobs as in the factory. Factories would press down the unit price when the workers work too fast. That does not happen with working at home. They feel that they have more control over their work and that the pressure is less intense.
- The relationship between the contractor(s) and the home workers is built on personal relationships.
- The pre-requisite for working as a home worker: has good personal connection with the contractors, prompt and on time delivery, good quality.

Chain C: Supply Chain with One-Stop-Shopping Trans-National Manufacturers

Case Study One: The Supply Chain of Crystal Group

- Clients include: GAP * Old Navy * Eddie Bauer * Next * Marks & Spenser * St John's Bay * Arizona * Tommy Hilfiger * Abercrombie & Fitch * Structure * Zara * Sonoma * Land's Ends * Canyon River Blues * Ann Taylor * The Limited * Espirit * Champion Products * Express * St Michael * Van Mini * TopValu * Tesco * Guess * Crossroads * UNY * New Concept of Broner * Gymboree * Hugo Boss * Polo * Moda International * Sprockets * Farmock * Crazy Horse * Village Sport * Niki Taylor * Crossroads * Polo * Haggar * Village Sport * SFW * Celio * Photo * George * Fast Retailing * Mast Industries (Far East) Ltd * Land' End

Crystal Group's Own Marketing Companies
(Woods & Gray Ltd, American Clothing Inc., Crystal Dallas Marketing Inc.)

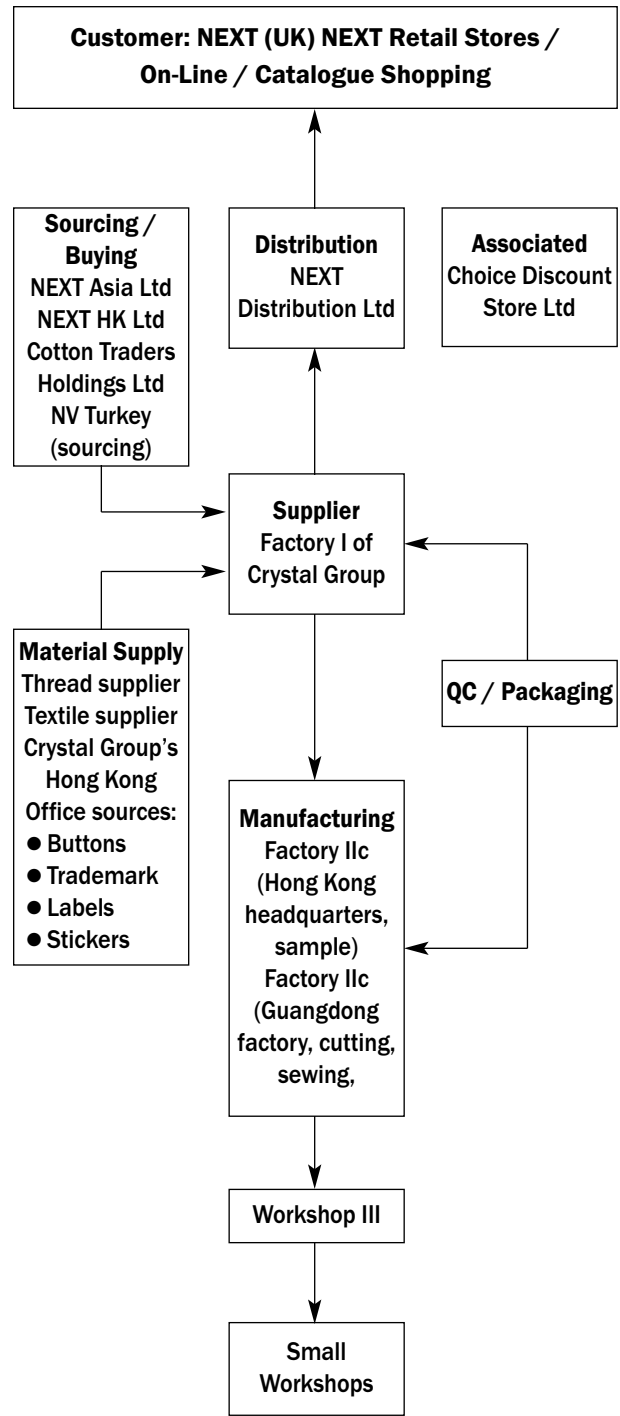
Elegance Industrial Co Ltd³

Crystal Group⁴

Own sourcing houses
(eg. Silvergrand sourcing in Sri Lanka)

Self-Owned Facilities	Self-Owned and Associated Facilities	
CP Cima ⁵	Cambodia	
CP Cima Jing Jian ⁶	Sri Lanka (Crystal Sweater, Sinotex Lanka Ltd, Concord [women division])	
Jingli App Ltd ⁷	Thailand	
Jing Yi Knitted ⁸	Mongolia (United Apparel)	
	Mauritius (Kentex Garments) (Sinotex Mauritius Ltd)	
	Malaysia (Palace Garment Mfg) Factory I ⁹	
Factory IIa	Factory IIb	Factory IIc ¹⁰
Factory IId	Factory IIe	Factory IIf
	Workshop III	
	Smaller garment workshops	

The Supply chain of Crystal Group and NEXT



³ See more company information on Elegance Industrial Co Ltd in the other page
⁴ Crystal Group is the garment manufacturing company and Elegance is the trading company that receives orders
⁵ Chang Ping Town, Dongguan City, Guangdong province, China. Owned by Elegance Ind Co Ltd. Founded in 1997. 500,000 sq ft. Produces infants, polo, rubyshirts, sweatshirts, loungewear, sleepwear, underwear, jumpers, dressers, skirts. 200,000 dozen / month.
⁶ Chang Ping Town, Dongguan City, Guangdong province, China. Owned by Elegance Ind Co Ltd. Founded in 2000. 200,000 sq ft. Produces infants, bodyshuits, polo, subyshirts, sweatshirts, loungewear, sleepwear, innerwear. 200,000 dozen / month.
⁷ At Jian Tan Town, Jiangsu province. Owned by Elegance Ind Co Ltd. Founded in 2000. 150,000 sq ft. Shorts, trunks, vests and jackets, sleepwear, boxers, loungewear, short-all, inantwear, pants. 40,000 dozen / month.
⁸ Jing Yi Knitted Garment Co Ltd. Chang An Town, Dongguan City, Guangdong province. Owned by Elegance Ind Co Ltd. Founded in 2000. 80,000 sq ft. Produces mens, ladies, children knit top and bottom. 12,000 dozen / month.
⁹ Factory I is one of the subsidiary plants of Crystal Group in Guangdong province. We use I to mark the first tier sub-contracting. It follows that II marks second tier sub-contracting and so on. Orders from the western buyers are directly placed with Crystal Group and its subsidiary plants.
¹⁰ Our research in the beginning starts with Factory IIc which gets sub-contracting orders from Factory I and delivers further to other small workshops

Description of Next's Chain

- Garment retailer (store/catalog/on-line/TV interactive shopping) and garment brand name in the UK.
- Designers present ideas to the Buyers. Determine the "rang direction" and a development timetable.
- Merchandisers present previous seasons' sales figures to Designers and Buyers.
- Pick a supplier.
- Designers put a design pack to the supplier and the supplier produces a sample for approval of the style.
- Approve the style. Buyers negotiate a cost price for production.
- Technologists and Buyers approve the sample.
- Pre-selection meeting with suppliers on approved samples.
- Merchandisers reserve fabric and agree production schedules with the relevant suppliers.
- Final selection meeting to show the complete range to Product Directors and Managers for approval before production.
- Merchandisers and Technologists supervise production.
- Branch Merchandisers create stock allocation targets for each style and store based on historical sales information and predicted sales for the season.
- Quality check. Distribution of stock. Monitor the actual sales and make adjustment.

First Tier sub-contractors - Factory I

- We start with **Factory IIc** in Guangdong province which is the sub-contractor of one of the subsidiaries of Crystal Group in Guangdong province. We call this subsidiary plant of Crystal Group **Factory I**. We trace vertically up the chain to Crystal Group and find that the global supply chain in this case starts with a number of western labels such as NEXT, Eddie Bauer, Fast Retailing, Land's End etc. The Hong Kong company Crystal Group is the first tier supplier to these western garment companies. Factory I of Crystal Group further sub-contracts to a number of smaller Hong Kong owned garment factories in the same province thus forming the second tier supply chain.

Second Tier - Factory IIc

- From Factory IIc we trace horizontally and locate other sub-contractors in the second tier. They include **Factory IIa, Factory IIb, Factory IId, Factory IIe and Factory IIf**. They are long term sub-contractors of Crystal Group and Crystal Group

is their biggest "customer". The second tier sub-contractors are Hong Kong owned, of 400 -1000 workers strong. Crystal Group demands that the second tier sub-contractors be the sole suppliers of Crystal Group meaning they should not sub-contract production from other buyers. Yet almost all the second tier sub-contractors have more than one customer.

- Crystal Group lays the design and places orders with the second tier suppliers. Crystal Group appoints the material suppliers. The second tier sub-contractors produce the sample, do the CMT and packaging. Crystal Group does the quality check and the finished goods are sent to Crystal Group.
- Crystal Group has much power over her sub-contractors and demands loyalty from them. The sub-contractors are not allowed to further sub-contract Crystal Group's orders to other suppliers. This is to ensure quality control.

Third Tier - Workshop III

- Tracing down the chain to the third tier sub-contractors, we find that they are small workshops that the second tier sub-contractors such as Factory IIc sub-contracts to when the orders cannot be finished on time. Example: **Workshop III** located in a city in Guangdong province. Workshop III is 1000 worker-strong. The third tier sub-contractors are local capital, small-scale factories that are found in the neighbourhood of the second tier sub-contractor ie Factory IIc in this case.
- Because of strict control from Crystal Group over further sub-contracting, the second tier sub-contractors will further sub-contract other buyers' orders rather than Crystal Group's, except under urgent circumstances.
- The second tier suppliers may sub-contract certain processes or sub-contract certain products to the third tier suppliers.

Fourth Tier Suppliers - small garment workshops

- The third tier sub-contractor Workshop III will further sub-contract to even smaller local workshops that employ something more than ten people or to home workers. The fourth tier sub-contractors usually do not have business registration and their supplying relationship with the third tier is built on personal relationship.
- Because of tight control, Crystal Group orders

would seldom reach the fourth tier. The third tier sub-contractors would sub-contract orders from other second or third line labels eg the Hong Kong garment label U2 rather than the orders of Crystal Group to the fourth tier sub-contractors. The fourth tier sub-contractors are provided with cut materials and they do the sewing and assembly.

- Further sub-contracting to home workers in this chain is not found.

Gaps in the findings

- Profit margin at different tiers.
- Ordering and supplying relations between western buyers and Crystal Group.

Case Study Two: Luen Thai Company Ltd

Clients include:

Abercrombie, Dilliard's, DKNY, Eddie Bauer, Express Fashion, Hagger, JC Penny, Jones New York, Limited, Liz Claiborne, Polo, Nautica, Sears, Tommy, Uniqlo and others

Own Factories:

China - DGLT
 - SanMingLT
 Saipan
 Philippines
 Cambodia - LTGC
 Mexico
 UK - GJM
 Guetamala (?)
 Thailand

Divisions:

LT Textile Co
 Footwear Div
 QA + IE Div.

Affiliates:

IST
 CTSI Logistics
 HR + Compliance

Offices /

Subsidiaries:

HK - LT Int Gp Ltd
 LT Garments
 US - Wooliston App
 DDS App

¹¹ Dongguan Luen Thai. Currently undergoing expansion, see Info on Luen Thai. Produces for Uniqlo mainly.

¹² Luen Thai Textile Company is a self owned textile sourcing and manufacturing company in China. Not sure about whether the company has its own facility or which part of China is the company located. Luen Thai Textile has a laboratory in Hong Kong to do the sampling and testing.

¹³ Based in the Philippines, Integrated Solution Technology provides IT solutions to customers for one-stop business and shopping. See Info on Luen Thai.

¹⁴ Luen Thai International Group Limited is an office based in Hong Kong to do R&D and sampling.

¹⁵ Footwear division located in Quanzhou. The division is currently developing a shipment notice system for customers such as Adidas. Luen Thai also has footwear factories in Fujian province.

¹⁶ Based in the Philippines, CTSI Logistics develops IT programs that allow helps customers to manage the supply chain, manage inventory and track the shipment of goods. See Info on Luen Thai.

¹⁷ Luen Thai Garments is an offic based in Hong Kong to provide customer service on production matters.

¹⁸ 3 factories in CNMI or Saipan: Concorde Garment Manufacturing, Trans-Asia Garment Forte Corporation and Global Manufacturing Inc. Products bear the Made in the USA label.

¹⁹ Wooliston Apparel Inc is based in New Jersey that handles pricing, billing and merchandizing for customers and partner companies in the US. Wooliston provides in-house printing to print packages upon customer request. Wooliston also supplies the Hong Kong offices and Luen Thai factories with art file, ink formula and other printing services.

²⁰ 2 factories in the Philippines: Clark Field and one at Tarlac.

²¹ DDS Apparel is based in New York focussing on chain management for Ralph Polo Lauren and other US customers.

²² Luen Thai Garment in Cambodia. Had seen a lot of labor strikes but recently passed the US led WRAP auditing.

²³ The Philippines Headquarters takes up Human Rights and Compliance issues, provides training and corporate communications.

²⁴ Luen Thai acquired the UK company Glynn + Jacquelyn Manson. GJM is a sales and sourcing company that focuses on sleepwear and loungewear items. GJM has offices in the UK and the US as well as sourcing offices in the US, Hong Kong, China and Sri Lanka. The acquisition allows Luen Thai to access GJM facilities.

2.1 The Supply Chain of Luen Thai and Uniqlo

Luen Thai is a Hong Kong owned trans-national garment manufacturer. Most of the production is accomplished within the Luen Thai subsidiary factories. The number of sub-contracting level is limited.

Luen Thai is developing from a mere garment maker to a "total apparel manufacturing and logistic service provider".

Fast Retailing operates Uniqlo shops/Catalog Shopping. It also has Production and marketing

Division between internal migrant workers and Guangdong-origin workers

Internal Migrant Workers	Guangdong-Origin Workers
- Unmarried young women, aged from 16 to 30.	- Middle aged married women that have children and family to take care of.
- Coming from distant provinces and rural villages in provinces outside Guangdong province	- Stay in towns and cities in Guangdong province
- Stay in the factory dormitory	- Stay at home outside the dormitory
- Migrant worker characteristics - willing to work long overtime	- Family reasons - do not want too much overtime
- Temporary residence in Guangdong. Must get a job to stay in Guangdong. Not entitled to social security provision in Guangdong.	- Residence in Guangdong province. Entitled to social welfare provisions.
- Mostly work in foreign investment enterprises	More commonly found to work in local owned private enterprises or as home workers
- Highly tolerant of the labor abuses in the factory.	- Less tolerant of abuses in the factory.

Working and Pay Conditions of Factory Workers and Home Workers

	Case 1 - First Tier Supplier Factory Crystal Group	Case 2 - First Tier Supplier Factory Luen Thai Dongguan	Second Tier Sub-Contractor Factory IIc	Third Tier Sub-Contractor Workshop III	Fourth Tier and Home workers
Factory size	4000 workers	1000 workers, to be expanded to 4000	400 workers	From tens to hundreds of workers	Either work at home or at the contractor's workshop
Capital	Hong Kong	Hong Kong	Mainland capital	Mainland capital	- Self provision for machines and tools - Contractors are local origin
Capital	Export oriented	Export oriented	Export oriented	Both supply to local factories/workshops that further supply to the national market or for export	- Supply to the immediate local market - Or to the local factories that supply to the national market - Or supply to local workshops that further supply export-oriented foreign garment enterprises

companies in China, including Fast Retailing Jiangsu. It has trading companies that source materials and garments as well as providing quality control. It has contracted factories in China, Vietnam, Thailand and Japan, e.g. DG Luen Thai.

Condition of garment workers and the labor market situation of China

The above chains show a number of characteristics of garment workers in Guangdong province

Working hours	<ul style="list-style-type: none"> - At least 10-12 hours a day - Overtime (OT) is compulsory - 1-2 days off in a month in the low season - Dismissed in the low season 	<ul style="list-style-type: none"> 10-12 hours a day in two shifts - One day off in a week when less orders are placed. No day off in a month in peak season. 	<ul style="list-style-type: none"> 12 hours in two shifts a day - OT compulsory - No day off in the peak season - Dismissed in the low season 	<ul style="list-style-type: none"> - 10-12 hours a day in peak time - No work in low time 	<ul style="list-style-type: none"> - Flexible depending on the requirement of the contractors
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	Case 1 - First Tier Supplier Factory Crystal Group	Case 2 - First Tier Supplier Factory Luen Thai Dongguan	Second Tier Sub-Contractor Factory Ilc	Third Tier Sub-Contractor Workshop III	Fourth Tier and Home workers
Wages	<ul style="list-style-type: none"> - Rmb 700-1000 (\$58 - \$83) Piece rate No other form of subsidy - Minimum wage 	<ul style="list-style-type: none"> - Mixed time and piece rate - Bonus for exceeding the production quota to stimulate productivity - Rmb1000 (US\$83.33) in peak season. Up to rmb2000 (US\$166.66) a month for skilled workers in peak season - Minimum wage is paid in low season 	<ul style="list-style-type: none"> - Rmb500 - 1000 (\$41 - \$83) a month for skilled workers in peak season - Rmb300 a month in low season. - No minimum wage or subsidy in low season. Big fluctuation in income and orders in high and low season - Piece rate - No subsidy - Always delay paying wages up to 2-3 months 	<ul style="list-style-type: none"> - Rmb 500-800 (\$41 - \$66) a month for skilled workers in peak time - Rmb200-300 (\$16 - \$35) in low time - No legal minimum wage or subsidy in low season - Piece rate 	<ul style="list-style-type: none"> - Piece rate - Depending on the unit price set by the contractor - Rmb800-900 (\$66 - \$75) a month in peak time - Rmb 200-300 (\$16 - \$35) in low time - No stable income
Social security	Part of the workforce has legal social security provision	Part of the workforce has legal social security provision	Not any form of insurance or social security provision	Nil	No provision
Lodging	8 people stay in one dormitory room	8-10 workers in one dormitory room with hot water, air conditioning and toilet facilities	<ul style="list-style-type: none"> - 10 people stay in one dormitory room - Poor dormitory conditions 	Workers stay in dormitories or stay outside or at home	Stay at home

	Case 1 - First Tier Supplier Factory Crystal Group	Case 2 - First Tier Supplier Factory Luen Thai Dongguan	Second Tier Sub-Contractor Factory Ilc	Third Tier Sub-Contractor Workshop III	Fourth Tier and Home workers
Food	Workers pay to eat at the factory canteen at rmb2.5- 4 (US\$0.20- o.40) per meal	Workers pay to eat at canteen	Workers pay to eat at canteen	Workers pay to eat at canteen	Self provision
Management	- Down payment is paid - Penalty for violating factory rules	- Low efficiency workers have to pay dormitory fee - Skilled workers can apply or appointed to go to work in factories in Saipan. Wage guarantee US\$400 a month.			Supplying/ Working relationship depends on personal relationship
Workforce	- 20-30 of age - 70% women - Internal migrant workers	- 18-28 of age - >60% women - Internal migrant workers	- 20-30 of age - 95% women - Internal migrant workers		- 30 above - Married women with children - Local origin

Some notes on the table above:

- Home workers are found in chains that supply to the domestic market or chains that supply to less famous western buyers.
- In the export-oriented garment sector that is highly competitive (in price, delivery time and compliance) home workers may not be an advantage. The major reason is that the abundant supply of internal migrant workers as well as the characteristics of migrant workers make them resemble "secondary workers" in the labor market. The labor standards are always undermined. They receive no legal minimum wage and OT compensation. They work long hours, have no legal social security provisions, no contract and can be dumped at any time in the low season. Their migratory character makes their labor as "flexible" and unprotected as the home workers.
- No independent unionizing is allowed at all supplying level.

Strategies of Hong Kong Garment Manufacturers in Face of MFA Phase-Out and China's Entering the WTO

Target the burgeoning Chinese market

- Identify the uplift of restriction in China on material import/supply and distribution as advantages. Develop sales and distribution network in the national market. Target the middle class consumers in cities. Product range: middle-priced products, develop Hong Kong or local labels.
- Move from OEM to ODM.

Export-oriented companies

- (1) Consolidation
 - Big suppliers consolidate their material supply network.
 - Greater vertical consolidation from material sourcing to manufacturing and post-manufacturing service provision to customers. Provide one-stop shopping to overseas customers.

- Crystal Group builds subsidiary factories both in China and overseas. Develops a group of stable second tier suppliers in China.
- Luen Thai expands subsidiary factories both in China and overseas. Little sub-contracting in China factories.

(2) Increase value addedness for stronger base garment enterprises

- Identify quick response, flexibility and increasing demand for logistic services from customers as key to competitiveness.
- Luen Thai - "towards total apparel manufacturing and logistics service provider"
- Luen Thai subsidiaries - LST and CSTI Logistics develop chain management programs, shipment tracking programs, inventory control programs to customers.
- Develop logistics and distribution centers near the export market. Example: Luen Thai and Crystal Group have subsidiaries in the US and UK to provide chain management services, delivery and inventory control for customers.

(3) Move to where labor is cheap or where quotas go.

(4) Lobby the Hong Kong government

- Establish an international fashion center in Hong Kong
- Develop Hong Kong as garment design center
- Organize annual international trade show
- Lobby for import of foreign workers in Hong Kong and move some of the processes back to Hong Kong.

Appendix I

The Conditions of Home Workers in Chain A

Chain A is a short supply chain selling to the local garment market in Guangdong province. It is organized as follows:

Local garment retailers/wholesalers > Home-based manufacturer/contractor > Home workers

Situation of three garment home workers in the chain

1. Madam A

Madam A is a married woman aged 33. She comes from an economically and geographically marginal town in Guangdong province. She has been working as a garment home worker for four years. Her "employer" is a man called Mr X living in the neighbourhood. He produces and sells garment products in the domestic market. In the Mainland China context, it is called "Ge-Ti-Hu" meaning private business²⁵. Mr X buys fabrics from the wholesale fabrics market in other cities in Guangzhou and cut them at home. He does both sewing at home as well as distributes the cut materials to home workers living in the neighbourhood like Madam A to sew at home. Mr X will then collect the finished products from the home workers and sell them to the small boutiques in the small towns nearby or the garment wholesaling market in big cities like Guangzhou. If the garment wholesalers like his products, or wants Mr X to produce certain range, the wholesalers will place orders with Mr X. Garments produced in this way and to the local market are low-priced, low-quality products that are sold at around RMB10-15 (US\$0.83-1.25).

The working conditions of Madam A:

Madam A has thought that working at home would be easier and freer. It is not. The income is not as high as she has expected. She has to pay for the sewing machine, electricity and threads. If she has bought the wrong color thread, she has to pay for it. The contractor knows how to "maintain" the stability of the home workers by the way and amount he distributes the orders. He will place less order with home workers that are "difficult", not quick enough and less skilled. Because the income of the home workers is controlled by the size of the order placed by the contractor, and it is especially so in the low season, the contractor exercises much control over them. In the peak season, the home workers have to finish a lot of orders within short period of time till after midnight. They know that if they cannot finish the orders on time, they will be penalized by getting less order from the contractor next time. The elderly and the children in the family are recruited to help out. On the other hand, the home workers dare not

²⁵ The Open Door Policy started in 1979 allows diverse forms and ownerships of businesses to co-exist. Therefore besides the State-Owned Enterprises, there are Joint Ventures, Joint Cooperations, local Private Enterprises. Within the category of Private Enterprises there are listed companies, limited companies and Ge-Ti-Hu is a general term usually referring to a wide variety of private small sized units that have business registration. They include small retailing shops, small factories, private tuition, even hawkers etc. They are distinguished from other small sized business units in that they have official business registration

ask for too many orders from the contractors that they cannot finish. They do not want to risk the trust. This contrasts with the idle situation in the low season.

Because of the pressure and the limited amount of income she can make, Madam A is looking for a job in the factory. It saves her the investment on tools and materials. There is less pressure and the working hours are more regulated. The only disadvantage is that she cannot take care of the family and the children while working in the factory.

2. Madam B

Madam B is 30 years old, born in Guangdong province. She has worked as a skilled sewing worker in the factory for 6 to 7 years. She quit her job after giving birth to her baby. She then made up her mind to work as home workers to take care of the child as well as supplementing the family income.

She got orders from Factory X and works at home. She spent RMB2000 (US\$166.66) to buy a sewing machine and other interlocking and hole making tools. For 5 years, she has been working at home. That came to a halt when her child was 6 years old and went to school. She did not really opt to work as home workers. She had to invest money on tools and maintenance, run around to get orders and she suffered from work and income instability. She has received as low as RMB100 (US\$8.33) a month. Home workers also are subject to abuses of the contractors and have to look at their "faces". They would be penalized if they make mistakes or cannot finish the orders on time. Madam B is considering going back to the factory now that her son has grown up.

3. Madam C

Madam C worked as sales in a small boutique in a city in Guangdong province. She rented a small shop and worked as the wholesaler later. Usually she bought garments from factories and wholesaled them to small retailers. She also moved on to produce garments and whole sell them. She would copy the style, buy and cut the fabrics. The cut fabrics are distributed to home workers to sew up. These home workers are of local origin, living in the city in Guangdong province. They take up home work mainly because they have children to take care of and that they want to find supplementary income. The network of home workers is quite stable. They circulate information and share the job.

Appendix II

Working Conditions of Home Workers in Chain B

Chain B is found in a manufacturing town near Dongguan City, Guangdong province. The town is famous for manufacturing woolen woven garments. The chain exports to the international market and it is structured by sub-contracting from Hong Kong owned garment factories to smaller-sized mainland factories, workshops and at the bottom of the chain, home workers. The technical requirement of woven garments is a reason for sub-contracting to home workers. This is the most difficult chain to trace as the players want to keep the sub-contracting information secret to protect their business from competition. The chain is organized as such:

Western Buyers > Hong Kong Owned Factories > (Mainland Owned Factories) > Small Workshops/Contractors > Home Workers

The following women are living in the same village in the said town. They are all working as home workers. They get orders from small factories or small workshops in the neighborhood.

(1) Madam S

Madam S is 24 years old from Guangxi province. Madam S had worked in woven garment in a town near Dongguan City of Guangdong province. The manufacturing of woven garments involves many steps that cannot be mechanized and Madam S has been a skilled worker for many years. She found that there was a lot of restriction working in the factory so she left the factory and became a home worker. She rented a small place in town and got orders from a woven garment factory nearby. The factory was a sub-contractor to other factories that were export-oriented and were larger in scale. Weaving and interlocking was done in the factory. The home workers take up other manual work such as embroidery, ironing, sewing labels etc. Madam S is responsible for hand sewing and she does not know the brand name. All she knows is that the goods are exported to Australia, Canada, Hong Kong while some are supplied to the local market in China.

Madam S finds it better working as a home worker. She worked for more than 13 hours a day in the factory and had no freedom to move around and talk to others. Now she can take rest at her will as long

as she can finish the goods on time and maintain the quality. She did not have control over her work before and the supervisors might be biased in distributing good-priced work to their own people. Madam S feels that she can have greater control over her work now. She is responsible to handle one production step and does not have to share her work with others. If the price is not good, she can reject it. She can arrange her work and rest day. In the factory, the unit price is subject to arbitrary or un-explained deductions. Madam S now negotiates the price herself and she feels that she has more control.

Madam S says that there are some prior conditions to be a home worker. The person has to know somebody from the contracting factory otherwise the contracting factory would ask for down payment. The home worker must follow the instructions and deliver on time. The home worker should prepare for about 40-days' delay in wage payment

(2) Madam T

Madam T is a 60-year-old woman living in the same village. She gets semi-finished woven garments from a small workshop nearby and work at home. Her work is to trim and make small knots. She gets RMB0.003 (US\$0.00025) for making one knot. The owner of the small workshop would come to her home to collect the finished goods and pay for her salary. The small workshop actually is a production base at home. It is also a sub-contracting home working unit which contract orders from factories. The workshop would then distribute the work to home workers like Madam T in the village. Or people can work at the small workshop. The owner of the workshop is both a home-worker and a sub-contractor.

(3) Madam U

Madam U is a house wife in the thirties. The owner of a small factory nearby would bring in semi-finished woven garment to her home and collect the finished products back to the workshop. The small factory contracts order from larger factories and distribute them to home workers to finish. Madam U would sit and work at the door steps. If she is quick she can earn RMB30 - 40 (US\$2.50-3.33) a day. Madam U knows that the garments are for export but she does not know to where or the brand name.

Appendix III

Working Conditions in Chain C

Two case studies are grouped under this type of chain. Chain C is strong structured by the one-stop-shopping trans-national manufacturers in the second tier of the chain. They have strong supplying relations with western buyers. They are large in scale and from them sprung a network of sub-contracting factories, both Hong Kong and mainland owned. It is assumed that the company codes of conduct of the western buyers are implemented with the trans-national manufacturers in the second tier but not the rest of the chain. Home working is not found.

Western Buyers > One-Stop-Shopping Trans-National Manufacturers > Hong Kong Owned Sub-Contracting Factories > Local Sub-Contracting Factories > Small Workshops

(1) Working Conditions in the Sub-Contracting Factories of Crystal Group

1.a. First Tier Sub-Contracting: Working Conditions in Factory I

- Factory I is a subsidiary belonging to the Hong Kong owned garment company, Crystal Group. The factory is located in Guangdong province.
- The factory has about 4000 workers. Most of them come from inland provinces and are around 20-30 years of age. About 70% of them are women. The majority of the workforce has primary to junior high school level of education.

Wages

- Workers at Factory I are paid by piece rate. They receive about RMB700 - 1000 (US\$58.30-83) a month on average. There is no legal wage protection meaning that they will receive nothing if there is no work to do. Overtime work is not compensated and a standard normal rate is paid. In order to earn more, workers have to work fast. The management would also dismiss workers that are slow and those that stay working are efficient and highly productive workforce. Because of that, and also because plenty of orders are placed with the factory, it looks like workers at Factory I are paid with wages higher than the legal minimum wage (RMB450 (US\$37.50) in this case). Yet they should be receiving more if wages are paid according to the legal requirement.

- Workers in Factory I work at least 12 hours a day in the peak season. Overtime work is compulsory and when there is order, no day off will be given. Workers reflect that working for 10 hours a day is the norm even in less busy seasons.
- Dormitory is provided. 8 people stay in a room of about 20 sq meters. No dormitory is provided for married couples and they have to rent flats outside. Workers pay about RMB2.5 to 4.5 (US\$0.20 - 0.35) per meal to eat at the factory canteen. The factory also provides a library and a playground for entertainment. Aside from these, no provision is provided. Only senior non-production workers enjoy social security benefits.
- The factory has strict control over the quality. Workers are fined for RMB10-50 (US\$8.30-4.16) for defects and quality problems. The penalty would not be shown on the pay record or checked by auditors. The interviewed workers find themselves working under great pressure.
- Factory I collects RMB80 (US\$6.66) from new workers for down payment. A body checkup is required for recruitment. Yet the factory does not provide any safety and health or other form of workers' training after employment.
- The interviewed workers reflect having eye strain, back strain and other ergonomics problems due to long hours of sit and work. Some workers also have skin allergy as they are under direct exposure to different raw materials and dust. In summer, cases of fainting at the work place are reported of high temperature and long working hours.

1.b. First Tier Sub-Contracting : Working Conditions at Factory Ib

- Factory Ib is another subsidiary plant of Crystal Group located in Guangdong Province. The factory mainly produces children's knitted wear. The major buyers are GAP and FR from Japan.
- Factory Ib has about 800 - 1200 workers of whom 60-70% are women. They are between 20 - 30 years of age, coming from inland provinces such as Sichuan, Hunan, Hubei etc. The majority of the workers have received primary to junior high school education.
- The factory pays workers on a mixed system of time and piece rate. Workers do not know the unit price or the exact the calculation of wages. The general income for production line workers is above the township legal minimum wage (RMB450 (US\$37.50)per month) at RMB700 -

1300 (US\$58.30 - 108.30) or even RMB1500 (US\$125) a month. Time rate workers have overtime compensation depending on the number of overtime hours while piece rate workers are paid the minimum wage plus the compensated piece rate for overtime work.

- Workers work on two shifts of about 10 hours each per day. The interviewed workers recalled that they had 1 to 2 days off a month in the peak season because the factory had a lot of order placement.
- The factory subsidizes RMB90 (US\$7.50) per worker per month for living expenses. Workers pay RMB2 (US\$0.16) for eating three meals a day at the canteen. Dormitory is provided. 8 people sleep in a room of 20 sq meters and RMB20 (US\$1.66) is charged per person for water and electricity. Yet the interviewed workers complained about the poor food quality, the inadequate supply of hot water and the bad sanitation conditions in the canteen.
- There is a library and playground inside the factory complex.
- Different kinds of safety and health problems are found. Workers in the cutting department have skin allergy because of direct contact with the fabrics and high dust level at the work place. The ventilation system is not adequate to improve the air quality. Workers in the ironing department have ergonomic problems as they stand holding the heavy iron for 10 hours a day. Despite air conditioning, the temperature in the ironing department reaches 36 to 37 degree C. Workers that are standing for 10 hours under such conditions find their feet swollen and a lot of ergonomic problems with their wrists, shoulders and knees.

1.c. Second Tier Sub-Contracting: Working Conditions in Factory IIc

- Factory IIc is a Hong Kong owned garment company located in Guangdong province. Factory IIc is one of the main suppliers for Crystal Group. Crystal Group usually sub-contracts production of Next, Eddie Bauer to this factory.
- Factory IIc has about 400 workers, 95% of whom are women. The average age ranges from 20 to 30. A large part of them are originated from the local town. The rest come from other provinces such as Hunan, Sichuan etc. Most of the workforce has received primary education while a small part of them have junior high school education level.

- Workers are paid by piece rate. The salary level varies depending on the seasonality, skills level and the technicality of work. Skilled workers receive RMB500 - 1000 (US\$41.66 - 83.33) a month in the peak season ie starting from September to January or February. Less skilled workers may receive less than a hundred RMB a month. The low season starts from March to August and the highest salary workers can get in the low season is around RMB300 (US\$25) a month. Underemployment is serious in the low season. Workers are forced to take leave as there is not enough work to do and their income level is very unstable. No subsidy is given and many workers cannot survive in the low season. Locally originated workers may find other work and those who don't, especially the migrant workers from inland provinces, they have limited job opportunities to find other jobs and have to live on meager wages till the next peak season comes. The factory always delay paying wages up to 3 months.
- Overtime work is compulsory when the factory has orders. Workers work 12 hours a day in the peak season. When there is no order, workers are told to take leave and receive no pay. The working hours is highly unstable depending on the ordering and the workers are expected to work flexibly accordingly.
- Free dormitory is provided to workers. But most of the interviewed workers reflected that the living and sanitation condition of the dormitory is very poor. Tens of people stay in one big room and the rooms are hot and stinky in summer.
- Besides the free dormitory, the factory does not provide any welfare. Nor are the workers insured according to law.
- Respiratory problems are common for workers that are in direct contact with the raw fabrics. The dust level is high and causes sneezing, coughing, sore problems and difficulty in breathing and skin allergies. No protective equipment is provided. Sewing workers have ergonomic problems such as stiffened neck, shoulders and pain in the waist.

1.d. Second Tier Sub-Contracting : Working Conditions in Factory IId

- Factory IId is a Hong Kong owned garment factory located in the east of Guangdong province. Factory IId has been supplying to Crystal Group for long time. Crystal Group usually sub-contracts the

orders of the Japanese buyer Fast Retailing to Factory IId.

- Factory IId has about 1000 workers whose age ranges between 18 to 30. About 70% of them are women, coming from inland provinces such as Hubei, Hunan, Sichuan, Guangxi etc. The majority of them has finished primary to junior high school education.
- Workers are paid at piece rate. They receive RMB600 - 900 (US\$50-75) a month in the peak season and that drops to RMB300 - 500 (US\$35-41) a month in the low season. The placement of order is not even and not stable. Workers are paid RMB0.4 (US\$0.03) per hour as overtime compensation in the peak season which is not up to the legal OT rate. When there is no work, the factory would pay RMB8 (US\$0.66) per day as subsidy to the workers. But even that does not rise up to the legal minimum wage required by law.
- The peak season starts from November to February. Workers work more than 13 hours, sometimes even overnight everyday during this time. Overtime work is compulsory. But the order placement is highly unstable. Workers would have nothing to do in the low season and their income is unstable too. Therefore whenever order is placed with the factory, no day off is given, no leave or resignation will be approved. Yet during the low season, the factory would allow workers to quit or ask part of the workforce to "take vacation" and go back to their home provinces.
- Besides providing dormitory to production line workers, the factory does not provide any other form of welfare. 12 people stay in a dormitory room of 20 sq meters. RMB15 (US\$1.25) is deducted per person per month for electricity and water. Only part of the non-production workers enjoy social security as requested by the government. The rest of the workforce does not.
- and wages is dropping. The order placement and thus their income also become more and more unstable. It is difficult to survive in the low season.
- Most of the interviewed workers complain about the long working hours and the skin allergy they have as they are in touch with the raw fabrics. Ergonomic problems are particularly serious for workers in the ironing department. During the peak season, cases of workers fainting at the work place are frequently reported.

(2) Working Conditions in the Sub-Contracting Chain of Luen Thai

2.a Dongguan Luen Thai Garment Manufacturing Corporation

- Dongguan Luen Thai is a garment subsidiary factory of Luen Thai. A footwear division is located at the same place. The garment division alone is expanding and will recruit 4000 workers in the near future.
- Dongguan Luen Thai produces for a number of famous brand names including Ralph Polo, Tomy Hilfiger, Fast Retailing/Uniqlo, Calvin Klein etc. They are exported to the US, Europe and Japan.
- The factory had around 1000 workers in July 2001. By January 2003, the size of the workforce has expanded to 4000. About 60% of them are women. The majority of the workforce is internal migrant workers from provinces such as Hunan, Sichuan, Quzhou, Henan and Guangxi. Their age ranges from 18 to 30.
- Workers are paid on a mixed time and piece rate system. Workers keep the pay records but they do not know exactly how the wages is calculated.
- To stimulate productivity, the management sets a production assessment system that measures the efficiency of workers. Workers are graded into A,B,C,D,J,T,S levels according to the time and production level. They will be awarded with bonus or penalized accordingly.
- In the example of a female knitting worker that produces lower quality garments, she is paid by time rate. Her efficiency is 40% below the standard and she has to pay RMB100 (US\$8) for lodgings as penalty. Workers whose efficiency reaches 40% or above the standard are entitled to free lodging. In November 2002, this knitting worker worked 30 days and a total of 80 overtime hours. She received RMB800 (US\$66.66).
- The other example is an assisting cutting worker. She worked 27 days and a total of 100 overtime hours in November 2002. She received RMB1000 (US\$83). According to her, overtime work is compensated according to law at 1.5 and 2 times of the normal pay rate.
- Workers work in two shifts of 10 - 12 hours each at Dongguan Luen Thai. In the peak season, workers have to work overtime except on Sunday night. A male worker in the knitting department told the researcher he had been producing Polo garments from May to September 2002. Because there was an electricity halt every Thursday, the management would ask them to work long overtime on Wednesday up to 3am or 4am of the next day. According to him the second half of the year belongs to the peak season and workers may have one or day off in the peak season. The low season starts from February to April and they may have day off on Sunday. The order placement is quite stable at this factory.
- 8 to 10 people stay in one dormitory room. The dormitory is free to workers that have reached the efficiency standard. Less efficient workers for instance workers that belong to the C,D,T grade have to pay RMB100 (US\$8.33) to stay in the dormitory. Hot water, air conditioning, fans and toilets are provided in the room.
- The factory would give a yearly 5-day leave and a 3-month maternity leave to workers that have worked for one year and above. Workers are insured according to law.
- New workers have to pass the body check and skill test before employment. Workers that have good performance may be selected and sent to work in Luen Thai' subsidiary plants in Saipan. They are guaranteed a monthly salary of US\$500 a month.
- One of the major occupational hazards is dust. Workers in the cutting department in particular are exposed to lots of dust at the work place. Masks are delivered non-regularly to workers but they do not want to wear because of inconvenience. Worker in touch with chemical paints also show allergies such as skin allergy and respiration problems. Sewing workers have sore eyes, stiffened necks and shoulders as well as other ergonomic problems due to long hours of work. Some also develop skin allergies from contact with raw fabrics. Workers in the ironing department have to stand working long hours under high temperature. They have swollen and sore feet, heat stress and other ergonomic problems.

Appendix IV

The Story of A Factory Garment Worker in Guangdong Province

Ah Wen is a pseudo name. Ah Wen has been a garment worker for nearly 10 years. She has worked as a production line worker as well as a supervisor. She leaves the industry later when she has acquired respiratory disease which she suspects is related to her work. Not working in the factory any more, she uses her savings and opens a small shop. The following is the story of Ah Wen, which is also a typical story of garment workers in mainland China.

Ah Wen was born in a rural village in a city of northern Guangdong province. Her family was poor and starting from 1983, she left home to work in garment factories in other cities. The first factory she entered was a state-owned garment factory in Guangzhou producing dolls' clothing. She was considered lucky because for a small girl of 15, coming from the village, she could become a worker in a state-owned enterprise, a respectable class in a respectable factory. Later she learned that it was not as easy as she thought. She had the first taste of local protectionism and discrimination for rural people. Guangzhou is the capital city of Guangdong province. Ah Wen, coming from a marginal city in Guangdong province, was considered a "country woman". That brought a lot of pressure to her. The income was not high. She got RMB30 (US\$2.50) a month with RMB12 (US\$1) as living allowance. She stayed in the dormitory for free. But she could not have much saving after all the essential expenditures. She could not stand the discrimination anymore and went back to the home city.

Ah Wen worked in a Hong Kong owned garment factory in the home city. There was not much foreign investment in her city and she finally got her job through a lot of "guanxi" - personal relationships. She started off with several ten RMB a month. The income kept on rising and by 1985, she received around RMB150-250 (US\$12.50-20.83) a month. But that was the reward for working more than 10 hours a day and 30 days a week. Unlike her first job, overtime work looked endless in this factory. Everybody was exhausted but nobody dared to complain about the excessive overtime work lest losing the job. The factory did not provide for dormitory and food. Ah Wen stayed with a relative and spent around RMB30 (US\$2.50) for 3 meals a day. The money she received now allowed her to save some money.

In the second half of the year of 1985, Ah Wen moved to the third factory in the same city. It was also a Hong Kong owned factory but the business was much better. The factory was in constant need for new workers and a lot of young women coming from the rural areas like Ah Wen were attracted. The factory provided dormitory and food. Workers paid RMB10 a month for lodging and RMB0.3 per meal. By 1989, workers were able to get around RMB300 - 400 (US\$25 - 33.33) a month. It was not a bad salary at that time. That's why Ah Wen and her colleagues could stand the poor working and living conditions, the absence of any legal or safety and health protection, and on top of that, the abusive attitude of the management.

While working in the garment factory, Ah Wen felt that something was wrong with her respiration. She thought it was due to fatigue and did not pay much attention. It was also difficult to ask for sick leave, so she bought medicine from the pharmacy and did not see the doctor. Her health conditions got worse and she suspected that her disease could be related to the exposure to dust at the work place. She had spent most of her savings on medicine. In the end, what she had earned was not able to pay for what she had paid for her health.

Looking back over the years that she had spent in the garment factory, Ah Wen said that there was no respect at all for production workers. They were forced to work over time in a badly ventilated work place. They worked like dogs in the peak season and when no order was placed, the management did not even pay them wages. Language abuses were common and some of the management even kept the workers' overtime compensation. When workers complained, the management was not afraid and nothing could be done with them. Ah Wen said most of the workers like her did not know that there was legal protection. The majority of them had simple wishes such as prompt delivery of wages, good business and earning a reasonable income. Ah Wen's friends in another Hong Kong owned garment factory had gone on strike for 3 months' back wages. The factory did not submit and not before long, the workers dispersed and nothing was changed.

In 1989, Ah Wen could not stand the harsh working conditions in the garment factory. By that time, the wind to go and work in Shenzhen was blowing. Ah Wen made up her mind to follow her friends to work in an

electronics factory in Shenzhen. She earned RMB200 (US\$16) a month and almost as much overtime in the new factory. The only difference was that the working conditions and the work place were much better than the garment factories. She worked for two years in Shenzhen and went back to her home to get married in 1991.

To supplement family income, Ah Wen had worked as a home worker after being married. She got semi-finished garments from the factories nearby. It was not a satisfactory way of making a living because the factory paid her low. There was no subsidy or any form of protection. The factory always found excuse to press down the price or deduce her wages. Ah Wen stopped working at home and went back to a garment factory in 1996. The experiences she had enabled her to work as a supervisor. In about 13 years' time, the number of garment factory in this small marginal home town of Ah Wen's had grown to around 60. Half of them were foreign owned, most of them Hong Kong. These factories were large in scale, employing hundreds of workers. The rest were either local owned processing factories of tens of people or local owned family workshops. They sub-contracted export orders from large factories whereas some of them produced and sold to the local market. Different from the time when Ah Wen first entered the industry, most of the factories employed migrant workers from inland provinces instead of employing local born people from Guangdong.

There were two methods of paying supervisors. Supervisors received a monthly salary of RMB800 (US\$66) and Assistant Supervisors received RMB600 (US\$50) a month. They were paid at the same rate for overtime work. The other way was paying 5% of the total income of the production workers. No overtime compensation is paid. Ah Wen was paid by the first method and received RMB 800 (US\$66) a month. Now that she became a supervisor did she know how the unit price was calculated. The management did not disclose the price lest workers compared the price and affected their production. The unit price was disclosed only when workers had labored and was about to receive their salary. Indeed some jobs were easy to accomplish and some jobs were better paid. The unit price was very low. It ranged from a few RMB to a few cents to finish a piece of garment. Ah Wen now knew that there was inequality and some supervisors did give the better paid jobs to their

friends and relatives. It was most unfair to workers coming from other provinces. They were usually assigned the most difficult, dirty and low-paid jobs.

Understanding the International Garment Subcontracting Chain in the Philippines

Philippine Resource Centre

Philippines

Introduction

International subcontracting refers to the strategy whereby multinational firms fragment the entire production process, so that the most labor-intensive phases are assigned to different countries that pay the lowest wages. International subcontracting in the garment and textile industry is widely practiced by multinational garment firms specifically brandname/label owners, manufacturing firms and big marketing outlets or distribution chains from the developed countries in Europe, the United States, Canada and Japan. They are huge enterprises operating across national boundaries, with production and service facilities outside their home bases. These firms practically control the whole global industry by dictating the terms of international trade and their control of technology and raw material sources.

These multinational firms contract garment and textile manufacturers from the third world to produce commodities or do a specific part in the production thereof. The third world subcontractor may further farm out the process to another, and yet another and so on. This creates a global production and distribution chain where, with so many levels of transactions, it becomes hard to identify the real contractor and subcontractor. Thus, the workers who manufacture the commodity are often unaware of who are the owners of the commodity produced, and the ultimate consumers unaware of who produced the commodity they buy.

The evolution of the international garment and textile subcontracting chain is a result of two inter-related factors - the multinational firms' drive for higher profit margins and the industrialized countries' goal to protect their domestic economies' from third world competition. As the cost of labor in the industrialized countries soared, garment firms who were especially vulnerable to diminishing returns due to the labor-

intensive nature of garment production were compelled to transfer production processes to countries where wages are low. However, with the introduction of better technology, low-wage third world country recipients of multinational capital investments began to gain edge in export competition. As early as the 1950s, the developing countries were already threatened by imports from the third world especially countries like Taiwan, Hong Kong and (the then rapidly developing) Japan.

Reacting to this, the US banned cotton exports. Later, it also set quotas on garment imports to protect the main end user of its textile industry. By 1975, the industrial countries collectively acted to impose limitation through quota on the quantity of garment

and textile imports entering their respective economies. This quota system called the Arrangement Regarding International Trade in Textiles, the formal title of Multi-Fiber Agreement (MFA) is periodically negotiated, and specifies exactly how much each developing country can export to participating industrialized countries. This way, they were able to consolidate their control of the international garment trade.

With their textile and garment manufacturing industries dominated by foreign capital, and their exports controlled through the MFA, third world countries were caught in the monopoly capital-dominated global subcontracting trap. The only way to maintain the growth of their exports was to shift to items not covered by the Agreement. However, through the years, more and more categories were included that even if developing countries tried to shift to non-quota items, these would soon be restricted by the MFA.

Moreover, their entrapment into the industrialized countries'-dominated global chain consequently fractured the third world economies' industrial constitution. The nascent integration of the different sectors of their economies was abruptly disjointed due to the required importation of machinery and industrial raw material inputs. In the Philippines, the production of cotton and other industrial raw materials for textile, and the corresponding development of machinery for the industry were set aside in favor of the less demanding and more cost-efficient importation of said production inputs.

Nevertheless, the MFA, while serving as a protectionism instrument of industrialized states, also served as 'stabilizer' to the continued dependence of third world states in the global chain for employment generation and source of foreign exchange. However, with the advent of the World Trade Organization and the corresponding global adoption of its 'neo-liberal economic philosophy', this 'stability' is now endangered by the impending abolition of the MFA. While industrialized states say that ending it eliminates its protectionism effects and therefore advantageous to third world exports, in reality, it pressures the latter to compete against each other in further lowering wage levels. This, in turn, ultimately redounds to higher profits of multinational firms.

Of course, without prejudice to the detrimental nature of the agreement as a form of protectionism by industrialized states, the real losers are the economies of the third world.

Origin of the Philippines' Integration into the Global Chain^{iv}

The entrapment of the Philippines into the international subcontracting chain started with the Philippines' colonization by the United States. Intending to transform the country as source of raw materials and cheap labor, as well as a market of their surplus commodities and investment frontier for their surplus capital, the US immediately established business firms in the Philippines immediately after consolidating their colonial rule. By the early 1900s, the US had already established about 40 US embroidery firms in Manila. These firms hired Filipino women and children, mostly from the countryside, to do hand embroidery stitches for dainty garments and wide linen. The entire output was exported to the United States.

By 1913, the garment export industry had become a significant sector of the local economy. It yielded an export value of PhP176,000 in that year and increased to nearly PhP7,000,000 in 1919^v. By 1931, embroidered items already ranked among the country's top ten exports. From 1941 to 1949, lingerie, ladies' and infants' wear and handkerchiefs were added to the list. The list further expanded to include subcontracted orders for gloves in 1950,

brassieres in 1955, and in later years, shirts and trousers. The orders mostly came from the United States. Subcontracting for foreign companies apart from those of the US also began.

As of 1970, almost all garment exports were subcontracted from foreign orders with 99.5 of all exported items somehow undergoing partial processing in the informal sector. (However, in succeeding years, subcontracting to the informal sector somehow declined due to retooling of local factories. It will only pick-up again from 1980 onwards). Consequently, garment manufacturing became the biggest employer among Philippine industries^{iv}. It also overtook Philippine traditional exports (mainly agricultural products like copra, fruits etc.) as the Philippine number one foreign exchange earner. Nevertheless, due to the industry's dependence on foreign technology and raw material inputs, the export values generated were not actual export earnings. Imported materials consigned to local subcontractors actually comprised almost half (46 per cent) of the total value of exports^{vii}.

Principal markets for Philippine exports are the quota countries namely the US, the European Community (EC) and Canada. The US is the biggest market accounting for more than 75 per cent of total export volume produced. The second is the EC that accounts for a little less than 10 per cent and the third is Canada. Exports to non-quota countries are insignificant and have never reached a double-digit percentage.

Importers of Philippine-made garments in said markets are multinational firms owning internationally known labels such as the Gap, Liz Claiborne, Tommy Hilfiger, Nike, Reebok, Ralph Lauren, and others. Other importers are big retail outlets or distribution chains in the US, Canada and Europe such as Macy's, Wal-Mart, Marks and Spencer, K-Mart and others.

Local retailers in non-quota countries also order export from the Philippines. Usually, such exports are unbranded when they leave the Philippines. It is the importing firms who attach their labels before selling them to their local consumers. In most cases, however, multinational corporations, through the operations of their trading arms in Hong Kong are the re-exporters of Philippine-manufactured garments to local distributors in said states.

Correspondent to the integration of the Philippine garment industry to the international subcontracting chain is the gradual evolution of foreign multinational corporations' control over the domestic manufacture of garment and textile. The first wave of foreign firms emerged in the 1950s. They consisted of embroidery firms that eliminated the then domestic cottage-industry firms. They were set-up by American and Jewish principals who, previously, were mere providers of raw materials and capital equipment to Filipino manufacturers.

Under Republic Act 3137 or the Philippine Embroidery Law, these foreign firms were allowed to import duty-free raw materials from abroad. The foreign principals actually owned and supplied the raw materials and bought the finished products. From among these pioneer investments rose the biggest garment firms in the Philippines today. They include such companies as the French MNC subsidiary Sara Lee Corp. - Philippines, and Western Gulf Industries, Philippines, which is a subsidiary of a US company.

Noting the origins of post-World War II re-industrialization of Japan and the then emerging South Korea^{viii}, former Philippine president Ferdinand Marcos acting on the demands of the IMF and the World Bank, molded the Philippine economy towards export-oriented production that relied on foreign technology and capital, as model for development. Textile and garments production enjoying tremendous global growth then was the principal industry of choice. Additional incentives were granted under the Export Incentives Act and the Investment Incentives Act. Under said laws, new investors could directly import raw materials, enjoy tax credits on import duties and double deduct from their remaining tax accountabilities expenses on promotions and shipping costs. These incentives lured the second wave of foreign firms to invest in the Philippine garment industry. They invested in droves in the early 1970s.

The third wave was enticed by even greater incentives under Presidential Decree 66 creating the EPZs (Export Processing Zones). Under this decree, firms settling in the EPZs can avail of more generous tax incentives, priority in foreign exchange allocation, duty-free importation of raw materials and tax credits on imported capital machinery. Attracted by this incentive package, and wanting to

exploit the unfulfilled quota of the Philippines under the MFA, many Asian garment firms whose exports to the US are heavily restricted flocked to the EPZs. These firms are Taiwanese, South Korean, Japanese and Chinese-owned. They are very unstable, and have the reputation of suddenly relocating to other countries especially when confronted with Trade Union struggles.

The Declining State of the Philippine Garment Industry

Clearly, the aim of catapulting the Philippines into the ranks of industrialized states through international subcontracting failed. Instead of industrializing the Philippine economy, engagement in international subcontracting resulted to the Philippine economy's entrapment in the monopoly capital-dominated global economic chain. It is now full of weaknesses and vulnerabilities.

The garment industry, being one of the most tightly integrated to the international subcontracting chain among Philippine industries is now in a state of stagnation and crisis. It chronically suffers from the vagaries of international trade.

Nevertheless, for a time, especially during its peak in the 1980's, the garment and textile industry was the most significant in the manufacturing sector of the Philippine economy. It was the biggest foreign exchange earner then. It also accounted for about 19 per cent of all registered industrial establishments in the Philippines^x. It employed about 20-25 per cent of the total industrial labor force, consistently contributed more than 20 per cent of the total of Philippine exports and between 7-11 per cent of the total industrial output of the Philippine economy^x. Worldwide, in the early 1990's, it ranked 15th (its highest ranking ever) among garment and textile exporting states.

However, by the second half of the 1990's, the industry began to decline. It lost its position as number one foreign exchange earner. As early as 1993, its growth rate already decelerated to 7.48 per cent from 14.28 per cent growth the previous year. By 1996, it experienced negative growth for the first time. Export value also declined and so with net foreign exchange earnings.

Table 3. Garments and Textile Exports Vis-à-vis Philippine Export Performance^{xi}

Year	Value (In US\$ Billion)	Growth Rate	% of Phil. Exports	LVA (In US\$ Billion)
1992	1.907	14.28	22.14	1.166
1993	2.179	7.48	20.59	1.252
1994	2.342	5.72	18.43	1.291
1995	2.476	12.88	18.28	1.458
1996	2.795	-1.47	13.34	1.453
1997	2.889	4.85	11.42	1.534
1998	2.770	-4.16	9.39	1.431
1999	2.767	-0.12	7.90	1.401

The industry, somehow, recovered in 2000. It achieved a growth of 11.5 per cent. Exports also breached the US\$3 Billion level mark for the first time.

However, it shrunk again in 2001 suffering from a negative growth of - 6.32 per cent. Correspondingly, exports also decreased to US\$2.974 Billion^{xii}. It shrunk further last year with total export receipts amounting to US\$2.8 billion. This is US\$174 million lower than the amount generated in 2001. In terms of growth, the figure translates to a shrinkage equivalent of - 5.9 per cent^{xiii}.

Even before the trend of general decline, there was already an annual descent in the ratio between the total value of exports and the net foreign exchange earned. From a high 61% net earnings from total export value realized or 61 cents net from every US\$1 earned in 1992, it decreased to just 50% or 50 cents net to every US\$1 earned on eve of the present century. This translates to an aggregate lowering of export commodity price by 11 cents in seven years.

Table 4. Comparative Ratio between Gross Export Earnings And Net Earnings of the Philippine Garment and Textile Industry in the 1990s

Year	Total Export Value (In US\$ Billion)	Net Forex Earning or LVA (In US\$ Billion)	LVA % of Export Value	Export Value & Net Forex Ratio
1992	1.907	1.166	61.14%	US\$1:0.61
1993	2.179	1.252	57.45%	1:0.57
1994	2.342	1.291	55%	1:0.55
1995	2.476	1.458	58.8%	1:0.58
1996	2.795	1.453	52%	1:0.52
1997	2.889	1.534	53%	1:0.53
1998	2.770	1.431	51.66%	1:0.52
1999	2.767	1.041	50.63%	1:0.50

This decline is caused by 2 factors. The principal factor is the annual habit of multinational buyers of depressing the value of their commodity orders. The second factor is the Philippines' increasing forced reliance on imported raw materials for the production of the commodity ordered. This is in compliance to the demand of importers who also own (or have trade, economic etc. relationship with) raw material manufacturing firms in other countries where the Philippines import its raw material inputs. This reliance naturally lowers the value-added by the Philippine economy as locally sourced raw materials (if used) would have composed a big part of the final value of the commodity.

From previous enjoyment of the privilege of being barely to able meet its quota allocation under the MFA, the Philippine garment industry is now compelled to compete by further lowering wages just to maintain its position in the global garment trade. Indications show that it is failing. Many big multinational garment manufacturers have relocated outside the Philippines.

Likewise, the Philippines has slid down from its previous 15th place among top garment and textile exporters of the world. It is losing its market share especially to China that is now swamping the international market with ever-increasing quantity of garment and textile commodities. As of 1997, the Philippines ranked number 19th though it moved up to 18th place in 1998 and 1999. Correspondingly, its percentage share of the global clothing and textile export progressively slid down. Of the US\$332 Billion global exports in 1997, the Philippines contributed a measly 0.87 per cent, in 1998, 0.83 percent, and in 1999, 0.81 per cent.

Philippine apparel and non-apparel exports' position in the US, its biggest single market has also gone down. In 1997, Philippines garment and textile exports to the US slid down to number 11 with total export value amounting to US\$1.8456 Billion, and market share of 2.88 per cent. This somewhat improved in 1998 when it ranked number 9 with US\$2.072 Billion export and 3.43 market share. In 1999, while exports to the US further increased to US\$2.1556 billion the country's rank dropped to 10th place. Total exports value and volume to the US market further slid down in both 2001 and 2002.

The Philippine GTEB admits that the main reason for the erosion of Philippine garment exports' position in the US is the shift of the US' preference in favor NAFTA countries (Mexico and Canada). Other favored countries are the

Caribbean states (Dominican Republic, El Salvador, and Honduras) and low cost suppliers including Bangladesh, India and Pakistan. Of course, this is aside from the phenomenal rise of China that now consistently rank number two in the US market (behind Mexico) since its diplomatic rapprochement with the United States.

Nevertheless, despite its progressive deterioration, the industry remains as a significant sector of the Philippine economy. It is still the number two foreign exchange earner, second only to computer parts and electronics. It also continues to attract Foreign Direct Investment. FDI net inflow from newly registered firms in 1999 is US\$4 million. Most of them were foreign equities invested in apparel and non-apparel manufacturing, and in trading firms. With these continuous investment flows, the industry continues to generate high employment. In 1998 alone, it positively contributed to the employment situation with an industry-wide total of 315,344 workers employed. This further increased by 28.5 per cent or employment of 405,265 workers in 1999.

The Philippine Garment Subcontracting Chain Structure

The Philippine garment subcontracting chain can be characterized as a low value-added (mainly cheap labor) production for re-export that depends on

foreign market, capital, raw material and technology import. It is a complex production process virtually controlled by foreign monopoly capital (US, the EC and Japan) and a few Asian tiger economies (principally Taiwan, Hong Kong, and South Korea) in connivance with a few domestic bourgeois compradors.

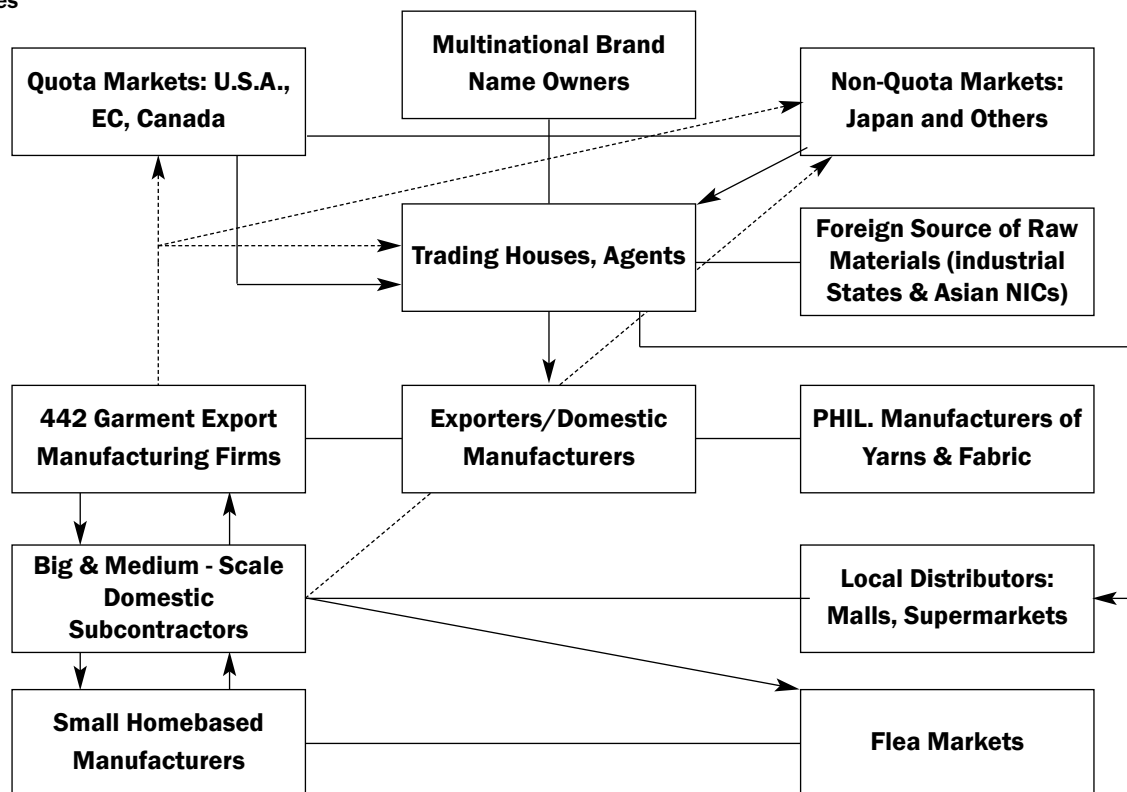
This production process stunts genuine industrial development and exploits the Filipino workers.

Structurally, the Philippine chain is a sort of triangular production and trade. At the top of the heap are:

1. The main industrial countries (US, the EC, Canada and Japan) that serve as:
 - Main markets, and
 - Providers of capital and technology (through Foreign Direct Investments or FDI) and the most essential industrial raw materials, while taking advantage of cheap domestic labor and making the Filipino consumers a market of excess production.

Specifically, they are the owners of international labels, global retailing and distribution chains, and multinational garment and textile manufacturing companies. They maintain buying houses or trading firms based in Asia or the Philippines.

Figure 1. The Production and Distribution Structure of the International Garment and Textile Subcontracting Chain in the Philippines



2. The big bourgeois compradors in the so-called Asian tiger economies (NICs) that own big manufacturing garment and textile firms all over Asia. They also provide the Philippines with capital and supply a portion of industrial raw materials (yarns and fabrics) for domestic garment production. They are among the world's biggest exporters of garment and textile. However, parts of these exports are supplied by their Philippine-based subsidiaries, which they re-export to the global market at a higher transfer price.
3. The big local compradors that act as agents of foreign monopoly capital in the import-export end. They ensure the depression of labor cost in the low value-added production of export goods.

At the middle are the local traders who act as agents of foreign capital and facilitate the importation of raw materials and exportation of Philippine exports. At the bottom are the subcontractors who depend on contract orders from export manufacturers; and the Filipino working classes who provide cheap labor and endure the worst forms of exploitation and oppression from foreign monopoly interest, Asian comprador operations and local exploiters.

The Importers and their Trading Subsidiaries

Aside from owning the biggest garment manufacturing factories in the Philippines, foreign corporations exert control over the domestic garment and textile industry through layers of trade, manufacturing and other relationships. Among these relationships are the following:

Liaison Office Operation

A multinational garment label-owning firm maintains trading or buying houses in both the Philippines and Hong Kong. The Hong Kong unit serves as regional headquarters and negotiates the exportation of Philippine-made garments to label owners and giant distribution outlets in Europe, US, Canada and other quota countries. The Hong Kong office may order the Philippine subsidiary to negotiate with local manufacturers for the production of the export order required. The Philippine buying house handles the exportation of the commodity to the regional headquarters. The regional headquarters in Hong Kong re-exports the commodities to their final destinations.

Licensing Agreement

Under this agreement, a transnational corporation does not maintain a Philippine office but grants a license allowing a Philippine manufacturer to produce commodities bearing the TNC's label. The TNC does not concern itself with whatever processes undertaken in the production of the commodity except setting the production volume and ensuring the licensee's compliance to the MNC's quality standards. The local licensee manufactures the commodity and under a quota obtained from the Philippine Garment and Textile Export Board, exports the commodity to other countries.

Local Tie - Up

Under local tie-up, a multinational firm through its regional subsidiary, usually a buying office or trading house based in Hong Kong, ties up with either a local trader or a locally-owned manufacturing firm for the production of garment commodity for export. In the case of a local trader as partner, the production of the commodity is farmed to different local manufacturers. The commodity is then exported to the regional subsidiaries that, in turn, re-export it to the commodity's final distributors in the international market.

Foreign buyers source over a thousand clothing labels from the Philippines every year. However, only a handful of them (mainly US firms) exerts strong control over Philippine garment exports. They are The Gap Inc., J.C Penny Purchasing Corp., Wal-Mart Stores, K-Mart, and Liz Claiborne. Others in the top ten are Baby Togs, Nissho Iwai Corp., Kasper (A.S.L.), Philip Van Heusen and Jones Apparel.

Based on statistics from GTEB annual reports, 30 foreign buyers controlled about 25 per cent or US\$682,841,107 of the US\$2.770 billion total value of Philippine garment exports in 1998. Seven of them controlled 19 per cent or US\$615,412,000 of the US\$3.084 billion total exports in 2000. The concentration became much higher in 2001 when as low as five (5) firms controlled 20 per cent or US\$595,700,000 of the US\$2.97 billion total value of exports.

Foreign buyers also annually extract increasing profit margins from the Philippine garment chain in many ways. One way is by annual depression of the value of their export orders. They do this by increasing the

volume of their orders but pay the same set and category of orders at a lower price.

Garment firms and buyers from the USA that buy over 75 per cent of Philippine exports annually, for example, depressed the price of their orders from the Philippines by 20 cents per piece in 1998 compared to the price of their export orders in 1997. This price differential resulted to a total price difference or additional earnings for them worth US\$159,120,000 in 1998. In 1999, the price differential per piece compared to their 1998 level went up further to 22 cents or additional earnings worth US\$199,157,000.

This means that through annual price depression, US firms gained US\$0.077 additional profit for every dollar they spent to purchase Philippine garments in 1998, and US\$0.0924 for every dollar in 1999. Of course, these earnings are on top of the bigger profit gained from transfer pricing and price mark-ups.

Transfer pricing refers to the standard practice of multinational corporations of transferring profits from one subsidiary to another through price manipulation. This becomes easy since the MNC parent companies and subsidiaries buy and sell from each other. They can set prices at their own discretion.

When firms are vertically integrated with parent companies, and when raw materials are supplied by the parent companies, transfer pricing becomes very conducive. Instead of merely shipping imports from one firm to another, MNCs still extract profit by overpricing imports and charging it to the local subsidiary's expenses. Various schemes are used to do this. One method is the use of raw materials by a locally based clothing manufacturing firm subsidiary of an MNC

supplied by its own fabric manufacturing branch. The cost charged, however, is based on imported raw materials. The difference between the cost of production of the locally produced raw material and its reported imported cost is stashed away as profit.

Another way is to bloat the value of imports. If a firm needs US\$50,000 worth of imports, a letter of credit opened goes up to something like US\$54,000. The excess amount (US\$4,000) is charged as cost to the local firm and remitted to the parent company or regional headquarters that supplied the imported raw material^{xvii}.

Still, the MNCs' earnings gained from transfer pricing in the flow of raw materials is trifling compared to the what they earn from practicing transfer pricing in the distribution of clothing commodities worldwide. As many as three layers of subsidiaries of a single MNC benefit from it.

The first layer beneficiary is the MNC's trading firm based in the Philippines. It orders commodities from Philippine manufacturers at a price lower than the actual price paid to it by the next higher layer. Usually, the next layer is the regional headquarters or a subsidiary of the MNC for its Asia-wide operations. It buys the commodity from the MNCs trading firm or manufacturing firm in the Philippines at a price lower than what the MNCs' commodity distributors to the different retail outlets all over the world pay it. The last layers, the distributors or global marketing arms are based in the world's biggest markets, the US, Europe, Japan, Canada and others. They earn the final layer of profit by selling the Philippine-made commodity to individual retailing shops at a price higher than what they paid to the MNC's Asian regional headquarters.

Table 1. Annual Depression of Price of Philippine Garment Exports to the USA

Year	Export SME Volume	Volume % Increase	Value Export Value	% Increase	Ave. Price	Price Differential	Total Price Differential
1997	659.1 Million		US\$1.8456 Billion		\$2.80		
1998	795.1 Million	17.2 %	US\$2.0716 Billion	11 %	\$2.60	- 20 cents	US\$159.12 Million
1999	905.26 Million	12.11 %	US\$2.1556 Billion	4 %	\$2.38	-22 cents	US\$199.157 Million

Source: Interpolation of data from GTEB year-end reports 1998-2000

At first glance, one may conclude that under transfer pricing, different subsidiaries of multinational corporations extract profits from one another. This is not so because each layer does not, in anyway, add anything to the value of the commodity traded. The real value of the commodity in fact is the value of the labor power exerted by workers in the creation of the commodity that is added to the value of the previous labor content of the raw material used in its creation. Therefore, what each MNC subsidiary does is extract its own share in the unpaid part of the workers' labor that created the traded commodity.

The GAP - A Case Study

The Gap is a United States equity-owned clothing multinational firm. Among all foreign buyers, the GAP exerts the greatest control over the Philippine garment industry. It is the biggest single buyer of Philippine clothing exports and therefore exercises great influence in the determination of export price of Philippine export commodities.

GAP International, the parent company, is based in the US. It maintains subsidiaries all over the world; among them are GAP-Europe, GAP-USA, and GAP-Canada. It does not own a manufacturing firm in the Philippines but maintain a buying house - GAP International Sourcing - Philippines. GAP International Sourcing - Philippines directly source garment commodities for export to the parent company's branches worldwide through local tie-up and processing agreements with 40 Philippine clothing manufacturers. It also supplies GAP products to local distribution and marketing outlets like malls, department stores and supermarkets.

The influence of the GAP over the Philippine garment industry is proportionate to the annual increase of its export orders and their corresponding percentage vis-à-vis the Philippines' total exports. In 1998, the GAP imported US\$221,004,408.26 for the US market alone. It is equivalent to 11 per cent of the US\$2 Billion all US buyers sourced from the country. It is also aside from what the GAP imported for the markets in Europe, Canada, Japan and elsewhere.

In 2000, it imported a total of US\$424.27 million or 13.64 per cent of the total garment export of the Philippines. The bulk amounting to US\$367.57 million were sent to the United States. This accounted for

15.8 per cent of the US\$2.33 billion purchased by US buyers in the same year. GAP-Europe purchased US\$22.9 million - third among European buyers, GAP - Canada, the number one purchaser in that country imported US\$19 million and GAP Japan, ranking second purchased US\$11 million. In 2001, GAP purchases somehow decreased to US\$373.84 million of US\$2.97 or 12.6 per cent of the total exports of the Philippines in said year.

In terms of profit, the GAP through price depression gained an additional US\$17,017,340 in 1998 from GAP products exported to the US alone. In 1999, this increased to US\$39,202,548 gained from the Philippines' GAP products export to the entire world market. And to think that this amount is just a part of its total profits. It is a very small portion and does not yet include the bigger chunk extracted through transfer pricing of commodities by GAP International Sourcing - Philippines and importing distributors of Philippine-made GAP products throughout the world.

Traders and Buying Houses

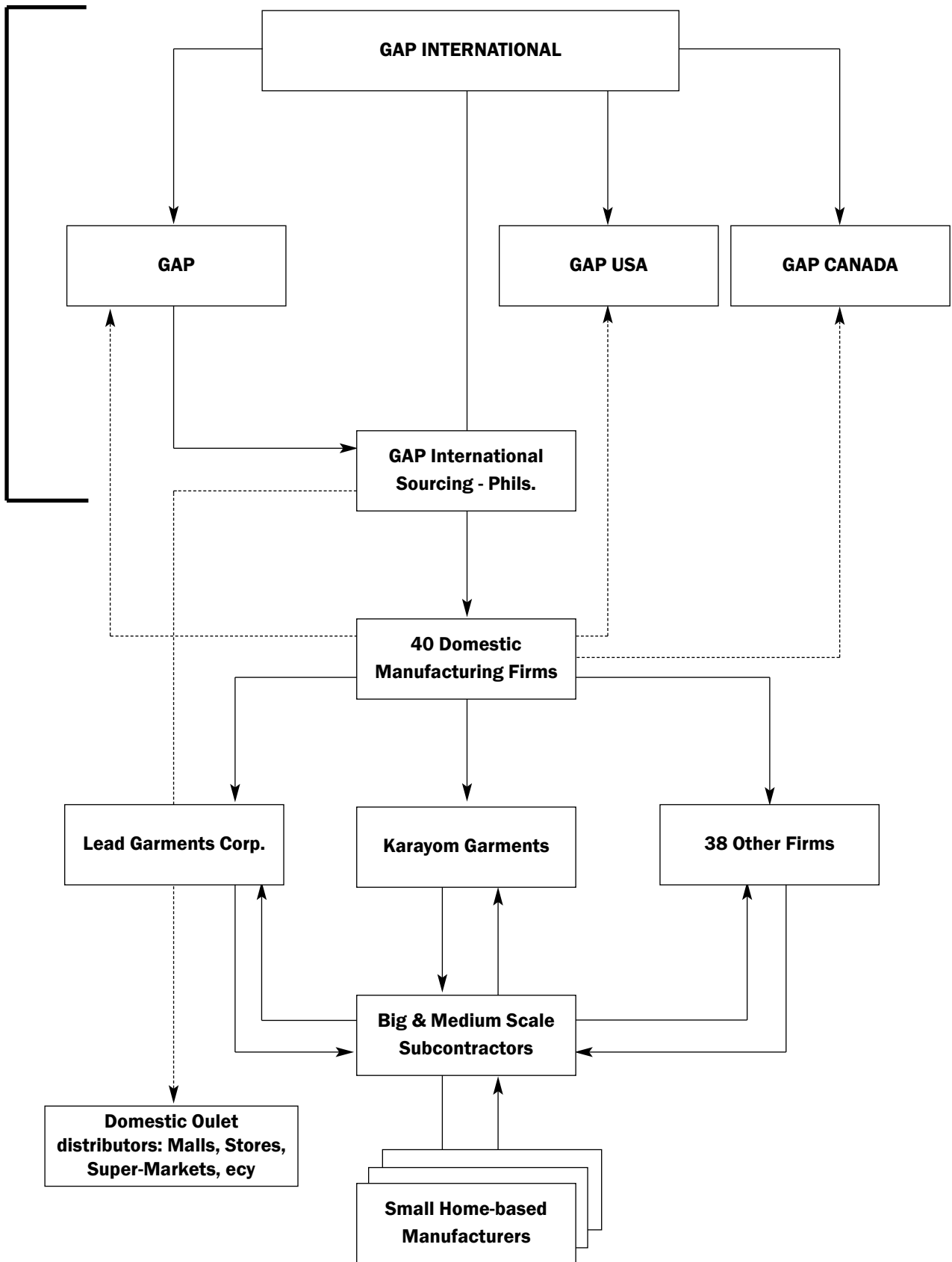
At the center of the subcontracting chain are the trading firms and buying houses. They deal with Philippine manufacturers in behalf of importers abroad. They also organize and facilitate the flow of raw materials required for production.

There are two types of traders in the chain based on equity ownership. The first are the foreign equity-owned trading and buying houses. They include buying houses of multinational firms like the GAP International Sourcing Philippines. Also included are foreign-owned trading firms with no equity relationship with any multinational corporation. Usually, they are Asian comprador capital-owned with subsidiaries throughout Asia. They include firms like Luen Thai Holdings.

The second type, the locally owned trading firms are the most numerous. Local traders obtain export orders from foreign importers through tie-ups. Their trading activities are not necessarily limited to the exportation of garments but of other Philippine commodity exports as well. Most of the time, they do not negotiate nor export directly to the ultimate importer but with the importer's Asian subsidiary.

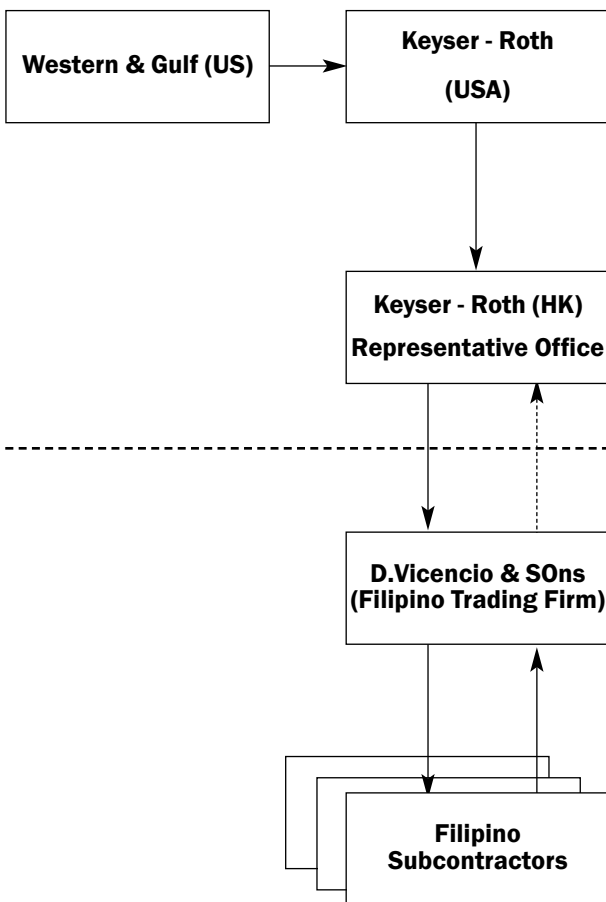
Like foreign equity-owned trading firms, Philippine

FIGURE 2: International Label Importers
Production and Distribution Chain of Gap Products in the Philippines



traders obtain their profits through mark-ups and transfer pricing. They are organized in associations like the Foreign Buyers Association of the Philippines (FOBAP). Cargo forwarding, airlines and shipping companies that conveniently serve the transport needs of local traders are also members of trader's associations.

Figure 3. Tie-up Between a Local Trader and Foreign Multinational Garment Firm^{xviii}



The Export Manufacturers

There are 1,500 officially registered garment manufacturers in the Philippines today^{xix}. However, only 442 of them are exporters. The rest are mere subcontractors of the big export manufacturers. Moreover, only a handful from the 442 exporters controls the bulk of export orders. Only fifty firms controlled 34 per cent or US\$1.014 billion of the US\$2.974 billion exports as of year-end 2001.

Of the fifty firms, 36 or 72 per cent are controlled by multinational capital in the form of subsidiaries like Sara Lee of France, Levi's Strauss of the US and others. Others are 100 percent equity-owned and majority equity-controlled joint ventures. Of these 36

firms, 24 are owned by Asian comprador capital with Taiwan owning 10, Hong Kong with 8, South Korea with 5 and the People's Republic of China with 1. The remaining 12 are owned by equities of industrialized countries with the US owning 5, Great Britain with 3, France with 2, Canada and Japan with 1 each.

Other nationalities with capital invested in the Philippine garment industry are India and Israel. However, their equities are minorities and therefore, do not control the firms they are invested in. Of the remaining 14 firms controlled by Philippine equity, only 4 are 100 per cent-owned by Filipino citizens. The others are majority-equity-controlled joint ventures with foreign capital.

Pressed by importers' annual depression of the price of their commodity exports, manufacturers resort to many schemes that aim to depress labor cost and increase or at least maintain their profit levels. One of these schemes is factory site relocation. Like multinational corporations abroad who transferred their factories to the third world to avoid high labor cost, local manufacturers since the 1980s have continually transferred their factories to the provinces to avoid the high wages in the National Capital Region.

The mandated minimum wage for the National Capital Region today, for example, is PhP280 (including COLA or cost of living allowance), which is approximately US\$5.60 at present day foreign currency exchange rate. In Southern Luzon, where majority of manufacturers has relocated, the minimum wage including COLA is only PhP237 (US\$4.74) or a difference of PhP47 per worker per day. This translates to a daily saving of a little less than US\$0.86 per worker for the manufacturer.

As of 1999, only three of the top fifty Philippine garment manufacturers are still operating in the National Capital Region.

The manufacturers' locations of choice are the Export Processing Zones (EPZs) outside the NCR. The EPZs conveniently provide good manufacturing facilities and services. The EPZs in the Philippines are also virtually *trade union-free*. Trade Unions are 'unofficially' prohibited. The concentration of factories inside a fenced-in compound also makes workers' organizing in the EPZs difficult.

Another scheme is contracting-out part of their export orders to smaller garment manufacturers and homeworkers. As of 1998, about 32 per cent or 101,120 out of the 315,344 total labor force employed by the industry were either subcontractor employees or homeworkers. This means that, granting equality on per worker productivity throughout the industry, the volume and value of commodities manufactured by homeworkers and local subcontractors is 32 per cent of the country's export volume and value. This increased to a little below 44 per cent in 1999 (see Table 2 below). Direct export manufacturing firms resort to this practice to avoid hiring additional workers and save on costs of city services.

The worst policies that generate the worst kind of exploitation by manufacturers are labor subcontracting and forced annual increase of per worker productivity without corresponding increase in compensation.

The policy of labor contractualization is in the form of hiring piece-raters, casuals, contractual workers and others that the GTEB classify as indirect workers. In Southern Luzon, contractuales are only paid PhP177 (US\$3.54) daily giving manufacturers a saving of PhP60 or US\$1.20 per contractual per day. Aside from paying wages below the mandated minimum wage to contractuales, hiring them also provides the manufacturers a way out from paying them benefits as provided by law. As shown in the Table below, the magnitude of this practice is becoming worse every year.

Table 2. Employment Pattern in the Philippine Garment Industry (1998 and 1999)^{xxi}

Type of Firm and Employment	1998	1999
A. Exporters		
Direct Workers	140,032	147,462
Indirect Workers	57,618	62,298
Office Workers	16,574	17,906
Subtotal	214,224	227,666
B. Subcontractors		
Direct Workers	73,717	129,185
Indirect Workers	17,827	33,679
Administrative Workers	8,023	12,365
Homeowners	1,533	2,370
Subtotal	101,120	177,599
Grand Total	315,344	405,265

In the export-manufacturing firms, the magnitude of labor contractualization is 26.9 per cent in or 57,618 out of 214,224 workers in 1998. This increased to 27.36 per cent or 62,298 out of 227,666 the following year. Based on the wage rates in Southern Luzon^{xxii}, export manufacturers gained a minimum of PhP3,457,000 (equivalent to US\$69,140) daily savings on labor cost through labor contractualization in 1998. For the whole year, they gained PhP1,206,805,000 or US\$25,236,100 savings. In 1999, they saved a daily gain of PhP3,737,880 or US\$74,757.6 daily or PhP1,364,326,200 or US\$27,286,524 from labor contractualization for the whole year.

Workers hired by all subcontractors (including administrative workers) are not paid the mandated minimum wage according to an owner of a subcontracting firm interviewed. Rather, they are paid on based on piece rate. Administrative workers are paid according to the discretion of employers. According to a worker of a subcontracting firm interviewed, subcontractors hire regular workers but the only difference between regular and irregular workers is the privilege given to regular workers to live inside the factory premises, and priority in the allocation of materials for processing. As such, all workers employed by subcontractors, despite the categories reported by the GTEB, are in reality, irregular workers or contractuales as defined by the Philippine Labor Code.

In the whole industry, the magnitude of labor contractualization in 1998 is 50.36 per cent or 158,738 out of 315,344 workers employed. In 1999, it worsened to 59.19 per cent or 239,895 out of 405,265 workers employed. Accordingly, the collective savings of all manufacturers gained from labor subcontracting in 1998 was PhP9,524,280 or US\$190,486 every day. This translates to PhP3,476,362,200 or US\$69,527,244 for the whole year. In 1999, manufacturers' collective savings was PhP14,393,700 or US\$287,874 daily, and PhP5,253,700,500 or US\$105,074,010 for the whole year.

The policy of squeezing greater productivity from workers without corresponding increase in compensation is done through increasing the amount of daily production quota of workers and lowering the wage equivalent of every commodity produced by piece-raters. This policy results in annual increase of manufacturer's profits while workers' wages stagnate.

Table 3. Per Worker Productivity in the Production of US Garment Imports from the Philippines^{xxiii}

Year	Production Volume (SME)	Number of Workers	Annual Per Worker Productivity	Productivity Rate Increase (1998-1999)
1998	795,600,000 SME	214,244	3,714 SME Per Worker	
1999	905,260,000 SME	227,666	3,976 SME Per Worker	262 SME Per Worker

Using the number of workers in export manufacturing firms employed throughout the year as variable, and setting aside the workers in subcontracting firms whose employment is dependent on the availability of orders from the former, the report of the GTEB indicate that the annual productivity of a worker in 1999 is 262 SME higher than that of the previous year's level. This translates to an extra of .72 SME produced daily by each worker in 1999.

This unpaid increase in production is equivalent to PhP12.53 or US\$0.25 unpaid labor of every worker based on wage and productivity levels in 1999. Further, this translates to PhP3,479,155 (or US\$69,831) additional daily profit for the manufacturers or PhP1,269,891,575 (or US\$25,397,832) additional profit for the whole year.

Combining the profits realized from labor contractualization and workers productivity increase in 1999, the manufacturers earned approximately PhP6,523,592,100 or US\$130,471,842. Now, this amount merely represent the increase of profit levels by manufacturers over the gains they made the previous year. It does not represent the actual and bigger profit realized from the normal method of profit extraction, i.e. the actual difference between export value from the cost of production (labor, raw materials, rent and others)^{xxiv}.

Types of Manufacturing Firms Based on Equity Ownership, Market and Raw Material Flow

There are at least 3 types of garment and textile export manufacturers in the Philippines based on equity ownership, product, market and raw material flow. Presented below are studies on the operations of three Philippine manufacturers - a multinational subsidiary, an Asian comprador capital owned and a Filipino dummy corporation on the verge of (either) bankruptcy or relocation.

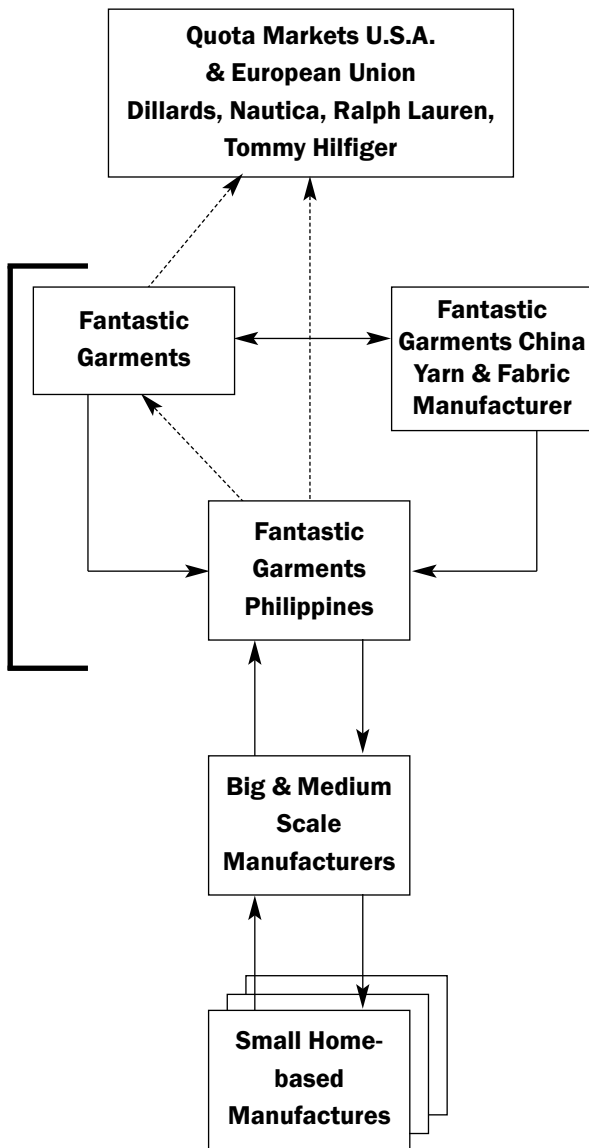
Multinational Subsidiary (FANTASTIC GARMENTS - Philippines)

Fantastic Garments Corporation is previously a Hong Kong capital-owned firm. However, ownership was taken-over by a United Kingdom garment multinational^{xxv} in the 1980s. It now maintains subsidiaries in Hong Kong, in Mainland China, in the Philippines and other parts of Asia.

The Hong Kong Office (Fantastic Garments Ltd. - HK) serves as regional headquarters and supervises the company's operations all over Asia. It also acts as the firm's Asian trading arm. The subsidiary in the Chinese mainland (Fantastic Garments - PROC) is a fabric manufacturer. Its Philippine subsidiary (Fantastic Garments - Philippines) is a garment manufacturer. It was once a consistent top fifty Philippine exporters but its position has eroded over the years.

Fantastic Garments - Hong Kong, as trader, secure export orders from foreign importers abroad. It then orders Fantastic Garments - Philippines to manufacture the order and also orders Fantastic Garments - PROC to supply the Philippine branch's the fabric requirements. Fantastic Garments - Philippines, in turn contract out some of the orders it cannot produce on time to Philippine subcontractors. Fantastic Garments - Philippines then export some of the commodities to importers in the UK and the US. Some are sent to Hong Kong and are re-exported by Fantastic Garments - HK to other importers. Labels ordered by UK and US buyers in 2000 are Dillards, Nautica, Ralph Lauren and Tommy Hilfiger.

Figure 4a. FANTASTIC GARMENTS - A Multinational Manufacturing Firm



**Asian Comprador - Owned Manufacturing Firm
(LEADER GARMENTS CORP.)**

Lately, while western multinational manufacturing subsidiaries are gradually closing shops or relocating their factories outside the Philippines, many Asian equity-owned firms has been coming in droves and slowly taking-over dominance in the garment manufacturing sector. These Asian foreign equity investors are mainly from Taiwan, Hong Kong, South Korea and Mainland China.

As of year-end 2001, these Asian comprador-owned

firms controlled about 48 per cent of the top fifty garment-manufacturing firms in the country. They control these firms through total equity ownership (100 per cent equity) and majority equity-controlled joint ventures with Filipino or foreign partners.

The biggest Asian equity-owned garment firm in the Philippines today is Leader Garments Corporation. It is 100 percent owned by a Taiwanese national. For the past three years, Leader Garment has been the Philippines' leading garment manufacturer. It manufactures 20 foreign clothing brands - the most number by a single firm in the Philippine chain.

As of December 2001, Leader Garments Corporation cornered US\$56,996,684 or about 2 per cent of the US\$2.97 Billion total garment exports of the Philippines. It also supplied the greatest part of the total Philippine orders of the GAP - the Philippines' biggest single buyer.

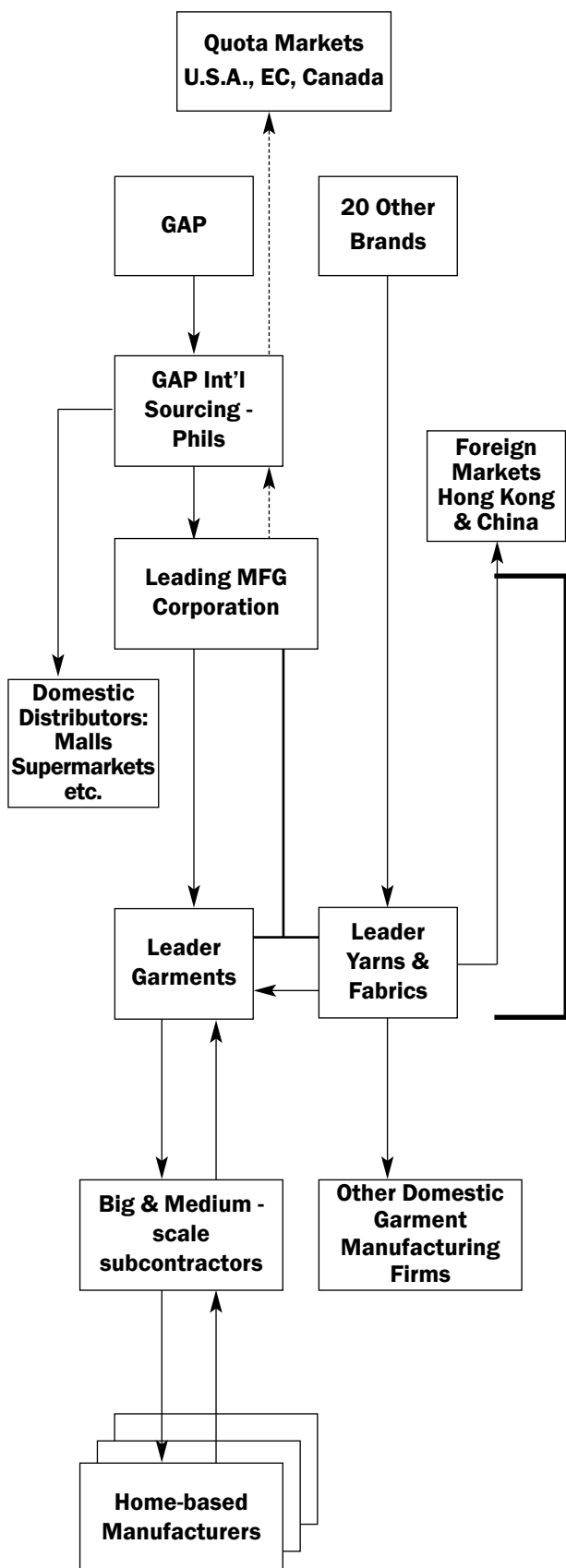
Aside from the GAP, it also manufactures 19 other labels - Chance Encounter, Courtney & Co., Disney, Eaton, Express Tricot, Faded Glory, Jacklyn Smith, Kathy Collection, Moments, Nike, Old Navy Clothing, Partners and Vanity Fair. The others are White Stage, Bridgestone, Callaway, Dunlop, Honma, Lynx, Ping, Precept, Ram, Slazenger, Tailor Made, Titleist, Tommy Armour, Top Flite and Zebra.

Leader Manufacturing Corp. also operates a yarns and fabric factory aside from its garment factory. The yarns and fabrics factory source its raw materials from abroad. Its sister company - Leader Garments, absorbs the bulk of its fabric products. The rest are sold to other Philippines-based garment-manufacturing firms and to fabric importers in Hong Kong and China.

The main difference between Fantastic Garments and Leader Manufacturing Corps is the magnitude of their operations. Leader Garment's operation is limited to the Philippines. Fantastic Garments on the other hand, organized the Asian continent into a single assembly line with different countries doing parts of its production processes and trading activities.

Therefore, while Leader Garments may be the clothing export leader in the Philippine chain, Fantastic Garment has the advantage of being a more dominant player Asia-wide.

Figure 4b. Leader Manufacturing Cor. Asian Comprador-owned Manufacturing Firm



Filipino Dummy Corporation (KARAYOM MANUFACTURING INC.)

According to Philippine Garment and Textile Export Board and Department of Trade and Industry documents^{xxvii}, Karayom Manufacturing Incorporated is a Filipino equity-controlled (99.96 per cent) joint venture with Turkish (0.04 per cent) capital.

However, the local union affiliated to the National Federation of Labor or NFL claims otherwise. The labor union found out during its current dispute with the company's management that the real owner of the firm is a Jewish - American. This fact confirms the suspicions of many Philippine labor unions that many foreign investors are using Filipino citizens as dummies to evade Philippine laws.

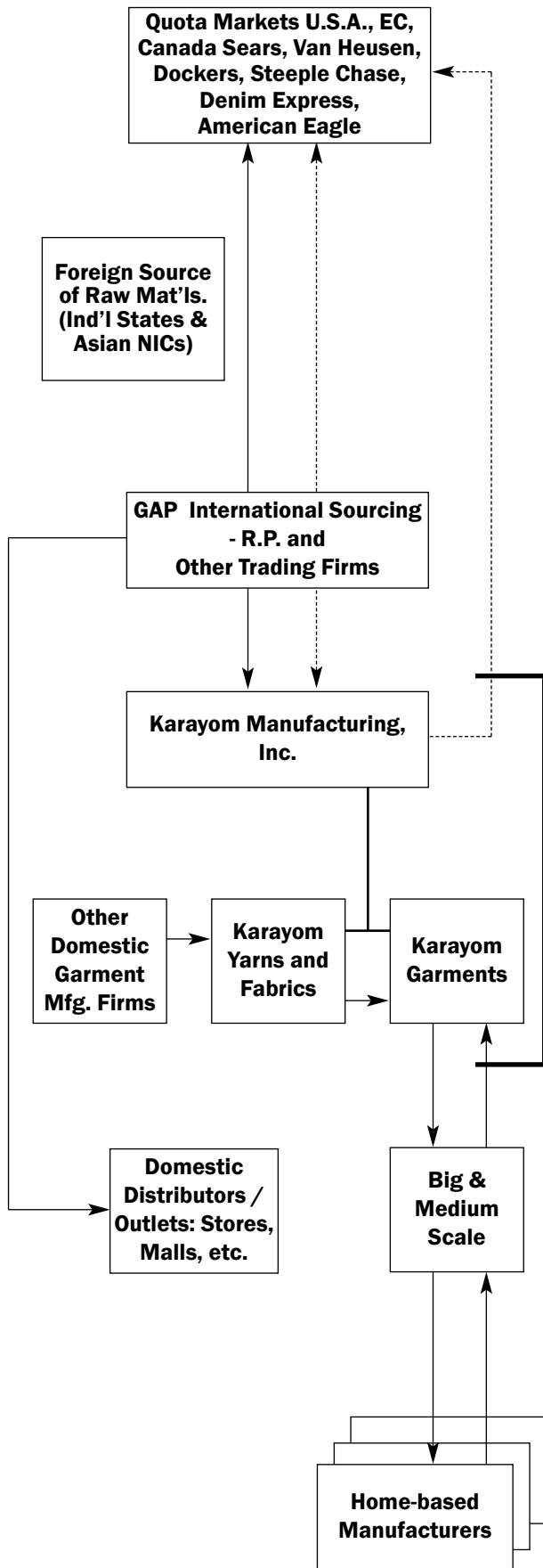
Aside from its garment-manufacturing firm, Karayom Manufacturing Incorporated also owns a yarn and fabric factory. Raw materials for the production of fabric and yarns are imported from abroad. Karayom Yarns and Fabrics supply the bulk of its yarn and fabric products to its sister garment factory - Karayom Garments. It sells the remainder to other local garment manufacturers.

Karayom Garments, on the other hand, is among the top fifty Philippine garment manufacturers. GAP International Sourcing-Philippines secures a part of its GAP, Old Navy and Banana Republic orders from Karayom Garments. Other brand names manufactured by Karayom Garments are Sears, Van Heusen, Dockers, Steeple Chase, Denim Express and American Eagle.

Many times during the last two years, Karayom Garments claim that it suffered from drastic reduction of export orders and had to resort to 'rotation' of work schedules just to maintain its operations. Workers also accuse the management of many anti-worker practices especially perpetual non-payment of workers' benefits, social security insurance remittance and others. Last December, it again failed to pay in full the mandated 13th month pay. The labor union is planning to take legal action against the company. It has also reported to foreign buyers about the violation of international social standards by the owners of the firm.

Karayom Manufacturing Incorporated finally stopped its operation this month. Workers suspect that it may just relocate or continue its operations under a different corporate name.

Figure 4c. Filipino Dummy Corporation: Karayom Garments



Domestic Subcontractors and Home-Based Manufacturers^{xxiv}

The last links in the subcontracting chain are the local subcontractors and home-based manufacturers. They outnumber the export manufacturers and collectively employed 32 per cent of the industry's labor force in 1998 and 44 per cent in 1999.

Large and Medium-scale Subcontractors.

There are about 1,058 domestic subcontractors in the Philippine garment chain today. They can be classified into two categories - small-scale and large-scale subcontractors. A small-scale subcontractor owns between 10-15 machines and possesses only one factory. A large-scale subcontractor on the other hand possesses 15 to 50 machines and has factories all-over the country especially near the export processing zones. Their operations largely depend on contract orders from the 442 export-manufacturers. The export manufacturers supply pre-cut raw materials that only need putting together in subcontractor factories. Orders that do not pass quality standards are sent back for reworking.

Aside from contract orders from export-manufacturing firms, some large-scale subcontractors are from time to time, contracted by unregistered Filipino-Chinese traders to produce unbranded garments for export to Hong Kong. They also manufacture 2 types of clothing for the local market (malls, department stores and flea markets). The first type is imitations of foreign brands. The foreign labels used are bought from the black market. The second type is clothing products bearing their own registered local labels.

Fabrics and other raw materials used for the orders of the Filipino-Chinese traders as well as for the manufacture of clothing intended for the domestic market are bought from domestic fabric manufacturers and other outlets. They contract-out to home manufacturers a part of the contracted orders from export manufacturers and from the orders of Filipino-Chinese traders.

Workers employed in subcontractor factories, usually, are former contractual workers in export-manufacturing firms whose employment contracts usually expire after five months. They seek employment in subcontractor factories while awaiting results of their re-application to the export-manufacturing firms. They are paid on a 'piece rate' basis.

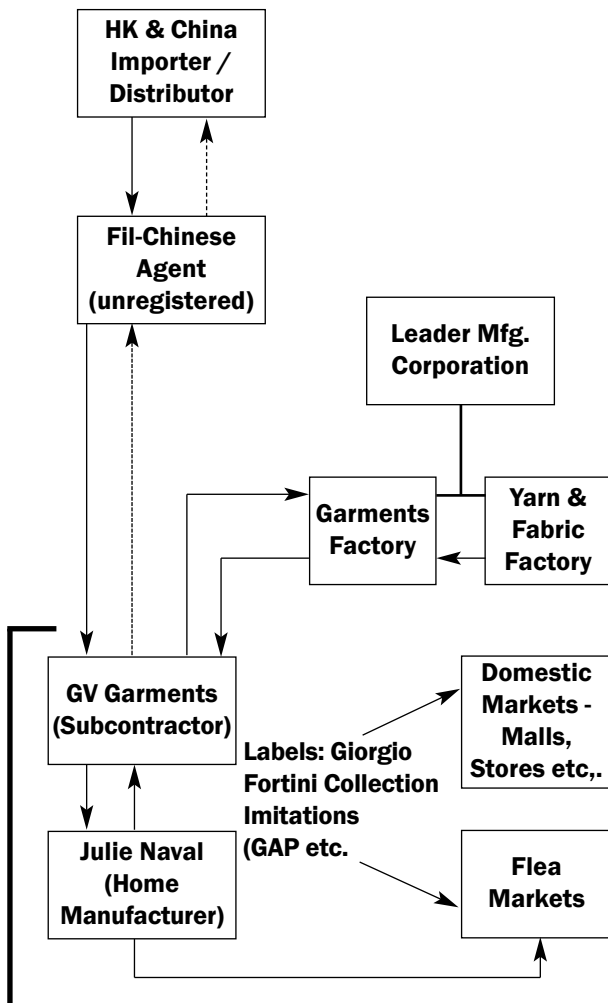
But because of the very low pay they get per piece produced, even the production output of the most skilled among them is not enough to earn a daily wage equivalent to the wage they earn in the factories.

Home-based manufacturers

Home-based manufacturers numbered 101,120 in 1998 and 177,599 in 1999. They employ 2-5 machines and a corresponding number of workers. Contracts from large-scale subcontractors account for more than 90 per cent of their production. The remaining 10 per cent are supplied to stall-owners in flea markets in Metro Manila or to stores in the provinces.

Their workers are skilled women from their neighborhood. Like their counterparts in subcontractor factories, workers are paid on 'piece-rate' basis. When working on trousers, they earn an average of PhP700 or US\$14 for 60 hours work every week or Php2,800 or US\$56 a month.

Figure 5. Domestic Subcontracting and Home-based Manufacturing GV GARMENTS - SUBCONTRACTOR
JULIE NAVAL - HOME-BASED MANUFACTURER



The Philippine Government's Preparations for the 2005 End of the MFA

There are justified fears among analyst that the Philippine garment and textile industry may collapse as a result of quota withdrawal starting 2005. Even the Philippine government periodically express wariness of the event as serially reflected by the annual GTEB Year-end Reports.

Thus, as early as 1999 or a year before the beginning of the gradual phase-out of the MFA in 2000, the Philippine government already began initiating measures to retain the global competitiveness of its garment exports beyond 2005. In a March 15, 1999 memorandum by the GTEB through its Executive Director to the Secretary of the Department of Trade and Industry, the GTEB outlined the measures it recommended to take in preparation for 2005.

Plans for 1999

"Considering the impending quota phase-out in 2005 and the intense competition posed by other suppliers, ways and means of revitalizing the industry will be explored and implemented. The draft Industry Plan calls for the following:

1. Enhancing the business climate
2. Broadening product lines
3. Skills, technology, and productivity upgrading
4. Expanding research and development (R&D) and product development activities
5. Developing professional design services
6. Embarking on a branding program
7. Implementing tie-up programs on training, manufacturing and marketing
8. Organizing regular forums for the industry
9. Accrediting exporters under a Seal of Excellence Program and a Code of Conduct, and
10. Participating in the 809-test program of the US, which provides preferential quota treatment for apparel made from US fabrics (809 quotas). The program would be similar to guaranteed access levels granted to Caribbean countries."

Basically, the enumerated measures can be summarized into four (4) categories:

- Measures number 1 and 10 broadly imply that the Philippine government will further liberalize the industry in favor of foreign interest including extending even more favorable concessions to foreign monopoly capital. Measure number 1 is an

all-encompassing concession especially in terms of extending to foreign capitalists a greater opportunity to increase their profit margins by decreasing labor cost. No doubt, the ongoing research of the GTEB about Philippine labor competitiveness is related to this measure.

According to the head of the GTEB^{xxx} they are at present conducting a research on Philippine labor per capita productivity using "*time and motion study*" to set a standard level of productivity that a Filipino garment worker has to achieve in order to avail of the mandated minimum wage. The official said that the result of the study would form the basis of the GTEB's recommendation to be included in the proposed amendment of the Philippine Labor Code.

Measure number 10 gives the US a tighter control of the local industry and will surely decrease the local value-added content of Philippine garment exports as it means prohibition on the use of locally produced fabrics and instead import it directly from the USA. This is also detrimental to Philippine-based (both local and foreign-owned) fabric manufacturing firms. Consequently, it will lead to their bankruptcies especially those who do not own a corresponding clothing factory that may use their manufactured fabrics.

- Measures 2, 6, 7 and 8 are marketing strategies that include shifting to higher-end products from previous co-equal concern on bargain basement categories (measures number 2 and 6); and more aggressive product promotion (measures 7 and 8). Measure number 6 specifically intends to promote Philippine apparel brands in the world market.
- Measure number 9 pertains to implementing the provisions of international labor standards that importers claim to adhere to and who require supplier to do the same.
- The other measures pertain to manpower and constant capital build-up and retooling to enhance manufacturing efficiency and productivity.

The Plan, only vaguely referred to by the 1999 GTEB Memorandum in outline form, was unraveled in 2001 as the GTEB Garments Export Industry Transformation and Assistance Package (GTEB GEITAP). GTEB executive director Serafin Juliano said that the Plan aim to "reform the industry and plod industry players to upgrade their operations to world-class standards, focus on high-end, high-margin products, and adhere

to ethical manufacturing standards in exchange for getting more quota allocations from the US." ^{xxxi}

GTEB officials say that concrete actions have already been undertaken to implement the different measures called for. They claim that these actions resulted to the improvement of productive capacity and marketing opportunities. Its year-end report says that as of December 1999, about 150 new players registered. Their total capitalization amounted to PhP200 million or US\$4 million. By December 2000, another 120 new firms registered with total capitalization amounting to PhP175.83 million or US\$3.52 million. The report claims that together, these new firms generated more than 10,000 new jobs.

The GTEB also reported that it had, as early as 1999, set new rules based on the Responsible Apparel Production Program (RAPP) that covers accepted global standards of productivity and efficiency, for the re-accreditation of exporters who wish to qualify for bidding. However, as of the end of 2000, the agency reported that only 32 per cent or 190 out of 590 re-accredited firms fully complied with the requirements on social and labor standards. At the end of 2001, compliance of firms seeking re-accreditation increased by 83.3 per cent or 470 out of 561 firms. According to the "Garments and Textile Export Board 2001 Year-end Report" document, the Philippine government policy initiatives in the area of monitoring the sectors compliance with social and labor standards have strengthened buyer confidence in Philippine garment and textile manufacturers.

In the area of broadening market access, the report pointed that the joint marketing efforts undertaken by both the GTEB and the private sector helped push the sector's performance. The report further claim that the Philippine President's active involvement in the implementation of some activities in the conduct of marketing strategies called for by the Plan helped greatly in preventing major buyers from transferring their export orders elsewhere.

Philippine Department of Trade and Industry (DTI) Secretary Mar Roxas, on his part, claim that by coming up with the GTEB GEITAP, industrial retooling is taking place. He reported that about 70 apparel makers have already spent about PhP434,000,000 or US\$8.68 million worth of investments in modern

equipment and production system. As to the industry's compliance to international labor standards, he claimed that the Philippines was the first in Asia to implement social responsibility in manufacturing through a new re-accreditation program. ^{xxxii}

Industry players on the other hand, claim that the Plan is primarily responsible for the Philippine garment industry's 'competitiveness' even in the midst of the MFA phase-out. According to Donald Dee, the present chairman of the Confederation of Garments Exporters of the Philippines (CONGEP), "the reforms have so far proven effective in boosting the competitiveness of industry players. The industry is now in a much better shape than it was before the reforms were made. Foreign buyers of Philippine manufactured garments and textiles did not shift to other countries for their supplies but merely shifted to other Philippine manufacturers that offered to produce quality goods faster and within their set standards. The members of the confederation are confident that they can at least retain the current level of garment and textile exports even if US quotas were abolished today." ^{xxxiii}

Endnotes

- ⁱ Cornelia Aldana, "A Contract for Undevelopment, Subcontracting for Multinationals in the Philippine Semiconductor and Garments Industry, Ibon Databank Phils. 1989.
- ⁱⁱ *Ibid.* P.23; see also, *The Employment Effects in the Clothing Industry of Changes in International Trade*, International Labor Organization (ILO), Geneva, 1982
- ⁱⁱⁱ *The international garments and textile subcontracting industry, because of its labor intensive nature is a big employer of third world labor. The Philippines for example relies on it as its second biggest employer.*

- iv *For more information and detailed discussion about the origins of subcontracting in the Philippines garment industry, see the above-mentioned book of Ibon Databank Phils.*
- v *US\$ - Philippine Peso (PhP) exchange rate then was US\$1=PhP2.*
- vi *Agriculture remained as number one employer and continue to do so until today. In the 1980s, the textile industry became the number one employer in the industrial sector.*
- vii *Philippine National Statistics Office, "Foreign Trade statistics", 1987*
- viii *The re-industrialization of Japan from the ruins of WWII and South Korea is a result of their cold war partnership with the US in containing communism in Asia. The US, threatened by the advance of Mao Zedong's China and North Korea extended major economic concessions to the two countries together with Taiwan to prevent them from turning into communist states. See Edwin Reischauer, "Japan - The Story of a Nation, 3rd ed. Garment production for export was the fuse that led to the industrial development of the two countries.*
- ix *National Statistics Office, Annual Survey of Establishments"*
- x *Ibid*
- xi *GTEB Memo for the Executive Director from the Planning and Programming Division, "Final 1999 Year-end report" April 2002*
- xii *GTEB "Final Export Performance for 2000 and GTEB 2001 Year-end Report*
- xiii *Loc. Cit. PDI, 10 Jan 2003*
- xiv *Interpolated from Data culled from GTEB Final Year-end Reports 1993-2000*
- xv *GTEB final Reports 1998 and 1999*
- xvi *Op. Cit. p.53. Other points include results of interview with a Trade and Industry Development Specialist of the Department of Trade and Industry - National Capital region who requested that her name be withheld from formal citation. Other types of arrangement cited by Aldana's book are subsidiaries and EPZ firm operations. The researcher did not include them because the DTI official explained that these do not fall under the category marketing, trade or manufacturing agreement s but rather under the category foreign direct investment.*
- xvii *Op. Cit All the preceding elaboration of transfer pricing were based on the explanation of the IBON foundation research published in the book cited except for the succeeding elaboration on another layer of transfer pricing, which was explained by an officer of the DTI-National Capital Region (who requested that her name be withheld) in an interview with the researchers.*
- xviii *Op. Cit. p.53*
- xix *Philippine Daily Inquirer, 'Garment Exports Down 6% in 02 Due to US Market Slump, 10 January 2003*
- xx *GTEB, 'FOB Performance per Firm Based on BL/AWB (Ranked according to Year 2001 Highest FOB)*
- xxi *GTEB 1999 Year-end Final Report*
- xxii *This is above the national average because firms in other regions, which outnumber the number of firms in Metro Manila (that pays a higher wage level than southern Luzon firms), are paid much lower.*
- xxiii *Data interpolated from GTEB Year-end Report 2000*
- xxiv *There is still no published data from the NSO for the garment industry's cost of production for the years cited.*
- xxv *The corporate identity of the UK multinational is still being tracked down by the PRC at present*
- xxvi *Based in an interview with the Fantastic Garments-Phils. Export Officer*
- xxvii *GTEB, Pexpnat.cpdata Top Fifty Firms - Firm Name, Nationality and % Ownership, 8 August 2002*
- xxviii *Ibid.*
- xxix *Based on an interview with the Operations officer of GV Garments, a large-scale subcontractor and Miss Julie Naval, a home-based manufacturer and their workers.Statistics based on GTEB 2000 Final Year-end Report*
- xxx *The government official requested that his/her name be withheld for the moment while the results of the research and the corresponding recommendation of the GTEB is not yet approved or promulgated as part of Philippine Law to avoid controversy and probable opposition from Philippine Trade Unions.*
- xxxi *Ibid.*
- xxxii *PDI 15 Jan. 2003*
- xxxiii *Ibid.*

Subcontracting Chains in the Garment Industry in Baguio City, Philippines

Women Workers' Project

Philippines

Introduction

WWP in partnership with WWW conducted a research in 2002 to trace the subcontracting chain in the garment industry, describe the situation of workers along the chain and contrast these with the status of the traditional hand weaving industry. The ultimate intent is to map out education and organizing tactics among these garment workers so that they will contribute their modest share in the struggle of workers for decent wages, job security, and democratic rights.

Toward these goals, the project utilized what is popularly called a participatory action research. Participatory in the sense that the purposes and research design was a product of earlier and current organizing work among garment workers in the city. Also in the method, the process was more on case studies using key informant interviews and focus group discussions with a very essential component, which is research validation process by involving more women in the discussions. It is of course an action research since it was conducted to aid and advance continuing organizing work among these women and eventually changes their status. Hence this endeavor is primarily a project of SAMAKANA, an alliance of organization of women in the informal sector and KMU-Cordillera Women's Committee.

Three researchers who are at the same time WWP organizers are assigned to work on the research project. The research team sought assistance from the Cordillera Women's Education and Research Center, some members of the Board of WWP, CWR particularly in technical aspects such as designing research instruments and data processing. SAMAKANA and KMU-Cordillera Women's Committee are the main machinery that facilitated the over all conduct of the project.

Results

A. Status of the Traditional Hand Weaving Industry

The study came out with a detailed historical

description of how the traditional hand weaving industry that was once a major source of income and pride among *Igorot* (indigenous peoples of the Cordillera) women ended in extinction with the onslaught of globalized economy. Not so long ago, *Igorot* women weave their own clothing and blankets with materials bought from neighboring provinces. They also trade these woven materials for other household needs.

With the Cordillera being integrated into the cash economy and particularly with Baguio City designed as a tourist destination in the region, the traditional weaving industry primarily for consumption evolved into a tourist oriented industry.

Home-based weaving turned into factory-based weaving. Through the years however, the once factory-based workers turned home-based workers with the introduction of the supply and contracting scheme. Suppliers supply the thread and workers own their looms and other accessories. Then the producer-worker either directly sells the produce to buyers or gives the products to the supplier who shall take care of the marketing.

During the 1990's with the new wave of fad in the world market, new looms have to be purchased so that Cordillera products can survive. The final death of the weaving industry in the region came with the influx of cheap "lotus" blankets from China, Korea, Indonesia, and Taiwan.

Along this historical description, the research also described the status of these women semi-workers focusing on the exploitative nature of either factory-based weavers or home-based weavers.

To cap it all, these women find themselves in an extremely exploitative situation under the irregular subcontracting scheme, which is largely being done by garment firms in the export-processing zone in the city.

B. Status of Workers in the Subcontracting Chain in Two Garment Factories in the Baguio City Economic Zone (BCEZ)

The research result has just proven how extremely inhumane the new scheme of subcontracting production process is. To the capitalists, this scheme of subcontracting is a quick and efficient response to

fluctuating market demands and rising labor costs. To the direct producers of garments, on the other hand, the scheme represents the maximum exploitation of labor.

The home-based worker produces a portion of the garment and passes this on either directly to the factory line-worker or to another layer of subcontractor. The line leader-subcontractor in turn facilitates the finished garment product, together with other regular workers or contractual workers who are factory-based of the manufacturing garment firm. The finished product is then passed on to GAP, which is the ultimate owner or contractor of the garment/apparel. Through all the layers the product passes through, a part of the fruit of the home-based worker's labour is taken and ultimately GAP amasses the biggest chunk of the workers' sweat.

Interestingly, the research revealed another layer/line that shares in the chain of exploitation. The line leaders who are regular workers are utilized as subcontractors who in turn subcontract to home-based workers who are more often kin-members or neighbors. While the line leader as a regular worker is being exploited by the garment firm at the same time as a subcontractor they amass part of the product of the labor of the home-based workers. These line leaders-subcontractors are in fact, living in more decent standards than regular workers who are not subcontractors and more so when compared to home-based workers.

Such a scheme of subcontracting processes of production evolves into splitting up of the workers. It has intensified competition among the regular workers and weakened the basis of solidarity among the workers. The seemingly turtle pace of organizing results of WWP work at these garment firms is a case in point.

Another revealing result is the social cost. It has created unnecessary competition among kin members. While in the short run, line leaders-subcontractors are viewed as providers of livelihood, they will be viewed as exploiters by the home-based workers. Such situation will further split the ranks of the exploited masses.

Utilization of subcontracting through a line-worker who partly exploits the home-based worker however does not reduce profits of the capitalists. On the other

hand, as earlier stated, more profit is raked through the scheme of subcontracting production process by utilizing home-based workers. The direct manufacturing companies do not have to provide security benefits, sick leave benefits, over time payment to home-based workers. These are hard earned benefits by workers to at least limit the extent of exploitation apart from other protective measures against child labor and rights of the disabled and working age limit. These legal mechanisms are not applicable among home-based workers.

This study has failed to trace the chain of exploitation with solid data from the home-based workers up to the ultimate exploiter which is GAP due to lack of access to company data. The firms under study are not registered in the regional office of Securities and Exchange Commission nor at the local Department of Trade and Industry. Efforts to access data through the administrative office of the Baguio Export Processing Zone turned futile, much less from company managers.

Recommendations

Organizing work becomes more painstaking. Apt tactics have to be devised to adapt to the needs and situation of formal and informal workers amidst the global introduction of subcontracting production process. This is the challenge that WWP is attempting to respond to.

To pursue its education and organizing work among the formal and informal workers amidst the global introduction of subcontracting production process which is weakening the common base of solidarity of the exploited workers.

Education module shall have to be devised to suit the particularities of regular workers in the garment industry and those of the informal home-based workers in the communities. Among the regular workers, pushing for higher wages and benefits, implementation of codes of conduct, assertion of workers democratic rights are the major calls. It will be among the informal workers that the issue of subcontracting scheme will be raised.

For further research work, it is recommended that studies will be conducted on the implications of the phasing out of the Multi-Fiber Agreement (MFA) among the already dying garment industry in the region.

Industry overview

The garment industry in the Philippines started as a home industry before the 1900's. Women and children in different parts of the country did hand embroidery in small scale.

At the beginning of the 20th century, this went through dramatic changes when the US colonial government encouraged the export of hand-embroidered articles to the US. Great amount of profits was extracted from the expertise of Filipino sewers and embroiders paving the way to the establishment of the first garment firms in the Philippines.

Subcontracting played a crucial role in this development. The dramatic growth of the garment industry was only limited to the labor intensive processes of knitting, sewing, embroidery, trimming and finishing and packing of garment exports mostly to the US. Later on, it has become import-dependent and tied to the international market. Local firms were allowed to import duty-free raw materials and further facilitated and legalized subcontracting.

The garment industry had become a major employer. It is the country's second biggest export. It contributes \$3billion in exports produced by 400,000 workers in 1,200 factories operating nationwide. It was given liberal access to dollar allocation for the importation of machinery and raw materials. Government incentives such as tax concessions and easy access to loans were provided for capacity build-up and expansion. But on the other hand the industry was faced with controversies and conflicts due to the prevalence of low wages, unsafe working conditions, job insecurity and de-unionization.

Export Processing Zones (EPZs) were established to accommodate investments into labor-intensive light manufactures for the world market. Inside these industrial enclaves, many garment firms usually owned by foreign businessmen, were established to manufacture subcontracted job orders from foreign principals.

In the recent years, the garments sector has suffered decline due to the impact of globalization or intense competition. This was due mainly to the expansion of subcontracting supplier markets in South Asia and Central America and the global overproduction in garments and textiles.

To ensure its survival, the Philippine government designed the *Garments Export Industry Transformation Plan and Assistance Package*, a comprehensive incentive package to boost the industry's competitiveness in light of the impending phasing out of the Multi-Fiber Agreement (MFA) by the end of 2004. The program includes skills and productivity enhancement, relaxation of rules and additional incentives to use the remaining export quota allocation available until 2004 to encourage exporters to upgrade their workers' skills, acquire new technologies and comply with best practice social standards.

In the Cordillera region, foreign companies in the Baguio City Economic Zone (BCEZ) have dominated garment exports through the years. To name these few, are Dae Gu Apparel Corporation owned by Korean, Adriste Philippines owned by Italian, Swiss, Indian and Tara Designs 100% owned by Canadian national. This had been spurred primarily by the intense liberalization of investment rules that prevail in all economic zones nationwide.

The case of indigenous or local garment industry will be discussed in the succeeding research on the informal garment sector.

Overview of the Research

The general objective of the research is to find out the demand of workers in the formal and in the informal sector. Specifically, it aims to trace the subcontracting chain of production in Adriste Philippines and Dae Gu Apparel, foreign garment factories within the Baguio City Economic Zone (BCEZ). Secondly, is to uncover the situation of weavers in the communities, and finally to draw up education and organizing tactics among these garment workers.

The research started with education and leveling off the research team who are at the same time the organizers of the Women Workers' Program. The first month was spent more on discussions about globalization, its impact on the workers, in the weaving and knitting industry, local situations of trade union and situation of the urban poor, education sessions regarding contractualization scheme and basic workers' rights. These aimed primarily to equip researchers on the general overview of the issue of globalization in which subcontracting trends are borne.

The team sought the assistance of a research consultant to assist in designing interview questionnaires and other possible research instruments. Regular consultations were conducted also with the WWP Board for reports and updates.

Personal visits, interviews and focus group discussions were the manners of gathering data both in the formal and informal sector. Most of the interviewees are the members of the women association in BCEZ, organized contacts in the factories and members of the women association in the urban poor communities. Limited data was also derived from interviews among some in managerial positions.

The researchers had to cope with the work schedules of the workers, so interviews had to be scheduled during their free time at home and for some during Sundays. Relatively, most new contacts are hesitant to be interviewed. They entail more time to gain their trust and confidence on the objectives of the research. Meanwhile, interviews among the informal workers showed fast pace since they had control of their time and primarily because WWP had been working with them for the past couple of years.

Focus group discussions yielded more data. Interaction among the group was encouraged and made positive feedback. Current or burning issues of the day also became part of the discussions. These focus group discussions and the revalidation of data involving more people collectively discussing and sharing experiences represents the actualization of participatory collective research.

The web, company publications and newspapers were also sources of our data. General information was taken from government agencies, however no data had been seen relevant to the issue of subcontracting. This is because under the law, labor only contracting is prohibited but is not strictly monitored and companies implement this.

Personal interviews covers at least 2-3 hours per session while *focus group discussions* go as far as 4-6 hours. It is basically a question and answer type but along with this there are inputs regarding the issue on globalization and subcontracting. Most consider this as educational and positive.

The existing women's association in the communities

became part of the machinery of the project. It facilitated focus group discussions and the schedule of research interviews in the communities.

Apart from difficulties experienced in the process of data gathering, the researchers also were caught into so many data that made collation and processing so tedious. In the process of getting data, respondents/participants give valuable information which are not necessarily directed to the focus of the research but are equally essential in the overall work of WWP. More days are spent in documenting and disintegrating data than the actual data gathering. Difficulty is also experienced in analyzing data, not to mention final documentation of the research, *in English*.

The Subcontracting Chain

The main player or the contractor in the subcontracting chain is GAP International who owns the brand label. It has contracted almost all the manufacturing garments company in BCEZ to produce apparels for the brand labels as Banana Republic, JC Penny and Ann Taylor. The study was not able to gather data on the status of these subcontracted partners and GAP as well. The research focused on the situation of the direct producers of garments and the chain of exploiters along the new scheme of subcontracting production process as a strategy of business firms to improve efficiency of labor and survive in the global market place.

The Adriste Philippines, Inc. (API) was set up in 1980 at the *Baguio City Economic Zone (BCEZ)*. The firm is owned by the Italian brothers Ivo and Aldo Portulano. Raw materials come directly from Italy while finished products are for export to Canada, Japan, United States, Western and Eastern Europe. The company has branches in Japan, Canada, USA, and Hong Kong, which is the center of the parent company.

Adriste has 700 workers but only 160 of them are regular and the rest are all contractual workers or piece raters. Ninety-eight (98%) of all workers are women.

Meanwhile, Dae Gu Apparel Corporation is a 100% Korean owned company producing knitted garments. It was established in 1993 under the management of a certain Sang Chung Lee. At present, the company employs 363 workers, 280 of who are women and 83 of who are men.

Adraste and Dae Gu constitute the 1st level of subcontracting. GAP contracts Adraste to produce leather and knitted gloves while Dae Gu produces knitted garments. GAP has no manufacturing firm to speak of. It simply buys the products of Adraste and Dae Gu and distributes these products under various brand labels. But as the buyer, GAP dictates the volume, the design, and complete specifications of the products.

Both companies employ regular workers and at the same time utilize subcontracting production through home-based workers apart from contractual workers. The regular workforce is generally maintained to produce the regular volume of products required by GAP.

During peak season months of July to October, volume of order from GAP increases. Both companies have to employ additional workforce to work as "piece-raters". Apart from these factory-based piece-raters, they also utilize subcontracting either through a one-layer process or two-layer process.

The *one-layer* process is the *domestic manufacturing company to the Line leader, which in turn subcontracts the production to home-based workers*. The Line leader is a regular worker of the company who supervises each assembly line. The products from the assembly line need to be hand sewn thru *closing tips, linking, bind-off and hemming*. The line leader subcontracts these various processes of the production line to home-workers. These are unfinished knitted scarf, shawls, and knitted gloves to home-based workers.

In the *two-layer process, the line leader gives the unfinished product to various subcontractors who are not company workers who in turn distribute to home-based workers*.

The Line leaders with the other regular workers receive low wages. The minimum wage in the region is P195.00 or US\$3.68 a day, which is far below the daily cost of living prescribed by the Philippine government, which is P528.00 or US\$9.96 for a family of six. There is an existing "*no union, no strike policy*" in the EPZ, as a result, workers' union are short-lived. Workers receive less benefit such as social security benefits, vacation leave, sick leave and maternity leave. They are also forced to work overtime and to finish the required quota. Through the subcontracting process, the meager salary of line leaders is augmented.

The Line leaders receive bigger shares in the 2nd layer from the subcontracted jobs. Many of them are relatively well off compared to the other regular workers during the peak season since they earn additional income from subcontracting. In fact, most of them were able to acquire low cost or second-hand vehicles that they use also for the subcontracted production process. The manufacturing companies favor some Line leaders. Some line leaders get bigger volume enough to supply the whole community while some have just enough to be divided by only a few neighbors. This even creates tensions and differences among the Line leaders.

The home-based workers are unemployed women in the community. They do odd jobs such as laundry, vending, construction etc. to augment family income. These are irregular sources of income so during the peak season of the EPZ, many women in the community work as home-based workers for the two (2) mentioned companies. They are again displaced and had to seek other jobs when the peak season comes to an end.

The community-based women usually reside in the urban poor communities in the City of Baguio and in the communities nearby the EPZ. They are the women who had no opportunities to regular jobs and are just in the homes to attend to domestic chores. They were once weavers and knitters who were displaced by the liberal influx of garments from China and Korea that eventually killed the traditional weaving and knitting industry.

They numbered a hundred to do subcontracting job passed on to them by the Line leader or another subcontractor who is also from the community, usually relatives of the line leader. In an isolated case, the line leader pass on the job to family members/ kin and they divide the labor cost equally.

The home-based workers are paid by pieces. They are the lowest paid. They are not entitled to benefits from the company. They are paid as low as 30%- 20% of the total value paid by the company for the piece of job done. The subcontractor pays only one worker for the job participated by many family members to meet the quota and earn more. It is not easy to distinguish the share of child labor in this case. This is miserable for the household members whose labors are not paid because the subcontractor had the lion's share.

In most cases, they own the needles and scissors they use to work. They spend for the electricity they use at home during the whole day and even till midnight work hoping to earn more.

The home-based workers are the most affected sector in the subcontracting chain. The lower the chain goes, the higher the intensity of exploitation. They are not considered employees of the company therefore they are deprived of their rights to a workers' union. Experience had proven that only thru a union that the workers are able to negotiate and demand for just living wages, security of tenure and recognition of labor rights.

Case Studies

Case 1

Geri proudly explained to us how she was able to finish an average of four (4) bundles a day, how her beautiful children helps her work on the bundles even though they don't get paid, how important it is for her to earn an additional P88.00 or US\$1.64 per day and how other women in their community do the same.

About 80-100 sewers in the community alone, work for the same subcontractor. They have to do tedious job of sewing tussle ends for mufflers and shawls. The other women are grateful to the subcontractor who has given them this work and pay. But Geri is not. For she knows, the subcontractor will get paid P74.40 or US\$1.4 per bundle of tussles sewn.

And while the subcontractor gives the women workers P22.00 or US 0.41, and while the women earn a meager \$1.64 per day, the subcontractor earns for herself, from their sweat, a chunk of \$3.96 per day per sewer (assuming each sewer finishes only an average of 4 bundles per day). And if this subcontractor has a minimum of 80 sewers, she does then earn an approximate of \$316.8 per day.

\$1.40 per bundle	price paid by company to the Subcon
\$0.41 per bundle	price paid by sub-contractor to the home worker
<hr/>	
\$0.99/ bundle	Share of the subcontractor

(In 8hrs)

4 bundles x \$0.41 = \$1.64/day for the homebased

4 bundles x \$0.99 = \$3.96/day for the subcontractor

If 80 homebased x \$3.96 = \$316.80 for the subcontractor in a day

Case 2

Melody was once a worker of Dong-in K7, a manufacturing firm in BCEZ producing bags for export owned by a Korean national. She was one of the women leaders who led in the formation of workers' union in the said firm. They were able to draw an overwhelming support from the majority. Issues then were low wages, less benefits and high quota system leading to forced overtime.

The company then also filed notice of closure due to financial loss that left no options for the workers than to stage a workers' strike. Since the company had a sister company in another EPZ in the country, it was then an easy for it to run away from its obligations to the workers. While the labor case is still pending at the Department of Labor and employment, many workers were left unemployed and deprived of finances and benefits due them.

Melody spent almost two months searching for new job. She with the union members was discriminated and not hired by other garment factories because they were branded as "unionists". Being a single parent, she had to earn a living with her 4- year old son.

During the peak season, she accepts subcontracting jobs from line leaders. She earns barely an amount to sustain their daily needs. She does closing tips and bind-off of knitted gloves.

\$0.20/ pair	price paid by company
\$0.06/ pair	price paid to the home worker
<hr/>	
\$0.14/pair	share of the subcontractor

In 8hrs 20pairs x \$0.06 = \$1.20/day paid to home based - 20% tax = \$1.12
 20 " x \$0.14 = \$2.8/ day paid to subcontractor

If 5 homebased x \$1.12/day = P5.6/day

The Traditional Hand- Weaving Industry in Baguio City: Towards Extinction in a Globalize Economy (The Informal Sector)

Brief Background

Weaving is one of the major skills of the Cordillera women. It is learned and passed on from generation to the next by the mother to her daughter. In the whole region, only Benguet Province had not engaged in weaving. Though every province has an ethnic design and had their own color combinations, the people from Benguet bought or traded cloth from the Ilocos and sewed them for their clothing and other needs.

Weaving for use was the principle years ago when the people were not yet introduced to the more modern clothes, blankets and others. But today, weaving has become one of the major skills that provide for the economic needs of urban poor families here in Baguio. Weaving continue to play an important role in the tourism industry of Baguio City particularly during the summer months or to be exported to foreign lands for profit. It is the Cordillera migrant women weavers who keep the industry alive.

Through the years however, traditional weaving has become a tourist- oriented industry that caters mostly to the foreign and local tourists.

This report will then deal on the present status of the traditional weaving industry of the Cordillera, more than a century ago, its absorption into the system of the cash economy and what the trends are in relation to its perspective.

The content of the report is based on the results of a research project by the Women Workers Program with the active participation of the leaders of SAMAKANA (an urban poor women's association based in the city).

An "ules" (blanket) of problems and issues: the situation of the women weavers of Baguio City.

Weaving is a traditional skill learned from their mother. At an early age most have been helping with their mother's weaving - they warped, wound the thread and prepared the loom. While observing, they learn. Then they reached their teens, they were as facile as their mother with the loom.

Most of them came from the interior barrios of the Cordillera mainly, the Mountain Province, Ifugao, Abra

and the tri-bounderies of the Mountain Province, Abra and Ilocos Sur.

Weaving... A source of Income. A means to survive

The women used their weaving skills to earn an income for the family. Their husbands or fathers usually found work as carpenters, stone- breakers, and stonewall builders or small scale miners. Income from these however is irregular and always barely enough for the family needs. When the mines in Itogon started closing and construction work was in glut, the women's earning from weaving became the primary source of income for these families.

The first arrivals usually begin by weaving traditional apparels to sell to their co-villagers who are also migrants. The women weavers use two types of looms, the handloom and the back-strap loom.

Gradually, the women weavers are drawn into the tourist and export market, into the global economy. They adapted their designs and products for the tourists.

Tourism and the growth of the export-import industry influenced even the production relations among the weavers. A small number of Cordillera weavers acquired wealth and became the suppliers and financiers of the smaller weavers who have no capital. These suppliers and financiers exploit weavers by way of cheap labor, high prices of thread and equipment or high rental of equipment and cheap price for the products. They were able to control and monopolize the market for the thread and the finished products.

Indeed many women weavers end-up in the clutches of the suppliers and financiers since the tourist and the export market is seasonal and volatile. During the months of June and July when the tourism industry is at its lowest, there is hardly any demand for the hand-woven product. Many weavers leave their loom to vend, launder for others and take on work as domestic helpers for the richer families.

Then under the aegis of globalization, the government introduced import liberalization. Machine-made textiles and blankets started flooding the city's market. These are cheaper, lighter, and finer than the hand-woven products. These imported products

eased out the textiles and blankets made by the local women. Market for hand-woven products shrunk bringing additional hardship to the women weavers.

Thus, it is not surprising that majority of the women weavers are among the City's poorest. They crowd the city's depressed areas. They are among what the government call as informal sector. They are among the 36% semi-workers population of the city. The women weavers do not have regular work and income nor job security. They are not covered with the country's labor laws or the codes of conduct.

They depend on their handlooms and limited skills for their living. Even if they are skilled, the designs they could use are limited since many designs even the traditional ones have been patented by Narda's and Sagada Weaving, the main exporter of handwoven products. They are constantly burdened by the ever rising process of materials as opposed to the low prices of their finished products. The entry of high technology weaving and knitting particularly in the ecozone area is providing unfair competition. Though they contribute to the city's economy, the government does not give them support. Thus, most remain dependent on suppliers and financiers.

The weaving process: Problems and Issues

Threading the loom.... Importation, Monopoly and the Pa-supply system (a case study)

Baguio weavers use different kinds of thread depending on what they are weaving. Blanket weavers use vonnel while those who make the traditional apparel use cotton. But whether cotton or vonnel, the thread used by the weavers are imported since the Philippines do not have any real textile industry. It has to import all weaving materials and the thread.

Thread is very expensive, more so if it is bought retail. To get cheaper prices, one has to buy in bulk. This means having at least P 100,000.00 capital. The few who have large capital monopolize the buying and selling of thread. They dictate the prices and even the availability of thread.

Thus the prevalence of the "*suki*" system, to ensure thread source, the weavers develop a special arrangement with specific thread sellers to give them regular supply of thread and in turn supply that person with the finished products.

Most of the time, the weavers end up without money for capital. These are during the lean months when there are no takers of their products. During emergencies, they are also forced to dip into their small capital. To continue weaving, they are forced into the pa-supply system.

In the *pa-supply* system, they loan thread from a supplier of financier. Frequently, they have no choice as to what kind of thread will be provided them. They could be given the good or the bad quality thread. Weavers may pay the supplier-financier in cash by selling directly in the market, or in the form of finished products. The weavers can get higher prices if they sell direct but majority are forced into the latter. It takes time to collect payment for their finished products that are usually sold on consignment basis.

Lifting the Harness, Pushing the Row... Long Hours and Low Pay

Hand-weaving is a tedious process. The machines used are very backward. These are basically the upright handloom for the blanket weavers and the back-strap loom for the weavers of runners, g-strings, the tapis (skirts), and wall decors.

The women weavers have to work long hours, usually from six to twelve hours a day, for very low pay. In San Carlos Heights, two weavers can finish at an average nine standard double size blankets in 12 hours. In Kias, a weaver averages two long runners in 12 hours work. The self or family financed weavers earn a little more than 2,000 pesos a month if they work for 26 days. This is barely enough for the daily sustenance of their families.

In the Cordillera, weaving is traditionally a woman's Work. The children particularly the older ones help. But in Baguio City, even the men weave. The woman remains the "manager" who deals with buyers and determines the work to be done.

Manang Agnes tells her story. "I have been weaving Blankets since my teens. Now I weave with my Daughter in law in a double upright handloom. When capital is available, we finance our weaving. We are able to finish 16 blankets in 13 hours work a day. We earn 480 pesos or 240 per person for 13 hours of work.

Gross income	
P130.000/blanket	x 16 blankets = 2,080.00
Minus cost of	
Thread	= 1,600.00
Net Earning	= 480.00

Of course this earning is not ours only because the other members of the family like the kids who do the winding our husbands who do the warping are not included in the computation.

In cases where my husband and my son can find work, they also weave while we deliver some of our products to the supplier-financier or if we go to market our blankets."

Just like Agnes, all the other blanket weavers and the other weavers of other products share the same issues of long hours of work and low pay. As of the present, blanket weavers are shifting again to foot rugs, wall decors and other smaller items because of the influx of imported blankets that are of the same if not cheaper price compared to our hand-woven blankets. These blankets are finer in weave, less bulky and easier to wash than our product. Like what happened to the knitting industry, which slowly but eventually died in the mid 1990's, our traditional blanket weaving is suffering from being submerged by the import liberalization policy of our government.

Conclusions of Research on Weaving

Weaving is one of the aspects where the culture and tradition of the Cordillera people is boldly spelled out. You can easily determine the place of origin of a person through his traditional attire. Stories come with the traditional designs in all the traditional apparel that is used. Even the economic status of a family or a person can be seen through his attire. Yet today, people can easily buy a traditional skirt, g-string, or blanket if you have the money.

The slow death of our weaving industry would also mean the slow death of whatever culture there is woven with these products that being buried by the influx of imported products.

The women particularly those who migrated to Baguio are not fully aware of these implications. They are not given any choice since there are no available jobs as there are very limited industries.

Not only the raw materials are imported. The importation also of modern technology, which the backward and traditional technology cannot compete with, hastens the death of this important tradition of the Cordillera people.

Conclusions and Recommendations

The research result has just proven how extremely inhuman is the scheme of sub-contracting production process is. To the capitalists, this scheme of subcontracting is a quick and efficient response to fluctuating market demands and rising labor costs. To the direct producers of garments, on the other hand, the scheme represents the maximum exploitation of labor.

The home-based worker produces a portion of the garment and passes this on either direct to the factory line-worker or to another layer of subcontractor. The line leader-subcontractor in turn facilitates the finished garment product, together with other regular workers or contractual workers who are factory-based of the garment firm. The finished product is then passed on to GAP, which is the ultimate owner of the garment/apparel. Through all these layers, where the product passes through, part of the fruit of the direct producer which is the home based worker is taken by the people on the line ultimately with GAP amassing the biggest chunk of the workers' sweat.

Interestingly, the research revealed another layer/line that shares in the chain of exploitation. The line leaders who are regular workers are utilized as subcontractors who in turn sub-contract to home-based workers who are more often than not kin-members or neighbors. While the line leader as a regular worker who is also a direct producer is being exploited by the garment firm but at the same time being a subcontractor amass part of the product of the labor of the home-based workers. These line leaders-subcontractors are in fact, living in a more decent standards than regular workers who are not subcontractors and more so when compared to home-based workers though this happens for just a certain period.

Such a scheme of subcontracting process of production evolves into splitting up of the workers. It has intensified competition among the regular workers and weakened the basis of solidarity of the workers. The seemingly turtle pace of organizing results of WWP work at these garment firms is a case in point.

Another revealing result is the social cost. It has created unnecessary competition among kin members. While in the short run, line leaders-subcontractors are viewed as providers of livelihood, they will be viewed as exploiters by the home-based workers. Such situation will further split the ranks of the exploited masses.

Utilization of subcontracting through line-worker who partly exploits the home-based worker however does not reduce profits of the capitalists. On the other hand, as earlier stated, more profit is raked through the scheme of subcontracting production process by utilizing home-based workers. The direct manufacturing companies does not have to provide security benefits, sick leave benefits, over time pay and others to home-based workers. These are hard earned benefits by workers to at least limit the extent of exploitation apart from other protective measures against child labor and rights of the disabled and working age limit. These legal mechanisms are not applicable among home-based workers.

This study has failed to trace the chain of exploitation with solid data from the home-based workers up to the ultimate exploiter which is GAP due to lack of access to company data. The firms under study are not registered in the regional office of Securities and Exchange Commission nor at the local Department of Trade and Industry. Efforts to access data through the administrative office of the Baguio Export Processing Zone turned futile, much less from company managers.

Organizing work becomes more painstaking. Apt tactics has to be devised to adapt to the needs and situation of formal and informal workers amidst a global introduction of subcontracting production process. This is the challenge that WWP is attempting to respond to. To pursue its education and organizing work among the formal and informal workers amidst the global introduction of sub-contracting production process which is weakening the common base of solidarity of the exploited workers.

Under globalization and heightened by subcontracting, traditional organizing become less effective. Flexible labor schemes had given the capitalists more leeway to exploit and oppress the workers.

Given their highly unorganized and insecure conditions, it become a challenge for the workers in the garments industry to go beyond traditional education and organizing strategies, which often does not generate desired outcome, to protect their rights and welfare.

Moreover, many workers in the garments industries are home based and work in isolation with no collective identity. This makes more difficult to organize them into unions wherein a collective bargaining agreement with the management embodies better economic benefits and recognized political rights of the workers.

Among new organizing tactics to organize garments workers are: Firstly, Community-based organizing, which refers to organizing workers in their own communities. Subcontracted job orders are usually farmed out to communities near the manufacturing firms. This explains why subcontractors thrive in areas around export processing zones or industrial sites.

Secondly, Line- industry-based organizing, this refers to organizing workers according to industry instead of the workplace. Issues in the community usually draw together the informal and formal sector to a common point of unity.

Lastly, is International Solidarity, this may refer to organizing workers from around the world who are employed by the same Transnational Corporations (TNCs) or organizing all garment workers worldwide.

By any means, the workers' struggle can be staged on the international level that is indispensable with the intense globalization of capital. Internationalism among the workers must be built.

European Reports

The Rights of Workers in Garment Industry Subcontracting Chains in Bulgaria

Bulgaria-European Partnership Association, Bulgaria

Background

The research is based on information collected in the period April - October 2002. Various sources have been used for this purpose: Firstly, we have carried out about 170 interviews in 100 enterprises with managers, administrative personnel, workers and even home workers by using specially adapted questionnaires. We have also asked for official information from state institutions and held meetings with trade unions. WE have analyzed specialized publications, statements of business associations and foreign representatives as well as the daily press.

The aim was to establish **how** the subcontracting chains were structured and the focus was on their functioning rather than on the names of specific companies.

At this stage, after having analyzed the collected information we faced some problems like:

- Very difficult access to factory inside information
- Insufficient knowledge of workers and unwillingness of administrative personnel to disclose data about the factory's links within and along the supply chains;
- Disparity between the answers of workers and employers on working conditions. We had to analyze the respondents' answers of each individual factory and compare them with information obtained from other sources;
- Confidentiality is another aspect that additionally obscures the official data and makes almost impossible the analysis of the sector and relationships between exports and the state of the labour force.

Identifying Bulgarian factories in subcontracting chains is not a difficult issue, since most of them participate in such chains. It is, however, difficult to

follow a specific chain vertically abroad. On the information available it was decided which exactly subcontracting chains to be selected and studied for the purposes and within this research.

The sustainable growth of the garment sector production and its share in Bulgarian exports, indicate that the country has become an integral part of the global subcontracting chains in the garment industry. According to official data, the share of the garment sector in the national economy is estimated to 3.5 %, the percentage of the employed in the sector in the total export of the country is around 18% and is almost entirely as a result of outsourcing. 96% of the garment production is export oriented.

There are a lot of reasons for that. The proximity to the Western markets reduces the transportation/delivery times and costs. The lack of or inability to fill up export/import garment quotas also make Bulgaria a very attractive place for outsourcing from both Western and regional (Greek, Turkish) companies. Due to the informalisation and unreliable statistics, the real numbers of companies, factories, sweatshops and workers can hardly be estimated. There is a high concentration of fully Greek-owned or joint Greek-Bulgarian firms along the common border. Similar is the situation with Turkish companies in the regions with solid Turkish ethnic population. Other foreign producers are more evenly distributed throughout the country's territory. Orders are being executed by local subcontractors (Bulgarian, foreign or joint). The formally established EPZ are not functioning properly and it is still a matter of the future to see what their role will be.

Bulgaria produces garments for almost any TNC/MNC one can think of. There are 143 companies' labels and names. Subcontracting chains in the country are also very complicated and diversified horizontally and vertically reaching sometimes homeworkers at the bottom. In Bulgaria we have all four major types of supply chains operating.

The sector is much feminised (100% of the seamstresses, 90% of the total work force are women). The high unemployment rates in the country and deteriorated living standards have created conditions for employers and owners in the already almost 100% private garment sector in Bulgaria to exert pressure and even exploitation upon the

vulnerable labour force. These include the reduced TU presence to less than 10% in the big enterprises only. Another important factor is the continuous informalisation of the sector. As a result, in the prevailing majority of the factories basic labour standards are not met with small exception for health and safety in mostly the former big state-owned enterprises. Besides there is a lack of regulation in the informal sector in general and with home working in particular. This has become also a result from the policy of deregulation labour policy undertaken by the state. Along with that TUs are preoccupied with the problems in the formal sector and say that it is not only the absence of legal grounds, but they do not have the physical capacity to outreach this "gray" labour force.

In the last 12 years there is an ever growing number of employed persons in the sector. The growth is estimated to an average of 10 000 annually. The employment relationships are quite different. We have still the prevailing number of *permanent workers* with employment contracts, however, their proportion is decreasing. There are also the growing figures of the type of *regular workers with temporary employment contracts* that are usually continued after each 3-6 month short-term expiry. In addition to that we have witnessed some court decisions that rule out the work of both permanent and short-term employed as seasonal. This in reality is an abrogation of all protective Labour Code provision and places workers in a very adverse situation exposed to the employers' arbitrariness. We can say that the phenomenon of *sub-contracting workers* can also be seen, but only in some parts of the country (South West). They have some common features with both homeworkers (4-5 relatives or friends work in the home of one of them), as well as with micro-enterprises. Usually the owner of the house who is taking care of the cut material supply and the product delivery is a registered sole trader and he and his wife who works together with the other seamstresses get slightly higher pay than them. And finally at the bottom of the chains we have the *home workers*, but they are quite invisible and we have rather heard about them from others than identified them.

The expectations from the introduced binding registration of employment contracts are not high. There are clear-cut opinions that this will only take more workers from the formal to the "gray" economy.

Such was the case with the craftsmen, who were not able to pay their increased annual licence fees and went into the gray economy.

Especially grave is the situation with overtime. Seamstresses have to work 10-14 hours a day, 6-7 days a week. These long working hours, combined with bad working conditions raise the question: how many years can a seamstress endure working like this? The particular bodily position any strain will finally lead to quit the work and to loose her income . Very often garment workers are the sole earners in their family. Another problem is the payment or rather non payment of medical and social security. Usually it is limited to the legal minimum wage which in the formal sector are usually limited to the legal minimum wage, should even the real pay be higher than that.

It will definitely be necessary to bring these findings to the knowledge of the broad public and workers in particular. Being aware of the situation and trends in the garment industry at national scale and globally, garment workers will realized that their position is similar all over the world. They will easier find ways for organising and look for a way out of the deadlock in relation to their social and labour rights. There is the necessity of working out a detailed plan for workers' education with methodology and time-scale. In order to be more effective, advocacy work and lobbying will definitely need to be backed-up and this where the place and role of NGOs like BEPA are.

For sure we can say that the solution of the problems in the garment sector will be very difficult and they can be resolved only with the joint efforts of all related organizations, institutions and groups of citizens.

Introduction

This study was carried out in the period April - October 2002. In order to obtain a comprehensive picture of the garment industry in Bulgaria and its dynamics, it was necessary to ask for official information from state institutions such as the Ministry of the Economy, the National Statistics Institute and the Executive Agency "General Labour Inspectorate". Information was also collected from all types of other sources such as specialized publications and the daily press, public attitudes of business associations and foreign representatives, trade-union structures at central, branch, local and factory levels.

The aim was to establish **how** the subcontracting chains were structured and the focus was on the functioning of the subcontracting chains rather than on the names of specific companies.

Interviews were carried out using several types of questionnaires that had been prepared in advance - for managers, administrative personnel, workers and home workers. The questionnaires contain specific questions to gain the necessary information. For example, both the workers and managers were asked questions about the working conditions as well as about the subcontracting chains. Their different role in the production process accounts for the difference in their answers - for example about extra work, breaks, pay. On the basis of the officially expressed opinions and about 170 interviews that were held, the main tendencies can be outlined, the phenomena typical for this sector in the country can be brought out and conclusions can be drawn about the place of the Bulgarian garment industry in the global subcontracting chains. The global production chains, including the garment ones, are characterized by the fact that the activities are being realized in many and different countries, even on different continents. The growth rates of production volumes in absolute figures and as GDP shares provide the grounds to draw the basic conclusion that Bulgaria is part of the world garment industry with the trend of even greater involvement.

The Garment Industry at the Global and Regional Level

A serious restructuring started in the late 1960s in the global garment industry. The growth in the products prices and above all the labour price in the developed countries forced a number of firms to relocate their production through subcontracting contracts. The distribution of labour-intensive garment production on world scale depends primarily on the labour price, which is the most variable and geographically dependent part of production costs.

In the 1990s some changes took place also in the European economic environment. The integration of Western European nations was enhanced in view of creating a single European market. Three factors

determine the world tendencies in the garment industry: the exacerbated competition, trade liberalization, and the newly emerging transforming economies of the Eastern European countries. This industry is internationalized and depends on subcontracting contracts. At the same time it is characterized also by one of the lowest levels of remuneration, a low share of labour cost in the end product price, high labour-intensity and violation of labour standards. This deterioration of working conditions will probably grow at the end of the period of validity of the Multi-fibre Agreement¹ (MFA), when there will be a strong competition for satisfying the world market. Probably, the expiry of the MFA will enhance the processes through which powerful companies use international differences in the pay and the working conditions to maximize their profits.

The new corporate strategies increasingly show how a globalised economy makes it possible for the profits and benefits to concentrate in some regions while poverty and deprivation, related to the creation of these profits, concentrate in other regions. The production of companies based in the North is manufactured in Eastern Europe, Latin America and Asia. When it turns out that some of these countries are too "expensive", the companies leave them and establish themselves in their "cheaper" neighbours, which leads to a loss of jobs and deterioration in the working conditions. The ATC² is merely an integral part of this tradition, eliminating some of the still existing barriers. The complete elimination of quotas in 2005 will provide the opportunity to the transnational companies to become even more flexible and to feel fewer restrictions in moving between various states and suppliers. The suppliers can be set against each other and the companies that will be successful will probably have the "advantage" of possessing a "disciplined" cheap workforce. Thus jobs turn out to be a guarantee for higher profits on the international market and for a greater mobility of the capital.

Trade agreements like the ATC have direct consequences on the life of the people and it is very important that such agreements should be accompanied by measures guaranteeing workers' rights.

¹ Multi-fibre Agreement - an agreement which has regulated the trade in textiles and would be phased out in 2005 through

² ATC (Agreement on Textile and Clothing) - a new agreement within WTO for trading in textile and clothing, envisaging gradual market liberalization.

The ATC is presented as a progressive measure that will benefit the poor countries of the South through the opening of the Northern markets. Actually the basic impact of the ATC is not in the relocation of the industry from the North to the South but in relocating the production site of labour-intensive activities within the South itself. Some southern countries will benefit, others will lose. At the end of the day the main beneficiaries will be the companies based in the North that will profit from the lack of restriction in carrying out their global operations. In the meantime workers both in the North and the South will suffer since employment will become increasingly insecure and working conditions will continue to deteriorate. Thus the ATC will turn into another mechanism through which companies will be able to use the advantages of free trade in order to maximize their profits at the expense of the workers. The conflict is not so much between the countries of the South and the North rather than between the workers in the world and the transnational companies controlling the industry.

Along with these tendencies in the production process, serious **changes are taking place in employment** in this sector. According to ILO data, employment in the production of textile, clothing and footwear has remained relatively stable in the 1990s with approximately 30 million jobs according to official data. A redistribution of jobs has been noticed, however, with China emerging as a major production power. For the period 1995 - 1998 the share of Asia in the total employment in the textile and footwear industries grew from 69% to 72.5%, with the most considerable increase being observed in countries such as Indonesia, Bangladesh, Thailand and Sri Lanka, as well as in some countries of the Middle East and Northern Africa. During the same period in big European countries, a growing employment rate in the branch was marked only in Turkey and to a certain extent in Italy. The greatest job reductions in this sector during the same period were marked in Poland, Hungary, the United Kingdom, Spain, France, Hong Kong and Germany (a total drop in employment of nearly 50% for the period 1990 - 1998). Russia, where 14% of those working in the world textile industry were employed, has practically disappeared from the list of leading employers. At the end of the 1990s among the biggest exporters of clothing in the

world markets were the countries with the lowest labour costs- China, Indonesia, Pakistan and Vietnam - below \$0.45 per hour. The average hourly pay in the textile industry is highest in the European countries - about \$10 per hour, Japan - \$9.40 per hour, the US - \$7.64 per hour, Canada - \$6.81 per hour. Hong Kong has the highest labour price in Asia - \$3.50 per hour, which is higher even than the pay in some European countries like Latvia, Portugal, Slovenia, etc. And while in developed countries, in spite of the increasing productivity, volumes decrease due to high production costs and labour price, and the developing nations where subcontracting is implemented, increased their output. This occurs despite the low profit, increasing competition and price dumping. After abolition of quotas and other restrictions in the trade of textile and clothing in 2005 and China's accession to the WTO³ in 2002, the export of clothing from that country is expected to increase by 200%.

Workers in countries or regions that are expected to benefit from the expiry of the Multi-fibre Agreement, like for example China, Central America and Eastern Europe, will profit from opportunities for increased employment. It is important to assess what this means from the point of view of **labour standards**. One of the main reasons for the industry to be relocated towards these countries in particular, is the low labour price. For the workers this means not only minimal wages but also intensive work and strict discipline. In garment factories supplying the global market, it is a common practice to post 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. At the same time, the adoption of neo-liberal policies means fewer opportunities for workers' protection and in particular for undertaking collective action to protect their rights.

A more open trade system increases competition and both countries and the companies must cut their expenses. In a labour-intensive industry such as the garment industry, this means greater pressure on labour. The consequences will be felt by the workers everywhere, including the industrialized countries. In

³ WTO - World Trade Organisation

their efforts to cut expenses, many employers in the EU and the US create subcontracting chains reaching out to small workshops and home workers, where labour protection is the weakest. Even greater becomes the pressure to adopt new flexible work patterns, like for example irregular shifts without due pay for overtime, seasonal employment, etc.

It is officially asserted that the Eastern European countries will benefit from a more open trade system. At the end of 1996 Poland had already become the sixth largest supplier of clothing for the EU. However, the pay was so low that the women had to work long hours, to achieve extremely big volumes in order to earn salaries that were on or a little above the legal minimum.

In Bulgaria, for example, a family of four needs about E 650 - 700 (\$760-\$1,190) per month in order to subsist. The average salary of a seamstress is about E 115 - 130 (\$135-\$152). If they work 12 - 16 hours overtime a day without breaks, the workers can earn up to €225 (\$263). This is not sufficient, either, since very often they are the only working members of their families, due to the closure of many enterprises and the high unemployment. Moreover, when there is not enough work, the workers may temporarily be suspended without getting any money. Without any notice they are jobless and get no compensation whatsoever. There is constant job insecurity which reflect both the short-term and the long-term changes in international demand. In Eastern Europe also there are already signs of a situation that is similar to the situation in Asia where production is moving according to the differences in the pay rates. Some companies move from Poland and Hungary to Romania, Slovenia and Bulgaria. In Bulgaria 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 unpaid extra working hours and for locking the workers in the factories until they have executed the order.

Bulgaria is interested in **the trends in the garment sector within the EU countries**, because 80% of its export of garment production is targeted towards these countries.

The clothing industry in the EU, which includes the creation of fashion trends, advertising and marketing activities, capital resources and management of the global supply network, is still concentrated in the highly

developed nations - Great Britain, Italy, Germany, France, Spain. It is of paramount importance that a high degree of added value in the product is created in these countries. Taking 100 as a baseline of value-added within the EU, in Italy and the Netherlands it is 127, in Denmark - 125, in Germany - 122, in France - 114, while in Greece it is only 42. The EU is leader in the world fashion and production of expensive garments. In the Southern member-countries such as Portugal and Greece, however, mostly consumers goods with low value added are produced.

Of substantial interest to Bulgaria is the garment sector in our neighbouring country, **Greece**, and the trends that are observed there: on the one hand, Greece is a member of the EU, on the other hand, it is one of the countries with a comparatively little influence in the sector and with a lower living standard than that the EU leaders. The garment industry in Greece is oriented predominantly to subcontracting for the Western market. At the same time a great number of the Greek firms relocate their production sites to other Balkan countries, including Bulgaria, where the labour price is even lower. As a comparison, the minimum wage in Bulgaria is €50 (\$58), and in Greece it is €500 (\$580). This trend creates serious problems mainly in the Northern part of Greece where a great deal of the companies are concentrated thus causing job cuts and high unemployment. The Greek producers are subject to a double pressure - on the one hand are the high-quality and expensive goods of Western Europe, on the other hand is the high productivity of cheap products from the developing countries. The boom marked in the 1980s of subcontracting garment companies in Greece has been seriously threatened during the last few years.

Specialists outline *five types of subcontracting*:

- Third degree subcontracting - the design, pre-cut fabrics, packaging and auxiliary items (zippers, buttons etc.) are provided by the employer; only sewing and packaging is done in the country;
- Second degree subcontracting - the design and the fabrics are provided; cutting, sewing and packaging is done in the country;
- First degree subcontracting - the employer provides a sample of the garment and the subcontractor has to complete the job;
- Commercial subcontracting - the subcontractor creates a collection of her/his own that may bear the subcontractor's label and/or the principle's i.e. a department store;

- Branded clothing - in this case the subcontractor becomes a producer with his/her own collection and brand, large funds are required for marketing and the image of the country of production is particularly important (e.g. Italy).

In Greece the first two types of subcontracting companies are becoming increasingly fewer. The majority of companies belong to the third type. It has been estimated that for those in the third and second degree profit margins are around 5%, while in branded products they can reach as high as 58%.

The characteristics of the Far East in the 1980s are visible now in South-Eastern Europe. Just as at that time Hong Kong, Japan and South Korea moved their garment production to China, Indonesia, Malaysia, the Philippines, Sri Lanka, etc., in the same way Greece, the only EU member-country in this region, began in the 1990s to move its garment industry to the so called "countries in transition", including Bulgaria. The workshops in these countries have been given the third and second degree subcontracting indicated above, while the Greek contractors keep for themselves the intermediary role between the producers and the end customers. At the same time, two other tendencies can be observed - some of the companies became aware that equipment is of particular importance and by investing in it they count on preserving their competitiveness. A significant number of the Greek companies, however, count on surviving in competition only by reducing the labour cost and shifting their production sites to other Balkan countries through the creation of extremely complex subcontracting chains - several workshops in one town, then moving to a smaller town, villages and even using homework. These companies do not make any investments but use the available buildings that are numerous, due to the collapse of industries. For the same reason, another "favourable" condition is used - the large scale unemployment and the readiness of people to accept work at all costs.

Changes have also taken place **in the nature of orders**. It is now rare to have long term contracts for big quantities. Quick execution of small orders and various styles of garments at ever lower prices is required. This trend forces subcontractors to accept any orders, regardless of their insecurity and irregularity. Greek investments, including those in the garment industry, are divided into three zones:

First zone - the southern Balkans - Albania, Bulgaria, Macedonia - where Greece has enjoyed a strong economic presence;

Second zone - covering the Black Sea countries - mainly Ukraine, Russia and the countries of the Caucasus - where Greece has some economic presence;

Third zone - covering the most developed Central and Eastern Europe (CEE) countries- Croatia, Hungary, Poland, Slovenia, the Czech Republic and the Baltic countries - where Greek presence is very limited.

The big Greek firms do not risk investing in countries with unstable conditions, but prefer to wait. The small firms, a great part of them being pushed out even of the national market, are those that dare to enter in such conditions and seek for profits precisely in a setup of political instability, frequent legislative changes, social crises, a high degree of poverty and a predominantly informal economy. With regard to Bulgaria, Greece has a strong presence and appears to be one of the most active countries judging by the number of companies involved but not by the volume of investments. Over 1,000 companies from Northern Greece invest in different sectors in Bulgaria. From 70% of the total investments in 1991 the Greek share fell to 3.6% in 1995. "These are most small companies with activities in three fields:

- a) Garage trade, even without documents, in low-quality products or goods past their expiry date;
- b) Services - restaurant business, fast food outlets, confectioneries and TNC agents which facilitate the penetration of foreign products on the Bulgarian market;
- c) Manufacturing companies - only of garments.

It's a common practice for Greek companies to do their own production in a rented factory, with second hand machinery imported from their own factory. The main activity that is relocated is sewing, the most labour intensive part of the whole process. Firms do this in order to take advantage of the very important wage differentials. For example, the ratio of Bulgarian and Greek wages in the garment industry is 1:7 to 1:15 while productivity is 1:1.5. This advantage is attractive even for big and vertically structured companies and they have shifted part of their production (a small part of the sewing section) to the Balkans.

A lot of the world garment producers are now directly contacting producers in Bulgaria and this increases

competition with Greece, particularly in the production of medium and low quality cheap clothes." ⁴

The Garment Industry at the National level

When studying the **importance of the garment industry** for⁵ Bulgaria, it is necessary to make several specifying remarks. Great discrepancies have been established concerning the sector data from various sources - statistics, ministries, branch chambers, etc. The considerable share of the "grey economy" in the country, makes it doubtful about extent to which the official data reflects the real situation. This report uses exclusively official data for the formal industry, facts revealing informal relationships, and analyses of the informal sector.

The specific features in the development of the garment sector in Bulgaria as of the end of the 1990s and the beginning of the new millennium have manifested themselves in the following:

1. Rapid growth in the number of the economic entities in the sub-sector - the different data vary between around 3,000 actually functioning and around 18,000 registered with an area of activity "manufacturing and trade in clothing".
2. Depreciated equipment in the privatized big enterprises. At the same time, it is only there that foreign investments are made, leading to an increase in the installed production capacities and their technical and technological renovation; in the small and medium size enterprises it is "invested" through the import of second-hand equipment, mainly from Greece.
3. Increase by an average of 10,000 annually in the number employed during the last 12 years.
4. Prevailing share of the Lohnsystem (export/outward processing) - about 95%.
5. Increase in number of subcontractors for multinational companies dominating with their branded products over a large share of the global market or big retailers with a network of stores in many countries. These subcontractors operate in Bulgaria along two patterns:
 - "export" of their own production capacity to Bulgaria; and
 - sub-subcontracting of the total orders or parts of them to Bulgarian producers.
6. Increase in the number of contractors and/or

producers in the "grey economy" of faked branded goods.

Reasons for the specific features of this sector are:

1. Existence in the country of unoccupied production premises or those fit to be transformed quickly, or premises offered for privatization at favourable rents or prices.
2. Existence of unemployed, qualified labour force or those fit for quick training, competing on the market for employment at any cost; according to official data, in the last few years the level of unemployment has stabilized at about 18%, but by districts it varies from 5% to 33%, and in some places even over 90%; for women the average unemployment rate for the country is 18.5%, unlike for men, which is 20.4%.
3. Relatively low capital intensity of the sector.
4. Low labour remuneration in the country as a whole and specifically in this sub-sector (the average monthly salary for the country is €124 (\$145), in the sector it is about €81(\$95))
5. Insufficient control on enterprises, including on complying with health and safety working conditions.
6. Lack of organized structures for protecting the rights of the persons employed in this production process. This is due to the great fragmentation in the sector as well as to the fact that trade union activities are not tolerated in small and medium size private enterprises. Only 10% of the workers are unionized predominantly in big enterprises.
7. Insufficient customs control and other problems with legality in the import of fabrics for the garment industry.

Significance and Contribution to the Economy

In the transition to market economy, a real "boom" has been observed in the registration of firms with area of activity "manufacturing of clothing products". The sector is particularly dynamic; it is also characterized by informal relationships (not all participants have been registered, and from those who have done so, not all workers have regular employment relations, etc.). For this reason all data obtained from official sources, reflect the momentary picture and there is great discrepancy with the data obtained from trade unions, branch associations, etc.

⁴ "Subcontracting in the Greek garment industry and the opening of the Balkan markets" - Lois Labrianidis

⁵ In this paper the data from official sources referred to, include also textile products other than garments only.

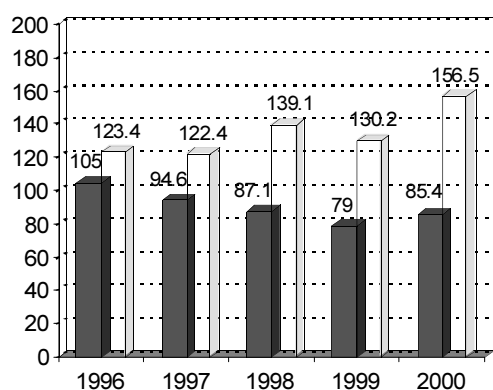
Irrespective of the discrepancy in the number of firms indicated by the various sources, they all confirm the stable trend toward an increase in the number of these enterprises. In percentage this increase varies annually about 8 - 9%. The number of functioning firms does not reflect the great fragmentation in the sector because a registered firm may operate with several production units (workshops and even home workers).

Out of the registered firms, there is foreign participation in more than 700, and a greater number of these are fully owned by foreigners, mostly Greeks.

The distribution of firms covers the whole country. A certain concentration of small to medium-size enterprises, owned by Greeks is noticed along the border with Greece.

The data about the changes in **the volume of industrial output** for the country and for the garment industry show that this industry is one of the most dynamically developing sub-sectors. With the crisis that has gripped the entire economy of the country after 1989, the garment industry marks a considerable growth. The comparison between the general indicator for the industrial output at a basis of 100 for 1995, and that for the garment industry shows a drop in the general indicator and an increase in the output of the garment sector at accelerating rates. (Table 1)

Table 1: Indices of industrial production



■ General industrial production index

□ Garment industry production index

The difference between the two compared indicators is quite impressive. The garment industry, while exceeding in 1996 by +18.4 points, in 2000 it reaches +71.1 points. Resulting from this, the share is growing of the garment industry in the total industrial output, as follows: (Table 2)

Table 2

1995 r.	1996 r.	1997 r.	1998 r.	1999 r.	2000 r.	2001 r.
2.1%	2.5%	2.2%	2.8%	3.1%	3.2%	3.5%

It is difficult to make an analysis of the volume of production since the input information is in different measure units. For example, the General Agency "Customs" reports the import of materials and the export of articles in kilograms; the Ministry of the Economy - in pieces without internal breakdowns; the Ministry of Finance - in value.

Because of the hyperinflation in the country, value comparisons for the volume of output in the garment industry from 1990 to 1998 are impossible. After the Bulgarian currency (lev) denomination, however, it can be seen that for this indicator as well a clear trend of growth is outlined. The output of this sector reaches millions of leva for: (Table 3)

Table 3

	1999	2000	2001
Garments	489.4	636.7	790.1
% increase	100.0	+30.1	+61.4

For one calendar year alone, the volume of the garment industry has grown by 153.4 million leva.

With the share of the garment sector in the general volume of industrial output of the country amounting to 3.5% and the number of those employed in this sector out of the total of employed persons amounting to 4.4% according to official data, the share of sewn products in the total export of the country, however, is 17.8%, which characterizes the sector as export-oriented. At the same time, the average price of the exported articles is decreasing (Table 5). In 2001 it is by 22% lower, compared to 1999. In the import of fabrics the major part of which is used for sewn products for export processing, the average price in 2001 is by 8% higher in comparison with 1999. (Table 4)

Table 4. Average prices of imported textile \$/m²

1999	2000	2001
1,52	1,49	1,64

Table 5. Average prices of exported sewn products in 1999 - 2001, \$/pcs

1999	2000	2001
6,52	5,04	5,1

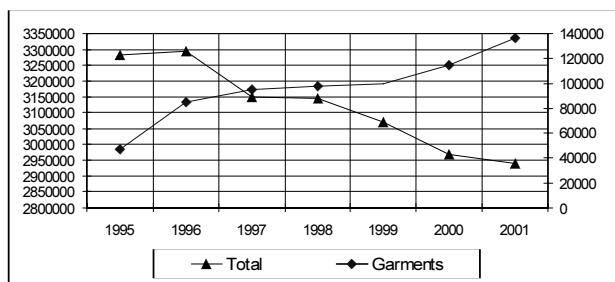
These figures show that the profit rate has dropped by 30%. Nevertheless, the volumes in quantity and value are growing. This decrease in profit can be made up by employers only from unfixed, i.e. alternating quantities included in the price formation - and these are the personnel expenses and the working conditions.

Structure of the employment

Unemployment has been steadily decreasing since the beginning of 1990s, while in the garment sub-sector industry there is a sustainable increase in employment. The total number of the people employed in the economy in 1995 was 3,282,183 and in 2001 was 2,940,282. In the garment industry from 47,014 for 1995 they increased to over 130,000 in 2001. The percentage of women in the sector is about 90%. However, these data reflect only partially the real picture for several reasons - in the officially registered firms not all of the workers have regular work contracts; not all production workshops and the number of those employed have been made public; part of the operations are performed by home workers, etc. These phenomena are characteristic of the garment production and characterize most of it as informal.

Along with the above process, a significant change in the forms of ownership of the enterprises has also been unfolding. In 1996 in the private enterprises of the economy were employed only 47.4%, and in 2000 the total number of those employed in private enterprises became 70.8%. In the garment industry this process is much more obvious - from 55.0% for 1996 for those employed in privately owned enterprises, as of 2001 their number reached close to 100% due to the symbolic state participation in some of the enterprises. (Table 6)

Table 6: Employment



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 of workers' labour rights.

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

By expert assessments, the ratio of the average salary for Bulgaria, Greece and Germany is as follows: 1 : 7 : 14, or if a Bulgarian seamstress gets about €65 (\$76) per month, her counterpart in Greece will get for identical work about €455 (\$523), and in Germany - €910 (\$1,070). One of the reasons is that the foreign producers keep the output of costly products (boutique, luxury ones) for their countries and relocate the production of cheap goods to the underdeveloped countries or to countries with an economic crisis and large-scale unemployment.

There is a trend towards reduction in the share of expenses for workers' wages in the total production expenses in the garment industry. For example, for an output of 100 000 leva it has dropped from 31.8% for 1997 to 28.8% for 1999 and has reached 27.1% for 2000. Moreover, it should be borne in mind that this sub-sector is highly labour-intensive - in fact, it is the highest compared to all sectors of the industry. In the industry as a whole the average expenses for workers' wages are about 12.5 - 13%. This can explain the strong pressure exercised by producers in the garment sector on the share of workers wages - it is considerably higher in the value calculation of the articles, in comparison with the other industrial productions.

Export-Import: Importance and Influence

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 effectiveness and currency return.

Table 7: Export of garment products

1999		2000		2001	
Thousand pcs.	Thousand \$	Thousand pcs.	Thousand \$	Thousand pcs.	Thousand \$
54817	357410	83473	410468	106792	545566

Export of garment products in the total exports of the country in 1999 - 2001, in thousands \$ (Table. 8)

Table 8: Export of garment products as part of the total export of the country in thousand \$

Year Index	1999	2000	2001
Total export	4 006 367	4 824 629	5 099 179
export of garments	357 410	410 468	545 566
including regular	10 722	16 008	21 277
percentage, %	8,9	8,5	10,7
including regular, %	0,27	0,33	0,42

At the basis of 100 for the 1999 export, in 2000 it grew by 14.8% and in 2001 by 52.6% (2001 compared with 2000 - +33%).

The characteristic feature of Bulgarian export of garment products is that the Lohnsystem occupies a big share of its volume - about 96%. The above table (regular export) shows that the share of Bulgarian enterprises working completely with their own design and fabrics and exporting with a brand label of their own is very small.

Table 9: Structure of the export of garment articles for 1999 - 2000 by type

Year	Outward Processing export, %	Regular export, %	Temporary export, %	Total
1999	97,0	3,0	0,0	100,0
2000	96,0	3,9	0,0	100,0
2001	96,1	3,9	0,0	100,0

Ladies' garments (53.6%) are ranking first in the export. They are the most difficult to sew, the fine fabrics are delicate to work, the models are complicated, and ironing must be precise. The complexity of the operations and the low remuneration explain why the number of exported garment articles has grown from 13,461,000 pieces for 1999 to 18,202,000 pieces for 2001. At the same time the average monthly salary of the garment workers has grown from about €62 (\$72) for 1999 to about €70 (\$82) for 2000. Along with that, the export price per piece has dropped from €6.73 (\$7.91) for 1999 to €5.83 (\$6.85) for 2001. It seems that the more ladies' garments Bulgaria sews, the less it gets per piece. From the drop in the already low average export price of ladies' garments, in 2001 Bulgaria lost €42.5 (\$50) million

In export second come men's garments (38%). They have a number of technological operations, difficult application of lining, collars and pockets to upper parts, the sewing of buttonholes, buttons, etc. The complexity of the operations and the low remuneration explain why the number of the exported garment articles has grown from 16,771,000 pieces for 1999 to 25,175,000 pieces for 2001. At the same time the average monthly wages of the garment seamstresses has grown from about €62 for 1999 to about €70 for 2000. Along with that, the export price per piece has dropped from €8.8 for 1999 to €8.23 for 2001. It seems that the more men's garments Bulgaria is sewing the less it gets per piece. From the drop in the already low average export price of men's garments, in 2001 Bulgaria lost €14 million

Table 10: Export of ladies' garments by countries

Year	1999			2000			2001		
	Thousand pcs	Thousand \$	Percentage \$,%	Thousand pcs	Thousand \$	Percentage \$,%	Thousand pcs	Thousand \$	Percentage \$,%
Germany	11 246	58644	33,2	16020	62 702	29,8	17 135	79547	27,2
France	2833	31 049	17,6	5846	37879	18,0	5995	44750	15,3
USA	1 439	17 133	9,7	2058	22734	10,8	5346	38 151	13,0
The Netherlands	2296	15 887	9,0	2646	20729	9,9	3 366	22829	7,8
United Kingdom	1 032	6757	3,8	2 126	9791	4,7	3317	19309	6,6
Italy	1 513	11 321	6,4	1 968	12429	5,9	1 862	13248	4,5
Greece	1 858	11 810	6,7	2030	11465	5,5	2675	12975	4,4
Spain	510	4390	2,5	950	5836	2,8	1 541	11 812	4,0
Belgium	407	5708	3,2	938	7693	3,7	1 439	11 743	4,0
Denmark	1 348	2793	1,6	2055	3614	1,7	2200	9559	3,3
Turkey	415	735	0,4	659	3292	1,6	1 914	7974	2,7
Austria	262	2562	1,4	182	4950	2,4	331	5990	2,0
Switzerland	166	1 228	0,7	393	1 525	0,7	590	4 174	1,4
Canada	277	3600	2,0	322	2661	1,3	920	3966	1,4
Hungary	221	1 269	0,7	130	379	0,2	411	2368	0,8
Romania	35	379	0,2	34	655	0,3	86	857	0,3
Eire	20	110	0,1	45	258	0,1	104	771	0,3
Other countries	359	1 391	0,8	486	1 711	0,8	564	2561	0,9
TOTAL	26 237	176 768	100,00	38 888	210 305	100,0	49 795	292 583	100,0

Table 11: Export of men's garments by country

Year	1999			2000			2001		
	Thousand pcs	Thousand \$	Percentage \$,%	Thousand pcs	Thousand \$	Percentage \$,%	Thousand pcs	Thousand \$	Percentage \$,%
Germany	3 928	32 967	22,4	3 262	28 936	18,0	4 684	42 559	20,5
Italy	2 867	24 223	16,4	3 680	29 138	18,2	5 122	37 550	18,1
France	1 721	24 616	16,7	1 947	25 773	16,1	2 666	36 777	17,7
USA	1 081	15 216	10,3	1 761	20 737	12,9	2 464	19 650	9,5
Greece	2 684	17 628	12,0	2 895	15 581	9,7	3 445	16 708	8,1
Switzerland	447	7 191	4,9	638	8 905	5,6	963	13 357	6,4
Spain	125	824	0,6	644	2 974	1,9	1 041	7 436	3,6
United Kingdom	574	4 499	3,1	795	6 310	3,9	840	6 879	3,3
Austria	997	6 974	4,7	960	6 693	4,2	1 348	6 040	2,9
Belgium	461	2 778	1,9	630	3 228	2,0	612	5 180	2,5
The Netherlands	229	2 981	2,0	245	2 330	1,5	381	3 610	1,7
Denmark	213	3 243	2,2	201	2 893	1,8	200	2 820	1,4
Slovakia	83	504	0,3	176	1 217	0,8	234	1 570	0,8
Canada	45	696	0,5	55	1 021	0,6	71	1 465	0,7
Sweden	43	322	0,2	62	646	0,4	101	1 230	0,6
Czech Republic	66	400	0,3	127	709	0,4	204	1 157	0,6
Other countries	1 123	1 758	1,2	614	2 574	1,6	686	2 466	1,2
TOTAL	16 771	147 476	100,0	18 787	160 339	100,0	25 175	207 351	100,0

Table 12: The territorial distribution of the export of the garment industry is as follows:

Year	European Union	Balkan countries	Others
1999	85.1%	0.7%	14.2%
2000	82.8%	1.5%	15.7%
2001	81.5%	2.0%	16.6%

The main foreign market for the Bulgarian garment industry are the countries of the European Union (80 - 85%), including Greece, the Balkan countries (1.5 - 2%) and other countries (14 - 17%). The greatest importers are Germany, France, Italy and the US. They form about 63% of the export.

In Germany for example, where the national garment production is almost disappearing, the entire volume of ready-to-wear clothes for the domestic market comes from import, 35% of which is from the countries in Central and Eastern Europe. Bulgaria ranks 13th among the importers to Germany, but it is significant that the growth of volumes for the period 2000 - 2001 is 31.9%. By this indicator it ranks ahead of all 20 nations - importers of garments.

The import of garment articles affects the garment industry of Bulgaria in three directions

- partial "shrinking" of the domestic market;
- disloyal competition from import with low customs dues or without customs dues and through "suitcase" trade;
- unlicensed articles being stocked on the market

The Bulgarian domestic market is subjected to strong pressure from imported garments originating from the Far East and from the neighbouring countries. According to official data 300,000 people are employed in this sector in Turkey, and according to unofficial data it is estimated to be 3,000,000. The workers who are not covered by the official statistics are subjected to extreme pressure as regards to their wages which makes the production of cheap garments possible.

Table 13:

IMPORT OF GARMENTS FROM					
No		Country	Million €		Percentages Change
2001	2000		2001	2000	
1	1	China	1424	1438	- 1,0
2	2	Turkey	1275	1227	+ 4,0
3	3	Poland	969	963	+ 0,6
4	5	Romania	889	816	+ 8,9
5	4	Italy	802	884	- 9,3
6	6	Hong Kong	475	559	- 15,0
7	7	Tunisia	460	447	+ 2,9
8	8	Bangladesh	447	424	+ 5,4
9	9	India	357	392	- 8,9
10	11	Czech Republic	351	324	- 2,7
11	10	Indonesia	312	349	- 10,6
12	12	Vietnam	277	300	- 7,6
13	18	Bulgaria	244	185	+ 31,9
14	13	The Netherlands	237	287	- 17,4
15	15	Hungary	234	233	+ 0,4
16	14	France	224	268	- 16,4
17	17	Ukraine	215	198	+ 8,6
18	19	Pakistan	192	183	+ 4,9
19	16	Portugal	164	209	- 21,5
20	20	Morocco	153	174	- 12,1
TOTAL			12526	12779	- 2,0

Country	Import of garments from
Poland	China, Turkey, Italy, South Korea, Thailand
Bulgaria	<i>Turkey, Greece, China</i>
Estonia	China, Finland, Italy
Latvia	Turkey, Finland, Germany, Lithuania
Lithuania	Germany, Italy
Greece	China, Taiwan, Italy, United Kingdom, <i>Bulgaria</i> , Poland, Czech Republic
United Kingdom	Bangladesh, India, China, Hong Kong

Table 14: The greatest rivalry on the domestic market concerning the import of garments from various countries is as follows:

When manufacturing garments in Bulgaria, using the Lohnsystem, a large quantity of fabrics, textile materials and other garment accessories are temporarily imported. The table below, according to data from the Ministry of the Economy, shows the increasing importance of the Lohnsystem. (Table 15)

Table 15

	1999	2000	2001
1. Outward processing export of garments/\$	347,000,000	394,000,000	524,000,000
2. Temporary import of fabrics/\$	258,000,000	306,000,000	389,000,000
Currency balance/\$	89,000,000	88,000,000	135,000,000

Let's assume that in 2001 about 30% of the cost went to paying workers' wages - \$40.5 million. This means that the average annual remuneration of the 130,000 employed in this sector amounted to \$311.5, or \$26 per month!!! This is absurd and the only explanation can be the incorrect data.

Multilateral and Bilateral Agreements

The trade mechanisms and tendencies determining the importance and the development of the garment industry in Bulgaria are being affected by several

major factors, one of which is the commitments to a number of international institutions, like the WTO, the EU and others, as well as under bilateral agreements.

Bulgaria - WTO

Bulgaria is member of the WTO and has accepted to apply the ATC, i.e. to abolish the quotas for the US and Canada and to liberalize its market. At the same time some of the rich western countries use very skillfully the instruments of liberalization to put pressure on other nations to open their economies and under apparently lofty pretexts (abolishing discrimination, establishing democratic ruling or other similar pretexts) they put pressure through threats of withdrawal from entire branches that have often remained the only possible ones to develop due to the nations' economic and technological backwardness.

Bulgaria - OECD

Bulgaria is not a member of the OECD but in 1999 it was invited to participate in the working group on corruption. An invitation is expected from the OECD Industry Committee for participation as observer in the working group on small and medium-size enterprises. This would be of importance for the sector which is dominated by small and medium-size enterprises. The Bulgarian side expects a discussion of its application by various OECD working bodies. In the meantime, by decision of the Council of Ministers, an OECD Information Centre was established in Bulgaria and was officially opened on July 17, 2000 by Mr. Seichi Kondo, OECD Deputy Secretary General. In practice, the functions of such a centre were taken over by the Economic Development Centre. Thus Bulgaria is among the few non-member countries that will maintain a constant information link with the organization and will in this way use its achievements and experience.

Bulgaria - EU

The EU market is a buyer-driven market. EU buyers are less price sensitive than those from the US, because clothing prices have traditionally been higher in Europe than in the US. The major reason is that orders tend to be somewhat smaller. This allows EU buyers to source from countries that have less total capacity.

The EU concludes Free Trade Agreements with nations outside the Union on behalf of the member countries. This pattern is also followed in the

Association Agreements with the candidate-states. In these agreements there are some protectionist clauses as for example the clause that the EU will not allow the import of goods from states, parties to the agreements, which are produced in violation of the ILO5 standards. This would make it possible for a Dutch non-governmental organization for example to file a suit against a Dutch TNC6 that has subcontractors in a candidate state and where production is in violation of the ILO conventions. At the same time, a number of meetings are held with the candidate countries at various levels to inform them about the EU laws, directives and rules, applied in textile and clothing production and trade. Regrettably, due to insufficient information or other reasons, representatives of the branch from Bulgaria do not always take part in such meetings and remain isolated from the EU policies and initiatives. For example, during the latest fashion fair organized by Euratex under a project of EC Partex - Osteuropa in Leipzig, branch representatives from Romania, Hungary, Latvia, Estonia, Poland, Slovenia, the Czech Republic, Slovakia and Western European countries took part in the fashion fair.

The structure of Bulgaria's trade exchanges with the individual countries is different. With the majority of them, however, and in particular with western countries, the share of textile and clothing in the Bulgarian exports is high. Here are two examples:

Bulgaria - US

During the last few years the US has granted Bulgaria "most favoured nation" status which, however, is subject to annual reconsideration. Leading Bulgaria's exports to the US are textile materials and products (over 1/3 of the exports).

Table 16: Main products in export-import with USA in 2001

Key sections in export	% from general export
Garments and materials	36.3%
Mineral products	26.4%
Base metals	9.3%
Products of chemical industry	8.3%
Products of food, wine and tobacco industries	5.1%
Machinery	4.3%

Key sections in import	% from general import
Machinery	36.5%
Products of chemical industry	18.9%
Mineral products	16.7%
Optical, photographer's and other products	9.2%
Vegetal products	3.3%
Transport equipments	3.2%

Bulgaria - Great Britain

Unlike the US, with Great Britain reporting export is more fragmented into individual types of products. Nevertheless, without reporting all types of garment production, ladies' trousers rank 5th.

Table 17: Main products in export-import with Great Britain in 2001

Export from Bulgaria	%
Other wines with alcohol contents less than 13% and cubage 2 liter	6,72
Kerosene for jet engines	5,82
Sinks, sink props from china	3,94
Steel products less than 3mm thickness	3,57
Lady's trousers	3,22
Wood furniture	3,20
Import from United Kingdom	%
Cellular telephones	10,71
Retail of other medicine	3,76
Cars 1500 - 2000 cm3	2,32
Acetate cables	2,14
Scotch whisky "Blendet"	2,07
Simple frozen mackerel	1,89

According to the opinion of experts from the Ministry of the Economy, these tendencies will remain. A greater interest to Bulgarian producers has been shown lately by Italy. As regards Greece and Turkey, the issue of brand names and origin is particularly acute. The trend is being outlined when Greek or Turkish producers manufacture in Bulgaria but the output is designed for the US or Canada, they attach a label "Made in

Bulgaria" filling up the Bulgarian export quotas - something that the Bulgarian producers do not manage to achieve. When exporting to the EU, however sometimes, labels "Made in Greece" are attached.

It is a common practice to calculate every piece of the materials and accessories imported for the production of well-known brand names and to monitor strictly their quantities in the outward processing export. In some cases even low-quality pieces are exported back after some additional repair work has been done. At the same time the branded garments sold in the domestic market are imported at extremely high prices. In this way the retailers achieve double profit: firstly, from the constantly reducing prices for manufacturing and, secondly, from the high prices of the imported branded garments. These high prices are also the reason for the appearance in the domestic market of many fakes that provide great profits to unlicensed producers or to those in the informal sector, most of them from abroad.

The view of the Association of Textile and Clothing Exporters is also interesting. In the "white" book presented recently to the government, "Opportunities and Prospects of the Bulgarian Industry for Textile and Clothing", it stated that the Bulgarian producers in the sector are mostly small and medium-size enterprises and they have not the capacity to create products of their own. The existing capacities are not used completely all the time (70 - 75% on average), the equipment is obsolete - in most cases of 15 or more years. In order to counter the constant lowering of export prices, the employers have proposed to increase the share of their own export, to manufacture more sophisticated products and to execute express orders. They are unanimous that producers should unite and should also work out a state strategy for the sector, containing also tariff and customs measures against dumping and illegal import. In a survey on the difficulties and expectations in the sector, the employers point out as main difficulty "the disloyal competition"- 40.3% of employers - and as main expectation - "the reduction of taxes" - 82% of employers. By reduction of taxes, however, employers mean not only their corporate taxes but also their part of the installments for workers' health and social security.

From the information requested from official representatives of the executive at the Ministry of the Economy it becomes clear that reporting the total

growth is not accompanied by an in-depth awareness of the problems facing the sector that demand a clear strategy, covering trade-economic, financial-customs and municipal-social measures. Incentives are needed for supporting technological renovation, specialization in the manufacture of products with higher added value as well as a social policy for the employed, mostly women.

Main Participants at National Level - Producers and Exporters

Table 18: Leading Bulgarian firms in the sale of garment production in 2000

"Briliant Invest" JSC	-	Sofia
"Leather Factory Maia" Ltd		
"Konteks Drujba" Ltd	-	Sofia
"Briliant" JSC	-	Sofia
"Pirinteks" s.p.Ltd	-	Gotse Delchev
"Albena stil" JSC	-	Dobrich
"Drujba stil" JSC	-	Varna
"Rositza-Sevlievo" JSC	-	Sevlievo
"Ianko Hristov & Co" JSC	-	Sofia
"Vida stil" JSC	-	Vidin

Table 19: The biggest Bulgarian firms in the export of garment production in 2001

"Briliant Invest" JSC - 100% Bulgarian company with factories in Sofia and Plovdiv
"Pirinteks" s.p.Ltd Bulgarian-German company 20:80
"Pleven 1999" JSC Bulgarian-French company 60:40
"Rila style" JSC - 100% French company

The fact that the firms with the largest sales volumes in Bulgaria do not coincide with the biggest exporters suggests the existence of purely intermediary structures in the country. Some of them have production units of their own ("Brilliant Invest" AD, "Contex Druzhba" Ltd.), and others - organizationally uncommitted, work through intermediary contracts ("Pleven 1999").

Most significant for the sub-sector are the foreign investments from Greece (FANCO), Germany (Rollmann, Hainer & Peter Roesler), Denmark

(Brandtex), Italy (with investments also in the textile industry), etc. According to data from the Foreign Investments Agency, there was an increasing trend in the "Textile and Clothing" sector during the period 1998-2001. From \$4.4 million in 1998, they increased to \$33.7 million in 2001. The total foreign investments for this period reached \$90.5 million.

- FANCO - Greece - has created two enterprises with 100% ownership;
- HAINER & PETER ROESLER - Germany - has acquired 50% ownership of a clothing enterprise;
- ROLLMANN - Germany - has acquired 100% ownership through privatization of a clothing enterprise and created an enterprise with 100% ownership;
- BRANDTEX -Denmark- through a fully-owned enterprise and joint ownership of two other enterprises.

Main foreign buyers

The contractors are most varied - from big transnational or multinational companies (GAP, Nike, Puma, etc. with private brand names and OTTO, Quelle, C&A, etc. with or without private brand names), to big national companies (New Look - United Kingdom, Voegele - Switzerland, ORBIS - Germany) and a number of other contractors of unidentified owners' brand names. There are also cases of payment in clothing for equipment supplied by a producer of equipment though the clothing is intended for someone else.

Importance of the Garment Industry for a Specific Locality

In all localities, the garment industry is extremely important as one of the few, and sometimes the only opportunity, for employment given the large-scale unemployment in the country, in particular in the countryside. According to official data, the average unemployment for the country is 18% but at some places it is over 66% of the population and often affects all working members in a family. Enterprises crop up even in the remotest villages and absorb mostly female labour. The liquidation of local industrial enterprises has deprived a big part of the population of their income. For many families work in a garment enterprise proved to be the only salvation from hunger and poverty for people with education

and profession qualifications. Initial attempts to create small private businesses in the emerging market economy proved to be rather unsuccessful. During the last few years, resulting from the constant changes in the regulatory basis, the introduction of complicated license and registration regimes, the unbearable rise of fees and taxes and last but not least due to corruption, a big part of those who dared to start businesses of their own, went bankrupt. The choice they had was to work at any cost and on any terms, be unemployed again or home workers in the "grey economy". The garment enterprises were those that "saved" the local population and their directors became the "benefactors". Such is the opinion also of a great part of the municipal authorities. Information appears often in the media about the paramount importance of one or another garment enterprise in a specific locality:

"Herr Rollmann Feeds the Whole Town of Gotse Delchev

...Owner Bertram Rollmann is a respected personality in town as he provides a living to about 2000 people. At the beginning 350 redundant women were trained free of charge for the garment-making craft. Gradually the needs of the factory for labour grew. Today the people of Gotse Delchev rightly say that this is the enterprise that saves them from unemployment..."

"Trud" newspaper, 23.04.2002

"...In the Rhodope town of Dospat unemployment is over 12%. Only in the textile mill 'Nitex' 700 people are employed and this makes it the biggest employer in the municipality..."

"Sega" newspaper, 27.06.2002

"Vidin Makes Shirts for Europe and the US

"...'Vida Style' is now the company with the biggest personnel in northwestern Bulgaria." (Unemployment in the town of Vidin is 31.4% while the population has dropped by half during the last 12 years. - Author's note.)

"24 Hours" newspaper, 10.10.2002

The French Build a Factory in Parvomay

...The biggest wool-processing company in Europe - the French 'Delavrin' has invested 100 million leva in building a plant in Parvomay, mayor Todor Baramov informed...

Three hundred jobs will be created in the plant. For

the town where unemployment is over 20%, this will be of utmost importance..."

"Monitor" newspaper, 05.06.2002

"Turks Make Garment Factory in Kardjali

...The Turkish 'Sahinler' holding company is establishing a garment factory in Kardjali, it became clear yesterday. The company has bought premises and storehouses of a local firm, for which it has paid 1 million leva. The company will manufacture track suits for the US and Western Europe and will create 160 jobs. In 2002 'Sahinler's export from Bulgaria to Turkey will be valued at \$10 million, the holding company bosses, Nedjmi Sahsunar and Faruk Gockay, said..."

"Trud" newspaper, 02.02.2002

Main Participants at Local Level

The types of production units vary - they are big, medium-size and small enterprises. The big enterprises are few in number and the majority of them are privatized former state-owned enterprises. Most of the enterprises, however, namely over 95%, are newly established small, medium-size and some big ones with personnel of 20 to 700 people. Big investments are not required to open such an enterprise. In the view of specialists, with the existing price levels for the country, \$10,000 to \$20,000 is enough to rent premises and equipment and start production with about 50 people.

In localities where the former big state-owned enterprises are situated, usually the main participants at the local level are the former directors. This became possible due to the specifics of privatization in this country. The personal bonds obtained by the citizens, entitling them to buy shares from the enterprises to be privatized, were granted in large-scale to quickly emerging companies that became the new owners of the enterprises. Under pressure from trade unions to keep as many jobs as possible, many places adopted so called "workers'-and-managers' privatization" i.e. the management and the workers acquired the ownership of the enterprise against their bonds. Along with that, however, almost everywhere, including the garment industry the directors, either 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 these companies can be found in the garment subcontracting chains in the country.

In other localities where there are no garment enterprises, the employers are new, without experience in this specific field. Small and medium-size firms were established there in looking for a way out of the 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. Sometimes women are in managerial positions but usually they are not owners.

For the purposes of this study no selection has been made of specific localities or production units. The surveys were made with workers from all types of enterprises - small, medium-size and big ones. It is from the answers to target questions about contractors, export and sub-suppliers that the subcontracting chains showed up. Partial information about relationships among Bulgarian enterprises and foreign contractors, among Bulgarian enterprises only and several cases of home workers gradually began to give an idea of subcontracting relationships in a long term perspective.

Factory Level Research

In carrying out the study at local level, 151 surveys have been made with workers, 15 with representatives of administrative personnel, and 31 with employers in a total of 77 enterprises. In 7 cases, the production premises have been visited as well. The surveys were based on questionnaires worked out for the purpose of the study. The various questionnaires were aimed at collecting information, different in type and volume:

From workers:

- what they know about subcontracting chains;
- what the working conditions are in their enterprise;

From administrative personnel

- what they know about subcontracting chains;

From employers

- what their expectations are for the development of the business.

Analysis of the Workforce and the Remuneration in the Enterprises

Out of the total of 166 respondents - workers and administrative personnel, 146 were women and 20 were men.

By its composition, the workforce in the garment enterprises consists mainly of women. They are employed in the production lines - seamstresses (100%), pressers, cutters, packers, etc. The men employed in the enterprises are mostly in supplementary activities - they are drivers, mechanics, technicians, storehouse managers and the top administrative personnel (directors). One rarely comes across women as managers of enterprises. The breakdown of the workforce is as follows:

- Owners - 90% men
- Management - 80% men
- Administrative personnel - 50% men
- Workers in production - 90% women
- Home workers (domestic and external) - 100% women

From the point of view of age both young women and men are employed in the sector, as well as middle-aged people, but the most common age for women is between 40 and 50.

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 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; (it is not clear how many work on permanent contracts, and how many on short-term contracts)
- 1 has indicated that she works without contract;
- 4 did not respond.

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 somewhat contradictory to the workers' precarious situation concerning their jobs, as well as to a newly emerging trend that labour in the garment sector,

according to the employers, should be considered "seasonal" or "temporary". This trend has been corroborated with court decisions that have already entered into force.

As regards remuneration, there are no big differences but still, a definite trend is observed: those employed in production, mostly women, receive remuneration under employment contracts or on a piece-rate basis ranging between €65 and €125, with rare exceptions, including overtime pay. However, it is common practice that they are not paid for their overtime with the rate provided for in the Labour Code. For the administrative personnel, the pay is fixed and is within €75 - 125. Packers are getting the lowest wages. In this position women are paid less than men. Similarly this is true for quality controllers where for equal work, women are paid less than men.

As regards the education level, there is no big difference between women and men. It is an interesting fact that in enterprises with union structures, it is more often men who are holding leading positions in the trade union's structures although the work force is predominantly female.

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 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 support activities. It is significant that home workers know only their immediate contractors and have no notion of their place in the entire chain or of the end consumer. The nature of their work does not always require some specific skills or technical equipment (which in most cases is their own possession). They are also more modest in their ideas about the living wage income (€75 - 100), they work on the basis of a verbal agreement, payment is done on a piece-rate, they do not attach labels. Respondents were 4 seamstresses with a contractor.

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 good example in this respect is the company "Pirin Tex

Production" EOOD, owned by the German citizen Bertram Rollmann where nearly 2,000 people work in several workshops. As a whole, however, the picture in the garment industry is quite gloomy.

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
<p>1.EMPLOY-MENT IS FREELY CHOSEN: There shall be no use of forced, including bonded or involuntary prison labour. Nor shall workers be required to lodge "deposits" or their identity papers with their employer</p>	<p>LO conventions 29 (ratified 1932, not promulgated) and 105 (ratified 1998)</p>	<p>The Bulgarian Labour Code generally provides for business practices according to "good faith, pursuant to the requirements of the law"</p>	<p>The workers have chosen their job voluntarily. However behind this "choice" there are strong economic constraints hidden. Almost all respond that they do not have other proposals and if 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 voluntary - for additional payment, in most of the cases cash in hand, and not according to the statutory fixed 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).</p>
<p>2.THERE IS NO DISCRIMI-NATION IN EMPLOYMENT: Equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristics shall be provided</p>	<p>ILO conventions 100 and 111 (ratified by Bulgaria (1955 and 1960)</p>	<p>The law provides for the prohibition of discrimination "on grounds of ethnicity, origin, sex, race, skin colour, age, political and religious convictions, affiliation to trade union and other public organizations and movements, family, social and property status and disability".</p> <p>Also equal remuneration for women and men in the "same or equivalent work" is provided for.</p>	<p>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 situation described on page 29 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.</p>

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
<p>3.CHILD LABOUR IS NOT USED: There shall be no use of child labour. Only workers above the age of 15 years or above the compulsory school-leaving age, whichever is higher, shall be engaged. Adequate transitional economic assistance and appropriate educational opportunities shall be provided to any replaced child workers.</p>	<p>ILO convention 138, ratified (1980) and 182, ratified (2000)</p>	<p>The minimum age for employment is 16. The employment of persons less than 16 years of age is prohibited. As an exception persons between 15 and 16 years of age may be employed to perform work of easy nature and not dangerous or harmful to their health. The working time of under aged (below 16) employees per week should not exceed 35 hours, the daily working time shall not exceed 7 hours.</p> <p>For employees below 18 there are special obligations on the side of the employer to provide for information and precautions against dangers or risks at work, as well as to notify Labour Inspectorates when employing persons between 16-18 years of age. Previously the employer had to get and explicit permission to hire such a person.</p>	<p>According to the responses in some enterprises during school holidays in the Southwestern region there are cases of children between 14 and 18 years working. The incentive for that could be even their parents' - in order to receive additional income for the household. The workers report that children carry out auxiliary activities within the adults' working day duration. No information had been requested on their remuneration. It is not known if the employers comply with the other special requirements concerning the labour of persons at the minimum age of 16 years.</p>
<p>4.FREE-DOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED: The right of all workers to form and join trade unions and to bargain collectively shall be recognized. Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.</p>	<p>ILO conventions 87 and 98 ratified by Bulgaria (1959) and 135 (not ratified) and recommendation 143</p>	<p>The freedom of association as well as the right to collective bargaining are ensured by the Bulgarian Labour Code.</p> <p>If the concerned ministry signs a sectoral Collective Bargaining Agreement, it automatically applies to all enterprises in the concerned sector. If not, it only applies to those that are member of the sectoral employers' association or organised by a trade union.</p> <p>Nationally recognized are unions that have more than 50.000 members and comply with other similar requirements.</p>	<p>According to the answers it has been clarified that there are trade unions in the big enterprises and in some medium sized, while there are none in the small and most of the medium sized enterprises. In the enterprises with trade unions 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 working 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 organisations is to agree a collective agreement. The workers believe that it is impossible to raise the issues related to the improvement of working conditions individually or collectively and the trade union is the only possibility to submit their demands. The trade union is also the only way to protest in case of violation of their labour rights. At the same time all of them waive the possibility to protect their rights in court. None of the workers knows anything about companies' Codes of Conduct.</p>

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
<p>5.LIVING WAGES ARE PAID; Wages and benefits paid for a standard working 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. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers shall be provided written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time they are paid</p>	<p>ILO conventions 95- ratified and 131 - not ratified</p>	<p>As of 1 January 2002, the legal minimum salary for the country is 100 BGL = 50 € (according to the ministry of labour and social works).</p> <p>The "social minimum" (= Living wage) for 2001 was</p> <ul style="list-style-type: none"> ● Around 125 € per household member according to the National Statistical Institute (independent experts consider this too low), ● Around 145 € according to the main trade unions' research. <p>The last estimations of the TU's are that for 2002 the leaving wage is 165 €. That means that for an average household of 4, at least 660 € are needed as a "social minimum".</p> <p>Average salary for September 2001 (according to the Ministry of Labour and Social Politics) was 135 €, of which an average 42% is spent on food only. Thus, in Bulgaria the average salary is even lower than the "social minimum".</p> <p>According to the National Statistical Institute data the average monthly wage in the Textile and Clothing sector has been as low as 81 €.</p> <p>Forthcomming is the mandatory registration of employment contracts as well as the introduction of the minimum wage bases for the payment of health and social security instalments for the different occupations.</p>	<p>All interviewed workers directly involved in the production receive payment "according to the produced" (Art. 247, para 1). They consider that with normal work intensity it is possible to achieve the statutory minimum wage. According to data available, there are cases of payment of 0.015 € per minute. The average monthly remuneration of the seamstresses is 55-90 €, for the cutters - up to 125 €. In some enterprises there are some extra-payments for clothing or for transport expenditures. The overtime is paid according to the produced amount or with the increase provided for in the Labour Code. Generally the remuneration is not enough for both the individual's subsistence and as a contribution to the household budget. This is despite 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 these additional incomes the family concerned is not in a position to earn a decent monthly living.</p> <p>This trend is very visible in the urbanized regions, where the possibilities of getting higher wages are less and the other income sources are more restricted. The big gap between the living wage and minimum wage is confirmed. Workers report regular delay in salary payment. There are many cases of illegal salary deductions. 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 additional payments 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.</p>

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
<p>6.HOURS OF WORK ARE NOT EXCESSIVE: Hours of work 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</p>	<p>ILO conventions 61 and 171 - not ratified</p>	<p>The normal working time per week is 40 hours and 8 hours per day.</p> <p>The work day including "extended work" should not exceed 10 hour per day, it is allowed for maximum of 60 days per year and not more than 20 consecutive days. The employer has to keep a book on overtime done by employees. It is prohibited to assign work for 2 consecutive shifts.</p> <p>This "extended work" is to be compensated by days off and by a special bonus rate (50-100%).</p> <p>"Overtime" work according to the law only applies in emergency cases (such as natural disasters) or "intensive seasonal work".</p> <p>However there are already decisions defining seamstresses labour as "seasonal". Thus the employers can argue that the Labour Code regulations are no more applicable to this type of labour.</p> <p>There must be at least one break of 30 min a day that is not included in the working time.</p> <p>Annual paid leave is min 20 working days. Financial compensation for the annual leave is prohibited.</p> <p>Pregnancy and childbirth leave of 135 days for each child, 45 days of which shall be granted before the date of birth; additional leave for raising a first, second, and third child until they reach 2 years of age</p>	<p>Here the number of violations is the greatest. Only some enterprises operate officially two shifts and the overtime is less - 20-25 hours monthly. 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. Usually it is done without written orders and is "voluntary"</p> <p>The beginning, the end and the duration of the working time represent one of the crucial claims of the workers as well as an issue to be presented to the employer through the trade unions.</p> <p>In the majority of enterprises the duration of the due annual leave is to the minimum stipulated by the law and is paid on the basis of the minimum wage. 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.</p> <p>A recent trend is the calculation of "accumulated" working hours without taking into account the real overtime and applying the rules for its payment.</p>

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
<p>7.WORKING CONDITIONS ARE DECENT: A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.</p>	<p>ILO conventions 61 and 171 - not ratified</p>	<p>The obligations of employers concerning health and safety are far reaching. E.g.:</p> <p>"The employer is obliged to discuss with the workers or their representatives the conditions of the healthy and safe working environment. The employer is obliged to provide each worker with instruction on the health and safety risks at his/her work." "All expenditures, related to the social insurance of healthy and safe working environment of the workers and employees are on employer's account."</p> <p>A special regulation (No 7, 6.07.1993) defines the types of work that are heavy or hazardous for women and should not be executed by them. The types prohibited for women are like: radiation, hazardous chemicals, vibration, noise, mining. Some additional articles in the Bulgarian Labour Code specify the conditions at work for some specific groups, like:</p> <p>women should have access to special hygienic rooms in working places where more than 20 women work.</p> <p>Enterprises and organisations with more than/less than 50 workers and employees labour conditions committees/groups are to be established.</p>	<p>Workers complain of high temperatures in summer in all enterprises. None of them has temperature regulating/air condition systems. The dust level is too high in almost all enterprises. That requires the use of breathing devices but they are not available. There is no suitable work place lighting in the workshops. There are complaints related to noise level and bad sanitary conditions.</p> <p>From ergonomic point of view the working conditions in the different places are bad. Because of the constant standing position the workers complain of foot pains and diseases of the supporting locomotory system. The complaints of the sitting workers are also very similar due to unsuitable, broken chairs of different types with or without backs, stools, etc...</p> <p>Although the working conditions require it only in some of the enterprises workers are paid extra money for working clothes.</p> <p>The workers eat at their workplaces, except for the big enterprises where there are canteens.</p> <p>Due to bad health and safety working conditions there are some accidents at work. They may be different - from fainting to injuries due to failure and obsolete equipment used, lack of needle protectors, of steel gloves for cutters, etc... Generally after light accidents the workers recover within 30-40 minutes and resume work while in the more serious cases they take sick-leave. Except for the big enterprises no measures have been taken for improving the health and safety conditions in order to prevent future accidents.</p> <p>Medical services are not provided, except for the big enterprises, which have contracts for medical support and in some of them there is even a nurse. Medical equipment is not available or it is basic - first aid kit, blood pressure measuring device, bandage, flavin.</p> <p>Fire extinguishers are the only devices available in case of emergency and accidents though not in every enterprise. It is not clear how many of the enterprises have emergency exits, whether workers are informed about them and how many of them are constantly accessible. There are no special hygienic rooms for women.</p> <p>Generally, where the workers are not organized in trade unions, it is not possible to submit demands to the employer for working condition improvement. In the big enterprises, where trade unions exist such issues are raised but there is no information on the follow-up.</p> <p>There are some cases of psychological harassment of the workers.</p> <p>The Labour Inspectorates conclude that about 2/3 of the enterprises are in a rented premises and employers do not invest in labour conditions improvement.</p>

Standard & Description	ILO Standards and other instruments + their ratification by BG	State of the Bulgarian legislation	Practice in the Bulgarian garment industry
8.THE EMPLOYMENT RELATIONSHIP IS ESTABLISHED	European Social Charter (revised), Art.2. Para 6 - ratified	<p>Labour Contracts are obligatory for fixed-term and indefinite-term employment and should be concluded in written form.</p> <p>Probation period should not exceed 6 months.</p> <p>Fixed-term labour contracting agreements can be concluded:</p> <ul style="list-style-type: none"> for not more than 3 years period, until the accomplishment of a specific job; for the replacement of a worker/employee, who is temporary out of work; for holding a job position that should be occupied through a competitive procedure, before the competition has taken place; for executing a mandate job position. 	<p>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 silent 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 social security installments, benefits for length of service and overtime, difficulties in using the holidays during preferred periods, etc... Almost all evaluate the enterprise they work in from normal to bad and are ready to leave it if they have a better opportunity. 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. The lack of dialogue on working conditions is clearly outlined.</p>

Subcontracting

Questions About Orders

The enterprises that are targeted by this study are producing only for export. An insignificant part is for the domestic market - in most cases with a local brand name. At the same time the domestic market is glutted with imports.

Everything is produced - ladies', men's, children's clothing; coats and other outer garments; blouses and shirts; knitwear - T-shirts and sweat-shirts, lingerie; work-clothes and uniforms; household linen and covers; decorative textile, etc.

Where do orders come from? Both workers and administrative personnel give almost identical answers to these questions in the surveys - they point out either a country and not a firm, or the immediate intermediary contractor. In the big and a considerable part of the medium-size enterprises the answer is that orders come regularly. In the small enterprises, there are complaints about the irregularity of the orders. When naming the brand, in quite a lot of cases it is difficult to find out which firm it belongs to. Most often the orders come from "Europe, Greece, Turkey, the US, Sofia, Italy, Switzerland, the Ministry of Defense,

an intermediary, Germany". The firms for which it is produced and the brand names are - "ECKO, UNICO, D'Amur, various, GAP, Amore, Haddad, Teddy Bear, Plaza, Caliente, Apolon, La Coste, Huber, Komfort, PUMA, Gardior, Grammy, BrandTex, TOPO, LEGO, Liz Charmel, Pierre Cardin, Boss, Strellson AG, Windsor GmbH, Hersfelder Kleiderwerke, New Man, New Look, ORBIS, Benetton, BWA, INDUICO, NIKE" and many others.

Where is the end product forwarded? The answers to this question replicate those to the question "Where do orders come from?" The answers are - "Europe and the US, Europe, Greece, the US, Turkey, the US, Sweden and the Scandinavian countries, the Netherlands and the Scandinavian countries, Western Europe, Austria, Switzerland, Germany, Canada, France, Italy, Denmark, the EU, Italy, Spain."

Questions on subcontracting

Are any parts of the production sent to home workers/ subcontractors?

Both, workers and administrative personnel were asked this question. Out of a total of 77 interviews, 28 administrators and 16 workers or a total of 44 answered, that work is not sent to home workers or

other subcontractors. One of the administrators and 7 of the workers answered that work is sent to home workers. These home workers are both external and people working in the same enterprise who take extra work at home. The work could be "making details", "decorative seams", "needle-work" and "embroidery". Thirteen administrators and 12 workers have answered that orders are also sent to other subcontractors. Such subcontractors are smaller firms (e.g. sole traders or cooperatives) or workshops "in the villages". It is these workshops as well as the home workers that are very difficult to identify. It is there that the strongest manifestations of informal employment are observed - unregistered production workshops, absence of employment contracts, fictitious employment contracts, absence of social security payments, violation of legislation as regards working hours and labour safety, etc. For the registered legal entities, often a home address is given while the production workshops are somewhere else, and this makes verification difficult. The home workers are usually from the same or close-by localities. The other subcontractors are sometimes in places that are more distant from the enterprise or in isolated and difficult to access mountain localities and villages. Some of the respondents pointed out that the "subcontractors are all over the country". The main reasons for giving work out to home workers and subcontractors were firstly, "the volume and time limit for executing a big order" and secondly, "specific techniques and a very specific type of operation" (e.g. embroidery, needle-work, etc.).

Who organizes this in the enterprise?

The question was formulated in two aspects: 1. Who decides what is to be given out to subcontractors /home workers? 2. Who organizes this in the company? The prevailing answers to the first question are that this is done by the contractor of the order. To the second question the answer is that this is done by the enterprise management. In the survey the two questions purposefully follow one after another and the difference in the answers indicates that the questions are not misunderstood. It seems that as early as the order is placed, the contractor provides further subcontracting for certain activities or under certain conditions.

Who delivers the work to home workers/ subcontractors and who collects it?

All respondents are positive that this activity is a

responsibility of the enterprise management. This proves that with enterprises which are subcontracting this has been a common practice, along with the establishment of long-term contacts.

All home workers who are subcontracted by a garment company point out that the company provides them with all necessary fabrics and collects the ready products. In areas with a high concentration of small garment factories (e.g. South Western Bulgaria), the subcontractors themselves seek orders from big enterprises. In this case the subcontractor collects the materials and gives back the finished products. And vice versa - in areas with only a few big garment factories, the contractors make the delivery of fabrics and collect the finished products from smaller subcontractors and home workers.

Are there labels sewn onto clothes?

Labels are sewn onto clothes in almost all enterprises. This is not the case in small workshops. At the same time, there are other small firms whose only activity is sewing labels. For example there is a firm in the town of Gotse Delchev, in which about 10 workers are only sewing labels onto clothes, packaging them and dispatching the production of several workshops from neighbouring villages. It is surprising that in a big enterprise like "Bulfanco", labels are not always sewn. This is probably done at the parent enterprise in Greece and the production is declared to be Greek. In this way it is impossible to establish who the contractor is. It can be assumed that this is the case also with the production of the other "FANCO" enterprises in Macedonia and Albania.

How much work is done for the company? Just one operation, such as embroidery, or is it the entire garment?

Home workers usually perform one operation only (see above). In enterprises this is different. At the first level of subcontracting in Bulgaria (receiving an order from abroad) and mainly in big enterprises, there are cases when the sample of the garment is provided and the entire manufacturing has to be done by the enterprise - cutting, sewing, trimming, ironing, packaging and dispatching the finished products. The enterprise itself may decide to further subcontract home workers or other enterprises to perform some of the operations. In the majority of cases, however, in medium-size and small enterprises, the fabrics are received pre-cut and it is only the sewing that has to be done. The follow-up operations (trimming,

packaging) can also be subcontracted to home workers or firms.

Are there different agents (intermediaries) /subcontractors/ home workers for each new order, or do they remain the same?

There are a variety of cases with intermediaries. Some enterprises, mostly the big ones, work with one intermediary for all orders - usually this is a trade company that is the only one maintaining contacts with various international buyers ("Brilliant Invest" AD - Sofia for "Brilliant" AD Sofia and Plovdiv, "Contex Druzha" Ltd. - Sofia for "Druzha Style" AD Varna, etc.). These agency firms have been created during the process of privatization by persons close to the managers of the former state-owned enterprises with the view of redirecting profit, which makes the subcontracting chains even more complicated. With the medium-size and small enterprises producing CMT ("cut-make-trim"), the intermediary is often the same - usually a Greek who places the orders. There are few cases of placing orders by an agent of the international buyer. In most cases subcontractors and home workers are the same.

With home workers in particular, the picture is quite complicated. They still remain invisible for the public. Home working is considered illegal and a way to evade taxes by employers and home workers alike.

How many suppliers are there to a particular manufacturer?

The delivery of materials and accessories are usually done by the contractor. There are some cases of delivery of materials by a third party - "Vida Style" receives orders from Spain, materials from Portugal, and produces and exports for the US. It is very seldom for Bulgarian firms to deliver the materials and accessories. An interesting trend is being observed with the settling in Bulgaria of leading textile firms. Thus a relationship can be established with garment enterprises. This is how the Italian textile company "Miroglio" with 4 textile enterprises in the country has acted and has started the production of a garments collection of their own with the brand MOTIVI.

In the big and part of the medium-size enterprises the remuneration is known and it is within nearly the same range. Basically, they are lower than in the other enterprises for the following reasons:

- Comparatively limited overtime due to the fact that

work is being done in shift;

- Considerable administrative costs;
- Enterprise's costs increase for promoting working conditions;
- Complicated systems for calculating labour value and a subsequent trend towards combining several operations, their total value being lower than the sum of values for each operation.

At the same time these wages are paid regularly due to big volumes and regularity of orders. In the rest of the medium-size and small enterprises, these factors have a differing importance but the final effect is that the remuneration becomes ever more insecure.

Types of Subcontracting Chains and Mapping

After the initial viewing of the vertical relations in the factories, about which there was information, several subcontracting chains could be sorted out, falling into four typical chains, namely:

1. Balanced network - mass merchandisers, good quality, medium-priced, mostly under own labels. No one firm or group in this relationship has more power than any other firm. They co-operate and prefer to work together whenever this is possible. Indicators of a balanced network are:

- Supplier has various customers
- If the supplier has few customers, the manufacturer also has few customers
- Both parties communicate a lot about what they are doing, orders, delays etc.
- It would be very hard for any of the parties involved in the network to find another company that could do the same things as their "partner" firms.
- Commitment to solve problems through negotiations rather than threat or exit.

2. Hierarchy network branded merchandisers, top quality, high-priced goods, well-known brands and private labels. All the firms in this chain are vertically integrated. This means that all or most of the firms in this group belong to one company that controls either all of the chain or most of it. Indicators of a hierarchy are:

- Several stages in the chain are part of the same firm;
- Supplying factory is owned by the manufacturer or vice versa;
- Very limited independence to take decisions at the

local level - need to talk to or get permission from "headquarters".

3. Controlled network fashion oriented with designer labels. This network/chain is controlled by one company which dictates what is produced, who produces it and they also monitor the quality of the product. Indicators of directed networks are:

- Main consumer takes at least 50% of output;
- Manufacturer (the consumer) defines the product's designs and technical specifications;
- Manufacturer monitors the suppliers' performance;
- Supplier's freedom to leave relationship is more limited than the manufacturer's because they are more dependent than that manufacturer is on the relationship.

4. Market network or arms-length relationship; discount chains, low-priced standardized goods. There is very little co-operation between the parties and the flow of information and assistance between them is almost zero. It can be a relatively fragile relationship as there is no trust built up between the parties. Indicators of arms-length network are:

- Many customers/many suppliers;
- The customer and supplier may do business together more than once but they do not talk about orders, delays etc.
- No technical assistance.

After the selection of the factories, the actual mapping of each chain had begun. Within the framework of the four chains being investigated, all vertical contacts on national level were established. As it will be seen in the chain charts, several Bulgarian factories participate in each of them, and some of the factories participate in different chains. The rest of the contacts of these factories are not of great importance since they are made occasionally and if they reflect a certain trend, it can be referred only and to some extent to the fourth type of chain. The study targeted not all contacts of the factory (both up and down the chain) that we came across. In-depth investigation was made only of those contacts with one contractor that was significant for the mapping of the chain.

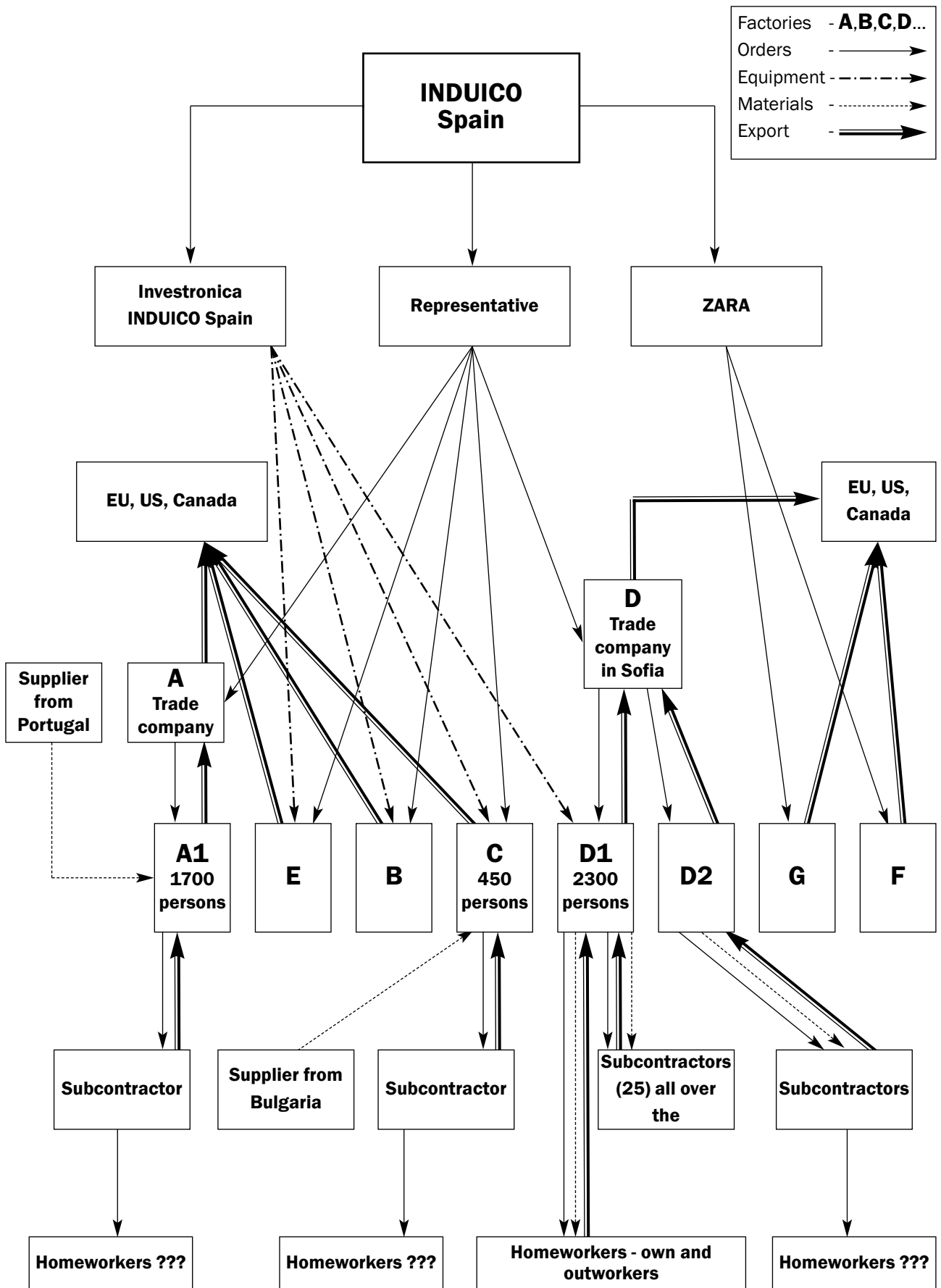
Each of the chains may act differently and may show particular features. The most typical feature is that in most cases there exist triangle operations where the contractor and the end production consumer are not

identical. In the fourth type of chain, for example, the contractors are often from Greece and Turkey, and the end consumers are from Western Europe, the US and Canada. The role of the various participants should be determined by the position of the contractors in the subcontracting chain, tracing it downwards.

Balanced Network - INDUICO Holding Company

The company holds 13% of the garment market in Spain with well-known brand names like ZARA and retailers like El Corte Ingles, Mayoral, Inditex, etc. According to data in the Bulgarian press, about 30 enterprises in Bulgaria are working for the company, including some of the biggest ones and nearly all of them subcontract out (outsourcing) even to home workers. 10,000 people are employed in the enterprises manufacturing for the Spanish holding in Bulgaria. Parallel to this they manufacture for other contractors as well. The INDUICO holding company is delivering from Bulgaria 2 million pieces of garments annually estimated at €18 million. The Spanish side is also willing to start textile production in Bulgaria.

One of INDUICO's firms - ZARA, is working directly with Bulgarian manufacturers with set designs but with fabrics of the manufacturer. The other enterprises have received equipment on leasing, mainly computerized cutters, and technical assistance from its subsidiary, Investronica INDUICO. The delivery and the services are paid by the enterprises with ready production to other INDUICO firms or its partners. The suppliers of fabrics and the end production consumers are from all over the world. In most enterprises the seamstresses have short-term contracts. The working conditions in each enterprise are "bad" or "good", breaks are regulated, but there is a lot of overtime that is not always paid according to the law. There are cases of imposing fines on employers for hiring workers as "seasonal". In the surveys the workers say that they do not have information about the enterprise or that they are not allowed to give such information. In the big enterprises there exist union structures but they are facing problems with the directors in concluding Collective Bargaining Agreements and improving working conditions. The enterprises are numerous and different and they are working for other contractors besides INDUICO. For that reason it is difficult to assess the impact of their work for the INDUICO holding company on the workers' wages.



Hierarchy Network - FANCO Group

A special survey conducted by EURATEX, ranks FANCO S.A. as the 30th largest knitwear production company in 36 developed and developing countries. With annual productive capacity exceeding 8,000,000 garments per year, FANCO S.A. itself constitutes the largest knitwear production unit in Greece. It is listed as the 6th highest selling company in Greece, as well as the 7th most profitable one for 1999 (INDUSTRIAL NEWS AND RESEARCH 2000) in the textile and garment sector.

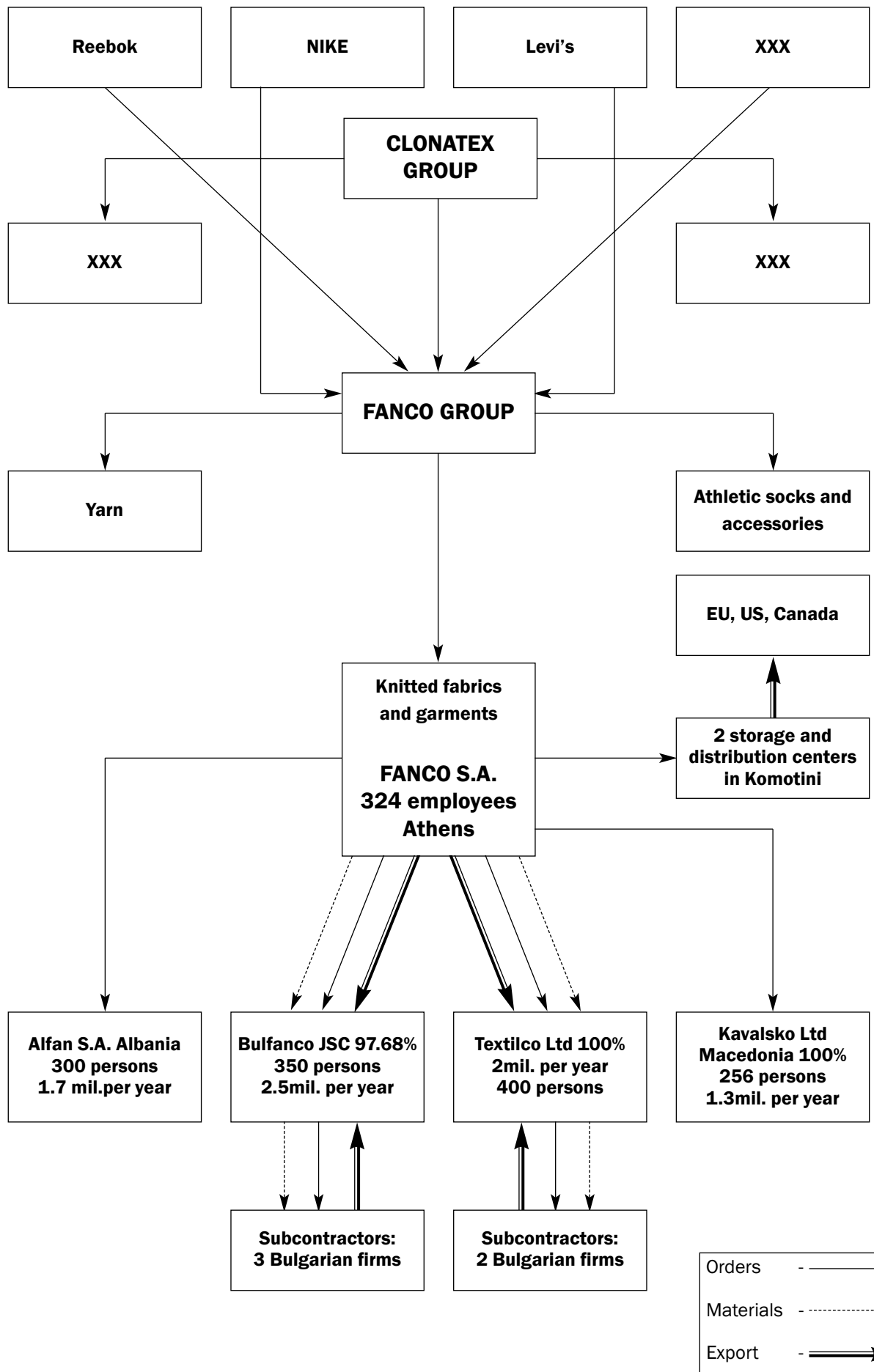
The company has a license for manufacturing garments for leading world brand names. Their regional representatives are very often based in Istanbul (NIKE). The company has 4 enterprises of its own, two of which were established in Bulgaria in 1996 and 1997. The factories are completely new or 100% modernized and are being run by Greek nationals. They are subcontracting but not to home workers in particular. It is not known if these subcontractors are outsourcing to home workers. The pre-cut fabrics and the accessories are supplied from Greece. The finished products are forwarded, with a few exceptions, also to Greece. Labels are sewn by those working on a concrete operation and for this reason not all of the workers are aware which firm they are manufacturing for. The labels read "Made in Greece".

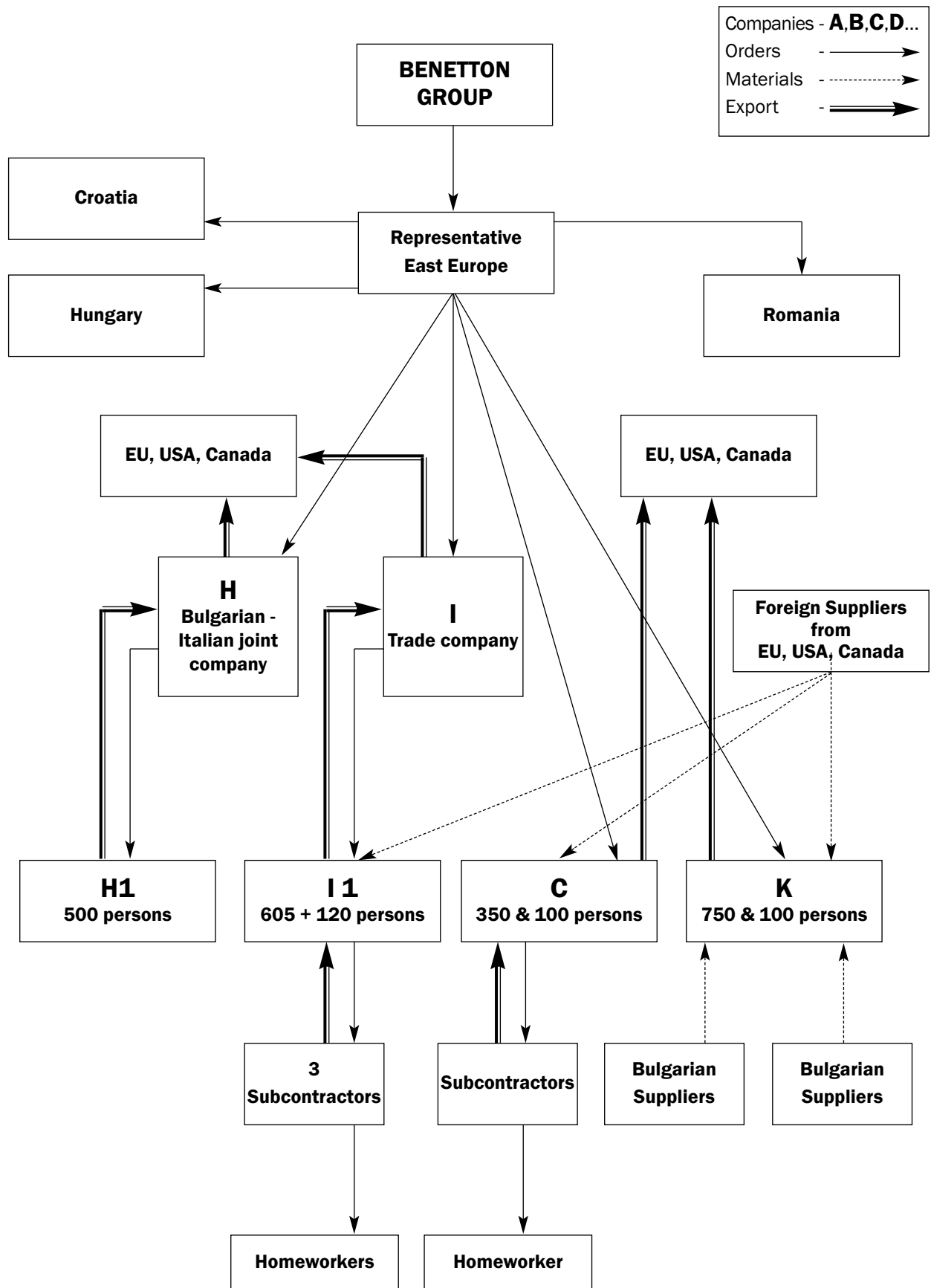
The workers have fixed-term contracts, breaks are set, but not long enough. There are data that some of the workers are hired from the labour market, and thus the employer saves on the salaries as the state pays a remuneration amounting only to the minimum salary (about €50 (\$58)), and the employer is paying the social security installments. There is overtime on a regular basis on one or both days off. In both enterprises work is in shifts: in one of them there are two, in the other one there are three shifts. This full loading of the enterprises' capacities allows the production of larger volumes compared to other enterprises with the same number of employed persons. The workers' pay is about €100 - 120 (\$117-\$141), which is below the average for the country⁷. A very complicated system has been introduced for calculating the pay (fixed minimum + rate + piece-rate) which is not clear even to those employed. There is a big difference between the pay to workers and to administrative personnel, the latter earn more, which creates tensions in their relations. The social security

payments are made on the actual pay. In one of the enterprises the personnel is ethnically mixed but there are no conflicts on this basis. In the other enterprise the seamstresses complain of a very depressing atmosphere, extremely severe control, suspiciousness, restricted access to certain places, also for the trade-union leader, too. During the interviews, many of the seamstresses got upset and started crying because of the desperate situation they find themselves in. For example, one of the women gets a monthly salary of €50 (\$58), €21 (\$24) of which she pays to cover transport expenses. Her family consists of four members and her husband is unemployed.

Directed (Controlled) Network - Benetton

The company establishes its production in Bulgaria on a sustainable basis. According to data for 2002, 5% of the total volume of Benetton garments has already been produced in Bulgaria - as much as in China. Ahead of Bulgaria are only Italy with 25% and France with 6%. After Bulgaria rank such garment producers like Mexico and Spain with 4% each, Indonesia, Thailand and Tunisia with 2% each. According to data of the company, Central and Eastern Europe is becoming an increasingly attractive region for it, with production subcontracted in Hungary, Romania and Croatia. In the last year top managers of the company, including major share-holder Luciano Benetton, visited Bulgaria several times. According to preliminary data, 4 medium-size enterprises, some of them working with subcontractors, are involved in Bulgaria. The orders are placed through commercial firms/agents, including a joint Bulgarian-Italian firm. It becomes clear from the answers in the surveys that workers have no access to the information as to where orders come from - "This is a task of the management". The enterprises manufacturing for Benetton, are manufacturing also for other firms and brand names. The suppliers of materials and accessories are both from foreign contractor-firms, as well as from Bulgarian ones. The enterprises are Bulgarian property, privatized former state-owned ones, the workers have permanent contracts, working conditions are "good". Overtime is done on Saturdays, and in some of the enterprises it is paid according to requirements, in others it is not. According to preliminary information, home work is not used but it is not clear whether or not the smaller subcontractors hire home workers.





Market-based Network

This type of network accounts for the largest number of enterprises executing orders for abroad on independent contracts; they are the last and only link of the subcontracting chains in the country. As volume, their output is nearly half of the total garment export from Bulgaria. These are predominantly small and medium-size enterprises with many contractors, a variety of products but executing rather small orders. Usually the deadlines are very short and orders are executed under great pressure. In terms of territorial distribution, the firms are scattered all over the country, but there are specifics in the ownership. Inland, the ownership is Bulgarian with few exceptions. There are also entirely foreign firms with Portuguese, German, French ownership. The fabrics are delivered by the contractor, and the finished products are sent back. In areas with compact Turkish population, there are joint Bulgarian-Turkish firms, firms with entirely Turkish ownership, and firms with Bulgarian ownership but with a Turkish intermediary. The materials come from the Turkish intermediary or contractor but the finished products do not go back to Turkey - it is forwarded directly to Western Europe, the US or Canada. The clearest picture is in Southwestern Bulgaria where most of the firms are fully Greek or Bulgarian-Greek. They all work for Greek

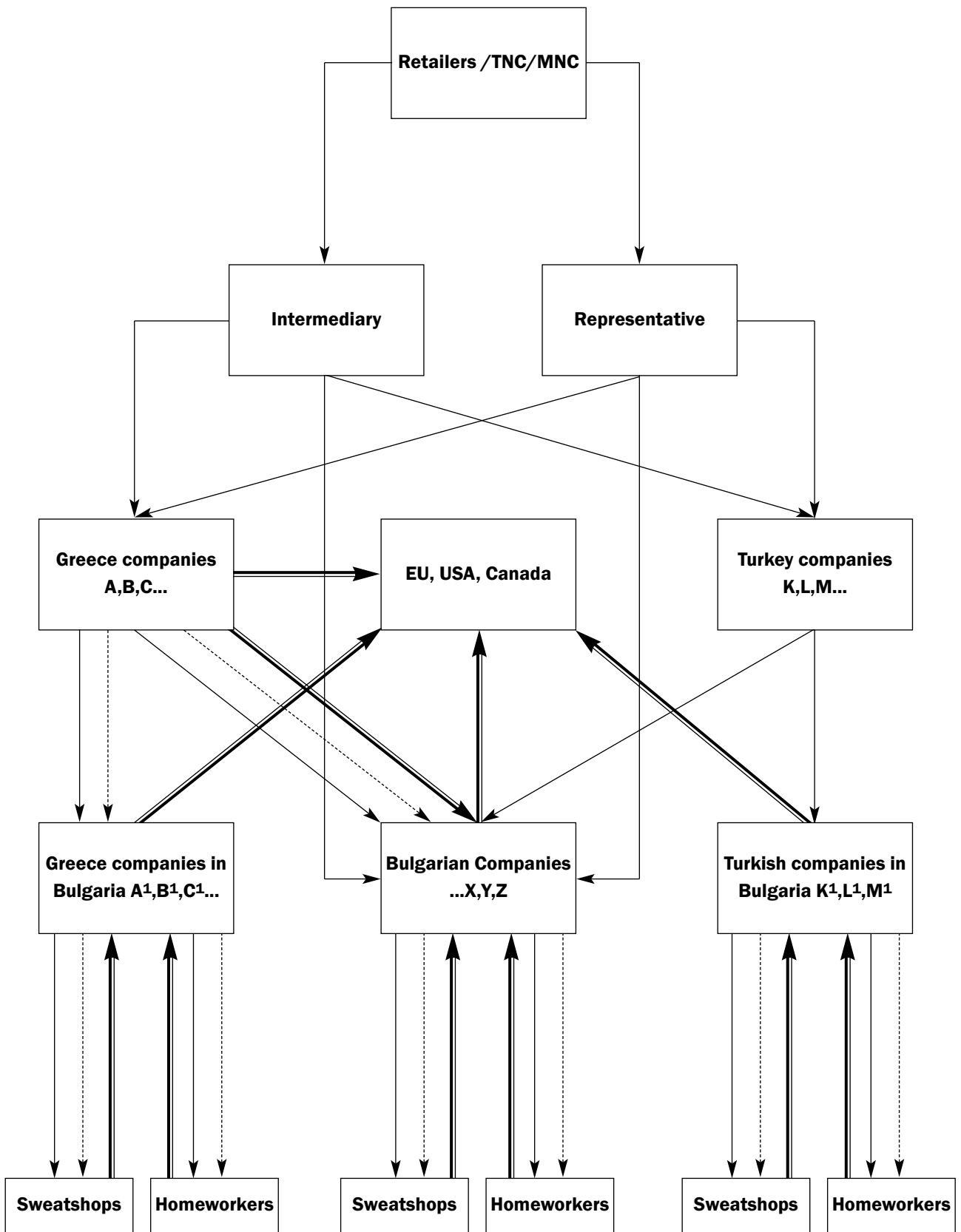
intermediaries who supply also the materials, and the end product is exported either back to Greece (about 7% of the annual outward processing export of the country in this sector), or to markets in Western Europe, the US and Canada. (Table 20)

In this region, orders of well-known brand names are executed but the enterprises do not have direct access to their representatives, they only have contacts with an agent (intermediary). These contacts are made by the manager who is often also the owner. There are cases where Bulgarian firms are the agents but because of the opportunity for a broad definition regarding the area of activity ("any activity which is not expressly prohibited by the law"), it is very difficult to find these out.

In these enterprises the violations of the labour legislation are most frequent (fictitious employment contracts or even lack of such, low pay, a lot of overtime) and the manifestations of informal employment are the most common. The production sites are not the same as the place of registration and it is very difficult to make verifications. There are no trade-unions' or other forms of workers' structures in any of these enterprises.

Table 20: Blagoevgrad region

Owned by	Import/Export	Type of production	Label
Greek	Greece/Spain, Holland	garments	BRANDTEX - Holland TOPO - Germany LEGO - Germany
Bulgarian-French	Greece/France	underwear	Lise Charmel
Greek-German	Greece/Germany	garments	Boss, Strellson AG, Windsor GmbH
Greek	Greece/Germany	knitwear clothes	
Greek	Greece/France	garments	Pierre Cardin
Greek	Greece/Greece	knitwear clothes	By A&K Collection, Adores
Greek	Greece/Greece	knitwear clothes	By A&K Collection
Bulgarian	Greece/Greece	knitwear clothes	Evita (made in Italy)
Greek	Greece/Greece	garments	Clock House, C&A



Relationships Among Workers in the Work Process

Workers' Experience and Testimony

The aim of the research was to include different categories of workers. Thus one could obtain a complete picture of the situation in an enterprise. The same answers to identical questions contribute to greater information reliability. The differences make it possible to report the individual attitude, the motivation and the personal prospects for each worker.

Some of the employers point out skills as an advantage in hiring. The huge number of jobs advertisements in the garment industry (for seamstresses particularly), however, is a proof that most employers accept any applicant who is pressed by unemployment and lack of money. The presumption is that any woman can sew and reality has shown that several hours of training are sufficient to start work - usually for a probationary period of one week to one month. It is the lack of sufficient skills that sometimes makes fulfillment of quotas strenuous and becomes the reason for lots of overtime. The employers also complain of floating labour but do not take measures for an adequate personnel training. Such conduct is also in contradiction with their declarations about finding a suitable niche in the international garments market which requires highly-qualified labour. There is no data about a policy at national or municipal levels, either, within the framework of various employment programmes, which would pay attention to this matter. Here as well, the presumption is that women can sew.

Do all workers have identical problems, or the different groups have different problems?

The problems can be classified in several main groups:

- overtime and paying for this;
- working conditions - lighting, temperature, etc.
- breaks and leaves;
- organizing.

It is interesting to note that workers do not feel very uneasy about the fact that their employment relationship is not in compliance with the law - in a written form, with a permanent contract, real work remuneration, paid social security and health insurance, etc. Payment in hand is good enough and so they contribute to spreading of informal practices

and tolerate such a conduct by the employers which is contrary to their personal interest for a secure and guaranteed job. This is of particular importance for the future strategy.

Personal Relationships

In the ethnic, religious and gender aspects, the Bulgarian society is not stratified and no contradictions and tensions can be seen among the different groups. The seamstresses are brought together by their common fate - poverty and care for the family's living. Among them there are representatives of various educational levels - from primary to higher education. Their economic problems, however, are so hard that the differences in their educational qualifications and skills do not bring about tensions among them.

There are some tensions, however, in the relationships between the supervisor and the seamstress. In enterprises owned by foreigners, the controllers are usually foreigners - very often Greeks or Turks but also Italians, Spanish, Germans. In such cases the conflict is even more painful for the workers as it adds to their feeling of dependence and borders on the feeling of national humiliation. Only with the Germans the workers are inclined to accept the reprimands as just and not as personal whims. The presence of controllers inside the production premises among the machines and over the heads of the seamstresses inhibits them psychologically. Sometimes the controllers set or change the breaks, which is another reason for discontent. There is data about a very strict control upon the pieces and even the length of the threads.

Conclusion

Subcontracting chains in the garment industry are not a unique or isolated phenomenon. They are one of the many features of the economic globalization - an internationally established process in which TNC/MNCs chase higher profits for the sake of lower production costs and mostly those of labour costs. In the new economic order imposed in the interest of TNC/MNCs by a range of international institutions like the World Trade Organization, the International Monetary Fund, the World Bank, etc. the leading factor is the high level of profiteering regardless of what it is worth - wars, discrimination, violations of

human rights, exploitation. In the garment industry specifically the profit is achieved by:

1. Vertically and horizontally complicated subcontracting chains that establish a link between the powerful contractor (a company or a brand - usually a TNC/MNC) and the cheapest and most vulnerable work force.
2. Reduction of production costs by means of informalisation of labour - producing in the "gray" (shadow) economy and with homeworkers.

TNC/MNCs chasing maximum profits causes the big variety of subcontracting chains with many intermediaries, who can find a cheap labour force that is ready to do anything in order to survive.

Chains are so complicated and branched off that it is possible for:

- An enterprise to be at the same time a part of different chains and at other times of other different chains
- An international chain to be forked in Bulgaria in a number of sub-chains with a different number of levels which may even intercross
- Some chains from TNC/MNCs extend down to homeworkers to include a big number of levels - possibly 8-9

The final result can be always seen as a systematic violation of social and labour rights of substantial groups of workers - usually these are in the developing countries and in recent years in the so called countries in transition from the CEE region. The most important condition for the availability of cheap labour force and feasibility of violations of the labour rights is the existence and retaining of high unemployment rates. In Eastern Europe these processes are aggravated as a result of the break down in industries and the mass and "shock" privatization. Furthermore, in Bulgaria leading enterprises with modern technologies were closed down and turned into sweatshops. Such examples are the plants that were producing semi-conductors (Botevgrad), computing equipment (Sofia), printed circuits (Rousse), personnel armoured carriers (Cherven Bryag), etc. These processes are being called attractive to "foreign investments" that may probably result in the transformation of the country into the first "newspaper tiger" in Eastern Europe. Along with the Western capital in Bulgarian garment industry, there are also "investing" firms and individuals from all over the world, including from the Philippines, Mali, Libya etc.

Privatisation is an important element of economic globalization and it also adds pressure for the elimination of the role TUs can play, since they can most successfully counteract such violations. It is extremely difficult to establish TU structures in the newly emerged private enterprises because most of the owners or employers would not allow that.

The garment industry is typical with the high share of manual labour in the final product. It is an example how, in a world of globalising modern technologies - but at the same time overproduction and fierce competition increase pressure for the maximum profit - TNC/MNCs continue to use extensive human labour instead of investing in mechanizing and automation of the sewing processes. As a result we come to the weird situation, where the relationship between the Bulgarian owner/employer and the contractor / TNC / MNC, in some of the chains, is much more stable and sustainable compared to the relationship with his/her own workers.

Besides corporations there is a new player on the stage. NATO logisticians quickly found out that availing with so much and cheap labour force, in Bulgaria, they can dramatically reduce their expenditures for uniform clothing and began to outsource big orders. Due to confidentiality it is not quite clear yet what types of chains are these. Still, however, some people in senior economic positions can not refrain from publicly sharing their pride of our country's successive "contribution" towards the Atlantic concept. There is the question however, are our good friends and future allies aware of the conditions in which they magnificent uniforms are being sewn? If yes, it would be interesting to hear what they think about that.

In addition to the international instruments in force many of the corporations have their own Codes of Conduct, under which more or less they undertake the commitment to comply with the basic social and labour standards. Some of these Codes even envisage a follow-up investigation in each violation - anywhere from the top to the bottom of the chain. Beyond that some openly reject the "cut and run" approach. There are subcontractors for such corporations that condemn the "cut and run" approach and some of them violate labour rights. We in BEPA are aware of such cases and it could be a

good idea for the future to inform them about these practices in order to see their response and find out to what extent the commitments undertaken are complied with.

Another interesting issue is homeworkers. For example, in the contract between a Greek company executing an order for a TNC and the Bulgarian subcontractor it has been envisaged that some operations within the order would be carried out by homeworkers. A question crops up, whether TNCs keep an eye on abuses related to the bottom level of the chain i.e. homeworkers? Here lies the more fundamental question of whether the Codes are a real operating mechanism for the respect of workers' rights along the whole chain or are they just an instrument for upholding the company's public image? If the second one the solution should be sought among Western consumers by introducing to them some empirical data from the producing countries, including those from Eastern Europe. It is of significance in this connection to emphasize the importance of the independent monitoring and verification whereas the licensed auditors could also come from NGOs. Such auditing would give publicity to corporations' operations thus contributing to the observance of social and labour standards. Raising citizens' awareness in their capacity as consumers would enable public pressure to be exercised upon TNC/MNCs with the view of monitoring and adherence to the working conditions - especially in the cases of outsourcing in developing countries.

A forecast could be made that the chains' will be growing, in particular after 2005 when the trade in textiles and clothing will be fully liberalized and all barriers and limitations will be gone. We can also reasonably assume that then there will be entire regions with the cheapest labour force that will be mostly producing garments and where will be the end of the subcontracting chains starting from the North and the West. We could also expect a continuous informalisation of labour, which will make the working force in these regions more vulnerable and exposed to exploitation. In other words, the production of more and more garments will concentrate in some regions with high levels of labour exploitation, while consumption will be concentrated in other rich regions, and TNC/MNCs will be deriving higher profits from this.

Bulgarian experience shows that, while in the big formerly state-owned enterprises, where health and safety working conditions are still reasonably good before privatization, there is not much difference, when they are compared to the other enterprises with regards to all other basic labour rights. These enterprises have also inherited trade relations with big Western partners and continue to produce for them without any intermediaries. This means that a thorough solution of the problem with workers' labour rights can not be sought in the direction of eliminating intermediaries. The present research gives quite precise picture of the situation with subcontracting chains and the garment industry in Bulgaria and can be of use to many state institutions and other organizations. It does not, however, give an exhaustive answer to the question how to achieve better protection of workers' social and labour rights. The significance of the problem implies that a continuation of the research is needed in order to find out such an answer.

The phenomenon as a whole is complicated and has many aspects. Different stakeholders and participants in these processes approach its different aspects led by their personal or group interests. For instance, on the issue of workers' labour rights protection there is a divergence between the attitude of TUs and some NGOs on one hand and the different organizations of exporters and employers in the sector on the other hand. At the same time all participants could at national level be united around launching a strategy for the development of the garment sector in the country, which may also contain measures for the improvement of working conditions. This is the importance and where NGOs - BEPA in this case - have a role to play through lobbying and other initiatives in order to unite different participants efforts in achieving that aim. The intricacy of the problem is that such that an initiative should not be expressly controversial to the country's already undertaken commitments, related to the forthcoming global liberalization in the sector.

For sure we can say that the garment sector problems' solution will be very difficult, and it can be expected in the long-run and solely as a result of the joint efforts of all related organizations, institutions and (groups of) citizens. Similarly, along with that there should also be an international initiative to improve the situation of the global labour force in the sector.

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Implications of Garment Industry Subcontracting for UK workers

Women Working Worldwide, UK

Camille Warren

1. Introduction

Subcontracting in the British garment manufacture industry is structured to meet the demands of the large UK manufacturers and retailers. In the absence of any large-scale exporting of garments, production is mainly geared towards the filling of quick turnaround orders, 'difficult' orders such as outsize and maternity wear and niche or specialist production which cannot easily be subcontracted abroad by manufacturers. For those who produce outside of the subcontracting chains for large retailers and manufacturers, demand for their products has often shrunk in recent years destroying much of the infrastructure that supported this sector and shortening the subcontracting chains involved in this type of production.

In contrast to the subcontracting chains in most Asian and Eastern European countries there are few large factories still operating in the UK. Most of the retailers, agents and manufacturers have moved some or all of their production overseas to take advantage of cheaper wage prices abroad. Manufacturers who previously owned factories in the UK have changed the nature of their work to become closer to sourcing and design agents, organising order production in other countries. This has had profound repercussions on production within subcontracting chains in the UK which now tend to involve fewer units and units of a smaller size.

Since the 1970s the UK clothing manufacturing industry has been characterised by a steep decline in employment and significant changes in the structure of the industry. Macro economic factors such as goods being produced cheaper overseas, international trade agreements and a strong pound have combined with inherent weaknesses in the structure of the UK industry and an overbalance of power in the supply chain towards UK retailers to cause intense pressure on profit margins. For workers in the UK industry the effect has been increased: a

massive increase in job insecurity, a reduction in the regularity of work, a decrease in trade union representation and often the upheaval of moving workplace and industry. The huge volume of the decline in employment, currently running at 11% per annum, has meant that workers at every level and sector of the industry have been hit by these changes but overall figures disguise complex variations in working conditions and industry changes.

By individually mapping subcontracting chains that are illustrative of the main trends in UK clothing industry this research tries to understand where power and pressure lies in subcontracting chains. The nature of the subcontracting chains that workers are involved in has always resulted in vast differences in pay levels, working conditions and employment benefits but these have been further distorted by the recent pressures on the industry. Who is involved in these chains, their length and what they are producing is also changing rapidly.

The first section provides an overview of the industry in Britain with an emphasis on the changes in the industry and a discussion of changes in retailing which have affected the industry. In section 2 there is an overview of how the structure of subcontracting in the UK affects workers. In particular this section discusses changes in the size of workplaces, the increase in informal work practices, changes in the composition of the British workforce in relation to ethnicity and gender, wage levels and trade union membership.

The focus then turns to the specific research carried out for this project with a presentation of research methodology in section four. The research examines three types of subcontracting chain, homeworkers, knitting factories and companies who also produce abroad, which are illustrative of those that operate in the UK industry and these are examined in detail in chapter 5. This allows a contrasting of subcontracting chain features and working conditions between the three types examined. In the next section workers' experiences within these three subcontracting chains are examined in detail and possibilities for organising are discussed. The last section looks at other subcontracting chain issues that have arisen from the research including workers' knowledge of their subcontracting chain, the position of retailers and agents within chains and shortening of subcontracting chains within the UK. There is also a discussion here of

how companies who produce abroad interact with their foreign suppliers and how this determines conditions of workers abroad who are producing for the UK.

By examining subcontracting chains in the UK both at an industry level and from workers' experiences we can begin to understand the implications of production decisions on workers within the industry. By understanding power within the subcontracting chains we can also understand where to apply pressure to effect change. Moreover as the British garment industry sources worldwide, understanding changes in Britain can also help us to understand subcontracting chains and working conditions in other countries.

2. Industry Overview

The clothing and textile sectors have a long history of being part of the traditional manufacturing industry in the UK, being central as it was to the industrial revolution. Yet the rapid decline in production in the UK has seen much less public discussion than the declines seen in other industries such as car and boat building. Overall decline in employment and national significance has been continuing for at least the last 30 years and yet there are signs the industry is now entering a new and decisive period, which is characterised by a critical swing to movement of manufacturing outside of the UK.

As noticeable as the overall decline in British production, has been the changes in the structure of the industry and its workforce. The macroeconomic factors that have pushed much large-scale manufacturing offshore have also shaped the type of enterprises and work opportunities left in the UK. Government strategy is for the UK clothing industry to concentrate on high value, niche and technical sectors but concurrent with this has been the re-emergence of small manufacturers still using low prices to remain competitive. In a market such as the UK with its relatively high labour and production costs, such strategies often rely on paying low wages and cutting worker benefits to retain a profit margin. The concentration of retailers in the UK clothing market has also allowed them to exploit this tendency. For workers these constant downward pressures have resulted in decreased job security and status.

2.1 Geographical Spread

The East Midlands is the most important area for clothing manufacture in the UK, then London followed

closely by the North West, of which Manchester is a part. Both in terms of employment and number of manufacturing groups these areas stand far ahead, although Yorkshire and Scotland are also important manufacturing locations (Labour Market Trends 1997). Most of these centres have been well established with the only significant change in regional production being the emergence of the East and West Midlands which is associated with the growth in ethnically owned businesses in the area. All the main producing locations are areas with high numbers of ethnic residency, which reflects one of the major trends in clothing industry ownership and workforce.

2.2 Importance of the Industry

Although trade unionists and other supporters of the industry are keen to point to the continuing importance of the clothing and textile industries, in real terms it has not been a strategic industry for the UK economy for some time. Taken together the two sectors rank as the ninth biggest manufacturing industry in the UK (LATCF), but the textile industry is significantly bigger than the clothing manufacturing sector. Clothing manufacturing accounts for only 4% of all manufacturing employment but only 2% of all manufacturing output and 2% of exports (ONS). The significance of these figures becomes clear when we take into account that the entire manufacturing sector in the UK only accounts for 17% of national employment. The lack of strategic importance of the clothing sector is reflected in the relative lack of Government support and investment for the industry and, arguably, in its international trade agreement activities.

2.3 Decline in the Industry

The clothing industry has been declining in employment numbers since the 1970s but this process has not been consistent. The largest period of decline was between 1978 and 1988 where employment declined by 31% but total industry output was still rising in this period largely due to increases in productivity. However since the late 1990s the industry seems to have entered a new phase where employment numbers are again declining sharply and output is falling for the first time (Jones 2000). This appears to be due to a switch towards offshore production which, given the reliance of the industry on high labour inputs and the relatively high cost of labour in the UK, is unlikely to change in the future. Any analysis of the clothing industry needs to be seen within the wider context of manufacturing decline in

the UK which has meant that the clothing sector has held on to its position as ninth largest manufacturing sector consistently as other industries have declined at a relatively similar pace. It is worthwhile to note that in this same period unemployment in Britain has decreased. Although some areas reliant on traditional industries have undoubtedly suffered greatly, overall manufacturing job losses have been absorbed by the retail, care and service sectors.

The actual speed of the employment decline is quite staggering. Since 1997 the number of employees in the clothing manufacturing industry has almost halved in size from 167 000 to 83 900 in March 2002 (Labour Market Trends 2002). The latest figures for this year are 80 500. This represents a fall of 11% per annum for the industry. There is as yet no sign that this rate will fall off, despite speculation by some commentators, given the ever increasing numbers of UK manufacturers deciding to move production abroad and the approaching MFA phase-out in 2005.

2.4 Macro Economic Reasons for the Decline in the Clothing Industry

The UK industry has faced a large number of factors, both external and internal, related to its structure that have caused the decline in production taking place within Britain.

The largest market by far for British clothing exports is the EU, which receives about 58% of all clothing exports. By Britain remaining outside the Euro, the currency of its major market, exports have declined. The strong Pound and weak Euro have caused significant problems for retaining competitiveness in this market for clothing manufacturers. Moreover the average price of a British export garment is significantly lower than all other EU countries, except Eire, resulting in relatively lower profit margins. (Trends Business Research).

Overall however, and more significantly, the British clothing industry has a large trade deficit and this is increasing with imports now making up 65% of the UK market (ONS). The biggest sources of British clothing imports are Hong Kong, China, Morocco, India and Sri Lanka. British hourly labour rates are below those of Germany, Italy and the US but are still estimated to be 97% higher than those for China (Trends Business Research). The rapid rise in imports suggests that, despite claims that companies incorrectly calculate

production costs, Britain will not be able stay competitive on a large scale in a labour intensive industry like clothing manufacturing in the future.

Other macro reasons that have been cited are reductions in import tariffs of certain producing countries. The National Strategy developed by an industry and trade union partnership gives the example of Pakistan, which since September 11th has been allowed to export clothing duty free to the UK. Ignoring the inherent inequalities built into international trade these groups feel that an 'unfair playing field' exists in which other countries are keeping high import tariffs while the EU has been phasing out theirs too quickly. While most producing countries have been berating the EU and the US for being slow in phasing out the MFA, both trade unions and industry groups in the UK argue that it should be kept in place for as long as possible.

2.5 Structural Reasons for Industry Decline

The UK clothing industry is characterised by an extremely atomistic structure in its manufacturing sector and a uniquely highly concentrated retail structure. 74% of clothing manufacturing firms have turnovers of less than 250 000 per year. Even among the biggest manufacturers in the UK, most of who outsource most of their production overseas, sales are less than eight times that of the largest British retailer. This high level of buyer concentration and low level of seller concentration indicates an intensity of power lies with the retailers and has a large, negative impact on the seller's margins (Jones 2000). Coupled with the high level of import penetration he calculates this must, by definition, reduce the ability of domestic producers to influence the market to something approaching zero.

The relatively low profit margins engendered by the clothing manufacturing sector, the lack of capital investment caused by the constant squeeze on profit margins, the extremely labour intensive nature of the industry, the move to uneconomical short runs, the shortage of skilled labour and the lack of value-added production are all factors which have served to weaken the production sector in the UK. Because of these factors and to take advantage of cheaper wage rates abroad many UK manufacturers have taken advantages of trade quotas and adopted strategies of 'outward processing', where materials are shipped abroad for foreign make-up. Manufacturers, while

retaining the name, have in many cases given up manufacture. While some own factories abroad, many use complex international subcontracting chains of agents and middlemen to ensure orders to retailers are filled. In this sense manufacturers have become more like agents, 'managing' production for retailers and taking on roles like warehousing and design that were previously fulfilled by other actors in the UK chain. Where a UK workforce is kept it is often to ensure they can do 'fiddly bits' of production like large sizes or maternity wear or to keep retailers happy through offering quick turnaround on orders and corrections of mistakes on work coming in from abroad. Much local and national government advice to manufacturers is to adopt this strategy but there have been severe consequences for workers in the UK. Although some jobs maybe retained, such as design, marketing and warehousing, the bulk of UK CMT (cut, make and trim) jobs are lost and this trend is one of the major causes of job losses in the UK industry.

2.6 Retailer Decisions

The UK industry was largely geared to producing long runs for British retailers and so the workforce was particularly hard hit by the decision by UK retailers and manufacturers to move the bulk of their production abroad. In the National Strategy UK retailers said they were committed to maintaining some of their production in the UK in the form of short runs and quick response but their commitment to this seems to be lessening with time. Almost all the major retailers now source offshore, including brands such as Marks and Spencers and Doc Martins, which previously prided themselves on their 'Made in Britain' tag. These decisions by the retailers seem to have been responsible for the new wave of large job losses in the late 1990s (LATCF). Many retailers have also reduced their number of suppliers, which has impacted hardest on smaller manufacturers, who have either gone out of business or been pushed further down the subcontracting chain.

Price competition in the retail market has also driven down price margins in the UK. From 1975-1988 the real price of clothing has halved (Labour Market Trends) which means less profit per unit. British manufacturers, facing squeezes on their profit margins and pressure to lower final costs, frequently find they cannot produce clothes at the prices retailers want to sell them and often pass on these

pressures to their workers by offering lower wage rates or insecure and temporary work. Discount retailing has decimated lower priced retail outlets, such as wholesale and market stalls, which previously sourced largely from the smaller UK-based manufacturers. However the drop in clothing prices effects all segments of the industry as manufacturers producing for the higher price and quality end of the retail market have seen more competition for their products. This has led to a worsening of working conditions across all segments of the UK workforce and probably abroad as well. Consumer demand plays a major role in this, as in clothing there is a high correlation between low prices and high demand. This trend shows no sign of abating as the high street has seen an influx in discount clothing retailers in the last five years such as Matalan and Primark.

3. The Effect on Workers

The decline in the clothing industry has caused significant changes in the composition of the workforce of the UK. Traditionally the UK industry was characterised by medium and large size enterprises that employed a mostly female workforce with male management (Oxborrow 1999). It tended to be white working class occupation, regarded generally as unskilled and of low status. This type of factory began to decline in the 1970s as large-scale manufacturing started to disappear and this process has accelerated ever since. Since the mid-1980s however a new type of clothing enterprise began to spring up that was much smaller in size and focused on either specialist areas such as technical textiles or low value sectors such as socks, CMT(Cut, Make and Trim) and knitwear. These enterprises have kept employment higher in the clothing sector than it would otherwise have been but the high start-up rate is accompanied by a high rate of business failure too and subsequent job insecurity (Trends Business Research). These changes in production enterprises reflect the changes demanded by the industry for low-cost and short-run production best suited to smaller enterprises. By reducing manufacturer size they have also acted to reduce the power of manufacturers in subcontracting chains to negotiate better terms for their products. The disappearance of the large factories and the emergence of the 'new' clothing manufacturing enterprises has caused a reduction in the female percentage of workers and an increase in the ethnic composition.

3.1 Changes in Size of Manufacturing Enterprises

In the 1950s the average size of manufacturing enterprises exceeded 60 employees but today the average is under 25. An indication of the increased atomisation of the sector is indicated by a current 6% growth per annum in the number of clothing manufacturing businesses accompanied by the 11% per annum decline in sector employment (Oxborrow 2002).

3.2 The Growth of Informal Working Practices

Commenting on the informal working practices in the UK is always made difficult by the sheer lack of information available. Despite evidence that informal production practices form a substantial part of clothing production it is almost uniformly left out of statistics, future industry strategies and industry overviews. While this maybe something expected from official sources it is worrying that trade unions and skills training and investment programmes also tend to ignore this. These workers are the most vulnerable operating in the clothing industry and tend to receive the lowest wages, no job protection, work in unsafe conditions and have no collective voice.

Firstly it is important to discuss what exactly is meant by informal working practices as this is in no way clear-cut. The most widespread idea of informal workers in the garment industry is of 'a hidden industry'; those in small unregistered workplaces who pay no taxes or are paid cash-in-hand. Sweatshop labour or homeworking are commonly held examples. This is often quite sharply contrasted with the formal sector as if a real and clear division existed between the two. But if we take a wider definition of informal labour to include all examples where owners ignore labour laws to increase profit margins many much more widespread examples can be included. Interviews with trade unionists reveal one of the most common examples is non-payment of the National Minimum Wage (NMW). Factories who maybe registered and producing for large suppliers will often register a total amount paid to a worker to the Inland Revenue and then divide that amount by the NMW to indicate hours worked whereas in practice an employee will have worked a much larger number of hours to earn that amount. Non-payment of the NMW and National Insurance to homeworkers is extremely widespread (NGH: 2001). Skimping on health and safety, working in clearly inadequate buildings and non-presentation of formal working contracts are other practices that

occur frequently. To understand the extent of informal working practices it must be remembered that a 'grey area' exists with many factories seeming to produce in ways perfectly in keeping with the formal sector but operating their labour conditions more in keeping with informal sector practices.

So what is the extent of informal working practice? There can be no definite answers given but what does seem to be clear is that there has been a re-emergence in recent years and it is growing in the UK. Discussions with the AEKTA project, a worker's support project in Birmingham, reveal that while officially there has been a decline in clothing manufacture employment they have seen no increase in unemployed workers, which suggest they are being reabsorbed back into informal work. Estimates from trade unionists put figures of workers in unregistered companies at 65 000 to 75 000 which would make it only 20-25% smaller than official figures for the industry.

This growth in unregistered companies would correspond with the growth in smaller units of enterprises that has been seen in recent years. Given the greatly increased downward pressures on manufacturers to produce at ever lower prices owners have found other ways to cut manufacturing costs. A frequent complaint is that retailers refuse to pay a price for goods that would allow proper legal working conditions to continue. The ever present threat that production can be easily moved abroad and the relatively powerless position of manufacturers to negotiate better production terms, causes a situation where a lowering of wage prices and other working conditions by owners is extremely likely in order to maintain any sort of profit margin. Underpayment has always been there in the clothing industry and clearly some owners would be inclined to increase profits this way in any scenario but recent industry changes have added further incentives to lower labour costs. The larger scale factories that are now disappearing tended to also have a higher rate of unionisation, making it easier for workers to demand better pay and conditions, and were more easily monitored for compliance with labour laws than the smaller enterprises that are growing in the industry today.

3.3 Ethnic Ownership and Work in Clothing Manufacture

The proportion of garment manufacturing businesses owned by or employing workers either born in a

different country or descended from those who have immigrated to the UK is increasing. The Pakistani, Indian and Bangladeshi communities are highly represented in clothing manufacture, but many different ethnic groups work in this sector. There is significant regional variations in ethnic composition, such as the strong Turkish involvement in garment manufacture in London.

Ethnic ownership of companies in the UK clothing industry has grown since the mid-1980s when recession and racism forced many Asian workers out of traditional manufacturing employment. The relatively low cost of business start-up and knowledge needed to set up in clothing manufacture means the industry was an attractive business opportunity (AEKTA 1999). As mentioned earlier the growth in clothing manufacturing in the East Midlands in particular is attributable to Asian enterprises. Similarly the knitting sector in Manchester, which represents the larger group of clothing employers in the region, is 98% Asian owned (David Rigby Associates). Asian owned firms tend to be concentrated in low value product sectors such as CMT, knitting and socks (Trends Business Research).

The number of ethnic workers in the industry is also growing especially in smaller enterprises. Trade unions report that many of the larger factories employ relatively few ethnic workers and their concentration is mainly in companies with ethnic ownership. Asian women also form a large proportion of homeworkers as language barriers, childcare responsibilities and recruitment from social networks restrict work outside the home (AEKTA 1999). A study by the National Group on Homeworkers found that a much lower proportion of Asian homeworkers were paid the National Minimum Wage (NMW) than white homeworkers. Informal working conditions are widely associated with an ethnic workforce largely because immigrant workers will work for much lower wage rates and are restricted in choice of job by language skills and legal status (ILO 2000).

3.4 The Female Workforce

The clothing manufacturing industry has traditionally been a female dominated occupation but defying popular conceptions this is changing rapidly. Government labour market statistics show employment in clothing manufacture in March 2002 for men to be 41 100 while female employment

numbers were 42 800. This near equalisation is due to the much faster rate of decline of female jobs. Comparing the same figures with those available in March 2001 shows men had lost 2 700 jobs in the year while women had lost 8 800 jobs in the same period. The extent and speed in this labour ratio is evident when we consider that only in 1995 over 70% of the national labour force was female.

Part of this decline in female employment is because the largest number of redundancies is being made in female full time jobs (Oxborrow 2000). This reflects a general trend in the industry for increased flexibility in the workforce through part-time and fixed term workers (ILO). Women are concentrated in the jobs which have tended to be seen as low-skilled and labour intensive such as sewing and pressing and it is precisely these jobs that have tended to be lost overseas (CAPITB 2000a). Men work mainly in management, cutting and warehousing and given the pattern of outward processing, where a sewing room maybe moved overseas but the rest of the operation kept in the UK, we may see a greater retention of this type of employment.

Of course these figures do not present the entire picture, as they say nothing about unregistered workers, many of whom have always been women. However there maybe evidence that here too a significant shift in the composition of the UK workforce is taking place. Although total numbers are unknown and homeworking may still comprise a large female labour force, interviews with homeworking support groups suggest that numbers of women homeworking in the garment industry have been declining. The traditional UK workforce, which is white and female, is aging and many have left the industry to find more stable and better paid job opportunities elsewhere. Despite the large-scale redundancies employers still report that they have difficulty recruiting experienced staff and the country is considered to be experiencing a serious skills shortage (The National Strategy). Unregistered companies however are seeing a rise in employment and this would largely be made up of immigrant workers who are restricted from finding work elsewhere and would be prepared to undertake low status and low paid work traditionally done by women. There is some evidence that the smaller, new enterprises are employing a lower proportion of women than seen with the larger and older factories. For instance female employment only represents 30%

in the Manchester Knitting factories but knitting has traditionally been women's work (Palmer Bonta 2000).

Overall it is clear the current patterns of declining employment and industry changes have impacted hardest on women workers who have suffered the greatest increase in job losses, job insecurity and reductions in working hours. Women's paid employment has always been undervalued and seen as supplementary to the man's main 'breadwinner' wage. This perception of the industry as low status, low value women's work may well be why there has been so little public comment on the staggering amount of job losses the industry has experienced in the last few years compared to the attention paid to the decline of other traditional 'male' industries such as cars, ship-building and mining.

3.5 Wage Levels

Nowhere is inequality between male and female workers in the industry more apparent than in the differentials between wage levels. In January 2002 men in the textiles and clothing sector earned an average of £303 per week while women earned an average of £209, only two thirds of the male average (Labour Market Trends). This inequality is not something inherent only to the clothing industry but a repeated characteristic across all wage occupations. In fact compared to all manufacturing sectors the male wage represents only 69% of the national equivalent while the female workers' wage compares relatively favourably at 83% (Oxborrow 1999.) Historically pay levels in the garment industry are lower than those for other manufacturing sectors and this differentiation has been growing as wages have increased at a slower rate for this sector in the last three years than for other manufacturing industries.

Rates of pay for unregistered workers are not known accurately although they are thought to be extremely low. The KFAT trade union has found cases of immigrant workers employed for as little £1 an hour in some factories. Pay among homeworkers is notoriously low. A survey by NGH in 2001 found only 25% of homeworkers were receiving the equivalent of the NMW, while research by the AEKTA project among Asian homeworkers revealed pay as low as 83p an hour and an average of £1.90 an hour.

The NMW was introduced to the UK in 1999 at the rate of £3.60 per hour, which has subsequently been

raised to £4.10. The introduction of the NMW is not thought to have had much affect on jobs in the industry as it was less than the industry average at the time but it has stamped out some of the worst cases of low pay exploitation in formal employment. Enforcement of the NMW however has been inadequate especially for the most vulnerable sections of the workforce and 'cash in hand' payment is rife in the industry. Trade unions such as KFAT are pushing strongly for non-payment of the NMW to become a criminal offence as at present employers get nothing more than 'a slap on the wrist' for non-payment. They see this as one of the most effective ways unions can help unregistered sector workers and are worried that the prevalence of cash-in-hand payments is depressing wages across the entire industry. Immigrant workers are often told by employers that because they accepted wages below the NMW they are implicated in wrongdoing and are frightened into not coming forward to take cases to tribunal. This fear may unfortunately be justified as the latest employment tribunal to rule on this issue incredibly stated that employers are not liable to pay the NMW to employees no longer in their service. The effect of this ruling is that an employer who fires an employee who is taking a case against him to an employment tribunal for non-payment of the NMW will not have to pay any back pay for the length of the employee's service.

3.6 Trade Union Membership

Trade union membership has plummeted in the industry from a high of around 32% to a current low of below 20%. This decline has to be understood as forming part of a national decline in all types of trade union membership in the 1990s due to the disappearance of traditional manufacturing industry in the UK. The workforce of the larger old style factories that had relatively high rates of membership has been disappearing and trade unions have failed to make large inroads into membership of the new smaller type companies and ethnic workers in the formal sector. Cultural and language differences between ethnic workers and trade unions have played a role in this and unions now recognise that if they are to survive they have to reach this segment of the workforce. Two years ago the KFAT trade union had 5000 members in the North West region and this has now declined to 2000 members. The union, the only one in the UK to work specifically for the rights of workers in the clothing and textile fields, is now considering a merger with other larger trade unions.

Interviews with trade unionists also reveal the level of hostility they encounter from some employers when they try to recruit new members. This can range from assurances by larger relatively well-off manufacturers to their workers that trade unions are not needed to outright harassment and dismissals of workers in the trade unions. In unregistered companies in particular owners have often been very aggressive to attempts to unionise and it is very difficult to hold any consistent union membership in this sector. The T&GWU gained the membership of 500 informal sector workers in North London five years ago but employers, despite legal protections being in place, orchestrated a campaign of lockouts, intimidation and dismissals until the membership was lost. There have also been cases of dogs being set upon visiting union reps at factories. Homeworkers have never been effectively organised by trade unions in the UK.

The declining trade union membership has left workers in the UK with even less of a collective voice in a time of extreme uncertainty. The growth of informal working practices has left workers with no legal protections and inadequately protected by working legislation making them extremely vulnerable to exploitation.

4. Research Methodology

4.1 Structure of the Research

I gathered my data for the in depth research using semi-structured interviews with factory owners and workers, homeworkers, trade unionists, homeworking support groups and academics connected with the industry.

In total I spoke to:

Overseas Sourcing Companies

3 company owners

2 workers at 2 different companies

Knitting Factories

4 company owners at 3 different companies

4 workers at 2 different companies

Homeworkers

6 homeworkers at 2 locations

(Leeds and Rochdale)

Four trade unionists, four homeworking organisations and three academics.

I tried to speak to factory workers and owners within the same companies to understand better how issues affecting the company were impacting on workers; to find out how much workers knew about their companies and subcontracting chains and to pick up information the owners had left out.

To trace the chain I relied on information from the interviews coupled with internet research and industry databases. This worked well in that I could trace the chain up and down and it gave me a detailed understanding of where power was located in the chains. The disadvantage was that I often did not know the size of the chain horizontally, for instance how many companies an agent was supplying, and particularly with the homeworkers producing for subnational markets it was hard to gather information on local operatives in the chain. If I had more time I would have liked to arrange interviews with other parties within the chain apart from the manufacturing units, for instance the retailers and agents. This would have given me much more insight into how they decided operating methods and the amount of relative power and security each perceived themselves to have.

All the research was conducted by myself over a six-month period from June to December 2002 with companies in the North West of England. I was working on the research overall for nine months on a part-time basis.

4.2 Access

Overall I was remarkably lucky in that I got to interview all the groups I was interested in. With the homeworkers and the knitting factories this was only possible through the use of people who had established contacts with those groups. I would never have been able to find homeworkers myself within the timeframe, and probably not at all in the case of the Asian homeworkers, and both the Leeds and Rochdale homeworking support organisations were brilliant in this respect. Moreover the Rochdale support worker was able to interpret all the interviews in Urdu and Punjabi to English. The knitting factories are similarly a group who work within quite closed social networks and so are very difficult to gain access to. A university within Manchester already had close contacts within the knitting sub-sector and was embarking on a major project collaboration with companies within it. Gaining introductions to the

various factories from a contact at a different university who had worked as a manufacturer in the sector was invaluable.

The downside of this process of using 'gatekeepers' for access to groups I wanted to interview was that it involved a lot of waiting around for other people to arrange things for me. The first few months were quite problematic, as I had to constantly phone people and remind them of what they said they would do which was, understandably, a low priority for them. For the companies who subcontracted work abroad as well as in UK in particular I think this whole process could have been avoided by just approaching companies myself. I had been relying on another academic contact who had conducted previous research with this group but when I finally decided I could not lose more time waiting for introductions and found two companies through internet research. I found they agreed readily to be part of the research. In fact most companies were glad to have someone who would listen to all the problems they had been experiencing. Finding research participants yourself where possible is almost certainly quicker and it gives you a greater control over your research base and the pace of your project.

Presenting myself as part of the university was invaluable in terms of access to companies. A lot of clothing companies in the UK have had some contact with the university system either through training or business initiatives or at least have heard of such partnerships through well-known projects like the 'Industry Forum'. Except for when I met the homeworking women and their support organisations I never revealed that I worked for Women Working Worldwide but always said I was working on a research project in the Sociology Department. This was always extremely effective at opening doors and establishing a good rapport with company owners.

4.3 The Interviewing Process

I imagined at the outset that it would be quite difficult to speak to workers in the factories I visited and in fact I did not even ask when I first visited the knitting factories. However in practice although owners were often a bit circumspect regarding the idea only one refused outright. When they expressed doubt I explained that we also wanted to understand how information was structured throughout the company and nearly all agreed to this. Promises of confidentiality with whatever was said also helped a

lot. Perhaps the biggest problem for owners was having workers not producing during their paid time so the interviews often had to be quite short in length.

When I re-contacted the knitting factories to ask if I could speak to workers I found that as they had already been interviewed by me there was already some relationship of trust there, which meant they mostly agreed. Going back to the factories also allowed me to have some very interesting conversations with owners who were more open than they had been at the first interview.

The owners selected which workers I could speak with and I have no doubt that they selected their best employees who would be likely to be the least critical. Whilst this will have some effect on what data was gained I did not feel it detracted much. All the interviews with workers were very revealing and all gave me information that I did not have before. The contrast of knowledge between the owners and the workers is perhaps one of the most interesting points of the research. All of the workers were interviewed apart from the factory owners and in places where they could not be overheard by anyone.

Using semi-structured interviews was quite successful as it allowed me to gather comparative data between the interviews and meant I did not miss important points. The usual drawbacks of this form of research method were also evident though in that sometimes it constrained conversation from going in a particular direction and concentrated questions on areas that were not that relevant. As I became more confident with the process of interviewing I was better able to control these aspects and felt more relaxed at loosening the structure of the interview. The one time that I used a focus group style interview with a group of three workers from the same company I found problems in that no one wanted to reveal anything about pay levels given that they were all paid different amounts. It seems focus groups only work best to highlight different issues when there is trust between the workers themselves. If I could revisit my interviews with factory workers I would ask them some of the questions I asked homeworkers about their attitudes to work and worker's methods of organising to have more directly comparative data in this area. No one was paid for their time except the homeworkers who were paid a flat rate that was higher than the amount they would have earned working in that time.

4.4 Restrictions in Scope

If I had had more time to complete the project I would have expanded the scope of the research in three main ways. As I mentioned earlier I would have interviewed more participants in each chain. I am fairly confident that I could have secured interviews with the major retailers who represent the major end users in most subcontracting chains, both here and for other country projects in the research. Understanding their decisions to produce abroad, how they decide which countries to produce in and how they control relationships and overseas factory processes would be really useful information for worker organisations in other countries. Similarly talking to 'middlemen' in the chains, such as exporters/importers, and sourcing agents could have revealed much of their scope of influence, how they drive competition between manufacturers and the amount of power they hold over prices and production methods which of course impact deeply on workers' conditions would have been useful. Speaking to these parties would have been very useful in later work to create change in workers' conditions by revealing weak linkages and 'hotspots' of power within subcontracting chains.

Secondly I would have liked to have used larger samples of groups at each of the three main locations I researched. I interviewed owners and workers at three companies each in the knitting and balanced sourcing sectors and six homeworkers. These figures do not lend themselves to any statistical analysis and make the data difficult to extrapolate with certainty for the wider industry. In a sense the data given is a sketch of the industry at this time with many grey areas. I have compensated for this where possible by comparing my research with findings of other studies and secondary sources and this has borne out the validity of much of my research.

Thirdly I would have liked to include some analysis of the overall patterns of sourcing and main areas of activity focus followed by UK retailers. This would have come from secondary data and would have been slightly different from the research here in that it would have focused less on pressures within a particular supply chain and how they affect working conditions. However nowadays the clothing industry within the UK is so little focused on production as a significant or profit-producing sector that this data would have rounded out my sketch of the industry

significantly. This data would have also been useful for many of the other country projects in terms of understanding how the major retailers who drive international subcontracting chains operate.

5. Supply Chain Overview

5.1 Choice of Research

The research looks at as broad a range of subcontracting chains operating in the UK as possible. Although this meant sacrificing depth of research on a particular chain it allowed for a wider consideration of the variety of chains that determine the working lives of a greater amount of UK workers and also is best suited for the UK industry.

Unlike countries that have clothing industries slanted to export and production of bulk orders for large manufactures and retailers, the UK industry tends to have relatively short subcontracting chains. Nearly all of the large retailers have adopted overseas sourcing strategies in recent years and only use UK manufacturers to finish their orders with small runs and quick response producing strategies to make up shortfalls in orders. The larger manufacturers have either closed or have also moved their production abroad, becoming more like sourcing companies. There are very few large factories that could act as the 'centre' of research to trace chains down but instead there tends to be a multitude of very small factories that are producing short runs for their end market. This situation also more or less ruled out starting with a big name branded manufacturer-merchandise or retailer, which I was initially attracted to, as hardly any of these produce any substantial amount of their product in the UK.

The end result of this is that most workers in the UK work on very different subcontracting chains with few linkages in their end market. It made more sense given these factors to start where the workers were and sketch the different chains they were involved in. Three main locations of research focus were chosen that together could offer a good overview of the UK industry and differences of power within subcontracting chains. Although there were very few explicit links between the different locations, in that they all produced for different end markets and were not part of the same subcontracting chains, they represent a hierarchy of production in the UK. The three locations all occupied very different positions in the subcontracting chains they were involved in; some

much nearer the end user with significant negotiating power with their end market and influence over those they subcontracted work out to, and some shouldering significant downward pressures being towards the end of the subcontracting chains they produce within.

The three points of entry identified were, firstly, homeworkers who as the most invisible production unit in the industry and the 'bottom rung' of any subcontracting chain were obviously important to include. Within this group of workers it was possible to interview homeworkers from two different locations with very different characteristics. The first set were white women from Leeds who had all worked in the industry for a considerable length of time and were actively sought out by employers for their skills. The second group were Asian women from Rochdale who worked in very different subcontracting chains and whose pay, working conditions and attitudes to were very different from the first group. A comparison between the two groups was very interesting for illustrating the variation in experience within the same category of worker and also how despite these variations striking similarities in problematic aspects of their working lives were apparent.

The second point of entry was to look at knitting factories within an area of Manchester. This sub-sector shares important characteristics that are predominant in the UK clothing industry. That is they are Asian owned, recruit mainly Asian workers, are very small in size and are situated within a relatively concentrated area. These factories also represent another important trend of often employing informal working conditions. They tended to produce low price goods for some high street retailers and the market and wholesale trades. Although a few use homeworkers for parts of their production they tended to be at the bottom end of their subcontracting chains and struggling to compete in a market with few value-added processes to attract business or profit.

The third point of entry was larger manufacturers who completed most of their production abroad in countries with lower wage levels but still maintained a UK workforce. Not only did this group represent a relatively more powerful group within their supply chain in that they tended to have closer relationships with their end users, add more value to their product and have a large subcontracting chain beneath them, but also their inclusion was felt to be interesting to the

overall project. Interviewing managers in these firms revealed how they viewed their overseas suppliers, the depth of relationships they had with them and the level of control and interest they had in the day-to-day running of those factories.

5.2 The Relationship Between Group Type and Supply Chain Characteristics

The three locations within the industry that were researched all worked in very different subcontracting chains. The configuration of these chains was intimately linked to the general position of that location within the overall industry and was shaped by the overarching pressures forcing change on the industry.

5.2.a The Homeworking Subcontracting Chains

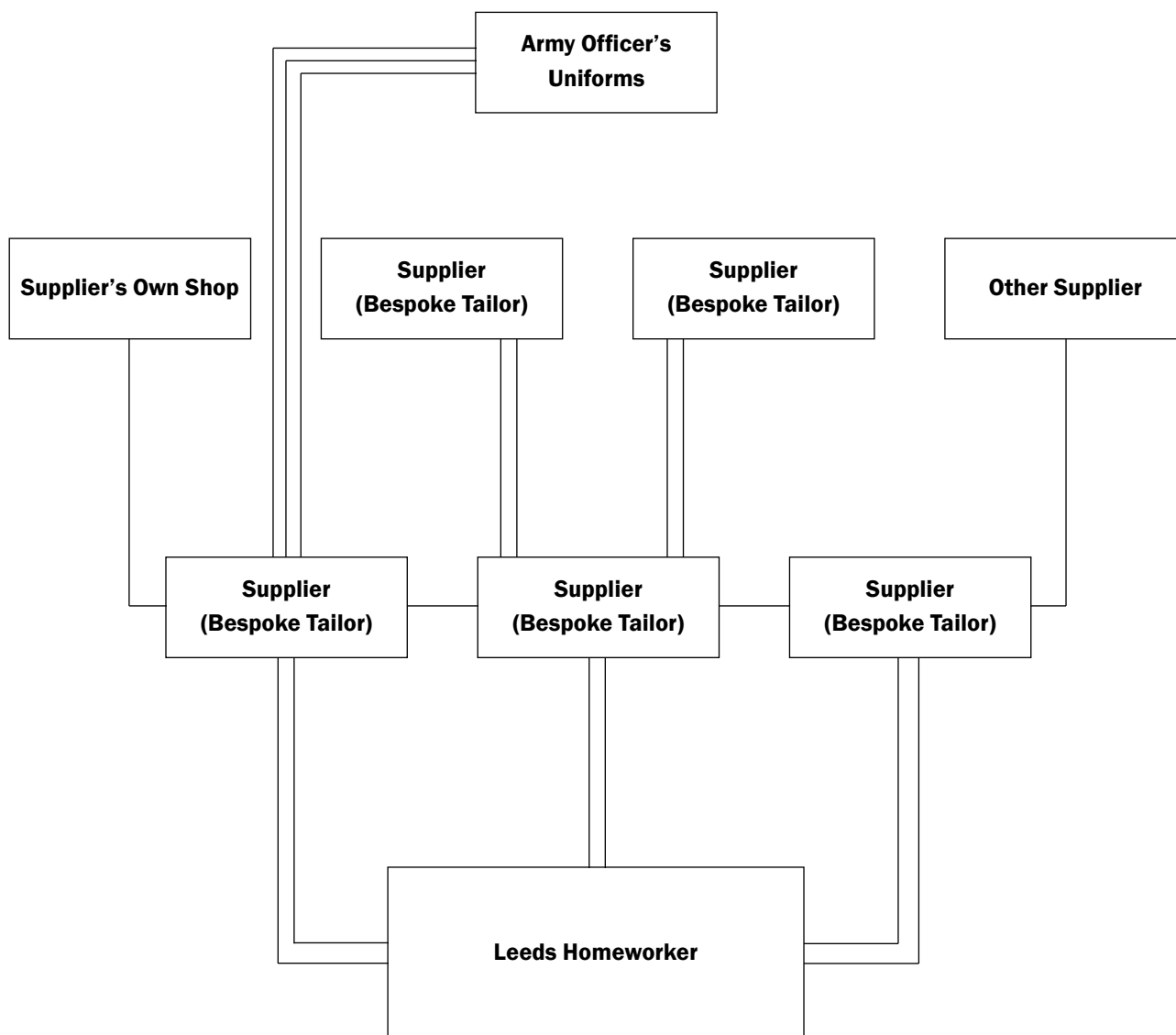
According to the four homeworking support groups interviewed for this research, while homeworking itself has not decreased in recent years, there have been less homeworkers working in clothing manufacture. This maybe due to homeworkers often being employed to work on 'overspill' from factories when demand is particularly high or doing part of the production process such as overlocking or finishing at home while the other manufacturing processes take place within the factory. As more factories have closed it may follow that the networks of homeworkers they employed have no longer been needed. Even the rise in prominence of the small and unregistered companies is not generally thought to compensate for the overall rate of decline within the industry. Among the six homeworkers I spoke to three were employed on part production of garments where the rest took place within the factory, discounting cutting, which took place at factory locations for all the homeworkers. Interestingly two of the homeworkers had recently moved to sewing of non-clothing items (flags and punch bags) citing irregularity of work and low pay in clothing manufacture.

The subcontracting chains the homeworkers were involved in were the most localised of all the groups researched. Not only were half of the homeworkers working for subnational markets, producing goods that would be sold to the end user in the same geographical area as them, but only two were producing goods that would be sold to major suppliers nationwide and they were the two producing non-fashion items. The homeworker subcontracting tended to avoid mainstream, well known high street retailers.

However there was a marked contrast between the value of the goods produced by the women in Leeds and the women in Rochdale. Two of the Leeds women worked for bespoke (made to measure) tailors producing specialist and high quality pieces for up-market hotels, casinos, public schools and army officers' uniforms. The clothing produced would be to the exact specifications and amounts demanded by the end-user and would not be generally available. Meanwhile the women in Rochdale produced, either as part or whole of their work, low cost fashion clothing that would be destined for small shops, markets or wholesalers. Therefore the Leeds chain could be said to be a high-value added chain with suppliers chosen for the high quality and specialist nature of their work

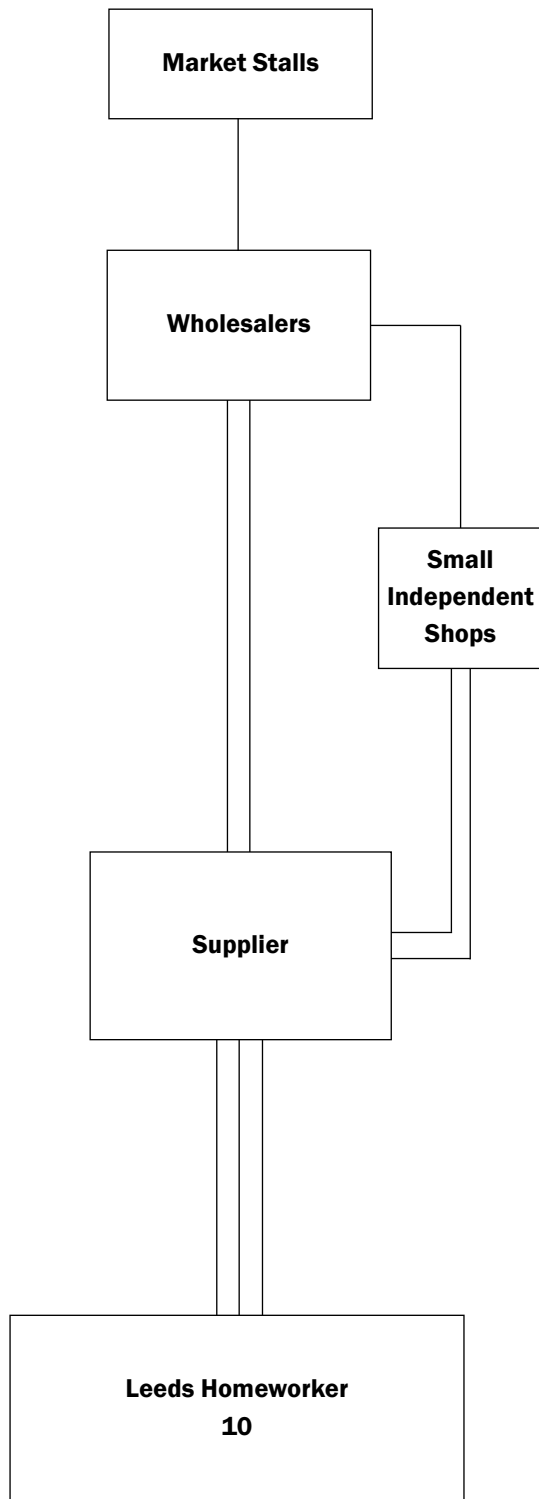
while the Rochdale chain relied on the ability to produce larger amounts of clothing with a general appeal at the lowest prices. The women producing in Rochdale worked in subcontracting chains where there would be a large amount of homeworkers producing the same work for the suppliers. However the two women in Leeds producing garments were each the only homeworker producing for each supplier and they both worked for three suppliers each. If we take them as the starting point for an analysis of the subcontracting chains they work in, these factors reveal they wielded far more power within their chain and both workers were far more valued by their supplier and worked in relationships that were far less hierarchical than the Asian women in Rochdale.

Typical Subcontracting Chain of Leeds Homeworker



Number of lines indicate the ability of the subcontracted party to negotiate terms of production. One line indicates the most equal relationship between parties while three lines indicate the most hierarchical relationship.

Typical Subcontracting Chain Of Rochdale Homemaker



Number of lines indicate the ability of the subcontracted party to negotiate terms of production. One line indicates the most equal relationship between parties while three lines indicate the most hierarchical relationship.

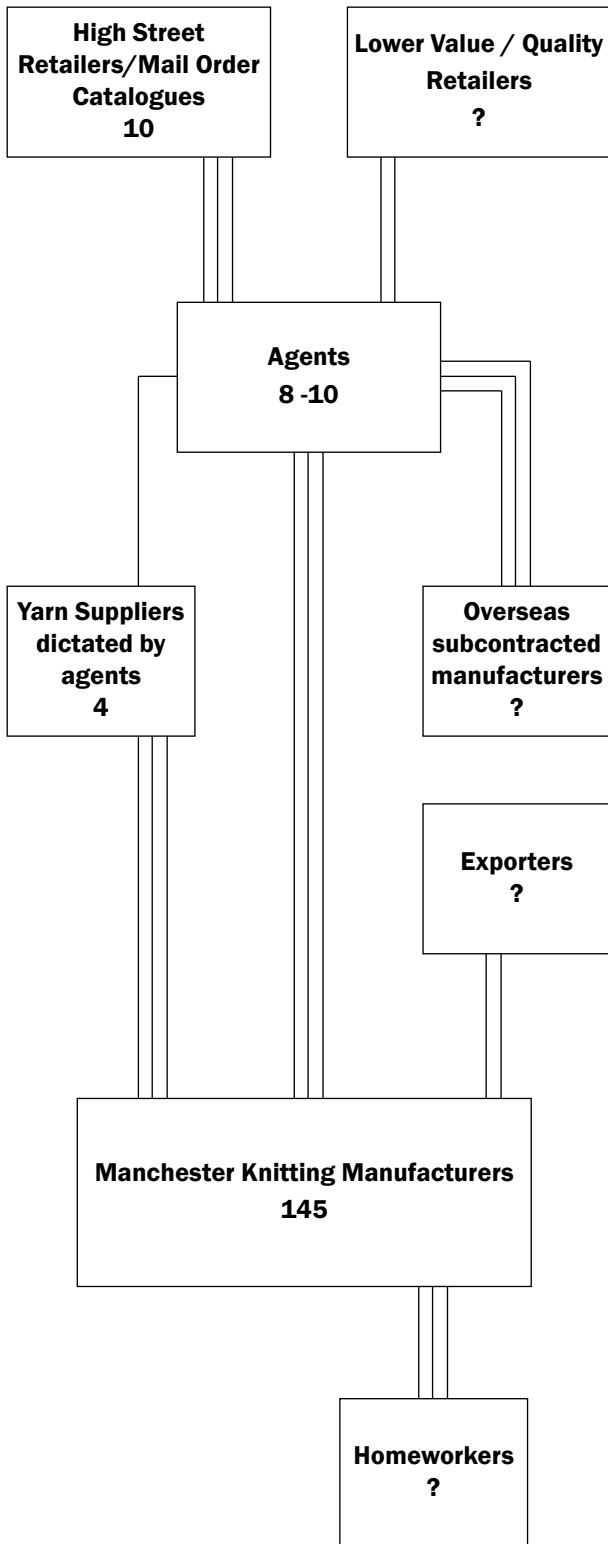
'10' indicates number of homeworkers

5.2.b The Knitting Factory Subcontracting chains

The knitting factory subcontracting chains also strove to remain competitive by producing at a low cost. This characteristic and the general inability of the sector so far to add higher-value services such as design and shaped and linked garments have defined the sharp power imbalances in their supply chain. The products they produce are precisely those which are often subcontracted abroad and the price points on knitted goods are falling in the UK market as discount retailers are gaining market share (David Rigby 2001). The Manchester knitwear sector supplies a range of end users from high street retailers, mail order companies, exporters, wholesalers, and markets to stores. Although because of the introductions given, all the companies I interviewed supplied at least some major retailers, apparently the bottom 80% of the knitwear companies supply only the lower value and quality end of the markets.

The knitwear sector is extremely vertically integrated in that the only input to the factory is yarn and this is spun, weaved, made-up into the garment and packed within the factory (Banks 2002). There are essentially three or four actors in each chain and each one exercises a high degree of power over the actor beneath. Retailers demand to pay very low prices for goods, agents exercise complete control of the factories' supply and income and if companies use homeworkers it can be expected extremely low wages are paid as is general in this sector. There are estimated to be 145 knitting factories and around 8-10 agents in the sector so the individual power of factories to negotiate with suppliers is negligible. Moreover each factory only dealt with one agent so was very dependent on this relationship. There is no contact between retailers and the factories and contacts between agents and factories is often no more than a faxed demand to produce so many garments at such a price in this amount of time. Despite attempts by a partnership headed by a local university to develop a cluster model strong competition exists between the factories, which the agents deliberately capitalise on. The factories are struggling to survive in a climate where they are expected to produce for a price that barely covers the cost of production.

5.2.c Subcontracting Chains of Companies that Produce Both in the UK and Abroad

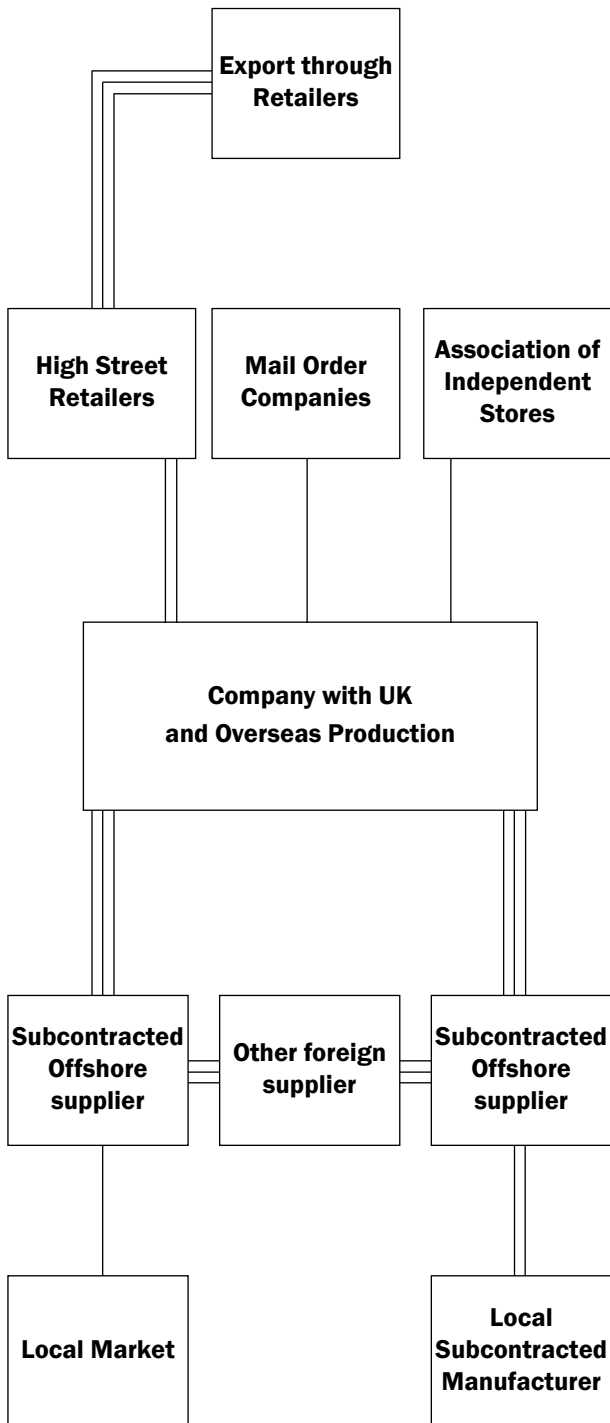


Number of lines indicate the ability of the subcontracted party to negotiate terms of production. One line indicates the most equal relationship between parties while three lines indicate the most hierarchical relationship. Number indicates estimated number of actors at this point in chain. '?' indicates number of actors unknown.

The companies who subcontracted some of their production abroad operated with far more negotiating power within their subcontracting chains, although two of the three had been forced to make substantial redundancies and one of these was facing a very uncertain future. This reflects more the general problems across the whole UK manufacturing sector than a weakness in the position of these companies. All produced the vast majority of their production for large retailers or specialist hi-tec companies and two worked directly with their end users. The company that was struggling financially to survive had another agent between him and the final consumer and was trying to find ways to deal more directly with the end user. The contact between this group and the end consumer tended to be much more interactive with regular meetings and discussions. Each company were produced for a variety of end users (one had over 500 customers) making them less reliant on particular relationships and allowing them to spread the risk of producing larger orders.

The supply chain beneath these companies was much longer than that above them with each producing in two different countries as well as the manufacturing bases they operated in the UK. There was very little subcontracting in the UK, with only one company passing on work to another local factory occasionally and none of the manufacturers producing for other UK manufacturers. All the foreign manufacturing locations were owned by local entrepreneurs, except for one that was part owned by the UK company and all produced for other suppliers as well as the interviewed company. This independence between UK manufacturer and the foreign location was underlined by a lack of stability in the supply chain. All of the companies had changed factories and sourcing countries in the last few years and indicated they would do so again if another more competitive country was identified. A variety of reasons were given for choosing supply countries including quality, lead time, ease of communication and price but a degree of randomness and convenience was evident in this choice. Countries were chosen on the back of being invited to trade shows, mail shots and industry contact recommendations.

Typical Subcontracting Chain of Companies that Produce Both in the UK and Abroad



Number of lines indicate the ability of the subcontracted party to negotiate terms of production. One line indicates the most equal relationship between parties while three lines indicate the most hierarchical relationship.

6. Working Conditions Across Subcontracting chains

Significant differences in working conditions existed between the workers interviewed. These in turn were cut across by concerns that were shared by all workers such as job insecurity and low wages. The workers interviewed have been broken into four categories to make comparison easier: Leeds homeworkers, Rochdale homeworkers, knitting factory workers, and balanced sourcing company factory workers.

6.1 Leeds Homeworkers

Case study: Dee

Dee has worked as a garment maker since she left school at 16. She is now in her fifties and divorced. Her mother and grandmother were homeworkers making clothing, as were many of the women in that area. Dee follows changes in the clothing industry closely and was the only one of any of the interviewees to mention the MFA-phase out.

Dee works for three suppliers, two of who share a building and rent off the third. All of the three suppliers are bespoke tailors who work on their own or only employ one helper. They make uniforms for the army and public schools and one has a shop. She started working for her suppliers after they recommended her to each other. Dee's work is highly valued by her employers because she is multi-skilled and can do all parts of garment production.

"He can't find anyone like me who can do the job lot. Do you know what I mean? If it came to it and it was just him I could go in and prepare them like I started off. Then I could bring them home and make them and I could go in and finish them and he could have his production whichever way he chooses to make them."

Dee sees homeworking as a career and is classified as self-employed for tax purposes but this was the case even when she was working in the factory. She says the advantages are that she does not have to pay travel expenses or have a working wardrobe and she has time to do things like make dinner in the evenings.

The disadvantages are that she gets no holiday pay which means she is without money for six weeks a year when the workshops close. It's also a low paid job. Dee works eleven hours a day and earned

£10,800 last year, which works out less than the NMW. Not getting a pay rise with inflation means she has lost 25% of her wage over the years:

"They were doing well last year so I got one but before that I hadn't got one for four years...You are better off not pushing them or you are just pushing yourself out really because its not really affordable"

Despite drops in supply she has kept enough work by having three suppliers but she finds it difficult to balance all their demands. Overall though she says she would not like to do anything else.

"Well with me doing through-work I think you sell it more like a proper job isn't it? I mean its' full time and it pays me a wage. And it's that you want to say really."

Dee's experience was chosen as a case study because it is fairly typical of the experiences of this group of women. All of the women were white and in their fifties or sixties. They have survived as clothing manufacturing homeworkers while all reported seeing the industry decline around them. Two had been actively sought out by their employers, one when she was considering retiring. This sense of appreciation for their work was cited as an important reason for job satisfaction and was a source of pride. All three said they liked working at home and would far prefer it to factory work

I have been happy homeworking. It has suited me. I'd really hate to work in a factory. They are like sweatshops.

Pay though was still very low for this group. All three said that the introduction of the NMW had not affected them because they already earned above this amount but calculating the price they were paid for completing each piece against the time it took them to do it revealed two were actually beneath it. Not receiving work on a regular basis and not being informed of changes was cited as another problem:

Summer it quietens off and outworkers are always first to be let go. Just I think. They have got to keep the factory going. But it's just annoying when they don't let you know. They say they will sort something out and they don't get in touch with you. You wonder what is going on.

I think the more you do the more they expect. This particular one, she got to the stage she were fetching loads of work and expecting it back practically the next day. But you had to wait a fortnight for your money. You always got it. But she would never put herself out. She wanted her work regular but she didn't want to pay regular. I don't know whether she is still going. I know two of them left around about the same time I packed it in. It started off as her mother's factory and her mother passed it on to her. But she hadn't got the business brain that her mother had. She thought if she couldn't come to your house because she had to go to the vet to fetch the dog you could wait. Instead of getting your wage Friday you could get it on Monday because she had to go to the vets. But you need it over the weekend. There's just no choice.

Another women reported that her supplier would come to her house drunk. All of the women's suppliers were white but one reported that when he employed Asian homeworkers he would pay them less than white workers.

This group of workers' experiences illustrate that although they are in a better-off category of homeworker and all say they enjoy their work they still face many of the same problems that are traditionally associated with homeworking. Low pay, irregularity of work and pay, no holiday pay and being at the mercy of suppliers' timetables are all experiences common to these women.

6.2 Rochdale Homeworkers

Case study: Parveen

Parveen is a separated mother of three. She never worked in the garment industry outside her home although she would like to. She recently left the supplier she was making clothes for after four years to make punch bags for another supplier. She knows very little about her supplier's company beyond the supplier's name. Her supplier is another Asian woman. The punch bags are sold in Argos (a major retailer) as she saw them for sale in the catalogue.

Parveen was very happy to move to this new supplier as she now gets paid regularly although she still only earns around £3 per hour. For her old supplier they used to pay her wage to her husband and at first she did not know how much she was earning. When she found out from other employees that she was getting

less she used to row with her employer but they told her "if you don't like it don't work." She says:

"It is like that if you fall out with them. She only got paid irregularly so she left and he owes her money. She worked for pennies and she still never got the money. The supplier was her husband's relative. She was really running around. Ringing up all the time to get the money."

(From interpretation)

Despite all these problems homeworking Parveen says the biggest problem is that all the homeworking is disappearing. All the local factories are importing from Pakistan and China. Because of this she says they cannot pay them more than they do or they would close. If her employer were to be prosecuted he would not be able to pay the bills. He would close and she would not get any work.

Ideally Parveen would like to work in a factory because it is better pay but she cannot, as she cannot speak English.

All the Rochdale homeworkers worked for suppliers with the same Pakistani origins as themselves. The three homeworkers interviewed received extremely low wages. Apart from Parveen the other two workers received respectively about £1.50 and £1.80 an hour. To work five hours a day to receive £7.50 is to receive only around a third of the NMW. All of the Rochdale workers said they could not make enough to meet their basic needs. One of the workers asked her employer about the NMW. He told her 'If you come to the factory I'll pay it'. But this has never happened and the amount of work she gets has reduced. One of the homeworkers has received the same rate of pay for ten years

All of the homeworkers said that they received work very irregularly and when work was available they often had to finish it in a rush. Work was also very seasonal in nature.

They are very irregular. Sometimes they want it the next day on demand but then they won't turn up to collect it.

No regular pattern. Sometimes when there is work she works the whole day. In September and October and January and February there is no work. It is different from working in a factory. The amount of work is on a supply-demand pattern.

(From interpretation).

Unlike the Leeds homeworkers the Rochdale homeworkers did not speak favourably of their work. Two of the women unprompted said that they would like to work in factories but could not because of childcare or language skills. Factory work was perceived to be a favourable alternative:

The majority who work outside could get better pay and they get social contact. With piece-rate all the pressure is on them. But they cannot complain because they are in isolation and are not in a good bargaining position. If they complained they would not get work so women are not prepared to complain or to work together. Because they are fired and lose earnings.

The biggest problem that the workers identified was a reduction in work. All had seen the amount of work and the industry decline in the last few years. Feeling easily replaceable stopped attempts to complain. The implicit or explicit threat that work could be taken abroad meant that workers tolerated bad working conditions as other working options were limited by family responsibilities and language.

It (home based work) might just disappear in three to four years time. Her employer tells her they might have to close when they complain about something.

(From interpretation)

6.3 Similarities Between the two Homeworking Groups

These two homeworking groups had clear issues in common despite significant differences in working conditions and attitudes to their work. Low pay, irregular work, declining levels of work, and isolation were problems experienced by both groups. Only one worker received pay equivalent to the NMW despite their right to it under the law. In addition to this none of the homeworkers had ever received statutory sick pay, maternity pay or holiday pay despite legal entitlement. Only two homeworkers received wage slips for hours worked.

All the women had bought their own sewing machines and bought equipment such as needles themselves. None of the women received any contribution from their employer towards the cost of heating and lighting while working from home, although one did claim a tax rebate for this. Finally none of the homeworkers

had received any advice on health and safety. These provisions, which would have been freely available to a factory worker, were an extra burden to workers already extremely badly paid.

6.4 Knitting Factory Workers

Case Study: Rasheed

Rasheed is from Pakistan and moved to the UK quite recently. He has worked at the knitting factory for three years. He tends to perform a variety of jobs at the company depending on what needs to be done. The factory is in a very dilapidated building with little sunlight and is extremely noisy and dirty. The main complaint about the factory is that is very cold in winter as it has no heating and some broken windows. There is enough work at the factory for three months of the year and then three quiet months. For the last few years it has had to close six months of the year. In this period Rasheed is unemployed as other knitting factories in the area close too. Sometimes he has to work through the night at the factory though the women working there do not do these shifts. When this is work the factory will stay open all day and night:

"There is no contract given to them but it depends with the hours if the owner says there is 12 hours you have to work 12 hours. It depends how much work you do how much you get paid. You get paid for those hours you do."

(From interpretation)

There is no higher rate of pay for overtime. Some people had come around from the KFAT union recently but Rasheed felt that there was not much they could do for him:

"He isn't interested in joining the union the reason being because there isn't much work as it is so they really won't be able to do much."

(From interpretation)

Rasheed says that if people can speak English there is better work available with better pay so people do not want to work in the factories. Although Rasheed likes his job he says the biggest problem is lack of work. Conditions cannot be improved without more work.

"He was saying that things were not going to get any better. He said that things would be just going to get worse. Because there is no work available

and what they need is work. If there is no work available how can conditions get any better?

(From interpretation)

The workers at the knitting factories most often work in extremely poor conditions. The mills often house up to twenty small factories at a time and they are old, dirty and noisy. Windows are often boarded up and there is not enough sunlight and poor ventilation. Lifts frequently do not work meaning workers have to climb many flights of stairs.

The workers are often employed on an informal basis with low wages and no job protection. Many of the workers are immigrants to the UK and so are restricted from finding work elsewhere.

Most, but not all, of the women who work in the factories work in the sewing rooms putting the garments together. In one factory I visited there was a cloth dividing men from women and no contact between the sexes. The owner, a Pakistani woman, explained that the women preferred it this way too.

As the knitting sector has faced such steep competition and price squeezes in recent years factories now close down part of the year or lay off most workers during the quiet season. This was the case with all the knitting factories interviewed. All of them had also made workers redundant in the past year. Infrequency of work and job insecurity has made the knitting factories unreliable and an unattractive workplace for those with other job options.

6.5 Companies that Produce Both in the UK and Abroad

Case Study: Jean

Jean is a white woman in her fifties. She has worked for the company for 16 years and has been promoted to floor supervisor, a position of some responsibility. The company she worked for had just made massive redundancies and was reducing its UK workforce from 60 employees to around 12, as most of its production was moving abroad. All of the employees were women besides the owner and two men who worked in the cutting room.

The owner said that most of the workers were full-time but Jean said the vast majority of women worked part-time. In contradiction to the owner she also said that a

lot of workers were let go off when it was quiet in the year and restarted later.

Jean obviously placed a great deal of importance on her work as supervisor and did not have any complaints to make about her working conditions. The redundancies in the factory had caused a great deal of tensions in the factory as some workers who had been there for sixteen years or more were made redundant over workers who had been there less than a year. Jean's sister was one of the women made redundant. Who was to be made redundant had been decided on the ability to multitask. Jean described the time "as a nightmare".

Many of the workers blamed the work from abroad for the job losses in the factory.

As work was sent out and came back through the factory the women had to pack and check it.

Perhaps the company (has benefited from work from abroad). I don't know whether the workers would agree...they don't like passing any work from offshore...They class it as 'different work' but it is for the same company. And its work at the end of the day and you are going to get paid for it. You've not got a lot of choice.

The biggest problem for Jean was that the companies future was insecure and especially that of the UK workforce.

I think we have just got to wait and see what is going to happen after. Whether things will pick up. Because there is not a lot of work coming in that is going to be done (here). Its all small orders and things like that so at the moment I can't see what is going to happen...I don't feel secure because I don't know if I am going to be sat here this time next year.

Workers in the factories of companies who produced both in the UK and abroad tended to be characteristic of the more traditional clothing manufacturing workforce. There are a very high percentage of female workers in all the companies interviewed and they were often an older workforce. Pay and conditions were better than for homeworkers and knitting factory workers and the required labour laws such as holiday pay, sick pay and so on were adhered to. All three of the factory owners complained about the legal requirements on working

conditions and pay. Despite the garment manufacturing industry being characterised by bad pay and conditions they felt such requirements unfairly impinged on their competitiveness. It was clear that given the choice they would not followed these.

We've got to be extremely careful if we employ someone and train them, a machinist and then she gets pregnant for whatever reason, you know she wants a baby or she wants to go to the top of the council house list or whatever, that then costs us a lot of money personally. It's issues like that that we find unfair and obviously make us less competitive price wise because we have to factor all of these in.

Wages paid to workers seemed to range from around the minimum wage level to about £5.50 an hour. Two of the companies said the NMW introduction was an example of UK legislation that had a negative effect on their business, despite the fact that the NMW in Britain is still way below the accepted 'living wage' level. This tallies with research by Jones (2000) that found that at first many companies felt the minimum wage would not harm their businesses as they paid wages well above it. But as time has gone on and they have lost confidence in the future they have began to perceive it as more of a threat. This is an illustration of manufacturers' tendencies to maintain profit levels by pushing workers' pay and conditions to unacceptably low levels.

Workers involved in the subcontracting chains of companies who also produce abroad could probably be expected to have some of the better working conditions in the industry although in comparison to most of UK industry this would still be low waged. One worker revealed that if the owners thought you were going too fast to complete an item they would drop the standard minute amount for that item to lower wages.

The biggest problem for workers in this sector appeared to be redundancies and job insecurity. This sector nationally has probably lost the largest amount of jobs of all clothing production sectors. Two of the companies that carried out production both in the UK and abroad had made large redundancies and were looking to subcontract even more production to companies abroad in the future. Paradoxically the other company said moving work offshore had created better conditions for UK workers as more work was coming through the factory. The worker interviewed at this company said wages had also gone up.

6.6 Possibilities for Organising

None of the workers interviewed were part of a trade union or said a trade union operated in their factory, although one had recently visited after being invited in by the owner. In an interview with a trade union it became apparent that one of the companies that also produced in other countries was opposed to trade unions and had prevented them organising in the factory in the UK. This factory had also not let any of their workers be interviewed.

The homeworkers all were in contact with homeworking support groups and spoke unanimously of the usefulness of this. They were used for contacts for work, help filling in forms and information. The Asian workers found the help with dealing with official requirements in English very useful. The Rochdale group organised a weekly meeting for homeworkers to come together and often there would be a talk given. All of the workers felt this was very positive as it overcame their frustration and isolation. When homeworkers in Leeds were asked what they felt would be useful way for homeworkers to improve their working conditions collectively they all mentioned some form of meeting space where homeworkers could get together:

To get together every so often, maybe once a month. It can get lonely working at home. You could warn each other of bad firms.

The resentment some British workers may feel towards workers producing for the UK in other countries suggests difficulties that may become apparent in attempts to organise internationally. However when asked all the balanced sourcing workers said they would be interested to meet foreign workers who produced for the company as them but did not feel it could help to improve working conditions.

6.7 Overview

The garment industry has always had an image of being low paid and with poor working conditions. Within this context it is worrying to see how working conditions have deteriorated in the current crisis. Increased job insecurity, part-time contracts and seasonal work have all increased in my sample. Redundancies had recently taken place at five of the six companies researched and these five had all experienced a loss in production. Most worrying

perhaps is the fatalism of workers to deteriorating conditions. There was a widespread acceptance that things would get worse not better. The threat implicit or explicit that work would be lost or moved abroad meant workers would accept poor pay and conditions rather than risk losing what they had.

Even if we got together it wouldn't help. I don't think unions or organising would help. Local factories are importing from other countries because they are cheaper. They can't pay us more because otherwise they would close.

7. Other Supply Chain Issues

7.1 Workers' Knowledge of the Subcontracting chains

The homeworkers interviewed had the poorest knowledge of the subcontracting chains they worked in out of all the worker groups. Only one knew how their supply chain worked clearly beyond their supplier. One Rochdale worker did not know the name of the company she supplied work to. Most of the Rochdale workers had only a poor understanding of where the products they produced were sold. This may have reflected the more distant and hierarchical relationships they had with their suppliers. All of the homeworkers had no contact with workers in the factories they supplied although two of the Leeds homeworkers had in the past when they worked in the factories part-time.

The factory workers could generally give a clear picture of the subcontracting chains they worked in and could give details of at least some of the agents and retailers they produced for. Only two had any contact with actors in the supply chain outside their immediate factory. In one case this was when work was dropped off and collected from the warehouse and the other was when people from the retailers had come to visit the factory for quality control reasons. Workers in companies that produced both in the UK and abroad knew very well which countries offshore work was being produced in as they handled the work as it came in and out of the factories. However they did not have a clear idea of how the relationships with the producing factories in other countries worked nor if the these production facilities were owned by their employers. None of these workers had had any contact with people from the offshore manufacturers nor with actors further up the subcontracting chain.

The lack of detailed knowledge held by the workers of the subcontracting chains they were producing in inhibits workers' ability to understand their role within production processes and adds to their sense of powerlessness at being able to change their working conditions. Manufacturers deliberately create a feeling of competition between workers by threatening to move production out of the UK and this could potentially be overcome if workers better understood how subcontracting chains operated. Any future work on workers' education will have to take such considerations into account.

7.2 Position of Retailers and Agents

In the Manchester knitting factories it was clear that agents and retailers took advantage of the powerlessness of the factory owners to exploit the situation. Two of the factory owners said they preferred to work with the lower quality end of the market than the big chains because they paid better. Both had turned down work with high street retailers because they would have lost money on the orders:

Primark wanted us to do these jumpers for £6 each. But we would lose a pound on every one so we did not want to do it. The agent said 'That is 10 000 pieces!' So I said 'Yes, but then we would lose £10 000.' He just didn't seem to get it. And they aren't going to change their margins no matter what.

It is hard to understand where the relative power balance lies between the retailer and the agent. One of the factory owners said the agents were in a difficult position as well with the retailers not putting orders their way. In a detailed case study, done by the Government, one of the agents, who sourced from the factories in Manchester, was quoted as saying "(the retailer) has effectively driven us down on price as far as we can go- they can only squeeze us down so far". According to those with knowledge of the sector however the agent receives a much larger profit margin than the manufacturer.

The factory owners are also vulnerable to changes in sourcing patterns by the retailers. When Littlewoods, a major UK retailer of knitwear decided to stop sourcing in the area some factories lost their main supplier overnight. To balance the risk some of the owners were trying to develop new suppliers such as exporters and overseas markets. That the low profit

margins offered by the company and the very short time they expect manufacturers to deliver in has a negative effect on working conditions is in no doubt:

I've got two weeks, three weeks. So it is a very tight push. We don't mind the push but when things go wrong it becomes a shove and that's what makes people ill. It doesn't help people, it's not necessary the lifestyle. It's how you can cope once it becomes a shove. It's very, very difficult to think clearly and then you're pushing that on to the staff, which is wrong too. I'm not complaining about them (the supplier) but that's the situation which is all they're interested in getting.

This is not to excuse those owners who would deliberately exploit low wages and poor working conditions to make a profit. But it is clear that in some cases owners may want to reinvest in staff and factories to make them fairer or to legitimise their business and the prices paid by retailers leave them no room to do this. While retailers profit from such conditions they must shoulder a great deal of the burden of poor working conditions..

7.3 Supply Chain Shortening

It is official Government advice that companies must try to shorten their supply chain to become more profitable. For CMT factories this means becoming designers or sourcers of clothing. Evidence that industry pressures were causing subcontracting chains to shorten was clear in my research. The more progressive of the Manchester knitting factories owners were trying to develop ways to cut the agent from their chain by going direct to the retailer. As the only services agents provided were design and credit on yarn it is possible to imagine this working well. Manufacturers already carried most of the risk of production and paid for transport costs. However the knitting factory owners were being frustrated by the lack of contact they could make with retailers. One owner had met major retailers at an industry forum but there was no regular business contact between retailers and manufacturers.

The company that produced both in the UK and abroad and was struggling to survive was the only one of the group with a major agent between him and his end user. He was struggling to go direct to his end user but at the same time was meeting his agents at his foreign factories overseas as they tried to cut him

out of the supply chain by sourcing the clothes themselves directly from the overseas factory. What is clear from the research is that the closer a company is to its end user the more profitable it is likely to be and the more negotiating power it will have within the supply chain.

7.4 Relationships Between UK Manufacturers and their Overseas Suppliers.

All of the manufacturers kept a strict hierarchical relationship with the companies producing for them overseas by directing orders exactly with no room for negotiating and dealing directly with the factory with no middlemen. The only exception to this rule was where one factory was subcontracting work to China and all payments and contacts went through Dupont, a multinational who had recommended the suppliers.

However after the first principal factory in the subcontracting chain the knowledge and depth of relationship with supplying factories changes significantly. Two of the companies admitted factories they outsourced to subcontracted work out when they were busy but they had no contact with these subcontracted factories. It was a practice they said they "frowned on" but tolerated.

All three of the companies said they or someone from the company visited the factories regularly either at the start of each order or a few times a year. One employed roving quality controllers to visit their factories regularly. There was an awareness of the sensitivity of the issue of ethical sourcing in subcontracting chains. All three were quick to say that they checked working conditions and health and safety in their overseas factories but the commitment to the issue seemed shallow.

They would always spend a day there at the most, three quarters of a day, so they would give the place a look over and measure a few garments make sure that things look acceptable and then move on.

Ethical sourcing checks were done by quality controls checkers or managers. There was no mention of external monitoring and given the hazy knowledge of the subcontracting chain beneath the first point of contact it seems unlikely subcontracted units beneath them were checked. Moreover it did seem that ethical sourcing had become a liturgy of 'acceptable' issues

like child labour and broken needles policies. While these are important a true ethical sourcing policy would also have to include making sure workers were paid a fair wage and stability of supply of work. Two company owners said they knew how much the workers in factories outside of the UK were paid but all issues of pay were firmly left up to the local owners and there was no commitment to working on a long-term basis with suppliers. There existed fairly strict relationships to check on quality control and other order specifications with visits, samples and roving quality checkers. One company even went so far as to send standard minutes for the production of each garment but the same attention was not paid to foreign factory working conditions. Day-to day running and working conditions were deemed solely the responsibility of local factory owners.

In one conversation with an owner it was expressed:

And you said you don't own them. Who owns them?

They are owned by the locals, similar to here, they are limited companies owned privately.

So you don't have any stake in them at all?

No we don't.

Just subcontract the work out.

Subcontract to them yes. Which is the same as global whatever it is.

Globalisation?

Globalisation. Same thing. You just move on and that's the down side of globalisation. There is little responsibility for the indigenous population regarding the people or place of business there.

It is an important step that ethical sourcing issues have at least risen to being an item on the clothing manufacturers' agenda but any real movement on the issue seems a long way off in an industry that is so competitively driven by price.

8. Conclusion

Workers who produce in supply chains that do not involve large retailers are still affected by these subcontracting changes. Discount retailing, largely brought about by companies' increasing ability to source as cheap as possible abroad, has depressed pay rates and working conditions at both the high and low value ends of the market. Much of the infrastructure that was supporting homeworkers and independent retail trade has disappeared causing a

shortage in work and job insecurity in these subcontracting chains.

The change in garment industry subcontracting chains has also affected the composition of the UK workforce. The movement of CMT jobs that were traditionally done by women to factories in countries with cheaper wage rates has resulted in a decline in female employment. The growth of smaller factories has resulted in an increase in the ethnic ownership and employment in the industry. The strategy of factory owners to survive by relying on informal working practices, such as unregistration of workers, non-payment of NMW and social security benefits and short term employment, has increased.

A mood of pessimism about the future of UK garment production exists among workers, trade unionists and manufacturers. For workers a lack of confidence of their ability to improve their working conditions and an increased sense of competition with workers in other countries hinders any collective organising or demands. Trade unions must work harder to reach workers who have not traditionally been unionised and encourage worker education on international garment subcontracting. A protectionist stance on the UK industry will not benefit it past 2005 and the MFA-phaseout. The pessimism among manufacturers who produce in the UK prevents the development of long-term strategies and encourages the adoption of reductions in workers' conditions and wages as a strategy to survive in the UK industry.

It is clear that workers producing in different garment subcontracting chains experience vast variations in pay and conditions, which in turn are mediated through gender, ethnicity and legal status differences. The structure of subcontracting may vary greatly between chains but the same changes in the UK industry are affecting all sectors of the garment production industry. If progress in worker organising and conditions are to be made, a much greater understanding of how UK subcontracting chains work, and how they fit into international patterns of subcontracting, must be achieved.

Appendix

Research Partners

Bangladesh: Karmojibi Nari (Working Women)

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KJN was established in 1994. It aims to strengthen women's participation in trade unions, to promote equality in the workplace and to secure the implementation of ILO conventions and the labour laws of the country. This involves awareness raising, building solidarity amongst women from different occupations, campaigning and leadership training. To achieve this, KJN has produced education and training materials and organised workshops and workers education programmes. This has involved the production of videos, plays and songs. Information is disseminated about workers struggles both inside and outside the country. Day care centres have been established and a shelter for women workers. An income-generating project is also being set up.

Bulgaria: Bulgarian European Partnership Association

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Bulgarian European Partnership Association (BEPA) was founded in March 2002. It grew from the Bulgarian Gender Research Foundation (BGRF), which was established in 1998 by a group of women's rights activists, lawyers and academics. It carries out research on issues related to the garment industry in Bulgaria and also works with the Clean Clothes Campaign, to increase awareness of the problems faced by workers in companies in Bulgaria and to support workers in the industry.

China: Hong Kong Christian Industrial Council

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HKCIC is a labour NGO founded in 1968. The aim of HKCIC is to support the rights of workers, particularly the marginalised and poorest of the poor. This involves campaigning, worker education and training and advocacy. Until the late 1980s there were no independent trade unions in Hong Kong so HKCIC mainly functioned as a union, dealing with disputes and organising strategies. In 1991 HKCIC started a service for migrant workers from China and worked in support of workers in Hong Kong enterprises on the Chinese mainland. Recently HKCIC has joined with other labour groups in Hong Kong to form LARIC (Labour Rights in China) which focuses on the implications of codes of conduct for workers in China.

India: Union Research Group

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URG was set up in 1981 by a group of trade union researchers and activists in the Bombay area. It is organised and managed as a co-operative. Its aim is to support the development of genuine trade unionism through research, publication and advocacy work. There is a particular focus on women workers. URG organises education and discussion sessions for worker activists and undertakes research for particular trade unions. It also works with the Trade Union Solidarity Committee, a co-ordination of independent unions in Bombay.

Pakistan: Working Women's Organisation

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WWO was established in 1986 and has a representative structure covering the Punjab. There are four members of staff, three full time and one part time. WWO aims to strengthen the capacity of working women to defend their rights. This includes education, awareness raising and collective struggle to establish and implement legal rights for women. It has organised many meetings and rallies to highlight the plight of women workers and lobby the authorities as well as producing and disseminating information on many issues affecting women. Education centres have also been set up for women workers and their children where training programmes are organised. It has also undertaken advocacy work with male members of workers families.

Philippines: Philippine Resource Centre

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PRC began work in 1992 and operates in both London and Manila. PRC informs and educates groups and individuals in Britain about issues of political, social, economic and cultural importance to the Philippines and supports associated projects in the Philippines. PRC's first project was on environmental issues. In 1998 a project on Fair/Ethical Trade was initiated and research undertaken on links with UK garment retailers.

Philippines: Women Workers Programme of Innabuyog, Baguio City

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WWP was established in 1986. In 1997 Innabuyog ("Co-operation") was launched which is a federation of women's organisations in Metro Baguio. WWP now operates under this umbrella.

WWP aims to support the organising capacity of women workers through researching and providing information on issues of concern to women workers and conducting education and leadership training course with women's organisations in the Baguio region. WWP has carried out research with women workers in the Free Trade Zone and mining communities and through education and training has helped to develop a network of local women's organisations campaigning for the improvement of working and living conditions.

Sri Lanka: TIE Asia

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TIE is a regional labour network based in Colombo. It was formed in 1992 as part of a larger international network. In each country a resource person works with national labour organisations and is also responsible to the Board and Regional Office. In Sri Lanka TIE works with both unions and NGOs, including the Womens Centre. TIE aims to encourage the formation and democratic unions, to encourage more leadership by women and to facilitate broader social coalitions. This involves researching key issues, ensuring that information is accessible to workers and running education and training programmes. In Sri Lanka TIE has focused on the garment industry, running leadership training and capacity building programmes for women workers, organising exchange programmes and a data base project and publishing a newsletter "Garment Workers Voice" and a "living wage" report.

Thailand: Friends of Women

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FOW developed in the 1980s in support of women's rights. There are now 14 full time and 3 part time staff. The Foundation Committee meets every 6 months to monitor the work. FOW aims to promote the rights of women facing violence, discrimination and other problems and to support with women workers in manufacturing industries. FOW provides counselling, legal assistance and training and support for women workers organising. The work has included campaigns for 90 days maternity leave, for women police to handle cases of violence against women and for the implementation of laws on occupational health and safety.

United Kingdom: Women Working Worldwide

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WWW is a small UK voluntary organisation working with a global network of women worker organisations. It was started in 1983 when a group of researchers and activists came together to organise a conference on women and the international division of labour. Its aim is to support the rights of women workers in an increasingly globalised economy in which women are used as a source of cheap and flexible labour. The focus has been on industries which have relocated to the developing world, particularly the garment and horticulture industries. It has an international network of women workers' organisations that promotes solidarity through exchanging information, organising international meetings, representing the demands of women workers and producing educational resources.