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## REPORT ON THE EAST EUROPEAN GARMENT INDUSTRY

Sunday, 01 March 1998 14:33

### 'MADE IN EASTERN EUROPE'

#### SUMMARY OF THE CLEAN CLOTHES CAMPAIGN'S

#### REPORT ON THE EAST EUROPEAN GARMENT INDUSTRY

BY: AROCHANA PLUTA

Sustainable development tends to be associated with the protection of the natural environment. However, the provision of sustainable livelihoods, where people can have stable access to income to satisfy basic needs and can lead healthy, balanced lives is also a necessary element of sustainable development. One of the social costs of transition is the rise of poverty and income inequalities. Poverty is caused by lack of employment and means of generating income, or low quality, unprotected, casual jobs in the informal sector which do not provide people with living wages. Many such low quality jobs exist in the garment industry. An employee in a garment factory in Romania receives \$0.9 for a skirt, for which the Swedish consumer pays \$23. This underlines unfair practices in the system of production and consumption. To change this system both cleaner production methods and fair employment practices need to be taken into account.

The Clean Clothes Campaign (CCC) is a movement promoting fair employment practices, in particular the provision of living wages, job security and working conditions which are not dangerous to health. Its main aim is to make Western consumers aware of the inadequate working conditions in which many of the garments they purchase are produced. The following article is a summary of a report about employment practices in the garment industry in CEE, and prepared by the CCC and co-ordinated by SOMO (Centre for Research on Multinational Corporations).

The researchers aimed at finding out for whom, at what price, and under what conditions textiles were made in Central and Eastern Europe. Three case studies, of Poland, Romania and Bulgaria are presented. For each country there is a general description of the textile industry, followed by company profiles and discussion of job security, working conditions, benefits and the situation of women who constitute a great majority of employees in the garment industry. The report ends with detailed company profiles informing about products, gender division of labour, labels and brands, customers, and other facts. In addition to gathering information, the research has allowed to establish contacts with trade unions and NGOs and the establishment of an exchange programme setting the ground for future cooperation.

In Poland 80% of export production consists of outward processing trade (OPT) production, where the buyers, usually from the EU, provide the materials for manufacturing. The finished garments are then re-exported back to the EU, which facilitates the buyers with low wage costs and means they do not have to pay tax on the entire product. Unlike the Far East, in Poland due to relatively high wages not many long-term relationships exist between producers and buyers. Rather, Poland's comparative advantage lies in its geographical proximity to Western markets. Very short term delivery times are often required, which mean that subcontracting occurs on a regular basis and not from large firms to small ones but also between smaller companies themselves. A part of the production is also subcontracted further East to the former USSR.

The garment industry in Poland consists primarily of large, former state owned, private firms and subsidiaries. The former state owned firms offer the best work conditions and jobs security. The 'grey economy' also plays a

nothing directly for us at this moment, but we're supporting several human rights defenders in Thailand and Malaysia

significant role in both production and trade of textiles is discussed. It has been estimated that in 1995 under 1.1 million Poles were employed in the grey economy. Various regulatory loopholes are used to avoid paying taxes or health and unemployment insurance for employees. For example, enterprises 40% or more of whose employees are disabled are granted large tax exemptions. Consequently a variety of 'invalidity' - workshops and factories for the disabled developed in the garment industry as well as in other sectors. Indeed, newspaper adverts stating: 'Protection agency will employ physically disabled' show that entrepreneurial creativity knows no bounds!

Further, the wage levels and working conditions in the garment industry are described. Wages in the garment industry are very low. The minimum wage in 1997 was 450 zl (DM 230). An average family of four however, needs 2000 zl to survive. Consequently, many families live under the 'poverty line'. In many of the smaller firms the periods of heavy work of between 12-16 hours daily, combined with temporary lay offs are not infrequent. The authors were told by workers in such companies that they risked dismissal if they tried to unionise. Neither Solidarnosc nor OPZZ, the two largest trade unions, have access to the small companies. The traditional, catholic outlook of both the Solidarity trade union, which views women primarily as mothers and caretakers, may also explain the lack of interest in organizing the (primarily female) garment workers.

Traditionally, Romania used to have a large clothing industry, producing mainly for the East European and Soviet markets. The collapse of the CMEA free trade area in 1990 meant a sharp decline in production, followed by rising unemployment. Like their Polish counterparts, Romanian textiles producers operate primarily on the outward processing trade system. Although this allows enterprises which cannot afford to buy the materials for themselves to survive, the low profit margins mean that they do not have the capital necessary for expansion. One manager describes the minute margins as exploitation. For example, a Romanian factory will get 10-12 DM for a Basler shirt which is then sold in Germany for 250 DM.

A significant share of the garment industry is still in the hands of the State Ownership Fund - the organisation charged with the task of privatisation. Other types of companies include joint ventures, newly formed private firms and former state owned enterprises. A number of foreign conglomerates, such as Steilman and Incom have invested in Romania. The buyers include companies such as Hennes and Mauritz and C&A, both of which have been heavily criticised for the bad working conditions in the factories which produced for them and for the low prices they offered to these producers. Consequently, both enterprises have set up their own codes of conduct. As the Clean Clothes Campaign reports, these have not however been implemented in Romania.

The labour laws cover working hours, minimum wages, statutory holidays, paid holidays and paid maternity leave. There is a collective bargaining agreement negotiated at national, sectoral and factory level. The problem lies not in the regulations themselves but in their implementation. Many workers do not have contracts, working hours are attimes as long as 16 per day and often there are periods when no work is available for weeks. In March 1998 the net minimum wage was 275 000 lei whereas the amount needed for a family of four to survive was 1.6 to 2 million lei. A large majority of workers in the garment industry are women. Managers and trade union representatives claim that wages are the same for men and women. Such statements are belied by the poignant example of describing ironing as 'a job not requiring any skills' when female workers are concerned; and as a 'heavy job' when men do it. When safety standards in textile factories are discovered not to meet the legal requirements the workers are paid a 12% 'hazardous working conditions bonus' and everyone is satisfied.

There are four large trade unions: CNSLR-FRATIA, BNS, Cartel Alfa and CSDR all of which have affiliated federations in the garment industry. Unions operate in most of the former state-owned enterprises, where workers have a strong awareness of the labour law and their rights. In private companies the management (illegally) does not allow unions.

The economic situation in Bulgaria has been deteriorating since the collapse of the state controlled economy. The Soviet and East European markets were lost, unemployment made visible by privatisation, periods of hyperinflation and devaluation of the currency, and political turmoil followed. Between 1989 and 1996 the output of the garment industry has shrunk by a third (and by two thirds if the informal economy is not considered). Nonetheless, this sector is one of the few in the country's economy which are still functioning.

Ruen, a previously state owned trust which was supposed to privatise the knitwear and sportswear sectors, now controls the entire Bulgarian knitwear and sportswear industry. It acts as an intermediary, collecting orders from multinationals like C&A, Puma or Reebok and selecting the cheapest contractors for the work.

80% of employees in the garment industry are women, the work in this industry provides the lowest wages in the Bulgarian labour market. In 1997 this was 100 DM per month, whereas a family of four needed about 800 DM to cover basic needs. The working conditions are bad. Overtime is often not paid until targets are reached, unionists are laid off, bargaining agreements are either never reached or ignored (Bulgarian law only requires firms to negotiate, but not to actually come to an agreement). Moreover, the seamstresses are degraded by for example being locked up so that they cannot have a break, or being made to strip naked to prove they have not stolen anything.