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Work Place in the Garment Industry in  
Bulgaria. Results from a Preliminary  
Research carried out within a Clean  
Clothes Campaign International Project.**

Vassileva, Verka and Tishev, Ivan and Kapka, Stoyanova and  
Alla, Kirova

Bulgarian Gender Research Foundation, Clean Clothes Campaign

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# **SOCIAL ENVIRONMENT AND STANDARDS**

## **AT THE WORK PLACE IN THE GARMENT INDUSTRY IN BULGARIA**

**Results from a preliminary research carried out within a Clean  
Clothes Campaign international project**

**Bulgarian Gender Research Foundation**

Sofia  
2001

**Authors:**

**Verka Vassileva:** Chapters I, II, III, VI

**Ivan Tishev:** Chapters III, IV, V, VI

**Associated Professor Dr. Econ. Kapka Stoyanova:** Chapter III

**Associated Professor Dr.Econ. Alla Kirova:** Chapter III

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Sofia, 34 “ Han Krum”, Str., tel.9804011, tel./fax. 9814375

E-mail: [ccc@mbox.cit.bg](mailto:ccc@mbox.cit.bg)

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## P R E F A C E

During the last decade of transition some adverse and contradictory amendments and changes have been introduced in the labour legislation which led to great pressure on the labour market and job insecurity. Along with that process there has been a sharp increase in unemployment, decline of living standard and violations of labour rights - some of them very serious. This turned out to be very typical for the garment industry which became a research target under the CCC Programme. Moreover – the implementation of legislation and the protection of labour rights usually become very difficult due to the great number and scope of other problems the relevant institutions and organizations have to deal with during the hard transition period. Therefore a keen need arose to carry out a profound analysis of the possibilities provided for by the international standards for the respect of labour rights at the work place, the workers' dignity protection and securing decent living standards for them and for the members of their families.

It is necessary to raise the awareness of the social partners and the public in general in order to overcome the emerging and growing trends of human and labour rights violations in the garment sector and to provoke a multilateral dialogue with the aim of holding discussion and considering common action.

The objective is that employers become aware of the need to take social responsibility and to provide decent labour conditions as envisaged in different international instruments and initiatives of the EU, ILO, UN and other international organizations, such as OSCE, ICFT, the European CCC Campaign etc.

The CCC (Social Environment and Standards) Programme in Bulgaria started in May 2001 as a project within the “Bulgarian Gender Research” Foundation.

The CCC Programme – Bulgaria enjoys close cooperation with government institutions, trade unions, public and non-governmental organizations from the country and it is a part of the European CCC.

### III. Bulgaria

In May 2001 the Bulgarian Gender Research Foundation started a **Social Environment and Standards Programme**, aimed at research, analysis and outlining of trends and phenomena in Bulgarian garment industry. The activities under the Programme are within the European Clean Clothes Campaign (ÑÑÑ). Bulgaria is the first East European country where an attempt was made to launch such a campaign. The interest and initiative on behalf of the European CCC and the support for the start of such work came up mostly from the German CCC (Terre de Femmes) and they were induced by the more and more broad and deep involvement of Bulgarian garment industry in the extremely diversified production chains of TNC operating on the world market.

According to data from the National Statistics Institute in 2000 there have been registered some 8 795 enterprises in the garment industry in Bulgaria with only 3 065 of them producing actually. Slightly more than 102 000 people have been employed in these and that makes an average of 33,28 people working in an enterprise. More than 90 000 (88%) of them are women. For that year only the growth in the garment production was 23%, whilst the average for the country has been around 5 %. The data from the Textiles Exporters' Association indicate that 90% of the production is for export – half of which to Germany. Many factories are situated in the Southern part of the country in small settlements with high unemployment rate. Unlike small number of privatised big former state-owned enterprises most of the existing ones can be identified as small size (number of employed up to 50, turnover of less than 1 mln. lev, fixed tangible assets of up to 800 000 lev) or as medium size (number of employed up to 100, turnover of less than 3 mln. lev, fixed tangible assets of up to 2 400 000 lev). Before the introduction of the EURO the exchange rate was 1lev=1DEM. Wide spread is outward processing (outsourcing) for foreign counties, wherefrom production is exported to European markets due to already existing long-term contacts of subcontractors with foreign TNCs. Most of the Bulgarian employers are isolated from direct access to them and face difficulties in advancing their own brand. Almost all are outward processors and are subject to strong pressure on product prices by the immediate subcontractor/intermediary. It is notorious, on the other hand, that temporary, low qualified labour (mostly female) is used and it tends to become permanent. Job insecurity and fragmented production units are the reason for low level of organising and voluntary refusal to protest against labour rights violations. The economic coercion and feeling of no way out under the threat of being fired or production closed down make those working in the sector uncomplainingly endure the arbitrary extension of working hours, bad working conditions, low and irregular pay, unbearable output quotas and other violations about which there has been a significant number of announcements in the press. There is a growing tendency

of leaving factories and working at homes in order to at least partially escape from some exploitation modes. Thus, however, by losing the “employed worker” status they are completely losing social protection and there is a shift of the employer’s responsibility to guarantee labour conditions’ standards at the work place. This phenomenon generates a more and more great **expansion of the informal sector in the country.**

### **Shadow economy**

As a whole **the structure of the shadow economy in Bulgaria** covers the following **three basic types** of activities – **firstly**, non-formal economy (legal – typical example are the activities in the household economy); **secondly**, gray economy (quasi-legal – covering legal activities, accompanied by financial and economic frauds, circumventing the law – this kind of activities, the so called gray economy covers the enterprises and firms from the garment industry); and **thirdly**, black economy, i.e. illegal or criminal economy.

Each official economy is accompanied by shadow economy but the level of development of shadow activities depends mainly on the stability of the official economy. According to estimations of West-European experts, critical for each economy is the rate of the shadow economy in the range of 15 to 35%. For the European Union countries the rate of shadow economy in the Gross Domestic Product (GDP) varies between 7 and 16%. In the Central and East-European countries in transition the rate vary between 11 and 50-60%. Where are we? The National Statistics Institute reports the rate of the shadow economy in the GDP to be 21%, but it is not so realistic due to the insufficiently precise methodology of calculation and measuring. The expert enquiry carried out shows wide range of assessments but according to the opinion of the majority of the experts this share amounts to about 30-35%, i.e. it is very close to the upper limit for Europe, defined as critical. This high share of the shadow economy affects significantly the values of all macro-economic indicators, thus restricting the scope of the official economy, on one hand, and being in the same time its specific regulator.

The share of the shadow economy in the garment industry is much higher than the average for the country. Probably the volume of “shadow” activities in the garment industry is bigger that the volume of the official activities (by number of workshops, number of workers, production volume, export amount, etc.). This is confirmed by the fact that according to official data the average number of employed in the enterprises in the garment industry is 33,28 workers. For the region of Blagoevgrad the real average number of the people employed in one garment enterprise is 117,7 (see below). For Varna region this number is 83,4

see below. One can hardly assume that the garment industry enterprises in these two regions are nearly 4 times bigger than the other enterprises in the country. This rather means that the garment enterprises operate several workshops, while registering and giving officially data only for one workshop - all the remaining workshops are “in the shadow”. This situation explains to a great extent why the employers do not register all labour contracts and the registered are on the minimum wage, giving the difference to the real remuneration cash “in hand”.

In view of the necessity to have really efficient measures for restriction of the shadow economy, it is advisable to systematize the prerequisites and factors that determine its development. The following **five major groups of factors** have been outlined that are also related to labour:

*Legislative and legal factors* – the existing gaps in the regulations open “doors” for violations. Along with that the low jurisdiction efficiency prevents the real and in-time sanctioning of the offenders as well as it creates in the economic subjects the sense of impunity. 51% of the questioned experts indicate the shortcomings of the legislative and legal system as determining factor.

*Administrative and control* – here the main problem is in the regulative and controlling function of the State. It’s necessary to find out the intersection between the existing two extreme opinions – over-regulation and not enough State interference. Nearly 40% of the questioned experts pointed out the strong influence of these factors on the expansion of the shadow economy in all spheres, including the sphere of labour. They believe that it is typical of our administrative and control practice to be focused mainly on the big taxpayers, which are correct in more of the cases. However, with respect to the small and medium sized business, to which belongs the garment industry, the State control is relatively weak. An important fact in this respect is that about 20% of the experts point out that corruption in the administrative and control authorities is a factor that predetermines the low effectiveness of their activities.

*Economic factors* – the following from the wide range inter-related factors have been outlined as more important during the transformation period towards market economy: the drawing of public money in private firms and the transformation of private debts in public losses; the de-capitalisation of the national wealth; the delayed structural reform; the hidden privatisation; non-compliance with the post-privatisation obligations with regard mainly to jobs and labour remuneration; great decrease in productivity, resulting in low income and significant rate of unemployment; barring the opportunities for starting small and medium sized business, etc. The economic intentions declared by the Government would be of great importance and particular its fiscal policy as a factor, which unfortunately will act in the direction of further development of

shadow economy, especially with respect to the small and medium sized business. Representatives of the business circles and trade unionists publicly declare that reimbursing of the 10% increase of patent tax for each newly created job will not only increase the level of unemployment but will be an important factor for the expansion of the hidden employment.

*Social and economic factors* – as a more important factor becomes the distinctly expressed polarisation of the revenues, resulting from the global relocation processes. Obviously these processes will continue to deepen and will lead to a new emptying of the households' consumer basket.

*Gender factors* – It is typical for Bulgaria that the level of legal protection of women in the legislature in force is insufficient and difficult for implementation in the sphere of labour. In such a way a relatively wide field for the activities of the operators in the shadow economy is created, including the foreign “investors” in the garment industry, where the female labour is predominant. This concerns especially regions with sustainable high level of unemployment – Northwestern, Northeastern regions and the region of the middle and Western Rhodopes. Other gender factor drives from the past feminisation of some economic sectors, including the textile and garment industries – a tendency that is still in progress and is proficiently used by the “shadow” employers.

It is suitable here to bring up a very important issue that at first sight seems to be a bit far from the shadow economy related issues, namely the question for the legal regulation of equality between men and women. Seemingly in the Parliament there is an opinion that for Bulgaria the debating and approving of the submitted draft law on the equal opportunities is not an imperative. Nevertheless, the draft provisions should not be considered only in the context of the trivial notion of “equality” but rather as an important tool for prevention and resolution of several problems, related to women's equal opportunities in the sphere of labour. This concerns mainly: women's vulnerability on the labour market and on the workplace, the acts of direct and indirect discrimination, the overcoming of negative stereotypes regarding the men and women's roles in the labour, combining the labour and family duties of women, etc... From this point of view the adoption of this draft will contribute to the restriction of the possibilities for similar negative phenomenon typical for the shadow economy.

Unfortunately, there are some cases of discrimination against women as far as employment is concerned, but their number is relatively small. Too narrow are the chances to find a job for women above 35 – 40 years, for women having small children, lonely mothers, women from minority groups and even for most wanted professions on the labour market. Women also face the barriers, related to their low level of labour mobility. All this creates prerequisites for the shadow

economy employers, especially in the feminised sectors and occupations, to exercise pressure in hiring women with respect to remuneration, working time, and working conditions. According to a research of the Institute for Demography of the Bulgaria Academy of Sciences, one of each tenth questioned women hired in the private sector says that the employers put some conditions for admission to job, such as “not to get married or not to get pregnant for a certain period, if she gets pregnant to leave or not to claim for the statutory paid leave”, etc.

**Some specific forms of the shadow economy affecting women which are typical for the garment industry as well:** The results of the above mentioned research of the Institute for Demography show that more than half of the questioned women employed in the private sector are out of the legally regulated labour and in fact they operate according to the “rules of the shadow economy”. Here we should mention the fact that in the garment industry there are possibilities to hire under-aged girls with all well-known negative consequences. According to the research on child labour carried out in 2000 in Bulgaria with ILO assistance, 61% of the employers consider as normal children below the age of 17 to be paid workers. Such tendency is extremely alarming, especially having in mind that children in no case can work under employment contracts, they are underpaid, without being in a position to organize and protect themselves.

The most common effects of the shadow economy regarding women are related to the working time: prolonged working day, overtime and night labour without additional pay.

Another form is the non-conformity of the salary amount with the education or training level and skills of the hired women as well as the non-regular payment of salaries.

There are violations of the statutory requirements for maternity protection, for using the due paid leaves and for job maintaining in such cases.

Most frequently the shadow economy phenomena showing up in the sphere of working conditions are: lack of respect to the statutory health and safety requirements and standards for favorable social environment; evading the registration of labour accidents and professional diseases and avoiding the payment of the respective insurances; employers economizing on funds for prevention examinations related to specific professional diseases and to the specifics of female labour; the introduction in some cases of a “military” working regime; sexual harassment and others.... In some cases employers do “post factum” expend money for working conditions improvement i.e. after the

labour accident with the related physical and psychological traumas have occurred.

Of course the economic subjects in the shadow economy manifest high degree of ingenuity with respect to its forms in the sphere of labour. It is necessary to stress that the shadow activities rely on the mutual interest of the participants, i.e. due to economical reasons the hired accept the imposed working conditions and according to the logic of the vicious circle the shadow economy generates shadow economy.

**The more important social effects** of the shadow economy could be examined from two perspectives – negative and provisionally positive. From the point of view of the interests of society they manifest mainly in damages to the social funds and destabilization of the whole state social policy, on the one hand, and creation of possibilities for alternative employment, additional incomes and, finally, for the survival of many households in the conditions of transition, on the other hand. These provisionally positive effects however should be evaluated only in short-term period because the instant positive effect has deeply negative impacts in future. This finding has been confirmed during the whole transformation period and finds its concentrated expression in the following more substantive negative social and economic effects:

- Low paid female and child labour distorts the labour market;
- Employed people are deprived of trade union protection;
- Hidden employment has degrading effect on the vocational training and specialisation of the employed people;
- There are some cases of exploitation of the female labour;
- The unfavorable working conditions lead to long-term health problems, affect negatively the reproductive function of the woman, reduce life expectancy;
- The lack of conditions to combine the labour and family commitments of the woman is a source of tension in the realisation of her family functions and particularly in the field of education and bringing-up of children;
- And last but not least are the moral and ethic consequences for the woman, her family and the society.

The exposition of the social effects of the shadow economy in the sphere of labour will contribute to a great extent to the respective state authorities and NGOs to implement and direct more effectively the system of sanctions and restrictive measures.

## Research

In 1999 European mass media reported cases of drastic violations of labour rights in a Bulgarian factory, producing garments with a world brand name for a sub contractor from a neighbouring country. The factory is situated in a region with an extremely high level of unemployment. Job in such factories is one of the very few options for many families to earn their living. The response of the well-known company, which avails of its own Code of Conduct, was to transfer the responsibility to the subcontractor and to relocate the orders' execution to another similar factory in a neighboring settlement. The sub-contracting chains are so widely spread that often the final producer does not know who is the retailer and the garments do not have even labels – a fact that makes difficult his/her tracking. This happens somewhere upstream the chain which reduces the labour share in the final product and impedes the application of the rules for origin of goods.

The Lohne system (outward processing) represents almost 90% of the garment production in Bulgaria and is a subject of special provisions (Chapter VII – Specific provisions on rules for origin of textile products and garments in export and import to EC member-states) in the General Agreement on the accession of the Republic of Bulgaria to the EU by 2002.

The initial research has been carried out in two pilot regions – South-Western – Blagoevgrad region (Sandanski, Gotse Delchev, Petrich, Blagoevgrad) due to the proximity to Greece and North-Eastern – Varna and Dobrich regions, because of the inherited from the near past huge garment factories, the presence of Turkish ethnic minority that is of interest to employers and sub-contractors from Turkey and the existing links with the CIS/NIS countries.

According to the National Statistics Institute data there are 360 registered garment firms in the region of Blagoevgrad. 359 of them are private and 1 is state-owned. 255 of the firms are Bulgarian and 105 – foreign. The official unemployment rate is 13,79%. There are 162 garment firms registered in Varna region, all of them private. 157 are Bulgarian and 7 foreign. The official unemployment rate is 17,01%. In the region of Dobrich there are 51 firms for garment production, all of them private. 48 are Bulgarian and 3 – foreign. The official unemployment rate amounts to 22,07%. Nevertheless, this data does not provide information on *how many and what kind* of production workshops a company operates. Often they are spread in the neighbouring settlements in unsuitable premises. The health and safety requirements are not complied with.

Statistics (where available) for 2000 on garment producing firms in the country and in 3 regions

	Bulgaria	Blagoevgrad	Varna	Vidin
Registered as garment producing	8795	360	162	-
Really producing	3065	76	86	-
Inspected	-	76	86	19
Total number of workers	102 000	8943	7693	2940
Average # of workers per firm	33,28	117,7	89,5	154,7
% of women	88%	91%	90%	92%
Owned by Bulgarians		255	155	19
Owned by foreigners		105	7	-
State owned		1	-	-
Private		359	-	19

1. Statistics for the country are official - from the National Statistics Institute - based on taxation forms completed by firms
2. Statistics for the 3 regions ( out of 28 total for the country) are from Labour Inspections and other reliable sources
3. Varna is a big urban region in the North East where industries have not been so badly affected.
4. Blagoevgrad is medium sized region in the South West along the Greek border – quite affected
5. Vidin is a small region in the North West – very badly affected

According to official data there are 76 garment firms actively operating in the region of Blagoevgrad. Their workshops are dispersed and only in the town of Sandanski and the surroundings for instance there are approximately 100 production workshops. Only 7 of the firms are managed by Bulgarians, one of them on behalf of a French owner and one – on behalf of a German. Greeks manage all the rest either as owners or as managers. There are 8 943 persons officially employed in these enterprises, 8 189 of them being women (91%). 24 of the enterprises registered in the region of Blagoevgrad export their production through the Bulgarian-Greek border. 21 of them import raw materials and semi-finished products from Greece and 3 - from Germany. 3 enterprises export ready-made clothes to Germany, 2 enterprises – to Europe, and the rest – to Greece. According to preliminary data the average of 200 000 kg ready made garments monthly is exported in this direction. According to official data on 7 custom tariff positions (men/women's coat wear, men/women's clothing, men's shirts, women's blouses and sports wear) the annual export during 2000 has been 27 325 753 kg amounting to USD 390 107 761. 2 198 674 kg (8%) to the amount of USD 27 617 826 (7%) from the total garment export of the country on these tariff positions have been exported to Greece. Some of the enterprises in the region already execute and others are looking forward to orders from Greece related to the forthcoming summer Olympic games in 2004. Recently a

duty free trade center was open in Greece on the border with Bulgaria. It is expected to become a market mainly for ready-to-wear clothes, produced in Bulgaria. Reporting of export/import in kilograms and the allocation of quotas and orders by pieces further bars the tracking of the actual volume and destination of the garment production.

At the present stage the purpose of the research is to find out the number, type and location of the enterprises in the garment industry (horizontal mapping) in the two pilot regions, as well as the full sub-contractors/sub-suppliers chains up to the initial retailer in the country and/or abroad (vertical mapping).

In the initial research information has been collected from official state institutions and from 10 enterprises in the southwestern and 3 enterprises in the northeastern region. 17 interviews with employees and 4 interviews with managers have been carried out.

### **Standing of employers/managers:**

Employers/managers – three men and one woman – have been interviewed. With the exception of one being a privatised former state owned enterprise, all others have been created after 1990. Two of them have more than 1600 employees, one is small with around 20 workers and the other is medium-sized with 160-200 workers. All of them are fully independent enterprises (they are not and do not have subsidiaries) and they execute outsourcing. The intent of all managers is to expand production and they are satisfied with the export prices. The local market share for their production is insignificant or null. They do not feel any restrictions in their activities arising from the specific provisions of MFA and such restrictions are not expected after the liberalisation of the world market.

It is not clear to what extent the managers are informed about the severe competition they will face after 2005. According to the Bulgarian Association of Textile and Garment Exporters most of the firms are not well prepared for this moment.

*“Many firms are not prepared to face 2005 and they should find their market niche. For a great number of firms with common production the market will be lost inevitably. Only firms with more complex production and greater added value will survive. The small firms are in an unfavorable situation and their survival is questionable.”* (Representative of the Association of Textile and Garment Exporters).

The adaptation of the small firms will be particularly difficult while most of the enterprises in the sector are such. Even at the present moment they are not in a

good situation. Their capacity for export is limited due to the big volumes of the orders. The local market is small and also under pressure caused by the abundance of cheap low quality goods imported from Turkey, China and other countries. The small firms are not in the position to compete on such a market. According to the managers the only way out is to look for more orders and bigger markets, for instance the American, European, regional markets. Nearly 90% of the production of the enterprises is designated for export to North America and Europe – Germany, the Netherlands, Italy, France and almost always the export is realized through Greek intermediaries. Brands are different, as well as the arrangements with the sub-contractors – on season basis or for a specific order. This results in uncertainty also for the employers and sometimes to conflicts with the sub-contractors. The quality control by the contractors is carried out systematically (“*every day*”, “*all the time*”) and in cases of defects found ready production is send back for repair or there is a price deduction. Managers report for regular inspections by Bulgarian authorities and strict compliance with the international standards related to the environmental requirements. The wages are either at piece-rate or at % basis. There are no gender based cases of wage discrimination, despite the fact that more than 90% of the workers are women. Allegedly the working day is 8 hours, not including rests that are regulated. The beginning and the end of the working day are in conformity with the legal requirements and the working week is of 5 days. “*Some times*” there is overtime. Leaves (maternity as well) and holidays are used or paid. The same is valid for sick-leaves that are sometimes used “*excessively*”. Except one enterprise, in the remaining three there are no collective bargaining agreements because of the absence of trade unions or because they could not be agreed. The managers brief the workers on the working conditions “*in the beginning*” or “*through inquiries*”. Except in one case (company “Kanda”), the sub-contractors have not provided or required from the managers to sign a Code of Conduct. In general the managers are not impeded in their activities by the state and local authorities, partners and subcontractors, retailers or trade unions.

The membership of employers in associations is not compulsory. Among the programme aims of the Association of Textile Exporters in Bulgaria is the issue for the creation of *Employer Code of Conduct* accepted by all member-companies. It concerns the so-called free initiative of the economic subjects.

The assertions of a code’s publicity is not sufficient, neither is a mere declaration of certain labour rights or voluntary commitment on the part of the employer. A great deal of cases indicate that inspections have been prevented in some enterprises by the employers themselves, thus not allowing the authorized state bodies, such as the Labour inspection, to carry out an inspection. There is also information available for the prevention and even verbal banning on trade unionist activities. Such facts are contrary to the declared intentions and imply

that similar ideas of accepting a Code of conduct are rather advance actions directed to neutralize any pressure for respect of labour standards.

Part of the employers in the branch are informed already about Codes of Conduct of retailers. They are aware also that the cost of an internal audit inspection to find out to what extent the Code is complied with should be borne by the specific order subcontractor and will lead to a higher price of the product. Of course this higher price should be compensated by other elements of the price. All retailers determine the price and do not accept its increase by the subcontractor due to compliance with labour rights.

*For example, a Bulgarian producer was told: “We have our men in Budapest, Istanbul, Cairo. Choose one of them, cover all travel and accommodation expenses related to the stay in Bulgaria and if he assesses that everything is OK with you, you’ll get the order. If not, you should undertake some improvements and invite him again.” All the expenses should be covered by the employer and consequently transferred to the worker or consumer.”* (Representative of the Association of Textile Exporters)

The managers consider that there are reserves for improvement in the organization of labour, productivity should increase in order to cover these expenditures and maintain competitiveness.

There are great differences in the attitudes of the managers. There is a common desire to expand the scope of activities and increase production. Some achieve this target through hiring additional premises, from whatever nature, others through excessively extended working time instead of introducing two-shift work. Nevertheless, there are employers, Bulgarian and foreign, introducing the necessary investment – such as own building, new machines, modern equipment, etc... Their presence in the sector is noticed by the state authorities and by the trade unions. Such enterprises are “in the light”, they have very few violations, and they participate in the economic life of the country, in compliance with the regulations. Programmes for improving the labour organization and conditions are organized as result of the initiatives of such firms and sustainable trade contacts with foreign retailers.

Such example is the initiative of the German Bureau for Technical Cooperation:

*“In our program for promotion of economy and employment a special attention is paid to the improvement of working conditions in enterprises. For instance, currently we operate in three big Bulgarian enterprises, such as “Brilliant” in Plovdiv with more than 2000 staff. As a result of the improved organization of work in the enterprises the working conditions are being improved and the productivity is being increased up to 20%. Workers are very much interested in*

*getting involved in our programme because working conditions and remuneration is being improved. An expert makes assessment of the lighting, ergonomic issues of the seats. Employers are interested in taking part in the program too. German experts carry out consultations. Some training programs for improving the productivity are implemented, too. Employers that take part in our programme are committed to increase the wages in parallel with the increase of productivity. There are demands expressed by workers to operate in production lines, monitored by German experts, mainly because of the possibility to increase the remuneration.”* (Representative of the German Bureau for Technical Cooperation).

## **Interviews with workers**

In the 17 interviews carried out with workers the picture is different. 13 of them are women and 4 are men. Three of them are employed in 3 small enterprises, eight in 8 medium-sized enterprises and six in 2 big enterprises. Additionally to machine operators, interviews have been taken from cutters, a press operator, a driver, and a packer. A special attention was paid to the working conditions. The following groups of principles and issues have been outlined as per the CCC Code of Labour practices for the Apparel Industry.

**1. Employment is freely chosen** – ILO Conventions <sup>1</sup> 29 and 105, ratified by Bulgaria and the Labour Code – Art.8, par. and Art.61

The workers have chosen their job really voluntarily. However behind this “choice” there are strong economic constraints hidden, almost dead lock. Almost all respond that they do not have other proposals and in case they find another job in their specialty or 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 in the statutory fixed amount. But in most cases the overtime is ‘voluntary’ under the threat of firing and losing the job. There are also cases of direct constraint – 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).

**2. There is no discrimination in employment** – ILO Conventions <sup>1</sup> 100 and 111, ratified by Bulgaria as well as the Labour Code –Art. 8, para. 3 and Art. 242 on the remuneration.

The workers are unanimous that with respect to the remuneration there are no cases of discrimination. There is no discrimination at the work place reported with few exceptions, unfortunately related to foreign employers.

**3. Child labour is not used** – ILO Convention <sup>1</sup> 138, ratified by Bulgaria as well as the Labour code – Volume 15, Chapter I, Art. 301-305.

According to the responses in some enterprises during school holidays in the Southwestern region there are cases of working children between 14 and 18 years. The incentive for that could be even the parents – in order to receive additional income for the household. The workers report that children carry out auxiliary activities with the adults' working day duration. No information had been requested on their remuneration. It is not known also whether the employers comply with the other special requirements concerning the labour of persons at the minimum age of 16 years.

**4. Freedom of association and the right to collective bargaining are respected** – ILO Conventions <sup>1</sup> 87 and 98, ratified and <sup>1</sup> 135 not-ratified; Labour Code – Chapters 1, 3 and 4 (Art. 1-60).

According to the answers it has been clarified that there are trade unions in the big enterprises and there are no such in the small and medium sized enterprises. In the enterprises with trade union organisations 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, improvements 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 organisation is to sign collective agreement. The workers believe that it is impossible to raise the issues related to the improvement of working conditions individually or collectively 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 reject the possibility to protect their rights in court. None of the workers knows anything about companies' Codes of Conduct.

**5. Living wages are paid** - Labour Code, Chapter 12, Art. 242 – 272.

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. The average monthly remuneration of the machine operator is BGL 110 - 180 (1 BGL = 1,95 Euro), for the cutters – up to BGL 250. 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. As a result of this, the machine operators in the southwestern region succeed in getting payments equal up to from 4 to 5 minimum wages per month, contrary to the machine operators from the northeastern region that reach hardly the double amount of the minimum wage. In both regions generally the remuneration is not enough for both the individual's subsistence and as a contribution to the household budget. This is in spite of the fact, that in some cases other members of the family are also employed and sometimes there is income in the household from other sources, such as farming, etc... Even with the above incomes the family concerned is not in a position to earn a decent monthly living pay.

This tendency is very well expressed in the urbanized region of Varna, where the possibilities to receive 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 one, all workers have complaints related to the remuneration but they are afraid to raise them or there is nobody to address. It is not clear how the additional payments are paid – officially or in-hand. If it is in hand, the result is that workers suffer the loss of non-payment of health and social insurance and for the state – less social securities.

**6. Hours of work are not excessive** – Labour Code, Chapter 7, Art. 136-154 and **leaves** – Labour Code, Chapter 8, Art. 155-178.

Here the number of violations is the greatest. Only one enterprise operates 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 two big enterprises. Workers work overtime “*very frequently*”, “*all the time*”, “*every month*”, “*in cases of urgent orders*”, etc... Again except in the two 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 an argument for dismissal. In the majority of the enterprises the duration of the due annual leave is to the minimum stipulated by the law and is paid on the basis minimum wage. In the same time it is very difficult to get it. 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.

**7. Working conditions are decent** – Labour Code, Chapter 13, Art. 275-290 and Chapter 14, Art. 291-300.

Workers complain from high temperatures in summer in all enterprises. None of them has temperature regulation systems. The dust level is too high in almost all enterprises. That requires the use of breathing devices but such are not available. There is no suitable working place lighting in about half of the workshops. There are complaints related to noise level and bad sanitary conditions.

From ergonomic point of view the working conditions in the different places are too bad. Because of the constant standing position the workers complain from foot pains and diseases of the supporting locomotory system. The complaints of the sitting workers are also very similar due to the unsuitable, broken chairs of different types with or without backs, stools, etc...

Although the working conditions require it and in two of the enterprises workers extra money are paid for working clothes, almost nowhere such cash is paid.

The workers eat at their workplaces, except in the two big enterprises where there are canteens.

Due to bad health and safety working conditions in most of the enterprises job accidents occur. They may be different – from faints to injuries due to failure and obsolete equipment used, lack of needle protectors, of steel gloves for cutters, etc... Generally after light accidents the workers recover within 30-40 minutes and resume work while in the more serious cases they take sick-leaves. Except for the two big enterprises no measures have been taken for improving the health and safety conditions in order to prevent future accidents.

Medical services are not provided, except in the big enterprises, which have contracts for medical support and in one 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.

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.

Generally in the southwestern region, where the workers are not organized in trade unions, it is not possible to submit to the employer demands for working condition improvement. In the northeastern region where the trade unions are

present in the big enterprises such issues are raised but there is no information on the follow-up.

There are some cases of psychological harassment of the workers.

## **8. The employment relationship is established**

The answers outline the workers' fears for their jobs. Pressed by the high rate of unemployment and high living costs, they are forced to keep silence about the irregularities, although most of them are aware of their rights without being especially informed. Such irregularities may be lack of labour contracts or labour contracts based on minimum wage, non-payment social securities, 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 in case 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.

No one of the workers has ever heard about company Codes of Conduct and is not aware about company obligations stipulated in them.

### **Standing and approach of trade unions**

*“The media publicity in cases of law violations should increase. CITUB (Confederation of Independent Trade Unions of Bulgaria) took legal action but employers are also suing CITUB on grounds that representatives of the latter have, “like criminals”, gone for inspections into the enterprises. It seems that employers are not aware of the legal rights of the trade unions as well.”* (Representative of the Social and Trade Union Research Institute of CITUB).

The Labour Code empowers trade unions, as single legitimate representatives of the workers to protect their labour rights and to express opinion on the living wage and to sign Collective Bargaining Agreements. The Labour Code provides for that a trade union representative and a representative of the employer or the owner shall sign the Collective Agreements in the enterprises. The trade unions representative at national level and the respective representatives of the Employers' Unions shall sign the sector collective agreements. The last amendments of the Labour Code empowers the Minister of Labour and Social Policy to sign the sector collective agreement to be binding for all enterprises and businesses in this field. Otherwise the sector collective agreement is binding only for firms and employers members of the respective Employers' Union or

for firms with trade union organisations. The membership in the Employers' Union is voluntary while the trade union presence in the garment industry according to the trade unions amounts only to around 10% of the workers in the branch, mainly in the big enterprises.

According to the representative of the "Podkrepa" Light Industry TU Federation: *"This could be one of the targets of the Clean Clothes Campaign. One of the NGO activity may be to convince the Ministry of Labour and Social Policy to sign the Sector Collective Agreement thus making these minimum standards obligatory for all firms in the sector."*

Trade union representatives in the big enterprises, assess that after the signing of contracts with foreign contractors without intermediaries the working conditions have been improved considerably and that a positive trend in this direction is taking place. One of their aims is to maintain jobs notwithstanding the technological advance and the labour organisation improvement.

*"The introduction of modern equipment for cutting in the enterprise "Brilliant" considerably reduces the risk of labour accidents and increases the labour productivity. The wages increase with 20% after signing the last collective agreement which is a considerable achievement. The introduction of modern equipment do not affect in any way the number of personnel. The workers have been retrained by the owner and sent to other production sites within the enterprise."* Light Industry Federation "Podkrepa" Representative.

In spite of the proposals of the two trade unions mentioned, one of the problems in Bulgaria is that *Labour Courts have not been established yet*. The labour disputes are transferred to the civil courts to result in complex and difficult proceedings. The experience of the trade union representatives is that in cases of illegal termination of a worker's employment contract followed by filing an appeal before the court, it is not unusual that the time until reinstatement may in some of the cases be up to three years.

There have been some attempts to create voluntary arbitrages for the resolution of labour disputes at regional level. The purpose of such arbitrages was through simplified procedures, hearing of the two parties and with the cooperation of the Labour Inspection to reach an agreement without administrative or court decisions under the provisions of the Civil Procedure Code. This failed attempt is not a reason to stop looking for similar forms for resolving labour disputes. The last amendments in the Civil Procedure Code provide for some facilitation in the hearing of such cases in comparison with the normal procedures. These are the so-called quick proceedings, including also the labour right disputes – the court is obliged in shorter procedures and terms to take decision without

violation of the principle of competition, the authenticity of evidence, etc... There are also other procedural alleviations. For instance the claimants, who are very often workers, do not pay court fees, they are not obliged to be represented by a lawyer – their defense in court could be carried out free of charge either by themselves or by the trade unions or by their lawyers. Obviously these amendments are in the interest of the workers but the practice is still lagging behind. NGOs and trade unions might consider the advantages and shortcomings of the creation of some special jurisdiction to deal with labour disputes and this may be a subject of joint lobbying before the legislative and judicial powers. Accelerating the performance of the councils for tripartite cooperation is another sphere of possible joint activity.

While the attention of the trade unions headquarters is focused on the sector collective agreements and the respective legal frame, the local trade union representatives are familiar in details with local problems. They face informal non-acceptance of trade union activities in the enterprises under the threat of dismissal and with the mistrust of the workers for the effectiveness of the trade union protection. They consider there is a mutual mistrust, leading to the vicious circle of “compulsory” membership in a trade union in order to look for its assistance for labour rights protection. The new Labour Code explicitly stipulates that the provisions of the collective agreements are applicable also for the workers, who are not unionized (Art. 57, Para 2).

Local trade unionists consider that the problems do not lay mainly in the lack of legal protection but rather in the control of the enforcement of law related to labour rights and particularly to health and safety working conditions, regulated duration of the working time, regular payment of fair wage, freedom of association and trade union activities. The main difficulties in this respect may be found in firms with foreign managers or owners. At local level there is a good cooperation with the respective Labour Inspections and the trade unions successfully carry out signal functions. Not always there is consent at central and local level in starting trade union protest actions. Local trade unions believe that their objective is to increase the number of their members and to sign collective agreements. However, there are some opinions to protect labour rights of non-unionized workers as well. Theoretically there is readiness for cooperation also with the representatives of the workers under the amendments of the Labour Code.

*“In Sandanski there are already foreign investors buying pieces of land and buildings to be used as workshops. They make their best to avoid problems with our legislation and our ( the “Podkrepa” Confederation of Labour) attitude and the attitude of the workers towards such employers is completely different. But still the majority of the employers, more that 70% are temporary here. They may*

*load the machines on a truck and transfer the production in some villages. In 1997 we went on strike in one enterprise and after the workers won the legal case, the employer did not pay salaries for three months. Notwithstanding our warnings to ministries, no measures were taken although the whereabouts of the employer is well known...Everybody advised us to file a court case, but summons could not be send to him because of unknown address, nevertheless his residence was known. Such things should be told although they are nasty.”*  
(Representative of “Podkrepa” CL, Sandanski)

## **Standing of state authorities – Labour Inspections**

According to a Plan of the Executive Agency “General Labour Inspection” (GLI) the garment sector was the 2001 priority target for monitoring and inspections related to employment relationship. The main difficulties for Bulgaria are the same – lack of trade union organisations in the small and medium sized enterprises and, as a consequence, of collective agreements.

The GLI standing is that the workers themselves do not cooperate with the controlling authorities in order to avoid conflicts with the employer and possible job loss.

The GLI powers are stipulated in the Labour Code. The controlling authorities have the right to cancel directives only if they endanger the life and health of the worker. That means that only the directives violating the health and safety at work conditions are considered illegal. GLIs are not authorised by law to cancel any other act related to employment relationships. Because of the huge number of firms in the country it is quite impossible for the GIL staff to cover through inspections and issue instructions to all of them despite the good regulatory frame. There are some proposals to look for the establishment of specialised courts to deal with such specific issues, since the Constitution does not provide for the creation of special judicial bodies (such as the labour courts) – an issue that apparently has to be resolved by the Parliament.

The endeavor is to find a balance between enforcement and advice. The GLI experience shows that sometimes it is necessary to make clear to the employer what his rights and obligations are and apply sanctions only in case of non-compliance. The creation of jobs, the presence of foreign investors, the increase of export on the one hand and the compliance with the national legislation, on the other, are two processes that should go in parallel. The legislation already requires risk evaluation to be carried out. Within the expert assistance, which GLI is ready to provide to the project, it could submit information on whether

such risk evaluation for the garment enterprises has been made and if relevant measures have been undertaken for the improvement of the working conditions as per the risk assessment that is obligatory under the 1999 Ordinance <sup>1</sup> 5 of the Ministry of Labour and Social Policy. Monotony and uniformity of work prevail in the garment industry enterprises. Ordinance <sup>1</sup> 15 of the Ministry of Labour and Social Policy on physiological norms of work and rests was issued. Its provisions are extremely good and important. The employer has to prepare and implement all these requirements in the enterprise. From the point of view of laws and regulations there is a very good ground with respect to the health and safety conditions, including this sector. The issues are very specific regarding the employment relationships in the sector due to the irregularity of orders.

The *Manual for integrated inspection in the Garment industry* serves to uniform the applicable approaches in carrying out the monitoring in the garment enterprises and the elaboration of a complex assessment – from the point of view of health and safety working conditions and of employment relationships.

Unfortunately, the findings of GLI are that there are firms creating problems during the inspections. Such difficulties as entering the enterprise are overcome through an agreement signed with the National Employment Agency and the National Police. In some firms, including with Greek participation, police attend the entry. Problematic firms are reported by GLI to the Minister in order to raise the issue at higher level.

GLI views the issue of child labour without permission with special attention and intolerance.

*“I appeal to all participants to inform us about any such case so that severe measures be taken against employer, using minors’ labour without permission. I strongly protest against irresponsible allegations without enough information with respect to child labour.”* (Chief of department at the GLI).

It is necessary also to review the court practices concerning labour disputes. There is an extremely alarming decision of a District Court assuming that the work in garment industry is seasonal and temporary. It automatically eliminates this employment from the provisions of the Labour Code concerning the labour remuneration and all related guarantees.

*“This year we published a White paper with good practices (not for the Garment sector only). The Codes should be reflected there. In our Internet site we have a special page “Good practice”, where space could be found for enterprises that have introduced Codes. In our discussions with colleagues from*

*Sandanski I was convinced that there are firms violating, as well as firms with good practices. We should not go only in one direction and put all in black colour.” (Chief of department at GLI).*

*“If the Labour Inspection is informed about the issue before the termination of the employment relationship, there are no problems to resolve it. If the relationship is terminated, law does not allow us to cancel any kind of order. In case of labour dispute, the competency is with the Court. If the worker comes to us in time or if we receive a signal from the trade union (in Sandanski we established very good relations with “Podkrepa” CL) the problem can be resolved very quickly without a written claim. The only difficulty is when the legal action has to be taken in a distant place. Due to the distance the worker is not in a position to inform us about the problem and his/her relationship is terminated and we are not able to intervene. The only possibility is to file a court case but usually the worker gives up doing that.” (Junior expert, Labour Inspection in the town of Sandanski).*

GLI recommends multiplication of the results already achieved – for instance through mass media, training and publications. The interviews realised in eight enterprises, though not numerous, provide ground for some type of conclusions that have to reach the employers in the sector, the trade unionists, etc...

*With the offense of the gray economy, we are for cooperation between all authorities fighting the violations of law and as I can see we have many common activities. In this respect we highly appreciate today’s meeting as a possibility for common action in our future work on these so complicated issues.” (Chief of department in the GLI).*

These problems are not specific only for Bulgaria. From the exchanged experience with some NGOs and trade unions from other East-European and neighbouring countries, it is quite clear they are common for these countries too.

#### **IV. Romania and Turkey**

##### **Romania**

Research results on the Clean Clothes Project, carried out by the Romanian Balkan Office of the International Confederation of Free Trade Unions in the region of Kluj.

The trade union is wishing to start research all over the country, covering as many enterprises and people as possible. After the visit in Kluj region some conclusions could be drawn with regard to the garment industry in the country.

There is no difference between what is taking place in Romania and Bulgaria: the same practice with the outsourcing system, the same low remuneration, in most of the cases at the level of the minimum wages in the registered enterprises, lack of any form of association, mostly in the newly created firms and without possibility to inspect what is going on.

The same problem exists with the sub-contracting chains. It is not possible to establish who the contractor is even the workers are not informed for whom they produce and what is the final destination of the product. Trade union structures exist only in the big former state owned enterprises. It is not possible to find out what is happening in the thousands new and small enterprises, situated sometimes in 2 – 3 room flats and garages. They cannot be even called enterprises. In the cases where there is a trade union, they are not particularly strong. In Romania there are several trade union confederations and they try to do something, but unfortunately they do not act together and they do not have common strategy. With regard to the labour rights, including the codes of conduct, the Romanian legislation is considered to be good. The problem is not in the rights existing, but in their application, not in the legal regulation, but rather in the practical situation.

The wages in the sector are very low, more often this is the minimum wage that for Romania is about 60 USD per month. There are many cases of overtime. In the enterprises with trade union structures this overtime is relatively regulated, that means the workers receive additional remuneration for additional work. But in the majority of the enterprises nobody can check how much is the over time and how much it is paid for. Sometimes the workers are forced to work overtime in order to accomplish the norms that are too high and that are very difficult to be fulfilled in a normal working day. In such a way the overtime is transformed in a normal labour obligation that should be fulfilled.

What is the women's situation? Many of the working women in the sector are single mothers. The percentage of women is very high and their situation is extremely difficult. In the enterprises with trade union structures they are beneficiaries of some rights, such as paid maternity leave, but in the other enterprises it is absolutely not clear what happens. According to previous information it is known that during the job admission interview women are forewarned not to get pregnant.

In connection with globalisation it is necessary to enlarge the scope of the participants in the public debate. Except trade unions, it is necessary to include other subjects of the civil society as NGOs, associations, etc....More and more foreign investors prefer enterprises without trade unions and it is stated as a binding condition in order to get the contract. In case there is a trade union, it is

often threatened not to interfere in the production process. The campaign is important because it offers a set of tools for control over the multinational companies and monitoring the compliance with at least the minimum working conditions.

*“There are at least two reasons for this situation in Romania. The first reason is the lack of information to the workers, regardless of whether they are organised in trade unions or not. Nobody knows how to act, what kind of rights he has and whom to ask for protection. In this respect the training part of the CCC Campaign could a contribution in offering large scale options for workers action. The multinational companies come to the national market to do something. They offer very low price for the produced unit and the local producers should respond to this condition. That is the reason to put pressure on the female working force through overtime, low remuneration and lack of social conditions. Due to the huge unemployment the workers accept such conditions and they are afraid to protest against the multinational companies and against the direct employers. What should be our approach and how to deal with the workers? Romania avails of very good laws, very good Labour Code. But in the Court enter very few cases and most of the cases are for illegal licensing and not for bad working conditions, overtime and its remuneration or other similar problems. (Director of Institute for Social and Economic Training).*

## **Turkey**

The problem is extremely acute for Turkey because of the very widely spread practice to make clothes at home for multinational companies. From the existing three trade unions in this sector, there is only one that pays special attention to this issue, but at an inadequate degree. Relations are established with some local organisations of homeworkers but it's very difficult to protect their rights because this issue is not legally regulated.

The Turkish businessmen and employers are very often subject to criticism. They allow the use of child labour and illegally hired workers. Recently there are tendencies of de-localisation – many Turkish companies transfer their production in Bulgaria and Romania. There are two main reasons for that – first, the cheaper labour force, second and very important, the specific trade barrier to the USA market – the quotas. That is why the Turkish companies go in countries like Bulgaria and Romania from where they export to the USA in order to skip the quotas.

*“I know their mentality and I know they will not stop to use any possible illegal form of hiring workers, including homeworkers. That is the way to do it in Turkey and because of that we should find out a way to organise the homeworkers. Or at least we should try. With the assistance of NGOs from*

*West-European countries we try to organise activities to improve the spread of information in Turkey.” (Representative of Sector Trade Union of Textile Workers).*

There are many positive steps in Turkey with regard to the Codes of Conduct. The European Federation of Trade Unions in Textile and Leather Industries signed Code of Conduct with the Turkish Association of the employers from the garment industry. This is accepted to be a good beginning but with respect to the monitoring and implementation – there is no information what is happening in the factories because there are almost no trade union structures. The main clause in this Code of Conduct is the right of association but this right is not realised still completely. When it happens in some factory, the multinational company immediately changes its sub-contractor. The multinational companies use the fact that most of the enterprises in this sector are small or medium sized.

*“Only in our sector some 3 million workers are employed. According to the statistics of the Ministry of Employment, 1 million of them are foreigners-immigrants. The Chairman of the Istanbul Chamber of Commerce reports 500 000 of them are employed in factories and not in the street. Children and homeworkers are employed as well. (Representative of Sector Trade Union of Textile Workers).*

## **V. Regulation and the experience of other countries:**

The question is how with regard to the process of accession of Bulgaria to the European Union social standards should be guaranteed avoiding meanwhile their degradation and how to guarantee the compliance with the working conditions requirements using the two tools: **the law** and its implementation, on one hand, and **the Codes of Conduct** and the systems for monitoring and control, on the other.

There are three different possibilities for application of the labour standards. **The first** is the compulsory regulation through the national labour legislation and different applicable international instruments such as ILO conventions, European Social Charter, etc. **The second** possibility to comply with the working condition requirements is through collective bargaining – agreements between trade unions and employers and an example in this respect is the European social dialogue. **The third** possibility are the Codes of Conduct. There are a lot of such codes, including the CCC Code. Two issues are very important with regard to the codes – the first, that there is a big variety of codes and not all of them assist to the necessary extent for the respect of labour rights. The second is that the code should not be considered as replacement of the national labour legislation or of the collective bargaining. These three possibilities are not contradictory to each other – they may be used jointly, they may be

complementary to each other. The third way is the utilization of the codes to influence the customers in Western Europe and America.

## **European Social Dialogue**

Within the framework of the European structures there exists a European Social Dialogue that is introduced in the textile and garment sector as well. There is another social dialogue, which concerns the shoes industries and another in the field of leather industry. These three social dialogues are linked to the whole branch of fashion garment and fashion industry. The important element of these dialogues is the exchange carried out between member-states of the European Union as well as the exchange between social partners. This dialogue allows at the present moment to sign agreements on European level. For instance the Agreement in the textile sector includes prohibition of child labour in the sector, the interdiction of forced labour, freedom of association and freedom of collective bargaining, interdiction of discrimination on the work place. In order to guarantee the applicability of these agreements it is necessary to implement them in the national collective bargaining agreements in the EU member-states. It was done with respect to the textile agreement and in such way the European Works Councils have the opportunity to collect information regarding the enterprises de-localisation, in which countries the productions are transferred, the nature of working conditions of the workers in these countries, as well as the level of remuneration provided. Such approach contributes to the monitoring of the compliance with the Codes of Conduct.

*“Due to the fact that the East-European countries negotiate for accession to the European Union a decision was taken to start to cooperate with your countries within the frame of the European Social Dialogue. In the field of leather industry we have already such dialogue and it started in Hungary. A meeting of the European Social Dialogue in the domain of Shoes industry will be organised in the Czech capital Prague.”* (Martine Roy – representative of Sector Trade Union of Garment, Leather and Textile Industry of CFDT, Confederation Francaise du Travail).

In the framework of the European Social Dialog in the Leather Industry for instance, the employers undertake responsibility for their sub-contractors. This agreement allows the European trade unions and employers to include it in the collective bargaining and collective agreements at national level. That means it should be respected. One similar European agreement in the garment industry would mean the sub-contractors comply with the respective rights. This would be a next step regarding the remaining agreements achieved in the framework of the European Social Dialogue. This would supplement to great extent the

existing codes of conduct that may represent two different ways to achieve the same objective.

*There are many reasons to involve social context in the products that appear on the European markets. That's why this mixture of standards which is present to a different extent in the codes of conduct of different companies on the model of ILO conventions has occurred. And now comes the question for the participation of the local structures of workers and trade unions and NGOs in this mechanism to involve the whole chain in the monitoring of labour rights compliance. On the top are the big retailers, having the power to determine the working conditions. If the governments don't do it, the big producer companies can do it. The longer the chain, the more difficult is to determine its participants and to involve them in this process. The contractor-company is the only one that has the possibility to do it. The CCC experience show it is possible to involve the local organisations in the whole sub-contracting chain for effecting independent monitoring and control.” (Thomas Gerard – Representative of the Belleville Institute for International Cooperation).*

## **Codes of Conduct**

In recent years, an increasing number of actors have been involved in the debate about corporate social responsibility: business federations, (confederations of) trade unions, international solidarity groups, consumer groups, governments, international institutions, and pension and Investment funds. As a result, a proliferation of codes of conduct can be seen at different levels: national, international, sectoral and corporate level.

### **NON-GOVERNMENTAL CODES**

There is a wide variety of codes in the private sector. The differences between these codes in terms of content and implementation are large, and result from the different actors that have issued the codes of conduct, the standards which they refer to and the different sectors to which they apply. Emphasis lies on codes of conduct that deal with labour rights issues, as experiences in this field are most extensive. This can be explained by the fact that standard setting in this area was much easier because of the work done by the ILO, and because of the involvement of trade unions in the debate on codes of conduct.

### **MODEL CODES**

Model codes have been drafted by trade Unions, NGOs and more recently by business associations. Model codes from trade unions and NGOs were primarily drafted as campaigning tools, to promote awareness and acceptance of international standards and supply chain responsibility.

One of the most important ones is the model code of the ICFTU (International Confederation of Free Trade Unions), which was adopted in 1997. Being a trade union code, it deals with labour issues only and covers the following standards:

- freedom of association
- right to collective bargaining
- no forced labour
- no child labour
- no discrimination
- maximum hours of work
- health and safety
- a living wage
- security of employment

The purpose of this code is to promote the primacy of international labour standards, the inclusion of trade union rights in codes of conduct, and to encourage consistent language in codes. The code refers directly to ILO conventions and applies to contractors, sub-contractors, and licensees involved in the production and distribution of products. The interpretation of the standards is meant to be worked out on a sector level. This concerns particularly provisions on health and safety, which are of course different from sector to sector. The model code further has some provisions concerning implementation and monitoring, but this is also left largely to be worked out on a sector by sector basis.

Direct reference to ILO standards is considered a crucial element of this code as the use of internationally accepted wording limits the possibilities of misinterpretation.

### **Company Codes of Conduct**

In reaction to public pressure and the model codes many MNCs have started to draft their own code of conduct. From NGOs, trade unions and other stakeholders there is generally a great deal of scepticism towards such company-controlled codes of conduct, based on the concern that these codes are merely a public relations tool which makes any real change of business behaviour doubtful. . The reason for this scepticism is the lack of an implementation scheme, or the lack of transparency about such a scheme and mechanisms to monitor and verify compliance by the company. Also, it is often not very clear how far the accountability of the company goes and if the code applies to suppliers and sub-contractors as well.

Apart from the majority of MNEs that have drafted vaguely formulated codes, statements, business principles, or nothing at all, there are a number of companies that have acknowledged their social responsibility to a larger degree than recommended by the OECD through its Guidelines. This is particularly the

case with some retailing MNEs in the labour intensive industry, which directly or indirectly control large amounts of production sites, most of them located in developing countries.

For example, several of these MNEs have now drafted their codes of conduct along the lines of the ICFTU model code, with direct reference to the relevant ILO Conventions.

### **Codes of Conduct application**

**The first** extremely important thing is to make them well known to all workers in the sector and not only to the managerial level. **Second** – to harmonise the composition and terminology of these codes. In many of the firm codes there are only some criteria that are very often too general. The criteria should correspond to the ILO conventions. For instance, the prohibition of child labour in the ILO convention is quite clear and defines the concrete criteria. And on **third** and very important place is the application to be monitored and controlled by independent observers. Otherwise it will be never clear if the code is respected or violated. Many big companies, such as Nike, Adidas, etc. dispose of codes of conduct, which are not so bad on paper but the workers, producing for these companies are absolutely not informed about these codes as well as the rights they have according to the codes.

The OECD (Organization for Economic Cooperation and Development) Recommendations for the multinational companies represents an interesting mechanism for monitoring, verification and control.

### **OECD Guidelines**

The companies may adopt the guidelines and the respective governments are entitled to create a body, called “National Contact Point” to which signals and complaints may be addressed. For instance, if there are working condition violations in Indonesia, where the production is for a Dutch company, CCC Netherlands can contact the Dutch National Contact Point and signal for violation.

The French government appoints high level officer in the National Contact Point (NCP) that is composed by representatives of the ministries, employers and trade unions. The NCP was created in December 2000.

*“In 2001 three cases were presented to the National Contact Point and they are still not resolved. The first is related to the firm TOTAL that invests in Burma. This case concerns more the attitude of the country Burma and not so much the attitude of TOTAL. The other two cases deal with Marks & Spenser and more*

*particularly the respect by the firms of the main principles for information and consultation of the workers, according to the requirement of EU Directive <sup>1</sup> 94. There is a written law with compulsory for compliance regulations. But it is only a minimum and it is recommendable for the enterprises not only to respect it but also to go further. The activities of the National Contact Point are determined by the respective countries, for instance, through the introduction of strong incentives for firms, respecting these standards, binding export credits with the respect of the Guidelines, etc... These Guidelines serve as a tool for the trade unions in the collective bargaining and signing of collective agreements with big firms in the field of production and commerce. (Martine Roy – representative of Sector Trade Union of Garment, Leather and Textile Industry of CFDT, Confederation Francaise Democratique du Travail).*

### **Campaigns (ÑÑÑ and other NGOs)**

Through national and international campaigns an increasing number of NGOs put pressure on the multinational companies to increase their responsibility with regard to the working conditions in which the goods with well known brands are produced. Each information smearing their image is very hurting for the companies. The Codes of Conduct adopted by some companies notwithstanding the remarks concerning their concrete content are to certain extent an attempt for voluntary transnational commitment with regard to the working conditions.

**The CCC Campaign** was launched in 1990 in the Netherlands. Its purpose is through large-scale publicity, for instance through customer campaigns, to convince the contractors in the field of garment production to join and support international initiatives.

Some of the national CCC campaigns have undertaken also legal initiatives. For instance, the Parliaments in **Belgium and Italy** have started debates on laws on the consumers right to be informed on the working conditions in the production of some articles as well as a “social label” law.

The “**Ethical Trade Initiative**” (ETI) is similar and was established in 1999 in the **United Kingdom**. It was financially supported for a period of three years by the government. It is an union of firms, NGOs and trade unions.

The **Netherlands** experience is called **Fair Ware Foundation (FWF)**, created in 1999 and comprising of associations from the industry, small and medium sized producers and traders, trade unions and NGOs. The Foundation issues certificates to companies that may be used in front of the customers. The

Foundation has established a specialized unit and developed system for monitoring of companies willing to receive the right to put to their clothes the certifying label.

*The trade unions join the opinion to several NGOs about the social dimension that should be found in the development of the world trade as well as its social aspect regulation. The content of these codes according to the trade unions however should be negotiated with them. As for the control, it may be carried out by private firm or agency but with the participation of the local trade unions. In this respect support is necessary for the trade union entering in the enterprise to monitor the respect of the codes of conduct. The most interested in the respect of working conditions are the workers. Consulting or other external firm may visit once the enterprise and ask whether the working conditions are respected but the workers are there all the time and best aware of the situation. (Martine Roy – representative of Sector Trade Union of Garment, Leather and Textile Industry of CFDT, Confederation Francaise Democratique du Travail).*

The difficulty in Bulgaria is that there is no information who are the sub/contractors. If they are known and it is established that they do not respect the relevant requirements and there are documentary proofs for labour rights violations by producers like Adidas, Quelle or others, **several options** exist. **First**, to undertake an urgent action in the framework of CCC. In many cases CCC succeeds in exercising pressure on a multinational company and the company itself to exercise pressure on the sub-contractor. **Other** possibility follows from the OECD. The respective country may signal within the framework of OECD, for instance Germany, informing that a German company violates basic labour rights in Bulgaria and the National Contact Group is obliged to undertake respective actions. The **third** option is the European Parliament. It has adopted a Resolution on the behavior of the multinational companies with headquarters in the EU member-states and activities out of the EU territory. Within the frame of this Resolution company hearings in the European Parliament may be organized. A system for independent monitoring is expected to be introduced and in the frame of this system actions against the respective company may be undertaken.

The first possibility is the simplest for CCC. For instance, if a violation is found out in a Bulgarian factory, it is possible to achieve improvement of the working conditions in this factory or the assistance of the trade union could be asked for. The situation in the neighbouring factory, however, will remain the same. The effect may be short-term. The final aim is the long-term improvement and for that reason it should be insisted the (sub)contractor to accept the CCC Code and independent monitoring to be carried out. In case both factories produce for the same contractor the situation will improve for a long-term period.

It cannot be expected from CCC to inform all workers producing for Adidas about the Code of Conduct. It is an obligation of Adidas itself. For this purpose special employees are appointed in the headquarters and locally, at where they have sub-contractors. These employees explain what standards do they have and the sub-contractors should inform individually each worker that this Code gives him/her concrete rights. If the worker is not informed about the Code, it is useless. In the mean time CCC and other groups in Asia organize training to inform the workers about the possibilities they have under the codes. The Asian groups are very critical, asserting that most important is the codes to be practically implemented and applied.

An important element in the comprehensive campaign is raising the consumer's awareness about their role and possibilities to influence the market. Extremely useful could be the Bulgarian consumer to be informed how the European country campaigns attract the public attention on these processes. A critical attitude for goods, produced by the shadow economy might contribute to the reduction of its share.

## **VI. Summary**

On 25 – 26 October 2001 the Bulgarian Gender Studies Foundation organized in Sofia an International Working Meeting on the Social Environment and Standards in the Garment Industry. Representatives of state authorities (Ministry of Labour and Social Policy, Ministry of Economy, General Labour Inspection), trade unions, associations of traders and consumers, lawyers were invited. Their presence proved the partiality of wide range of (potential) participants in the social dialogue. The participation of foreign guests – from Romania, Turkey, FR Yugoslavia, Poland, the Netherlands, Germany and France confirmed the importance and necessity of discussion on the outlining trends for productions transfer and the resulting issues.

The meeting main conclusions were as follows:

- All participants were unanimous on the usefulness of such discussions in the context of developing globalisation and the unavoidable and growing participation of the Bulgarian economy in these processes.
- The importance of orders received from abroad that will stabilise the small and medium sized enterprises in the sector and will contribute to the creation of new jobs and maintaining of the existing ones.
- The idea for extended cooperation on national and regional level received support.

Consent was reached on the necessity of further activities aiming at:

- review of the national regulations;
- establishment of mechanisms for a stricter enforcement of the national legislation – through exchange of information, initiatives for legislative amendments and adoption of new provisions;
- more active involvement of NGOs by signaling, if appropriate, jointly with the trade unions (their legal departments);
- provoking a debate on the possibilities of acceleration of the procedures for the resolution of labour/legal disputes, including by specialised teams;
- products “certification” within the framework and under the model of the international audit, OECD Guidelines and firms codes of conduct, etc;
- establishment of long-lasting contacts and cooperation with the respective state authorities for exchange of information, coordinated actions and utilisation of expert assistance;
- tracing down the participants in the sub-contracting chains through international (European) and regional (Balkan) cooperation in order to influence all levels for the achievement of decent working conditions (including by the mechanisms of the national contact groups).
- commitment of the Privatization Agency to assist with regard to the foreign investors and the compliance with the obligations undertaken by them in the privatisation contracts;
- organization of regional meetings in Bulgaria for exchange of information and training using the experience of the Association of International Federations for Workers Training;
- giving publicity to the aims of the Campaign’s and the possibilities for influence through the firm codes of conduct, the national coalition platforms in the EU member-states and by other mechanisms, such as trade unions involvement and mass media activities;
- Giving large publicity and stimulating the positive examples of labour practices in view of increasing the social responsibility of all employers in the sector.

## **VII. Conclusions**

Officially the liberalisation of the world trade is intended to create conditions for the states/firms to participate in the competition as “equal”, irrespective of the level of their economic development. After the Uruguay round the projected income gains from trade liberalisation are unevenly distributed between developed and developing economies. According to Trade Liberalisation: Global Economic Implications (1993), a publication of the OECD and the World

Bank, over the next decade, the potential gains from trade liberalisation would be allocated as follows:

Full liberalisation would add over \$450 billion to global income, over half of which would accrue to the currently most protectionist industrialized countries. Partial liberalisation, such as that envisaged in the Uruguay Round, would add over \$130 billion to the incomes of OECD countries and over \$80 billion to developing and formerly centrally planned economies. Whatever the degree of liberalization, all countries stand to gain in the long term even if some suffer in the short term. Poor, food-importing countries could, however, suffer short-term losses.

As noted by Martin Khor of Third World Network (TWN):

*“Even by the Northern institutions’ own estimates there are winners and losers from the Uruguay Round. ‘Free trade’ and ‘liberalisation’ are not ‘win - win’ processes. Those that are strong enough to take advantage of the rules (or to draw them up) can derive the benefits; others may have a more balanced net outcome, whilst the weaker participants (probably the majority) may stand to lose out.”*

The World Bank - OECD analysis of winners and losers in trade liberalisation is relevant to an analysis of its impact on different sectors of the population within a country. There will also be winners and losers within a country, as a result of trade liberalisation. Parallel to the positions of strength and weakness among the different countries, based on their degree of industrialisation and economic development, it would be the disadvantaged sectors that would suffer most from the impact of trade liberalisation. That would include women, rural communities and indigenous peoples.

The discussion about the liberalization continues for already 50 years, coming to one point – to what extent the state should intervene and to what extent give freedom to the economic subjects to promote the economic growth under the rules of the free market. The recent events during the Asian economic crisis in 1998 and the global recession that followed cooled down the enthusiasm of the supporters of liberalization and of the quick movements of enormous capitals – the globalization presupposes huge profits but huge losses too.

One of the most globalised productions is the garment industry. The garment factories all over the world create new possibilities for employment of women in the developing countries. They literally “drain off” the female working force.

Female workers must either be cheaper than comparable male labour, have higher productivity, or some combination of both, the net result being that unit costs of production are lower with female workers. The level of exploitation of female workers has skyrocketed in line with the industry's expansion.

In some countries, women may be particularly affected by the loss of the MFA. 90% of the workers in the textile and garment factories are women, poorly paid but often providing the bulk of the families' income. The prospects for finding work elsewhere are minimal. Thus, trade policies need to reflect the concerns surrounding women's working rights, their dislocation into factory work and basic human welfare rights.

The example of textiles also raises the issue of export-led development and specialised production for export markets. Such development would also be facilitated by the opening up of developed countries markets. But the emphasis on export-led development should not be to the detriment of policies that prioritise subsistence needs. Also, whilst it is important to prioritise production and commodities that are important to developing countries within a more equitable and fairer trade system, other 'costs' must be considered. Many developing countries have become increasingly export dependent on a small range of commodities (this is particularly true in the textile sector).

The prices of such productions are far from stable due to the nature of the world market and they are influenced mainly by the overproduction cycles. This leads to economic instability and does not contribute to the sustainable development.

There are also down sides for some industrialised countries. For example, textiles amounts to about 30% of Portugal's exports. The industry also provides employment for about 30% of the country's workforce. This leads Oxfam to conclude that,

*“Whilst there is a clear case for arguing for the abolition of the MFA, on the grounds that it is severely damaging Third World industries, there are genuine fears in some countries that its abolition will have grave economic and social consequences. In cases..[such as Portugal's]...the government would need to provide the investment and retraining required to reduce the social costs of adjustment”.*

The change of the material and social status of the women always accompany the labour feminization in some productions. When the economies compete with each other in the context of trade liberalisation very often the result is a competition between women from different countries. In order the economies to

maintain their competitiveness the effect of this competition is a decrease of remuneration and reduction of working condition requirements.

There are currently five significant trends in women's employment in developing countries:

1. Increasing feminisation of employment, especially in export-oriented manufacturing production but also in several other sub-sectors in services
2. Sex-segregation of jobs, not only in traditional occupations but also, and particularly, in the newer industries which need not be segmented in this manner
3. Discrimination between women workers because of age and marital status
4. Deterioration in the status of women workers
5. Unemployment and underemployment of women.

Many non-governmental organisations aim to give publicity to these tendencies and to act for the restriction of their unfavorable effects in developing countries. It is very important to avoid the development of such tendencies in the East-European countries. In the period of transition and structural adjustment in our country it is very important to identify the problems in time and to undertake respective actions for the mobilisation of the civil society. The first successful attempt for the creation of the Campaign “Clean clothes” in Bulgaria and the organisation of a working meeting with large-scale representatives of interested institutions and organizations from the country and abroad were a step in this direction. The expressed standings and concern and the proposals presented are a good prerequisite for the successful continuation of the Campaign’ activities. We hope to continue to expand and develop the established good contacts and relations of partnership for the sake of our common objective – improvement of the social and labour status in conformity with the international standards of the employed in the garment industry and particularly of women.