

Who pays for our clothing from



and



?



LABOUR FORCE AT A DISCOUNT PRICE

A GOOD DEAL FOR ALL?

Who pays for our clothing from Lidl and KiK?

A study into the impact of buying practices of the discounters Lidl and KiK in Bangladesh and the precarisation of working conditions in German retailing

**with contributions from:
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I. Introduction

Globalisation and discounting are closely related. About 90 percent of our clothing is produced in Asia, Central America, Eastern Europe and several countries in Africa. The majority of retailing companies, such as also the discounters Lidl and KiK, buy from these countries. The “Alternative Movement for Resources and Freedom Society” (AMRF) examined the buying practices of discounters and the working conditions in six selected suppliers of Lidl and KiK in Bangladesh. The results – massive violations of labour and human rights – are presented in this brochure.

Through the concentration process in purchasing, the discounters have developed enormous power, through which they are in the position to hold down prices, reduce deadlines and pass on more and more of the responsibility to their suppliers. Their motto is: cheaper, quicker, more flexible; the risk must be borne by the suppliers. The producers in Bangladesh are powerless against these huge corporations. They, in turn, pass on this pressure to the garment workers who are ultimately the ones to suffer most as a result of this price war. The garment workers work without employment agreements for the lowest of wages. Overtime is either not paid or not paid correctly; the right to freedom of association is denied. Women are victims of discrimination – they are badly treated by the foremen. And they are paid less than men.

But it is not only the garment workers in Bangladesh, but also the shop assistants in Germany who experience the consequences of discounting. The discounters’ concept amounts to: cheap-cheap-cheap. It is not only the products and their presentation that should be cheap, but also the shop assistants themselves. The number of jobs for full-time employees is sinking fast – since 2003, 180,000 have been lost in Germany – part-time workers, on the lowest of wages, are now doing the work. Poverty, in spite of work, is the consequence and this affects women, in particular – 70 percent of employees in retailing are women.

A workforce, for the cheapest price – both in Bangladesh and in Germany. That is the consequence of globalisation and discounting. Bangladesh is no longer so far away; we already have similar working conditions round the corner in our discounters.

What can we do about this? Voluntary self-commitments of retailers have, thus far, failed to lead to any improvements in working conditions – they are not worth the paper they are written on. Why? Because they are not being implemented. They look good and, for the companies, function as a protective shield against criticism, along the lines of: “Of course, we want better working conditions, but we cannot enforce them in the factories of our suppliers”. The large retailers can certainly control the quality of their products – and do so all the way to the low-wage countries – but they apparently do not consider themselves to be in the position to control compliance of social standards. The companies, in this instance the discounters, are only interested in the products – at the lowest of prices; the conditions, under which they are produced, are of no real interest to them.

Consequently, the state or the international community must establish binding international regulations for companies and monitor their observance. Individual countries such as Bangladesh are too weak and the governments too corrupt to be able to protect the interests of their own population. They fear that the retailers will transfer their operations to other – cheaper – countries, when too much attention is given to the observation of human rights. The German government, however, and the European Commission have massive economic power. They can introduce binding regulations for the corporate accountability and must, at last, oblige transnational companies to be accountable for their actions.

Gisela Burckhardt

2. How discounters use their power: concentration and expansion in retailing

By Gisela Burckhardt

The retail houses and discounters have developed enormous economic power. They are able to determine the prices and are interested in keeping them down. Producers in Asia, Latin America and Eastern Europe are powerless. They have to swallow whatever the corporations dictate.

The following will present the development of retailers, with particular focus on the textile sector and the buying practices of discounters. To begin with, the concentration process will be outlined through the example of groceries retailing, before looking at the trends in the textile sector, with particular attention given to the buying practices of discounters.



The concentration process in the groceries sector

In so-called retailing, retailers sell goods directly to the end customers, while wholesalers sell to resellers. One can define retailing according to different criteria, the most important of which are:

- the branches (only one or many),
- the size of sales area, and
- the product range.

Differentiation can be made between the specialist retailer that sells only one category of goods (e.g. clothing) and the department store with many different categories of goods. In

terms of sales area, there are four different categories: a) groceries retailers with shop assistants or self-service with a sales area of up to 200 m², b) self-service groceries markets with a sales area of 200-400 m², c) discounters with a sales area of up to 1,000 m², and d) supermarkets with a sales area of 400-1,500 m². In terms of product range, differentiation is made between full range retailers (e.g. supermarkets, department stores with up to 25,000 articles) and discounters (up to 1,500 articles).

While in Italy, there are 124 groceries outlets for every 100,000 inhabitants, there are only 50 in Germany. For the consumer, this automatically means a reduction in local products, and the product range is standardised, looking the same throughout the

country. The five largest retailers' share of groceries sales in Italy in 2003 was 39 percent, while, in Germany, it was almost twice as much: around 70 percent (Bormann, 2005, p.42 and 2007). The giants in retailing determine what reaches the table in Germany.

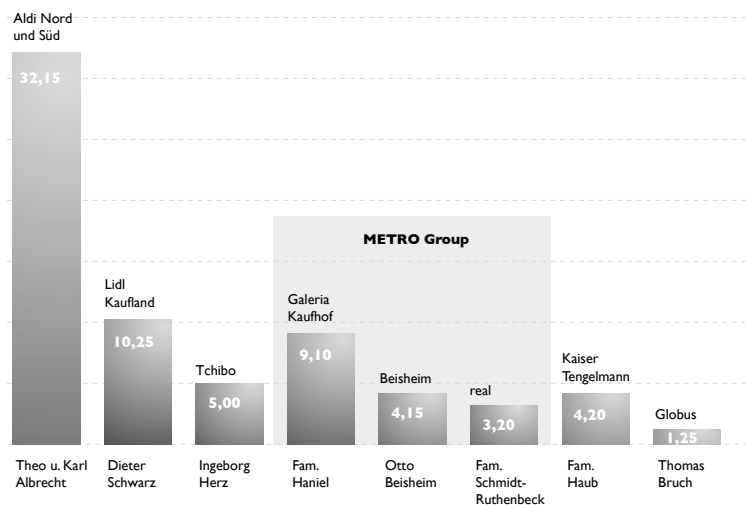
Almost three quarters of Germans shop in department stores; specialist retailing, in contrast, is shrinking. If one now also looks at the discount share of the groceries market, one notices that, in 2006, 42 percent of groceries trade in Germany was carried out through discounters. In England, this concentration process is even further advanced: here, the "Big Four" (Tesco, Asda, Sainsbury's and Safeway) control three quarters of groceries retailing. This concentration process has occurred very quickly, for, in 1990, the "Big Four" did not even control half (47 percent) of the market (Action Aid, 2006).

In Germany, while the sales areas in retailing have almost tripled in size since 1970 (Supermarkets on greenfield sites), the number of sales outlets has decreased from 75,667 (1996) to 61,460 (2005). In the last ten years alone, the total sales of smaller shops with a sales area of under 400m² has been halved (from around 18 percent in 1995 to almost 9 percent in 2005). (Bormann, 2007, p.17)¹. The trend, up to now, is manifested in a concentration process: smaller shops have to close, while department stores and discounters with sales areas over 400 m² expand.

This concentration process is also evident in retailers' profits after tax, which rose from 9.3 billion Euros in 1998 to 11.6 billion Euros in 2004 (WABE-Institut, 2007). A great deal of money can be made in retailing: the Albrecht Brothers (Aldi) and Dieter Schwarz (Lidl) are among the wealthiest Germans.

The super-rich in retailing 2006

Figures in billion Euros



March 2007

Source: manager magazin special edition, "The 300 richest Germans", October 2006, Quoted by verdi, Handel No. 4, 2006, p. 1

Negative effects

The small groceries retailer, offering friendly advice, is gradually disappearing, since it is unable to compete with the low prices on offer in supermarkets and discounters. The big drive out the small. Although the customers are profiting from the low prices, there are, however, numerous negative effects: the demise of the small shops prevents local shopping opportunities. Everyone needs a car nowadays to go shopping and, for older people, this is obviously a problem. Customer services are no longer provided by discounters; customers have to inform themselves, often wandering around the aisles in search of a specific product and finding virtually no one they can ask for assistance. In future, thanks to RFID-chips, there will probably even be no need for tills. The price of the goods in the shopping trolley will be automatically recorded by remote control when the customer leaves the shop and paid for by credit card from his or her account.

Furthermore, the range of merchandise on offer, especially of regionally produced goods, is shrinking. Local industries and farmers are losing their markets. Employees in the small shops are losing

their jobs, or the jobs are being transformed into part-time positions, affecting women in particular (see the article by Sarah Bormann in this brochure).

The expansion process

Expansion is taking place on several levels: Firstly, the sales areas have tripled in size, as described above. Secondly, the discounters have expanded their range of basic articles. Aldi began with 400 articles. Today they have around 700. Finally, discounters are expanding, not only in Germany (Aldi: 4,200 shops; Lidl: 2,700 shops; Kik: over 2,000 shops), but also in other countries. Lidl now has 7,500 branches in 23 countries; Aldi has 7,299 branches in 15 countries. Nevertheless, most of Aldi's turnover (55 percent) is made in Germany and it is by far Germany's largest discounter. While Lidl is only in second place in Germany, its turnover worldwide is higher than Aldi's. Lidl has made great expansion in Eastern Europe and has grown much more rapidly than Aldi.

The German Metro AG, the world's fourth largest retailer, with 2,458 sales outlets and a turnover of almost 70 billion US\$ in 2005 (EHI quoted in Wick, 2007, p.27), is making business in 30 countries (Metro Group, quoted in Wick, 2007, p.30). The corporation is also operating in the Chinese market, with 23 Cash & Carry markets (Bormann, 2005, p.46).

Development in the textile and clothing sector

The turnover in the textile and clothing sector in Germany declined between 1996 (62.89 billion Euro) and 2004 (56.27 billion Euro) and has risen slightly again since 2005. In 2006, the turnover in clothing and textiles in Germany amounted to 55.2 billion Euros.² The specialised trade in textiles (textiles and clothing) accounted for 55.5 percent of this (clothing retailing alone 50 percent) and the non-specialised trade in textiles (department stores, discounters, sports shops, mail-order

etc.) 44.5 percent (all data from: www.twnetwork.de, TW Studien, Marktstrukturdaten Handel, 24.11.2007).

The following table shows the decline in spending on clothing and shoes in Germany since 2001, as a proportion of private households' total expenditure.

Structure of expenditure of private households in Germany.

Total expenditure in percent	2001	2002	2003	2004
Clothing and shoes	5.4	5.2	4.9	4.8

Source: Figures for the textile and clothing industry 2006, Gesamtverband textil + mode, p. 3

In 1992, Germans spent 64 billion Euros on clothing, but only 56 billion Euros in 2005. This lower expenditure, however, does not mean that, in terms of volume, less is actually being purchased. Indeed, the very opposite is the case. In Great Britain, the volume of clothes sales alone has doubled in the last ten years, whereas the average price during the same period has fallen by between 30 and 40 % (Beckett 2006). In other words, we are consuming more, but more cheaply. More and more goods are on offer for ever-decreasing prices. So, who has to bear the impact of these costs?

Thirty-two million people in Great Britain buy 30 percent of their clothing from four of the biggest department stores (Tesco, Asda, Sainsbury's, Marks & Spencer). The largest discounters pay their suppliers up to 15-20 percent less for their goods than normal department stores (ActionAid, 2007, p.16). Because of the great amounts of goods they can order, they are able to force down purchasing prices to an enormous extent. But the department stores, too, have now developed their own counterstrategies: forming purchasing groups with companies from other European countries, whereby their influence and power is now just as great as the discounters. Suppliers in developing countries are becoming increasingly dependent on a few multinationals and their importers. With continually decreasing prices, they force down wages. Ultimately, it is the garment workers in the factories who suffer.

However, one should not gain the impression that the big buyers all come from Europe and the USA. The stock-exchange listed family concern, Li&Fung from Hong Kong has become the biggest buyer (not only of textiles) in the world. It supplies the big retailers Wal-Mart, Carrefour, Hilfiger, Esprit and, since autumn 2006, also Arcandor, formerly Karstadt/Quelle.

“Our profits thereby improved by between 10 and 15 percent” announced Helmut Merkel from Karstadt’s purchasing board (Handelsblatt 27.3.2007). According to the company’s own figures, working capital would decrease by half a billion Euros, since Li&Fung had a “longer term payment goal” with respect to its suppliers than Arcandor or the former KarstadtQuelle AG had (Wikipedia, 10.10.07). In other words: Li&Fung can force down the prices even more and, evidently, delays payment. That is unsurprising, since Li&Fung is an Asian giant with 70 buying offices in 44 countries and 7,000 employees, who have to compete against each other. “That increases competition and self-initiative,” believes William Fung. He uses his red windcheater to show journalists just how globally his company operates:

“We got the outer material in Korea, the zip comes from Japan, the padding from China, the elastic from Hong Kong and the lining is supplied by Taiwan” (Handelsblatt 27.3.2007).

Insiders estimate that Li&Fung collects a mediation premium of around five percent of turnover. Its turnover in 2006 amounted to 8.7 billion US\$, while its net profit increased that year by 23 percent to 282 million US\$. William and his brother, Victor Fung, are now each reckoned to be worth 2.4 billion US\$ (Handelsblatt 27.3.2007).

If one looks only at the clothing retailers (excluding Great Britain), the Swedish clothing house

H&M is in first place, the Spanish company Inditex (Zara) in second and the German-Dutch textile department store C&A in third. Their annual turnover is enormous: over six billion Euros for H&M in 2005/6. In Germany, however, H&M is in fifth place among the biggest textile retailers, after C&A (see below).

Turnover of the biggest textile retailers worldwide (excluding Great Britain)

Company	Country of origin	2005/6 turnover (Million Euros)
H&M	Sweden	6,128
Grupo Inditex	Spain	5,514
C&A	Germany/Netherlands	4,563
Esprit	Hong Kong	1,810
Benetton Gruppe	Italy	1,481
Peek & Cloppenburg	Germany	1,425
Mango	Spain	1,144
Vivarte	France	953
Grupo Cortefiel	Spain	916
Varner Group	Norway	873
Charles Vögele	Switzerland	870
Etam Development	France	725
Gap	USA	662

Source: ECRA, 2007, p. 25

Where do the Germans buy their clothes?

In Germany, half of all customers buy some of their clothes from discounters such as Aldi and Lidl (TextilWirtschaft 33 from 18.8.2005). Aldi has succeeded in appealing to all types of customers, not only those living on a tight budget. Although the share of textiles amounts to only around five percent of all the merchandise groups of the discounters, within a period of ten years (1992-2002) Aldi’s turnover in clothing increased by 222% (Erlinger quoted in Wick, 2007, p.12). In 2005, Aldi’s turnover in textiles and clothing was about 1.1 billion Euros. Meanwhile, the competitors (Lidl, Kik, Tchibo) have made up ground. The Tengelmann Group (Kik and Plus) has even managed to outstrip Aldi’s turnover in clothing since 2005. According to the list published by TextilWirtschaft of the largest textile retailers in Germany (2006, see table) Tengelmann is now in seventh place, ahead

of Tchibo, Aldi and Lidl. Thus, Tengelmann with its 2,897 Plus and 2,100 Kik branches has a turnover in textiles of 1.27 billion Euros. Other discounters (Aldi, Lidl, Tchibo) have a turnover in textiles of around one billion.

However, the biggest textile retailer by far is Arcandor/KarstadtQuelle with a turnover of 4.2 billion Euros in 2006. Then comes Otto mail-order with 3.5 billion Euros and Metro (Kaufhof and Adler etc.) with a turnover of three billion Euros.

The biggest textile retailers in Germany, 2006

Rank	Company	Turnover in million Euros		Change in percent	Remarks
		2005	2006		
# 1	Arcandor/KarstadtQuelle, Essen	4207	4424	-4.9	Turnover not comparable, new basis for estimation. 120 Metro C+C branches, 286 Real self-service department stores
# 2	Otto, Hamburg	3548*	3650*		“Textile turnover in the catalogue and online mail order, principally with Otto, Schwab, Heine, Witt Weiden, Baur, Sport Scheck, Frankonia, Discount24.de, Bon Prix and Frankonia. Permanent sites, also Castro, Witt, Bonprix, Sport Scheck, Frankonia, Heine, Witt and Baur. Due to a minority involvement in 2006 for the first time without Zara, hence turnover not comparable“
# 3	Metro, Düsseldorf	3074*	3245*		“Turnover not comparable, new basis for estimation. 120 Metro C+C branches, 286 Real self-service department stores, 85 self-service department stores taken over from Wal-Mart as of 1.11., 259 Extra cut-price supermarkets, 127 Kaufhof stores and 109 Adler branches“
# 4	C&A, Düsseldorf	2810	2700	4	400 C&A branches
# 5	Hennes&Mauritz, Hamburg	2175	2120	2.6	303 branches
# 6	Peek&Cloppenburg, Düsseldorf	1496*	1453	3	88 branches, including Anson’s
# 7	Tengelmann, Mülheim/R.	1274*	1244*	2.4	Textile turnover with 2897 Plus and 2100 KiK branches
# 8	Tchibo, Hamburg	1077*	1077*		Around 1000 branches, e-commerce und mail order
# 9	Aldi Group, Essen/Mülheim/R.	1050*	1095*	-4.1	Aldi Nord with around 2400, Aldi Süd with around 1800 branches
# 10	Lidl, Neckarsulm	1010	1055	-4.3	2800 branches
# 11	Takko, Telgte	790*	770*	2.6	850 branches
# 12	Klingel, Pforzheim	700	720*	-2.8	Mail order by catalogue and Internet with Klingel, Mona, Babista, Wellsana, Meyer Mode as well as 5 fixed location units
# 13	Esprit, Ratingen	650	490	32.7	117 branches as well as E-Commerce under www.esprit.de
# 14	New Yorker, Braunschweig	582	513	13.5	278 branches
# 15	Ernsting’s Family, Coesfeld	530*	460*	15.2	1240 branches
# 16	SinnLeffers, Hagen	500	563	-11.2	47 branches
# 17	Peek&Cloppenburg, Hamburg	480*	460*	4.3	27 stores. Reopening in Münster (9/06, 9000m ²), Sales area doubled in AEZ to 6000m ² (9/06), Branch in HHHarburg closed (summer 06)
# 18	NKD, Bindlach	465	446	4.3	924 branches
# 19	Woolworth, Frankfurt	435	445	-2.2	325 branches
# 20	Breuninger, Stuttgart	423	389	8.7	13 Breuninger stores as well until 12/06 Modehaus Heinemann, Düsseldorf

Source: Extract from: www.twnetwork.de/unternehmenundmaerkte/twranlisten/pdf/GroesstenTextil2006

Furthermore, the so-called verticals (H&M, C&A), who sell only their own label products, were able to increase their turnover from the previous year by 2-4 percent to 2.8 billion Euros (C&A) and 2.17 billion Euros (H&M). In contrast, the turnover of specialist shops fell by almost 50% to 29 billion Euros between 1992 and 2004.

Their number has also greatly decreased: in 1996, there were over 55,000 independently run clothing companies; in 2005, there were only 38,000. Yet, they still have the most customers (55.5 percent of turnover is still made in specialist textile retailers, see above). Mail-order has expanded and become an increasingly important competitor in recent years. More customers order their clothing from them than in (multi-label) clothing stores such as Peek & Cloppenburg (www.twnetwork.de, TW Einkaufsstätten-Studie 18.8.2005).

TextilWirtschaft's study of buying locations (2005) concludes that the trend is towards combination; there are no more taboos with regard to discounters. Today's customer switches at will between discounter and specialist shop. The discount t-shirt from Aldi is worn along with Brax trousers; H&M customers make their outfit more stylish with something from Lagerfeld.

Where do our clothes come from?

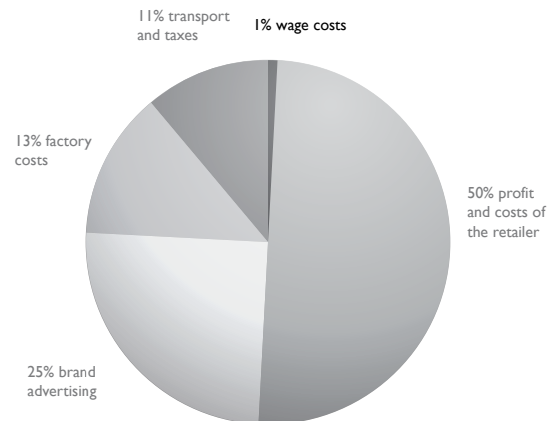
About 90 percent of clothing is produced in countries in the South, especially in South and Southeast Asia, Central America, some countries in Africa and in Eastern Europe. After the phase out of the Agreement on Textiles and Clothing (ATC) at the end of December 2004, the hitherto fixed export quotas for textile products for individual countries expired. As expected, China's exports increased rapidly. In 2005, China's exports to the USA grew by 47 percent and to the EU by 43 percent (Wick, 2007, p.24). China's market share of worldwide clothing exports rose from 20 to 27 percent, i.e. China, today, produces more than a quarter of the world's clothing. The phase-out of quotas led to price reductions and strong competition among the poor countries that export clothing and whose national income is hea-

vily dependent on exports. However, in the event of trade disruptions, the WTO permitted the imposition of quantitative restrictions on imports from China. Thus quotas were re-introduced, limiting the Chinese imports to the EU until the end of 2007, and to other countries (including the USA) until the end of 2008. A complete liberalisation of textile and clothing markets should eventually be in place from 2015.

The poor countries, competing to retain their clothing industry, try to offer the lowest wages. If, however, one looks at the various cost components from the viewpoint of the buyer/company, wages only account for 0.5-1 percent of the ultimate selling price of the product, as the following chart illustrates. In contrast, marketing and advertising, as well as the profit for the company in Germany/Europe amount to about 25 percent of the end-selling price.

An increase in wages is, therefore "peanuts" in the eyes of the buyer. Yet, they haggle over every cent.

How the price of a t-shirt is made up



The chart shows how the price of an article is divided up, i.e. only around 14 percent (factory and wage costs) remain in the country of production, e.g. Bangladesh.

It is also interesting to look at the cost distribution, as soon as the article is shipped. From the article leaving the factory until it is finally sold to the con-

sumers, the price can be increased tenfold, as the following example from Denmark shows:

Price Structure for Garments (by a Danish wholesaler)⁴

Price structure for Garments	US\$ ⁵
Free on Board (FOB) ³	6.44
Insurance, freight etc.	0.64
Cost Insurance and Freight (CIF) price	7.09
Duty (if applicable)	0.85
Landed cost	7.94
Wholesaler's mark-up, 35-70%	3.97
Wholesale price	11.91
Retailer's mark-up, 200-300%	35.72
Retail price, excluding VAT	47.63
VAT, 25%	11.91
Selling price to consumer, incl. VAT	59.53

Source: Danish Import Promotion Programme, Quoted from ECRA, 2007, p.27

Discounters

What distinguishes the discounter from a supermarket or department store? In the German Brockhaus encyclopaedia, a discounter is defined as follows: "Discounter – retail company, which offers a limited range of products, tailored towards quick turnover at constantly low calculated prices without such service provision as help from shop assistants, advice and after-sales service. In order to keep operating costs as low as possible, methods used include buying large quantities of products without the involvement of wholesalers, keeping stocks to a minimum, giving preference to cost and transport favourable locations and employing few personnel."

Furthermore, it could be said that discounters are so cheap because:

- the product range is limited to between around 700 (Aldi) and 1,000 (Lidl) products. In contrast, a supermarket has around 25,000 articles. Restricting the number of articles simultaneously enables the purchase of large quantities.
- simple presentation of goods in cardboard boxes on shelves, with a complete absence of decoration.

- the sales area is not as large as that of supermarkets. Municipal regulations on sales area restricted companies moving into local communities to a maximum area of 700m². The large supermarkets, with huge sales areas, were, therefore, forced to move to the "green belt"
- they keep stock levels and, hence, costs for the storage of reserves to an extreme minimum (lean retailing).
- they spend much less on advertising than supermarkets or department stores.
- through buying huge quantities, they can blatantly force down prices and take full advantage of their market power.
- they lure customers with bargains / special buys.
- they reduce personnel (no service; employees must also work unpaid overtime to do such things as till counting and cleaning the shop). In discounters, labour costs account for only 6.7 percent of total costs. In supermarkets, in comparison, wage costs account for 14 percent (WHI 2006, p. 287).
- they prevent the organisation of employees (see the cases of Schlecker, Lidl, Aldi Süd and KiK) and, thereby keep wages low.

Buying policies of discounters

Most discounters buy through importers; they are not interested in where the products come from and do not care under which conditions they are manufactured. The trend in the clothing sector is that large retail houses and their importers are concentrating on fewer and fewer selected producers in a few so-called "strategic" countries and outsourcing more and more stages of production (from the buying of items such as buttons and zips up to design) to these suppliers. The aim is to shorten the supply chain and concentrate on a few countries and suppliers. This means that companies increasingly want to work in close co-operation with their suppliers. This can even go as far as companies owning part of the capital of their

suppliers (e.g. sewing machines). In the last two years, for example, Adidas has removed over 200 suppliers worldwide from their list and is concentrating their purchasing from six major countries in Asia (although altogether adidas still has over 1,000 suppliers in 65 countries). Tchibo wants to concentrate on five strategic countries.

This new trend leads to greater mutual dependency, whereby the dependence of the supplier on the buyer (company or importer) is usually greater than vice versa. Contracts from few importers/companies – although with larger volumes – make the suppliers extremely dependent on their buyers. Because of the large quantities involved or also because they have several contracts, suppliers' capacities can become overstretched and they are unable to accept other contracts. This means that the buyer is able to dictate conditions (price, delivery time, etc.).

Moreover, there is a real risk of suppliers passing on the contracts to sub-suppliers further down the chain, because they, themselves, cannot deliver the quantities required in such a short time. As a rule,

the social standards in sub-suppliers and their sub-suppliers are subject to even less scrutiny and their compliance is less, if at all, externally monitored and verified. On the one hand, it is to be welcomed that the relationship between some buyers and their suppliers will become closer and, above all, more reliable, which, in some cases, may result in a stronger commitment to compliance with social standards. On the other hand, this concentration process means that the production chain, as a result of subcontracting, is less discernible and transparent to the outside world.

Many companies and importers make use of their enormous power to force suppliers to produce more cheaply and quickly. Thus, according to a study by Action Aid (2007) in the groceries sector, two-thirds of the suppliers of the four largest supermarket chains in Great Britain were asked to enter into exclusive contracts with only one retail chain. Half of the suppliers consented – out of necessity.

The buying practices of companies demonstrate the following three tendencies: “cheaper, quicker, risk avoidance”:



Cheaper:

- Prices are forced down: the prices for women's clothing fell in the last ten years by a third. This happened, even though, in most developing countries, production costs rose as a result of higher energy prices alone.
- Suppliers are threatened with being removed from the lists, if they do not reduce the price.
- Special reductions and knockdown prices are negotiated.
- Multinationals form buying associations to deal with suppliers. AMS (Associate Marketing Services) buys for eight supermarket chains for the sum of 40 billion pounds for 14 European countries! (Action Aid, 2007)

Quicker:

- Collections change more and more frequently: In the past, there was a change twice per year; today, depending on the retailer, such a change can take place up to 12 times per year. The Spanish clothing company, Zara, is particularly well known for its frequent changes of collection. In Zara's 4-5 week production cycle, only ten days are planned for actual production.
- Delivery times are becoming shorter and shorter, as one factory owner in Sri Lanka complains, "In 2003, these were still 90 days, in 2004, 60 days and, sometimes even 45 days" (Oxfam 2004). Moroccan suppliers, today, have to fulfil contracts for the Spanish department store El Corte Ingles within seven days; the production time was reduced by 30% between 2000 and 2005 (ECRA, 2007, p.28). Another factory owner in Morocco explains: "Three years ago, a standard delivery took one month. Today, we have contracts where the lorry comes on Tuesday and on Saturday it's on its way back to Spain" (Oxfam, 2004).
- Today, buyers, with the help of global electronic networking, are able to control the entire value chain. In the internet, contracts are awarded with the help of "online reverse auctions". Those wishing to make an offer can see what price the others are offering, leading to scandalous underbidding. Interested parties have to act

quickly since a contract can be awarded within a few hours. The supplier, therefore, does not have much time to make his calculations.

Risk avoidance:

- Suppliers have to adjust to the fact that merchandise, depending on sales levels, can be ordered at short notice. Companies reduce their stock levels to a minimum in order to cut costs. "Quick response" is a form of information technology, which functions as follows: "Once per week, usually on a Sunday after weekend trading, the company sends an order to the supplier, who receives it on Sunday evening. He then has to deliver the goods by Wednesday." (Abernathy et al 2005). The company not only saves storage capacity, but also passes on all risks to the suppliers (that have costs for the purchase of materials). It is becoming increasingly common practice for companies to give purchase guarantees for only the first part of the delivery, with further parts depending on sales. The jargon for this is: ECR = Efficient Consumer Response.
- Suppliers are increasingly being forced to take on more tasks formerly carried out by the textile trader. Thus, more and more suppliers have to buy cloth and yarn and other accessories (buttons, zips, etc.) at their own risk. Buyers are, thereby, able to reduce delivery times and cut costs.

The buying practices have a direct impact on the working situation of garment workers. The suppliers pass on the pressure, in the form of prices and delivery deadlines, to their workers, who, more and more frequently, have to work night shifts because the contract has to be shipped. Overtime is usually badly paid or not at all. In chapter 4, the impacts are presented in greater detail.



“I have regularly sent my workers every week to the hospital – they were suffering from exhaustion, were unconscious and developed psychological problems...

Walking around, I sometimes see former employees – but I don’t dare to ask, how their health is.” Former factory owner in Thailand (ECRA, 2007).

For the majority of garment workers, the worldwide acceleration of turnover and the increased pressure of competition among suppliers within a country and between countries have led to declining social standards. Discounters conduct a particularly aggressive buying policy. Since they do not usually buy directly from suppliers, but frequently through importers, they have no direct relationship with their suppliers and are, therefore, unable to develop any trusting working co-operation.

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¹ Under the top five German retailers, first place is taken by the Metro Group with Real, Saturn, Media Markt and Kaufhof; in second place are the Aldi brothers with Aldi Nord and Aldi Süd; in third place, the REWE Group with the discounter Penny, the specialist markets HL and Minimal, the drug chain Idea and the consumer market Toom. The Edeka Group and the Schwarz Group (Lidl, Kaufland) follow in fourth and fifth place.

² The turnover according to sales methods is based on provisional data and that presumably accounts for the difference in the overall amounts of 57.18 and 55.24 billion Euros. Both figures come from the same source.

³ FOB is the value of the merchandise at the end of manufacturing and before shipping.

⁴ Ibid, p.13.

⁵ Approximate figures based on average exchange rate for April 2006.

3. The discounters Lidl and KiK

3.1 Lidl – the discount giant

By Evelyn Bahn



Typical Lidl branch – the exterior appearance is the same in all countries.

The hunt for bargains and tumbling prices leads involuntarily to the company that advertises itself with the slogan “Where quality is cheaper!”. “Lidl is cheap!” promise the colourful advertising leaflets containing the newest offers for Germany’s bargain hunters. In recent years, Lidl has enjoyed a massive boom. It now has 2,700 branches in Germany where consumers can find groceries and other articles at discount prices. In 2005, alone, 200 new branches opened up.

The Lidl-cheap-principle has not only been successful in Germany, but also in 23 other European countries. From Spain to Norway, from Great Britain to Slovenia – more and more people are shopping in one of the 7,500 branches of the discount market with the yellow-blue-red logo. In each

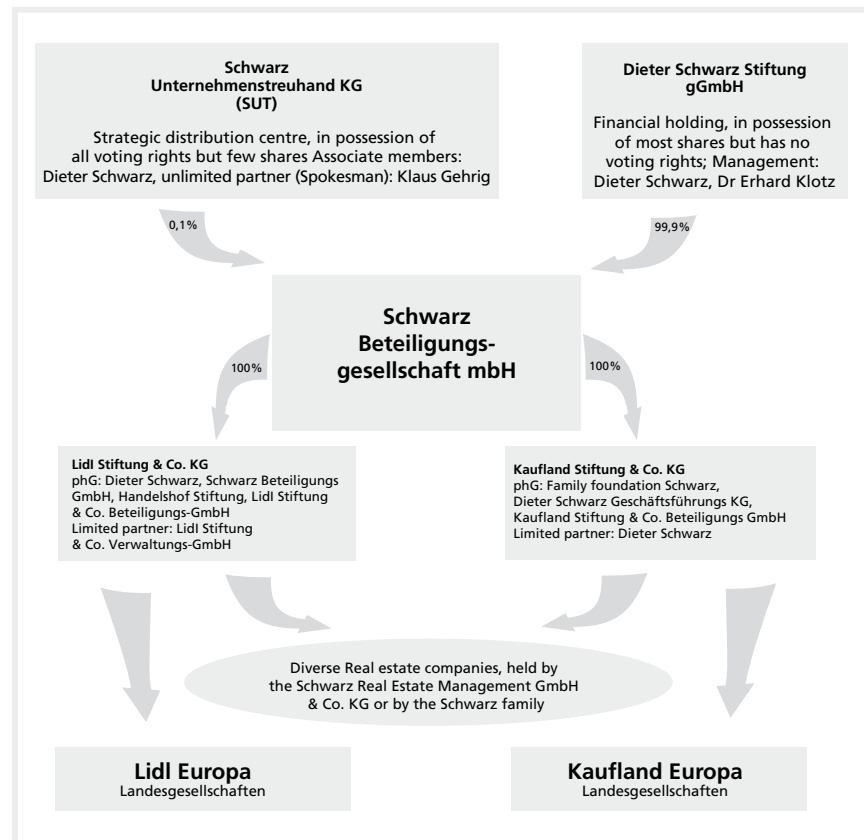
country it has the same corporate design – logo, shop architecture, shopping trolleys, product arrangement, advertising leaflets: there are no differences, apart from the language. But it is not only the external appearance of the discounter that is the same in every country but, behind the scenes, the structures are also similar. From all countries there are reports of massive labour law violations in Lidl branches. Shop assistants have to work like dogs on the tills for the lowest of pays and overtime is commonplace. If the shop assistants seek to demand their rights and, for example, set up a works council, they are discriminated or even dismissed. As this study, through the example of the clothing industry, shows, the cheap price policy of discounters is also at the expense of the workers in the producing countries.

The roots of the discounters

The real company behind the discount giant is “Schwarz”. As long ago as 1930, Josef Schwarz founded the tropical fruits wholesaler Lidl & Co. Only a few years after opening his first shop, Josef Schwarz extended his grocery range to include other products and, in 1972, moved the company headquarters to its present location in the German city of Neckarsulm. But it was only after Josef Schwarz died in 1977 and his son Dieter took over the company that the first discount shop was opened in 1978. Dieter Schwarz copied the Aldi concept. The Aldi brothers, Karl and Theo Albrecht had already opened the first discount shops at the end of the 1940s under the name Aldi and had

found success with the “Less is more” concept. Today, the Schwarz empire is a complex network of diverse participating companies, foundations and subsidiary companies. The company is not listed on the German stock exchange and is still considered a family company. Although Dieter Schwarz is no longer involved in the day-to-day business, he nevertheless continues to be the company’s major shareholder. Insiders report that Dieter Schwarz still has huge influence on business decisions (cf. Manager Magazin 2/2007). The structure of the Schwarz Group and the establishment of various foundations enable the company to acquire enormous tax allowances. Little is known publicly about the Schwarz foundations. Fundamentally, the company is concerned with giving away as little as possible about internal management to the general public. Over the years, it has given no pub-

lic comments whatsoever and many press questions remain unanswered. Only recently, and through the public awareness campaign by ver.di and Attac has the company attempted to use public relations work to rebuff potential damage (Hamann et al: 2006).



The Schwarz empire (The Info-graphic is based on information from the “Wirtschaftswoche” and partly on anonymous material. It was taken from the Black Book Lidl; ver.di).

Huge profits at the cheapest prices

The more complex the structure of a company is – through subsidiary companies and shareholders – the more difficult it is to find out about profit figures, finances and other relevant information. This also applies to the publicity-shy discounter Lidl, about which, even in the specialist press, there are only estimates of its profits. According to estimates of the groceries newspaper “Lebensmittelzeitung” the Schwarz Group had a net turnover of 50.224 billion Euros in 2006, putting it in 13th place in the top 30 groceries retailers in the world. According to the newspaper, the Schwarz Group now makes 46 percent of its turnover abroad. One year previously, although the company was only in 16th place, it still managed to push its biggest rival,

Aldi, into the lower places. This rise in a world context is largely based on the aggressive expansion in other European countries in recent years. A look at the turnover of the discounters in the German market reveals, that in Germany Lidl still trails behind Aldi.

The six biggest discounters in Germany

Company	Turnover 2006 in billion Euros (gross)	Turnover 2005 in billion Euros (gross)	Number of outlets 2006	Number of outlets 2005
Aldi Gruppe	27.4	25.8	4,200	4,100
Lidl (Schwarz-Gruppe)	12.1	10.8	2,800	2,600
Plus (Tengelmann)	6.7	6.5	2,800	2,800
Penny (Rewe Group)	6.1	6.1	2,000	2,100
Netto (Edeka-Gruppe)	3.2	3.1	1,100	1,000
Norma Lebensmittel-filialbetrieb GmbH & Co.KG	3.0	2.8	1,200	1,200

Source: www.lz-net.de/rankings/

Today, Dieter Schwarz is the third richest person in Germany. The enormous profits at the cheapest prices can only be achieved, however, through the massive pressure inflicted on employees, suppliers and workers. Lidl uses its growing market power to dictate more ruthless prices and delivery times. Suppliers and producers run the risk of losing contracts, when they do not give in to demands. In order to fulfil the demands of the discounters, workers' wages are forced down and working conditions lowered (cf. Chapter 4.3.). Information on unit prices and delivery times are kept highly secret by Lidl, and managers are sworn to silence (cf. Furstenborg 2004: 6).

Lidl products: pullovers, shoes, package holidays – the main thing, cheap!

Although Lidl is primarily known as a groceries retailer, the discounter is selling more and more non-food products. Each week, colourful advertising leaflets from Lidl, containing the current

cheap offers of the week, find their way into the letter boxes of thousands of households. The so-called special buys range from computers, household objects and stationery to cosmetics. Each week in the rummage bins in Lidl branches there are also textile and clothing products. The offer ranges from general women's, men's and children's clothing to special sports' clothing, shoes, bed linen and hand towels. Lidl also sells telephones and broadband contracts and provides flower delivery and photo development services. The bargain hunter can also, for example, book a package holiday to Thailand or a weekend break in Rome. The special buys are sold as special discount offers, change on a weekly basis and are, therefore, not part of the permanent product range. The proportion of non-food articles within the overall product range now amounts to 19 percent, whereby the proportion of textiles and clothing is estimated to account for a quarter of the non-food articles. The fact that

more and more people are buying their clothing from the discounter Lidl is clearly illustrated by the company's turnover in textiles:

Estimated turnover in textiles of the Schwarz Group

- 2005: 1,055 million €
- 2004: 1,040 million €
- 2003: 1,000 million €
- 2002: 750 million €
- 2001: 570 million €

(Source: www.twnetwork.de)

While, in the middle of the 1990s, the discounter in the textile and clothing sector was in 53rd place among German textile and clothing companies, Lidl is now in 10th place in the league of the biggest companies. For Lidl, the special buys constitute a key selling strategy. With cheap offers in the non-food sector, Lidl achieves a dual effect.

On the one hand, the special buys attract lots of consumers into the branches, who then also buy groceries and other products. On the other hand, people are tempted into buying the special buys, although they only wanted to do their groceries' shopping at Lidl. In each Lidl branch, the way to the till passes the special buys. The dumping prices quickly tempt the customer to buy a pair of socks or a bottle opener in addition to the spaghetti, tomatoes, cheese and bread.

Expansion drive in all areas

No other European retailer is expanding its influence as aggressively as Lidl. There are already branches of the discounter in 23 countries and the Schwarz Company's expansion drive is unbroken. In its search for new sales markets, the company has, in particular, discovered the new EU member states in recent years. Throughout the Eastern European market, the expansion of Lidl, with its discount offers, continues unabated. Here, the company is receiving quite astonishing financial support. Since 2004, the International Finance Corporation (IFC), which is part of the World Bank Group, and the European Bank for Reconstruction and Development has supported the opening of Lidl and Kaufland branches in Eastern Europe to the tune of several million Euros. The IFC declares that it promotes sustainable private investment that leads to a reduction in poverty and an improvement in living conditions. The fact that the opening of discounters leads to local small shops being driven out of business and, thereby, making many people unemployed, does not appear to be something the IFC has noticed (cf. Hamann et al: 2006).

But the discounter's strategy is not universally successful. From the Baltic and Scandinavian countries the company is reporting difficulties. In Estonia, Latvia and Lithuania, Lidl has already closed branches because they are unprofitable (cf. managermagazin.de, 2 Nov. 2006).

While Aldi is also present in the Australian and US American markets, there are still no Lidl branches outside of Europe. Yet, the Schwarz-Company has already announced that it wants to expand into the Canadian market with Lidl.

When Lidl wanted to buy the German organic market chain "Basic" in 2007, there was a public outcry. As a result of the public pressure, the sale of Basic shares to Lidl was stopped. Both customers of the organic market chain as well as their suppliers feared not only a reduction in organic standards but also social deterioration for suppliers and employees.

Social Corporate Responsibility: Lidl takes the easy way!

For many years, Lidl made no public comment on the issue of Corporate Social Responsibility. Questions from the "Clean Clothing Campaign" as to how the company ensures compliance with international labour standards, remained unanswered. It was not until 2007 that Lidl joined the Business Social Compliance Initiative (BSCI), without making this public. The retailers represented in the BSCI have adopted



a code of conduct with regard to working conditions throughout their production chain. The Code relates to the core labour standards of the International Labour Organisation and, over and above this, also incorporates other standards relating to working hours as well as security and health aspects. In the experience of the Clean Clothes Campaign, independent monitoring of the Code by local trade unions and non-governmental organisations, are not carried out. The Clean Clothes Campaign also criticises the non-transparent procedure of the BSCI. Results from social audits are often not published and there is also no information available on the issues of price and delivery deadlines. Lidl is, thus, attempting to “cover

itself with a fig-leaf”. And one cannot really speak of a real commitment to improving working conditions in the production countries.

Lidl in the spotlight of a critical public

The catastrophic working conditions in the branches of Lidl have not gone unnoticed. In 2004, ver.di started a campaign to draw attention to the situation of the shop assistants and attempted to set up works councils in the branches. Through the “Black-book on the Schwarz Retail Company”, ver.di roused nationwide attention and critical voices were



raised throughout the country. In other European countries, as well, trade unions addressed the exploitive conditions of the discounters. Alongside the trade unions, the critical voices of human rights and environmental organisations as well as social movements were also becoming louder. In Germany, Attac, in co-operation with ver.di, launched a campaign, which also drew attention to the labour law violations throughout the delivery chain of food and non-food products. In many other European countries opposition to the discount giant, Lidl, is also being roused. People in all countries are criticising the aggressive expansion and pricing policy at the cost of workers throughout the world.

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3.2 For whom is the price right at KiK?

By Gisela Burckhardt



The red hits the eye; red is everywhere. Fiercely coloured and desolate – that is a KiK shop. The sales area is full of tightly packed clothing carousels, on each of which is a large red and yellow sign announcing “The price is right”. Not the product shall attract, but the price – that is the business policy of KiK. Children’s jeans for 4.99 Euros or women’s shorts for 1.99 Euros hang, packed tightly, on clothes hangers. There are numerous signs hanging from the ceiling bearing the red t-shirt mascot from KiK with the yellow writing announcing “The price is right”, so that the customer really gets the message.

But the question is: for whom is the price right? For the women garment workers in Bangladesh?

For the women shop assistants working for KiK? At whose expense are the “right” prices fixed?

KiK is a subsidiary of Tengelmann

KiK stands for “Kunde ist König” (“The Customer is King”) and was founded in 1994 by Stefan Heinig (45), chairman, managing director and member of the company. The textile discounter is a subsidiary of the Tengelmann Group, to which the retail chains, Plus and Kaiser’s, the American subsidiary A&P as well as the DIY market, Obi, also belong. Tengelmann Holding belongs to the Haub family clan and is one of the oldest German retailers. It celebrated its 140th jubilee in 2007. The Haub family,

with a private fortune of 4.2 billion Euros (2006, see the graphic) is one of the richest families in Germany. Father Erivan Haub lives on a ranch in Wyoming in the USA. Of the three sons, Karl Erivan, Christian and Georg, only the first, Karl Erivan, is completely involved in the day-to-day business. The former McKinsey advisor runs the Tengelmänn business, which had a turnover of 25.7 billion Euros in 2005/06. While the groceries chains Plus and Kaiser's are having problems, the textile discounter KiK is flourishing.

Turnover and shops

KiK's turnover rose, according to the ranking list of the biggest textile retailers in Germany compiled annually by TextilWirtschaft, to 1.27 billion Euros in 2006, a rise of 2.4 percent from the previous year. 80 to 90 percent of the merchandise on offer are textiles, of which a large proportion are for children. The rest are non-food articles such as toys, accessories or cosmetics, which do not appear on the website. They are, in the end, only an addendum. They are also burdensome, e.g. electric goods, since, according to the law, they have to be disposed of in a specific way. That annoys KiK; quote: "We would like to kindly ask you not to bring your old appliance back to our branches, as these articles can be handed over free of charge at collection points in every town or community."

KiK's aim is to open an additional 300 branches per year, which the cheap discounter has obviously succeeded in doing. KiK already had 225 branches two years after its foundation and now has more than 2,000 branches in Germany and 240 branches in Austria. In comparison: discount king, Lidl, has 2,700 shops in Germany. In 2007, KiK also expanded to Slovenia and the Czech Republic, and Switzerland is also in its sights. Between 2000 and 2005, the number of branches trebled. "We are opening a new branch every day" proclaims KiK's press spokeswoman. Preferred locations are the outskirts of towns or small towns, where shop rental is cheap. KiK is Germany's fastest expanding company. The shop with the "Geiz ist geil" ("stinginess is sexy") attitude grows and flourishes.

In order to be able to increase the number of branches to 3,000, KiK had to extend its logistic cen-

tre in Bönen, where other discounters, Takko and Woolworth, also have their warehouses. In 2006, a warehouse was created with capacity for 41,000 pallets. The 34 metre high shelving system is fully automatic, with no personnel required, and can carry out over 100 loadings and unloadings each day with remote controlled vehicles.

Who shops at KiK?

It is quite apparent that the consumer is not bothered about the conditions in which the clothes are produced and sold. Nobody seems to ask why the goods are so cheap. According to a study by TextilWirtschaft in 2005, people have fewer and fewer taboos about where they shop. Customers combine discount goods with designer labels. And not only poorer people shop at KiK, but also those who can actually afford more expensive products. Stinginess is simply fashionable. In an interview with the Berliner Morgenpost newspaper (from 16.09.2007), Stefan Heinig, the normally media-shy founder of KiK, answered the question, "Who shops at KiK?", quite casually, "The savers and the clever". In a recent survey, the women's magazine, "Brigitte", found out that one woman in five buys her outer garments primarily from textile discounters. KiK advertises with the slogan, "Buying clothes cleverly!" The conclusion to be drawn in reverse is: anyone else buying expensive clothes is simply stupid! The only thing that counts is the low price. Why the goods are so cheap is not disclosed. Consumers are not informed, they should know that with such a low price, savings must be made somewhere along the line (cf. Bode, 2007).

Apparently, the concept is flourishing: the Tengelmänn Group, with its textiles sales in the Plus and KiK chains, is now Germany's seventh largest textile retailer and is therefore just behind Peek & Cloppenburg.

How can KiK sell so cheaply?

The advertising promises that every customer can buy a whole outfit for 30 Euros at the textile discounter. The underlying concept: no sales service, as few employees as possible, the lowest possible pay for those who do work, hourly rates (under five Euros) for temporary staff, young trainees exploited as workers and the obstruction of trade union activities

etc. In addition, there are other cost savings as a result of favourable branch location (not in expensive shopping centres), no decoration and a simple product range. Managing Director Heinig says (Berliner Morgenpost, 16.09.2007): “You’ll look in vain for the little black number in our shops.” and also: “We don’t have air conditioning.” And, when asked about the many unpaid overtime hours his employees have to work, Heinig responds: “That is an exception. Besides, I have already worked so much for this company, that I can also demand something from my workers.”

KiK also saves by cutting out middlemen. The merchandise is ordered directly from the factories in Asia. There, in China, India and Bangladesh, the labour laws are disregarded to an even greater extent than here.

Marketing concept

KiK advertises on television, where the t-shirt mascot with the squeaky voice praises the cheap merchandise. The main target group are women and children, for the latter are becoming increasingly important as a consumer group. In its TV spot, KiK emphasises its size (the 2,500th branch opening soon) and the dirt cheap price of its goods. The woman’s fleece jacket and the child’s ski dungarees each cost 4.99 Euros, as much as 500 grams of coffee. The t-shirt (1.99 Euros) less than a loaf of bread. People, with a background as migrants, a consumer class with often little to spend, are targeted quite deliberately by KiK. Thus, KiK distributes advertising material in Russian and translates its website into Czech, Slovenian, Turkish and Russian.

Sport sponsoring

KiK also seeks to increase the extent to which it is known through calculated sport sponsorship. KiK once provided strips to the Bundesliga football club, Werder Bremen, although it has now turned its back on the team. Was it too expensive? KiK’s official reason for taking this step was that the company had

to adapt its marketing strategy to “economic conditions”. Since summer 2007, this has amounted to providing strips to the players of VfL Bochum and Hansa Rostock. Their demands are presumably not as high. But that is not all. KiK has commissioned the special media agency, Mediascale, to develop a new product marketing strategy. Mediascale should not only put across the brand message, but also present a complete internet page, the KiKshop, for the company. Here, every amateur football team can get strips and sports bags for all its players and a ball for around 100 Euros, naturally with KiK displayed on the front of the strips.

Works councils? Unknown

Personnel is expensive. Hence, one must have as few as possible. Yet, KiK still has 14,000 employees. Wherever people are indispensable, i.e. in the shops,

KiK works primarily with trainees and temporary staff. “They are cheap and don’t defend themselves,” says Malene Volkers, retailing expert at ver.di in a report about KiK in “Stern” magazine (04.05.2007). As soon as the employees are interested in setting up a works council, they will be dismissed. That is why there is not one single works council in KiK in Germany. KiK’s employees in Austria could tell a story about how, after a long workers struggle, a works council has finally been set up. During the struggle, the Austrian private employees’ trade union (GPA) had accused KiK of employing secret service (Stasi) -style methods, and ultimately succeeded in creating a works council (see the article in this brochure).

Legal action against KiK for wage extortion

In order to save on specialist staff, a trainee at KiK can already be in charge of a branch within about one year – at a minimum wage of 750 Euros per month. He or she is supported by a couple of temporary employees, who have to survive on an hourly rate of less than five Euros. Temporary staff at KiK start on an hourly rate of 4.50 Euros, according to the Germany daily newspaper TAZ (02.06.2008). In October 2007, the trade union ver.di instituted legal proceedings with the public prosecution office in Duisburg against KiK on the grounds of wage



extortion. A KiK employee, who worked for six years in the Styrumer branch, was paid 5.20 Euros per hour and, moreover, had no entitlement to paid holidays. In comparison, the standard wage of a shop assistant after six years is 12.30 Euros. According to a legal ruling, even a company such as KiK that is not tied to wage scales, may, at most, pay one third under the standard wage, i.e. in this case 8.21 Euros. That is why ver.di brought charges against KiK's Managing Director Stefan Heinig.

Trainees at KiK have to clean the toilets and vacuum clean the shop at night – thus, also saving on cleaning staff. KiK has noticed that the trainees can be so easily exploited: hence, the company increased the number of trainees from 750 in 2006 to 1,100 in 2007. In KiK's own words: "Developing young talent is a key concern of ours, since we place a great deal of hope and expectation in our own young talent."

Exploitation at the cost of the garment workers

The exploitation of women in Germany – a high proportion of shop staff is women – and Bangladesh is similar. KiK carries out its business without caring for its employees at all. More than 100 KiK staff are responsible locally for the purchase of goods. It is their duty to observe where factories are unable to get rid of residual stock from brand-name companies and then to purchase these goods at extremely low prices. They try to force down the prices taking advantage of the calamity of the suppliers and the workers. KiK may have a so-called code of conduct, but it only includes a few of the internationally accepted social standards and, compared with the codes of conduct of other companies, is rather weak. Above all, KiK does not explain if or how the company monitors compliance with social standards. Paper is patient. All large companies have now adopted a code of conduct, yet these codes in supplier factories are a long way off from being implemented. This brochure outlines the massive labour and human rights violations in KiK's supplier factories in Bangladesh.



4. Bangladesh: labour law violations in the factories of suppliers of Lidl and KiK

4.1. The clothing and textile industry in Bangladesh

By Dirk Saam



Bangladesh current situation

Little notice is taken of Bangladesh in the German public domain. Only when the summer monsoons bring about catastrophic flooding or when yet another ferry accident claims even more lives is attention suddenly drawn to the country on the Ganges Delta – most recently in November 2007, when the “Sidr” cyclone claimed 3,500 lives.

Bangladesh is one of the world’s most fertile countries. It lives from agriculture. Eighty percent of

the agricultural land is used for rice growing, but there is also wheat, barley, maize, potatoes, pulses, bananas and mangoes. Yet, around 35 million people out of the total population of 145 million suffer from chronic starvation. Despite remarkable developmental successes, social and economic vulnerability, especially of women, still predominate. In the patriarchally structured society, women are not regarded as political and economic actors. Yet, in reality, women make a significant contribution to the economic development of the country. Alongside the increasing integration of women into the

economic processes in rural areas, the clothing and textile industry, in particular, has developed into an economic sector, which predominantly provides jobs for women.

Socio-economic impacts

The 3,500 factories in the clothing industry employ about two million employees, of whom 85% are young women, who mainly come from rural areas and belong to the part of the population living below the poverty line. Many of them have no or very little school education. Due to the shortage of jobs in the rural regions, they are forced to move to the cities to earn money. Despite the largely miserable labour and social standards, the clothing and textile industry offers the women the only opportunity to earn a living. With this income, many of them contribute to the survival of their families. For many, it is a way to escape income poverty. Also for young widows, the outcasts or orphans, who make up a large part of the female working population, the clothing industry offers an opportunity to earn money – even if the wage for women – with the same qualifications and work – is still 28% lower than that for men. With their own earnings, the social image and status of the woman is also changing. Economic independence from their husbands or fathers is gradually contributing to gender equality for women. Women have the

possibility to participate in decisions-making processes on income disposal. Something, which in a patriarchally structured society is still impossible in many parts of the country.

Economic impacts

Since 1990, Bangladesh has experienced a spectacular growth in the area of clothing and textiles. Whereas the value of exports amounted to 600 million US dollars in 1990, this rose to nearly eight billion US dollars in 2006. The reason: Bangladesh is one of the poorest countries in the world and, in the past, with favourable customs regulations, was able to export clothing to Europe and the USA without quantitative restrictions. However, in other countries, the bulk buyers, in accordance with the Agreement on Textiles and Clothing of the World Trade Organisation (WTO), restricted imports through quotas. Bangladesh was able to take advantage of this trading advantage, in order to establish itself alongside the textile giants China, India and Hong Kong on the world market.

In the wake of this preferential treatment, Bangladesh's clothing industry was able to achieve enormous growth rates in the areas of jobs, investments, export earnings and contribution to the Gross Domestic Product. The 100% export-oriented industry has fundamentally altered the substance and composition of Bangladesh's export basket in recent decades. At the beginning of the 1970s, the export basket was 90% made up of raw jute and jute products. The textile and clothing industry now accounts for 76% of the total export volume of Bangladesh. If one looks at the products (deep frozen fisheries' products with 7% and jute with 5%) in second and third place in the export statistics, one recognises the dominance of the clothing industry. But one also realises the country's dependency on this industry and the danger, which the phase-out of the Agreement on Textiles and Clothing and



hence the ending of the preferential treatment of Bangladesh could represent. On 31st December 2004, the Agreement on Textiles and Clothing ran out. Since then, Bangladesh has been in direct competition with such “major” textile exporters as India and Hong Kong. The exception: exports from China continue to be subject to quotas – until 2008 for the European and until 2009 for the US American markets. A period of grace for Bangladesh?

Bangladesh after the phase-out of the Agreement on Textiles and Clothing

Contrary to all the gloomy predictions, Bangladesh’s clothing industry did not collapse after the phase-out of the Agreement and its preferential treatment. Factory closures and dismissals of workers did not transpire. In the 2003/2004 financial year (July 2003 – July 2004) export income from the clothing and textile industry amounted to 7.6 billion US dollars. In the following financial year, which included the first six months after the introduction of quota liberation, this figure rose by another billion – a growth of 19%. In the 2005/2006 financial year, growth was even 23.5%. A further growth was recorded in 2006/2007. What were the reasons for this? Some Bangladeshi companies have succeeded in building up long-term trading relationships with buyers from the USA and Europe. Moreover, some modernisation within the factories (use of information technology, innovative management structures) were able to increase productivity. Also, in selected factories, the quality of the products has improved, since the workers are better qualified – a result that, in most cases was achieved through “learning by doing”. Yet these “model factories” tend to be rare. In most factories, labour laws are being massively violated. Thus, the extremely low wage level is the main reason for contracts with buyers from the EU and the USA not being lost. Low wage costs make it attractive, i.e. cheaper, for buyers to allow production to continue in Bangladesh – at the cost of the workers, who, with these wages are barely able to survive. Thus, shortly after the phase-out of the Agreement, it was observed that garment workers were

increasingly working a high amount of overtime. And were also having to work a seven-day week. Afraid of losing their jobs, many workers accepted this without complaint. Is Bangladesh – even after the phase-out of the Agreement on Textiles and Clothing – competitive? This cannot be assumed. The powerful market rival, China, is still subject to quotas, which after 2008 will gradually be lifted. The USA and the EU have extended these quotas for China, in order to protect its domestic production against mass imports from China. Since July 2005 – i.e. half a year after the phase-out of the Agreement on Textiles and Clothing – these so-called China protection clauses have been in legal effect. For Bangladesh, this means that only the period from January to July 2005, can actually be described as a phase, in which the country competed with China in free competition. In this period, China’s export volumes to the EU rose in value by 40% and in quantity by 34%. An even higher growth rate was registered by China in the USA. The favourable figures for the 2004/2005 financial year (July 2004 – July 2005) conceal the fact that, at the end of the calendar year 2005, Bangladesh’s textile exports to the EU fell from around 4 billion to 3.7 billion US dollars, a reduction of 5.1%. Ban-



Rina, former sewing worker

gladesh rallied again only in the first half of 2006 – thanks to the protection clauses. Furthermore, in the first half of 2005, it was noticeable that the unit prices of merchandise from Bangladesh to the EU fell by over 15%. Although Bangladesh was able to increase its exports in this period by 7.7%, their value, as a result of price reductions, fell by 7.5%. Bangladesh, therefore, had to export more in order to more or less achieve the same income level as the previous year. Instead of using the phase-out of the quota premiums to raise wage levels, suppliers were forced by the big European and American retailers into lower prices.

Moreover, it is feared that bulk buyers could alter their trading policy to the disadvantage of Bangladesh. Within the scope of free trade agreements since 2000, the USA, as the biggest buyer of woven goods from Bangladesh, has eased access to American markets, especially to Caribbean textile exporters that are in close competition with Bang-

ladesh. The result of the more intense competition: zero growth in Bangladesh's textile trade volume with the USA between 2000 and 2001 and the dismissal of 300,000 workers. In 2002, although the situation had stabilised, with the phase-out of the Agreement on Textiles and Clothing, the dropping of the protection clauses for China after 2008 and the impending restructuring of the trading policy of bulk buyers, Bangladesh could become one of the losers. The calculations of the United Nations Development Programme, not yet come into effect, could become reality: up to one million garment workers could be laid off if Bangladesh were to lose massive market shares. The international network, "Make Trade Fair" calculates further: the household of a sewing worker consists, on average of five people. Her wage is an important part of the household's income – what is more, women are often the only wage earner. If one million women are laid off, five million people are affected as a consequence.

Farida¹

"My husband had already been married and had a child when he married me. I didn't know anything about the first wife, because he kept it secret. Later on, he even married a third wife without my consent. When I protested, he hit me. My husband, his whole family, tortured me, really physically, and put pressure on him to leave me. My husband constantly maltreated me. Often, he gave me no money for the household. Thus, it was quite normal for me and my children to go hungry. I wished I could earn enough to cover the rent, food and my children's school fees, although when both of us are out working, the children are alone and scared.

My husband now earns between one hundred and one hundred and fifty Taka (between one and one and a half Euros) a day. It is difficult to

buy food and clothes from that and to pay the children's fees. It's not even enough for food. When my husband is ill, everyone's stomach is empty. I can't go to the doctor, not even when it's something serious. Medicine is another huge problem. Both children are enrolled at school, but I haven't been able to pay the examination fees (240 Taka) for the last three months. I've been unemployed for two months and I've knocked on every door looking for work, but in vain. I live in a single corrugated iron room (4x4m). There are four cooking places, two toilets and two washrooms for 13 families.

I spend many days and nights on the streets. I know what hunger is. I cannot do anything else except some kind of work in a factory or as a housemaid. I don't think about the future. The future is grim"

¹ Name changed by the editors

Bangladesh's homework: development of backward linkage industries

The clothing industry provides 76% of export profits. However, it must be borne in mind that the net foreign currency receipts are significantly lower, since Bangladesh has very little backward linkage industries and has to import yarn and fabric from abroad to keep its clothing and textile industry going. The phase-out of the Agreement on Textiles and Clothing and the protection clause for China could represent a further considerable middle and long-term disadvantage for Bangladesh. The industries in India and China are vertically integrated, i.e. the value added process of the successive stages of production from the raw material to the end product is carried out within the country. When these stages of production can be carried out within one country, the production costs are correspondingly lower than they are for a country like Bangladesh, which does not grow its own cotton and has to import fabric. In order to cut costs and thereby increase competitiveness, the development of backward linkage industries would be highly advantageous.

Solving internal problems

The payment of non-living wages is, today, the one cost advantage that Bangladesh's has over other competitors. However, after the phase-out of the Agreement on Textiles and Clothing and the preferential treatment, other costs have become relevant. It is very difficult for lower wage costs to compensate for these other costs, and the wage cost advantages are being successively eroded. In future, Bangladesh must create institutional framework conditions to minimise costs, particularly in the finance and banking sector, which is still characterised by an absence of transparency and accountability. A sound banking and finance system is, however, the basis for money transactions in foreign trade. An efficient infrastructure, especially in transport routes between the upgradable backward linkage industries and the downstream branches of industry as well as the link between Dhaka and the harbour in Chittagong, where the finished

products are shipped and where the majority of foreign trade is transacted, must be built up and extended, in order to minimise transaction costs in this area in the future. Measures by the current interim government to increase the efficiency of the harbour in Chittagong, particularly the curtailment of corruption and bureaucracy, are steps in the right direction.

A further internal problem is the politicians and bureaucrats, who, through their corrupt behaviour, thwart the development of the clothing industry. The toleration of, and acquiescence to, protection rackets by the executive bodies lead to a climate of terror, which has negative effects on trade and production. When overseas buyers foresee that political instability will lead to longer delivery times, they will possibly decide in favour of another country. The frequency of strike action, especially in the country's largest harbour in Chittagong, is a recurring reason for delivery problems for textile and clothing exporters.



Workers' struggles for the recognition of their rights

As before, the working conditions and safety precautions in the factories are catastrophic (see working conditions, chapter 4.3). The number of workers who have had accidents in the textile and clothing industry is alarming: around 300 workers have lost their lives in fires in the last 15 years. The distressing climax: in April 2005, the management of the Spectrum factory ignored workers references to cracks in the masonry. Instead, it gave the order for work to be continued in order to stick to the delivery deadlines of European buyers. A few hours later, the factory collapsed. 64 workers were killed and another 74 seriously injured. So far, only very limited appropriate support has been provided to the victims and their families. Some injured workers, in the months after the accident, received financial support, in order to be able to afford medical care. The demands of local and international NGOs and trade unions for a compensation fund to be set up, have so far not been met. Initial payments may have been paid out to victims and surviving dependents, but the compensation fund amounting to 533,000 Euros, promised in 2005, has not yet been set up.

Even today, many companies, who produced with Spectrum, are still refusing to participate in the compensation fund (Steilmann, New Yorker, Kirsten Mode, Bluhmod, Carrefour, Scapino).

In May and June 2006, over 10,000 workers went on to the streets to demonstrate for a minimum wage and for the payment of overtime. The demonstrations were an expression of the growing frustration of the workers with the starvation wages, the excessively long working hours, the falsification of overtime bonuses as well as the abusive treatment by male supervisors and the miserable state of security and health protection. The demonstrations were violently quashed by the police. Here, too, people were killed or injured. For too long, the international buyers, factory owners and the government of Bangladesh have conducted a head-in-the-sand policy and ignored the demands of the workers.

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4.2 Portrait of a sewing worker: Rekha¹

I am just 19 years old. But I have already had three years of working experience in a clothing factory. I come from a village in the south. I am the oldest of four girls and two boys. Until 2000, I went to school, up to the seventh class. My father was becoming increasingly disturbed; a kind of confusion. I had to leave school. My father's illness meant that he could not work any more. I was forced to take a job to make a contribution to the family. Thus, as someone raised in the countryside, sixteen years old and after seven years at school, I didn't have many opportunities. All I could find was a job in a textile factory.

In 2004, I offered myself, so to speak, on the market. I got a job in a clothing factory working with company X². The factory is a good hour's hike from my parents' house. A rickshaw would cost 15 Taka³, and so I had to walk there and back with another girl from the village. Sometimes I had to take the rickshaw. I started as an assistant, on 930 Taka per month (about 9.30 Euros). Now, I am a sewing worker and get 1,800 Taka (18 Euros) per month. Before starting in the factory, there was a kind of entrance examination. I was asked at length about my home village. I was allowed to start in the factory, but I didn't get an employment contract or a letter of appointment.

In the factory, I worked as long as I was ordered to. The contracts or the tasks we have, mean that it is impossible to leave the workplace after eight hours. Each worker has to finish a



set amount of work before she can leave. They know our capabilities and our abilities pretty well and deliberately demand more from us, so that we have to work to our limits in order to finish our work. When a worker wants to leave early, because she lives too far away, she is told she doesn't have to do the work; "no one is keeping you" they say. "You can give up the work straight away if you want". Sometimes, we also have to work on Fridays. Last week, I worked seven days, also on Friday. If I want to keep my job, I have to be prepared to work at all the working times they demand. I often work through the night. The factory provides a banana and a piece of bread (worth 2 Taka). The factories prefer unmarried women, because they can force us to work more and longer; they think we have nothing else to do.

Irregular wage payment, falsified wage slips, no holidays, deception: that is my experience of my job. The factory does not pay our wages until the

23rd of the following month, but even then they do not always stick to this date. The payment of overtime is delayed even longer.

And when we are paid we are cheated in so many ways. Our wage is calculated on the basis of an attendance card. The card must be handed over at the end of the month to the supervisor. And when the wages are paid out absence days are included and the wages reduced accordingly, even when the worker hasn't missed a single day. Anyone who protests is branded a liar and threatened, usually with dismissal. No more than 80 overtime hours are recorded on the attendance card; anything above that is included in a special register. I get 10 Taka for each hour of overtime. I have no idea if that's right.

I am constantly put down and humiliated. At every opportunity, we workers are insulted, tormented, given such a hard time. We are most afraid of being accused of being absent; such an accusation is punishment for everything; for absence means wages being docked. Sometimes we would like to have a day off or even a couple of hours off – and only when it is really necessary. But they say “no, stay away, you're absent”. And that means docked wages. And then they

insult us because we ask for time off. It is so humiliating, so hopeless. I can't understand why they treat us so nastily. We are simply nothing to them. At every opportunity they tell us that if we leave, there are plenty of other women who could do our work.

In the factory, I really feel as if I'm suffocating. We often pass out. And the toilets are simply horrible. I'm even afraid of using them. The drinking water isn't clean, and even though a water filter was installed, it doesn't work. I wish, and I'm not the only one, we had a trade union. But anyone who protests loses their job immediately. The police, the so-called security forces, were brought in twice by the factory and lined up outside; that was to show us who has greater power, in order to intimidate us. In our factory, we have no chance to say anything against the bosses, even if they do something terrible; we are obliged to obey their orders.

I spend the majority of my time in the factory; I have no time for myself, for my father, for my family. We have no television – we can't afford one. If I want a bit of relaxation, for example to watch television, I have to go to my neighbours. I've no idea what I am going to do or what will become of me.

¹ Name changed by the editors

² One of the six investigated companies

³ 1 Taka is worth about 1 Cent (0.01 EUR)

4.3 Labour law violations in the factories of suppliers of Lidl and KiK

Khorshed Alam, AMRF with assistance from Gisela Bureckhardt

The study

The Clean Clothes Campaign commissioned the “Alternative Movement for Resources and Freedom” (AMRF) organisation to carry out a study into the working conditions in the factories of suppliers of Lidl and KiK in Bangladesh. A team of field researchers (three women and three men) held interviews with 136 workers (107 women and 29 men) in six investigated factories. In interviews, 105 workers answered questionnaires and a further 31 took part in group discussions. A minimum of 14 workers were interviewed in each factory. Most of the interviews were held late at night after work in the workers’ accommodation. The women were often tired after work and also had to prepare their food for that evening and the next day. Some of the interviews were conducted during Ramadan, when food may only be eaten after sunset. Although it is normally the case during this time for less hours to be worked, the working times in the investigated factories were often extended until 22:00 in order to make up for the time that would be lost during the ensuing public holidays (Ifter and Eid).

In addition, it was the responsibility of the research team to learn details about the buying practices of companies in general and of discounters in particu-



Garment workers’ accommodation

lar. Hence, managers and supervisors of local factories were also interviewed. However, managers were only prepared to make limited statements, after prolonged hesitation.

The six suppliers

The search for the suppliers of Lidl and KiK proved a difficult task. How, among the 3,500 or so factories producing for the world market in Bangladesh, is it possible to find the ones who supply Lidl and KiK? It was particularly difficult to find the sub-suppliers. In the end, six factories were found by means of labels and, to a certain extent, also through delivery notes. Five supply Lidl and three supply KiK. Two factories belong to the same owner. In this report, only limited

names and details of the factories are reproduced, in order to protect the workers. (An overview of the six factories can be found in the appendix.)

Some of the suppliers belong to the one large conglomerate, including “upstream” factories (e.g. cloth production and dyeing plant); some also work as import houses for companies and then award contracts to their own factories, through which they can also earn additional income.

The two factories that belong to the one owner, appear to work together as follows: the one factory gives the outward impression of being the main factory and is shown to buyers and auditors. The other factory functions as a sub-supplier for the first. Here, the working conditions are appreciably worse. In Bangladesh corruption is widespread in general. Bribery is commonplace. Thus, bribes are paid to service authority employees (electricity, water, telephone, gas), to avoid paying the real costs. Bribes are also usually received by bank employees, the Pre-Shipment Inspection Agent (PSI),

who inspects the quality and quantity of the merchandise before shipping, the importer etc. The textile industry is heavily intertwined with the world of politics; numerous textile factory owners are themselves members of parliament in Bangladesh and determine policies in accordance with their wishes.

Results of the study

The interviews with the workers established that there are massive violations against internationally accepted standards. Bangladesh is a member of the International Labour Organisation (ILO) and has thereby committed itself, as a minimum, to observance of the core labour standards of the ILO. (See Appendix for the CCC Code of Conduct, which relates to the ILO standards; the first part of which embraces the core labour standards but, in itself, goes beyond these. The two German companies have a code of conduct as the basis for their relations with their suppliers, which, respectively, contain at least the core labour standards.

Suhada¹, 25 years old

“For the last year, I worked as an operator in a factory. I was supposed to receive 1,800 Taka per month, but I only got between 1,400 and 1,600, and, despite repeated promises, my wage remained unchanged for the whole year. They did not pay my overtime salary properly. They punished us by taking off two days wages if we were absent for even just one day. The workers never receive a bonus. Usually they favour young and attractive girls and pay them more than us. They are less willing to employ older women. I heard that, during a night-shift, a supervisor had molested a girl, and that is why women are afraid to work at night.

I usually work from 7 o’clock in the morning until 7 o’clock at night but also occasionally to 10 o’clock. We also work at night. I recently worked six nights in a row with a short break from 3.30 until 8 pm. My stomach and eyes were sore from overworking. I was exhausted. We were severely

punished for every mistake. I was once absent for a day because of stomach-ache and, the following day, I was called out and had to stand for an hour as punishment. In front of all the other workers. One day, when I felt just as bad again, I perhaps spent a little longer than usual in the toilet, and was immediately punished. They deducted a whole day’s pay. The foreman frequently attempted to hit me. I was regularly belittled by the supervisor.

Two months ago, I worked for two days without eating. Naturally, I was tired, hungry and weak; I couldn’t concentrate and, all at once, I made a mistake. The foreman made a big fuss about it and sacked me on the spot. I burst into tears and begged him not to sack me, but it was no use. I had worked there for a whole year. They just paid me my wage, without any of the bonuses I was due. So, for the last two months, I’ve been unemployed.”

¹ Name changed by the editors



However, the following serious labour law violations were discovered:

- In none of the factories was there any kind of trade union or works council.
- The garment workers regularly have to work two hours of mandatory overtime each day and sometimes have to work longer into the night.
- With the exception of one factory, overtime is also not announced in advance. Anyone not prepared to do overtime is dismissed.
- Two of the factories have a seven-day working week, two a six-day week and the remaining two alternate between a six-day and a seven-day working week.
- One of the six investigated factories did not even pay the minimum wage, which has been in effect since 2006.
- The calculation of wages is not carried out in accordance with transparent criteria.
- Wages, in at least three of the six factories, are not paid until the middle or end of the following month.
- The payment of overtime is irregular and non-transparent. The workers receive no wage slip from which they can see how many overtime hours and at what rate they have been paid.
- Women are paid less than men, with the justification that they supposedly carry out “lighter” work than men.
- Supervisors discriminate against women, insult them and sometimes beat them.
- Only six workers have a written employment

contract, 99 have none and 68 have a monthly issued “personnel card”.

- Anyone becoming sick loses their job; medicine must be paid out of their own pocket; only small amounts of initial expenses are paid for by a minority of factories.
- Although some of the factories reemploy women after they have had a child, these women lose any entitlements they may have formerly had, which means that they have to start again on a beginner’s wage.
- If a woman leaves the factory after working half a day (after the midday break), a whole day’s pay is docked from her wage as punishment.

- Filtered drinking water is supplied in only one of the factories.
- Some of the factories may officially have a canteen (on their website), but most of the women interviewed stated that they could not use the canteen. The same applies to the children’s crèches, which do indeed exist in several factories but only to be shown to the auditors and not to be used by the workers.
- Most of the workers have never heard of a Code of Conduct. But they are, of course, familiar with the inspection visits of buyers, during which, under the threat of dismissal, they dare not tell the truth.
- Finally: one factory was closed for a month as a result of a revolt by the workers. When it reopened, the leaders of the revolt were dismissed, without even being paid their last month’s wage.

The following will look in more detail at specific labour law violations (see also Table 6 in the Appendix as well as the comparison table of the six factories).

No employment contracts

With the exception of six women, all the others said that they had no contract of employment or similar proof of employment. 68 workers stated that they had received a personnel card. This card, issued

each month in the name of the worker and functioning as a form of identity, is simultaneously proof of employment.

Workers have the status of casual workers

Those working in the clothing industry should, in principle, work on a monthly basis of 30 days. In reality, however, they are treated as casual workers, which means that when there is no work, there is no wage. The significance of this is that the worker neither has the benefits of a normal employee nor those of a casual worker, and are, hence doubly disadvantaged. They do not have the job security of regular employees. If they are sick and miss a day's work, one day's pay is deducted from their wage. But, if the factory has no work, then the workers are simply not paid. And in contrast to the usual procedure with regard to casual workers, they are not paid at the end of each day, but only at the end of the month, often, in fact, sometime during the following month.

Working hours and working days

Workers in the factories investigated here begin work at 8 o'clock in the morning. With the exception of 23 workers, who have a regular working day of 8 hours, all the others work longer. 38 of them stated having to work until 22:00. In other words: the working day is somewhere between 9 and 14 hours, with a one-hour lunch break. Two of the factories have a seven-day working week, two others a six-day week and the other two alternate between a six and a seven-day working week. Only two of the factories stick to a six-day week. During Ramadan (Muslim's month of fasting) some of the factories have a working day beginning at seven in the morning and ending at half past eight or ten

o'clock in the evening, with less than two hours break during the day. The women sometimes work between 80 and 100 hours per week. But, according to ILO Convention No. 1 (see the CCC Code of Conduct with the ILO Conventions) only 60 hours per week are permissible.

Overtime

The workers have to meet daily targets and work unpaid overtime if these targets are not met. Overtime is not optional; it is mandatory. This was something stated by almost all the interviewees. Only in one factory, was there virtually no overtime, and then only voluntarily. The factories do not inform workers in advance if they have to work overtime. They are told only at the start of work that morning. They, therefore, have no opportunity to prepare for this in advance.

Late payment of wages

The factories pay the workers at different times. The "better" factories pay wages on the seventh day of the following month or shortly afterwards; but most of the factories pay wages only after the middle of the following month or, in one factory, on the 23rd of the following month (see the Table of the six factories in the Appendix). When the workers receive their wages so late, for many of them this means having to take



out a bridging loan to pay their rent, which must usually be paid at the beginning of the month. With the little money they earn, they live from hand to mouth. And from the little they do have, many even still send a little to their family in the countryside. They can save practically nothing.

Before the public holidays (Eid), however, the wages are delayed in some factories, so that the workers are paid only shortly before the holiday itself. Yet, not all of the workers are paid for all days worked, but only for some of them. The rest is kept back to ensure that the workers, who are visiting their families back in their village during the holidays, return to work instead of moving to other factories or remaining at home in the countryside.

Wage level and the system of payment

The Bangladeshi government's failure over 12 years to introduce the minimum wage, despite inflation and the rising cost of living, led in 2006 to massive protests. After protracted negotiations involving

all sides (employers' associations, government and trade unions), the monthly minimum wage was fixed at between 16 and 25 Euros (1,600 – 2,500 Taka; 100 Taka = approximately 1 Euro). Despite publicising this new wage system in the government's official publication, many factories have still not introduced the new wage system (see the minimum wage table in the Appendix). The introduction of minimum wages, however, does not even nearly meet the most basic needs. According to the statements of the interviewed workers, a family of four requires between 35 and 100 Euros per month. The rent for a 4x4 metre room = flat for only one person costs 9 Euros per month. 1 kg of rice costs 25 Cents, 1 kg of lentils 65 Cents and 1 litre of cooking oil 92 Cents.

Of the six studied factories, in one of them not even the minimum wage is paid. Only seven of the interviewees (6.6%) received a wage of between 35 and 55 Euros, while the others received between 14.30 and 29.70 Euros. With such low wages, it is not uncommon for workers to pass out because they are so hungry.



Non-transparent payment and fraudulent behaviour

In all six factories, the workers received no proof of the hours they had worked. The previously mentioned personnel card shows the days worked that month as well as the beginning and end of the working shift each day. At the end of the month, the card is handed over to the bookkeeping department. Thus, the workers have no overview of the number of hours they have worked and have to accept the data supplied by the company management. The workers do not receive a copy and do not have the opportunity to check if the information is correct. They, therefore, do not know how their wages are made up.

The workers feel they are particularly often cheated in the calculation of overtime hours worked. They maintain they are cheated not only in terms of the amount they are paid but also in terms of the overtime they have worked. A few of them told us that they are paid for their overtime in accordance with the law, although, when asked, they had never heard of the law. According to workers' statements, the wages appear to be determined on the basis of subjective criteria, irrespective of the factory concerned, references, age or communication with superiors. Workers with the same qualifications are paid vastly different amounts within one factory as well as from one factory to the next.

In two of the factories, the workers had no attendance card whatsoever. A timekeeper writes down the number of hours and the workers have no control at all over the number of hours they have worked. For daily payments, the thumbprint of each worker is taken before they are paid. Fiddling in the calculation of overtime is common practice in the factories. Some workers (including one supervisor) stated that 50% of overtime hours are unpaid. Questioning the payment of overtime is nipped in the bud through threats of dismissal.

In one factory, a dual system of payment operates. One shows the fictional wage paid while the other shows the amount actually paid out. The fictional list is, of course, the one shown to the auditors. The factory maintains that it will observe standard SA

8000, which determines the social standards companies should apply to their workers. It is common for workers to be employed as trainees, and then to be dismissed before the conclusion of their three month training period. Some workers remain trainees well beyond the three month period, with a correspondingly low wage.

Wage deductions

If a worker leaves the factory during working hours, they are unable to return since the gate is closed. As a consequence, the worker's wage is deducted not just for half a day, but for the full day. This is also the case when a sewing worker leaves the factory after the lunch break. Her wage for the whole day is docked. Wages are also docked when workers arrive too late, when they are absent without official authorisation or when they do not want to work overtime. 63 interviewees stated that deductions were made from their wages on the grounds of "bad" behaviour and another 31 said that deductions were made because they had made mistakes.

Banu

"I received my wage, but two days' pay was docked. One day because I was absent, and the second because the factory had no work. When the factory has contracts, we are forced to work overtime. When there are no contracts, we are forced to take unpaid holidays."

Illness, pregnancy

After several years of working in this factory, the women are burnt out and exhausted. They suffer from sore limbs, deteriorating sight, constant headaches and symptoms related to undernourishment. Workers, who fall ill, take unpaid leave. After the birth of a child, women workers may resume working in the same factory, but the time they worked there previously is not taken into consideration. They are treated as new recruits and graded on a low wage level. Two of the factories have a rule, whereby workers, who have worked there for more than three years, are entitled to three months pregnancy leave on half



Seamstresses' accommodation

pay. It is striking that the two factories belonging to the same owner have very different working conditions.

Bonna, 23 years old

“Well, I’m actually too old to get married. I’ve decided not to get married, at least for a while. My younger sister still goes to school and I’d like her to continue. I want to support her, whatever that costs me. It is my dream to guarantee her future and this dream keeps me working and keeps me alive.”

Health, hygiene and safety in the factories

In two factories, workers have access to doctors and medicine is available. In the others, apart from first aid boxes, there is no medical provision. The boxes contain only bandages, disinfectant and painkillers. Some factories have made agreements with doctors, who are present, especially during inspections by foreign companies.

If workers fall ill or have accidents, they receive

first-aid. Although, in general, a one-hour break is allowed, the workers have to continue working afterwards until 17:00 despite being injured or ill. In the event of serious illness and injuries, workers are taken to the doctor by colleagues. The factory managers normally only pay a small amount towards medical care. But the worker has to pay most. At best, workers, who are ill, are entitled to one day’s paid holiday. Usually, the workers have to borrow money to pay for medical care and, therefore, end up

in debt. If they are seriously ill they return home to be cared for by their family.

Only one of the six factories provides drinking water. All factories have toilets, but they are not always clean or hygienic. In one factory, toilet passes are used to control the use of toilets. Overtime is deducted if toilets are used without the use of the prescribed passes.

Some of the factories may officially (according to their website and for the auditors’ sake) have a canteen, but most of the interviewed women said they were unable to use them and, hence, had to eat the food they had brought with them elsewhere. They eat wherever they can, mainly in the staircases or while sitting at their sewing machines. The same applies to the crèches, which, although available in some factories, are actually only there to show to auditors; they are not used.

Despite dreadful accidents in recent years (see the article by Dirk Saam), safety features, such as fire extinguishers and freely accessible emergency exits are given unsatisfactory consideration. A few years ago and then more recently, there have been fires in the factories studied, in which a number of

workers have died or been injured. Some victims or their families received compensation from the Bangladesh Garments Manufacturers and Exporters Association (BGMEA), but the factories, themselves, paid the workers, especially the women, no compensation. Only a few men (supervisors) received a small amount of compensation, according to workers' statements. A small number of conditions have improved since the accidents, for example, emergency exits have been created and a fire alarm system installed.

Child labour

In none of the six factories was any evidence found of child labour (under 14 years of age). However, numerous young girls under 18 years of age work in the factories (over 10% of the interviewees were 17 years old). Most of the women are between 18 and 24 years old.

Discrimination and molestation of women workers

The clothing industry is a gender-specific sector. According to the interviewees, factory owners prefer to employ women, since, in contrast to men, they work more and do not protest. Moreover, women, for security reasons and because of their accommodation – they frequently live with relations or together with other garment workers – cannot change factories as easily. Women work more overtime, as demanded of them by the factories. Women are paid less. Why do women tolerate such discrimination? The answer is simple: they have no alternative. There are no other jobs for women – apart from work as stonebreakers or as maids, where they are paid even less. The latter are also unable to protect themselves against the sexual abuse of their masters. So, although they

may not earn very much in the factories, it is still better than nothing. This blatant discrimination is also clearly manifested in the fact that women are only allowed to operate simple machinery. They cut off threads and work as assistants or sewers. Male colleagues iron and operate bigger machines. Women are not usually appointed to supervisor positions. In the six factories studied, only one woman held such a position.



Verbal and physical discrimination is frequent, and sometimes there is often physical punishment (e.g. hitting on the head). Insulting language is commonplace. (In one of the six factories, however, charges are brought by the management for such behaviour.) Women were thrown out of the factory in a degrading way. The women are exposed to sexual abuse; supervisors offer them incentives in the form of wage rises and promotion.



One explanation for the bad treatment of young women is the patriarchal structures in Bangladesh. “Purdah” continues to play a key role: in theory, men and women may not work together in the same workplace, since in Islamic Bangladesh the women’s world and the men’s world should be kept separate. In practice, however, this is something only rich families can afford, and poor women have always had to work in the so-called public domains, in markets, in the informal sector. As the textile and clothing industry began to boom in the 1980s, young women were needed as workers. However, “Purdah” still plays a key role today, with regard to protecting the honour of women and, hence, of the family. In the factories, men and women should not speak to each other and supervisors should not have “private” relationships or personal conversations with women.

A woman in Bangladesh is fundamentally subject to male supervision and is not allowed to appear in public in the company of other men. As the women

often come home late at night because they have been working overtime, they easily fall under the suspicion of “not being decent”. This is an attitude held by many foremen and supervisors and is the reason for them treating the garment workers so contemptuously.

Muni, a sewing worker, explains:

“Although we work alongside men, sometimes even in the same room, we have no contact with them. This is something stipulated by the management. For example, we are not allowed to speak to the men as this would disrupt the working processes and the others would maybe start gossiping. I only speak to the men, when it has something to do with work. When a man wants to speak to me, I tell him I’m married. That way I can keep him at bay.”

(Quoted in Dannecker, p. 137)

No freedom of association, no trade unions

None of the six factories has a trade union or a works council. Moreover, in only one case was there an attempt to establish a works council. The fear of dismissal is too great, so that most of the workers do not dare to organise themselves and certainly not to publicly protest and demand their rights. However, almost all the workers would like a trade union in their factory and 53 workers had demonstrated in the last five years.

In one of the factories, a worker organised the staff and succeeded in ensuring that work was resumed after a fire. However, for doing so he/she was dismissed. In another factory there was a revolt against poor pay. The leaders of the revolt were fired and did not even receive the pay that was due to them for the last month's work.

Code of Conduct

Nearly all the interviewed workers had never heard the term, Code of Conduct. However, they are aware that companies, buyers and auditors visit the factory and sometimes want to speak to the workers. During these visits, the factory owners put on a show. Toilets are cleaned. The workers are forced to declare that there is no child labour in their factory, that the working atmosphere is good and that their wages are paid on time. They should also say that they are entitled to take regular holidays, are not forced to work overtime and do not have to work at night. When questioned about their pay, they should say they earn more than they actually do. Workers who are very young or look too young are forced to stay away from work when buyers or auditors visit. In the case of unannounced visits, they are locked in the toilets. There are known cases of workers presenting the real situation to buyers and consequently being dismissed for doing so.

Khorshed Alam is head of the Alternative Movement for Resources and Freedom (AMRF), an NGO in Bangladesh.

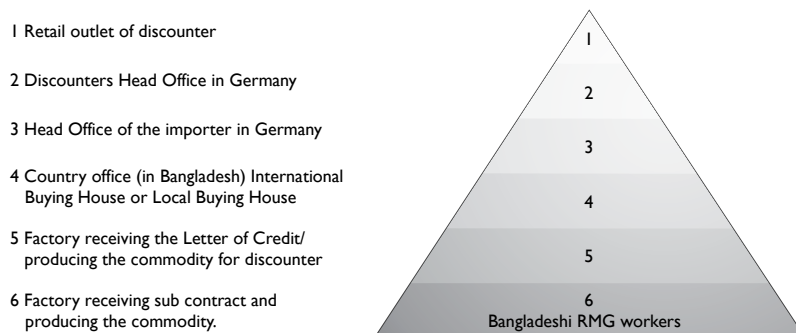
4.4 Buying practices and their impact

Khorshed Alam and Gisela Burckhardt

The labour law violations presented in the previous chapter are, on the one hand, the result of the inexperienced and bad management of local factory managers and, on the other, a direct consequence of the buying practices of companies in Europe and the USA.

The passage of a contract

The graphic below shows the different stages and offices a contract must pass through in its passage from the production centre to the retail shop. The international or German company, referred to in the following as “buyer” (e.g. KiK), has its head office in Germany and can place its contracts in a variety of ways. One possibility is to award the contract directly to suppliers in Bangladesh. That happens relatively seldom.



One other possibility is via an importer. Lidl and Aldi work primarily together with importers, but KiK is less known for doing so. The importer can work directly together with the factory owner in Bangladesh and award him the contract. But generally, importers have their own branches in the countries of production and, hence, pass on the contract to their office, e.g. in Bangladesh. If the buyer does not work with importers, he will, ne-

vertheless, have a representative, either locally or in the region.

This office ultimately awards the contract to a local factory. The factory, in turn, either produces the merchandise itself or passes on the contract, or a part of it, to another factory (sub-contracting), because it is unable to produce the required amounts in the requested – i.e. short – time or because it is already working to capacity on another contract, etc. The workers in Bangladesh are at the bottom of this pyramid and have to carry the can for whatever is decided at the various stages higher up.

In order to ensure that the desired quality is delivered quickly, further players have an important role: e.g. the person controlling the quality of the merchandise locally, i.e. Pre Shipment Inspection (PSI) and the audit controller, who monitors the social and environmental standards in the factory.

Buying practices

The system is based on power structures. The strongest – the global companies/buyers – are at the very top of the pyramid, the weakest – the workers – are at the bottom. Retailers/

buyers use their enormous buying power to force suppliers to produce more quickly, cheaper and more flexibly.

“The prices in the last ten years have halved, the cost of living, on the other hand, has doubled,” complains one supplier. In a study of eight factory owners in Dhaka in 2006/07, the suppliers report that the prices for clothing paid to them by the retailer,



Tesco, were 5-10 percent lower than in 2003/04. One other supplier says, “We really can’t negotiate because we’re afraid they’ll award the contract to another supplier or to another country.” (ActionAid, 2007, p.46).

The buyer often shamelessly takes advantage of his immense power. For example, the buyer has been known not to ask suppliers for a tender before awarding a contract. He simply dictates the price and other conditions – the supplier can only either accept it or turn it down. In this intense competitive atmosphere there is always someone prepared to accept such a low price. The buyer plays off the providers/suppliers against one another and thereby secures the price he wants.

The method of payment in the clothing industry makes the suppliers vulnerable; everything is in the

hand of the buyer. The buyer issues the supplier a “Letter of Credit”, which, however, can be redeemed only after the merchandise has been received in Germany from the suppliers in Bangladesh.

In the meantime, all costs must be borne by the supplier. The supplier, therefore, has to bear the liability of paying for the material, the yarn and all other accessories in advance, which usually amounts to a large proportion of the contract. The supplier bears all the financial risks. The buyer can reject the merchandise on its arrival in Germany for a variety of reasons and pretexts. This also occurs.

As an analogy: you get a tailor to make you a shirt, without firstly paying for the cloth, and then decide not to buy the shirt, because for one reason or another you don’t like it. This is the Achilles heel, which makes the suppliers dependent on the buyers. Over and above these particular buying practices, the

managers interviewed as part of the study identified the following additional practices (see also the account of buying practices in chapter 2):

- The buyers demand concessions over and above those contained in the written contract, including quicker delivery and lower prices.
- Buyers demand a quicker delivery and a lower price than agreed, with the excuse that the selling price in their domestic market has fallen. In addition, the buyer attempts to bribe the production manager, so that he will compel the supplier/factory owner – i.e. his employer – to accept a lower price.
- The buyers initially agree to acceptable prices but then refuse to accept the merchandise with a ridiculous excuse (e.g. supposed dissatisfaction with the design or the quality). They then demand a large price reduction. If the supplier does not agree, he is left with huge quantities of merchandise on his hands and no payment.
- The buyer maintains that the delivery arrived too late, to force the supplier to make concessions.
- The buyer keeps the supplier in the dark about a renewal of the contract, even though the supplier has been producing for him for the last ten years.
- Through last-minute changes and contracts for various designs in small quantities, the buyer/company manages to create uncertainty in terms of reliable and lasting working co-operation.
- The PSI inspectors, assigned by the company, threaten not to release merchandise as shippable, so that they can pocket bribes.
- Buyers' auditors demand bribes in return for certifying that the merchandise complies with the required quality standards.
- If deficits are discovered during social audits, these are used as arguments to hammer out a lower price and other conditions in a new contract.

All of these practices demonstrate that there is no stable long-term relationship between the factories studied here and their buyers. The suppliers are at the mercy of the buyers.

Impact of buying practices on wages

The above-mentioned practices demonstrate that the buyers are primarily motivated by the lowest price for the merchandise. The suppliers have no real leeway to keep the price down. The raw material costs – which they often have to import – are fixed, non-negotiable and must be paid before the supplier can even begin to produce. From their point of view, the only flexible costs are the labour costs. This is one area where the suppliers can see an opportunity to cut costs, by keeping wages as low as possible and, thereby, increase their profits.

The Bangladeshi government has supported them in this for many years by failing to increase the minimum wage; a minimum wage that, today, is still not sufficient to allow people to live a dignified life. Thus the government, instead of protecting the interests of its impoverished population, is protecting the interests of the better off. Afraid of buyers moving to other countries, it is prepared to keep wages low. The ones to suffer most are those at the bottom of the pyramid: the workers.



A textile factory in Bangladesh



Impact of buying practices on overtime

Overtime working is normal practice in five of the six factories. Responsible for this overtime are, on the one hand, the suppliers' management and, on the other, the buyers. Overtime is necessary because the factory management's planning of the working processes is neither well thought-out nor efficient. Many managers have had no training and often do not know how to optimise production.

However, planning the production process is, in turn, only possible when contracts can be placed reliably and in the long-term. From the point of view of the supplier, a long-term relationship is not on a par with a reliable relationship. The latter is especially necessary in order to give the supplier a sense of security. As shown above, the buyers make changes to contracts at short notice, want to receive their deliveries quicker and in other ways, which ultimately means that the workers have to work overtime. The trend towards "fast fashion", the frequent change of collections, has a direct impact on the workers. More flexibility is demanded of the suppliers, who are expected to adjust to the rapidly changing demands of the buyers. The consequence is that his production line must be rearranged at short notice. He is often overtaxed, requires more time than planned, and all this means that the workers have to carry the can by working overtime and nightshifts.

Impact of buying practices on sub-contracting and working conditions

The trend among buyers to concentrate on only a few suppliers (see chapter 2) leads to an increase in the short-term employment of garment workers for peak periods. Afterwards, they are back on the streets, jobless again. Short term contract workers are taken on when things are tight

and then laid off again. This also means that more contracts are awarded to sub-contractors, since the main supplier is unable to produce the required amount in the short time period demanded. Factories receiving sub-contracts are not normally shown to the buyers and their inspectors. In the six factories studied, it seems that one factory functions as the sub-contractor for another one. Both factories belong to the same owner. While the working standards are better in the one factory, they are catastrophic in the other. In the latter, overtime is not voluntary, while in the "better" factory, very little overtime is worked. Dismissals are also frequent in the "poor" factory, but not in the better one.

An improvement in working conditions and social standards is only possible when multinational buyers worldwide finally recognise that they have to change their buying practices. Prices and delivery times must not be dictated by one side. Long-term, secure and trusting business relationships have to be established with suppliers. And a reliable and regular purchase of merchandise must be guaranteed to the suppliers.

5. Precarisation of employment in retailing

5.1 Precarisation of employment in German retailing

By Sarah Bormann



The trend towards the precarisation of employment is spreading through all retail formats, i.e. supermarkets, department stores, discounters etc. Nevertheless, the discounters, with their strategy of cheapness at all costs, are spearheading this development. Discounters are the real winners of this competition within German retailing, in that their strategy is based on low prices – and they demand low prices not only from their suppliers but also from their employees.

Precarisation as cause of insecurity

The precarisation of employment describes the dissolution of normal working relations, which, as a rule, guarantees security and stability as well as the ability to feed a family. In an ideal world, the family father works for forty years for the same company, eight hours per day. In contrast to this, casual employment is insecure on the one hand, because of its low-income levels and lack of social security such as the payment into pension funds or the entitlement to unemployment benefit. On the other hand,

it is insecure because of the lack of time planning: temporary employment and almost no protection against unfair dismissal make it more difficult for workers to plan their own future. Flexible working models, especially part-time and sub-contracted employment make it more difficult to balance paid working time and leisure time.

In retailing, casual employment such as part-time work is nothing new, yet such kinds of employment are increasing significantly. And, now, working women, themselves, are frequently finding them insecure. Many shop assistants in retailing work on a part-time basis because they define themselves principally as mothers and want to devote their time primarily to their family. In the retailing sector, however, working times are now becoming more and more flexibilised and adapted to fluctuating customer trends. As a consequence, the management demands that shop assistants are more flexible in the times they are available. Moreover, in recent decades, role models have greatly changed. It is now increasingly common for women not only to be providers of additional income, but for them to be financially dependent on their job. Women's employment situation has always been precarious, but is now becoming increasingly so. The retail sector is a classic example of this. Today, 70 percent of all people working in retailing

are women (Warich 2007a, 6) and part-time work for women is now the dominant form of employment in the sector (Voss-Dahm 2006, 81). Women are now increasingly involved in the sales sector as shop assistants. In contrast, more demanding and better paid work in senior management and in the technical sector is more commonly the preserve of men. And it is the women employees, above all, who are predominantly affected by the increase in part-time work, flexible working models, greater workloads and low wages (see below). However, men and women are also competing more and more for casual employment and are working, e.g. as cashiers in groceries retailing – a picture that was rare as little as ten years ago.

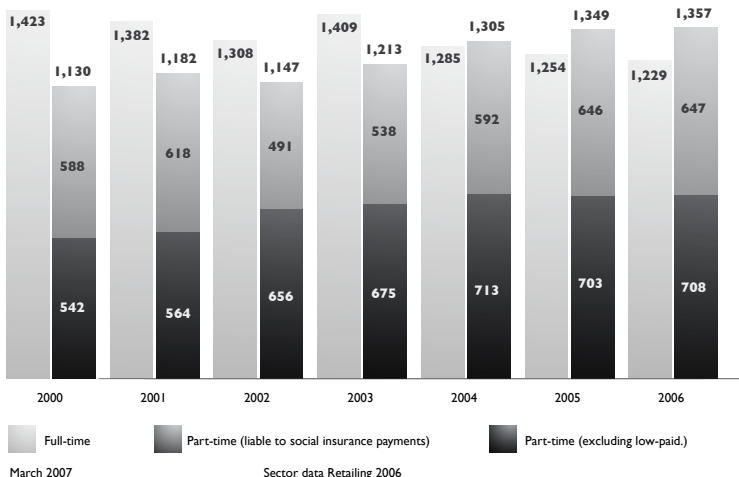
Discounters spearheading precarisation

Precarious employment results from cuts in personnel costs. This is undoubtedly not only of interest to discounters; department stores and supermarkets would also like to greatly reduce their personnel costs, which, however, is only, in part, possible. The difference to the situation of discounters lies in the fact that customers of KiK or Lidl do not expect tidy shops or short waiting times or friendly advice from shop assistants. When a customer enters a discount market, it is these deficiencies that assure him or her that he/she can pick up a bargain, and for this reason, is prepared to tolerate such an uninviting shopping environment. As a consequence, the company management can save on qualified staff: stressed shop assistants are part and parcel of the image and fresh produce counters, where the customer can exchange a few words with the personnel, simply do not exist. Shop assistants in discounters are selected for their ability to be resilient.

A further important reason for the relatively poor employment conditions is the widespread non-existence of any representation of employees' interests in

Employees according to employee status

Figures in thousands of employees



Source: 2000-2004 Fachserie 6, Reihe 4, Beschäftigte, Umsatz, Aufwendungen, Lagerbestände, Investitionen und Warensortiment im Handel, published in January 2007; from 2005, projections on the basis of the measured values of the development of retailing (Fachserie 6, Reihe 3.1.) As of 31.12.2006 and own calculations. Figures for low paid employees: Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen, Ausschließlich geringfügig entlohnte Beschäftigte (evaluation as of 31.6.2006).

discount branches. This is explained by the employee and business structures as well as the company management's aggressive union busting.

Flexible and cheap: poor despite work

Part-time work, which already accounts for over 50% of employment in retailing, is becoming the new norm in terms of employment relations. While jobs for full-time staff are rapidly declining in number – since 2003, a loss of 180,000 jobs (-12 percent) (Wahrich 2007a, 6), part-time employment is increasing. Over half of these part-time posts are now to be found in low-paid employment. These so-called mini-jobs fail to provide a subsistence level of income and are not subject to social insurance payments. Increasingly, school pupils, students and pensioners are being employed as “mini-jobbers”.

Although the trend in retailing is towards part-time work, it is also a general phenomenon. However, in comparison with department stores and supermarkets, the proportion of part-time work in discounters is higher than average. One reason for this is the lower qualifications demanded. But another is the low levels of staff cover required. Hence, in the drugstore discounter, Schlecker, for example, only the branch manager has a full-time job. The situation in KiK is similar. In each branch, an average of two or three other shop assistants is employed, usually on a part-time contract of between eight and 22 hours (Bormann 2007a). As a result of the widespread push towards part-time work, these women are low-wage earners. Thus the standard wage in the sector is between 1,400 and 2,000 Euros per month before deductions. Part-time staff, therefore, often have to survive on a pre-tax wage of well below 1,000 Euros per month. Furthermore, not all discounters pay their employees in accordance with standard wage scales: the hourly rate in the textile discounter, KiK, for example, is 5.20 Euros, which is why ver.di took legal action in autumn 2007 on the grounds of wage dumping (cf. the article on KiK). Since the demands on shop assistants to be flexible are high, it is often impossible for them, despite their low income, to take

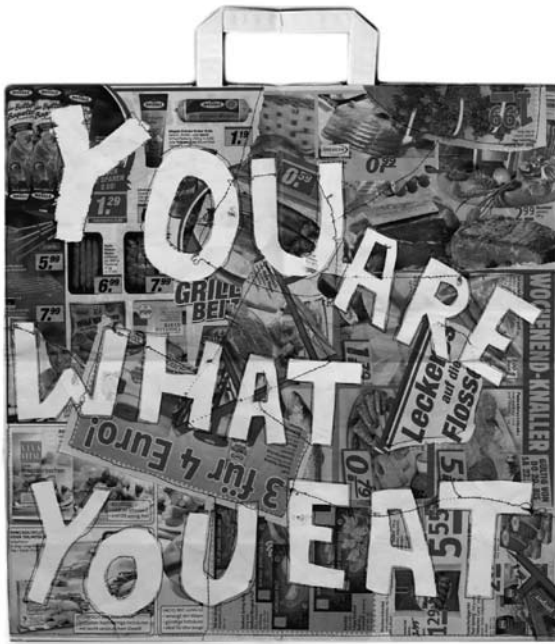
on a second job. Thus, many part-time workers have a lunch break of up to four hours:

“The pay simply isn't enough, when you're on your own and can't take on a second job because of the demands on you to be flexible.”

A saleswoman in conversation with the writer.

On the one hand, the demands on shop assistants to be flexible with their time are expressed in the fact that working times are normally determined several weeks in advance. On the other hand, because of the low personnel cover, “on-call work” is also common practice. The branches are often not prepared to react to a member of staff being absent as a result of illness and no replacement can be found. A branch of Schlecker, for example, has 85 working hours at its disposal for opening times of 66 hours per week, which corresponds to the working time of 1.3 employees. The absence of a member of staff through holidays or illness is not taken into consideration, but must also be covered by these 1.3 employees. As a consequence, the colleagues have to work overtime, which, from the company's perspective, is the most flexible form of working time distribution. For the employees, this overtime deprives them of the ability to plan





their personal lives. The worst thing about this, however, is that because their pay is so low, part-time staff are simultaneously financially dependent on this overtime. Nevertheless, there are also repeated examples of unpaid overtime, which, to a certain extent, discounters regard as a routine precondition of employment.

The situation of those employees, who only have a limited contract – also becoming increasingly common in discounters – is also precarious: In KiK, for example, half of the 18,000 employees are temporary (LZ 2007). The temporary staff working for Schlecker often receive contracts for only one week or even for only one day. Yet, many of the people working for several years with the company have been doing so on the basis of these daily or weekly contracts (Bormann 2007a).

One other form of flexibility, which also makes employment precarious, is outsourcing. Thus, discounters including Aldi Süd, Plus, Penny and Lidl are increasingly resorting to using outside companies. Outsourcing, especially of such activities as shelf-stacking, not only increases flexibility, but is also cheaper and is also often below the standard wage scale (Haase 2006). Outsourcing, however,

is also increasingly common practice in department stores and supermarkets. As well as shelf-stacking, typical activities taken on by outside companies include stock-taking, telephone services, decoration, property management, cleaning and bookkeeping (Schuhler 2005, 36). The prerequisite for this is provided by the strict division of sales activities into single working stages, whereby simple service provision of activities with higher qualification demands are separated off (Kalina/Voss-Dahm 2005, 7). Therefore, while core tasks are performed by full-time staff, comparatively simple tasks can be delegated to part-time staff or outsourced to outside firms. In the latter case, this is a “firm within the firm”, and colleagues typically work side-by-side for two different bosses. But whole departments, such as the vehicle fleet, for example, in the case of Lidl, can be outsourced. The main purpose of this, however, was the company management’s desire to prevent

a works council from becoming active (Hamann/Giese 2004).

Fewer working hours = higher performance

According to a survey, 44 percent of employees in retailing complain about one dimensional or physically demanding work and 33 percent about time pressure and the high intensity of work (Fuchs, 2004). Common illnesses include sleeping difficulties, headaches and sore joints.

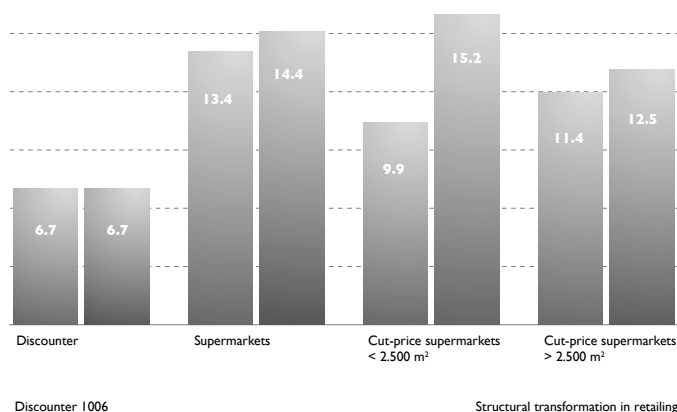
One reason for increasing workloads is that despite increasing turnover (about one percent in 2006), the number of employees and the volume of work have, overall, declined (by over one percent in 2006) (Wahrlich 2007a, 8 and 10). Turnover per employee is, therefore, increasing, which, on the one hand, can be attributed to increasing standardisation and automation and, on the other, represents a compression of performance. Discounters are also spearheading this development. Their personnel costs, as a proportion of turnover, are only 6.7 percent, whereas in consumer markets and supermarkets the equivalent proportion varies between 12.5 and 14.4 percent (Warich 2007b, 19). The proporti-

on of personnel costs is, therefore, twice as much as that for discounters. For the employees, this means an enormous workload. In general, they are given no real scope to help shape the working process, yet they are expected to keep the entire shop running: filling shelves, taking deliveries, cleaning windows, sweeping, working on the till. They, therefore, have to develop into real all-round talents in order to cope with the constant lack of time. To the cost of their health. When visiting Aldi, Lidl or KiK as a customer, you will rarely come across shop assistants in conversation with one another; on the contrary: many of them can barely afford the time to go to the toilet.

Since discounters are usually run along authoritarian lines, the pressure on the employees to meet all the demands is relatively high.

Proportion of personnel costs in turnover

in percent



Discounter 1006

Structural transformation in retailing

Source: Handel aktuell 2006/2007, from the EHI Retail Institute, Cologne, 2006, p. 293 and p. 298.

Union-Busting made in Germany

Working conditions are not equally bad in all discounters. Much depends on whether there is a company works council or not. The best example of this is the company Schleckler: while in about one third of the branches compliance with labour laws is being pushed through by works councils, the situation in the remaining branches depends on the capriciousness of the branch management, something also familiar in branches of Aldi Süd and KiK. This can result in unpaid overtime, insults from superiors and enormous working pressure. In one example in a branch of Schleckler, the

shop assistant even had to pay the window cleaner out of her own pocket, so that the branch would look clean and tidy (Bormann 2007a).

In the case of a large number of discounters, the establishment of works councils have to be pushed through against the will of the company management. What is known in the USA as Union Busting is now spreading in Germany. The management, whether of Lidl, Aldi Süd, KiK, Bauhaus or Media Markt, use all the means at their disposal to prevent the representation of employees' interests – especially when it comes to trade union organised works councils. This resistance is explained by their cheap-at-all-costs strategy. Works councils produce costs and hinder the all too easy access to flexible and obedient workers. According to the observations of trade union secretaries, the

spread of the discounter has also led to an increase in anti-trade union company activity in retailing (Bormann 2007a). Their methods are based primarily on the intimidation of employees through inspection visits and warnings as well as subtle and direct threats by managerial staff of disadvantages (Bormann 2007a). One well-known example of this is the groceries discounter Lidl (see article by G. Giese) or also the textile discounter KiK, which in Austria made

works council elections massively more difficult (see article by C. Schröder).

In the case of Schleckler there was a recent episode, in which three senior company managers were found guilty of common and attempted coercion. One member of the election committee, preparing the works council election, was forced, under the threat of dismissal, to sign her transferral to outside of the electoral district. Her colleagues were also informed that works council members were not wanted within the company, since they would produce costs and work against the company. If they refused to leave the company voluntarily, they would have to



reckon with increased inspections and warnings, which would ultimately lead to dismissal (Regional superior court, Marburg, 2 Ns 2 Js 18719/05).

The obstruction and prevention of works councils is systematic in discounters such as Schlecker, Lidl and KiK. A prerequisite for an improvement in precarious employment is, not least, that participation in decision-making is anchored within the branches.

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5.2 Workers struggle at KiK in Austria

By Christina Schröder

Workers in Austrian retailing are, in part, exposed to some extremely adverse working conditions. Employees in the 250 Austrian branches of the textile discounter, KiK, suffer under the problems typical of this retailing sector, including the recording of working times, unpaid overtime etc. In the case of cheap textiles, in particular, the working conditions do not always comply with international legal standards – either in the countries of production or where they are sold.

Textile discounter KiK the long road to a works council

For a long time, the senior management at KiK made it extremely difficult for a works council to be elected. Employees had no opportunity at company level to represent their interests in the long-term. As in all branch businesses with no works council, KiK employees' had access to very little information about their rights. As long ago as autumn 2004, an election committee was appointed and instructed to advertise elections to the works council. Although the election committee had the legal instruction to commence the works council election within three days and complete it within four weeks, this legal instruction was not implemented by KiK.

Instead, the election committee, which was closely linked to senior management, advised the staff against joining the trade union. They said that the trade union for private sector employees, print journalism and paper (GPA-DJP) would lead to unrest and disagreement in the company.

In autumn 2006, it launched the ANKi(c)K campaign. Trade unionists informed KiK employees throughout Austria of their rights. The unique thing about this was the so-called “partnership”: experienced works council representatives from a wide variety of sectors – for example from industry or the financial sector – supported retail employees, who had no works council.

They visited all 250 branches of the textile discount-retailing chain and informed the employees of their rights.

As part of the ANKi(c)K campaign, the GPA-DJP also carried out a questionnaire campaign among the employees. This revealed that 98% of KiK employees wanted a works council. 85% were not paid for preparatory and finishing work and 60% complained that their weekly working hours were arbitrarily increased or reduced. In the case of every second employee, the agreed working time was not observed.

KiK attempts to dismiss candidates in works council elections unsuccessfully

There was great uproar in 2007, when Andreas Fillei, the leading candidate in the works council elections at KiK, was dismissed without notice, just two days after elections had been declared. No reason was given for his dismissal. He was simultaneously barred from all KiK branches. As a precautionary measure, all trade unionists were also barred from entering all KiK branches. The GPA-DJP trade union, of course, took legal action against the dismissal of Andreas Fillei, since all election candidates have special protection against unfair dismissal.

The dismissal was intended to intimidate KiK employees. However, in February 2007, trade union information evenings were organised throughout Austria by the GPA-DJP for KiK employees. Here, too, the management attempted to manipulate and sabotage these events. Immediately prior to the information evenings, all employees received a letter from the senior management of the company, in which they were advised not to take part in any trade union organised events.

Senior management not only gave advance notice of boycotting one of these GPA-DJP information evenings on the 22nd February 2007 in Salzburg, but

also engaged in spying activities at the meeting (Stasi methods). The company management instructed the district managers to photograph their colleagues, in order to monitor who had taken part in the event. Walter Steidl, regional head of the GPA-DJP in Salzburg criticised the behaviour: “In this instance, KiK has not only shown the highest disregard for the freedom of assembly but, through its spying activities, has also violated the human dignity of its own employees.”

Hundreds of demonstrators protested the same day in front of the

KiK head offices in Vienna and gave vent to their anger against the machinations of the senior management at KiK. Two hours later, the response came: a temporary decree had been issued stating that Andreas Fillei could not be prevented from pursuing his activities as election candidate and that he was, therefore, no longer barred from KiK premises. The proceedings concerning Fillei’s dismissal continued, however. Although he was officially released from working service, he still held both active and passive voting rights.

First works council elections: a farce

Andreas Fillei also made use of these rights. On 26th February, he introduced the election proposal before the deadline expiry. But he was then informed in writing by the election committee that his election proposal had not been accepted. The reasons given were an illegible signature and an allegedly prohibited linkage of election proposals.

This meant that only one list would be accepted, that of Martin Reischl – the assistant to the managing director! He was also simultaneously the



chairperson of the election committee. The committee consisted of Reischl and staff working in the personnel department. Consequently, the GPA-DJP made an appropriate public response and took legal action.

“The result of the works council elections within KiK has no relevance for the GPA-DJP, since the exclusion of the list put forward by Andreas Fillei had already been declared illegal. The election will, therefore, be contested immediately after the conclusion of the election process”, promised Georg Grundei, the GPA-DJP regional secretary responsible for KiK. The active election process nevertheless took place between the 13th and 15th March 2007, although the election was nothing other than pure farce.

Finally, a regular works council in the KiK textile discounter

After the works council elections at KiK, the election committee informed the KiK employees that the works council representatives from Reischl’s list



had not accepted the election. With the co-operation of the GPA-GPA, new elections could be prepared.

After numerous forms of harassment by senior management, through which it sought to prevent the establishment of a works council at all costs, a works council was, nevertheless, finally elected in June 2007. KiK also withdrew Wolfgang Fillei's dismissal without notice.

On the basis of the number of employees, 14 posts were to be filled. Two different lists were put forward for election. The list from Andreas Fillei, who worked tirelessly in the run up to the election, ma-

naged to secure four mandates, despite management's attempts at intimidation.

"For the first time, the employees of the textile discounter, KiK, have an elected works council in a company operating throughout Europe. A company, which, until now, has always been fundamentally opposed to such an election. That is an enormous achievement," declared the national deputy head of the GPA-DJP, Karl Prover. "We offer the entire newly elected works council constructive co-operation and, in the coming weeks, will insist that the measures agreed so far with senior management to improve working conditions will be swiftly implemented."

Conclusion

One achievement so far is that works council representatives receive travelling expenses to cover the cost of attending the regularly held meetings. Under these very difficult circumstances, the works council is attempting to get off the ground.

"It is important that there is now a works council within KiK, that this form of organisation becomes familiar to the employees and that they learn to work with it. Only then will it be possible to combat the deplorable conditions within KiK in Austria, which until now have not been eliminated," says Michaela Königshofer, co-ordinator of the Austrian Clean Clothes Campaign.

The problematic working conditions in KiK, not only in the countries where merchandise is sold but also where it is produced, are based on intimidation and suppression by management. In both contexts, it is argued, for example, that as a result of external criticism – whether from NGOs or



trade unions – sales figures could decline, which would, thereby, result in workers having to be laid off. That is why it is important that when the workers struggle is not carried out directly by a broad cross-section of the workers themselves, but by their representatives, that priority is given to the workers' well being.

Christina Schröder works for the development NGO Südwind agency in the area of public relations and campaign work in Austria and works for the Austrian Clean Clothes Campaign. In autumn 2006, she was in Bangladesh to document the deplorable conditions in the local clothing industry.

5.3 The unsuccessful attempt by Lidl to prevent the establishment of works councils – the long struggle by ver.di

By Gudrun Giese



The 1st November 2007 was a good day for employees in the Lidl branch in Hamburg-Eimsbüttel. They were able, for the first time, to establish a works council. By nine votes to eight, the trade union oriented colleagues were, in the end, able to gain the upper hand. In the meantime, the works council has started its work.

A works council in a discounter branch with 17 employees – is that newsworthy at all? When it is Lidl

that is concerned – alongside Kaufland and Handelshof, a part of the Neckarsulm-based Schwarz concern – then it is most certainly newsworthy. In a nationwide network of 2,700 branches, only eight have a works council.

In the past, Lidl's senior management has frequently demonstrated that it is against the idea of elected workers' representatives.

ver.di campaign against Lidl

The Black book Lidl (Schwarz-Buch Lidl), published by the trade union ver.di in 2004, outlines the methods used in and around the German city of Unna to prevent the election of a regional works council. Here, employees were pressurised, intimidated and prevented from participating in election meetings. In the end, the election had to be entirely cancelled. Yet the example from Unna was the launching pad for the Lidl campaign by ver.di. After the publication of the Black Book, thousands of Lidl employees contacted the trade union, most of whom confirmed the statements contained in the book: there were repeated reports of working stress, too few personnel in the branches, constant surveillance of employees and, to a degree, the rude manners and behaviour of superiors. Furthermore, overlong working times, work on call and unfounded accusations of theft were also apparently commonplace.

At the beginning of 2005, ver.di launched the Lidl campaign with the aim of increasing the rights of branch employees. “We want to support colleagues to set up works councils for the Lidl bran-

ches, in order to realise more humane conditions in the workplace”, wrote ver.di chairman, Frank Bsirske and its then head of commerce sector, Franziska Wiethold, in the foreword to the Black Book. The ver.di campaign now aims to put these aspirations into practice.

There was great public interest in the deplorable conditions at Lidl in the first few months of 2005, yet, as a result of massive pressure from Lidl, the attempt to hold branch works council elections failed. In the summer of that year, there was a list of candidates and a date for the election in a Munich store. But, shortly before the big day, the supervisors gave a “good talking” to each of the employees in turn. Afterwards, a majority of the workforce no longer wanted a works council; the committed leading candidate found herself unexpectedly confronted with accusations of insulting behaviour and then was dismissed. The massive support from ver.di, the globalisation-critical network Attac and other groups and, indeed, the fact that the Mayor of Munich, Christian Ude (SPD), became patron of the branch, was obviously of no interest to anyone in the Lidl management.

Works councils sidelined

Public support and widespread critical coverage of Lidl also did not stop senior management the following year from sidelining functioning branch works councils: In the Baden-Württemberg town of Calw, a thriving branch was closed from one day to the next. The fact that this surprising move had something to do with the active works council in the branch, was resolutely denied by Lidl, but was probably decisive in the decision to close.

The management proceeded shrewdly in the case of Lidl Forchheim. The works council representative there had proved himself to be particularly successful in pushing things through. After his election, he saw to it that, within a few months, the branch employees no longer had to be subjected to checks on their bags and cars and that overtime hours were accurately recorded and paid. In 2006, however, the branch was suddenly converted



into a bargain store – and, formally, at least, no longer belonging to Lidl. Although Frank Kalina remained as works council chairperson, the opportunities to perform his tasks are now severely limited.

Successful works council elections despite frequent harassment

With regard to works council elections, the Lidl campaign by ver.di did not prove, at first sight, to be successful. On closer examination, however, ver.di, with the help of many full-time staff and volunteers, built up a tight network of contacts in this period. “Such a broad-scale campaign cannot be successful from one day to the next”, explains Rainer Kau, who leads the ver.di Lidl campaign at national level.

In Stuttgart, for example, a campaign group comprising full-time and voluntary trade union activists, has been working for about one year on the foundation of a works council in the Lidl branch in the city’s Feuerbach district. “There was great support,” remembers Oliver Handel, organiser of the campaign. “The last push was provided by the visit of the Lidl works council representative, Ulrike Schrammde Robertis from Bamberg to her colleagues in Stuttgart. Her report completely convinced them that a works council can achieve a lot.” On 4th October 2007, the employees in the Stuttgart branch voted for their works council and, one day later, the postal vote was counted – and shortly afterwards, senior management was contesting the election. “They maintain that the branch manager was prevented from being an election candidate”, says Oliver Handel, dismissing this reason for contesting the election as being completely unfounded. But things look different with regard to the counting of postal votes, where there were apparently problems. However, this would not alter anything in the overall election result. The legal decision on the contestation of the election will take a good while longer. It is clear, however, that Lidl’s senior management attempted before the date of the election to have a massive influence on events: three days before the elections, branch employees received “visits” from their superiors, who wanted to keep them from voting for employees’ repre-

sentation. But this pressure achieved nothing. The election took place.

However, since the election, the staff of the Feuerbach branch have found themselves under more rigorous surveillance: and thus, test-buying is becoming more frequent. On one occasion, two test trolleys were pushed up to the till of one employee within the space of seven minutes. Anyone failing to notice one or the other cleverly concealed articles in the shopping trolley usually receives an official warning – and this has already happened twice in the Feuerbach branch since the works council elections.

“There is no question that we are in a difficult situation at the moment,” declares Oliver Handel. “Yet it is a success, despite all the resistance, to have elected a works council.”

The organiser in Hamburg, Björn Krings, sees things similarly. The works council election was only possible after ver.di representatives had spent a year and a half building up contacts with employees in the Lidl branch in Eimsbüttel. As in Stuttgart, the senior management exerted pressure on the employees





and ultimately put forward the branch manager as a counter candidate. “Since the close result of nine votes to eight in favour of the trade union candidate, Tayeb Azzab, a real split has appeared within the workforce”, says Björn Krings. Overcoming this division is one of the first tasks of the new works council. He was able to show one real success a few days after his election: suddenly, the daybed urgently needed for a pregnant colleague was acquired.

Fighting for fundamental rights

It may take some time before the work of the works councils in Stuttgart and Hamburg is up and run-

ning properly. Initially, the employees’ representatives – as proven by examples from other branches – will have to fight for their fundamental working rights. Introductory courses in the Works Council Constitution Act, essential working equipment, a room – things not automatically provided by Lidl and other discounters. Normally, this is the works council representative’s first fight, which, at worst, could go all the way to a labour court.

It is quite astonishing to read the statement of the Lidl management issued shortly after the difficult works council elections in Stuttgart and Hamburg, which appeared in the *Lebensmittel-Zeitung* (groceries newspaper) on 16th November 2007 (online edition): “Lidl has never obstructed the establishment of works councils,” it says. Rainer Kau from the ver.di campaign sees that as a direct invitation to the employees in the branches.

He says, “The colleagues should take their employers at their word and insist that works council elections are never obstructed in Lidl”. Independently of this, ver.di is already planning the next elections – without giving away the locations or exact dates. After all the trade union cannot really rely on the Lidl leadership not seeking to influence on the preparation and course of elections.

Gudrun Giese: political scientist graduate and freelance journalist; co-author of the “Black-Book Lidl” (*Schwarz-Buch Lidl*) (with Andreas Hamann).

6. Obligations of the state: introduction of binding social standards

By Uwe Wötzel

What is this all about?

In Europe, discounters and bargain chains are expanding. As part of this process, casual low-paid and mini-jobs are also expanding and displacing normal employment practices. Women, migrants and those, working mainly under casual conditions in Lidl, Aldi, Schlecker, KiK, Norma, Netto and other bargain chains, are particularly affected. Extreme pressure to perform and surveillance are routine practices. The basic rights of employees are suppressed and the election of employees' representatives obstructed.

The very keen competition in retailing has wide-ranging consequences for employees, customers and, indeed, society as a whole. The Black Book Lidl and the Black Book Lidl Europe from ver.di vividly document how discount chains, in their expansion into other European countries, have also introduced their "cheap at the expense of employees" principle in these countries. The consequences of these anti-employee business practices is that social standards are not only rapidly sinking in Germany but also in our European neighbours – social dumping as German export success.

However, the basic rights of employees are not only disregarded in European retailing but also in the factories of discounters' suppliers, especially in developing countries. Through the concentration in retailing, the negotiating power of the discounters is increasing. And, thus, they are able to dictate the production, price and delivery conditions to their suppliers. Through the discounters' ruthless pricing policy, the wage and working conditions among suppliers in developing countries are coming increasingly under pressure.

We must defend ourselves against caprice, lack of respect and repression in the workplace. We want those who work for discounters and bargain chains to be treated with fairness, respect and appreciation. We are fighting for trade union rights and, thereby, for human rights, also and especially in discounters and bargain chains. We are working to ensure that discounters in Germany, Europe and supplier countries observe human rights and we demand that workers and producers are protected from the negative effects of the buying power of discounters.

What is the background?

Current policy, with the European Union at the forefront, is aiming systematically and, since the 1990s, with great vigour at the global dismantling



of barriers for finances, merchandise, workers and services. It primarily serves the interests and wishes of investors and transnational companies and promotes their drive for expansion and increase in power. This process advances in a politically asymmetrical way: i.e. it neglects the opportunities to grant and protect universal human rights as well as internationally recognised social and ecological standards throughout the world. The result of this process is the increase in political and social inequalities in the world. The removal of barriers in the value added processes across state borders and continents increases the growth in power of transnational companies. Today, almost 90,000 companies are operating transnationally. The 500 most powerful controlled 52.8% of the world gross national product in 2005. The 374 biggest companies possess financial reserves amounting to 555 billion dollars. This amount has doubled since 1999. The return on investments clearly exceeds the actual investment requirement. These extremely high profits are based on the political weakness of the workers and the tax policies of governments. The companies make full use of their freedom to exert pressure on suppliers and workers. One example from the world of retailing is Li & Fung (see the article by Gisela Burckhardt "How the discounters use their power").

The enormous changes in the global labour market along with the simultaneous weakening of social regulations have a considerable potential for pressure on wages. "The Great Doubling", refers to the doubling of the number of workers available to the global market. Since 1990, around 1.47 billion people of employable age have been added from the previously extremely isolated economy of the

former Soviet Union and its allies, as the well as from developing countries such as China and India. In the next ten years, the number of potential workers will increase by one billion. The current



political weakness of these potential workers facilitates the almost unrestricted exploitation and the simultaneous accumulation of unimaginably immense levels of wealth. The growth in the number of potential workers is linked to global underemployment and mass unemployment. Worldwide, there is a shortage of millions of jobs. Yet 600 million people work more than 48 hours per week. Poverty despite work has become a worldwide phenomenon. 1.2 billion workers have less than 1 US dollar and, altogether, 3 billion workers have less than 2 US dollars per day for their daily needs. The expansion of zones of social insecurity is global. Casual and informal work is advancing: in the 1950s and 1960s, the proportion of stable employment amounted to between 80 and 90 percent in the West and to about 50 percent in the South. Today, the equivalent is still 60 percent in the West and a mere 20 percent in the South. Globally, the proportion of stable employment declined from 75 to 25 percent. Trade union opposition to poor working conditions is being obstructed throughout

the world. Trade union rights are being violated in over 130 countries. The International Confederation of Free Trade Unions (ICFTU) reports on murder, bodily injury, jail sentences, bans on strikes, surveillance and the arbitrary dismissals of trade union members.

Solidarity forces back labour law violations: the activities of the Clean Clothes Campaign

Against the background of the current worldwide conditions for waged employment, one remarkable example of international co-operation between human rights organisations and trade unions in the work of the Clean Clothes Campaign (CCC). The CCC, founded in the Netherlands in the 1990s, works for better working conditions in the worldwide textile industry. Alongside women's rights organisations and Christian initiatives, the sponsors of the campaign in Germany also include IG Metall, the multi service trade union ver.di and the DGB training institute (see Appendix for the CCC register). Through its strong commitment and dedication, the campaign makes contributions, which have led to measurable successes, to improved working conditions for workers in clothing factories in Eastern Europe and Asia. More than 90% of clothing sold over German counters is sewn by women in Asia, Central America and Eastern Europe. They sometimes work under miserable conditions for starvation wages and overlong overtime, as this study shows. On the basis of the recommendations of the International Confederation of Free Trade Unions, the campaign activists have developed a Code of Conduct that includes the most important norms of the International Labour Organisation and regulates how observance of these norms should be verified (see Appendix).

The campaign's overall aims are:

1. The improvement of the working conditions of the predominantly female workforce in the clothing industry worldwide, especially in the "Third World",
2. Sensitisation of the general public to the consequences of an uncontrolled globalisation process,
3. Observance of social standards, also among suppliers:

- Freedom of organisation and the right to collective bargaining,
- living wage,
- working time regulations and overtime rates
- health and safety regulations,
- minimum age, prohibition of child labour,
- protection from discrimination,
- no forced work,
- stable employment.

The concrete aims of the campaign are the commitment by retailing companies active or based in Germany to observe social standards in the production of all their clothing products, the signing of the Code of Conduct demanded by the campaign and verification of compliance through an independent authority. The most important instrument to achieve the aims of the campaign is the development of massive public pressure on retailing companies within the clothing sector, so that they fulfil their social responsibilities. The public campaigns initiated by the CCC include the following:

- information for customers of retailers on the labour law violations in supplier factories,
- press and media work,
- information stalls and street theatre,
- city tours critical of globalisation,
- email and postcard campaigns on specific labour law violations,
- information events with employees from supplier firms.

The campaign is not calling for a boycott of companies, but the participating groups and organisations are making criticism and demands public in a number of ways. The aims of the Clean Clothes Campaign are also receiving support from local trade union groups working in various companies.

Companies are reacting to the criticism. Thus, KarstadtQuelle AG has adopted its own Code of Conduct, Tchibo has revised its Code of Conduct. As a result of constant pressure from the campaign, companies are increasing their efforts to fulfil their responsibilities. But, depending on the company, they are still far away from achieving this. The Foreign Trade Association of the German Retail Trade (AVE) agreed to the demands of the Clean Clothes

Campaign by introducing its own Code of Conduct in 1999. Yet this declaration did not automatically lead to improved working practices in the supplier companies.

The AVE/GTZ project: meagre results

The commitment and the unswerving pressure by those involved in the CCC have made a major contribution to the fact that the AVE, in co-operation with the German Association for Technical Co-operation (GTZ), has put social standards in supplier factories under close scrutiny. In 2003, the project for the “Introduction of a uniform model to improve working conditions in the sourcing markets of German retailing in selected countries” began. The AVE, the Federal Ministry for Economic Co-operation and Development (BMZ) and the GTZ launched an auditing and qualification system for social standards in 2,500 supplier companies in eleven of German retailing’s biggest supplier countries, in co-operation with local industry. For the companies participating in the AVE, the “Code of Conduct” of the AVE is at the heart of this. With this voluntary self-commitment, the companies are seeking to bind their supplier companies in the textile, clothing, leather and toys sector to observe minimum social standards in

line with the core labour standards of the International Labour Organisation (ILO) and national laws. The project encompassed supplier companies with a total of around 1.25 million employees. However, the results of the first audit clearly show that instruments of voluntary self-commitment seldom lead to acceptable working conditions. After inspections announced in advance, it was discovered that only 7% of suppliers were observing the demanded minimum standards. Even the slightly better results of the second audit were not convincing. Despite the enormous effort, it was clear that, in the end, only a few concrete improvements had been made for the benefit of the workers.

Voluntary self-commitments are entirely insufficient

Voluntary self-commitments simply do not live up to their well-meaning promises. Binding regulations, monitored by independent parties, are essential. From the political sphere, we expect concrete steps towards the implementation of corporate accountability: hence public contracts, for example, should be awarded only to companies, which – just like their suppliers – observe human rights as well as social and ecological standards and are accountable for doing so. Human rights as well as social and ecological demands on companies must also be anchored in international economic agreements and through economic development.

The critical tension between legal demands and voluntary self-commitments is now even recognised by the labour ministers of the G8 group. In May 2007, they declared in Dresden: “It is, above all, the responsibility of the state to implement and improve human rights and labour standards. Companies, through a voluntary self-commitment, **can do more than legally stipulated**. Companies should recognise their responsibility to their employees, through the promotion of activities founded on the rule of law, transparency, good company management and the eradication of corruption as well as the fulfilment of good working relations between employers and employees.”¹



Social standards in the global supply chains

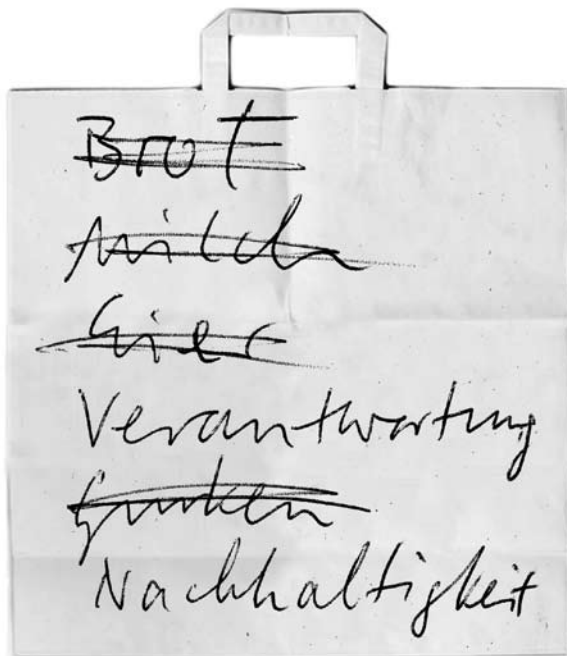
How do customers use their purchasing power to influence supply conditions? Do they influence the quality of working conditions? Or is it only the price that matters? Broader economic calculations and responsible buying transcend narrow-minded calculations and respect human rights. The CorA Network² for corporate accountability is working on a challenging project. At European level, the network is called the “European Coalition for Corporate Justice (ECCJ)”. In the German network ecological, development, consumer and human rights groups, as well as the trade unions IG Metall and ver.di, are active partners. This broad-based political alliance wants to increase social debate on economic and political actions and to work for binding political instruments, through which the companies are obliged to respect human rights as well as internationally recognised social and ecological norms.

For the working conditions in the global supply chain, this means observance of minimum demands such as the granting of decent working conditions and satisfactory wages, trade union rights, freedom from discrimination as well as the prohibition of child labour and forced labour. By now, nearly all political forces recognise that the remo-

val of barriers in the global market, is in urgent need of being embedded in politics.

The CorA Network has formulated demands for the regulation of markets, which are also aimed at the working practices of discounters. Since the company philosophy of the voluntary and private initiatives of the “Corporate Social Responsibility” (CSR) cannot alone overcome the gap between human rights, social and economic problems on the one side and normative values of our civilisation on the other, transnational companies must, therefore, actively contribute in their sphere of influence to the observance of the designated standards and present their behaviour to the general public in a transparent and comprehensible way.

The CorA Network is convinced that the road to binding, internationally effective company regulations is not only ethically necessary, but also urgently required for the benefit of all. Binding agreements can be achieved through a combination of instruments, particularly through financial instruments, through limits, through incentive and sanction systems, through State rules and regulations and, in the long-term, through changed structures, which open up the way for a form of economics that is socially and ecologically acceptable and, in particular, one that observes human rights.



In democratic states, the process of forming political objectives leads to legal regulations, which determine the substance and range of the social responsibility of companies. For a globally effective programme framework, we need a strong international community of democratic states with the ability to take action. Companies must not be allowed to contribute to a weakening of state sovereignty, for example through offering bribes to politicians or state employees. The impact of binding regulations with respect to transnationally operating companies can develop better, when as many states as possible – e.g. in the EU, OECD and the United Nations – take co-ordinated action to achieve these goals. At the same time, we also demand contributions at a district, regional and national level to a set of regulations similar to that of “Corporate Accountability”.



CorA, therefore, demands concrete steps from the German parliament and the German government as well as the European parliament, European Council and European Commission towards the introduction of a binding framework for corporate accountability (see Appendix for CorA's most important demands on policy). (www.cora-netz.de).

Uwe Wötzel was born in Hanover in 1956, is married and is the father of three adult children. He studied social sciences and law in Marburg and Hanover. He has worked for many years as a trade union secretary. He represents the public service trade union (ver.di) in the platform of the German Clean Clothes Campaign and in CorA.

¹ http://www.ilo.org/public/german/region/eurpro/bonn/aktuelles_g8arbeitsminister.htm

² <http://www.cora-netz.de>

Annex

I.a Results of interviews with 105 workers in the six suppliers of Lidl and/or KiK in Bangladesh

Table 01: Basic information about the workers

Age	17 and under	18 - 20	21 - 24	25 - 34	35 - 44	45+
	12	44	29	16	2	2
Sex	female:		male:			
	83		22			
Education	none	up to the 5th grade	6th-10th grade	10th grade +		
	17	38	48	2		
Years in the clothing industry	under 1 year	1 - 3 years	4-6 years	7-9 years	10-12 years	
	29	39	18	10	9	
Years in this factory	under 1 year	1 - 3 years	4-6 years	7-9 years	10-12 years	
	44	41	11	7	2	
Start of working day	8:00	after 8:00	9:00			
	105	0	0			
End of working day	17:00	19:00	20:00	21:00	22:00	23:00
	23	26	14	3	38	1
Maternity leave	without pay	with 50% pay	with pay	no leave	don't know	
	34	3	36	22	10	
Working contract	have employment contract		no employment contract		no contract, but „Personnel card“	
	06		99		68	
Length of employment contract	limited contract		limited			
	101		4			

Table 02: Working documentation, working conditions and holiday regulations of the workers

	mandatory	not mandatory				
Overtime	99	6				
Advance notice of overtime	advance notice given	advance notice not given				
	2	103				
Overtime paid in accordance with the law	yes	no	don't know			
	38	20	47			
Number of paid holidays	5 days	8 days	10 days	12 days	13-15 days	don't know
	14	2	17	22	21	29
Difficult to take leave	yes	no				
	81	24				

Table 03: Wages and wage payments of the workers

Overtime paid	on 7th of following month	Second half of following month	no information		
	24	47	34		
Wage paid correctly	yes	no	1-2 hours short	4-8 hours short	more than 10 hours short
	50	26	1	11	17
Annual wage increase	yes	no			
	71	34			
Incentives for attendance	yes	no			
	64	41			
Other benefits	yes	no			
	*47	58	*bananas, bread: nightshift		
Pension insurance provision	yes	no	don't know		
	1	103	1		
Deductions for making mistakes	yes	no	don't know		
	31	32	42		
Deductions for misbehaviour	yes	don't know			
	63	42			

Table 04: Freedom of association and status of the workers

Factory has trade union	yes	no	
	0	105	
Worker is member of trade union	yes	no	
	0	105	
Worker votes to elect representatives	yes	no	
	0	105	
Worker lost job for trade union membership	yes	no	don't know
	1	51	53
Attempts to set up a trade union	yes	no	don't know
	1	52	52
Desire for a trade union	yes	no	no answer
	100	2	3
Workers' demonstrations in last 5 years	yes	no	don't know
	53	36	16
Recall to labour laws	yes	no	don't know
	39	49	17

Table 05: Health and sanitary conditions of the workers

Toilets are hygienic	yes	no	
	66	38	
Restriction on toilet use	yes	no	
	4	101	
Factory has day-care facility	yes	no	not functional, only to show to buyers
	21	72	12
Factory has canteen	yes	no	
	24	81	
Medical provision in the factory	yes	no	not functional, only to show to buyers
	60	40	5
Safe drinking water	yes	no	no answer
	41	54	10

Table 06: Buyer visits and Code of Conduct for workers

Toilets are hygienic	yes	no	
	66	38	
Restriction on toilet use	yes	no	need pass
	4	101	
Factory has day-care facility	yes	no	non functional, to show to buyers
	21	72	10
Factory has hygienic canteen	yes	no	
	24	81	
Medical facility in factory	yes	no	non functional, to show to buyers
	60	40	5
Safe drinking water in factory	yes	no	
	41	54	

I.b Information on the six suppliers of Lidl and/or KiK in Bangladesh

criteria	factory	factory Nr. 1	factory Nr. 2	factory Nr. 3
Country of origin of company/ Nationality of owner		Bangladesh	Korea	Korea/Bangladesh
Standard of equipment		high		
Supplying following countries		Germany, Great Britain, USA, Singapore	D, F, GB, USA, NL, Sweden	Germany, Holland, USA
Number of workers		1800	500	800
Number of female workers		> 75 %	> 70 %	80%
Employment contracts available?		not available	not available	not available
Minimum wage paid		yes		
Pay day		23rd of following month	at the latest 7th of following month	15th of following month or later
Overtime?		mandatory	not mandatory	mandatory
Overtime paid?		non-transparent	seldom overtime	no payment of overtime
Working hours (per working day)		working times vary from 9 to 14 hours per day		
Deductions from wage		when late or absent		
Dismissals recently		Dismissal of worker, who organised workforce	no	yes, large number of dismissals
Discrimination against women		yes		
Medical provision		contract doctor, but insufficient examinations	private doctor, available to workforce daily	no statements available
Access granted to drinking water?		not safe drinking water	safe drinking water	no safe water supply
Code of Conduct displayed in factory?		no information	no information	only during customer visits
Code of Conduct known to workers?		no		
Canteen		no access for workers, if available	available	no access for workers, if available
Baby room		not available to workers' children	day-care facilities available	not available to workers' children

criteria	factory	factory Nr. 4	factory Nr. 5	factory Nr. 6
Country of origin of company/ Nationality of owner		Bangladesh	Bangladesh	Bangladesh
Equipment level		very high		high
Supplying to following countries		France, Italy, D, GB, USA, Spain, NL	USA, Canada, Ger- many & other EU States	USA, GB, France, Germany, Japan, Holland
Number of workers		250	550	350, 800-1000 (ac- cording to workers)
Proportion of female employees		80%	> 70 %	80%
Employment contracts available?		no		
Minimum wage paid		yes	no	yes
Pay day		10th - 15th of following month	15th of following month	no information available
Overtime?		mandatory		
Overtime payment?		garment workers feel cheated	often paid late	no information available
Working hours (per working day)		working times vary from 9 to 14 hours per day		
Deductions from pay		when late or absent		
Dismissals recently		no	much unrest	no
Discrimination against women		yes		
Medicinal provision		not available	no information available	doctor available
Access to drinking water provided?		water provision not to drinking water standards		
Code of Conduct displayed in factory		only during expec- ted customer visits	only during expec- ted customer visits	no information available
Code of Conduct known by workers?		no		
Canteen		not for workers, where available		
Baby room		not available to workers' children		

2. Minimum wage table, Bangladesh, in force since October 2006

The Bangladesh clothing industry is at least 25 years old. It is one of the Bangladesh economy's most important sectors. This thriving economic sector pays its workers a minimum wage, which, over a 12 year period, in spite of inflation and the consequential increase in the cost of living was not increased

by the government. In 2006, this ultimately led to massive worker protests and, after protracted negotiations involving all concerned parties ((employers' associations, government, trade unions), the monthly minimum wage was determined as follows:

Sl. No.	Grade	Net wage	Rental 30% of basic wage	Medical provision ("Health Insurance")	Gross wage in Bangladeshi Taka
	Trainee	Consolidated allowance 1200.00			
01	Helper (G-7)	1125.00	337.50	200.00	1662.50
02	General machine operator (G-6)	1270.00	381.00	200.00	1851.00
03	Junior machine operator (G-5)	1420.00	426.00	200.00	2046.00
04	Machine operator (G-4)	1577.00	473.00	200.00	2250.00
05	Senior machine operator (G-3)	1730.00	519.00	200.00	2449.00

Trainees: the training period lasts no longer than 3 months. At the end of this period, the workers must receive as much as the other workers on the 7th level.

1 Taka is worth 0.01 Euros (end of December 2007).

Overtime payment

Overtime must be paid at double the rate of the normal hourly wage. Overtime is paid for all work done exceeding the standard eight hour working day, including all public holidays. For the aid of calculation, the respective minimum wage is divided by 208 working hours over 26 working days per month.

3. Code of Conduct of the CCC

The following social standards are based on the conventions adopted by the International Labour Organisation (ILO) (the first four belong to the so-called core labour standards) and the universal declaration of human rights:

- The prohibition of **forced labour** including bonded or prison labour (ILO conventions 29 and 105)
- **The prohibition of discrimination** (ILO conventions 100 and 111)
- The prohibition of **the employment of children** under 15 years of age (ILO conventions 138 and 182)
- **Freedom of association** and the right to collective bargaining (ILO conventions 87, 98, 135 and ILO recommendation 143)
- **Restriction on the number of working hours** per week to 48 hours and a maximum of 12 hours of voluntary overtime (ILO convention 1)
- The right to a **living wage** (ILO conventions 26 and 131 and the universal declaration of human rights)
- The employment relationship is stable and contractually regulated.
- Best possible **occupational safety and health protection** (ILO convention 155)

4. The most important demands of the CorA Network on policy are:

1. Accountability and reporting duties for companies

Companies should disclose transparent, free and comparable information that demonstrates how they respect human rights as well as social and environmental standards along the value chain in their operations. Companies should outline, at their locations, how they take into account the concerns of employees, consumers and other affected people as well as how they combat corruption, which taxes they pay, and what consequences their investment plans have on the general public. Companies should present transparent energy and environment balances. They should make their sponsoring, their lobbying and their payments to governments and politicians transparent. The examination of the companies' reports should be carried out by independent offices.

2. Social requirements for the award of public contracts

Public contracts should only be awarded to companies if it can be verified that they and their suppliers have respected human rights as well as social and ecological standards, and only if they have completely fulfilled their reporting duties. Providers of public contracts as well as their suppliers should operate according to the tariff agreements. Each step in the award of public contracts and procurement should be taken transparently.

3. Establishment of corporate duties in international economic partnership agreements and in the promotion of trade and industry

The diverse foreign trade agreements of Germany and the EU must include demands on companies with regard to respecting human rights and socio-ecological norms and standards, instead of unconditionally granting them market access and investment protection. Companies should only receive government guarantees, benefits, investment protection and other public funds if they verifiably observe human rights as well as social and environmental standards.

4. Fair company taxation for the benefit of the society

Governments must call on companies to finance the commonwealth according to their economic and environmental performances. In order to achieve this, governments, through strengthened international co-operation, must effectively regulate financial markets, harmonise their tax regulations, prevent tax evasion, limit tax avoidance, close tax havens and vigorously deal with tax fraud.

5. Effective sanctions and liability regulations for companies

Companies that violate human rights as well as social and environmental standards, infringe on accountability and reporting duties or hinder monitoring efforts must have sanctions imposed onto them. Companies, their board of directors and their managers should be held liable for infringements of duty - including abroad - and should be obliged to pay damages to victims. States must create efficient structures in order to be able to control companies across national borders and to impose sanctions.

6. Strengthening of product responsibility and promotion of sustainable consumption and production patterns

Companies must be held accountable for the conditions under which they manufacture a product as well as for its quality with the help of effective regulations. Additionally, we demand a social debate about socially and environmentally compatible consumption patterns. Governments must restrain the production and distribution of socially and environmentally harmful products - including at the international level - and develop clear guidelines for the consumption of resources. The promotion of research into and marketing of socially and environmentally compatible products must in contrast be strengthened.

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- **Schwarz Buch Lidl Europa** (Andreas Hamann u.a.) [Black Book Lidl Europe (Andreas Hamann and Gudrun Giese)] Brochure, Berlin 2006, ca. 140 pages, € 9.90 plus postage, ISBN-Number 3-932349-21-0
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6. Campaign material

Campaign material to be borrowed or bought (INKOTA)

- **Campaign and media boxes “Textiles”**, including books, videos, CD-ROMs, information and educational material and a “washing line exhibition”, on which the textile chain is documented in texts, graphics and photos.
- **Media module on the CCC exhibition.** Sound-picture-text collage: summary of the most important aspects of the Clean Clothes Campaign, 20 minutes (VHS or CD-ROM).
- **Three display boards** (180 x 100 cm) with flexible stands, vividly illustrate the concerns of the Campaign and the appalling conditions, against which it is taking a stand.
- **Protest cards, flyers, customer cards**
- **Exhibition banner and inflatable giant t-shirt**

Films:

- **China Blue**, 96 min. (DVD). Director Peled shares the perspectives of three employees working in a jeans factory. People, overwhelmingly young women, who, constantly under pressure, slave away for up to 14 hours per day – illegally and without a contract in their pockets and for a starvation wage of two Euros per day. The conditions in these factories are bordering on slavery. Hence, filmmakers are also unwelcome in the companies. Peled outwitted them and managed to take pictures, which confound the eye: some girls, utterly exhausted, clamp clothes pegs to their eyelids to prevent them falling asleep. At night, they squeeze into an eight-bedded room with inadequate washing facilities. A private or intimate life in such miserable accommodation is unthinkable. Men are not allowed to visit; pregnant women are threatened with eviction unless they have an abortion.

- **Made in Dignity, Fair Textiles from Zimbabwe**, 15 min. (VHS). Through the example of the t-shirt production of a small company in Zimbabwe, and the sales opportunities in co-operation with Fair Trade organisations in Europe, an alternative to the usual conditions in the global production of textiles is shown. Interesting reporting; can also be used in school classes or in youth education.
- **Victims of globalisation**, 11 min. (VHS). Report on the working and production conditions in the so-called Free Trade Areas in Central America and strategies of resistance.
- **Right in the middle**: 30 min. (VHS). Video about ecology, second-hand clothing and textiles. During the course of the film, the textile cycle is presented in a way that is both entertaining and easy to understand. Most suitable in work with children and young people from the age of 14.
- **Clean harvest – Mavuno Safi**, 50 min (VHS). Video about cotton growing worldwide, the use of pesticides and the consequences for agriculture and health. On the whole, critical and very informative, suitable for young people from the 8th grade on and for adult education.
- **Worldwide journey of a pair of jeans.** WDR children’s view of the world; 50 min. (VHS/DVD). Beginning with cotton growing in Uzbekistan, via thread-spinning and weaving in Belgium, stonewashing in France with stones from Turkey, design made in the USA, shipped to Poland to be sewn and, finally, ironed in Malta, ready to be sold in our countries – the production journey of a pair of jeans very graphically shows a typical example of globalised textile production.

7. List of platform members of the German CCC and links

- **Kampagne für ‚Saubere‘ Kleidung**
www.saubere-kleidung.de
- **Arbeitsgemeinschaft der evangelischen Jugend in Deutschland e.V.**
(<http://www.evangelische-jugend.de>)
- **Bund der Deutschen katholischen Jugend**
(<http://www.bdkj.de>)
- **Christliche Initiative Romero**
(<http://www.ci-romero.de>)
- **DGB Bildungswerk**
<http://www.dgb-bildungswerk.de>
- **EIRENE Lateinamerikareferat**
<http://www.eirene.org>
- **Evangelische Frauenarbeit in Deutschland**
<http://www.ekd.de/efd/index.php3>
- **Evangelische Frauenhilfe in Westfalen e.V.**
<http://www.ekvw.de>
- **Evangelische StudentInnengemeinde Deutschlands**
<http://www.bundes-esg.de>
- **IG-Metall**
http://www.igmetall.de/cps/rde/xchg/internet/style.xml/view_3562.htm
- **INKOTA-netzwerk**
<http://www.inkota.de>
- **Katholische Arbeitnehmer Bewegung**
<http://www.kab.de>
- **Katholischer Deutscher Frauenbund**
<http://www.frauenbund.de>
- **Katholische Landjugendbewegung Deutschlands**
<http://www.kljb.org/bund-v4.1.1>
- **NETZ Partnerschaft für Entwicklung und Gerechtigkeit**
<http://www.bangladesch.org>
- **Ökumenisches Netzwerk Rhein-Mosel-Saar**
<http://www.oekumenisches-netz.de>
- **Südwind-Institut für Ökonomie und Ökumene**
<http://www.suedwind-institut.de>
- **TERRE DES FEMMES**
<http://www.frauenrechte.de>
- **Vereinigte Dienstleistungsgewerkschaft ver.di**
<http://www.verdi.de>
- **Vereinte Evangelische Mission Wuppertal**
<http://www.vemission.org>

Links

- **Clean Clothes Campaign International**
www.cleanclothes.org
- **Kampagne für ‚Saubere‘ Kleidung Österreich**
www.oneworld.at/cck
- **Maquila Solidarity Network**
www.en.maquilasolidarity.org
- **Sweatshop Watch**
www.sweatshopwatch.org
- **OECD-Leitsätze für multinationale Unternehmen**
www.oecd.org
- **Fair Wear Foundation**
www.fairwear.nl



Wer bezahlt unsere Kleidung bei und ?

