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# Making a Global Poverty Chain: Export Footwear Production and Gendered Labour Exploitation in Eastern and Central Europe<sup>1</sup>

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**ABSTRACT:** This article shows how the Eastern and Central European export footwear sector has experienced economic and social downgrading and immiserating growth over the last three decades. Based on interviews with 209 workers from 12 factories across six countries, it analyses how intense gender-based labour exploitation - entailing dangerous working conditions and poverty pay – underpins the sector’s expansion and extra-regional integration. It draws upon and contributes to the Global Poverty Chain (GPC) approach by 1) showing how the concept is relevant beyond the global south, and 2) providing a gendered political economy perspective from which to conduct GPC analysis. It concludes by suggesting that GPC’s are quite common throughout the world economy, and that their existence requires a more critical approach to much global value chain analysis.

**Key Words:** East and Central Europe, Export Footwear Production, Social Reproduction Theory, Global Poverty Chains, Economic and Social Downgrading, Immiserating Growth.

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## 1 INTRODUCTION

Recent years have seen a closer engagement by Global Value Chain (GVC) and Global Production Network (GPN) researchers to relations between global economic integration and worker welfare. Relatively early on in the evolution of these concepts it was recognised that global economic integration can generate ‘immiserising growth’ – ‘an increase in economic activity which delivers lower standards of living’ (Kaplinsky: 1998, 1, see also Shaffer, Kanbur and Sandbrook: 2019). It is now widely acknowledged that economic upgrading (increased firm-level competition) does not necessarily lead to social upgrading (enhanced worker welfare) but can be based upon the preclusion, and worsening, of the latter (Milberg and Winkler: 2011 Rossi: 2013, Barrientos, Knorringa, Evers, Visser and Opondo: 2016).

This article provides original empirical data to 1) detail how an economic sector expands through economic and social downgrading, 2) illuminate the gendered capital-labour relations that underpin such expansion, and 3) re-conceptualise immiserating growth in more specific, class-relational terms - as processes of economic expansion based upon labour force exploitation and impoverishment. Theoretically, the article adopts and furthers the Global Poverty Chain (GPC) approach by providing a gendered political economy analysis to investigate and explain how employment in GVCs can be poverty-inducing. Whilst, so far, GPC analysis has focused upon the so-called global south, we show how it is relevant to other world regions.

Much of the GVC\GPN literature, in particular the policy-oriented variants (cf World Bank: 2017, 2020), hold that global integration through ‘upgrading’ represents the best growth strategies for developing world regions. But it is also the case that economic and social downgrading represent strategies for capital accumulation. Ponte and Ewart (2009, 1648) argue for the need to abandon

“normative views of upgrading as ‘moving up the value chain’ or as always producing value added-products”, and instead investigate how poor region development strategies ‘may entail... processes of functional downgrading and periods in which even product downgrading may be the best option available’ (see also Gibbon: 2008). Barrientos, Gereffi and Rossi’s (2011) identification of social downgrading as a potential outcome of global economic integration represents a corrective to simplistic causal arguments about global integration generating efficiency gains and dynamic development. However, they present upgrading or downgrading as outcomes of firm or cluster-level strategic decision-making (ibid: 2011, 334). They do not consider broader sociological and institutional dynamics, such as the role of states and international institutions in pushing regions and sectors down particular (downgrading-based) paths of economic integration.

This article provides original empirical data about workers’ pay and conditions in the ECE footwear sector in 2015, and locates this situation in a longer historical context. While sweatshop based labour exploitation is often associated with formerly ‘third world’ regions (UNIDO: 2013), we show how such problems are endemic across the ECE footwear sector. The vast majority of workers in the sector are women who receive basic wages well below their social reproduction needs. This case study can be understood as part of a broader ‘crisis of reproduction that women are experiencing worldwide’ (Federici: 2019, 55).

The remainder of this article is organised as follows. Section two describes our research methodology. Section three outlines our gendered political economy contribution to the Global Poverty Chain approach. Section four is divided into two sub-sections. 4.1 provides an historical background to this study detailing processes of economic involution and the broader political economic dynamics of re-integration of the footwear sector into western European supply

chains. Section 4.2 focusses upon the shifting patterns of extra-regional production and changing governance structures of the EU-ECE export footwear chain. Section five presents our empirical fieldwork data on gendered working conditions and wages. Section six concludes by emphasising the expanded relevance of the GPC approach beyond the global south, and by making policy suggestions designed to enhance the livelihoods of women workers in this sector

## **2 RESEARCH METHODOLOGY**

Our research was guided by three interlinked questions: 1) To what extent and how are sectoral processes of economic and social downgrading, and immiserating growth, gendered? 2) How do constellations of actors – international institutions and organisations, national states, and local and transnational firms – generate processes of economic and social downgrading and immiserating growth? 3) To what extent can dynamics of economic and social downgrading and immiserating growth be associated with changes in value chain governance?

Prior to and following fieldwork, desk-based research was conducted about the ECE footwear sector's historical trajectory, national and sectoral minimum wages, and calculations by state agencies and trade unions of the costs of a minimum consumer basket. Following the initial phase of research, semi-structured and unstructured interviews were conducted with 209 workers from 12 privately-owned factories – 2 factories per country - between October and December 2015.

The test countries and factories were selected because 1) the majority of production from these countries is exported to the EU15 and, 2) the factories produce footwear for upper and lower-end (more and less expensive) consumer markets. The latter consideration is important because much GVC literature

assumes that production for higher, rather than lower, price export markets represents a surer path to economic and social upgrading. Whilst all firms are now privately owned, in order to factor in the regions' Communist legacy, we interviewed workers from firms which were formerly state-owned, and from those that were privately established.

Factories from which workers were interviewed produce leather-based footwear for relatively expensive brands such as Prada, relatively mid-priced brands such as Geox and Bata, and relatively cheap brands such as Ara, CCC shoes, Deichmann, Ecco, Gabor, Leder & Schuh AG, Lowa, Rieker, and Zara.<sup>2</sup> We found that workers' pay and conditions were overwhelmingly similar regardless of brand and price variation.

Workers were interviewed off-site, individually and in focus groups, to ensure confidentiality. We asked workers to show us their payslips, in order to ascertain the accuracy of their statements about wages. This was only possible in some situations since not all workers receive payslips.<sup>3</sup> Workers' testimonies about pay and conditions were triangulated by asking the same questions to workers individually and collectively outside different factories.

In some cases workers reported that they did not know the brand of the shoes they were assembling, as there were no labels to attach. In these cases, it is likely that labels are attached once the shoes are re-imported to the brands' home country. As part of the same process of obscuring the spatialized geographies of footwear production, exported shoes do not reference work performed in ECE countries.

Conducting this research posed its own challenges. Over 50% of workers approached declined to participate, for a number of reasons: They were tired and

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<sup>2</sup> Big German discount retailers, most notably, Aldi, Lidl and Otto, are also increasingly important players in the ECE footwear sector although workers we interviewed did not mention that they produced for these brands.

<sup>3</sup> In Albania, for example, interviewed workers did not receive contracts or payslips.

did not have much free time; many were concerned about losing their jobs as a consequence of recounting poor factory conditions; some workers told us that they had signed statements for their employers confirming that they would not talk to researchers about their working conditions. For reasons of protecting workers' identity, interviews are referenced non-explicitly in section 5 below.

This article provides original empirical material about wages, labour conditions, and the social reproduction/livelihood strategies of (predominantly) women workers in the ECE footwear sector in six countries: Poland, Romania, Slovakia (EU member states), Albania, Macedonia (EU candidate countries) and Bosnia-Herzegovina (potential EU candidate country). For all of these countries between 70% and 90% of produced shoes are exported (World Footwear Yearbook (WFY): 2015). There are around 120,000 registered workers (and an unspecified number of non-registered workers) in this sector in these countries (authors' calculations, and table 1). Italian and German firms respectively are the two most important sets of actors in the ECE footwear sector (table 2).

**Table 1: ECE Employment in Shoe & Leather Manufacturing (2015)**

Country	Employment in Shoe and Leather Manufacturing
Albania	n\a
Bosnia-Herzegovina	15,028
Macedonia	n\a
Poland	24,249
Romania	58,448
Slovakia	10,402

Sources: EUROSTAT

**Table 2: National Origins of Key Firms in ECE Footwear Sector (2010 – 2015)**

<b>Albania</b>	Italy, Germany, Spain
<b>Romania</b>	Italy, Austria, Germany
<b>BiH</b>	Italy, Germany, Austria
<b>Macedonia</b>	Italy, Sweden, Germany
<b>Poland</b>	Germany, Russian Federation
<b>Slovakia</b>	Germany, Austria, Poland

Source: Authors' Calculations

Our research is guided by the Clean Clothes Campaign (CCC) and Asian Floor Wage's (AFW) conception of living wages vs poverty wages as a means to assess whether and how employment in export footwear production is poverty-inducing (Bhattacharjee and Roy: 2012, CCC: 2014, and below). In the following section, we provide our gendered political economy framework for undertaking global poverty chain analysis.

### **3 GENDERED GLOBAL POVERTY CHAIN ANALYSIS**

In their early iterations, Global Commodity Chain (GCC) and Global Value Chain (GVC) approaches did not prioritise capital-labour relations as constitutive of their objects of study (e.g Gereffi, Korzeniewicz, and Korzeniewicz: 1994, Gereffi, Humphrey, Sturgeon: 2005). The Global Production Network (GPN) approach, by



contrast, sought to emphasise ‘the conditions under which labour power is converted into actual labour through the labour process’ (Henderson et al: 2002, 448). However, in its earliest iteration it combined incompatible comprehensions of value – Marx’s labour theory of value, and Ricardian and Schumpeterian conceptions of rent – in ways that reduced its ability to focus on the constitutivity of labour within GPNs (for a critique see Smith et al; 2002).

More recent critical chain approaches deploy Marx’s value theory to specify the centrality of labour within these chains/networks (e.g. Cumbers et al; 2008, Starosta: 2010, Selwyn: 2012, Newsome et al: 2015), and to identify and explain mechanisms by which socio-economic inequalities are reproduced across the time and space of the capitalist world system (Brewer: 2011, Quentin and Campling: 2018). Bair and Werner (2011) theorize the broader societal conditions – including the reproduction of a reserve army of labour – which facilitate and enable the formation and functioning of GVCs (and see section 4.1 below).

Selwyn’s (2017, 2018) Global Poverty Chain (GPC) approach theorises northern how lead firms’ chain governance strategies represent mechanisms of value capture, which often generate highly exploited and impoverished labour forces at the base of supply chains across the global south. We advance the GPC approach by providing a gendered political economy framework through which to examine processes and outcomes of immiserating growth. We deploy a social reproduction perspective to analytically connect dynamics of employment within firms (the labour process), labour regimes through which firms access cheap labour, and workers’ social reproduction strategies. In so doing we also demonstrate the utility of the GPC concept beyond the global south.

The social reproduction perspective deployed here incorporates and extends beyond labour process theory. The latter provides an essential entry point to explaining how surplus value is generated within the capitalist

workplace, and how managers seek to control and raise the efficiency of labour through evolving divisions and techniques of disciplining labour (Marx: 1990, Braverman: 1974, Thompson: 2010). However, much labour process theory has been criticised for a ‘connectivity problem’ – not explaining adequately how workplace based labour processes are co-constituted by broader (non workplace-based) social relations (Thompson: 2010, Newsome et al: 2015). The social reproduction perspective helps connect analytically workplace and extra-workplace relations through a more holistic conception of capital-labour relations.

Social reproduction theorists identify capitalism’s institutional differentiation of paid ‘productive’ and unpaid ‘reproductive’ spheres (Federici: 2004, Ferguson: 2008, Vogel: 2013, Dunaway: 2014, Katz, 2001; Bhattacharya, 2017). Labour market institutions regularise the precise balance and relationship between these spheres:

[T]he reproductive economy produces benefits for the productive economy which are externalities, not reflected in market prices and wages....Most labour market institutions are constructed on the basis that the burden of the reproductive economy will be, and should be, borne largely by women (Elson: 1999, 612).

As Alessandra Mezzadri notes, the externalisation of most social reproductive activities onto workers, families and communities represents a direct subsidy to capitalist production through the imposition onto the former of ‘unpaid, wageless work and life’ (Mezzadri: 2019, 38, and see Elson and Pearson: 1981, Mies: 1982, Fernandez-Kelly: 1983, Ong: 1987, Wolf: 1992, Kidder and Raworth: 2004, Wright: 2006, , Ruwanpura: 2011, Jenkins: 2013). Across much of

the contemporary world, such externalising processes have been part and parcel of the neoliberal agenda of systematically reducing labour's bargaining power (and price) vis-à-vis capital (Pearson: 1999, Smith: 2016).

Dynamics of social restructuring designed to establish large pools of cheap labour are often obscured in accounts that portray such labour as a resource for states and firms to attract foreign investment and/or integrate themselves into global circuits of production and trade (World Bank: 2017, 2020). More critical approaches, by contrast, have illuminated the often gendered political economic mechanisms through which women's labour is cheapened systematically prior to, and then through, employment (Carswell and De Neve: 2013, Taylor and Rioux: 2018).

Analysing gendered dynamics of labouring class impoverishment requires a metric capable of illuminating whether employment is poverty-inducing. The World Bank's 2020 World Development Report 'Global Value Chains: Trading for Development' sets the poverty rate as the percentage of the population living on less than \$5.50 a day (in 2011 international prices) (World Bank: 2020).<sup>4</sup> This is an arbitrary measure, however, which is not designed to calculate workers' survival needs, nor costs of social reproduction (and see Reddy and Pogge: 2006, Sumner: 2007). If a worker consumes above this value they are counted as 'not poor' even if they consume insufficient calories to physically reproduce themselves, are forced to undertake undignified work and unhealthy amounts of overtime, live in squalid conditions and are unable to properly care for their children. Unlike the World Bank's arbitrary poverty metric, our understanding of poverty is rooted in workers' social reproduction needs. Such needs, and their fulfilment, depends significantly upon the gendered capital-labour relations, and how they are instituted by states.

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<sup>4</sup> At the time of writing this was still a draft WDR, which will be published in full towards the end of 2019.

Our understanding of the capital-labour relations derives from Marx's (1990) observation that capital's ability to generate profit systematically from employing labour rests upon its ability to reap a greater portion of value from workers' labour power (surplus value) than the cost of its initial purchase. In general, Marx's labour theory of value assumes that worker's wages reflect their cost of reproducing their labour power. However, he does acknowledge (briefly) that this may not be the case (See Capital vol. 3, chapter 14, section 2, entitled 'Depression of wages below the value of labour-power' (Marx, 1974)). The concept of super-exploitation identifies such situations (Marini: 1973).

To determine whether wages cover the real value of labour power we adopt the distinction between poverty wages vs living wages as formulated by the Clean Clothes Campaign (CCC) and Asian Floor Wage (AFW). This formulation, which includes a conception of a worker and their families' social reproduction requirements, derives initially from the United Nations' Declaration of Human Rights (1948), article 23 on the right to work. The latter holds that a worker is entitled to the right to 'just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity'.<sup>5</sup> In updating this concept he CCC/AFW reverses these gender assumptions. A living wage:

should be earned in a standard working week (no more than 48 hours) and allow a... worker to be able to buy food for herself and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens. (<https://cleanclothes.org/livingwage/calculating-a-living-wage>).

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<sup>5</sup> <http://www.un.org/en/universal-declaration-human-rights/>

According to CCC\AFW's conception of a living wage, an adult worker requires 3,000 calories a day to be able to carry out their work and 'needs to be able to support themselves and two other 'consumption units' [1 Consumption unit = 1 adult or 2 children] (ibid).

## **4 EXPORT FOOTWEAR PRODUCTION IN EASTERN EUROPE**

This section has two sub-sections. 4.1 discusses the broader historical political economic context within which extra-regional footwear production networks were established between European and ECE firms. 4.2 zooms into some specificities of the footwear sector itself.

### **4.1 HISTORICAL BACKGROUND**

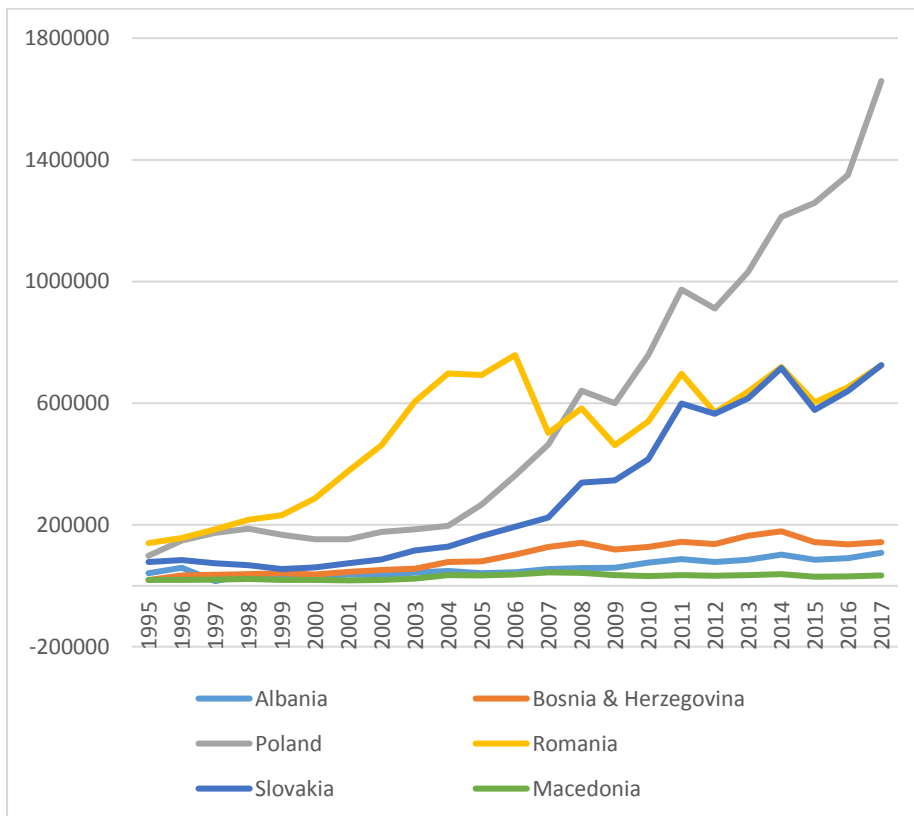
While relatively distinct, export footwear production in ECE exists within the wider export garment sector, both of which have been restructured since the fall of Communism. In the countries researched national wage policies do not differentiate between garments in general and footwear in particular.

Export footwear and garment production across ECE has endured a dual shift over the last three decades: from operating within centrally-planned to liberal market economies; and as part of the de-peripheralisation of ECE from the Russian economic core and its (re)peripheral incorporation into Western European production networks. Since the collapse of Communism, the expansion of the wider garment sector occurred under myriad pressures, including: changing global rules governing trade in textiles and garments (the MFA phase-out under WTO direction), the rise of East Asia (in particular China) as the low-wage manufacturing centre of the world economy, and the 2008 world

economic crisis (and see Anner: 2015). Despite these disruptive transformations the footwear sector has undergone long-term expansion (figure 1).

**Figure 1: ECE Footwear Exports to EU 28, 1995-2017**

*in thousands of US dollars to EU 28*



Source: UNCTAD Database

## Eastern Europe's Re-Peripheralisation

The Soviet Union's incorporation of Eastern Europe into its political economic system was, in part, a reaction to the USSR's exclusion from the Bretton Woods institutions, financial and trade flows (Sanchez-Sibony: 2014), and was pursued through combinations of coercion and consent. Mass political repression – 1953 in East Germany, 1956 in Hungary, 1968 in Czechoslovakia and 1981 in Poland – was a constitutive part of Soviet power projection and maintenance (Cliff: 1974, Harman: 1974). However, centralisation of political and economic power facilitated relatively efficient state-direction of resources (Kohli: 2004, 384), enabling Eastern European *nomenklaturas* to pursue rapid industrialisation and societal transformation on an historically unprecedented scale (Dale: 2011).

Eastern European states' industrialisation attempts followed Soviet-style central planning, supported and subsidised by the USSR as part of the latter's strategy of engendering economic and political dependence in the region (Brzezinski: 1967). The 'under-pricing of Soviet raw materials and energy exports and the simultaneous over-pricing of East European manufactured goods' represented one pillar of Soviet support (Weiss: 2015, 32). Marresse and Vanous (1983) estimate that between 1960-1989 Soviet subsidies to Eastern Europe, through trade price manipulation, amounted to the equivalent of around \$87 billion (In Weiss: *ibid*, 28).

Eastern European industrialisation was planned to complement Soviet Russia's heavy industry strategy. World market links were purposefully limited, compared to other world regions, as Eastern European states were integrated, through infrastructure development and trade links, into the Soviet economy - the latter constituting Eastern European state's principal markets for raw materials and industrial goods (Clarke and Bahry: 1983). These strategies

generated rapid growth and structural transformation, to the extent that by the late 1970s, the World Bank praised Romania's economic performance, predicting that 'it remains probable that [it] will continue to enjoy one of the highest growth rates among developing countries over the next decade, and that it will largely succeed in implementing its development targets' (quoted in Haynes and Husan: 2002, 117-118). Nevertheless, the region's economic transformation was built upon relatively weak foundations. In contrast to East Asian developmental states which were integrating world-class innovations into their production systems and shifting their leading sectors from low to high-tech (Amsden: 1989, Wade: 1990), Eastern European states remained relatively locked into to a Soviet-dominated heavy industrial division of labour (Schwartz: 2009).

Within this broader, centralised\Soviet-orientated system, there were relatively smaller-scale deviations. A significant development under central planning was the partial integration of garment and footwear producers into western European production networks. From the 1970s, the European Economic Community's (EEC) trade regime encouraged increasing regionalisation and globalisation of production to enable European-based firms to benefit from extra-regional wage differentials. In the 1970s and 1980s the Outward Processing Trade (OPT) scheme was set up, for a time-limited period, to allow EEC garment (including footwear) firms to export pre-cut inputs for assembly and sewing before their re-import free of duty (Pellegrin: 2001, Begg et al., 2003, Pickles and Smith: 2016). This EEC-centred trade regime represented foreign-currency earning opportunities for ECE states, and had a longer-term impact upon the trajectory of the sector as a whole.



## *Neoliberal Roll-Out in Eastern Europe*

Following the 1989/1991 collapse of Communism, ECE economies underwent a rapid period of economic (neo) liberalisation. Neoliberal roll-back and roll-out entailed privatisation of state-owned industries, trade liberalisation, withdrawal of state industrial and consumer subsidies, and the ending of price and currency controls (Peck and Tickell: 2002). ECE economies were exposed to the world market more rigorously than other liberalising regions (Stiglitz: 2002, World Bank: 2004, Ziltener: 2004, Bohle and Greskovits: 2006, Shields: 2014, Hardy: 2009). The socio-economic consequences of neoliberal roll-back/roll-out were harsh, entailing widespread economic involution (Burawoy: 1996). Large percentages of the populations were made unemployed and/or impoverished (table 3), generating a reserve army of labour ripe for super exploitation.

**Table 3: Socio-Economic Indicators for Selected Eastern European Countries 1989-1997.**

	Index of Real Wages			Incidence of Low Income (%)		Annual Registered Unemployment Rate	
	1989	1990	1997	1989	1993	1990	1997
<b>Czech. Rep</b>	100	93.6	102.3	4.2	n/a	0.3	4.3
<b>Slovakia</b>	100	94.2	87.4	4.1	31.3	0.6	12.9
<b>Hungary</b>	100	94.3	77.1	10.1	22.5	0.8	10.4
<b>Poland</b>	100	75.6	82.4	24.1	n/a	6.1	11.5
<b>Romania</b>	100	88.9	62.3	28.1	59.5	n/a	8.8

**Source:** Haynes and Husan (2002, 121).

Since the early days of ECE's post 1989/1991 incorporation into global markets, international institutions have sought to increase labour market flexibility as a means of raising the region's economic competitiveness (Bohle: 2006, Upchurch: 2009). For example, in its *Building Market Institutions in South Eastern Europe*, the World Bank (2004, 11) stated that:

Deregulation, decentralization of collective bargaining to firm-level dialogue, improved flexibility of dismissal procedures, simplified wage adjustment and overtime pay, and introduction of fixed-term contracts are some of the reforms being debated to improve the transparency and functioning of the labour institutions in the region.

International Financial Institutions have also made loans conditional upon the adoption of ‘restrictive wage policies’, to keep down budget pressures and to attract FDI. In Bosnia-Herzegovina, Albania, Macedonia, and Romania during the 1990s and 2000s public sector wages and pensions were frozen or reduced (Schmidt and Vaughan-Whitehead: 2011). States introduced differential minimum wages, the lowest of which were in the garment sector and which did not cover the costs of an essential consumption basket (see below). New geo-economic free trade zones, where workers’ rights are minimal and their organisations are marginalised, have proliferated across Eastern Europe. In the Western Balkans, for example, they have expanded from under 10 in 2006 to 39 in 2016 (OECD: 2017,17-18). As will be discussed in the following section, a consequence of the above policies is that wages remain low even when unemployment rates decline (table 4).

**Table 4: Unemployment Rates 2006-2016 in Selected ECE Countries.**

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Albania				13.8				16.1	17.9	17.5	
Bosnia and Herzegovina	31.8	29.7	23.9						28.1	26.3	25.1
Macedonia,	36.3	35.2	34	32.4	32.3	31.6	31.2	29.1	28.1	26.3	24
Poland	14	9.7	7.2	8.3	9.8	9.8	10.2	10.5	9.1	7.6	6.2
Romania	7.6	6.8	6.1	7.2	7.3	7.5	7.1	7.4	7.1	7	6.1
Slovakia	13.4	11.2	9.5	12.1	14.4	13.7	14	14.3	13.2	11.5	9.7

Source: <https://unstats.un.org/sdgs/metadata/>)

## Export Footwear Production: From Full Package Manufacturing to Outward Processing Trade

Under Soviet-style central planning the wider ECE garment (including footwear) sector— from Core factories, to branch plants, to workshops - was vertically integrated.<sup>6</sup> Raw and semi-processed materials were sourced from within the ECE region (mostly from within the country of production) and completed products were delivered to guaranteed markets. ECE’s garment sectors provided basic wage goods to the region’s population, constituting a forward link for heavy industry, and employing mostly women, while male workers were employed in heavier industries. This division of employment still prevails (table 5).

**Table 5: Gendered Employment in ECE Apparel Manufacturing (2015)**

Country	Employment in Apparel Manufacturing (Male)	Employment in Apparel Manufacturing (Female)	Share of Female Employment in Apparel
Albania	2,000	21,000	91%
Bosnia-Herzegovina	2,000 (for 2014)	7,000 (for 2014)	78%
Macedonia	5,000	32,000	86%
Poland	22,000	126,000	85%
Romania	26,000	190,000	88%
Slovakia	2,000	18,000	90%

Source: ILOSTAT

Industrialisation and employment generation contributed to the legitimization of political and economic rule by ECE *nomenklaturas*. ‘Social employment’ and the ‘social wage’ were used as means to bind workers to ‘their’ factories, to simultaneously discipline and encourage them to work harder, and to ensure the

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<sup>6</sup> The overall sweep of this section draws inspiration from Pickles and Smith (2016, chapters 5 and 6).

social reproduction of labour force (Burawoy: 1985, Begg, Pickles and Smith: 2003).

Welfare services were provided through the workplace, often allocated by factory trade unions (Woodward: 2003). Wages were 'only part of the full range of remuneration and resources provided. Enterprises functioned as the providers of social services, meals, transport, and recreation facilities. They also often invested heavily in community infrastructure and services' (Pickles and Smith 2016,103-4). As Bonfiglioli (2015, 59) puts it '[t]hrough employment workers could access wages, social insurance, healthcare, cheap housing and paid holidays'. The latter were 'subsidised through the construction of specific holiday resorts for workers'. In the Yugoslav case, for example, '[w]orking women gained access to free healthcare...free education, extended paid maternity leave of up to a year, canteens and childcare facilities in the workplace, and could benefit from shorter working hours to take care of small children' (ibid).

The nomenklatura's rationale for introducing social employment practices were determined not only by the need for legitimacy, but also by the requirements of the planned economy. The challenge for state planners under 'a regime of extensive industrialisation was always to maximise the extraction of surplus from enterprises while maintaining social harmony in the process' (Smith and Pickles: 2016, 107, and see also Burawoy: 1985, Clarke: 1993). This challenge was complicated because of the chronic problem of mis-matching supply and demand associated with centralised planning, generating in turn over and under-production (Cliff: 1974). Such dynamics required carefully negotiated relations between factory managers, workers and the party to rectify, as far as possible, such bottlenecks. One response across many sectors was the phenomenon of 'storming' where workers laboured extra hours and days, often including

weekend work, towards the end of the plan in order to ensure plan fulfilment (Kornai: 1980).

Another response to these dynamics, in the wider garment sector, was to encourage domestic self-provision through home tailoring (to respond to periods of under-production), which also served to absorb unemployed women. A further particularity was the location of factories in semi-rural regions, provision of housing with access to land, and the organising of the working day and week to facilitate domestic food production (Smith and Pickles: 2016).

Following Communism's collapse, export garment and footwear production under the OPT trade regime represented an increasingly important survival strategy, under significantly altered conditions, of extra-regional integration.

The wider garment sector proved resilient, which enabled it to benefit from increased western European demand, and OPT-based trade and production expanded again following the ending of the Multi-Fibre Arrangement in 2005. The wider ECE garment industry captured a rising share of the EU-15 market throughout the 1990s (Plank and Staritz: 2015, 425). The OPT trade regime\custom arrangement was phased out in the 2000s, and has since been shifted to non-EU states. However, its production relations – of importing pre-cut inputs for assembly and sewing before their re-export – constitute the bedrock of the ECE garment and footwear sectors. Today export footwear production in Albania, Bosnia-Herzegovina, Macedonia, Romania and Slovakia occurs primarily under OPT production relations. Only Polish firms<sup>7</sup> have been able to establish themselves as exporters of full package manufactured footwear,

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<sup>7</sup> Most noteworthy are CCC and LP shoes.

and have themselves benefitted from ECE-wide OPT production relations (and table 2 above).

The sector's rapid integration into the EU's markets complemented lead firms' shift towards fast-fashion, where seasonal design and marketing gave way to the much more rapid (sometimes weekly) development of new fashion lines (and Schamp: 2016). The sector's attractiveness to EU buyers rested upon its proximity to key markets, its relatively cheap and skilled labour force, the existence of the OPT arrangements, and its ability to respond quickly to evolving lead firm requirements. Prior to 2011 EU buyers began looking to other regions such as North Africa as potential (even lower cost) suppliers (Belso-Martínez: 2008, Rossi: 2013). However, following the Arab spring we found that ECE suppliers were increasingly confident of their future EU supplier status, because of their regions' relative political stability.

The footwear sector was transformed from centrally planned full-package production to lead-firm coordinated assembly manufacturing, entailing sector-wide functional downgrading. Across ECE large factories were increasingly replaced by medium and small-scale workshops. From full package manufacturers, ECE footwear producers now specialise, primarily, in labour-intensive activities, importing and assembling inputs according to the designs and specifications of Western European lead firms. Capital-intensive and higher value-added activities remained concentrated within EU-15 factories (and see for the garment industry more generally, Plank and Staritz: 2015, 427, Schamp: 2016).

## 4.2 REGIONAL AND EXTRA-REGIONAL FOOTWEAR PRODUCTION DYNAMICS

In 2014 the European footwear sector accounted for 3% of global production (729 million pairs of shoes) and 17% of global consumption (3.3 billion pairs of shoes). Almost 90% of shoes produced in Europe are purchased in other European countries (World Footwear Yearbook (WFY): 2015, 7, 15).

European producers dominate the relatively more expensive segments of the world and EU footwear market, demonstrated by higher average prices than for non-European footwear producers. While Italy's shoe exports cost, on average, 47 Euros, and France and Portugal's cost on average 29 Euros, Chinese and Indian shoes cost, on average, 4 and 12 Euros respectively (WFY: 2015, 19). Such quality/price differentials are determined mainly by materials and relative complexity of production. The highest value segment of the market - leather footwear - represents almost 80% of total European production (Industrial-europe: 2015, 8).<sup>8</sup> Non leather-based sports shoes are produced predominantly in South East Asia.

In 2013 five countries - Italy, Spain, Portugal, Poland and Romania – accounted for almost 85% of European footwear and components' enterprises. Italy counts for approximately 50 per cent of the EU's total production (ibid and WFY: 2015). Small and medium enterprises comprised almost 95% of the industry in 2013.

Leather footwear production typically occurs through six phases: 1) Conception and design; 2) Preparing and cutting leather uppers; 3) Pre-stitching where cut leather is glued and sewing; 4) Sewing and pre-joining, where leather cuts are joined by stitching; 5) assembly, where shoe's components are joined together; and 6) final treatment/finishing (including polishing) to improve

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<sup>8</sup> <http://www.industrial-europe.eu/SocDial/Foot/2015/AnnualReportFutureFootwear2015-en.pdf>

product appearance (and Belso-Martinez: 2008). Global outsourcing of footwear production has occurred through the spatial disaggregation of these phases, the re-organisation of prior/emergence of new lead firms, facilitated by ECE state policies.

Italian and other firms from the ‘old’ EU increasingly outsourced production activities to Eastern and Central Europe - particularly phases 3-6 noted above (table 6 below). During the 1990s Italian firms established directly owned production facilities in ECE. For example, Filanto closed down its factories in Apulia and commenced operations in Albania (Gusualdi and Lucchetti (2017, 46). Since the 1990s the German discount retailers Aldi, Lidl and Otto have become major players in the ECE footwear sector.

**Table 6: Italian Imports of Footwear and Semi-Processed Footwear Materials from Eastern Europe (2015)**

Country	Value in Millions (Euros)	% of Total
Romania	629.96	39.3
Albania	264.28	16.5
BiH	185.72	11.6
Bulgaria	154.14	9.7
Serbia	119.33	7.5
Czech Republic	69.39	4.3
Macedonia	47.89	3
Others	128.70	8.1
Total	1,596,408,469	100%

Source: Gusualdi and Lucchetti (2017, 46).

As demand for, and practices of, outsourced production increased, new locally owned small and medium sized firms sprung up across ECE, either setting up new enterprises or taking over previously state-owned factories, facilitated by state concessions. In Albania, for example, government incentives to encourage manufacturing FDI include a (symbolic) €1 Euro leasing policy on public property for manufacturing investments worth more than €2 million, VAT-exemption on



equipment and machinery, financing of job-training, and payment of new employers' salaries for the first four months.<sup>9</sup>

Prior to the 1990s, the most notable model of industrial organisation in the Western European footwear sector was Italy's industrial district-based 'new regionalism'. Clusters of small and medium sized enterprises specialised in a limited number of operations, producing small batches of high quality shoes (Murray: 1987, Rabellotti: 1997, Hadjimichalis: 2006). Whilst outsourced production between firms in Western and Eastern Europe emerged in the 1970s and 1980s, from the 1990s onwards it became the primary model of extra-regionalised production.

The segmentation and outsourcing of production from West European lead firms to ECE suppliers entailed shifting practices in supply chain governance. In the pre-1989 period, relations between buyers and suppliers were relatively symmetrical compared to the present. Whilst ECE suppliers were engaged in the production of relatively low value-added activities – preparing and cutting leather uppers, pre-stitching, sewing and pre-joining and assembly – buyer firm costing practices would include an approximate valuation of labour costs.

Buyers tended to use Freight on board, or ex-factory price systems, to calculate costs. These included cost calculations of materials (leather uppers, rubber/wooden material for soles, glue, stitching fabrics) and the manufacturing cost, also termed 'cut make' (and see Miller and Williams: 2009). The latter calculations would include estimations of labour costs by the minute – so called labour minute value costs.

Contemporary buyer-supplier relations are significantly more buyer-driven and asymmetric than the pre-1989 period. Rather than engaging in relatively

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<sup>9</sup> <https://www.state.gov/e/eb/rls/othr/ics/2015/241453.htm>

complex negotiations about production costs, buyers tend to contract suppliers based on pre-established prices. Suppliers receive lump sums for produced goods. The practice of buyers' requiring suppliers to open their books and/or relying upon historic data has been observed in the footwear and wider garment sectors (see also Lamming et al; 2005, Miller: 2013). These practices are associated with proliferating cost-down pressures. While input materials and their costs are pre-established by outsourcing firms, the labour processes and its associated costs are the principal set of activities over which supplier firms exert determining control.

## 5 IMMISERATING GROWTH THROUGH GENDERED LABOUR EXPLOITATION

This section presents our empirical data showing the dynamics of immiserating growth in the ECE export footwear sector. It details poverty wages, dynamics of work intensification, dangerous working conditions and workers' survival strategies. Approximately 120,000 of the EU28's 300,000 formally registered footwear workers are in ECE countries (and Clean Clothes Campaign: 2016, Industrial\CEC: 2014).<sup>10</sup> Factories in the six countries studied are located across suburban areas of larger cities and in rural areas. In the former cases factories tend to be older (pre-1989), having been part of larger industrial zones. Rural-based factories are associated with the more recent expansion of the sector from the 1990s onwards.

Women constitute the vast majority of the labour force while management is overwhelmingly male, in the sector. Most workers have completed secondary education, many have vocational training and some hold university degrees. Unlike across much of the Asian garment (formal) sector, where women workers

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<sup>10</sup> <http://www.industrial-europe.eu/SocDial/Foot/2015/AnnualReportFutureFootwear2015-en.pdf>

are predominantly young (Kabeer and Mahmud: 2004), age ranges of ECE footwear workers spans high teens to workers in their 40's, 50's and 60's. Many of the middle aged women have been employed in the sector for between one and two decades, and some were employed under the centrally-planned system. Workers often have mothers who were employed in the sector under the prior system, and who can remember what conditions were like then.

Middle-aged workers predominate in suburban factories as younger workers in these regions are better trained, often speak other languages, and try and find better-paid work, for example in call centres. In more remote rural areas there is a greater mix of young and middle aged workers. In these cases younger women tend to have less educational qualifications than their suburban counterparts, and rely upon pre-established contacts (often with friends or relatives) to get work. In the suburban areas workers tend to use public transport to get to work, while in the rural areas factories provide transportation – bussing groups of workers from their villages to the factories. These relations are compounded by a more general dynamic of an aging population across ECE, driven by a declining fertility rate and increased out-migration (principally by better educated young people to Western Europe) (Hoff: 2011) and by male workers finding employment in other sectors and/or through out-migration.

Whilst poverty pay and harsh conditions characterise ECE's footwear sector as a whole, there is some differentiation between firms within the sector (see also Pickles and Smith: 2016 for the wider garment sector). Formerly state-owned firms that survived the post-1989 transition tend to pay wages more regularly than newly established private-owned firms and to provide better (longer term and more secure) employment contracts. For example, it is commonplace for contracts at relatively newly established factories to be short

term (3-6 months) and for employers to renew them continuously so that even when workers have been employed by the same factory for several years, they have very little contractual security. In part, differing labour conditions within the sector exist because older factories still have trade unions that attempt to negotiate with managers, whilst trade unions are a rarity at newer factories. Trade Unions' ability to ameliorate workers' wages and conditions are minimal, however, and they tend to focus upon attempting to enforce the terms of employment contracts, rather than on changing them. Older workers, in particular those with the historical experience of full-package manufacturing, tend to have relatively more secure conditions, because of their wider skill base. Notwithstanding these differences, the general picture across the footwear sector is one of poverty pay and bad working conditions.

### ***National and Sectoral Minimum Wages as Poverty Wages***

As part of the project of constructing relatively flexible labour markets ECE states, in conjunction with international financial institutions and the EU, have established very low wage floors. The legal minimum wage in all researched countries is less than 60% of the average wage (the relative poverty measure in many countries). Only in Slovakia are two minimum wages in the footwear industry sufficient to purchase the government's estimated minimum consumer basket for a family of four (table 7).

**Table 7: Legal Minimum Wage vs Living Wage (2016).**

Country	Legal Minimum Net Wage in Footwear Industry (2016) <sup>1</sup>	60% of Average Net Wage of Researched Country <sup>2</sup>	Official Statistic on Minimum Consumer Basket for a Family of Four (2015) <sup>3</sup>	Estimated Minimum Living Wage for a Family of Four <sup>4</sup>
Albania	140 €	169 €	Lack of data	588 €
BIH RS	164 €	257 €	933 €	859 €
Macedonia	145 €	220 €	479 €	726 €
Poland	318 €	392 €	799 €	1000 €
Romania	156 €	166 €	736 €	706 €
Slovakia	354 €	468 €	517 €	1360 €
<b>Sources:</b>				
1 Official government statistics				
2 Calculation based on official government statistics				
3 Official government statistics				
4 Based on interviews with workers				

Neoliberal proponents often follow Hayek (e.g. Hayek: 1966) in arguing that capitalist markets should be regulated to ensure minimal (preferably no) distortions. But in the ECE case, neoliberal roll-out is being pursued through purposeful labour market segmentation, with differential minimum wage implementation across sectors. Some governments determine minimum wages in the wider garment sector that are lower than the nationally established legal minimum wage. In Bosnia-Herzegovina, for example, the former is just 71% of the latter (table 8).

Table 8: Garment Sector's Minimum Wage as a % of National Minimum Wage in 2016 (in Euros)

	National Minimum Wage (monthly)	Legal Minimum Wage for Garment Industry	Sectoral Minimum Wage as a Percentage of National Minimum Wage
Macedonia	163	145	89%
Bosnia-Herzegovina	157	112	71%

**Sources:**  
Exchange rates calculated on 01/01/2016.

- Macedonia - State Statistic office of R. Macedonia, News Release No:4.1.15.15 from 26/02/2015, p. 3
- BiH - [www.kuiptk.ba/index.php/inspektorat-za-obrazovanje-nauku-kulturu-i-sport/107-odgovori/403-place.html](http://www.kuiptk.ba/index.php/inspektorat-za-obrazovanje-nauku-kulturu-i-sport/107-odgovori/403-place.html)

National wage differentiation has gender implications. Women footwear workers earn less than national average wages, and much less than in relatively high-paid, and overwhelmingly male-dominated sectors, such petroleum and coke refining (table 9).

Table 9: Sectoral Pay Differences (2015).

	Macedonia <sup>1</sup>	Romania <sup>2</sup>	Slovakia <sup>3</sup>
National Average Net Wage	345 €	357 €	705 €
Garment Sector (including Footwear) – Average Net Wage	170 €	241 €	468 €
Highest paid Manufacturing sectors (Refining Petroleum and Coke) Average Net Wages	628 €	826 €	1,465 €

1 State Statistic office of R. Macedonia, News Release No:4.1.15.15 from 26/02/2015, p. 3  
2 [www.insse.ro/cms/files/statistici/comunicate/castiguri/a14/cs07r14.pdf](http://www.insse.ro/cms/files/statistici/comunicate/castiguri/a14/cs07r14.pdf)  
3 [https://slovak.statistics.sk/wps/wcm/connect/f7f86183-bdcd-4df6-96f4-1bfb86799ea3/Rocenka\\_priemyslu\\_SR\\_2015.pdf?MOD=AJPERES&CACHEID=f7f86183-bdcd-4df6-96f4-1bfb86799ea3](https://slovak.statistics.sk/wps/wcm/connect/f7f86183-bdcd-4df6-96f4-1bfb86799ea3/Rocenka_priemyslu_SR_2015.pdf?MOD=AJPERES&CACHEID=f7f86183-bdcd-4df6-96f4-1bfb86799ea3)

## **Intensification of Work**

Buyers organise the delivery, in large trucks, of materials to footwear factories. Materials include processed leather, soles, shoelaces, fabrics and glues, which following delivery are distributed to different locations in the factories, where they are cut, shaped, pressed, stitched and glued together. Once the order has been processed, they are packed and delivered to the buyer without any label indicating where this work has occurred.

The economic and social downgrading of the ECE's footwear sector has been accompanied by an intensification of the working day and week. Workers in the sector are expected, first, to meet daily task targets, and then to work according to piece rate systems. We found, however, that daily task targets were often so high that overtime was necessary just to meet them, and that because extra hours were dedicated to fulfilling task targets they were not remunerated at a piece-rate premium. For example, in Albania workers described how they are required to stitch between 550-600 pairs of shoes daily. Precisely because of such limited income/earning opportunities, when extra pay through overtime is available workers usually take it.

In many of the factories researched, overtime is organised unofficially, so that workers do not receive a statutory hourly pay increase. In some cases workers received overtime payments in cash immediately after work. In other cases when it is recorded it is paid as the continuation of the normal piece rate system. Whilst overtime is voluntary, workers explained that they were expected to work extra hours when required and that refusal to do so generated tensions with managers. One worker in Bosnia-Herzegovina explained how she works a basic 45 hour week plus, on average, every other Saturday to meet the planned

task targets. She does not receive any bonus for exceeding normal productivity requirements, but pay is reduced if this norm is not reached. When urgent orders have to be finished, she has to work more than two Saturdays per month.<sup>11</sup> A Romanian worker explained how 'Everywhere in the industry they pay the minimum wage. At least we can do overtime and come to work on Saturdays and top-up our income.'<sup>12</sup>

While under centralised planning weekend work was determined by attempts at plan fulfilment (usually concentrated towards the end of the planning cycle) it is now increasingly normalised as part of the working week. In five out of the six researched countries, workers said that they sometimes or frequently work on Saturdays, and moreover, that they do not consider this overtime. In Albania work on Saturdays is the rule rather than the exception.

### **Dangerous Working Conditions**

The majority of workers interviewed discussed how they felt that management showed no or little concern for ensuring a healthy, non-hazardous working environment. Common complaints about workplaces include: poor sanitary conditions, excessively hot or cold temperatures, a lack of fresh air, too much noise and dust, and few health-promoting measures (e.g. use of protective equipment and training how to use potentially dangerous machinery). Of the workers that we interviewed who had experienced a work-induced injury, most told how they had received no compensation or assistance from managers, signifying how the physical strain of work has been externalised onto women workers.

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<sup>11</sup> Interview, Bosnia-Herzegovina, October, 2015.

<sup>12</sup> Interview, Romania, November, 2015.



Each of the researched countries have ratified ILO convention 81, according to which labour inspectors are entitled to enter workplaces freely at any time of the working day and without prior notice. However, none of the workers researched had been interviewed in any depth by labour inspectors. Polish workers reported that labour inspections were carefully managed: ‘The plant is informed about visits; there are guidelines on how to act during the visit... ..Everything is ready for the visit. When the inspection comes everyone knows what to say. It is not possible to have a casual talk with the inspector.’<sup>13</sup>

Apart from Poland, in all countries workers stated that they have difficulties taking their full annual leave, sick leave or leave in case of family emergencies. Most workers mentioned that they or their colleagues had experienced various work-related health problems. Major causes of workers’ ill-health are high productivity-targets combined with strict labour discipline. Increased nervousness, damaged eye-sight and hearing, painful backs and lungs are all common maladies, worsened by the lack of respect shown by managers to workers.

The chemicals used in footwear production are potentially harmful to human bodies. Whilst the EU has legislated against the use of harmful chemicals in footwear production,<sup>14</sup> compliance and enforcement of these regulations is not always realised. Prolonged physical contact with glues and dyes can damage skin and eyes, as these substances evaporate at relatively low temperatures. Workers tell of lack of provision of protective clothing, or of the pressure (due to high task targets) to dispense with its use as it slows them down (see below). Workers in Albania reported work-induced stomach-aches, headaches, neck-

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<sup>13</sup> Interview, Poland, October, 2015.

<sup>14</sup> <https://www.cbi.eu/market-information/footwear/buyer-requirements/>

aches, allergies and skin problems such as eczema and asthma. In a factory in Romania a worker recounted how 'The smell in the factory is so toxic. In the beginning, I felt like I was suffocating. But now we are all used to it; we already don't feel it'.

It is not only in the production process that workers' experience degrading conditions. Another Romanian worker commented about the factories' bathroom that 'the toilet is absolutely stinking. We still use latrines in our factory. Imagine what it's like when 200 women use one toilet. The smell is so strong that it transfers onto our clothes.' Her colleague described how 'there is no drinking water available and we have to drink tap water, which is not potable. The dust is very heavy inside the working hall and we are also the ones who must clean the workplace.'<sup>15</sup> A Slovak worker mentioned how 'In the summer, the heat is unbearable so we have had the ambulance here six times this year because co-workers had heat stroke.'<sup>16</sup> Workers in factories in Macedonia told of how their colleagues faint because of the heat, but would not receive help from factory managers and would have to rely instead on their colleagues.<sup>17</sup> A July 2015 media report in Macedonia highlighted the death of a 58 year old worker who died from a heart attack as a consequence of very high temperatures inside the factory. <sup>18</sup>

High daily task target systems pressurise workers to minimise activities that reduce their productivity, with health implications. In Slovakia a worker explained how 'I can ask for gloves and a face mask, but I am slower with the gloves and so cannot meet the normal production levels. The face mask also

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<sup>15</sup> Interviews, Romania, October-November, 2015.

<sup>16</sup> Interview, Slovakia, December, 2015.

<sup>17</sup> Interview, Macedonia, October, 2015.

<sup>18</sup> <http://daily.mk/hronika/pochina-zhena-shtip>

makes breathing more difficult, so I just wear perfume and a scarf and breathe through that.’<sup>19</sup>

In a large factory in Macedonia, which employs around 1,000 workers, one worker recounted how: ‘I have been working in this factory for 15 years, and during that time we have been supplied with protective wear only twice, but the work is awful. We should receive it twice a year.’ She also noted how the air quality and temperature inside the factory were extremely poor: ‘My hands are freezing, I’m shivering all over and the door to the hall is open all the time’. A co-worker told how ‘today we had heating until 10.30 am and after that it was turned off and inside it was very cold.’<sup>20</sup>

### **Workers’ Lives and Survival Strategies**

What are the impacts of the above-noted dynamics on workers’ lives and how do they respond? Most workers told us that their wages did not cover basic individual needs let alone those of their families. In general, workers cannot afford a basic consumer basket. Even working overtime to earn the maximum wage within the footwear industry does not afford workers a living wage (tables 10 and 11).

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<sup>19</sup> Interview, Slovakia, November, 2015.

<sup>20</sup> Interviews, Macedonia, December, 2015.

Table 10. Worker's Wages and Estimated Living Wage 2015.

Country	Legal Minimum Net Wage in Shoe Industry (1/1/2015) <sup>1</sup>	Lowest Net Wage (including overtime and bonuses) <sup>2</sup>	Mean Net Wage (including overtime and bonuses) <sup>3</sup>	Highest Net Wage (including overtime and bonuses) <sup>4</sup>	Estimated Minimum Living Wage <sup>5</sup>
Albania	140 €	100 €	143 €	251 €	588 €
BIH RS	164 €	169 €	204 €	256 €	859 €
Macedonia	130 €	137 €	161 €	194 €	726 €
Poland	301 €	164 €	492 €	586 €	1000 €
Romania	145 €	143 €	177 €	238 €	706 €
Slovakia	339 €	350 €	500 €	600 €	1360 €

Sources:

1 Official government statistics  
2 Calculation based on Interviews with workers  
3 Calculation based on Interviews with workers  
4 Calculation based on Interviews with workers  
5 Calculation based on Interviews with workers

Table 11: Legal Minimum Wage as a Percentage of Estimated Living Wage (2016)

Country	Legal Minimum Net Wage in Shoe Industry <sup>1</sup>	Estimated Minimum Living Wage for a family of four <sup>2</sup>	Legal Minimum Wage as a Percentage of Estimated Living Wage <sup>3</sup>
Albania	144 €	588 €	24%
Bosnia- Herzegovina	164 €	859 €	19%
Macedonia	145 €	726 €	20%
Poland	318 €	1000 €	32%
Romania	156 €	706 €	22 %
Slovakia	354 €	1360 €	26%

Sources:

1 Official government statistics  
2 Based on interviews with workers  
3 Calculation based on interviews with workers

Across the sector, workers recounted how they found it impossible to regularly pay for utility bills, that they often missed their rent payments and that they could not afford a family holiday within the country. For most of them,

holidays entail weekend barbeques or family get-togethers. Many workers recounted how they relied heavily upon family and friends for loans, and for free or very cheap agricultural goods. They noted how they rarely, if ever, were able to afford medical (especially dental) check-ups, that they suffered from poor hygiene, and that they could not afford school uniforms and school supplies for their children. A Romanian worker recounted how her family relied upon remittances from their parents:

We are renting a flat in the city and the most difficult thing is to pay for heating in winter. I am afraid to look at the bill. If we fail to pay for more than two months, we get cut off. Our parents, who work in Spain, send us money every few months and that's how we get by.<sup>21</sup>

Access to land, loans and other forms of financial assistance, in addition to help from parents and extended family are frequently mentioned as representing coping mechanisms. Another Romanian worker recounted how:

We have to spend everything we have on daily needs and sometimes run out of money before the end of the month. Luckily, the local shop owners know us well and let us get products for free if we run out of money, allowing us to pay them later. We don't want to borrow money, and my husband had to take 5 months' leave from his factory job to work in construction in Germany

She also noted how access to land, for agricultural production, was necessary to provide her family with sufficient food:

We have a garden and some animals. If I had to buy meat, like chicken breast from the shop, I would not be able to afford it. So we must also take

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<sup>21</sup> Interview, Romania, December, 2015.

care of our animals every day because they are some of the only food we can afford. Sometimes my sister comes in to feed the animals when both my husband and I are away for work. <sup>22</sup>

Table 12 highlights the gap between trade union calculations and workers' estimates of a living wage. The data suggests that workers tend to underestimate their required living wage requirements compared to trade union calculations. This discrepancy may reflect the more commonly observed phenomenon of the poor's lack of self-confidence and self-worth (e.g. Sen: 1999, 21). It also represents a corrective to elite claims that workers tend to over-estimate their worth.

**Table 12: Estimated Living Wages and Actual Expenditures of Workers' Families (4 members) in BiH-RS**

Basic Consumer Basket	Trade Union's Calculation of Minimum Cost of Basic Consumer Basket <sup>1</sup>	Average Living Wage Estimate by Shoe Workers for a family of four <sup>2</sup>	Actual Expenditures <sup>3</sup>
Food	38%	30%	50%
Housing and utilities	29%	33%	31%
Expenditures to cover basic needs and emergencies	33%	37%	19%
Total Cost (Euro)	923	859	409
<b>Sources:</b>			
1 <a href="http://www.savezsindikatars.org/sindikalna_potrosacka_korpa.php">www.savezsindikatars.org/sindikalna_potrosacka_korpa.php</a>			
2 Based on interviews with workers in a family of four.			
3 Based on interviews with workers in a family of four.			

In some highly globalised sectors of the world economy trade unions have been able to ameliorate workers' pay and conditions (Brookes: 2013, McCallum: 2013).

<sup>22</sup> Interview, Romania, December, 2015.

However, in the ECE footwear sector we found that trade unions had not recovered from the collapse of communism. Its legacy represents a major barrier to talk of or attempts to organise workers based upon conceptions of solidarity. In addition, the liberalisation of the labour markets in these countries and the proliferation of short-term contracts represents a structural barrier to effective trade union mobilisation. Finally, employer practices of threatening workers with dismissal if they participate in trade union activities dissuades many to engage with the latter. Trade unions that do exist tend to aim to enforce, or attain, already existing contractual commitments by employers, rather than seeking to alter wages and conditions.

This section has highlighted how the predominantly women workers in the ECE footwear sector earn below living wages, and their often dangerous and health-damaging working conditions. Workers augment their income through working overtime and other activities such as home-gardening, animal rearing and by relying on income and other forms of support from relatives. From a social reproduction approach, these additional and often unpaid activities represent subsidies to the firms that superexploit their workforces (though paying them below living wages). Moreover, the lack of social care for women workers who suffer work-related stress and injuries represents the externalisation onto them of social costs which, in other circumstances, could be borne by firms. In these ways, women workers represent the social shock-absorbers of immiserating growth. (Hite and Viterna: 2005).`

## **6 CONCLUSIONS**

This article provides original empirical material showing how ECE's export footwear sector is based upon the super-exploitation of its overwhelmingly

female workforce. Prior conceptions of social and economic upgrading and downgrading focus upon the firm and/or sectoral level. This article, by contrast, shows how a constellation of forces – the World Bank and the EU, Western European-based lead firms and ECE exporting firms, and ECE national states – have created a situation where economic and social downgrading and immiserating growth have become the ECE footwear sector’s principal strategy of competitive capital accumulation. It theorises the sector’s employment relations through a new, class-relational conception of immiserating growth. It also contributes to the global poverty chain approach by providing 1) a gender-based framework from which to undertake GPC analysis, and 2) by showing how such analysis is relevant beyond the global south.

The article documents how following the collapse of Communism ECE economies experienced a dual process of liberalisation and re-peripheralisation. Prior to 1989 the footwear sector was integrated into centrally (and regionally) planned economies, undertook full-package manufacturing, and provided a social wage for its labour force. In place of these arrangements, the sector is now incorporated into western European fast-fashion supply chains, producing under export assembly production arrangements, and presiding over poverty pay and conditions. The ECE footwear sector’s labour market has been transformed from what could be called a system of compensated labour exploitation (via the payment of a social wage) to one of super exploitation (where wages do not cover workers’ social reproductive needs) based upon large, impoverished female workforces.

The Global Poverty Chain approach facilitates our enquiry by placing labouring class pay, conditions, and livelihood strategies at the heart of its research agenda. This article contributes to the approach by drawing upon social-



reproduction theory to provide a theoretical-methodological vantage point from which to conduct gendered GPC analysis. Further, in contrast to aggregate economic - wide conceptions of immiserating growth where increased economic activity delivers lower standards of living, this article re-conceptualises immiserating growth in more specific, class-relational terms - as processes of economic expansion based upon labour force exploitation and impoverishment.

We adopt the distinction formulated by the Clean Clothes Campaign and Asian Floor Wage between poverty wages vs living wages to investigate dynamics of immiserating growth. Research by these organisations show that immiserating growth is a widespread phenomenon across export garments sectors in ECE and Asia (CCC: 2014). While this study documents dynamics of economic and social downgrading, there are also cases of export garment sectors that have achieved some degree of production and functional upgrading, but that have been established and remain based upon impoverished labour (Ruwanpura: 2011).

The GPC concept – with its explicit objective of understanding how integration into global value chains can generate dynamics of immiserating growth – represents a corrective to overly-optimistic (often propagandistic) pronouncements from international institutions about the benefits of global integration. If many of the industries heralded by international institutions as representing pathways out of poverty in fact signify cases of immiserating growth through labour exploitation, then such a terminological shift might help stimulate more critical policy debates about potential costs and benefits of capitalist globalisation.

What might a pro-labour developmental response to these immiserating dynamics consist of? One option might be a long-term campaign to establish a living wage across global supply chains. For example, a study based upon data

from the late 1990s and early 2000s estimated that doubling the wages of Mexican sweatshop workers would increase the cost of clothes sold in the US by only 1.8% (Pollin, Burns and Heintz: 2004). Part of this campaign could include a commitment to an accurate and socially just calculation of labour costs. Another aspect of such a campaign might be the taxation of companies operating within supply chains to provide resources for women's social reproduction, such as education, training and health services, and child-care. Such a tax would boost women workers' livelihoods and signal a social revaluation of their productive and reproductive labour. Whether or not such wage increases occur, and taxes and services are implemented, is a question of progressive politics and economic policy, to which this article hopes to contribute.

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