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## Abstract

Changes in the spatial organisation of capitalist production internationally over the last four decades have had profound impacts in the clothing industry. The strategies adopted by entrepreneurs to face economic instability and stagnation have systematically affected workers, mostly by a deep labour flexibilisation. In several cities, a return to the widespread use of the sweatshop system can be witnessed; in some others, such systems have indeed emerged. Today, sweatshops are a structural feature of the industry.

This research aims at analysing the changes that the fashion industry has undergone during the last four decades and its consequences over working conditions. In addition, I address the question of what does the return of the sweatshop tell us about neoliberalism. Two main types of sweatshops are identified: ‘international sweatshops’ (mostly large factories located in Export Economic Zones, also called ‘maquilas’) and ‘local sweatshops’ (small inner-city workshops located in proximity to the markets). Only the second type is emphasised in here, and two case studies were conducted: the City Buenos Aires and the Province of Prato (Tuscany). The results reveal that in both cities informal economy, human trafficking, and child and forced labour are counterparts of the glamorous fashion businesses.

The role of the state in regulating political economic shifts that have led to the sweatshop crisis, is addressed as well. Against the belief of its ‘demise’ I argue that the state has had a major role in engineering the mechanisms allowing a fierce redistribution of wealth away from labour, which encompasses state terrorism as well.

In sum, the shift in the balance of power between capital and labour, and the changes operated in the role of the state during the latest four decades, are found to be major causes for ‘the return of the sweatshop’. In the clothing industry, these changes have led to a situation which portrays with clarity the inequalities to which Neoliberalism has led – albeit to varied extents and through different mechanisms according to the spatio-temporal contexts – all around the world.

**Neoliberal fashion:  
The political economy of sweatshops  
in Europe and Latin America**

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A thesis submitted for the degree of PhD  
Department of Geography, Durham University

2011

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## List of abbreviations

A\$	Argentinian Peso
ACIT	Academic Consortium on International Trade
ACTRAV	Bureau of Workers' Activities (ILO)
ACTWU	Amalgamated Clothing and Textile Workers Union (US)
AOT	Asociación Obrera Textil
ASL	Azienda Sanitaria Locale
ATC	Agreement on Textiles and Clothing
CABA	Ciudad Autónoma de Buenos Aires
CAIByN	Cámara Argentina de Indumentaria para Bebés y Niños
CCC	Clean Clothes Campaign
CCOO	Confederación Sindical de Comisiones Obreras (Spain)
CEDEM	Centro de Estudios para el Desarrollo Económico
CEP	Centro de Estudios de la Producción
CGIL	Confederazione Generale Italiana del Lavoro
CIAI	Cámara Industrial Argentina de la Indumentaria
CISL	Confederazione Italiana Sindacato Lavoratori
CNA	Confederazione Nazionale Artigianato
CNEL	Consiglio Nazionale dell'Economia e de Lavoro
CNT	Confederación Nacional del Trabajo (Spain)
COBAS	Confederazione dei Committati di Base
CONADEP	Comisión Nacional sobre la Desaparición de Personas
CPI	Center for Public Integrity (US)
CSR	Corporate Social Responsibility
ECLAC	Economic Commission for America Latina and the Caribbean
FEMCA	Federazione Energia, Moda, Chimica e Affini
FILTEA	Federazione Italiana Lavoratori Tessili Abbigliamento
FTAA	Free Trade Area of the Americas
GAO	General Accounting Office (US)
GATS	General Agreement of Trade in Services
GATT	General Agreement on Tariffs and Trade
ILGWU	International Ladies' Garment Workers' Union (US)

ILO	International Labour Organization
INAIL	Istituto Nazionale per l'Assicurazioni contro gli Infortuni al Lavoro
INDEC	Instituto Nacional de Estadísticas y Censos
INPS	Istituto Nazionale Previdenza Sociale
INTI	Instituto Nacional de Tecnología Industrial
IOM	International Organization for Migration
IRPET	Istituto Regionale Programmazione Economica della Toscana
ISTAT	Istituto Nazionale di Statistica
MAI	Multilateral Agreement on Investment
MECON	Ministerio de Economía
MFA	Multifibre Agreement
NAFTA	North American Free Trade Agreement
NLC	National Labor Committee (US)
OECD	Organisation for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PCI	Partito Comunista Italiano
SOIVA	Sindicato Obrero de la Industria del Vestido y afines
STTAD	Sindicato de Trabajadores Talleristas a Domicilio
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UCI	Unión de Cortadores de la Indumentaria
UIL	Unione Italiana del Lavoro
UILTA	Unione Italiana del Lavoro Tessile e Abbigliamento
UIP	Unione Industriale Pratese
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
USAS	United States Students Against Sweatshops (US)
WIEGO	Women in Informal Employment: Globalizing and Organizing

## **Statement of Copyright**

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Dedicated to

Juana Vilca Quispe (25);

Wilfredo Quispe Mendoza (15);

Elías Carbajal Quispe (10);

Rodrigo Quispe Carbajal (4);

Luis Quispe (4); and

Harry Rodríguez Palma (3)

victims of the fire in Viale Street (Buenos Aires, 30 March, 2006).

# Chapter 1

## Introduction:

### What do sweatshops tell us about neoliberalism?

#### *1. Sweatshops today*

**Story 1:** It is a September Tuesday in Rome's Piazza Spagna. I walk along the streets of this world-renowned exclusive fashion district. Smart, beautiful, extravagant clothes and astonishing prices, populate the windows of the high-end fashion houses. Surprisingly I feel confident enough to get in, ignore the guards' derogatory look (I am certainly wearing a very cheap pair of tennis shoes) and check prices and labels. In a few stores, only visible 'Made in Italy' and 'Made in France' labels can be seen. In others, those labels can be found as well, but some of the more standardised garments (like men's suits) only have a rather hidden label establishing the ID of the subcontractor. In these, no origin is stated.

**Story 2:** It is 30th March of 2006. I am having lunch at home while watching the news. My lunch is suddenly interrupted by the news of a fire in a medium-sized garment workshop in Viale Street, in the middle-class neighbourhood of Caballito, Buenos Aires. The report states that six people died in the fire; they could not escape the place because the doors were locked and the windows were blocked. About 60 people, all of them Bolivian citizens, used to live in the place, sewing, packing and ironing garment for small and large clothing brands for up to 17 hours a day, and not being able to leave. Four of the six people who died were the children of the workers; one of them was three years old. The tragedy triggered the discovery of thousands of sweatshops in the city, managed by Bolivian citizens and working for small, medium and large local and international brands.

The majority of the consumers in the stores of Piazza Spagna would probably assume that Channel or Gucci have nothing to do with sweatshops. In the unlikely case that they bother to think about how those garments were made, they may imagine large factories, here and there, with thousands of workers sewing, assembling, ironing garments under more or less acceptable conditions, but forced and child labour and human trafficking would hardly be a possibility. Other consumers, perhaps better informed, could consider this possibility if a label states ‘made in Bangladesh’, while the ‘made in Italy’ label would be taken as guarantee of sweatshop-free garments.

Today, these assumptions can be questioned. First of all, as we shall see later on in this thesis (see Chapter 6) the European Union has no legislation on rules of origin for clothing, despite the efforts of Italian authorities and entrepreneurs. Therefore what the label states might quite often be false.<sup>1</sup> Secondly, sweatshops sewing and assembling garment and non-apparel fashion goods (typically handbags) for these brands have been found and denounced.<sup>2</sup> Thirdly, some of these sweatshops have been found in Tuscany and in Paris. Finally, sweatshops working for other, less exclusive brands and retail chains, have been found in Los Angeles (The New York Times, 5/8/95), Manchester (BBC, 2/8/07), and Barcelona (El País, 23/6/09). In peripheral countries, McGrath (2010) reports the existence of sweatshops in Sao Paulo, whereas Skinner and Valodia (2001) analyse the rise of sweatshops in South Africa and Lesotho. The story in Viale Street in Buenos Aires (henceforth Viale) reveals the existence of sweatshops in Buenos Aires.

Reports on the existence of sweatshops in both core and peripheral countries are numerous. In the late 1990s, several campaigns were organised by students across the United States to report the sweatshop practices by well-known sport-apparel brands, helping to raise public awareness about the proliferation of sweatshops in peripheral economies. Likewise, since the late 1980s, academic contributions by historians, sociologists, economists and

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<sup>1</sup> I had access – through the Department of Economic Development in the Tuscany Region – to a document presented by Italian authorities to a meeting of the Textiles and Clothing Commission of the EU in May 2008. In it, they ask the European Commission to “promote the definition and the experimentation of a process aimed at a guaranteed traceability of the [textile and clothing] products destined for consumption”; and they also ask the member states to “commit themselves to adopt a European Guideline concerning the introduction of a mandatory origin label at least for [textile and clothing] products imported in the internal market” (translated from Italian). However, many of my interviewees in Tuscany assured that their proposal has been left aside once and again, and as asserted by an interviewee from the Department of Economic Development of Tuscany Region (Simone, interviewed on 9/6/2008), “it will never be approved” owing to the interests of Northern retailers in keeping the rules of origin out of agenda. The issue is further developed in Chapter 6.

<sup>2</sup> See [www.nosweat.org.uk/category/companies-and-brands](http://www.nosweat.org.uk/category/companies-and-brands)



geographers have addressed the ‘return of the sweatshop’ to large cities in the industrialised world. Already in the second half of the 1980s a collaborative work (Morokvasic, Phizacklea and Rudolph, 1986) addressed the existence of sweatshops in London and in Paris. Besides, during the last two decades, five influencing books focusing on the existence of sweatshops in London, Paris, New York and Los Angeles have been published (Phizacklea, 1990; A. Ross, 1997; Green, 1997; Bonacich and Appelbaum, 2000; R. Ross, 2004). The majority of the authors agree with the return of the sweatshop to these cities. According to R. Ross (2004: 26), “as early as 1979 the first reports on the ‘new sweatshops’ were in the New York press.” In the words of Bonacich and Appelbaum (2000: 2), “sweatshops have indeed returned to the United States. A phenomenon of the apparel industry considered long past is back, not as a minor aberration, but as a prominent way of doing business.” Also for the case of the US, R. Ross (2004: 10) assures that “sweatshops are back, and they are right here.” In sum, while being largely left at the margins of the industry during Fordism, sweatshops are now back in several cities of the industrialised countries, and they have emerged in cities where they had never existed, like Buenos Aires and Prato.

## ***2. Defining the matter: national and international sweatshops***

At times, the generalisation of the use of a term undermines our understanding of the problems related to it. The term ‘sweatshop’ is a clear example. Indeed, the proper definition of what I will consider as a sweatshop in here is important in political terms.

It is my feeling that the view of sweatshops that several anti-sweatshop movements have promoted is that of large or medium factories located in export-led zones in peripheral countries, generally working as contractors of foreign companies, in which labour conditions are poor, often encompassing poor toilet facilities, poor health and safety conditions, toiling, 10 to 12 hours journeys, low pay (and unpaid overtime), flexible contracts, the banning of labour organising, and other labour abuses, of which women’s harassment by male bosses, as well as firings in case of pregnancy, have been widely reported. This is the vision that seems to enjoy a broad acceptance among Northern consumers when the issue of sweatshops is evoked.

However, such an idea is based on a partial understanding of the sweatshop problem. Though unintentionally, this view hides the existence of sweatshops in core capitalistic countries, which have been subject to study in recent years (Bonacich and Appelbaum, 2000; Green, 1997; Morokvasic, 1986; Morokvasic et al, 1987; A. Ross, 1997; R. J. Ross, 2004). In fact, the very term ‘sweating system’ was first coined by a special commission of the Houses of Commons (1889) in the late 19th century to refer to the system of subcontracting to small workshops and to homeworkers in London and other cities in core countries, where labour was paid on a piece rate and they toiled and “sweat their lives away” for a pittance. These kinds of sweatshops exist today as well, and they involve even further ‘levels of oppressiveness’ than what is witnessed in large sweatshops in export-led zones in peripheral countries. However, what I want to highlight is that there exist two kinds of sweatshops, differentiated by: (a) their location; (b) the kind of garment they produce; and (c) the characteristics of the working conditions.

To avoid the confusions that the mixture of these two kinds of sweatshops has created in sweatshop studies, I propose to differentiate between ‘international sweatshops’ (known as *maquilas* in Spanish) and ‘national sweatshops’. In this research I call ‘international sweatshops’ those medium or large factories located in export-led zones in peripheral countries. They are ‘international’ precisely because they produce (in mass) for foreign contractors and their production is export-led, meaning that they are part of an international production chain. On the other hand, ‘national sweatshops’ are located in large cities both in the core and in the periphery.<sup>3</sup> I call them ‘national’ because their products are sold mostly in the cities and countries where there are located.<sup>4</sup> In this thesis I address solely working conditions in ‘national sweatshops’, although I certainly refer to international ones.

A detailed definition of national sweatshops needs to include details of their working conditions. In light of their research on sweatshops in Los Angeles, Bonacich and Appelbaum (2000: 4) provide a definition that includes

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<sup>3</sup> It is worth noting that they are located only in large cities, i.e. in proximity to large markets, so that the sweating system can really reach the dimensions and the modus operandi of a **system**, with several subcontractors competing against each other. This pushes costs down and allows prices low enough to compete against other garment producers in the country. As explained below, proximity to the markets is also due to the tight time schedules that govern the industry.

<sup>4</sup> They may also be exported to neighbouring countries, as is the case of Prato.

factories that fail to pay a ‘living wage’, meaning a wage that enables a family to support itself at a socially defined, decent standard of living. We include in the concept of a living wage the idea that people should be able to afford decent housing, given the local housing market, and that a family should be covered by health insurance.

However, this definition is restricted to the quantitative aspect –that is, the pay. Indeed, all-too-often the average pay in the industry does not reach the poverty-level income for a typical family. These same authors note that in the US, “in 1990, according to the United States Census, the average garment worker in Los Angeles made only \$7,200, less than three-quarters of the poverty-level income for a family of three in that year” (:4). Unregistered labour, i.e. the denial of the most basic workers’ right, is also rife. To broaden up this definition it is worth looking at the definition proposed by the US Congress’ General Accounting Office (GAO) in their 1998 influential report:

we define a sweatshop as a business that regularly violates both wage or child labour and safety or health laws. As synonyms we used the terms ‘chronic labour law violation’ and ‘multiple labour law violator’ (quoted in Ross, 2004: 27).

Labour and health and safety violations are amongst those that we find in international sweatshops, all of which are certainly common in the sweatshops in Buenos Aires and in Prato. I would add to these definitions an element which is somehow implied in the GAO’s definition: the existence of **vulnerable labour**, which is a common element to the large majority of national sweatshops. Workers find themselves in an extremely poor economic situation, and often are forced to work as a form of debt payback to their bosses.<sup>5</sup> Indeed, in this research I will refer to cases in which workers are immigrants trafficked into the sweatshops by a network of traffickers: they are approached in their countries and offered a job under certain (generally acceptable) working and pay conditions, but once they arrive to the destination they find that they must work for more than 12 hours, without any pay for a long period in order to either pay back for the transportation (like in the case of Buenos Aires) or for the whole trafficking operation (which is the case of Prato). They live in the sweatshops and in many cases they are locked, that is, they are under control 24/7.

Borrowing elements from the referred definitions, for the purposes of this research I will call a ‘national sweatshop’ a small or medium inner-city garment workshop employing vulnerable labour – be it due to its irregular immigration status or its desperate economic

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<sup>5</sup> In the introduction to their book “Spaces of Work”, Castree *et al* (2004) point out four short stories of workers around the world. One of these is the case of Ruben Chação, a Brazilian child working in the sweatshop of an Adidas subcontractor in a *favela* in Rio de Janeiro. He was compelled to work to pay off a debt that his father had with the sweatshop owner.

situation- and which systematically fails to pay a living wage and to comply with labour and health and safety legislation. These sweatshops often involve child, forced and/or trafficked labour, and subjection to servitude, while mechanisms of coercion – be it physical or emotional – are also widespread.

### **3. Why is the sweatshop back?**

Recent trends in the fashion industry worldwide have fostered a return to the widespread use of subcontracting. Two main aspects explain this trend: the need for more flexibility in the production stages and the necessity to cut costs to meet increasing international competition. Both are a consequence of the high instability of demand in this industry, which is at the same time affected by the general instability of the current highly financialised global economy (see chapters 2 and 3).

The economic stagnation of the mid-1970s strongly affected fashion businesses. Morokvasic *et al* (1986) quote statistics for Germany, France and England stating that the share of clothing in personal total consumption budget went roughly from 10 to 7 percent (measured in constant prices). Indeed, during the late 1970s brands engaged in a growing competition over prices. To survive growing competition, the companies needed to create new markets, cut costs and reduce risks. For these purposes they adopted strategies to achieve greater flexibility and cheaper prices. This certainly created renewed pressures over the alleged rigidity of the labour market and over costs, particularly labour costs. The spatial reorganization of production was at the centre of these strategies. In this sense, the closure of factories and the subcontracting of labour-intensive phases (sewing, ironing, packing and sometimes cutting) to both contractors in the periphery and domestically, allowed companies to reduce risks and costs, and to flexibilise their labour force. The proliferation of sweatshops, combined with a number of other developments addressed below (notably a shift in the role of the state and a decreasing labour power in most parts of the world) is partly a result of this strategy.

The subcontracting of garment production to peripheral countries, and the consequent reduction in prices, led to an intensification of competition in the clothing industry internationally. Northern corporations producing in the North quickly lost competitiveness as cheaper garment – much of which was produced and imported by competitors based in

the North itself – started to ‘invade’ the markets. The closure of factories started to spread around the North, and workers started to experience the daily threat of the closure, an element actively used by firms to cut costs and flexibilise their workforce (Chomsky, 1999). The consequences for workers were dreadful: at present, they are among the lowest paid in the whole of the manufacturing industries, with an average salary which, for instance in the US, does not allow a family of three to reach the poverty line (R. Ross, 2004).

However, not all garments are subcontracted to producers in the South. During recent decades, time has come to be a key variable in the production and sell of garment that is ‘fashion-sensitive’ (as opposed to ‘basics’ or standardised garment like jeans, men’s suites, underwear and the like); producing far away from the stores and waiting for the items to arrive does not fit with the current time-regime in this segment of the market. Owing to the constantly changing styles and colours imposed by fashion, the lifetime of certain items is very short (generally an item that is ‘in’ at the beginning of a season is ‘out’ by the end of it). As I will argue later on in light of the findings of this research, retailers do not stock up as they used to do during the more or less stable times of Fordism; instead, they demand small batches from subcontractors according to the day-by-day success – or failure – of specific items.<sup>6</sup> In short, as explained by an official of the Unione Industriale Pratese (Mario, interviewed on 10/07/08),

times have been compressed to such an extent in certain segments of textiles and clothing that there is a problem of incoherence between the time-scales of producing in China and the need to feed the stores under this new ‘philosophy of times.’ [Some retailers] change their windows every 15 days! So, to feed such a business model with goods produced in China is particularly complex, and hence there is the need to produce at least some of the goods domestically to provide the stores in Europe with the goods they need, in the times they need.<sup>7</sup>

This temporality which dominates the production and sale of fashionwear for young women (the most dynamic segment of the market) undermines the advantages of contractors in the periphery in favour of domestic inner-city workshops that provide the necessary flexibility in record times and cheap prices that ever-changing fashion demands. Besides, several of the entrepreneurs interviewed for this research stressed the necessity to ‘have one foot in the local area’ in case they need anything be done (like fixing mistakes of

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<sup>6</sup> This aspect is further developed in chapter 6, and it explains partly the success of the sweating system in both Buenos Aires and Prato.

<sup>7</sup> Translated from Italian.

the garment sewn abroad, completing a run or producing a small batch of temporarily successful garments in the midst of the season).

Faced with stagnated demand and increasing competition, the industry allocated immense financial resources to fashion propaganda and fostered the shortening of fashion trends to stimulate continuous demand. As explained by a Prato-based manufacturer I interviewed for this research (Gianfranco, interviewed on 29/7/08), this growing fashion advertising (which includes a multiplicity of fashion events, magazines and even *ad hoc* TV channels) reached other consumers than those rich consumers of high-end fashion, creating a growing demand for fashionable clothing but at accessible prices (i.e. a mass market). In both the cases of Buenos Aires and Prato, in the early 1980s some fashion brands saw this 'niche' and started producing for this segment, generally copying the designs of the largest brands but using cheaper fabric and cutting costs in various ways. This was precisely the origin of the clothing that is sold in large retail chains and in high street shops around the world nowadays.

From its very origin, this apparel is mostly produced by 'national workshops' working as subcontractors of either commercial or industrial companies. Due to its fashion component, this garment is subject to higher volatility in demand than that which characterises 'basics' (the latter being a human need, as opposed to the banality of fashion-sensitive clothing). To avoid shouldering the risks of this 'niche', firms subcontract production. These small informal workshops and piece-rate pay allow companies to contract only the labour they actually need, being the near-perfect solution for an industry with a highly unstable demand. In only a few years the growth of consumption of this clothing has led to the further development of the long subcontracting chain in order to cover the increasing demand. Sweating systems emerged in the proximities of large markets as the availability of thousands of subcontractors surpassed the demand, and prices paid to them started a pronounced downslide. As a result, the sweating systems provide the brands and retailers with an immense pool of cheap unregulated and vulnerable labour, contrary to the unionised workforce in factories, and allow them to shift the burden of the risks to the workers.

This restructuring of the industry largely in line with the interests of capital, could have only taken place in a context where the power of labour has been weakened, coupled with reduced state control over corporate practices.

#### ***4. Purposes and organisation of this research***

This research is aimed at understanding why sweating systems have emerged in several large cities around the world during recent decades. For such purpose I address the cases of the City of Buenos Aires and the Province of Prato, in Tuscany. In the analysis of the changes that the industry has experienced recently worldwide, and in particular in Argentina and in Italy, and in looking at the effects of these changes over working conditions, I adopt Jessop's (1993: 13) suggestion for "an integral economic viewpoint, with its explicit focus on the structural coupling and contingent co-evolution of accumulation regimes and modes of social regulation." Thus, following Marxist and Marxian accounts (Castree et al, 2004; Jessop, 1993, 2000, 2002, 2003, 2007; Harvey, 1989, 2001, 2003, 2005, 2010a, 2010b; Peck and Tickell, 2002; Peck, Theodore and Brenner, 2010) I explore the shifts in state politics and in the balance of power between capital and labour from Fordism to Post-Fordism, broadly considering these changes as a shift towards neoliberalism.

Assuming that sweatshops are new economic spaces, in this thesis I argue, following Massey (1985), that the reappearance or the surge of sweatshops reveals changes in the social relations of the industry. The argument here is that the spread of sweatshops in Buenos Aires and Prato reveals changes in the social relations within the garment industry, both at the local and at the international levels. In other words, the discovery (or identification) of thousands of sweatshops in Buenos Aires after the tragedy in Viale Street revealed not only changes in the organisation of the garment industry, but also decisive shifts in the power relations governing it. Indeed, Bonacich and Appelbaum (2000: 7) assert that the return of the sweatshop is ultimately a consequence of the shift in the power balance between capital and labour during the last decades.

Chapters 2 and 3 aim at setting the context in which national sweatshops have arisen in Europe and in Latin America during recent decades. This will help respond the question of whether national sweatshops are now back due to the neoliberal shifts in political economy

worldwide during the last four decades, or if instead they constitute a mainstream way of producing clothing that has always existed under capitalism. Chapter 2 sets the general political economic context and addresses the consequences of recent shifts over working conditions and the distribution of wealth. In chapter 3 I focus on the impacts of the developments referred to in chapter 2 over clothing production. Also, I address certain processes taking place in this industry that are precursors of the shifts in industrial and commercial capital's reorganisation during recent decades (like subcontracting and the deconstruction of the formal workers' sector; and the shift from producer-driven to buyer-driven chains).

The return of the sweatshop takes place in a post-Fordist context marked by a weakened labour movement and by a shift in state priorities around the world. These two trends characterise what is known as 'neoliberalism', described by Harvey as "a class project that coalesced in the crisis of the 1970s" and that

masked by a lot of rhetoric about individual freedom, liberty, personal responsibility and the virtues of privatisation, the free market and free trade, it legitimised draconian policies designed to restore and consolidate capitalist class power (2010a: 10).

In chapter 2 I follow Harvey (1989, 2005, 2006, 2010a) and Merrifield (2000) to address the increasing financialisation of the world economy and its negative consequences over large capital investments. Both authors show that the short term planning that drives financial businesses and its high instability have strongly affected productive (industrial) investments by encouraging "pure gambling" in already existing assets in financial markets. Combined with the end of the Bretton Woods order in 1972 – which granted certain stability to the international economy during the post-war – this trend has made the economy far more vulnerable to the whims of the (highly deregulated) financial markets. Certainly, as noted by Harvey (1989: 141-42) this permanently unstable economic environment has made the previous "accords" that tied up "big labour, big capital, and big government" less and less functional for capital accumulation. A thorough reorganisation of production in line with mechanisms of subcontracting and delocalisation was promoted by industrial capital. This led to an increasing deconstruction of the 'mainstream' formal labourers and the consequent demand for labour flexibilisation plans.

These shifts had consequences over state-politics, and were in turn enabled by an active role of states over economic planning, labour movements' control and labour market's



reform. Towards the end of the 1970s and the beginning of the 1980s, hand in hand with the increasing dissemination of neoliberal ideas into the state arena, state economic and social planning shifted from securing an appropriate level of demand for industrial goods – meaning chiefly full employment and strong social protection – towards favouring the independence of the private sector, in the belief that the market mechanisms would allocate resources more efficiently (Jessop, 2000). In this sense, the deregulation of financial markets and of capital activities in general (notably the relaxation of controls over the respect of labour rights, like factory inspections), and the application of legislation furthering labour flexibility, were main elements allowing a violent re-distribution of wealth away from labour. The extreme of these shifts is the return to a widespread use of slave trade and sweatshop-like production, as mechanisms to ensure high corporate profitability. As I argue in chapters 5 and 6, the processes are enabled by either passive or active state politics.

In chapter 4 I describe in detail the methodology used for this 4-year long research. The first year was devoted to the planning of the case studies and to the development of the general context by means of a thorough literature search. Besides, this research is strongly based upon empirical data collected during the whole of the second year (fieldwork). This included two case studies: one in the City of Buenos Aires (carried out from October 2007 to March 2008) and another one in the Province of Prato, Tuscany (April to September 2008). Fieldwork included: (a) literature and statistical and journalistic data collection, and (b) 97 semi-structured interviews with key informants. The information and data collected was processed during the first half of the third year. Finally, some of the difficulties I had to face during fieldwork, and the way in which I have attempted to overcome them, are presented. Certainly, the study of economic processes based precisely in ‘as much informality as possible’ implies major challenges for the researcher.

In chapters 5 and 6 I present the main findings of my empirical research. Chapter 5 focuses on the case of Buenos Aires, whereas in chapter 6 the case of Prato is addressed. Both chapters aim at describing the present situation concerning the rise of the sweatshop in both places, and at understanding the organisation of the sweating systems and when and why they emerged. The role of capital and the state are thoroughly addressed. A brief presentation of shifts in the political economy of Argentina and Italy is also presented in order to identify the consequences that these have had over the labour markets and labour

organisation, and in setting the context for growing informality that allowed – and that was partly a consequence of – the rise of the sweatshop.

In chapter 7 I return to the analysis of the international political economy trends during recent decades, adding to the context set in chapters 2 and 3 the analysis of the main findings of my empirical research. The main aim of the chapter is to explore the links between the rise of the sweatshop and the shift towards neoliberal policies worldwide. The link is found to be strong: the deconstruction of the formal labour sector and the rise of informality – mostly in Argentina – and of flexible and precarious jobs – mostly in Italy – in the clothing industry and in the economy in general is a consequence of the strategies followed by the main corporations of the sector during the last decades. Also, it is a consequence of the increasing economic domination of state policy-making and weakened labour power. Focusing on the debate on sweatshops in particular, I identify three main arguments that have so far helped clothing brands and retailers to manage the strong opposition affecting their image. Firstly, the defenders of sweatshops have argued repeatedly that sweatshop work can be very bad but still it provides better jobs than those normally available to its workers. In the words of Krugman (1997), sweatshops can help people in peripheral countries move “from abject poverty to something still awful but nonetheless significantly better.” My argument in here is that such statement diverts the attention from the real problem, which is the redistribution of wealth within the industry. Regarding the other two arguments, in virtue of their falsity I identify them as ‘the myths about sweatshops’. The first of these is summarised as follows: “working conditions in (national) sweatshops are a cultural feature of the immigrant communities within which these systems are organised;” under such idea, the immigrant status of workers is emphasised to the detriment of the class divisions taking place within these communities, while the local entrepreneurs are released from any ethical responsibilities towards the workers producing their goods. Finally, the second myth is that of the belief that “corporations cannot control working conditions in the long subcontracting chain.” The latter has been a key argument of clothing firms to avoid what in many parts of the world (e.g. Argentina) is precisely a key of the struggle against the sweatshop: corporate accountability. These myths and arguments help explain the health of many renowned brands, and represent some of the pillars over which the neoliberal ideology is based (notably depicting workers as passive actors whose only possibility is to wait for job opportunities to be created by capital [Castree et al, 2004]).

Towards the end of chapter 7 I also address the role of the unions in these matters and their incapacity to develop proactive responses to the strategies of capital and to state policies. The rise of informality and precarious jobs poses major limitations to traditional union organising, who have proved to be incapable of re-designing their strategies (notably their approach to workers who due to their immigration status or to their informal employment are not entitled to ‘belong’ or to make part of their “citizenship” [Gordon, 2009]) in order to face the strong challenge that a closer relationship between state and capital means to clothing workers around the world.

The latter issue is further developed in chapter 8. This last chapter is written in a more policy-advocacy fashion, in the search for understanding possible future developments in the struggles against the sweatshop. The clothing industry is currently considered by many as exploitative in its core, since all-too-often human trafficking and child and forced labour are the counterpart to the most chic catwalks and fashion districts. But this industry has also seen strong union mobilisation in the early 20th century, and the adoption of minimum labour and factory health and safety standards in national laws in the US have been amongst the results of these struggles. In other words, while the garment industry is considered a precursor of some of the developments that have driven the international political economy towards neoliberal paths, it may also be an industry at the vanguard of politically progressive shifts in the organisation of industrial production. The potential of existing and future struggles against the sweatshop resides precisely in the possibility of furthering structural changes that strengthen labour power, and in pushing their adoption in other economic sectors.

## Chapter 2

### Working in a neoliberal world

What would happen if tomorrow the government of Mozambique announces the legalisation of slavery? Most probably, the world markets would soon be invaded with Mozambique's products.  
(Zunini, 2007)

Karl Marx and David Houston would insist that the plight of sweatshop workers must be seen in the context of the pervasive poverty and gaping inequality of the global economy. That economy connects us not just with sweatshop workers but with oppressed workers outside the factory gates as well.  
(Miller, 2009: 363)

#### ***1. Introduction***

The return of the sweatshop takes place in a post-Fordist context marked by a weakened labour movement and significant changes in the modes of social regulation of the economy, entailing most notably a shift in state priorities and capabilities. These two trends are the major changes that characterise the passage from Fordism to what has been termed 'neoliberalism'.

This chapter aims at setting the general political economic context in which national sweatshops were established in Europe and in Latin America (and specifically in Italy and in Argentina) during recent decades. In so doing, I will use historical materialist accounts on international political economy. Providing this context will help respond to the question of whether the re-emergence of national sweatshops in recent years is due to neoliberal shifts in political economy worldwide during the last four decades, or if instead they constitute a mainstream way of producing clothing that has been in existence since the introduction of the sewing machine in 1856.

In setting the context, no analysis of the broader trends in political economy worldwide can avoid focusing, at least partially, on the increasing financialisation of the world economy. Merrifield (2000) analyses this financialisation and has labelled it as "the inviolable bourgeois obsession." Both Merrifield and Harvey (2005, 2006) show that this process has strongly affected productive (industrial) investments by encouraging "pure gambling" in already existing assets in financial markets. Combined with the end of the Bretton Woods

order in 1972, which set the framework of stable exchange rates during the post-war, this trend has made the economy far more vulnerable to the whims of the (highly deregulated) financial markets. As a consequence, and as noted by Harvey (1989: 141-42), this permanently unstable economic environment made the previous “accords” that tied up “big labour, big capital, and big government” less and less functional for capital accumulation.

Towards the end of the 1960s, the contradictions intrinsic to the capitalist mode of production (notably the crisis of over-accumulation) which could not be solved by the Fordist model of accumulation, exploded, leading to a fierce competition between various political projects – broadly conservative or liberal - in a context marked by rising labour power. As postulated by Harvey (2005), the result of those struggles was the rise of the neoliberal model of accumulation. This model implied two main shifts in the post-Fordist era: (a) deregulation of the labour markets; and (b) the growing influence of capital’s interests into state’s politics. The first shift both manifested and was mobilised through fierce repression of the labour movement in several parts of the world, via the incorporation of (deregulated and non-unionised) women and ethnic minorities into labour markets, and through a spatial reorganisation of production (i.e. increasing subcontracting and delocalisation arrangements). The second shift took place by means of the progressive seizure of political apparatuses by corporate representatives, the ascendance of the Republican Party of the US and the Conservative Party in the UK being the clearest examples. Both trends are analysed in depth in this chapter.

Further to the trends identified above, the increasing economic domination of state politics has reached a level in which the state allows the systematic violation of workers’ rights to take place. Indeed the rising occurrence of human trafficking and forced labour is often happening in the sight of the states, notably in both the cases addressed in this thesis, but also in other countries (like in the US and in Spain, as well as in several peripheral countries). In this chapter I seek to question whether states are combating human trafficking and the enslavement of women and migrant workers in their own territories with all their strength. Following this I hypothesise that in some countries the state actually has a vested interest in allowing these processes to take place, in order to facilitate opportunities for capital accumulation in view of the failure of neoliberal policies to ensure the high levels of corporate profitability and high rates of economic growth that characterised the Fordist era.

I conclude that the neoliberal policies have had dire consequences for workers all around the world – albeit by way of varied strategies and context-specific arrangements between capital, labour and state (see below). As the starkest example of this trend, the growth of informality in peripheral countries and of labour flexibilisation in the core economies, have led to a decreasing participation of wages in the GDP in several countries.

## ***2. One or several neoliberalism/s?***

As briefly discussed in chapter 1, since the early 1980s national sweatshops are a widespread feature of garment production in several cities and countries. Addressing this problem from a long term perspective, several authors coincide in pointing out a ‘return of the sweatshop’ in cities like London and New York (see Chapter 3). Indeed, evidence provided by these authors shows that towards the mid-20th century, the sweatshops that had been scattered all around big cities had, at the very least, been left to the margins of the industry, whereas factory production had increased notably. However, reports on the ‘new sweatshops’ were already in the media towards the end of the 1970s. This long term approach suggests that broad shifts in international political economy may be playing a fundamental role in the current mushrooming of national sweatshops world-wide. In other words, the neoliberal turn appears as a key element of these developments, for which a brief presentation of debates about its nature seem fundamental.

Several researchers of neoliberalism (Brenner and Theodore, 2002; Brenner, Peck and Theodore, 2010; Duménil and Lévy, 2004; Harvey, 2005; Peck and Tickell, 2002) assert that it originated as a highly ideological project – somehow a utopian project – during the 1940s, to be revived in the early 1970s in the wake of what they consider as the crisis of Fordism. Neoliberal advocates (Friedman, 1944, 1949; Hayek, 1951) emphasise the benefits of individual freedom, free market and free trade. In the words of Harvey (2006),

neoliberalism is in the first instance a theory of political economic practices which proposes that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, free markets and free trade (:145).

For such project to come to practice, the Welfare State - or the ‘Nanny State’ – was a major obstacle, and it was indeed partly blamed of causing rising inflation through its

inefficient market interventionism. Instead of the Keynesian approach of a *demand-side* regulation of the economy, neoliberalism calls for a *supply-side* form of regulation. Henceforth, states must foster private initiatives and ensure good businesses environments, because, if helped by restricted but appropriate state policies, the market will ensure an efficient – and fair – allocation of economic benefits.

These neoliberal ideas came to political practice during the 1970s. According to Harvey (2005), they were firstly applied in Chile from 1973, under the rule of Pinochet's dictatorial regime. Other authors (Brenner and Theodore, 2002; Brenner, Peck and Theodore, 2010) assert that it was only towards the late 1970s, after proof and trial of some of its features, that neoliberalism finally acquired the form of a concrete political project, with president Reagan in the US and Margaret Thatcher in the UK. While these two countries adopted "particularly aggressive programmes of neoliberal restructuring during the 1980s, more moderate forms of a neoliberal politics were also mobilised during this same period in traditionally social democratic or Christian democratic states such as Canada, New Zealand, Germany, the Netherlands, France, Italy and even Sweden" (Brenner and Theodore, 2002: 350).

Beyond specific national contexts, scholars supportive of historical materialist accounts agree in pointing out the existence of certain "processes of neoliberalisation" (Peck and Tickell, 2002) taking place globally, albeit to varied degrees and through context-specific means. Indeed, Peck (2004) goes as far as to assert that "the process of neoliberalisation has been a transnational one from the start" (:399). These structuralist scholars emphasise the mid and long-term developments in a broad scale, understanding neoliberalism as a restructuration or an "evolutionary change" in the capitalist economy (Duménil and Lévy, 2004). Borrowing ideas from Crotty (2003) and Duménil and Lévy (2001), Brenner, Peck and Theodore (2010) describe this approach with the following words:

Historical materialist approaches to international political economy have theorized the *worldwide* parameters of market-driven regulatory restructuring. Here, neoliberalism is understood as a global regime of growth that has emerged following the destabilization of earlier, Keynesian-welfarist and national-developmental regulatory arrangements during the post-1970s period (:190).

The rising power of supra-national (e.g. the European Central Bank) and international institutions (e.g. World Bank, IMF and GATT/WTO) is identified as a fundamental shift helping financial capital and multinational corporations to shape state policies

internationally. “*Globally constituted* forces and interests, institutionalized in the form of various multilateral apparatuses, impose strict market discipline on national states” (Brenner, Peck and Theodore, 2010: 194; emphasis in original). This is why these authors refer to a process of upside-down “parameterisation” that is “implemented, consolidated and reproduced through a complex of world-scale, multilateral and supranational juridical-institutional rearrangements that impose new, relatively circumscribed parameters – in effect, an encompassing ‘rule regime’ (Peck 2002) – for regulatory experimentation across subordinate places, territories and scales (Brenner, Peck and Theodore, 2010: 194).

Due to their methodological approach, according to which they emphasise the international scope of neoliberalism, structuralist approaches lead to explanations that may result more accurate to certain cases than to others. Indeed,

in these accounts of neoliberalism, for all their geographical and scalar diversity, little attention is paid to the different variants of neoliberalism, to the hybrid nature of contemporary policies and programmes, or to the multiple and contradictory aspects of neoliberal spaces, techniques, and subjects (Larner, 2003: 509).

Instead of a ‘bulldozer neoliberalisation’ originated in core countries and encompassing all countries within one single neoliberal project, Larner (2003) rightly points out the need to understand the complexity and contradictions of the processes of neoliberalisation: “Although neoliberalism may have a clear intellectual genesis, it arrives in different places in different ways, articulates with other political projects, takes multiple material forms, and can give rise to unexpected outcomes” (2003: 511).

In a similar vein, poststructural accounts and governmentality studies (Ong and Collier, 2005; Ong 2006, 2007; Rose, 1999) raise their concerns about what they call “neoliberalism with a big ‘N’”, which sees neoliberalism as “an economic tsunami that is gathering force across the planet, pummelling each country in its path and sweeping away old structures of power” (Ong, 2006: 3). Instead, according to these authors there is the need to view neoliberalism “not as a system but [as] a migratory set of practices”, for which “we would have to take into account how its flows articulate diverse situations and participate in mutating configurations of possibility” (Ong, 2007: 4). Focusing on “what Deleuze has called ‘little lines of mutation’ (i.e. minor histories that address themselves to the ‘big’ questions of globalizations in a careful and limited manner)”, Ong and Collier (2005: 15) are supportive of “a form of inquiry that stays close to practices”, because, in their view, “[the] neoliberal logic is best conceptualized not as a standardized universal



apparatus, but [as] a migratory technology of governing that interacts with situated sets of elements and circumstances” (Ong, 2007: 5). For them, “global forms are articulated in specific situations”, i.e. in contextually specific “global assemblages” (Ong and Collier, 2005: 4) where “global forms interact with other elements, occupying a common field in contingent, uneasy, unstable interrelationships” (:12). In this sense, “the assemblage is not a ‘locality’ to which broader forces are counterposed,” as historical materialist accounts would suggest. Rather, “the term ‘global assemblage’ suggests inherent tensions: global implies broadly encompassing, seamless, and mobile; assemblage implies heterogeneous, contingent, unstable, partial, and situated” (:12). In other words, because in these ‘global assemblages’ “promiscuous entanglements of global and local logics” take place (Ong 2006: 14), the effects of neoliberalism are much more complex, contradictory and unpredictable than what structuralist accounts put forward.

Taking issue with these governmentality studies, Brenner, Peck and Theodore (2010) point out – in an excellent review of studies on neoliberalisation – that these approaches “are inadequately equipped to grasp the churning *patterns* and *frames* of regulatory uneven development that lie at the heart of contemporary forms of neoliberalisation” (:201; emphasis in original). Indeed,

their purposively disruptive notions of context-drenched, haphazardly mobile, radically fluid and infinitely mutable neoliberalisation are derived from a caricature of structuralist approaches, which are claimed to conceive market-oriented regulatory restructuring as being functionally predetermined, universalizing, territorially immobilized and rigid. Some limitations of the governmentality approach to neoliberalisation follow, in fact, from this exaggerated antagonism to more structuralist, macropolitical perspectives (Brenner, Peck and Theodore, 2010: 201).

Although “the governmentality analytic usefully draws attention to the contextually embedded character of market-oriented forms of regulatory restructuring”, several scholars supportive of historical materialist approaches to international political economy have also insisted on the existence of ‘varieties of neoliberalism’ derived from the necessarily contextual *embeddedness* of processes of neoliberalisation. Despite their intellectual focus on generalisation and their consequent methodological approach – which necessarily means to leave aside complex and contradictory cases in the first instance – these authors, especially those in the Regulationist approach (Brenner and Theodore, 2002; Brenner, Peck and Theodore, 2010; Peck, 2004; Peck and Tickell, 2002; Tickell and Peck, 2003), have argued that “neoliberal programs of capitalist restructuring are rarely, if ever, imposed *in a pure form*, for they are always introduced within politico-institutional

contexts that have been molded significantly by earlier regulatory arrangements, institutionalized practices, and political compromises” (Brenner and Theodore, 2002: 361; emphasis added). In other words,

the neoliberal script suggestively encompasses a wide range of proactive state strategies designed to refashion state-economy relations around a new constellation of elite, managerial and financial interests. The outcome is not one of simple convergence towards a neoliberal monoculture, comprising a series of unified and fully integrated market orientated polities, but rather a range of institutionally mediated local, national and glocal ‘neoliberalisations’, between which there are telling interconnections and family resemblances (Peck, 2004: 396-97).

Indeed, this call for attention to the contextually specific forms that neoliberalism acquires in diverse countries, regions and cities, has been particularly widespread in studies of neoliberal nature by authors subscribing to the regulationist approach (McCarthy, 2005; McCarthy and Prudham, 2004). In this line, McCarthy and Prudham (2004: 279) argue that “only specific case studies can unpack the complex interplay between neoliberal projects, environmental politics, and environmental change”, partly because “the high variability of biophysical nature in space and time only intensifies the need for careful attention to context and scale.”

For the purposes of this thesis, I will follow this historical materialist approaches, taking into account the necessity to consider variability, mutation and contradictory developments in the ongoing neoliberalisation at diverse scales. In this sense, I will use Duménil and Lévy’s (2004) and Harvey’s (2010b) definition of neoliberalism. For Harvey, neoliberalism is

a class project that coalesced in the crisis of the 1970s (...) Masked by a lot of rhetoric about individual freedom, liberty, personal responsibility and the virtues of privatisation, the free market and free trade, it legitimised draconian policies designed to restore and consolidate capitalist class power (2010a: 10).

In this context, two particular outcomes of neoliberalisation that are indeed witnessed in both case studies in this thesis are of particular relevance: the neoliberalisation of state politics (i.e. the increasing economic domination of state policies) and the systematic attack to labour power and organisation.

As pointed out by Larner (2006), this broad definition of neoliberalism as a class project requires careful attention to the issue of “who is it that ‘benefits from [it]’”, or, in other words, who are the ‘rich people’ and the ‘dominating classes’ which Harvey (2005, 2010b)

and Duménil and Lévy (2004) refer to. The response to this question requires case specific research. Consequently, to respond to this question and to take into account the accurate caveats rose by poststructuralist and governmentality studies about the contextually specific workings and outcomes of neoliberalism, I start both cases in this thesis by introducing a historical account of political economic change and labour rights in both Argentina and Italy since the mid-1970s.

### **3. From Fordism to Neoliberalism**

Although Margaret Thatcher was never right to claim that “there is no alternative” to the neoliberal vision of a free economy and a minimalist state, two decades later the global hegemony of this mode of political rationality means that the burden of proof has shifted: neoliberalism is no longer a dream of Chicago economists or a nightmare in the imaginations of leftist conspiracy theorists; it has become a commonsense of the times. (Peck and Tickell, 2002: 381)

Towards the late 1960s the full employment, high corporate profitability and productivity rates, and economic stability that characterised the ‘golden era’ of the post-war started to show signs of weakness. According to Harvey (2005), in retrospect it is possible to see such changes as the beginning of thorough economic and political transformations signifying the passage from one regime of accumulation (Fordism) to another (neoliberalism). This transition period was characterised by a climate of crisis (high unemployment and inflation, followed by the 1973-1975 deflation), economic and even political instability (with strong workers’ organisations and even successful revolutionary movements in part of the periphery), stagnated corporate profitability, and increasing international competition. In the words of Harvey (1989),

the period from 1965 to 1973 was one in which the inability of Fordism and Keynesianism to contain the inherent contradictions of capitalism became more and more apparent. On the surface, these difficulties could be best captured by one word: **rigidity**. There were problems with the rigidity of long-term and large-scale fixed capital investments in mass-production systems that precluded much flexibility of design and presumed stable growth in invariant consumer markets. There were problems of rigidities in labour markets, labour allocation, and in labour contracts (...) Behind all these specific rigidities lay a rather unwieldy and seemingly fixed configuration of political power and reciprocal relations that bound big labour, big capital, and big government into what increasingly appeared as a dysfunctional embrace of such narrowly defined vested interests as to undermine rather than secure capital accumulation (:141-42, my emphasis).

Subsequently against this backdrop, the international economic order of the post-war period was unilaterally abandoned by the US through the dismantling of the Bretton Woods agreements in 1972. The provisions of these institutional arrangements (notably the

control of exchange rates by the IMF) had posed major ‘rigidities’ to countries seeking to adapt to the changes that the international economy was undergoing.

Financial deregulation began in the United States in the early 1970s as a forced response to the stagflation then occurring internally and to the breakdown of the Bretton Woods system of international trade and exchange (...) What really happened here was a shift from one global system (hierarchically organised and largely controlled by the United States) to another global system that was more decentralised and coordinated through the market, making the financial conditions of capitalism far more volatile and far more unstable (Harvey, 1995: 8).

### 3.1. Financial deregulation: the “inviolable bourgeois obsession”

The financial deregulation that followed the end of Bretton Woods entailed a major shift in the international economic scenario. After decades of fixed exchange rates bound to the Dollar (itself tied to the gold standard), today a system persists in which

financial *deregulation* is the inviolable bourgeois obsession. Mechanisms once controlling speculation, access to credit and money, competitive pressures, inflows and outflows of capital – things that offered a certain stability to the world’s financial markets and to trade and currency exchanges – have all but gone, are all but hazy memories of a seemingly bygone capitalist age. The New World Order is a Deregulated World Order; a world where labour is evermore controlled within and across national boundaries, but where capital and corporations are ever more footloose and uncontrolled (...) Gone [with the end of Bretton Woods] was currency stability, which was supplanted by extreme volatility. Soon currencies floated freely against one another and a new international market for speculation spawned (Merrifield, 2000: 23, emphasis in original).

The trend towards increasing financialisation of the economy discourages large capital investments and fosters financial speculation. In this context, long-term capital investments are not only discouraged but are also subjected to the whims of financial speculators.<sup>8</sup>

Nowadays, the financial sector plays a much less enabling role for productive capital: stock exchanges, for example, are really billion-dollar markets for speculation on already existing stocks and shares (...) Frequently, there is more money to be made in pure gambling, in mergers and takeovers and corporate buyouts or in the stock market game. Why invest long-term when you can deal short-term? There is money to be had here, fast and clean money (Merrifield, 2000: 22).

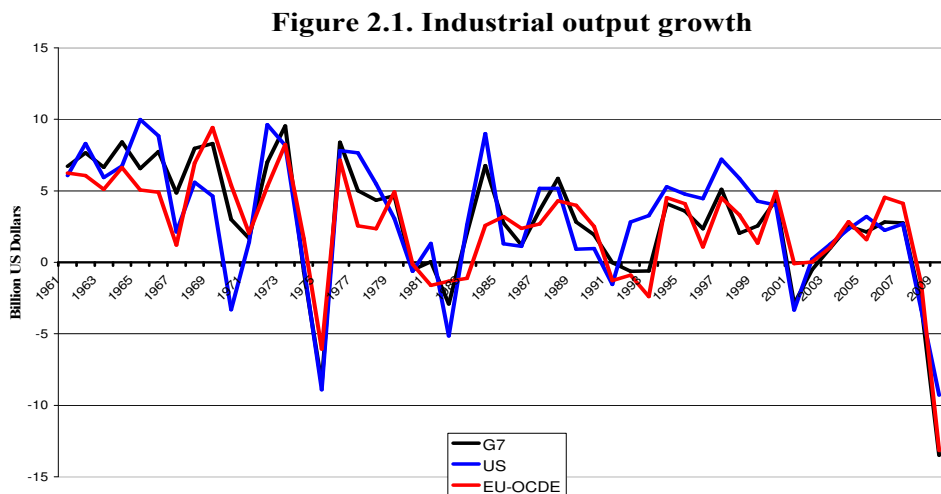
A stark indicator of this is that today 46 out of the 50 largest companies in the world<sup>9</sup> belong to the sectors of banks, financial services and insurance companies (information based on Financial Times, 28/05/10).<sup>10</sup>

<sup>8</sup> Indeed, Harvey (2005) shows how induced financial crises are a mechanism to overcome the recurrent crises of over-accumulation that characterise capitalism. Summarising his complex arguments, he asserts that “valuable assets are thrown out of circulation and devalued. They lay fallow and dormant until surplus capital seizes upon them to breath new life into capital accumulation” (:151).

<sup>9</sup> Measured by total assets.

<sup>10</sup> See FT500: [www.ft.com/reports/ft500-2010](http://www.ft.com/reports/ft500-2010)

Apart from often being more profitable than long-term capital investments, financial speculation and the high volatility of the markets increase the vulnerability of long-term investments. As a consequence, the unavoidable collective response of manufacturing companies to these shifts was decreasing industrial production in core capitalist countries. Annual industrial output in the G7 countries grew as shown in Figure 2.1.



The chart shows not only a falling industrial output in OECD countries, but also the high instability to which industrial production is subjected.

Source: UNCTAD, 2010

As a result of outsourcing strategies mobilised by transnational corporations, industrial production shifted en mass to Southeast Asia during the last decades, a fact shown by the rapid rise of this region's share of total world trade in the last 60 years.<sup>11</sup> Owing to both outsourcing to the periphery and growing labour productivity, hundreds of thousands of jobs have been lost in the core economies in a phenomenon known as 'de-industrialisation'. Indeed, in a report prepared for the IMF (1997) examining 23 industrialised countries, Rowthorn and Ramaswamy note that between 1970 and 1994 the employment share of manufacturing in the advanced economies as a whole fell by 8.7 percent.

This de-industrialisation not only affected core economies. Indeed, it was more marked in regions like Latin America, which did not benefit from productive FDI<sup>12</sup> - as in turn did the

<sup>11</sup> It went from 13.6 percent in 1948 to 27.7 in 2008 (WTO, 2009).

<sup>12</sup> Inward FDI in Latin America during the 1990s was mainly directed to services, being the privatisation of state companies a major source of it, while greenfield investments were rather marginal.

five ‘tigers’ of Southeast Asia. Instead, within Latin America industrial output experienced a drop during the neoliberal decades which contributed to the rise in unemployment largely caused by the privatisation of state enterprises. The decreasing industrial output coupled with the rise of the services sector and the re-primarisation of the economy (increasing share of primary goods production in the total GDP) led to a smaller share of industrial production in these countries’ economies.

To fight its way out of the late 1960s and early 1970s’ crisis, industrial capital needed to cope with these changes and restructure and rationalise production accordingly.

### **3.2. A flexible workforce: subcontracting as a centrepiece of capital’s strategies**

These changing economic conditions meant that large capital investments and large workforces in their own factories became heavy burdens for industrial capital; burdens that were not compatible with the instability that financial markets imposed to the economy. The rigidity of labour markets at a time when “corporations found themselves with a lot of unusable excess capacity” (Harvey, 1989: 145) was dysfunctional to the need of rationalising the production process in the face of intensifying international competition. As Harvey (1989: 150) puts it,

the labour market has (...) undergone a radical restructuring. Faced with strong market volatility, heightened competition, and narrowing profit margins, employers have taken advantage of weakened union power and the pools of surplus (unemployed or underemployed) labourers to push for much more flexible work regimes and labour contracts.

Harvey himself quotes statistics that confirm the trend towards flexible employment regimes: in the UK between 1981 and 1985 the relative amount of ‘flexible workers’ increased by 16 percent, while permanent jobs decreased 6 percent (quoting Financial Times, 27/2/1987). At the same time, in the US The New York Times (17/5/1988, quoted in Harvey, 1989) estimated that about one third of the 10 million jobs created were ‘temporary’ jobs.

An analysis of the purported shift from a system of Fordism to one of post-Fordist flexible accumulation can help us gain an appreciation of the shifting relative power of capital and labour and how the disruption of the labour markets implied a “move away from regular

employment towards increasing reliance upon part-time, temporary or sub-contracted work arrangements” (Harvey, 1989: 150). In addition, as noted by Gallin, moves to flexible accumulation also led to a growing informality in labour markets in several regions of the world (most notably in Latin America). Harvey describes this process in the quote below:

The transformation in labour market structure has been paralleled by equally important shifts in industrial organisation. Organised sub-contracting, for example, opens up opportunities for small businesses formation, and in some instances permits older systems of domestic, artisanal, familiar (patriarchal), and paternalistic (‘god father, ‘guy’nor’ or even mafia-like) labour systems to revive and flourish as centrepieces rather than as appendages of the production system (2001: 150).

At the very centre of this restructuring is the increasing trend towards the use of smaller scale, ‘flexible’ firms. As stated by Rainnie (1985: 223) “there is no doubt that the move towards small scale is just one trend amongst many exhibited by capital in its attempts to fight its way out of the crisis” (see also Harrison, 1994). The competitive advantages that small firms have in essentially labour-intensive industries like apparel are partly based on the widespread use of informal labour, as evidenced by this research (see chapter 7). Indeed, this reorganisation of production in large capitalistic companies is part of a broader process of subcontracting, which Harvey (1989) and Gallin (2001), among others, identify as a key feature of neoliberal economic trends. According to these authors, the rise of subcontracting is a key factor in the growth of informal employment worldwide. In Gallin’s words,

by cutting down on the hard core of permanent full-time workers, by decentralizing and subcontracting all but the indispensable core activities, and by relying wherever possible on unstable forms of labour (...) management deregulates the labour market, not only to reduce the labour costs but to shift responsibility of income, benefits and conditions onto the individual workers. The outer circle of this system is the informal sector: the virtually invisible world of microenterprises and home-based workers (2001: 535).

In concretely political terms, the advantages of small enterprises were summarised with astonishing clarity by a member of the Conservative Party in his address to the annual conference in 1975. In it, Mr. Du Cann explained that small businesses are “the seed corn of future prosperity, lively, ingenious, self-reliant, the anti-Marxist barrier, Conservatism in practice, and the true picture of free enterprise, honourable, patriotic and acceptable” (quoted in Rainnie, 1985).

In sum, both subcontracting and the informal economy are central elements of flexibilisation in the apparel industry. Indeed, Harvey (1989: 152) also associates the

emergence of sweatshops in this context: “the revival of ‘sweatshop’ forms of production in cities such as New York and Los Angeles, Paris and London, became a matter of commentary in the mid-1970s and has proliferated rather than shrunk during the 1980s.” The thesis argues that the clothing industry, as “a mass production industry without mass production methods” (Green, 1997: 4), is a paradigmatic example of these shifts; indeed, “its highly flexible production system is the most advanced of any industry” (Bonacich and Appelbaum, 2000: 14). Changes in the organisation of production, distribution and marketing illustrate with clarity the shifts that neoliberalism has brought to employment relations and, ultimately, to the workers’ lives. Furthermore, as I will state in chapter 7, these trends in employment relationships have strongly affected workers’ unions, constituting a main element driving to the loss of relative power that labour has experienced alongside these neoliberal times.

#### ***4. Flexibility in the North, Informality in the South: Inequality Everywhere***

In its World of Work Report 2008 the ILO analyses income inequality in 73 countries from all regions, and finds that the growth in non-standard forms of employment occurs via different mechanisms in the core and in the periphery. While in the former part-time and fixed term contracts have contributed to the rising labour flexibility, in the latter informal employment<sup>13</sup> is the main pattern towards labour deregulation:

in the majority of countries with available data, there has been a shift – in some cases structural – towards non-standard forms of employment. This has meant more part-time and temporary employment in Advanced Economies and more informal employment in developing countries (:124).

As I will show later on in this thesis, this geographically uneven trend towards labour flexibility can be seen in both the case studies conducted for this research. On the one hand, in Italy labour flexibility is a fast-growing phenomenon which has been fostered through thorough changes in labour legislation. Though it is behind the EU media of 14.4 percent and that of the OECD of 15.5 percent (OECD, 2009), part-time jobs in the case of

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<sup>13</sup> According to the definition of the international network WIEGO (Women in Informal Employment Globalizing and Organizing), informal sector includes “self-employed (in own account activities and family businesses), paid workers in informal enterprises, unpaid workers in family businesses, casual workers without fixed employer, sub-contract workers linked to informal enterprises, sub-contract workers linked to formal enterprises” (Gallin, 2001).



Italy reach 13.1 percent (IRPET, 2008: 2). Furthermore, as outlined in Chapter 6, today more than half of those who enter the labour market in Italy do so under precarious contracts (IRPET, 2008: 2) with no guarantees of job stability and with lower pay, given that in European countries, fixed-term employment pays much less than permanent employment (ILO, 2008). In Prato, one of the interviewees for this thesis (Manuele, a lawyer of an independent trade union, interviewed on 29/9/08) commented that that the main trend in labour legislation in Italy is that towards the flexibilisation of labour relationships. Two of landmarks of this trend were the Treu Law (or ‘Treu Package’) of 1997 and the controversial Biaggi Law of 2003, which introduced 32 types of labour contracts with “virtually infinite sub-types of contracts”.<sup>14</sup> “Today – Manuele asserts – employers have enormous advantages to hire people on precarious contracts.”<sup>15</sup>

On the other hand, in Argentina a more decisive trend towards increasing informality occurred in the 1990s, in the midst of a high level of unemployment that put pressure on labour standards (see chapter 5, especially section 2, in which I show statistics illustrating the co-evolution of unemployment and informal labour). As I will outline in chapter 5, both trends undermined labour rights up to the point in which (as said by the union leaders interviewed in Buenos Aires) keeping jobs was among the first priorities of the unions,<sup>16</sup> sometimes at very high costs (e.g. allowing factory-based contracts to set lower standards than those of the bargaining contracts). This move is coupled with the lack of state control over companies, particularly over employers’ compliance of the labour legislation, thus worsening informality. To illustrate this point, the current Minister of Labour stressed that when he arrived to his position 5 years ago, the number of factory inspectors was insufficient to meet needs of the Ministry (Página/12, 24/8/08). According to official statistics (most probably underestimated)<sup>17</sup> informality has fallen down since 2005, following – though with a certain delay – the fall in unemployment rates. Still, as shown by the statistics, and as assured by José (interviewed on 19/10/09) employment stability is

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<sup>14</sup> The reader may remember the demonstrations of millions of people in Italy in the spring of 2002 against the introduction of this Law.

<sup>15</sup> Even if the growing labour flexibility is being introduced by legal means, Italy has the particularity of having a significant informal sector, which is not common in the EU15 countries, and much less amongst the G8 countries. I further develop this issue in chapter 6.

<sup>16</sup> According to one of my interviewees in Buenos Aires (José, a labour lawyer of the Asociación Obrera Textil, interviewed on 19/10/09), it still is the first priority, despite the high level of growth of the Argentinean economy since 2003.

<sup>17</sup> Unfortunately, during recent years there has been manipulation of official statistics by the executive. See Noriega, G (2008) “Indek: Historia de una estafa”. Buenos Aires: Sudamericana.

threatened by the high level of informal employment. In here, the current relevance of Marx's labour army reserve is astoundingly clear.

These developments are common to the large majority of peripheral economies, where informal employment is on the rise. According to the ILO, "Contrary to many predictions, the informal sector is not diminishing. It is increasing everywhere. Globalisation and the associated search for lower labour costs is one significant factor in this; privatisation and the contracting out of services and activities are others" (ILO-ACTRAV, 1999; quoted in Bonner and Spooner, 2010). In the case of Latin America, broad trends of privatisation of state enterprises and deindustrialisation have caused mounting unemployment and poverty, worsening informality. The report *World of Work* mentioned above (ILO, 2008) examines indicators of informal employment for 11 Latin American countries, including the richest ones. Statistics show that in 2005 informal employment constituted more than half of the labour market in Latin America, while

there is also evidence (...) that informal jobs pay significantly less than formal ones not only in the informal sector but also within the formal sector, where workers who have informal arrangements are paid less than their permanent counterparts. The wage gap between the two is found to be statistically significant (:121).

Summarising, these trends of industrial restructuring and the passage from Fordism to Neoliberalism implied severe changes in the institutional arrangements that ruled social and political life thus far. This could only be done by means of a thorough transformation in the role of the state, which indeed implied the end of the "Keynesian Welfare National State" (Jessop, 2002). Besides, as analysed below, all these shifts took place in a context marked by a shift in the balance of power between capital and labour, leading to the spread of market logics into state politics and a relegation of social policies in the state's selective priorities.

## ***5. Capital and labour in neoliberal times***

The disruption of labour markets invoked the necessity to abandon the "*class compromise* between capital and labour [that] was generally advocated as the key guarantor of domestic peace and tranquillity" during Fordism (Harvey, 2005: 10, italics in original). According to Harvey, while the economy was expanding and corporate profitability and productivity were high enough, capital accepted the need for a balanced compromise with labour in

order to secure the peaceful functioning of the economy. True, Dicken's (2003) warning that Fordism was not a 'golden era' for everyone must be considered, since it did operate through a socially and spatially selective process (see Brenner, 2004; Hudson and Williams, 1995), and it played "a part in the state's general task of organising the balance of forces in favour of the expanded reproduction of capital" (Poulantzas, 1975, quoted in Jessop, 2000: 10). However, Fordism did see some effort to redistribute wealth, because the workers were seen as a consumer as well. Problematically, things changed when in the 1970s and the following decades industrial profitability and GDP growth stagnated or even decreased. In contrast to the 1960s, average profit rates decreased in European manufacturing, from 16.4 percent in the period 1963-71 to 12.7 between 1972 and 1980, and to 13.4 percent for the period 1981 to 1990 (Armstrong et al, 1991; quoted in Merrifield, 2000: 20). Merrifield (2000: 20) also quotes statistics from UNIDO (1997) to show that, as a percentage of immediate input, between 1980 and 1994 the US experienced a decline in manufacturing profitability from 61 to 53 percent, while between 1975 and 1990 profitability increased slightly in the G7 countries, from 14.1 to 15.3 percent on average. Likewise, annual GDP growth per person employed remained stable (stagnated) or even decreased in core economies. In the US, between 1979 and 1988 it fell from 2.6 to 0.9 percent. This trend was mirrored in the major European economies with decreases in Germany (4.2 to 1.9 percent), Great Britain (2.7 to 2.6 percent), and France (4.9 to 2.4 percent).

According to Harvey (1995, 2005), the poor performance of the economy led the elites to engage in medium-term plans to set in motion a radical shift in the relationship with labour. With decreasing profitability and high unemployment accompanied with social discontent (Harvey reminds us of "the strike waves and labour disruptions of the period 1968-72"), it was acknowledged that severe transformations had to take place if the elites were to restore their – now threatened – class power and keep a bigger piece of the (stagnated or even shrinking) cake. Thinking with Duménil and Lévy Harvey (2005) argues that "neoliberalisation was from the very beginning a project to achieve the restoration of class power" by the elites (:16). In Harvey's words,

neoliberalisation has not been very effective in revitalising global capital accumulation, but it has succeeded remarkably well in restoring, or in some instances (as in Russia and China) creating, the power of an economic elite.

Essentially the main political transformation towards neoliberalism was characterised by the decisive shift of the relative balance of power between capital and labour, certainly in favour of the former. This shift explains partially how it is possible that in recent decades, employment productivity increased at a higher pace than average real wages. In the US, labour productivity<sup>18</sup> grew at an average annual rate of 1.2 percent between 1987 and 1995, and at 1.9 percent between 1987 and 2008. Similar cases are those of France (2.2 and 1.1 percent); Germany (2.1 and 1.0 percent); UK (2.0 in both periods); Japan (3.2 and 1.3 percent); Canada (1.1 percent in both periods); and Belgium (2.2 and 1.1 percent) (ILO, 2009). Remarkably, despite this growth in productivity, salaries grew at a slower pace, as shown in Table 2.1.

**Table 2.1: Average annual growth rates of real wages (percentage). OECD countries**

	<b>1990-1995</b>	<b>1995-2000</b>	<b>2000-2005</b>
<b>Italy</b>	-0.7	0.8	0.3
<b>EU15</b>	1.1	1.2	0.8
<b>US</b>	1	2.9	0.4
<b>Japan</b>	1.3	0.5	0.3
<b>TOTAL OECD countries</b>	1.3	1.9	0.7

Source: On the basis of OECD, 2009.

The trends evident above coupled with the growth of informality and of flexibility, resulting in increasing inequalities between the workers and the managers and stakeholders. The ILO's 2008 Report is again useful, and shows that between 1990 and 2005 "income inequality rose in more than two thirds of the countries for which data are available" (:10-11). The Report concludes that the rise in non-standard forms of employment<sup>19</sup>, both in the core and in the periphery, is a key cause for the increasing inequalities. The diminishing share of salaries in the GDP of numerous countries illustrates this point further:

[there has been] a redistribution of income away from labour. In 51 out of 73 countries for which data are available, the share of wages in total income declined over the past two decades. The largest decline in the share of wages in GDP took place in Latin America and the Caribbean (-13 points), followed by Asia and the Pacific (-10 points) and the Advanced Economies (-9 points). [...] [Between 1990 and 2005] the income gap between the top and bottom 10 percent of wage earners increased in 70 percent of the countries for which data are available (:1).

<sup>18</sup> Measured per person engaged.

<sup>19</sup> By non-standard forms of employment it must be understood, on the one hand, flexibility through part-time, fixed-term, job on call, seasonal and other, and, on the other hand, informality.

## 6. *State and capital: of myths and bonds*

Even in the most liberal economies, states are actively involved in shaping economic life. There is no absolute institutional separation between the political (the domain of the state) and the economic (the domain of the market). The market economy is also embedded in an ensemble of extra-economic institutions and practices that are essential for its operation. The state plays a key role here not only in securing the general institutional framework for profit-oriented, market mediated economic activities but also in shaping their specific forms, organisation, and overall dynamic.  
(Jessop, 2003: 32-3)

The radical changes described in this chapter so far shaped and were shaped by shifts in the regulation of the economic and the extra-economic, and in the articulation between both. In this sense, changes in the role and functions of the state are at the centre of the scene in the transition from Fordism to Post-Fordism, and in the analysis of the capital-labour relationship. This is why analysing the strategic selectivities of the state, and its relationship to capital and labour in neoliberal times, is essential to understand its role in determining trends in the labour markets in general, and its role in the sweatshop economies in particular. A manifestation of the changing dynamic between state, labour and capital is the direct engagement of affluent individuals into politics over the last two decades (at least). Berlusconi in Italy – who owns a massive mass media corporation – is a prime example of this. Also some of the largest Latin American countries, like Chile and Mexico, are (or have recently been) under the rule of presidents who were formerly (or are) entrepreneurs.<sup>20</sup> The case of the Bush administration in the US was one of the most emblematic: in 2002, the US-based Center for Public integrity presented a report about the patrimony of the top officials of the administration. The members of the cabinet were all rich, whereas 34 per cent of the top 100 officials of the government were working for large corporations before entering the government (Wetherell, 2002).<sup>21</sup>

Analysing changes in the role of the state becomes even more essential against the backdrop of claims about the ‘demise of the national state’ in a ‘borderless world’ (Ohmae, 1990) in popular and academic debates. These claims can be read as the ‘calling cards’ of the neoliberal doctrine and underpin contemporary discourses on globalisation. Deemed as *myths* by several authors (Weiss, 1997; Castree et al, 2004, Swyngedouw, 2000), such discourses are aimed at attacking the welfare state (considered by pundits of neoliberalism

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<sup>20</sup> Mexico’s Fox had been president for Latin America of Coca-Cola Co. before governing the country, while Chile’s current president, Sebastián Piñera, is one of the major shareholders of Lan Chile, the national airline.

<sup>21</sup> The report includes a detailed list of the officials who had significant investments in corporations that “lobbied their Departments” and of those who had worked for corporations that lobbied or had businesses with the state. The list can be seen in [www.publicintegrity.org/articles/entry/399/](http://www.publicintegrity.org/articles/entry/399/)

as an interventionist or ‘nanny’ state) and to assign a different role to it in line with a thorough reorganisation of ‘stateness’ (Painter, 2007). The neoliberal agenda (promoted by think-tanks in policy-making, mass media and other arenas) assigns a decisively different role to the state. According to it, state intervention in the economy has to be kept to a bare minimum, because only markets can allocate resources in the most effective way. The state, henceforth, is geared towards the good and harmonic functioning of the markets by way of creating good business opportunities – which includes creating markets where they do not exist (like privatisation of state enterprises) (Harvey, 1995, 2005). The idea underpinning these arguments, expressed with clarity by the “neoliberal utopians” (Harvey, 2005), is that markets are self-sufficient, since the laws of demand and offer suffice for the self-regulation of the economy.

Such claims have been countered by Poulantzas, Jessop, and other Marxist scholars writing about on the role of the state (see Harvey, 2001: 267-83) who have contested “the myth of the powerless state” (Weiss, 1997) on which the neoliberal orthodoxy rests, and who insist on the ‘utopian’ character of a *stateless* world economy. In line with these accounts, and following Offe (1972) and Muller and Neususs (1975), Jessop (2002: 42-3) assures that “state intervention is not only a secondary activity aimed at modifying the effects of a self-sufficient market but is absolutely essential to capitalist production and market relations.”

This is partly because

individual capitals compete for profit, act self-interestedly and try to avoid limits on their freedom of action. Competition discourages individual capitals from undertaking activities necessary for economic and social reproduction that are unprofitable from their individual viewpoint and it may also lead them into activities that undermine the general conditions for economic and social reproduction.

The necessity of the state for capitalist accumulation to take place should be highlighted (as Jessop has repeatedly done). Highlighting the role of the state is not to completely disregard the changes that the state has certainly suffered after Fordism. Indeed, Jessop himself points to an actual “de-nationalisation of the state” which is “reflected empirically in the ‘hollowing out’ of the national state apparatus with old and new state capacities being reorganized territorially and functionally on subnational, national, supra-national, and trans-local levels” (2000: 12; see next section). However, despite this ‘hollowing out’ the state continues to be essential for securing and facilitating capital accumulation through the regulation of both the economic and the extra-economic. In this sense, “two general functions are particularly important: first, helping to secure the conditions for the

valorisation of capital; and, second, helping to secure the conditions for the reproduction of labour-power” (Jessop, 1993: 8). In the same vein, Moody (2004: 153) puts it in his own style, pointing out that “the corporations need the state for social damage control, to step up repression of resistance, to negotiate further ‘liberalization’ and to pump tax dollars into corporate coffers as well as, indirectly, the stock and bond markets of the world.”

Indeed, despite the “neoliberal utopians” project of a stateless world economy, changes in the role of the state during neoliberal times illustrate that capital needs the state to keep capitalism safe from the intrinsic destructive forces of the logics of capitalist accumulation:

the constitution and extension of competitive forces is married with aggressive forms of state downsizing, austerity financing, and public-service ‘reform.’ And while rhetorically antistatist, neoliberals have proved adept at the (mis)use of state power in the pursuit of these goals (Peck and Tickell, 2002: 381).

Having challenged myths about the demise of the national state, for the purposes of this thesis it is important to acknowledge changes in the forms of economic and social regulation of the state from Fordism to neoliberal times. In this sense, following previous work by Jessop (2002), I stress two main elements important to the re-organisation of stateness.<sup>22</sup> Firstly, there has been a re-scaling of the functions and attributes of the national state, i.e. an “interjurisdictional policy transfer” (Peck and Tickell, 2002) both upwards (to supra-national institutions) and downwards (to regional and local governments).<sup>23</sup> In Jessop’s words, “new state powers have been allocated to scales other than the national.” Secondly, there has been a profound change in the capital-state relationship, leading to increasing *economic domination* of the former by the latter, and therefore to shifts in the priorities of the state. These two elements co-evolved and shaped each other alongside the neoliberal times, and due to their relevance for understanding the role of the state and its policies towards greater labour flexibility, they deserve special attention.

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<sup>22</sup> Jessop distinguishes between Fordism and Post-Fordism, and identifies Neo-liberalism as one of the patterns towards economic reorganisation. However, in line with Harvey (2005) in this research I will call Neoliberalism what Jessop calls “Post-Fordism”.

<sup>23</sup> Jessop also identified the increasing transfer of functions and capabilities of the state “outwards”, this is, to non traditional institutions like NGOs and other arrangements. In this sense, he identifies an increasing “de-statisation of the political system” that is “reflected in a shift from government to governance on various territorial scales and across various functional domains.” (2000: 12).

## 6.1. Rescaling of stateness: transferring state-power upwards, downwards and ‘capitalwards’<sup>24</sup>

Rather than simply withering away or being entirely superseded by non-territorial forms of organising political power (e.g., a series of global or international regimes addressed to specific functional problems), the evidence points to continuing attempts to redesign and/or rescale territorial statehood in response to current challenges.  
(Jessop, 2003: 31)

While during Fordism the key decisions of economic and social regulation relied in the national state, today the re-articulation of the economic and the political takes place in a context of complex re-distributions of the national state’s functions and attributions. Put simply, “the contemporary round of globalization has radically reconfigured the scalar organization of territorialisation processes under capitalism, *relativising* the significance of the national scale” (Brenner, 1999: 52). In this sense, the changes operated at the scale of the national state during the neoliberal years make it essential to seek for new conceptualisations to help understand these nascent processes. A new “gestalt of scale” (Swyngedouw, 2000) is emerging, and a multiplicity of processes of rescaling occur that challenge the capacity of “traditional ‘state theory’... to deal with the formation of the new scaled forms of relationships between governance and civil society” (Swyngedouw, 2000: 70). Consequently, and as I stress in the next section, this is why Jessop (2003: 36) asserts that the current modes of regulation entail a “post-national regime”.

In explaining the engineering of the re-scaling of state power, Jessop (1993, 2000, 2002) and Peck (2002) coincide in stressing that there has been a triple movement:

[The national state] remains crucial as an institutional site and discursive framework for political struggles (...) [but] its capacities to project power even within its own national borders are becoming ever more limited due to a complex triple displacement of powers upward, downward, and, to some extent, outward. Thus some state capacities are transferred to pan-regional, pluri-national, or international bodies; others are devolved to the regional or local level inside the national state; and yet others are assumed by emerging horizontal networks of power - regional and/or local - which by-pass central states and link regions or localities in several societies (Jessop, 1993: 11).

Swyngedouw (2000) also agrees in identifying a triple scalar movement, but prefers to refer to the third movement (outwards) as the transfer of power to private capital rather than to “emerging horizontal networks of power.” Emphasising the political character of re-scaling processes and its importance for political mobilisation, he points out that

<sup>24</sup> For some excellent summaries of the politics of scale perspective see: González, S. (2005) “La geografía escalar del Capitalismo”, in *Scripta Nova* 9(189); and Peck, J. (2002) “Political economies of scale: fast-policy, interscalar relations, and neoliberal workfare”, in *Economic Geography* 78 (pp. 331-360).



this rescaling of governance often takes place through disturbingly undemocratic procedures by an increasingly authoritarian state apparatus. The double rearticulation of political scales (downward to the regional or local level; upward to the EU, NAFTA, GATT, etc; and outwards to private capital) leads to political exclusion, a narrowing of democratic control, and, consequently, a redefinition (or rather a limitation) of citizenship rights and power (Swyngedouw, 2000: 70).

As identified by N. Smith (1992, 1993, 2000) and Swyngedouw (1997, 2000), these processes of re-scaling respond to complex political interests and constitute an essential feature of the rolling-back of the Welfare State. To summarise the political consequences that the new scalar configuration of stateness is having, I look to two overall consequences that Peck and Tickell (2002) explain as follows:

in the asymmetrical scale politics of neoliberalism, local institutions and actors were being given responsibility without power, while international institutions and actors were gaining power without responsibility: a form of regulatory dumping was occurring at the local scale, while macrorule regimes were being remade in regressive and marketized ways (Peck and Tickell, 2002: 386).

These process have helped and shaped the increasing domination of the economic over the political, and have in turn constituted both a means and a consequence of their re-articulation.

## **6.2. Economic domination**

Just as capitalist markets cannot reproduce without the state, the state cannot be independent from capital (and from labour). Poulantzas' early path-breaking approach of the national state as a social relation is particularly useful to understand the articulations between state and capital, for he saw the state as "a form-determined condensation of a changing balance of class forces" (1978; cited in Jessop, 2000: 9). "This implies that the state does not have its own independent power which can either be fused with that of capital (...) or eliminated due to the growing counter-power of global capital" (Poulantzas, 1978; quoted in Jessop, 2000). Although rejecting the absolute economic determination of the modes of social regulation (which is common in orthodox Marxism), Jessop (2002: 23) acknowledges that "economic domination" is one of the key elements that contributes to the "bourgeois societalisation" encompassing "the relative subordination of an entire social order to the logic and reproduction requirements of capital accumulation." Indeed, Poulantzas assured that "class-bias is always inscribed in the state's own institutional form

and its insertion into the capitalist mode of production” (quoted in Jessop, 2002: 7). However, according to Jessop (2000) Poulantzas also recognised that

[state] powers (in the plural) are never exercised (or, due to 'non-decision making', not exercised) by state managers in isolation. They are always activated in a determinate but variable conjuncture of class struggles within, over, and at a distance from the state. And these struggles inevitably affect the manner in which the particular and global functions of the state are exercised (:7).

In this sense, the distinct balance of power between capital and labour during Fordist and Neoliberal eras explains to a large extent – as well as it is explained by – the changes in the role and in the priorities and functions of the state.

As already stated, during Fordism the state actively intervened in the economy granting workers with the benefits of the Welfare State and ensuring a certain redistribution of wealth which (although unequal) was fairer than in previous stages of capitalism. Following Poulantzas, Jessop (2000: 10) summarises the articulation of the economic and the political in the Keynesian Welfare National State (KWNS) as follows:

Economically, the KWNS aimed to secure full employment in relatively closed national economies mainly through demand-side management and regulation of collective bargaining. And, socially, it aimed to promote forms of collective consumption that supported a Fordist growth dynamic and to generalise norms of mass consumption. This in turn would enable all citizens to share the fruits of economic growth and thereby contribute to effective domestic demand within the national economy.

However, as also argued, the neoliberal agenda implied decisive shifts in the articulation between the economic and the political. Under this new logic capital has managed to progressively impose the logics of capital accumulation into the state activities, a fact that implies a further *economic domination* over the political (Jessop, 2002). Already in the early stages of neoliberalism, Poulantzas (1975, 1978; cited in Jessop, 2000: 7-8) noted that “the state’s political and ideological functions have themselves gained direct economic significance for the reproduction of the relations of production. Thus it has become increasingly difficult for the state to reconcile its responses to ever more insistent economic imperatives with the more general demands of securing political class domination and social cohesion.” In the words of Jessop (2003: 41),

the expanded definition of the economic at the expense of the extra-economic clearly involves a key role for states (on whatever scale) in redefining their relations, steering the (re)commodification of social relations, and dealing with the repercussions of the increasing dominance of economic logic in the wider society.

Jessop (2002: 29) notes three different ways in which this economic domination can express itself. Firstly, “capital can use its ‘strike’, ‘sabotage’ and ‘flight’ powers to secure the compliance of other systems (such as the state) with its specific reproduction requirements.” Secondly, “as capital searches for new sources of valorisation, commodity relations can be extended into spheres not currently subject to the logics of capital accumulation.” And thirdly, “capital can seek to impose an economising, profit-seeking logic on other systems.” The first of these ways can be seen in the imperatives of ‘adapting’ to the new competitive environment in an open economy to which cities and regions must ascribe if they are to ‘survive’ to increasing international competition. The recipe on how to survive dictates the need to create businesses-friendly environments (including tax exemptions and other financial support, low-wages, deregulation, flexible labour markets, and so on) so as to attract Foreign Direct Investment which would create jobs (see Harvey, 1989; Ohmae, 1990; Peck and Tickell, 2002; Swyngedouw, 2000). What Jessop (2000: 11) assures for Atlantic Fordism is also pertinent to developments in several peripheral countries as well: “the social wage is now more and more seen as an international cost of production rather than a source of domestic demand. This leads to attempts to reduce social expenditure where it is not directly related to enhanced flexibility and competitiveness within the circuits of capital.”

Meanwhile, the second and third kinds of manifestation of economic domination can be witnessed in the increasing prominence of efficiency and profitability in state management, which in Argentina and other Latin American countries (notably Mexico) actually paved the way for the privatisation of almost all state enterprises and services during the 1990s, and resulted in thousands of ‘redundancies’.

These three forms of economic domination are strikingly present, and even spoken out, in the trade disciplines pushed forward by means of the WTO (e.g. those included in the General Agreement on Trade in Services [GATS] and in the Agreement on Trade-Related Aspects of Intellectual Property Rights [TRIPS]) and in the current generation of free trade agreements that have emerged since NAFTA and launched notably by the US. The documents prepared by the White House for the negotiations of the Free Trade Area of the Americas (FTAA) illustrate to a large extent what economic domination means: “the appropriate role of government is not to create jobs but to create the conditions that

promote job creation by the private sector” (Maisto, 2005). The agenda of these agreements entails the liberalisation and marketization of government procurement, services, agriculture, investment and subsidies, plus the protection of property rights, leading to the alignment of the production of medicines and creative industries with profit-oriented precepts. These agreements outline both a transfer of key decisions on economic, environmental and social policy to supra-national arrangements, and the marketization of vast areas of social policy. The NAFTA even has a clause which bans its use by governments to sue privates (the private-to-state clause in Chapter 11 of the treaty), entailing thus a virtual entrepreneurial constitution to which national parliaments adhere. *Ad hoc* arbitrations rule over national legislations following texts which, according to Chomsky (1998), are written on boardrooms by corporate managers in close collaboration with public officials. These facts lead Chomsky to assure that “the so-called 'free trade agreements' (...) are designed to transfer decision-making about people's lives and aspirations into the hands of private tyrannies that operate in secret and without public supervision or control” (Chomsky, 1998).<sup>25</sup>

This increasing adoption of economic logics into the management of state agencies responds to the necessity of capital to find constantly new arenas of accumulation, in order to avoid – or to overcome – the successive crisis of over-accumulation that characterise it. “Capitalism is constantly oriented, under the pressure of competition, to new opportunities of profit” (Jessop, 2002: 19). The stronger link between state and capital is both cause and consequence of the shift from a demand-side to a supply-side approach of the state to the social regulation of the economy. The argument that states must foster good businesses opportunities and help the private sector accumulate capital, so that more wealth can be created and then redistributed, has been taken to such an extreme that the resurgence – or better said the rapid expansion – of human trafficking and forced labour around the world is happening at the sight of states. As the empirical enquiry of this thesis illustrates, states are not addressing the problem with the strength that would correspond to the health that the rhetoric of human rights enjoys in our days. The evidence from this research suggests that these processes that lie behind the glossy fashion businesses are allowed by the ruling political parties in both cases, a fact that I will further develop in chapter 7.

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<sup>25</sup> Two of the most ambitious proposals, the mentioned above FTAA and the Multilateral Agreement on Investment (MAI), triggered fierce popular demonstrations, and indeed failed owing to strong opposition from grass-roots as well as from progressive politicians and fractions of the bourgeoisies of the countries involved (see Montero, 2006, 2009).

Finally, it remains to say that in Chapter 7 I explore the differences between changes in the role of the state in Argentina and in Italy. By now the reader should bear in mind the above discussion of approaches to the study of neoliberalism (see point 2 in this chapter), from which I have concluded that despite the continuation of the capitalist mode of production world-wide, the developments referred to above do not take place equally in every place.

However ‘global’ some social relationships have become, place difference, uneven geographical development and local specificity persist. ‘Global capitalism’ is really a multitude of ‘local capitalisms’ that are connected by flows of people, goods and information. These flows are by no means uniform and they have different implications in different geographic contexts. So by the term ‘global capitalism’ we mean to refer to the fact that capitalism is today the ‘normal’ economic system worldwide without implying that is *globalised* in the sense of embroiling all places and countries *equally* and *uniformly*” (Castree et al, 2004: 17; italics in original).

## **7. Neoliberalism and the return of human trafficking and forced labour**

In its search for new opportunities of profit, capital has increasingly absorbed women and ethnic minorities into its labour force; a process which is greatly illustrated by recent developments in clothing production. Gallin (2001) and Glassman (2009) note that this process has contributed to the destabilisation of the mainstream labour force. Indeed, the informal sector, which according to Gallin is growing in importance, is mainly made up of women and ethnic minorities, and the availability of such a pool of deregulated and non-unionised labour concomitantly pushes wages down for formal workers as well. As demonstrated in a growing body of literature detailing the rise of forced labour and slavery (Bales, 1999; ILO, 2005), it is not uncommon that these labourers are absorbed into the main capital’s circuit<sup>26</sup> through the mechanisms of human trafficking. As I will note in chapter 7, since these phenomena are exemplified in national sweatshops, they are precisely a new opportunity for profit for the winners of the fashion industry (i.e. brands and retailers).

As noted by McGrath (2008), the current resurgence – or better said the rapid expansion – of human trafficking and forced labour has moved some scholars (Anderson, 2000; Anderson and O’Connell, 2002; Bales, 1999, 2005) and institutions (CEPAL/ECLAC, 2003; ILO, 2005; IOM, 2003) to highlight and tackle the issue. For example, the United

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<sup>26</sup> This is said notwithstanding the importance of unpaid housework by millions of women around the world. As Glassman (2009: 96) notes, “extra-economic accumulation based in the household played a crucial role in the process of expanded reproduction.”

Nations’ “Protocol to prevent, suppress and punish trafficking in persons, especially women and children”, known as the Palermo Protocol, was signed by the UN countries in 2000 in the city of Palermo, Sicily. This Protocol defines ‘trafficking in persons’ as

the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs (Article 3, subparagraph [a]).

Trafficking in persons takes place, in the overwhelming majority of the cases, for purposes of labour or sexual exploitation. According to the UNODC (2009) it affects mostly women subjected to sexual exploitation.<sup>27</sup> In addition, while internal trafficking may be under-detected (owing to diverse descriptions of trafficking in national legislations, and to the greater visibility of foreigners) the majority of the victims of trafficking are trans-national migrants. On the whole, the US Department of State (2010: 7) calculates that about 12.3 million people in the world are victims of trafficking.

Human trafficking generally implies forced labour once migrants arrive at their destination. In terms of its definition, while the Palermo Protocol refers to “slavery” and “practices similar to slavery”, it does not explicitly use the term ‘slavery’; instead, the use of the term ‘forced labour’ is more common. The ILO (2005: 5) defines forced labour as “the work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.” Throughout this research I adopt the definition of forced labour proposed by McGrath (2008: 1). This author argues that “in many cases of forced labour today the choice to enter the work is at least putatively ‘free’”, for which reason her definition differs from that of the ILO. In her view, forced labour are seen as those “employment relationships defined by the effective inability of the worker to leave (i.e., the worker can neither seek other employment nor exit the labour force entirely).” While evidence collected in this research suggests that forced labour is common in sweatshops in both case studies, there also exist situations of “slavery” and “practices similar to slavery”. With forced labour I will then refer to the situation in which a sweatshop worker lives, which is in many cases marked by doors locked, 24/7 control, journeys of as many hours as the boss requires, and debt-bondage. Some workers in

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<sup>27</sup> 79 percent of the cases reported by the UN countries which have adopted legislations according to the Protocol corresponded to these characteristics.

sweatshops are not allowed to leave the workplace, while in many other cases they are told not to leave under the threat of being fired or deported by the police due to their ‘illegal’ immigration status.<sup>28</sup>

It is not without caveats that I will use the term slavery here. Following McGrath’s advice (2008), it is important not to use the term ‘slavery’ to refer to an old practice that is bound to disappear, or to a practice that is beyond the logics of capitalism. Indeed towards the end of this thesis I raise my deep concerns about the possibility of the expansion of these practices in the near future (within the capitalist accumulation logics), and argue that as long as capitalism is not defeated, practices of slavery and the like will either exist or be latent.

In summary, human trafficking and forced labour affect thousands of garment workers worldwide. In both the case studies addressed in this thesis, the constant supply of labour is partially provided by the organisation of international networks of human trafficking, while the working and living conditions found in these workplaces correspond to the definition of forced labour stated above. Workers are approached in their home countries or regions and offered a job elsewhere under conditions which differ greatly from what is originally arranged. Unofficial statistics estimate that only in Prato and BA there are almost 40,000 undocumented immigrant workers in sweatshops, an important portion of which is most likely to have been subject to deception and even to debt-bondage and/or menaces.

## **8. Conclusions**

It can be observed that while the shift from Fordism to neoliberalism has not enabled companies to reach the high levels of growth that characterised the ‘Golden Era’ (Hobsbawm, 1994) of the post-war it has helped the elites to achieve a redistribution of wealth. As Harvey notes this is perhaps the primary objective of the neoliberal project:

Gérard Duménil and Dominique Lévy (...) have concluded that neoliberalisation was from the very beginning a project to achieve the restoration of class power (Harvey, 2005: 16).

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<sup>28</sup> There is actually a sense of property in some of the cases, since owing to the debt-bondage and the menaces under which workers are, they are forced to work for their bosses until paying back for their freedom. This is more common in Prato, where according to interviewees a few sweatshop lords call some workers “my clandestines” (see chapter 6).

Neoliberalism has had dreadful consequences for the majority of the workers around the world. Subcontracting (i.e. lean production), delocalisation, and the massive incorporation of unorganised migrant and female labour into their workforce, are strategies that have helped large corporations (and other smaller companies later on) to systematically dismantle the formal, strongly unionised labourers. Coupled with state deregulation of the labour markets and the legalisation of flexibilisation and non-standard jobs, these trends have led to a general pauperisation of labour standards. For example, despite the growth in labour productivity, average real salaries have grown at a much slower pace.

As this chapter has shown, the increasing financialisation of the world economy encouraged speculative investments to the detriment of long-term investments and planning. In this context of permanent economic instability and high investment risks (which are a highly profitable financial products and opportunities), the presence of large factories and numerous direct workers is today a hindrance for corporate profitability. Instead, capital is rather invested in “gambling” in already existing assets, having a much lesser enabling role for productive activities (Merrifield, 2000).

As stated above, for such developments to take place, deregulating the labour markets to break up its rigidities was a necessity for capital: no more full employment, no more long-term contracts, and no more relatively high salaries. The president of the International Confederation of Private Employment Agencies (Biller, 2005; quoted in Coe, Johns and Ward, 2007: 503) put it starkly:

Globalisation means competition, and competition means productivity, and productivity means using labour as efficiently as possible—the right worker in the right job at the right time.

Translated into concrete labour-market policy, this led to the rise of precarious and informal employment. As noted by one of the interviewees for this thesis in Prato (Manuele, interviewed on 29/9/08), this rise of informality and casualisation, hand in hand with the deregulation of the labour markets, has permeated labour standards in the formal sector, with the provisions included in flexible contracts being applied to ‘mainstream’ workers.



For these developments to take shape, a thorough reorganisation of the modes of social regulation also had to take place. Indeed, the fact that this radical redistribution of wealth away from labour did not end up in endless social uprisings and spots of revolutionary struggles in different parts of the world, is partly because of the work done by the state apparatuses in their respective territories. In this sense, neoliberal ideas that had been put forward since the 1930s and that were further developed during the 1970s within think-tanks, gained increasing terrain in policy-making in the midst of the stagflation of the 1970s. In turn, the macroeconomic conditions of crisis laid the ground for the actual application of the hitherto highly theoretical and abstract ideas of neoliberals into state-politics, until becoming its mainstream backdrop. Considered as major causes of the crisis, state interventionism and strong union power were “unambiguously blamed” for the crisis (Peck, Theodore and Brenner, 2010).

In addition, as part of the shift from Fordism to neoliberalism a further economic domination of social regulation modes has taken place, evidenced by the increasing participation of businessmen into politics in many countries around the world since the 1990s. Due to these developments, state ‘interventionism’ is kept to the minimum and aimed at creating good businesses environments<sup>29</sup>, for which purpose the hitherto strong union power – considered as an obstacle to the proper functioning of markets – was specially targeted. As Harvey has repeatedly stated (1995, 2005), the administrations that embodied the neoliberal project (notably Pinochet, Thatcher and Reagan) applied strong anti-union policies; the allocation of anti-union officials to the US Department of Labor during Reagan’s administration and the open repression of miners strikes in the UK under Thatcher in 1984, were understood as nothing less than a necessary political measure to help the harmonic and good functioning of the markets. One of the more striking examples of this is state terrorism in Latin America, where thousands of union leaders and left-wing activists were tortured and killed by dictatorships supported and even financed by the Department of State and by multinational corporations (see chapter 5).

These facts all serve to contest the alleged retreat of the state on which discourses of globalisation and neoliberalism lie. As noted by Harvey (2001: 14)

the nation state remains the absolutely fundamental regulator of labour. The idea that it is dwindling or disappearing as a centre of authority in the age of globalisation is a silly notion.

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<sup>29</sup> Including the sale of public enterprises, notwithstanding the thousands of job losses that that could carry.

In fact, it distracts attention from the fact that the nation state is now more dedicated than ever to creating a good business climate for investment, which means precisely controlling and repressing labour movements in all kinds of purposively new ways: cutting back the social wage, fine-tuning migrant flows, and so on. The state is tremendously active in the domain of capital-labour relations.

The current economic crisis provides useful context to understand the trends described in this chapter. The recent bail-out of banks with public money is an unbeatable demonstration of the active role of the state, as well as it uncovers the lack of own strategies by state administrators, and their defence of capital (especially financial capital) as their first and utmost priority, even if it leads to the application of highly unpopular policies like thousands of ‘redundancies’ in state agencies, the extension of the age of retirement and the cutting of budget for health and education, among others.

The rise of human trafficking and extreme exploitation of migrants and women around the world takes place in this context of “pervasive naturalisation of market logics” (Peck and Tickell, 2002: 394). With only weak labour organisation, this naturalisation is everyday more and more embedded into state politics and has led states to allow human rights’ violations, in the hope that the development of these activities – which allow accumulation rates that can hardly be met by other economic activities – will help create the base of capital accumulation necessary to overcome the recurrent crisis experienced under the capitalist mode of production. Be it in neoliberal times, in the “prehistory of capital” or in peripheral countries (e.g. peasants constantly being expelled from their land in Colombia and India), workers and peasants live under the constant threat of being subjected to the worst human rights’ violations under the rule of capital.

## Chapter 3

### Neoliberal fashion (or the return of the sweatshop)

We believe that the apparel industry, as presently constituted, is exploitative at its core.  
(Bonacich and Appelbaum, 2000: 22)

#### 1. Introduction

In 1890 the Select Committee of the Houses of Lords on the Sweating System was formed in London. In the report the Committee exposed the existence of hundreds of small inner-city workshops in which workers – mainly women - worked for long days, toiling in “hellholes” with insufficient toilet facilities and ventilation, producing garment for larger manufacturers. The commission stressed the widespread use of subcontracting to these workshops and deemed it to be a “sweating system”. According to Green (1997), since the introduction of the sewing machine, the use of subcontracting – mostly to homeworkers – has been quite routine in clothing production. This is explained by certain characteristics of its production process, like the division of the stages that it allows (basically design, cutting of the fabric, sewing, stitching, ironing and packaging), the low initial investment that it needs, and the possibility of production to take place virtually anywhere (since unlike other industrial activities it does not need special installations). Besides, the widespread use of subcontracting has historically led to cutthroat competition between small and medium workshops, driving prices – and hence working standards – down.

Following some of the main texts on sweatshops published in the last 20 years (Bonacich and Appelbaum, 2000; Morokvasic, 1986; Morokvasic et al, 1987; Phizacklea, 1990; A. Ross, 1997; R. Ross, 2004), in this chapter I argue that recent trends in the fashion industry worldwide have fostered a return to the widespread use of subcontracting. Besides, in a context of weakened labour power and a relaxation of corporate control by the states, this has led to the resurgence of sweatshops in cities like New York and Paris, and to their emergence in cities where they had never existed. In this sense, the economic stagnation of the mid-1970s did affect fashion businesses strongly. Morokvasic *et al* (1986: 401) quote statistics for Germany, France and England stating that in those years the share of clothing in personal consumption decreased roughly from 10 to 7 percent. Indeed, during the late 1970s the brands engaged in a growing competition over prices. These events coupled with

the high instability of demand – itself resulting from the permanent economic instability that the increasing financialisation produces – creating a particularly difficult environment for fashion businesses which led apparel companies to develop strategies to survive. In this sense, the firms needed to create markets, cut costs and reduce risks. For these purposes they adopted strategies that focused on the achievement of a greater flexibility and cheaper prices. This created renewed pressures over the rigidity of the labour markets and over costs, particularly labour costs, which in clothing production have historically represented a larger share of the total costs than in other industries. The spatial reorganization of production was at the centre of these strategies. In this sense, the leading companies closed down their factories and started subcontracting the labour-intensive phases to domestic contractors. Furthermore, the availability of proper logistics technology and the advances in transportation, allowed them to subcontract production to contractors in the periphery, henceforth pitting local and international producers – and their respective workers – against each other. This strategy allowed companies to reduce risks and costs, and to access to a more flexible workforce.<sup>30</sup>

Likewise, to foster consumption the industry engaged in a strong campaign for advertising fashion. The subcontracting of production allowed individual companies to allocate significant resources to marketing (design, image and brand building). This strategy proved highly successful for those companies that managed to adopt it, so that during the 1990s they managed to not only grow at a fast pace, but also to absorb a number of competitors. Several mergers and acquisitions took place and in only ten years an industry that had always been characterised by the atomisation of providers (for which reason it had been considered the epitome of competitive markets) shifted to a strongly concentrated market, largely managed by a handful of companies in the EU and in the US (Collins, 2003). As noted by Gereffi (1994) this trend had substantial impacts over the organisation of the industry. In his view, the growth of large retail chains and branded manufacturers led to a shift from producer-driven to buyer-driven chain. This means that while until these events took place the big manufacturers controlled the market selling their products to a large number of relatively small and medium stores, today it is big retail chains and brands who control the market, imposing their own rules on a myriad of small and medium manufacturers. Besides, as I stress in this chapter – by drawing on the sweatshop literature highlighted below – the rules that they impose on actors further down in the production

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<sup>30</sup> It is worth noting, though, that subcontracting was always present along the 20th century in the garment trades (see Green, 1997: 146-55).

chain are driven by the demand of rapidity, flexibility and extremely low costs, because of the growing shortening of fashion trends and increasing competition over prices (in the context of the end of the Multifibre Agreement [MFA]). With their large pool of cheap and flexible labour, sweatshops are, in the view of Green (1997), Morokvasic (1986) and Phizacklea (1990), particularly well positioned to cover the demands of the ‘buyers’.

Following Massey (1984), and assuming that sweatshops are in a way new economic spaces, in this chapter I argue that the reappearance or the surge of sweatshops reveals changes in the social relations of the industry. Certainly, the increasing use of subcontracting, coupled with weakened labour power and with a relaxation of the state’s corporate control led to the re-emergence of small inner-city workshops that rely on the use of trafficked and forced labour to provide the industry with its needs. Indeed, Bonacich and Appelbaum (2000) assert that the return of the sweatshop is ultimately a consequence of the shift in the power balance between capital and labour during the last decades (:7). It is in this context that sweating systems arose in Buenos Aires and in Prato during the 1990s.

## ***2. A brief history of sweatshops***

Until the “democratisation of clothing” towards the mid-eighteenth century there were no clothing stores. Indeed, as Green notes, the way in which people used to get their garments depended heavily on their class belonging:

Clothing was made at home by and for the poor, while skilled tailors and seamstresses fitted out the rich. But not all clothing was ‘made’. Second-hand clothing was the first mode of purchasing prefabricated garments – ‘off the cart’, so to speak. At the same time, clothing circulated between the classes, as aristocrats shed last year’s models, benefiting their servants (Green, 1997: 21).

According to Green (1997), during the 19th century there was a progressive democratisation of clothing – which was facilitated by the social revolutions occurred in Europe. This process had a fundamental impact on the organisation of production, as it led to “the rise of standardisation in opposition to individually tailored clothes,” what at the same time signalled the beginning of the mass production of ‘ready-to-wear’ garment (Green, 1997: 21). In other words, garment started to be made mostly in factories. Working and workplace conditions in the first large apparel factories in history were extremely poor, as hitherto denounced by workers through several strikes, and as revealed by the sadly

famous fire in the Triangle Shirtwaist factory in lower Manhattan, in March 1911. This fire was described by Miller (2003: 198) as “the worst industrial accident in the history of the United States.” In it, workers had gone on strike (the first women’s strike in US’ history) in demand for better working conditions and healthier and safer working places. It was 20 years before that the House of Lords’ Select Committee on the Sweated Trades had revealed the dreadful working and living conditions of thousands of homeworkers in London. R. Ross (2004) uses the following quotes to summarise working conditions in sweatshops (in this case in New York) by then:

New York state license superintendent Daniel O’Leary in 1890 expressed his horror at ‘workers toiling in dark, humid stuffy basements on Division Street, children of eight years, and women, many of them far from well, sweating their lives away in these hellholes (:19, quoted in Howard, 1997: 152).

At the turn of the century, the Frenchman Emile Levasseur, like many social investigators before and since, climbed the dark, dank hallway of a New York tenement in order to examine a garment workshop first-hand: (...) ‘They were situated in the South-East portion of the city, in dilapidated-looking buildings; the wooden steps shook, narrow and nauseating toilets were in the stairway, middle-sized rooms where some twenty workers worked like demons, cutting, placing buttons, ironing, each according to his specialty (...) the spectacle of such feverish activity, of all of those hands following the movement of the machines made me think of one of the circles of hell in Dante’ (Green, 1997: 137).

However, after the fire in the Triangle factory, workers’ organisations’ and officials’ concern rose quickly regarding these conditions. During the following years union organisations pushed for a progressive improvement in policies regulating working conditions and factory health and safety in the garment industry. According to Miller (2003):

the Triangle fire led to a burst of city, state, and federal laws regulating the garment industry and dealing with workers' safety (...) Following another burst of union organizing during the Great Depression, the legislation-reform movement culminated in 1938 with the passage of the federal Fair Labor Standards Act under the Roosevelt administration. That act established the national minimum wage, required premium pay for overtime, and limited child labour (Miller, 2003: 96).

Bad working conditions still continued to affect homeworkers. However, the mass-production of standardised uniforms during World War II made factory production increase to the detriment of more craft-like (labour intensive) garment, typically women’s fashionwear, which were generally produced at home. In 1942 improvements in the official regulation reached these workers when the Secretary of Labor, Frances Perkins, banned homework from most branches of the garment industry, limiting it to only special permits (like that of handicapped workers). According to Green (1997), previous legal attempts to

limit homeworking failed to enhance working conditions. However, the statistics show that the drastic measure adopted in 1942 had significant consequences: “it was estimated between 1935 and 1955 the number of homeworkers in New York State had dropped from 500,000 (in all fields) to less than 5,000” (Green, 1997: 64).

However, Green (1997) warns about the necessity to understand that homeworking has never disappeared. Similarly, Annie Phizacklea (1990) stresses that it has remained a main production feature since the Post-war, to become more evident once again during the 1970s. Her argument in here is that of the development of a “duality” in the industry. In her words,

my feeling is that while there was some shift from sweatshop to factory production, the latter never replaced the former (...) What in fact developed between 1911 and the Second World War was ‘dualism’ in the industry. The development of the ‘modern’ factory-based firm located outside London using increasing sectionalised methods of assembly alongside with the traditional sweatshop sector with its retinue of homework workers based in the inner cities. This dualism persisted and became more clear-cut with post-war immigration (:30-31).

Later on in this chapter I will explain how and why this dualism intensified since the 1970s and how it is linked to the contemporary return of the sweatshop. So far, it is necessary to stress that sweatshops did not disappear completely during the post-war period. In the view of A. Ross (1997:11), “severely restricted in its zone of operations, the sweatshop dropped out of view, and lived on in the underground economy.”

Apart from leading to the emergence of the Fair Labor Standards Act and to the banning of homework, union power also allowed unions to force contractors to subcontract only to unionised workshops. According to Ross (2004), in the view of the International Ladies’ Garment Workers’ Union – the main garment and textile workers’ union in the US until 1995 (henceforth ILGWU) – this was the very crucial step of the victory over the sweatshop. Besides, the banning of homework also contributed to improvements in working conditions in the sector, since, as noted once again by R. Ross (2004), “with unregulated homeworkers disappearing as a low wage alternative to workshop labour, it is fair to infer that conditions in the New York apparel industry had improved by the 1950s” (:95).

Albeit certain unimportant differences with regards to the extent of the victory, the majority of the scholars working on the issue agree that sweatshops were progressively left

at the margins of the industry, and “by the end of World War II, even union leaders and commentators began to refer to sweatshops in the past tense” (R. Ross, 2004: 87). The Union’s view can be summarised by a statement made by Shlesinger in a report prepared for the ILGWU in 1951: “the sweatshops have been wiped out; the days of their existence are among the most shameful pages of recorded history” (:90, quoted in R. Ross, 2004: 87). Nevertheless, Green (1997: 155-60) seems sceptical of this vision, which she actually sees as somehow the mainstream vision in sweatshop studies. In this sense, she wonders whether today’s sweatshops symbolise ‘the return of the sweatshop’ or a continuity with the late 19th Century ones. She refers to Waldinger and Lapp’s (1993) argument that the view of the return is overstated, and agrees with them in asserting that the union’s “triumphalist” view “has been repeated over and over again without apparent verification.” Indeed, Green suggests that beyond certain improvements in working conditions in general over time, “contracting and many of its evils have also remained stubbornly present” (1997). However, the section she dedicates to questioning the union’s view is poorly developed and documented, even if the book overall is a very well documented and admirable piece of work. Indeed, the only statistics she quotes favour the union’s “triumphalist” view.<sup>31</sup> If “home, workshop and factory have coexisted as varied loci of production” and “all three have persisted over the century”, this does not challenge the view that sweatshops remained rather marginal during Fordism, as shown by the statistics referred to above. In sum, following the union’s view, Bonacich and Appelbaum (2000) assert that “a combination of government protection and strong apparel unions helped to relegate garment sweatshops to the margins of the industry until the 1970s, when they began to reappear” (:3) Following Green (1997), to these causes I would add the raise of factory production to supply the need for soldiers’ uniforms and other standardised garment, which brought many workers from home to the factories.

The improvements in working conditions in the apparel industry towards the Post-War period and the almost disappearance of sweatshops for about three decades in New York proves the importance of the wider economic, social and political context in determining changes within a certain economic activity. In the words of Massey (1984) “what is often thought of as the ‘economic’ level of society is itself formed and shaped through social processes, and economic behaviour is influenced by wider social characteristics” (:28). In the case of the victory against the sweatshop, a general environment of social unrest was

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<sup>31</sup> In here she cites a 1979-1982 report by Senator Leichter stating that there were 3,000 sweatshops in New York employing about 5,000 workers, “up from less than 200 garment sweatshops” a decade earlier.



emerging that was both the cause and consequence of increasing unionisation (see Engel-Di Mauro, 2008; Walker, 2008). These factors for social unrest included the Great Depression (in the context of rising union power), the turn towards the Welfare State, and World War II. These were all events that escaped the boundaries of the garment factories and this ended up having a fundamental impact over the industry.

### ***3. Retailers and branded manufacturers: the increasing power of the few***

We are no longer a production-oriented company. Today, we are a company with a strong emphasis on creativity and design, marketing and logistics.  
(Chairman of Hugo Boss, quoted in Dicken, 2003: 344)

As already stated, the economic crisis of the late 1960s and early 1970s challenged the survival of thousands of clothing firms. Unemployment and stagnated or even diminishing real salaries strongly affected fashion sales. Accordingly, firms needed to stimulate demand collectively, and they did so by increasing fashion propaganda and progressively shortening fashion trends. Individually, they engaged in a fierce competition which in the UK was deemed as “the high street price war of 1979” (Phizacklea, 1990: 18).

The strategy followed by the most successful firms consisted of creating recognisable labels to increase their competitiveness: “the most important strategy for creating a sense of distinctiveness, and for targeting highly specific consumer niches, is the branding of merchandise” (Collins, 2001: 182). They did so by shutting down their factories to subcontract the assembly of garment and by allocating immense financial resources to the development of brand building and marketing strategies. Today they are known as branded manufacturers, but since they do not produce, I will simply call them ‘brands’.<sup>32</sup> These companies only design and model garments, place the orders to subcontractors and distribute the finished garment to the seller. Some of them cut the cloth, since this stage is done with sophisticated technology and implies a high risk (a bad cut can easily mean thousands of pounds lost in a mere minute). In short, while these firms used to manufacture garment, by the end of the 1970s they shifted their activities from manufacturing to the creation of a marketing product.

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<sup>32</sup> Bonacich and Appelbaum (2000) recognise this contradiction but they prefer to use the term “branded manufacturers”, as it is used by actors involved in the business.

After establishing the ‘soul’ of their corporations, the superbrand companies have gone on to rid themselves of their cumbersome bodies, and there is nothing that seems more cumbersome, more loathsomely corporeal, than the factories that produce their products. The reason for this shift is simple: building a superbrand is an extraordinarily costly project, needing constant managing, tending and replenishing (Klein, 2000: 239).

Klein (2000) and Merrifield (2000) provide several examples of companies that have shut down their factories in their home countries to subcontract to low-wage countries. Klein (2000; see chapter 9) quotes the examples of outsourcing plans by Hugo Boss, Adidas, Levi’s and others. She quotes Adidas’ spokesperson announcing that “[they] closed down everything”, and recalls the words of the president of Levi’s Strauss Americas Division announcing plans to shift production facilities from the US and Canada to low-wage countries, leading to 13,000 jobs lost in North America between November 1997 and February 1999.<sup>33</sup>

International subcontracting – mainly from core to peripheral countries - is not exclusive to the apparel industry. This “functional integration between internationally dispersed activities” (Dicken, 1998; quoted in Gereffi et al, 2001: 1) has been widespread in sectors like electronics, automobile, finance and logistics, among others, and is illustrated by the fact that today “an important part of global trade is conducted within multinational enterprises or through systems of governance that link firms together in a variety of sourcing and contracting arrangements” (Gereffi et al, 2001: 1). In the mid-1980s the rise of these complex organisational networks gave birth to the theoretical analysis of Global Value Chains, Global Commodity Chains and/or Global Production Chains (see Cattaneo, Gereffi and Staritz, 2010; Gereffi and Korzeniewicz, 1994; Kaplinsky, 2001; Kaplinsky and Morris, 2001; Gereffi et al, 2001; Memedovic and Gereffi, 2003).<sup>34</sup> This trend has had significant consequences for workers and for regional and local development in both Western countries (and Japan) and in those hosting the new investments, and since the late 1990s the analysis of these consequences has been a major concern in economic geography (Hess and Yeung, 2006; see also Coe et al 2004, 2010; Coe, Dicken and Hess, 2008;

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<sup>33</sup> In the same vein, although the source is not quite reliable, Merrifield (2000: 30) quotes information from [www.dogeatdogfilms.com](http://www.dogeatdogfilms.com) stating that “between 1981 and 1990, Levi’s downsized in the USA, closing 58 plants and putting 10,400 people out of work. Then, handily, they subcontracted 600 subsidiaries in places such as South Korea, Taiwan, Bangladesh, Guatemala, Philippines, Malaysia, and Indonesia, all of which paid [sic] a tenth of the wage of their American counterparts.”

<sup>34</sup> Gereffi et al (2001) explain that the concept used by scholars depends mostly on the emphasis made in specific aspects of the analysis of global networks. In this sense, “global supply chains” is preferred amongst those who focus on the “input-output structure of value-adding activities”; “global commodity chains” emphasise “the internal governance structure of supply chains”; and “global value chains” highlight “the relative value of those activities that are required to bring a product or service from conception” to the market and its final disposal.

Dicken, 2003; Hassler, 2003; Henderson et al, 2003; Hess and Coe, 2006; Sturgeon, Briesebroeck and Gereffi, 2008).

The increasing internationalisation of the garment industry has been the focus of widespread analysis from the global commodity chains perspective (Blair and Gereffi, 2003; Frederick and Gereffi, 2010; Gereffi, 1994; Hassler, 2003; Memedovic and Gereffi, 2003; McCormick and Schmitz, 2001). The emphasis has been put on governance, which is a key concept for this analytical tradition and has been defined as the capacity to carry “non-market coordination of economic activity” (Gereffi et al, 2001: 4). According to Gereffi et al (2001), “the starting point of interest in global value chains analysis is the fact that some firms directly or indirectly influence the organisation of global production, logistics and marketing systems” (:4). This aspect is particularly relevant for the study of international trends in the clothing industry.

As previously mentioned, the apparel industry is the paramount example of what Gereffi (1994) identifies as the shift from *producer-driven* to *buyer-driven* production chains. In his view, while formerly the chain was a typically *producer-driven* chain, meaning that it was controlled by manufacturers who used to sell their products to innumerable buyers (small, medium and even some large clothing retailers), it has now shifted towards a *buyer-driven* type of chain, meaning that large retail companies and brands are those who set up the rules to be followed by everyone downwards the production chain. Hassler (2003), nevertheless, discusses this idea stating that there exist more complex organisational networks than just producer-driven or buyer-driven chains: “The emphasis on the dualistic governance of commodity chains, of either producer-driven or buyer-driven structures, simplifies the richness and varying spectrum of intra-sectoral power relations and interconnections between firms” (:517). There exists a broad complexity of products according to their quality and price, as well as to the markets for which they are produced. This variety also “[has] impacts on the production processes within each fashion standard in characteristic ways” (Hassler, 2003: 516).

Both Hassler (2003) and Gereffi (1994), however, agree in that – broadly speaking – a limited number of large retailers and branded manufacturers play the most significant role in dictating “what is to be produced, how, and by whom (Gereffi et al, 2001). The main consequence of this trend is that “since they do not own the factories, multinationals have

more power over production” (Klein, 2000: 272). This is the case of the high-end fashion houses and, mostly, of large retail chains, which during the last decades have become the most favoured actors in the fashion industry. The latter offer a broad variety of clothing and related accessories at highly competitive prices in large stores, and do not own any factories. Their growth intensified competition to a point in which thousands of small and medium stores have gone out of business. Mergers and acquisitions during the last 15 years have pushed forward further concentration of the market: today, the largest 4 retail chains in the US account for about 80 percent of the total sales (Ross, 2004). This has had significant impacts in the apparel production chain, since the pressure from fewer and fewer buyers intensifies the search for lower costs by direct producers. In the beginning of the sweating system, cutthroat competition between thousands of contractors drives prices down.

This is certainly a key aspect of the changes operated in the clothing industry during the last decades. Already in 1985 Rainnie assured that “it is impossible to understand the structure of the clothing industry today – the myriad small firms, the relative technological backwardness and reliance on cheap female labour – without recognising the importance that the large retailer and small producer relationship pays in effectively stifling the possibilities of growth” (:217). In this sense, Merrifield (2000: 29-30) notes that

research has shown that stock prices of downsized firms frequently go up. Stock prices of 17 of the 22 firms studied by the Washington-based Institute for Policy Studies, for example, either rose or stayed the same the day a company announced labour cuts (Anderson and Cavanagh, 1998). Furthermore, because a growing proportion of CEO rewards have been in the form of stock options, when stock prices rise in the wake of job layoffs and outsourcing overseas, the value of the stock held by corporate bosses rises. So, in short, CEOs of job-cutting firms reap windfall gains. Thus, inequality between CEO remuneration and the value of workers’ labour power increases.

Closing the quote with a clear-cut sentence, the author stresses that

fat cats grow fatter, workers, at home and abroad, grow fewer and thinner: **globalisation as class war** (my emphasis).

In virtue of these developments, the fact that brands and retailers are usually not legally accountable for the working conditions of those sewing their articles is an invaluable state support of the private sector, and it works as a permanent subsidy from the state to the firms (since the fact that producers do not pay taxes is translated into lower prices, or simply into higher profits for the brands). Some entrepreneurs interviewed for this research

argue that the abandonment of the factory shifts the kind of relationship between capital and labour from a labour to a commercial type of relationship (thus ruled not by labour legislation but by the rules of the market, i.e. leaving the worker unprotected). However, making brands and retailers accountable for the working conditions in the whole chain is absolutely necessary in the view of campaigners against sweatshops. Indeed in Argentina, as we will see further on (chapter 5), both the Homeworking Law and the Labour Contract Law establish that the relationship between contractor and subcontractor is not commercial but of a labour type. This is the main element used by anti-sweatshops movements in Buenos Aires to stop sweatshops.

#### ***4. The spatial strategies of the globalised apparel industry: Subcontracting is the key to success***

As I have already stressed, subcontracting has been a major feature of apparel production since the emergence of ready-to-wear clothing during the nineteenth century. Indeed, originally the term ‘sweating system’ was adopted in the late nineteenth century to refer to the system of contracting out of the labour-intensive phases of production, generally to homeworkers. Since then, the ‘sweating system’ has provided the industry with a pool of unregulated and non unionised labour. Homeworkers and workers in workshops have always received a very low pay and on a piece rate, which has driven them to self-exploitation in search for a decent earning.

The high instability of demand that has always characterised the industry also explains the use of the subcontracting system as a way to achieve high levels of flexibility and to diffuse risks along the production chain. In this sense, there exist two kinds of phenomena affecting the stability of garment demand: the quick changes in fashion tendencies, and the high elasticity of the demand (which makes it highly vulnerable to economic downturns). To these we must add one other major endemic preoccupation of garment manufacturers: seasonality. The high volatility of demand discourages large investments and has historically meant a major inconvenience for manufacturers. When subcontracting takes place, the fixed costs are paid by the contractors, who in turn do not get any long or even mid-term commitments from the manufacturers. In this sense, Bonacich and Appelbaum (2000) explain why the system of subcontracting helps manufacturers shift the risks to actors upward in the chain:

The virtue of the contracting system for the manufacturers is that they do not need to invest a cent in the factories that actually sew their clothes. Manufacturers engage in arm's-length transactions with their contractors, enabling them to avoid any long-term commitment to a particular contractor or location. The formal commitment lasts only as long as the particular job order (...) The picture is not quite so rosy from the other side. Contractors, who in the United States and other advanced industrial countries, are often immigrants, must scramble to maintain steady work. And rather than employ a stable workforce, they pass the problems created by flexible production on to their workers (:12).

This trend takes place worldwide, and it holds true for both the cases addresses in this research. Just to quote one more example, in a case study on clothing production in Durban, Skinner and Valodia (2001: 2) note that

firms are increasingly reconfiguring their use of labour by subcontracting production. We argue, however, that firm responses are largely pernicious – aimed at by-passing and undermining labour legislation – without in any manner really changing relationships at the workplace. We suggest that these developments have the potential to seriously undermine the collective bargaining system in South Africa.

Reducing costs is a second reason for companies to subcontract production. In the interviews conducted during this research, none of the 26 manufacturers and industry representatives interviewed included labour costs among their main current preoccupations.<sup>35</sup> In the case of Buenos Aires, indeed, several entrepreneurs assured that labour costs are ‘delayed’ with respect to inflation affecting other costs. One can easily imagine a manufacturer from the mid twentieth century being astonished by such statements, since labour costs and dealing with labour organisation more generally have always been central concerns for garment manufacturers. According to Phizacklea (1990), the availability of a sweating system (or of this ‘secondary sector’) has discouraged the search for technology to increase labour productivity. Instead, labour productivity is achieved by the extraction of higher surplus value by means of the over exploitation of labour. Indeed, according to Morokvasic *et al* (1986) “improvements in productivity in the developed countries account for a greater proportion of job losses than can be attributed to low cost producer import penetration” (:400, quoting Cable, 1982).

Historically, not all kinds of garment are sent to contractors. From the point of view of the production process, two main types of garment can be identified. On the one hand there exists the garment considered as ‘commodity garment’ or ‘basics’, those that are standardised and thus their design does not change significantly in the short run and can

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<sup>35</sup> It should be noted that all of them subcontract all or part of the physical production of their products.

thus be stocked up. Typically these are men's shirts, T-shirts and sweatpants, denim jeans, underwear and so on. On the other hand there is the garment which is more fashion-sensitive, for which reason they are subject to more or less sudden fluctuations in demand. This segment of the market (the most dynamic one) consists of women's ready-to-wear garment, comprising skirts, tops, dresses and the like. While the former can be mass-produced and sold whenever they reach the stores, the latter must be produced in small batches and must be readily available to the seller, in order to respond to quick fashion changes and to avoid stocking up garments which will not be sold. This is what Phizacklea (1990) calls the "duality" of the clothing industry. In the words of Morokvasic *et al* (1986: 404),

where stability of products and longer series predominate, the production process is organised in larger units and the implementation of new technology has been profitable and therefore more frequent (Hoffman and Rush 1983). In contrast, where rapid fashion changes predominate and short runs are an imperative - and that has been more the case in women's wear than in other sectors of clothing - the production process needs to remain very flexible.

This differentiation has historically entailed a spatial differentiation: while the former have been generally produced in factories, the latter have been subcontracted to homeworkers and small inner-city workshops. The predominance of mass-production during Fordism somehow hid this duality given to the strong predominance of factory production. However, as already said in point 2 in this chapter, "while there is little doubt that the volume of factory production increased in the interwar period, the unpredictable nature of fashionwear production has always necessitated a flexible workforce and homeworkers constitute the almost-perfect solution to that need" (Phizacklea, 1990: 30).

From a geographical point of view, the subcontracting strategies of the largest companies (mainly the branded manufacturers) were different for basics than for women's ready-to-wear garment. On the one hand, they subcontract basics to low-wage countries in order to reduce costs of production significantly to increase their competitiveness (and to allocating part of the cost-saving from manufacturing to their brand-building strategies, what in the end results naturally in strengthened competitiveness). On the other hand, women's fashionwear production is subcontracted to the several small inner-city workshops run by minorities, a large portion of which are of the type we have defined as sweatshops. The spatial organisation of duality is explained by Bonacich and Appelbaum (2000) with clarity:

Offshore production usually requires longer waiting times, thereby increasing the risk in making time-sensitive garments. Basics can be planned months in advance without much risk that the garments will go out of fashion. In the United States apparel industry, the production of basics has moved steadily offshore, and highly fashionable apparel is more likely to be made domestically (:11).

In the words of Annie Phizacklea (1990),

Producers in developing countries have a comparative advantage over those in developed countries if competitiveness is measured exclusively by price in the production of standardised garments i.e. garments like men's shirts, the basic design of which changes little from year to year (...) But when it comes to the short runs and speed of delivery demanded by fashion retailers, coupled with accessibility to domestic cheap-labour sources, then any advantage that developing countries have over countries like Britain seems less clear cut. (:37)

The next sections are divided according to this crucial difference.

#### **4.1. Workers of the world, compete! When subcontracting reaches the global**

This is a painful but necessary decision... There is no question that we must move away from owned and operated plants in the US to remain competitive in our industry. The company plans to outsource much more production to its overseas contractors.  
(Levi's CEO, quoted in Dicken, 2003: 343)

As an industry in which labour costs are highly significant, clothing companies have always actively searched for trimming down these costs, and they systematically failed to do so through the development of labour-saving technology. This is the reason why the possibility to delocalise the labour-intensive stages of production to low-wage countries was followed early by clothing firms. Indeed, according to Bonacich and Appelbaum (2000) "global production is certainly expanding in other industries, but apparel is the most globalised industry of all" (:9).

The first big push towards offshore delocalisation by Western European, Japanese and American companies took place as early as in the late 1950s. The main destination was South East Asia (and Eastern Europe in the case of the hitherto Western Germany). According to Dicken (2003) "it was Japanese firms that initiated the extensive use of international subcontracting in garments" while "already by the 1970s, around 70 percent of all (the then West) German garments firms, including some quite small ones, were involved in some kind of offshore production" (:342-43; no source is quoted). Meanwhile, Bonacich and Appelbaum (2000) assert that US firms began to move production offshore



as early as in the 1950s. As noted by A. Ross (1997), this trend was followed, in the US, by legislation encouraging delocalisation: “from 1963, manufacturers could take advantage of a special provision (item 807) in the US Tariff Schedule which allowed cut garments to be exported for assembly and re-imported into the US Duties were paid only on the value added to the garment through low-cost assembly” (A. Ross, 1997: 22).

The costs-savings that outsourcing to low-wage countries allowed led to a plummeting of garments prices, intensifying international competition as these cheaper garments produced in the periphery started to account for an increasing portion of the Northern markets, and started threatening domestic production in the industrialised countries. Herod (2001) states that in the US between 1973 and 1983 imports rose from 21 to 55 percent of the total clothing sells (:54, quoting Lochhead, 1987). Meanwhile, Ross (2004: 9) quotes statistics from the American Apparel Manufacturers Association stating that already in 1990 imported garments represented more than a 60 percent of the total sales in the US. Only in the year 2000, the US deficit in garments trade reached USD 60 billion (Dicken, 2003: 324).<sup>36</sup>

The intensified international competition put renewed pressure on the companies to rationalise their costs structure. This encouraged corporations to shut down their factories in the North to move production to contractors in the South and concentrate in the logistics and in the management of the brands. Certainly, the generalisation of this practice allowed companies to exercise tremendous pressure over labour in the core by way of pitting the workers throughout the world against each other. As explained by A. Ross (1997: 25)

[offshore delocalisation is] the result of programmes designed to make US apparel companies competitive, and if [it has] succeeded in filling the pockets of corporate executives and stockholders, [it has] done little to help American workers, forced into a downward wage spiral of jobs through competition with their maquila counterparts or with immigrant workers in the core centres. Pitting First World against Third World workers has been a highly serviceable corporate strategy. It drives wages down on both sides, and allows business to portray labour right advocates as domestic protectionists bent on depriving maquila workers of their industrial wage ticket out of poverty.

Lipietz (1987: 77) also explains the consequences of this strategy by stating that

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<sup>36</sup> The main provider of the largest markets is China, accounting for 16 percent of total imports of the US (followed by Mexico, 12 percent) and 20 percent of the EU’s (followed by Turkey, 12 percent) (WTO, 2003).

although this model helps to restore the profitability of the contractors in the centre (and to increase working-class purchasing power without increasing wages), it rises other problems for central Fordism. The relocation of certain branches of production (...) may lead to (not very) well paid workers in the centre being replaced by women workers who receive minimal wages. In a branch like textiles, this is a zero-sum game in which the loser is employment in the centre.

The statistics show with astonishing clarity the extent to which workers in the core and partly in the periphery (were domestic markets have also been ‘invaded’ by cheap imports) were affected. In 1979, 45,000 jobs were lost in Europe and in the US (Kernaghan, 1998, quoted in Klein, 2000: 241). In the US, “ILGWU membership decreased from 457,517 in 1969 (when 70 to 80 percent of New York factories were union shops) to less than 200,000 by the time of its 1995 merger with the [ACTWU]. With its employment peak of 1.45 million in 1973, domestic apparel jobs had fallen to 846,000 by 1995”, meaning more than a 40 percent fall (A. Ross, 1997: 30).

Bringing these trends to the cases addressed in this thesis, both in Argentina and in Italy they are highly present. On the one hand, in Argentina the impact of cheap imported garments and textiles was deepened by a complete liberalisation and a high exchange rate which made real prices even cheaper. Textiles and clothing were surely amongst the most affected sectors by the trade policy of the Menem administration (1989-1999). According to the Argentinean Industrial Chamber of Clothing, between 1990 and 2000 more than half of the clothing firms shut down (quoted in Monzón, 2001).<sup>37</sup> Big factories with hundreds of workers (and even two factories with more than a thousand employees) disappeared in just a few years. Concomitantly, registered employment suffered from a pronounced fall. The Buenos Aires-based Union of Clothing Cutting Workers (UCI) lost a 59 percent of its membership between 1991 and 2002 (UCI, 2008), and the main garment workers union (the SOIVA) was close to go into bankruptcy, also due to unemployment and loss of membership. Similarly, in the case of Italy 385,000 jobs were lost in both the textiles and clothing industries between 1970 and 2002 (Dunford, 2006: 33; based on OECD, 2003).

Outsourcing was a centrepiece in the strategies to achieve greater flexibility in the labour markets, both in the periphery and in the core economies. In industrialised nations the constant threat of relocation, coupled with rising unemployment and the consequent weaker unions’ power, leads workers to accept salaries and labour standards that they would have not accepted before. Today, all around the world, garment workers are among

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<sup>37</sup> By the year 2000, 4,000 out of the 7,500 companies that existed in 1990 had shut down.

the lowest paid in the manufacturing industries. “Studies by the Bureau of Labour Statistics show that with the exception of the last fast food industry’s burger flippers (at \$11,920), and apparel and accessory store employees (at \$13,971), apparel and textile workers in the legal sector earn the lowest average annual wage among US industries, at \$19,225” (A Ross, 1997: 13). In Los Angeles, today widely considered ‘the sweatshop capital’ of the US, in 2000 only a third of the registered garment factories complied with the Federal minimum wage and overtime law (Department of Labor, cited in Collins, 2003: 2). Furthermore, “nationwide between 40 percent and 60 percent of the establishments violate wage and overtime provisions of the Fair Labor Standards Act” (Collins, 2003). These trends have been deemed by Chomsky (1995) as the “thirdworldisation of the First World”, meaning that labour standards of the South are progressively reaching the North. Indeed, Chomsky (1995) goes further on in asserting that sometimes outsourcing is not the cheapest option for companies, but still they choose it over keeping domestic production because of the political effect that the threat of closure has over workers who conserve their jobs in the North.

These trends also have taken place in the periphery, but the causes are slightly different. In this regard we can divide the periphery into those countries which are subject to neither inward nor outward investments, and those receiving Foreign Direct Investments from Northern corporations. In the first group (among which is Argentina), delocalisation to other countries is insignificant given the limited extension of their internal markets. Instead, the impacts of the restructuring of the industry internationally influenced these countries by means of the importation of cheap garments, leading to plummeting prices. The informalisation of the workforce (and indeed, the rise of sweatshops) was partly a consequence of the pressures created by this international trend. To bring an example from this research, in Argentina, even if there exists a high demand for workers in registered factories, the wage set in the collective bargaining agreement is the lowest in the manufacturing industries.

On the other hand, beyond the philanthropic rhetoric that accompanies Foreign Direct Investment, working conditions in countries hosting investments in garment production are known to be dreadful: the volatility of the investments pits workers within the South against each other; in several regions (mostly in the infamous ‘Export Promotion Zones’) unionisation is banned *de facto*, and it is punished with repression and sometimes

delocalisation. Klein (2000) and Merrifield (2000) refer to working conditions in these places where thousands of young women escaping from rural poverty make up the majority of the workforce. In what I term ‘international sweatshops’ (see chapter 1), they suffer daily from long hours, limited and controlled visit to the toilets, beatings and even sacking if they get pregnant.<sup>38</sup> As Klein (2000) reports, some of them were brought to the manufacturing areas by being cheated (i.e. they have been victims of internal human trafficking).

#### **4.1.1. A peculiar industry: the Multifibre Agreement and the Agreement on Textiles and Clothing**

Already in the late 1950s the American and British markets were being increasingly penetrated by cheap imported garments (Dicken, 2003). The power of manufacturers and unions altogether, and the high political sensibility of such a labour-intensive industry, led the US to launch numerous attempts to protect its domestic market. Bilateral agreements with Japan, Hong Kong and some other Asian countries were the first attempts, and in 1962 the multilateral Long-Term Agreement regulating international trade in cotton textiles was signed. However, the crisis of production in developed countries continued. Finally, in 1973 trade in textiles and clothing was excluded from the GATT through the signature of the Multifibre Agreement (MFA), which naturally included the EU and other countries. Despite the possibility of negotiating individual quotas within it, the Agreement was highly protectionist, and it was renegotiated or extended four other times (in 1977, 1982, 1986 and 1991). Indeed, “over time, the MFA became more, rather than less, restrictive. Both the EU and the United States negotiated much tighter import quotas on a bilateral basis with most of the leading developing country exporters, and in several cases also invoked anti-dumping procedures” (Dicken, 2003: 338).

However, during the Uruguay Round of the GATT (1986-1994) the rules changed and a new agreement was signed. The Agreement on Textiles and Clothing (ATC) was aimed at progressively eliminating protection in T&C in three stages (1995 to 1998; 1999 to 2001; 2002 to 2004) until its complete liberalisation by 1 January 2005.

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<sup>38</sup> For more information, including first-hand accounts, see Chapter 9 in Klein, N (2000) *No Logo*, London: Flamingo. Reports from the US National Labour Committee (NLC) - according to A. Ross “the group most identified publicly with the exposure of offshore sweatshop conditions” – may also be helpful (see [www.nlc.org](http://www.nlc.org)).

**Table 3.1. Integration of textiles and clothing into the GATT**

<b>DATE</b>	<b>Minimum volume integrated (percent)</b>	<b>Accumulated volume integrated (percent)</b>	<b>Remaining quota growth rate</b>
<b>01/01/1995</b>	16	16	16
<b>01/01/1998</b>	17	33	25
<b>01/01/2002</b>	18	51	27
<b>01/01/2005</b>	49	100	Full integration

SOURCE: WTO, 2001; quoted in Nordas, H. K. (2004) *The global textile and clothing industry post the Agreement on Textiles and Clothing*. Geneva: World Trade Organization.

According to A. Ross (1997), the phasing out of the Multifibre Agreement was a victory for the “developing world” in the negotiations of the multilateral trade regime. It is in such arguments that it can be witnessed that the free trade discourse has strongly permeated liberal policy-making: the belief that limiting imports from peripheral countries condemns Southern people to misery has become a doctrine. However, the large majority of clothing production for export in peripheral economies is controlled by American and European companies, and five years after the end of the MFA the job opportunities they offer have not improved significantly, as shown by the fires in the Garib & Garib factory and in the Hameem factory, both in Bangladesh, in February and December, 2010. Both factories were working for two of the largest retailers in the world: H&M, in the case of the former, and The Gap, in the case of the latter. In the former, 21 workers were killed, while in the latter it was 28 workers who died as a consequence of poor health and safety.<sup>39</sup> In other words, what liberalisation brought about was a new wave of cheaper prices, intensifying once again international competition and putting even more pressure over labour costs. The winners of this move are the handful of increasingly powerful retailers whose capacity to lobby negotiators overcame that of the manufacturers and unions. For example in the EU the winners of the liberalisation were indeed the large retail chains (because they can buy cheap clothes wherever they come from) and the high-end fashion houses Gucci, Prada and the like (which saw markets opening throughout the world, with China and Russia as large pulling markets). Meanwhile, entire cities’ economies dependent on manufactures that are increasingly substituted by imports from low-wage countries (like Prato’s) enter into deep crisis and mounting unemployment owing to the counterpart of such benefits enjoyed by commercial firms.

<sup>39</sup> For more information see [www.nosweat.org.uk](http://www.nosweat.org.uk)

The end of the MFA embodies the victory of the corporate lobby of the services sector over manufacturers. Liberalisation has nothing to do with the needs of the poor in the South. Instead, it is a consequence of the increasing power of the few in apparel production, and it is one more element putting pressure over labour costs. The following quote from Collins (2006: 15) illustrates this point:

The United States Association of Importers of Textile and Apparel is far more powerful today than the older American Apparel Manufacturers Association. Big apparel firms of the 1990s lobbied, not for protectionism (which has been the traditional demand of firms in the industry), but for the easing of import restrictions. This reflects the changing interests, and the increasingly global scope, of apparel firms.

#### 4.2. Sweatshops, a direct consequence of fashion?

Fashion is thus not just fantasy or social-signifier. It is a specific production problem (of ‘hyper-innovation’ as economist Bernard Smith has called it), an extreme example of the more general problem of fluctuating demand. The challenge to the ready-made industry has been to mass-produce imitation while promoting differentiation and ‘distinction’. The production of fashion has led to a complex system of contracting and subcontracting.  
(Green, 1997: 20)

The outsourcing of garment production to low-wage countries and the increasing import penetration of cheap garments from South East Asia has not meant the end of domestic production in the core and in part of the periphery. A significant proportion of garments – notably women’s ready-to-wear outfits – are still being produced locally. The proliferation of sweatshops is precisely a sign of this. Herod (2001) cites statistics which show that in New York, while “between 1970 and 1984 city-wide registered employment in garment manufacturing fell 42 percent”, inner-city workshops grew (according to unofficial estimations) from 200 to 3,000. By the mid-1980s there were 50,000 workers in sweatshops in the city (:54, quoting Sassen, 1988). A. Ross (1997: 12) quotes further statistics in this line: “a recent [General Accounting Office of the US Congress] report estimates that over a third of New York’s 6,500 shops are sweated, as are 4,500 of [Los Angeles’] 5,000 shops, 400 out of 500 in Miami, and many others in Portland, New Orleans, Chicago, San Antonio and Philadelphia” (:12). The case of the UK is not different. Already in 1990 Phizacklea (1990) asserted that

while there have been closures and redundancies in the sector, international competition and recession have **by no means** devastated the sector. Thus in some areas such as the West Midlands the women’s wear industry has mushroomed and provides the necessary flexibility in

a sector that survives on the rapid production of unstandardised garments at prices that compete with the low-wage developing countries (:35, my emphasis).<sup>40</sup>

As I will stress in chapter 7, the proliferation of sweatshops in large cities all round the world is partly a consequence of the strategy of increasing fashion sensibility and shortening the fashion trends to incentive continuous consumption followed by large clothing firms since the late 1970s. “Product proliferation and faster ‘cycles’ of fashion are clearly major issues for the clothing industry. The average successful clothing trend lasted for only 6-12 weeks in 1999. The number of new products introduced to the market each year is approaching 50,000” (Martin, 2000; quoted in Collins, 2001). On the one hand, ever-changing fashion increases the necessity for cheap garments, since as noted by Simmel (1957) “the more an article becomes subject to rapid changes of fashion, the greater the demand for *cheap* products of its kind” (:556, emphasis in original), a fact that increases costs-reduction efforts. On the other hand, the fact that **time** has come to be more important than ever before has increased the need for domestic production, strengthening the companies’ spatial tie with the domestic market. In the highly fashionable sector, one single day counts. For instance, if a subcontractor fails to finish an order by the agreed date, important fines apply (according to interviewees, in Buenos Aires they imply generally a 50 percent of the pay). For top-end fashion houses everything has to be ready on time to exhibit the whole *collection*<sup>41</sup> in the indicated day. As one of the interviewees for this thesis stressed,

everything has to be done now now now! It’s very stressing. When you have to exhibit the collection at the beginning of the season, you must run around to put together all of the accessories comprised in the collection. If you fail to meet the date, other companies may get your customers and even if fines to subcontractors apply, our loss is much more significant, because we’d also loose a customer. Indeed, firms are tending to exhibit their collections earlier and earlier, and this means that you need to plan very carefully the very date of the exhibition (Agustina, fashion designer of a medium-to-high quality fashion firm in Buenos Aires, interviewed on 7/3/08).

This is why “the industry needs to be especially sensitive to changes in consumer taste, to respond quickly to these shifts, and to cease production of dying trends in a timely manner” (Bonacich and Appelbaum, 2000: 9-10). What this means is that production cannot take place in distant places like South-East Asian countries, or in Mexico for US

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<sup>40</sup> Although this quote is from an old research, as said in the introduction to this research sweatshops working for retail chains like Primark have been recently discovered by the BBC in Manchester, what shows that sweatshops do still exist in the UK.

<sup>41</sup> The *collection* is “a coordinated mix of garments that go together to provide a particular ‘look’” (Bonacich and Appelbaum, 2000).

markets or Tunisia for EU's markets. This is because by the time the orders reach the market (between 20 to 30 days after they were placed, for the case of China to the US and to the EU) the season might be finished or the fashion might have changed, and this would imply having large remainings, and thus a significant loss (indeed for a small company, even if this happens only once, this can lead to bankruptcy). According to Dunford (2006: 51) "10 percent to 15 percent of clothing costs are the costs of unsold stock." For some large retailers the garments sold-out at the end of the seasons can account for up to 20 percent of their total sales (Televisión Española, 13/01/09).

One of the largest clothing companies in the world (the Spanish Inditex, with its brand 'Zara') provides an excellent example of these trends. The commercial model of Zara (that in virtue of its originality and its importance I call the 'Zara model') is based on permanent rotation of designs and models, and in cheap prices. The idea of this strategy is that 'what you see today in a Zara store will not be there tomorrow' because they only have very few items of the same models and designs, so 'if you like something, buy it now!' This commercial model is translated into the demand of small batches and permanent and quick replenishment of the stores to subcontractors. These demands make production highly anti-economic, since these garments are not mass-produced and thus the unitary cost is high, but a third demand complicates this matter: Zara needs to offer low prices to remain competitive, and this of course means low pay to its subcontractors. In chapter 6 I will come back to this argument to show that these demands can only be met by sweatshops, i.e. hyper-flexible workshops producing in record times and at very low prices. Indeed, reliable sources (an officer in the Labour Inspectorate in the first case, and members of La Alameda in the second case) confirmed to me the existence of sweatshops sewing Zara's garments in both Prato and Buenos Aires. H&M, as well as a handful of new Pratese fashion firms, are expanding by following this model. With these data, it seems fair to surmise that in the clothing industry no firm will get to the top without producing in sweatshops.

In sum, the strategies of clothing retailers and brands have led to the necessity of counting with a large pool of subcontractors that can provide them with short runs of cheap garments produced in record times. Large factories are not functional to these demands. Instead, it is the large subcontracting system constituted by thousands of inner-city



workshops, generally managed by immigrants, which provides the necessary flexibility at very low costs.

It is out of such a system of contracting out that the sweatshop is born. What provides wonderful flexibility for the manufacturer provides unstable work, impoverishment, and often abusive conditions for the workers (...) In sum, flexible production, at least in the apparel industry, has created a much more effective engine for exploiting workers than existed before the new era of global capitalism (Bonacich and Appelbaum, 2000: 13).

### ***5. Why sweatshops are mostly run by immigrants?***

National sweatshops are overwhelmingly managed by immigrant entrepreneurs, and their workforce is also mainly made up of immigrants. Indeed, some of the academic literature on sweatshops is focused on this particular aspect (Green, 1997; Morokvasic, 1986; Morokvasic et al, 1987). In her study on sweatshops in London published in 1990, Phizacklea assures that the eight cut-trim-and-make subcontractors she interviewed were “ethnic minority entrepreneurs”, whereas Bonacich and Appelbaum (2000) assert that in their research on sweatshops in Los Angeles the workers were almost exclusively Latinos and the intermediaries were in the large majority of the cases Korean. Green (1997) also notes the prominence of immigrant workers in sweatshops, and referring to the way they cover their needs for labourers she asserts that “the apparel industry is an important example of immigrant networks in action” (:7). Besides, when newspapers report the existence of sweatshops the large majority of the workers are invariably immigrants (see sources quoted in chapter 1). As already mentioned, the great majority of sweatshops’ owners in Buenos Aires are from Bolivia, while in the case of Prato they are Chinese entrepreneurs.

There exist many reasons why immigrants take in their hands the production of garments, be it as entrepreneurs or as workers. Ethnic entrepreneurs “are usually persons who have already been in the country for some time and for whom access to mainstream, stable employment is difficult because of lack of appropriate skills and qualifications, lack of language proficiency, etc” (Morokvasic, 1986: 443). However, sometimes it is not lack of skills but rather discrimination and non-recognition of their skills that keeps immigrants away from the mainstream public or private labour market, and pushes them towards self-employment.

Ethnic entrepreneurship is as crucial as ever, with Asian and Latino immigrants, often undocumented, denied access to the mainstream labour economy through racial labour segmentation, thereby forced into ethnic enclaves where all labour laws are routinely neglected” (Bonacich and Appelbaum, 2000: 13).

The characteristics of garment production make this trade particularly attractive for the self-employed. Since the introduction of the sewing machine in 1861, sewing has been a relatively easy way to start up a business, given that the initial investment and the skills required to start with it are low, and it does not require more than a relatively small space, which can indeed be anywhere since no electric and other installations are needed. Besides, members of immigrant communities have the important advantage of having an easy and constant access to a labour force which is also keen to work in low pay conditions owing to the referred discrimination to which they are subject. When the pool of these workers does not cover the demand for labour, the contacts with their home country are activated.

According to Bonacich and Appelbaum (2000), one of the reasons why sweatshops have re-emerged is precisely the availability of immigrant contractors and workers. The industry makes use of them since these entrepreneurs provide not only a large pool of cheap labour but also an extraordinary flexibility that allows the fashion industry, with strong fluctuations on demand, fast-changing fashion and two seasons of low activity, to reduce risks and rationalise their costs. The small structure of their business, the lack of registration of it and of their workers (that is, the very low fixed costs they have) allow them to use both their workers and their machines only when required by the contractors. Morokvasic (1987: 443) summarises these issues in a few sentences:

for reasons pertaining to the structure of certain economic sectors and it's congruence with immigrants' predisposition, with their economic and other expectations, some immigrants tend to set up their businesses in those economic sectors where they are most likely to fill in a niche since the barriers to entry are low. Garments trade provides such an opportunity.

The fact that workers in sweatshops are immigrants is a key aspect to understand the dynamics of a sweating system. The vulnerability of these workers in terms of the difficulties they have to access formal jobs, the urgency to keep working in order to make a living, and generally their lack of knowledge regarding the labour legislation that protects them (despite the informal relationship with their bosses, and sometimes despite their irregular migration status) is used by their bosses to push the pay and the working standards down. This situation is worse for those who are just arrived. “The insecurity of immigrant status among clothing workers is a crucial factor in keeping the whole sub-

contracting system flexible as long as there are new waves of immigrants who have to start from scratch” (Morokvasic *et al*, 1987: 409). The way in which many of the workers arrive to the trade corresponds to what is known as ‘trafficking in humans’ (see chapter 2).

## **6. Conclusions**

Recent trends in the garment industry are highly pedagogical when it comes to analyse the ethics of Capitalism. Slaves from peripheral economies are sewing clothes for consumers in rich countries, both in their home countries or in ‘black holes’ in glamorous cities as Florence, Paris or New York. Scholars addressing sweatshops have repeatedly stated that “the apparel industry, as presently constituted, is exploitative at its core” (Bonacich and Appelbaum, 2000: 22). Furthermore, “in economic terms the apparel industry is amongst the world’s largest manufacturing industries and is among those very few industries where the extreme exploitation of vulnerable labour is central to the labour process and to the chain of profit making” (Ross, 2004: 12).

The industry is at the forefront of the numerous changes experienced by the world-economy since the 1970s. The response of its major players to international competitive pressures and to plummeting sales consisted mostly in transferring the risks and the costs to the workers through subcontracting, and in fostering a type of fashion business that, coupled with several other events (see below), ended up triggering the return of the sweatshop and the emergence of international sweatshops. In this sense, the spread of fashion marketing gave birth to a number of large clothing retailers that today base their businesses in an extremely flexible and cheap workforce.

The apparel industry has managed to combine the latest ideas and technology for the rapid production and distribution of a highly diverse and continually changing product with the oppressive working conditions of the late nineteenth and early twentieth centuries, now coordinated in a global space (Bonacich and Appelbaum, 2000:14).

Indeed, as I will argue in the next chapters in light of the findings of this research, the demands currently placed by fashion retailers to manufacturers can only be met by sweatshops. Certainly, without the availability of a large pool of completely flexible and cheap workers, the temporality that the commercial activity of retailers imposes on the physical production of clothing could never exist under such low prices. This is why commercial models like the ‘Zara model’ produce and reproduce sweatshops.

All these trends are possible because of the relaxation of state-control over the compliance of workers' rights and to the lobby that these companies have carried over the design of international trade disciplines. On the one hand, after a period of protection of the domestic industrial firms in Europe and the US, the strategy was delocalisation to low-wage countries (of which in the view of Fröbel, Heinrichs and Kreye [1980] the German clothing firms were the precursors). On the other hand, the follow-up liberalisation aimed at increasing multinational retail and high-end fashion companies' profits and power. But industrial production, mostly its workers, paid the price by either running out of business, by unemployment or by accepting lower labour standards.

As a result of these developments, the redistribution of wealth within the production chain makes this industry surely the most unequal of all. In one of the corners successful CEOs announce delocalisation plans and rich stake-holders benefit by the use of forced labour in their companies. In the other corner, the reality is quite less rosy than the boardrooms of multinational companies driving the industry would suggest: according to the UK-based anti-sweatshop organisation Behind the Label, "of the \$1,831 the average US family of four spent on apparel in 1999, only about \$55 went to apparel production workers" (Pollin *et al*, 2001; cited in Behind the Label [no date]).

## Chapter 4

### **Methodology: Understanding neoliberalism through the study of sweatshops**

#### ***1. Introduction***

The methodology underpinning this research has been influenced by a number of important considerations. One key aspect is an explicit radical political ideology relating to a desire to make the research action-orientated and ‘do something’ about the contexts that I studied. Another objective was to further theoretical knowledge about sweatshops, and help understand the more structural mechanisms leading to their re-emergence in several countries. As such, the research drew on two key methods. The first is primary empirical research in the form of 98 semi-structured interviews drawn from two case studies: the City of Buenos Aires (Argentina) and the Province of Prato (Tuscany, Italy). The second method was desktop research including literature review, documentary analysis, media content and statistical data searches and analysis. It is the primary empirical data that constitutes the most important basis for the findings and conclusions developed in this thesis. Yet the combination of these two methods, for example, by threading key statements made by interviewees together with secondary sources, was also essential to understand the origin of the sweating systems in both Buenos Aires and Prato. In this sense, the information collected and analysed provided good quality material to respond to the research questions which formed the basis of this project:

(a) how has clothing industry changed in Argentina and in Italy since 1980 in relation to investment, trade, production processes and employment?;

(b) how have these changes affected workers?;

(c) what are the main institutional influences on the shifts of the clothing industry as revealed by local realities (regional/local, national, supranational or international)?

(d) What does the return of the sweatshop tell us about the workings of neoliberalism?

This chapter contains the description of my research methods while also exploring the analytical issues addressed in previous chapters. I start by discussing the political evolution of the project, referring to both my own personal history and context from which the research emerged. Next, I discuss my use of a case study approach, the ways in which I selected the cases and the case studies themselves. Following from this, I present the three key methods which produced the data for the research: qualitative interviews, secondary data desk research, and fieldwork. A description of the ways in which the data was analysed follows, and finally, I consider some of the limitations of the methodology used.

## ***2. Political methodology: arriving at the topic***

To begin with, it is important to be explicit that my own political stances and my personal background played a major role in the selection of both the topic of study itself and the cases selected. My interest in addressing the concrete problems faced by large groups of workers in order to try to explain the causes of their situation was a result of my personal history and political orientation. I was marked at an early age by my parents' radical activism and by the experience of their (and mine) exile in Venezuela during the years of the dictatorship in Argentina (1976-1983). The working-class status of my family surely fostered my own radicalism. This was partly because this status was largely caused by political events: my father's undergraduate courses were suddenly interrupted when he had to leave the country under the threat of assassination by right-wing activists and police forces. For this reason he did not become an engineer as he had hoped, but instead remained a technician, posing major limitations to my family's living standards. On the other hand, my parents overcame the fear that the generals and their supporters successfully installed in society in general, and – though without impositions – they fostered values in me which led me to engage in activism since my last years in high school (17 and 18 years old). The experience of the suffering of the exile that my parents transferred to me translated into political commitments towards not only resisting a return to open state violence, but also towards improving peoples' life (including mine).

In the early years of my undergraduate studies (1998-2002), Argentina underwent a political situation marked by a deep socio-economic crisis and by a level of grassroots mobilisation quite unusual for the years following the dictatorship. The university was hit

strongly by budget cuts and by repeated attempts to introduce tuition fees and to attack universities' autonomy from the national government. University students made a big part of the popular unrest which had its zenith in 19th and 20th December, 2001, when the president was forced to resign by street demonstrations. In those years I was involved in University occupations and activism in defence of free education. In addition, it was also in those years that a continent-wide free trade agreement proposed by the US (the Free Trade Area of the Americas [FTAA]) started to be targeted by social movements and NGOs all around Latin America, who considered it as an imperialist project. My interest in these mobilisations led me to engage in the study of the FTAA. In those years I presented a number of papers on the issue in conferences, and together with a professor I gave talks in schools, street demonstrations, university occupations and SME organisations about it. This experience made me understand in concrete terms the importance of academic knowledge as a tool for political activism.

When designing my PhD proposal, all these experiences marked my choice of questions and the problems I wanted to address. I was inclined to choose concrete social problems directly affecting disadvantaged people. Additionally, my study of the FTAA had led me to engage in the analysis of the trade disciplines of the World Trade Organization (WTO) and this became an important area of interest. Three year PhD research offered a good opportunity to finally develop an empirically informed analysis of structural influences over local and regional economies. As a result, the original plan of my PhD research was to assess (comparatively) the impact of the trade disciplines of the WTO over regional economies in peripheral and in core countries.

During the first few months of my PhD I spent several weeks searching for a group of workers being negatively affected by processes and decisions taken in places beyond their localities, and whose case could be directly linked to policies launched by the WTO. However, a set of other actors and interests always 'interfered' between the local and the international – notably the national state. For example, the appalling situation of workers in the manufacturing plants in the harbour of Mar del Plata (Argentina) could be linked to the liberalisation of trade and the terms of the trade relationship with the European Union. However, the role of local entrepreneurs, as well as the role of the state in facilitating the participation of foreign companies in the local businesses, appeared as elements perhaps equally as important as the liberalisation of trade for understanding poor working

conditions in the factories. This is precisely when I came across a key methodological issue in geographical research, recently described by Peck and Theodore (2010) as follows:

Since geographers, too, tend to privilege place-specific and context-rich accounts of local labour-market restructuring, their work necessarily raises the methodological question of how, most appropriately, to ‘read out’ from local circumstances to more general understandings of structural conditions and tendential processes. Understanding labour markets from the bottom up, in this sense, must extend beyond idiographic storytelling, to explore ways of placing local labour markets, both conceptually and politically. Local labour market and constitutive scales of labour regulation do not simply exist, as it were, ‘out there’: they are *social* constructions, made and remade by contending social forces and agents (:88; italics in original).

This is to say that in the same way that local events cannot be understood solely as a direct result of international forces, cities should not be studied as bounded and closed. Instead, as Ward (2008: 407) has argued in the case of comparative urban research, “cities have to be theorised as open, embedded, and relational.” This means rejecting the *uniqueness of place* as the main focus for geographical research, and bearing in mind what Neil Smith (1987) has called “the dangers of the empirical turn.” Smith saw this turn in the late 1980s as a reaction against the overly structuralist Marxist accounts that dominated the discipline during the late 1970s and the early 1980s (“the stick is to be bent back” [Smith 1987: 60]). In his words, “as part of this methodological turn, research on restructuring has moved from a primary focus on the theoretical to an overwhelming concern for empirical research in hopes of gaining a much more detailed and sophisticated view of social, economic and geographical change” [Smith 1987: 60]). Focusing his critique on a specific ESRC-funded research project on the effects of economic and social restructuring in seven localities in England (the Changing Urban and Regional Systems project [CURS]), he pointed out that “the researchers are reluctant to generalise at all about the experience of restructuring, resulting in the impression that the project is primarily about the localities in and for themselves rather than an attempt to understand the dimensions of contemporary restructuring as revealed by the experience of these localities” (1987: 62). Rejecting the way in which this approach could be easily taken to the extreme of “empirical excesses”, he called for,

an historical theory of geographical scale that will help us to order what at first glance may seem like irreconcilable empirical complexity. Such a theory of scale may allow us to alter our perspective ever so slightly and to see the pieces fall into place. This could make the difference between whether we interpret the empirical results of locality studies as evidence of uniqueness and complexity or whether the profiles of change in East Liverpool and Swindon, for example, should be interpreted explicitly in terms of the changing regionalisation of Britain or, and I suspect more accurately, the changing regionalisation of Europe (1987: 65).



When I became familiar with these ideas and with the subsequent development of the politics of scale literature (see Brenner, 1999; Peck, 2002; N. Smith, 1987, 1992, 1993; Swyngedouw, 1997, 2000, 2010), my research project underwent major revisions. This challenging and interesting literature made me discard the study of the impacts of the WTO over local and regional economies, for this approach brings the attention of geographers and social scientists to the misdirected approach of studying a local or regional economy in light of the policies launched by one single institution acting at a specific geographical scale (in my case, the WTO). Instead, in the ‘politics of scale’ literature the adoption of a determinate scale as the locus of regional and local performance is rejected: “scale (at whatever level) is not and can never be the starting point for sociospatial theory (...) The theoretical and political priority never resides in a particular geographical scale, but rather in the process through which particular scales become (re)constituted” (Swyngedouw, 1997: 141). In this sense, these authors bring attention to the necessity of understanding how scales are constructed, i.e. to think about how and why the responsibility for certain political decisions relies on institutions and actors operating at different scales. Political decisions, interests and strategies are necessarily scaled, and there are reasons why they rely on, for example, the national state rather than in international, supranational or local/regional institutions – or vice versa. The multiple interconnected processes determining these events are dynamic, constantly shifting and deeply political. Addressing the processes themselves is what brings light into identifying each actor’s interests and responsibilities, as well as their respective strategies. In Neil Smith’s words, this approach helps to locate “[the] power that needs to be talked back to, challenged, or transformed” (2005: 894).

### **3. Case study research**

Everything is unique, but that really does not tell us very much.  
(N. Smith, 1987: 67)

The literature described above shaped to a great extent the methodological approach of this research, particularly in choosing to use a case study approach, but also in the selection of the specific cases. According to Yin (1984: 23; quoted in McGrath, 2010: 67) a case study is “an empirical enquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between the phenomenon and context are not clearly evident;

and in which multiple sources of evidence are used.” For this research, influenced by a desire to engage in political research, the priority was to look for “place-specific and context-rich accounts of labour market restructuring” (Peck and Theodore, 2010: 88).

### **3.1. Selection of case studies**

In order to address the research questions, two case studies have been examined: the City of Buenos Aires (Argentina) and the Province of Prato (Tuscany, Italy). For the selection of the case studies I followed a number of criteria. Firstly, I sought to examine situations in which a significant number of workers were subject to dire working conditions and in which the research could make a political intervention. I planned to use the research as an opportunity to help to stop such abuses by developing explanations, resources and training not generally available to workers and their organisations. Secondly, it was my intention to look for cases where explanations required – at least at first sight – looking at processes and mechanisms with multiscalar implications and with a high relevance for the workings of neoliberalism. This was in order to understand the myriad processes, regulations and interests that determine the situation seen by the fieldworker. This was also in order to avoid falling into a thorough empirical description that would not be useful beyond these particular realities. In order to ask myself “what contextual factors matter most” (McFarlane, 2010), it was essential to look for “context-rich” cases (Peck and Theodore, 2010: 88). In other words, my objective here was to further theoretical knowledge about sweatshops, and help understand the more structural mechanisms that are leading to their re-emergence in several countries. The case studies therefore had to suit these purposes.

The first case that arose as a potentially adequate study was that of the existence of thousands of sweatshops in Buenos Aires, in which thousands of Bolivian citizens are subjected to extreme labour violations. On the one hand, the fire in a sweatshop in Buenos Aires in March 2006 (see chapter 1) had remained in my thoughts as a possible case study precisely due to my will to ‘do something about it.’ The selection of a second case study in a core economy was “information oriented” (Flyvbjerg, 2006; quoted in McGrath, 2010: 70). The first priority when looking at a potential case study was to find a case which would allow a comparison with the sweating system in Argentina; indeed, I actively searched for sweatshops in Europe. The second priority was to find a “context-rich” case,

in terms of its multiscalar implications. Through consultation with an Italian geographer<sup>42</sup> I came to know the case of Prato, one of the largest Industrial Districts of the ‘Third Italy’, in which the textile industry was – is – being strongly affected by trade liberalisation. Prato was witnessing, at the same time, the development of a sweating system, largely taking place, as in the case of Buenos Aires, within a large migrant community. Combined with the accessibility of the language (Italian is similar to my mother tongue – Spanish), the case of the sweating system in Prato suited my interest in developing a comparative research. This case appeared as a suitable one for the comparative approach I was seeking to adopt. The lack of previous academic research in both locations encouraged me to take on these cases, as it increased the relevance of my own work.

### **3.2. How and why this is a comparative research?**

This research analysis one single phenomenon (the emergence of sweating systems) in two locations and in the context of an ongoing neoliberalisation in international political economy. The variables studied in both cases are similar: the problems affecting local entrepreneurs, the role of the institutional arrangements related to these matters, the responses from the workers (or the lack of these), and so on. As stated below, the same interview questionnaire was used in both cases.

The decision to carry out a second case study was linked to the potentialities of comparing economic phenomena between a peripheral country and a core country. In line with the need for finding a balance between, on the one hand, the complexities and specificities of the local and, on the other hand, the theoretical relevance of my empirical inquiry, the comparative analysis of this research is intended to “learn from experiences in different kinds of places” (Robinson, 2006; quoted in McFarlane, 2010: 4). In this sense, my concern was similar to Neil Smith’s advice regarding the “dangers” of the CURS project referred to above: “if the comparability of results between the different localities is not stressed, the danger is that the CURS project will do little more than repeat the empiricist locality studies of an earlier generation which deliberately examined individual places for their own sake, and not attempt to draw out theoretical or historical conclusions” (1987: 62). Quite the contrary, my interest in adopting a comparative approach was to understand comparison as “a mode of thought”, as “a strategy firstly for revealing the assumptions,

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<sup>42</sup> Salvatore Engel-Di Mauro.

limits and distinctiveness of particular theoretical or empirical claims, and secondly for formulating new lines of inquiry and more situated accounts” (McFarlane, 2010: 2).

Ragin (1987, quoted in Ward, 2008: 473) states that “virtually all empirical social research involves comparison of some sort”, at least because the comparison of what the researcher witnesses in the field and what s/he has in mind as ‘the way it should be’ occurs almost automatically. In this research I make this comparative dimension explicit in the search for providing a stronger contribution to the methodological, practical and typological dimensions of comparison (McFarlane, 2010: 6).

As pointed out by McFarlane (2010: 6), comparative research “is driven by research objectives and deployed for a variety of reasons: in order to fill a gap in understanding; to reveal the distinctiveness of a case; to place a case in a broader context; or to reveal the generality or particularity of a process or theme.” The latter of these objectives, i.e. the relationship between distinctiveness and similarities among cases, lies at the heart of this research, and is a key issue in the literature on comparative research in social sciences (Ward, 2008). Starting from these varied relationships between observation and theory, Tilly (1984: 81-2) developed an influential typology of comparative research, identifying four main types of comparison: individualising, universalising, variation-finding and encompassing. The first two are at the opposite extremes: whereas a “pure individualising comparison treats each case as unique (...) minimising its common properties with other instances” as “a means of grasping the peculiarities of each case, a “pure universalising comparison (...) identifies common properties among all instances of a phenomenon”, aiming at “[establishing] that every instance of a phenomenon follows essentially the same rule” (Tilly, 1984: 81-2). Within these two extremes lie the other two types: variation-finding and encompassing comparisons. The former aims to finding “a principle of variation in the character or intensity of a phenomenon by examining systematic differences among instances”. The later, instead, “places instances at various locations within the same system, on the way of explaining their characteristics as a function of their varying relationships to the system as a whole.”

It is rather a universalising type of comparison that underpins this research. The intention here was to “explain commonalities across contexts” (McFarlane, 2010: 7) in order to understand the restructuring of clothing production globally and its consequences over

workers. However, the four types of comparison outlined by Tilly are not mutually exclusive, and this research has also drawn on encompassing comparisons, for sweatshops in Buenos Aires and Prato (“instances at various locations”) analysed in the context of an ongoing neoliberalisation (the “system”) are a result of the varied ways in which Argentina and Italy have been affected by (and have responded to) neoliberalism. Paying attention to these matters is necessary in order to avoid “the methodological dangers of overgeneralising from one or a few examples” (Amin and Graham, 1997; quoted in McFarlane, 2010: 5). In other words, “comparison-as-learning” (McFarlane, 2010: 7) was essential to understand the restructuring of clothing production and to assess the scope and adequacies – or inadequacies – of the generalisations at which I arrived.

One interesting way of looking at the adequacy of a certain methodological approach is to imagine what would the results of the research be had a different methodology been used. This strategy renders more evident the fact that conducting only one thoroughly detailed case study would have not provided enough and good quality material to respond to the questions of this research. For example, the case of Prato helped improve and better contextualise the findings in Buenos Aires: the strategies of doing fashion businesses adopted by Argentinean clothing companies in the early 1990s (which fostered to a large extent the development of the sweating system) are those actually developed by Italian fashion firms in the late 1970s. Henceforth, while the impact of cheap imports from SE Asian countries in Argentina’s clothing market (which led companies to cut labour costs) was pointed out by many interviewees as the main reason for the expansion of the sweating system, the case of Prato revealed the importance of time and proximity of the manufacturing places to the markets, which affects the competitiveness of imports in relation to the availability of cheap local subcontractors. Because the importance of producing locally is more evident in Italy, this helped to see the limits to cheap imports as the main reason for the emergence of sweatshops in Argentina. Meanwhile, because in Buenos Aires I had better access to workers themselves and to former sweatshop workers, the findings there helped understand the reasons why workers stay in the sweatshops despite the dire working and living conditions. This contributed to see similar developments in Prato – as revealed in interviews with labour inspectors – and compensated for the lack of access to sweatshop workers in this case.

More broadly, the comparative approach helped confirm that the forms of state regulation of working conditions are different in a European than in a Latin American country. The same goes for the policies towards domestic industrial production. Besides, the different trade partners and the level of dependence on exports in one country and the other can be expected to be different; the comparison helped to assess the importance of the foreign sector for the restructuration of the clothing industry in each place.

This said, the similarities found in both cases (e.g. the state's attitude of 'letting it happen', the widespread use of subcontracting, and the lack of involvement of workers' unions in the struggle against sweatshops) are very important, and illustrate the strong links between neoliberalism and the emergence – or re-emergence in some cities – of sweating systems. Indeed, this is in itself revealing, and would have not been amongst the findings of this research had I not adopted a comparative methodology.

## **4. Selection of Methods**

### **4.1. Qualitative interviews**

In recent decades geographical research has moved towards an increasing use of ethnographic methods – typical in anthropological research – to the detriment of the quantitative methods generally used in sociology (Crang, 2005: 228). Geographers use “more plural practices of qualitative methods” than both anthropologists and sociologists (Crang, 2005: 228). Within my research, I discarded both the use of participant observation and quantitative approaches. The level of detail that participant observation would have provided was not necessary – and therefore not worthwhile – for understanding the effects of recent changes in the organisation of production of clothing, the political environment and the social regulation of the labour markets. On the other hand, it was very unlikely (if not impossible) to gain access to living in a sweatshop or at least to work in one of these for a long period. Here my positionality played a major role: if I were a Bolivian citizen in Buenos Aires, or a Chinese citizen in Prato, I could have attempted to work in a sweatshop (though hiding my real interest to my employee, which would rise ethical concerns) with at least some degree of success.

Far from seeking to develop a description of how clothing production is organised worldwide, or at changes in, for example, the origin and destiny of clothing trade flows before and after the liberalisation of trade, the research project and questions intended to address the daily experience of entrepreneurs and workers, in order to develop a more in depth view. According to Peck and Theodore (2010: 89), this is a usual “take on the labour markets” in geographical research: “the kinds of questions geographers pose tend to be concerned with the daily grind – the lived experience of labour markets”. Certainly, to know how workers have seen their working standards change, or how entrepreneurs faced particular problems and why they did so in the way they did, I needed to engage with them. The importance of this was compounded further still when faced with the limited literature on the issue. In the same vein, since these issues involve political developments in the regulatory arenas, it was also necessary to talk to officials. It is true that changing labour legislation can be tracked in official sources. However, my objective was to *understand* the political reasons for these changes, in order to provide *explanations* about how the events identified in the field (or even through media contents) are linked to certain political or economic decisions. Besides, institutional influences can adopt several forms (ranging from the most subtle to the most explicit) and are exercised and enforced beyond the papers; these issues must be searched for in the ground. In the same fashion as Okely (1994: 26) has argued, “my analysis was intended to demonstrate the underlying principles rather than any quantitative information”, and for that I needed to “[talk] to people” (Clope et al, 2004).

As a result of this need to engage with actors in the field and understand their particular experiences and perspectives, combined with the inappropriateness of participant observation, qualitative interviewing offered the best method of enquiry. Interviews can be considered as “conversation(s) with a purpose” (Webb and Webb, 1932; quoted in Cloke et al 2004: 149), and they are essential to have “an authentic insight into people’s experiences” (Silverman, 1993: 91; quoted in Cloke et al 2004: 149) (see discussion below).

## **4.2. Literature and data search**

In addition to qualitative interviews and in order to supplement them, I also undertook a wide reaching literature and data search, using a broad range of sources. Firstly, Durham

University's Library has been my main source of academic literature, including its subscription to academic journals and international catalogues like Worldcat, which have been helpful in identifying useful material. Also, some books borrowed from the British Library, the Library of the Congress in Buenos Aires, and the National Library in Florence were very important. In doing so, I ensured that the literature was not only drawn from one area, context or language. Secondly, the internet was a main source of all kinds of information, mostly for media contents, but including as well statistical information from the websites of the *Organization for Economic Co-operation and Development*, the *United Nations Development Program*, the *Economic Commission for Latin America and the Caribbean*, and the *International Labor Organization*. Finally, statistical data was also collected in visits to the *Instituto Nacional de Estadísticas y Censos* (INDEC) in Argentina, and the *Istituto per la Programmazione Economica Toscana* (IRPET) in Florence.

The research literature review and other documentary research comprised mostly five broad categories: (a) writings on neoliberalism (both critics and think-tanks); (b) academic literature on sweatshops and the transformations suffered by the garment industry during recent decades worldwide; (c) material on the recent economic history of Argentina and Italy; (d) literature on each of the case studies; and (e) literature on qualitative research in Social Sciences. These are analysed below.

(a) For the preparation of the broader international political economic context (chapter 2), I have relied chiefly upon Marxian approaches to political economy (using Harvey, 1989, 2001, 2003, 2005, 2006, 2010a, 2010b; Jessop, 1993, 2002, 2003; Merrifield, 2000; Peck and Tickell, 2002; Swyngedouw, 1997, 2000; and others). The class struggle analysis also facilitated the comparison between both cases (chapter 7) since it is my understanding that the main issue connecting both cases is the exploitation of labour by entrepreneurs. In addition, the historical materialist approach was very helpful in framing the results of the case studies into the adequate historical and geographical contexts, and in helping to understand the importance of the inputs of this research in terms of the broader debates on sweatshops, neoliberalism and capitalism (chapters 7 and 8).

(b) The arguments put forward in the chapter dedicated to the analysis of the garment industry (chapter 3) are mostly based on the writings of Bonacich and Appelbaum (2000); Green (1997); Morokvasic (1986); Morokvasic, Phizacklea and Rudolph (1987);



Phizacklea (1990); Andrew Ross (1997); and Robert Ross (2004). All of these writings deal with the issue of clothing sweatshops and migrant labour.

(c) For the purposes of setting the temporal and spatial context in which sweatshops develop in both the cases addressed in here, I have used writings on the most important shifts in political economy in Argentina and in Italy since the 1970s, focusing especially in the impacts that these changes have had for the well being of the working classes (Basualdo and Arceo, 2006; Ginsborg, 1994; Moroni and Balestrini, 1988).

(d) Academic work on sweatshops in Buenos Aires and Prato is scarce, perhaps owing to the illegal and obscure mechanisms that characterise it, which may have kept it away from academic research and kept researchers at a distance. Only a few reports involving no more than two months of fieldwork have been written in both cases. I have contacted the authors of some of these reports to gain access to further information, and to discuss the issue –and my research – with them. In the case of Buenos Aires, a short book “Esclavos” (*Slaves*, in the masculine) about the sweating system in Buenos Aires was recently published (Lieutier, 2010). I have interviewed the author twice, and I have stayed in contact with him throughout the preparation of this thesis. There is also limited literature relating to the Prato case. There is only one book and two long reports on Chinese immigration into the Province of Prato (Ceccagno, 2003, 2007; Monash University, 2008) and a recent book about the sweating system, edited by the economics newspaper *Il Sole 24 Ore* (the newspaper of the national industrial confederation *Confindustria*) and supported by the *Unione Industriale Pratese* (Pieraccini, 2008). I have interviewed both authors.

(e) Literature on qualitative research in Social Sciences was mostly for preparation of the research plan and also in the latest stages of the writing, to reflect on the methodology and fieldwork experiences. This literature was fundamental to understand the strengths and limitations of the diverse methodological options available and to balance them in the process of selecting the methodology. Retrospectively assessing the findings, using this literature, also helped to identify both the findings and the limitations of my research, and their connections to the methods used (see discussion below).

The search for media content was similar for each case study. In both cases I used the search engine of the main national newspapers (introducing words similar to ‘sweatshop’).

In Argentina, *La Nación*, *Clarín* and *Página/12* were the most used, whereas in Italy I used mostly *Corriere della Sera*, *La Nazione* and *La Repubblica*. In the case of Buenos Aires I also used the newspaper archive (in hard copies) of *La Alameda*. For the preparation of the broader thesis I used search engines such as Google, checking the links of those relevant sources like major newspapers, magazines and TV channels (e.g. *Business Week*, *Financial Times*, *The Economist*, *The New York Times*, *Der Spiegel*, *RAI*, *BBC*) and saving the most relevant notes and articles (such as those on labour reforms, international political economy analysis, economic crises, sweatshops and other labour abuses in general, etc.). Since access to the sweatshops themselves is difficult, this kind of information was very helpful for the empirical research – notably for the case of Prato – particularly to understand the role that sweatshops fulfil in the chain, their activities and the working and living conditions that constitute them. In the case of Buenos Aires, media reports were also of great help; for example, newspapers provided information on the potential informants to be targeted for the interviews. However, access to sweatshops' owners and to former sweatshop workers was gained only in the case of Buenos Aires, through contacts provided by *La Alameda* and the *National Institute of Industrial Technology*.

A challenge in undertaking the literature review and data search was the fact that this research is based on the study of phenomena that is organised under a principle of maintaining the majority of the activities in clandestine conditions. This affects the availability of good quality statistics. Mostly official information, while not necessarily of good quality, was used, and, where indicated, counter checked with other – mostly informal – sources.

### **4.3. Fieldwork**

One year of fieldwork was conducted with six months spent in each location: October 2007 to March 2008 in Buenos Aires, and April to September 2008 in Prato. Fieldwork was fully carried in the language of both locations, which means that this research involved three languages for its preparation (English, Spanish and Italian).

Figure 4.1: Tuscany region in Italy



Figure 4.2: Prato city and province in Tuscany region



Source: European Union, 2007

Figure 4.3. Argentina in South America



Figure 4.4 Buenos Aires in Argentina



Source: CIA World Factbook, 2010

In total, 91 semi-structured interviews with key actors and 7 other interviews with academics were conducted during fieldwork: 56 of them in Buenos Aires, 40 in Prato, 1 in the UK (the latter being an academic in Durham University working on human trafficking issues) and 1 in Spain (a shareholder and manager of Inditex/Zara). In addition to government officials, people from all levels and areas of the industry were interviewed: manufacturers; retailers; intermediary agencies; sweatshop's owners; small shoppers; designers and heads of apparel design schools; registered workers; former sweatshop workers; and union leaders. As is shown in Table 1 below, I organised the interviewees into five categories depending on their role: officials; entrepreneurs; union leaders; workers; and workshop's owners. All interviewees have been anonymised (see Appendix I for a list of interviewees).

**Table 4.1. Interviewees by category in each case study**

<b>CATEGORY</b>	<b>BUENOS AIRES</b>	<b>PRATO</b>	<b>OTHER</b>	<b>TOTAL</b>
Officials	17	11	-	<b>28</b>
Entrepreneurs	13	13	1	<b>27</b>
Union representatives	9	8	-	<b>17</b>
Workers	12	3	-	<b>15</b>
Workshop's owners	4	-	-	<b>4</b>
Academics	1	5	1	<b>7</b>
<b>TOTAL</b>	<b>56</b>	<b>40</b>	<b>2</b>	<b>98</b>

The number of interviews conducted resulted from the balance between the time constraints and the advantages that could be gained by continuing with them. In the last interviews with entrepreneurs in Buenos Aires, responses began to be repeated (for example, the issue of the impact of cheap imported garment into the domestic market, the lack of state support to SMEs, and the allegedly 'cultural' character of sweatshop labour arose almost invariably). The same happened with officials from the City Council and the Tuscany Region (in this case, the allegedly cultural nature of sweatshop labour, and the mafia-like modus operandi of sweatshop entrepreneurs, were constantly pointed out by these officials). Nevertheless, it must be pointed out that I did not succeed in interviewing officials in the national ministries of Labour and Economy in Italy, mostly due to time constraints (it necessitated travelling to Rome and arranging a number of interviews in one or two days, for which there was neither time nor financial resources).

Interviewees were contacted through the technique of snowballing, which is “a method of gathering data from a small sample population” (Bridges, 2008), and is as well a very simple, economical, efficient, effective and informal way of drawing on relevant respondents to address research questions (Davies, 2007; cited in Bridges, 2008). This is particularly effective when working in areas of sensitive research and particularly areas of social life that are somewhat ‘underground’. Workers were contacted by means of trade unions and, in Buenos Aires, through *La Alameda*, which provided invaluable other contacts and information. Meanwhile, entrepreneurs were mainly contacted by means of the entrepreneurial associations and public officials. However, snowballing was not the only technique used to contact interviewees: some entrepreneurs were chosen from lists found on the internet and contacted directly, and officials in general were directly contacted having found their contact details in public offices.

Interviews were between 30 and 60 minutes long, and were semi-structured. Apart from the interviews with academics, for which I prepared specific questions, a semi-structured questionnaire with a fixed set of questions was used. One questionnaire adapted for each respective category was used, using the same questionnaire both in Buenos Aires and in Prato to enable comparisons (see appendix II for sample questionnaires). These questions were not closed, and were rather aimed at framing the conversation, leaving space for issues that I had not previously identified as important to be developed as the interview flowed. It is interesting to recall here the “types of social situation commonly encountered in human geography” when conducting qualitative research, identified by Cloke et al (2004: 127). One of these is precisely the “interactive relationships”, typical of semi-structured face-to-face questionnaires like those I conducted. In these,

data are co-constructed as interviewer and interviewee work their way through questions that begin as the ‘property’ of the researcher but which become co-owned and co-shaped in the unfolding interactivity of questioning, answering, listening and conversing. Here, the original scheme of intended data construction can be diverted or even subverted by both the researcher and the researched... (Cloke et al 2004: 129).

When conducting the interviews, interviewing skills played a crucial role. It was necessary to “ask follow-up questions in such a way as both to encourage and to critically question the stories told” (Cook and Crang, 1995: 43). However, Cook and Crang (1995: 37) also advise the interviewer that it is important to “[ask] questions which you believe are important to your project, but which may prove difficult, awkward or embarrassing to your interviewees, in a manner which [does] not offend them.” I certainly encountered such

situations, perhaps the clearest example of which was the interview with the head of the clothing chamber in Buenos Aires. In the interview I had to ask him about the generalisation of the use of sweatshops as a main production practice by companies. In order to avoid offending him and not to create a situation which would somehow ruin the fluid conversation, I contrasted his viewpoint with statements made by other interviewees, like members of *La Alameda*. The same strategy was used for union representatives: when a member of the *Unión de Cortadores de la Indumentaria in Buenos Aires* (Esteban, 23/1/08) assured me that entrepreneurs are unnecessarily tough in the negotiations on the bargaining contracts, I reminded him of the fact that they usually quote the cheap imports from China as a reason to keep salaries low. Another example arose when a member of *La Alameda* told me that their public campaigns against brands for the use of sweatshops were seriously affecting them, and I quoted an entrepreneur as saying that “nothing happens with those campaigns, after a couple of days people forget and it all goes on as usual” (Natalia, interviewed on 6/2/08). This allowed the member of *La Alameda* to recognise that the struggle against sweatshops is a long and hard process, full of difficulties, which depends on the general political environment as well and which “may require a whole generation” (interview with Gustavo, 8/10/08).

The large majority of the interviews were not recorded. This was due to ethical and practical concerns relating to the widespread nature of illegal practices in the sector. If a recording device had been used, it may have been difficult to get relevant information from the interviewees who would have been suspicious of recording devices. A few interviews were recorded, including the first five interviews in Italy and those with interviewees with whom I had enough confidence to speak freely (such as some union leaders). Statements copied from these recordings are duly indicated as ‘*sic*’. Conversely, in the case of the interviews not recorded I made long notes during the interviews, recording immediately afterwards what I heard, including certain details such as expressions or tones of voice, which I had highlighted in my notes and which I found (immediately or potentially) revealing. No relevant information is likely to be missing from these records, although if a few details are missing, the gains by making the interviewee feel more confident without a recording device largely outweigh any possible missing information.<sup>43</sup>

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<sup>43</sup> It happened several times that before making some statements interviewees asked me to make sure I did not quote them, mainly when they talked about others. Furthermore, four interviewees asked several times whether I was recording, despite the fact that I had made clear I was not recording. This reflects the level of concern that interviewees felt.

## **5. Data analysis**

In her description of her research methods on the study of gypsies, Okely (1994) compares the typically quantitative research methods used in sociology with the qualitative methods used by anthropologists. She points out that the organisation and analysis of qualitative data differs to a great extent from the processing of large amounts of quantitative information. The very process of organising and interpreting the several sources and types of information that account for the pool of data collected by the ethnographer is “a creative experience” (Okely, 1994: 32). She states that “after fieldwork, the material found in notebooks, in transcripts and even in contemporary written sources is only a guide and trigger” (Okely, 1994: 21). From there on, the researcher does not organise the results of his fieldwork in the form of coded statements or numbers under pre-set categories. Rather, these categories or dominant themes emerge through a holistic process of organisation and interpretation of the material, as well as during the writing process. Indeed, the stages of organisation and interpretation of material, and the writing process, cannot be clearly separated: “writing and analysis comprise a movement between the tangible and intangible, between the cerebral and sensual, between the visible and invisible. Interpretation moves from evidence to ideas and theory, then back again” (Okely 1994: 32). As the researcher progresses with the reading of secondary sources and with the transcription of his or her interviews, clues, ideas and evidence emerge in an uncontrolled way, and since those ideas need to take a specific shape and be adequately supported by evidence in the final text, they change or are discarded during the writing. For example, in my case I did have a pre-set number of questions for the interviews and certain broadly conceived and preliminary headings, but the final dominant themes of each chapter arose as I was transcribing the interviews and then writing, emerging from the data itself. Okely summarises these experiences commonly faced by the ethnographer:

Both during the fieldwork and after, themes gradually emerge. Patterns and priorities impose themselves upon the ethnographer. Voices and ideas are neither muffled nor dismissed. To the professional positivist this seems like a chaos. The voices and material lead the researcher in unpredictable, uncontrollable direction. This is indeed not a controlled experiment. The fieldworker cannot separate the act of gathering material from that of its continuing interpretation. Ideas and hunches emerge during the encounter and are explored or eventually discarded as fieldwork progresses. Writing up involves a similar experience (1994: 20-1).

For the research presented here, the information from each of the case studies has been organised into two separate chapters. All of the information from the interviews was transcribed to Word documents. The preliminary criteria to categorise this information was

based on the original questions of my research plan (see chapter 1). Once dominant themes took a certain shape, the statements were coded under these specific categories. Table 2 shows the categories for each of the case studies.

**Table 4.2. Categories of the information from the interviews**

<b>Buenos Aires</b>	<b>Prato</b>
Origin of the sweating system	Origin of the sweating system
Context and reasons for the emergence of a sweating system in Buenos Aires	Context and reasons for the emergence of a sweating system in Prato
Working standards in the formal sector	Working standards in the formal sector
Characteristics of the sweating system	Characteristics of the sweating system
Issues concerning the Bolivian community and human trafficking	Issues concerning the Chinese community and human trafficking
Who benefits from this phenomenon?	Who benefits from this phenomenon?
Who loses with this phenomenon?	Who loses with this phenomenon?
Quotes illustrating the point of view of each category of actors	Quotes illustrating the point of view of each category of actors
Responsibilities for the sweatshop crisis	Responsibilities for the sweatshop crisis
What to do?	What to do?
	Causes for the crisis of the district

During the coding process, I identified the most relevant statements of my interviewees and sorted them by quotes under the appropriate dominant themes as highlighted in Table 2. Similarly, I organised the information from the literature review, newspapers and official reports according to these categories as well. Next, under each category or dominant theme, and through a careful selection process, I have drawn together in a Word file the key material from interviews with participants, the literature review, newspapers, official reports and other documentation as appropriate to help with either the contextualisation of the case studies or with the analysis of empirical data. The careful organisation of the information along these lines simplified the writing process and helped to ensure that answers to address the original research questions have been represented.

## ***6. Key limitations, and how they were handled***

Studying an economic activity that is mostly carried out beyond the law has major consequences for the researcher; for example it is particularly difficult to contact actors such as workers and sweatshop entrepreneurs. This is even more the case when it comes to analysing circuits managed by a handful of powerful individuals that often have strong ties



to state officials and prominent entrepreneurs. As noted by Rainnie in his study of clothing SMEs in the North East of England, “gaining access to small firms is intensely difficult at the best of times” (1985: 217).

Conducting fieldwork for the study of illegal activities like sweatshop economies cannot be expected to be as smooth and controlled as the researcher may desire. Beyond the problems I faced on the ground, the way in which the political context shaped my research has deeply political implications. In Buenos Aires, the existence of an active social movement with experienced activists and with a thorough ground-work helped me gain access to background information on some of the illegal mechanisms that lay behind the functioning of the sweating system. This contributed to a better understanding of the role of the state in the ground, i.e. the everyday practices of the state. Conversely, this was not the case of Prato, where regrettably I have to acknowledge that the information that I collected is of a poor quality to analyse whether state representatives (and/or political parties) have an interest in ‘letting the sweating system grow.’ Put simply, I did not have enough confidence with my interviewees to ask them whether there exist officers who are involved in the business of the sweating system. This speaks of the importance of active political mobilisation for enhancing the understanding of the researcher: if academic work can contribute to struggles for social justice, the existence of groups of activists resisting in the ground is an important tool that the researcher should not discard under unnecessarily extreme ethical concerns. If the critical spirit of academic research is respected when analysing the adequacy of material provided by activists, and if the compromises of the researcher are duly indicated to interviewees and funding institutions, there is no conflict in having informal meetings with activists and in participating in their informative activities beyond work time. Indeed, the argument here is that this contributes to the fieldworker’s experience in ways that differ from solely interviewing.

The intense difficulties of engaging in the study of economies largely based on small companies and on strategies that avoid the legal channels, may explain for the most part the lack of academic research for the case studies prior to the undertaking of this thesis. As stated above, in addition to engagement and involvement in social movements around sweatshops, media reports and secondary data sources have been very useful to overcome these difficulties. They provided valuable information to understand the logics of the

sweating system today, the strategies of the actors involved, and how they work and for whom.

No researcher is exempted from complications of this nature. Indeed, they “must, like a surrealist, be *disponible* (cf. Breton, 1973), and open to *object trouvés*, after arriving in the field” (Okely, 1994: 19; italics in original). My experience is that in the case of Prato I had to face a series of limitations which I did not expect. On the one hand, a media report on sweatshops in the city was broadcasted in national TV the day after I arrived into the city.<sup>44</sup> This led sweatshop entrepreneurs and institutions possibly linked to the sweatshop economy to decline to give interviews. I contacted one Italian-Chinese commerce organisation and four Chinese citizens whom I had been told were clothing entrepreneurs, but the five of them refused to participate in an interview. The limited help provided by entrepreneurial associations to contact their associates was another key constraint; they all contributed with long interviews and contacted me with a few Italian associates, but none of them contacted me with their Chinese associates.<sup>45</sup> As a result I did not have access to any sweatshop owners and workers.<sup>46</sup>

The different political context in which I carried out my fieldwork also had major implications for the results of this research. In Buenos Aires the existence of a strong social movement combating sweatshops – which itself resulted from the political unrest in the early 2000s – helped me gain a better understanding of the workings of the sweating system and the role of the state. On the contrary, escalating racist discourses in Italy made it difficult to get thoroughly analytical material from a few interviewees who pretended to justify their viewpoints simply by blaming “the Chinese” in a broad sense (notably union representatives).

The limitations that either arose after arriving in the field or those imposed by the general context in which I had to carry out my empirical research, greatly shaped the results presented here. Yet it is worth noting that despite these constraints, this is the first academic research involving significant levels of fieldwork and access into the issue. In

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<sup>44</sup> It was the second report in four months. This time, it had had a stronger repercussion in other national media.

<sup>45</sup> Indeed one of them assured me that they did not have any Chinese associates, but one interviewee (Antonella, interviewed on 29/9/08) revealed to me that both the artisan associations have between 30 and 70 of them.

<sup>46</sup> The trade unions assured me that they had neither sweatshop nor Chinese workers.

this sense, I hope this research entails a first step towards understanding sweatshops in Italy – particularly in Prato – and in Argentina as well as its wider processes and consequences in distant places across the world.

## **7. Conclusions**

In this chapter I have stressed the importance that my political background had in the selection of the topic, the methods and the case studies themselves. The methodology for this project was acutely shaped by an interest in addressing realities which could have relevance beyond their specific empirical, limited detail. In this sense, I hope that this research on sweatshops in Europe and Latin America can throw light on workers' anticapitalist struggles, and to broader academic debates on labour market restructuring. Indeed, as Castree (2007, 2010) has noted, further empirical and theoretical inquiry on informal labour and on the forms of state regulation of labour markets are needed for the "work in progress" that constitute labour geographies.

The methodology detailed in this chapter proved highly adequate for its purposes, producing a large body of new empirical data. Many of the main findings can be directly linked to the data collected during the empirical research. In addition, the desktop search was fundamental for understanding the causes of the sweatshop crisis that lie beyond institutions, entrepreneurs and workers acting in the local and/or national in Buenos Aires and in Prato, as well as it helps to situate the empirical findings in the context of broader political economic trends, and in the context of theoretical debates on sweatshops and the shifting spatial divisions of labour of the clothing industry.

## **Chapter 5**

### **Sweatshops in Buenos Aires: The tango of garment workers**

#### ***1. Introduction***

Clothing and textiles production is the third largest manufacturing sector in the City of Buenos Aires, representing 15.5 percent of total production (CEDEM, 2007). In Argentina, clothing production is overwhelmingly situated in the Province and in the City of Buenos Aires; in 1993, they together represented 80 percent of the total number of firms nationwide (INDEC, 1994). The majority of these firms are informal; official statistics from the Minister of Labour (2008) state that informality in clothing manufacture accounts for 75 percent of total production, a fact acknowledged by the main clothing chamber (CIAI). Indeed, a large portion of the garment sold in the country is produced in sweatshops managed by a handful of Bolivian citizens working for domestic and international brands. In 2006 the National Institute of Statistics and Census (INDEC) recognised this reality: “the accident in a clandestine workshop in [Viale] where six undocumented Bolivian workers died and who were not paid social security or pension benefits, unveiled a clandestine chain of workshops that worked for renowned brands and employed more than 30,000 people, who generally lived and ate in bad conditions” (:320).

The declarations from workers quoted by Lieutier (2010) in his book on slavery in Buenos Aires, as well as the cases of the four former sweatshop workers that I interviewed, indicate that whilst the working and living conditions vary from one sweatshop to another, the most typical situation can be described as follows: as I will explain later, the mechanism starts when workers are approached in Bolivia and offered a job in Buenos Aires; they are paid the bus ticket and everything is arranged for them to travel. Once they arrive in the city, they live in the sweatshops, in cramped conditions with improper ventilation and a complete lack of health and safety provisions. They work from 8 am until midnight (16 hours) from Monday to Friday, and half day on Saturday and they are given two meals a day. They are not paid until the third or fourth month (supposedly, they are told, as repayment for their bus ticket), and they earn between A\$800 and A\$1000 a month (£130 to £170), that is, between 45 and 55 percent of the legal minimum wage for the

sector.<sup>47</sup> As health and safety provisions are completely absent, hundreds of cases of tuberculosis have been treated in neighbouring hospitals. Some workers (generally the newcomers) cannot leave the place (be it because the doors are locked –more often – or because they are threatened), and in some sweatshops the doors are locked all day long. As one of the declarations from a former worker to the Public Defender states (quoted in Lieutier, 2010: 37),

[I was paid] a salary of \$A250 [around 25 percent the minimum bargain salary] (...) In that workshop there were 14 people working, doors were locked constantly, and we were allowed to leave only accompanied by the bosses.

When she left the sweatshop, she heard on a radio station for the Bolivian community about another sweatshop that was searching for a cook. When she went there she found herself in an even worse situation:

I used to work from 8 am to 1 am as a cooker assistant. My pay was \$A300 [less than 40 percent of the minimum salary as for 2006]. I slept in the sweatshop in a garden with wooden walls that separated one ‘room’ from the other, but without roof (...) We all worked from 8 am to 1 am. Meals were breakfast, lunch and dinner. Breakfast was at 8 am and consisted of tea or coffee, and bread; lunch was at midday and it was spaghetti soup; and dinner was at 9 pm and it consisted of soup (Lieutier, 2010: 37).

Lieutier adds that “when she was fired, she did not get any severance pay and they owed her the salary of the last month” (Lieutier, 2010: 37).

The situation, then, includes human trafficking, subjection to servitude, deprivation of liberty, unregistered labour, violation of immigration rules, and sometimes child labour. Regarding the latter, Armando (formerly Deputy Secretary of Labour of the City, interviewed on 5/10/07) told me about some cases in which the workers only got food for themselves “because their children did not work”, and hence workers had to make their children work so they would be given food. The case of Dionisio is sufficiently illustrative:

I was living in the sweatshop with my wife and our two children (8 and 10 years old). We worked from 7 am to 12 am from Monday to Saturday. We had two mattresses on the floor and four plates of food a day for the four of us. We lived with 20 other families, separated from one another by a bed sheet. Doors were always locked, and we were allowed to get out only on Sundays, but during the week I was not even able to go to the hospital. Our children were forced to help us when we had a rush order; they were rarely allowed to go to school and they finally lost the regularity. We earned A\$1000 a month for the whole family [less than 40

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<sup>47</sup> £1 = A\$6. The legal minimum wage is A\$1,800 a month. These figures are valid for September 2010. To give a further notion, this pay is not enough to rent a two roomed flat in a working-class neighbourhood in the city, which is about A\$1,300 a month.

percent of the minimum salary for each of them, as for late 2007]. We asked the sweatshop owner for better conditions but he replied by firing us. That was when we finally denounced him.<sup>48</sup>

In this chapter I aim to analyse the links between the rise of the sweatshop and that of neoliberal policies in Argentina, in light of the findings of my empirical research in Buenos Aires. The emergence of a sweating system in Buenos Aires takes place within a context of growth in informal employment and a general pauperisation of working conditions. In this chapter I start by addressing the changes in the mode of accumulation and in the mode of social regulation that the country experienced since the late 1970s, when the dictatorship took over to rule the country until 1983. In those years the state favoured financial businesses to the detriment of industrial production, which had dreadful consequences for the formal and highly unionised industrial labourers. A plan to discipline the labour movement by the torturing and killing of about 30,000 activists was applied by the generals (Videla, Agosti and Massera) in close collaboration with large domestic and foreign firms. In addition, the return to democracy did not stop the process of violent redistribution away from labour, as witnessed by the fact that the share of salaries in the GDP did not stop its sharp drop from the mid-1970s to the present day: 48.5 percent in 1975 and 32.1 percent in 2001 (Arceo *et al*, 2008: 58).

After outlining this context I focus on the description of the sweating system, emphasising its origins, the modus operandi of the actors involved and who they work for. Both illegal outdoor markets, as well as the whole spectrum of brands (from small to large), are found to benefit from the existence of thousands of cheap hyper-flexible workshops competing against each other for their orders. In this sense, I address the role of the entrepreneurs, the demands they put on the state and the strategies by which they justify the widespread use of sweatshops. Fostering the fear of ‘a flooding of Chinese imports’ that could affect domestic production as it did during the 1990s, and blaming workshops themselves for the high level of informality are two of the main argumentative strategies adopted by the three chambers of the sector.

Despite the fact that the legal framework includes provisions for the control of sweatshops (notably the existence of a law stating corporate accountability) its enforcement is

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<sup>48</sup> The sweatshop was a former clandestine detention centre during the latest dictatorship (1976-1983). This astonishing coincidence made his case appear on the front page of an important newspaper (Página/12, 31/3/07).

extremely poor. This is why, following on from the description of the legal framework, I address the role of the state, and that of the governing party in particular, in the current development of the system and of the (growing) phenomenon of human trafficking and forced labour in general. The state is found to rather tolerate the existence of such practices, and indeed there exist indications pointing to an active participation of the governing party in these businesses.

Finally, despite the appalling working conditions in the sector, the struggle against the sweatshop has made several steps forward to, at the very least, stop the attack over labour rights and in creating a more beneficial environment for the legal control over clothing brands. In this sense, the social movement La Alameda, based in a neighbourhood in which sweatshops are rife, is leading the efforts with a number of innovative approaches, and is challenging traditional unionism by way of the genuine defence of the rights of informal and immigrant workers. The organisation of a workers' cooperative (which is also linked to a cooperative in Thailand in the frame of the slave-free brand 'No-Chains'); the denunciation in conjunction with state agencies of sweatshop practices by brands; and the lobby to stop the corporations' attempts to release themselves from corporate accountability, are amongst the most important steps achieved by this social movement. In light of this, La Alameda's example is drawn on repeatedly throughout this thesis.

## ***2. Neoliberalising Argentina***

### **2.1. Producing industrial goods in Latin America**

One of the most revealing and critical statements forthcoming from the interviews for this research came from Natalia, the co-owner of an 'agencia' (agency of finished product)<sup>49</sup> in Buenos Aires (interviewed on 6/2/08). She is a third generation textile entrepreneur. In 1998 (in a context of crisis) she decided to sell her family's textile factory and shift to the commercialisation of garments imported from China. In the interview she explained to me that she took such a decision because "to produce is never a good business in this country (...) If you are one of those who have the machines and produce, you will never be a big industrial entrepreneur, you know (...) You must move with the wind, be wise, have

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<sup>49</sup> A company that offers garments to brands and stores and produces them at order (see 6.2 in this chapter).

commercial tact to adapt your businesses according to the most profitable economic opportunities that each period offers.” The fashion industry in Argentina is the paramount example of ‘moving with the wind’, i.e. investing money according to what provides a quicker and higher return in a specific period.

Certainly, this was not always the case in Argentina. Equally as in Mexico, Chile and Brazil, the imports substitution process reached a significant development, covering production of the whole spectrum of industrial goods (from manufactured goods to chemicals and petrochemicals). In its second period (1963-1974), industrial GDP grew at 6.7 percent annually (Kosacoff and Azpiazu, 1989; quoted in Basualdo, 2006a). Likewise, while in 1960 industrial exports had a relative contribution to total exports of 3 percent, in 1975 they reached 24 percent (Schorr, 2005). However, in 1976 the military dictatorship (1976-1983) took power and imposed “a new social regime of accumulation based on financial valorisation” (Basualdo, 2006a: 138), thereby interrupting the industrialisation based on the substitution of imports. According to Schorr (2005: 15), this process is signalled by the fact that “industry stopped being the pillar of economic activity and the sector with the highest profit rates (...), and it was replaced by financial valorisation.”<sup>50</sup> In these years, the industrial thread became “weaker and less articulated than in the imports substitution process.” Finally, all this took place “in a context of growing concentration and centralisation of capital, and of a strong deterioration of the wage and employment relationship for workers” (Schorr, 2005: 15).<sup>51</sup>

Soon after the dictatorship took over, on 24 March 1976, the minister of economy Martínez de Hoz – who is deemed to have been ‘the civilian face of the dictatorship’ and who currently faces accusations for the kidnapping of two local entrepreneurs during those years – outlined the main backbone of his economic programme in a famous statement:

gentlemen, a new period for the Argentinean economic history is starting. We have turned round the interventionist statism that oppressed the economy, to give way to the liberalisation of the productive forces (quoted in Lieutier, 2010: 72).<sup>52</sup>

The Argentinean economist E. Basualdo (2006a) describes the regime of accumulation imposed by the dictatorship (which in his view lasted until 2001) with the following words:

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<sup>50</sup> The example of the auto industry is one of the clearest in this sense: while in 1974 its workforce was 57,400 strong, in 2003 the industry had only 12,050 workers (Abeceb.com; quoted in Página/12, 1/10/06).

<sup>51</sup> Translated from Spanish.

<sup>52</sup> Translated from Spanish.



the social regime of accumulation imposed by the military dictatorship – which interrupted industrialisation based on substitution of imports – constituted a particular case of the new functioning of the world economy. Perhaps it was the deepest and most socially exclusionary in Latin America in relative terms (...) In the Argentinean society a plan in which financial valorisation became the underpinning principle in the regulation of economic relationships was imposed. Naturally, this was not only related to the pre-eminence that the financial sector acquired in terms of the appropriation and distribution of capital, but also to a broader process that revolutionised the microeconomic behaviour of the large oligopolic firms, as well as the economy as a whole (:129-30).<sup>53</sup>

The particularities to which Basualdo (2006a) refers are related to the nature of the financial businesses triggered by the economic policies of the dictatorship and its polemic minister of economy. These businesses were boosted by the high liquidity of international banks resulting from the oil crisis, and to the low interest rates at which they offered money. During the years of the dictatorship, the interest rate in the internal market was systematically higher than that of the international banks. Consequently, dominant capitalistic groups (foreign and domestic) contracted foreign debt to invest these resources in their valorisation in Argentina by means of financial instruments such as bonds. Later on, they saved their earnings in foreign banks (Basualdo, 2006a: 130-31). Certainly, this could not be achieved by a non-interventionist state, despite the words of the minister of economy. Basualdo (2006a) stresses that the active role that the state played in allowing this mechanism was based on three main tasks. Firstly, the state continuously borrowed money in the internal market, becoming the largest borrower and thereby contributing to elevating the interest rate at a higher level than that of the international banks. Secondly, by borrowing from international banks the state provided the internal market with the foreign currency that the dominant capitalistic groups continuously leaked towards foreign banks. And last, but by no means least, the state became subordinated to the new logics of capital accumulation adopted by the domestic elite, through mechanisms which even included the transfer of private debt to the state in certain periods.

These shifts were not a consequence of the collapse of the previous mode of accumulation, since GDP per capita was growing at 6 percent a year (Basualdo, 2006a: 124) and when the measures adopted by the dictatorship were set in motion GDP had only been stagnant for two years (1974-1976). Instead, the dictatorship represented a systematic plan to discipline labour and to consolidate highly regressive state policies (Azpiazu and Schorr, 2010). When the dictatorship started, powerful external and domestic groups were

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<sup>53</sup> Translated from Spanish.

interested in breaking up the alliance between strong unions and industrial entrepreneurs who based their businesses within the internal market (Basualdo, 2006a). Geopolitically speaking, Chile was already under Pinochet, and the Brazilian, Bolivian and Uruguayan dictatorships had taken over when the generals arrived at the ‘Pink House’. Several scholars have written about the support of the US State Department for the dictatorship (Basualdo, 2006a; Chomsky and Dieterich, 1995; Harvey, 2005; Petras and Veltmeyer, 2003; Schorr, 2005). Indeed, the declassification of certain CIA files in 2002 revealed meetings between officers from the American embassy with the dictators, and their interest in controlling specific labour unions, as well as showing the systematic information flow between factories where workers were kidnapped and the American Embassy (Página/12, 18/8/02 and 26/2/06). There also exist several examples of private sector involvement in the repression of workers. One of the most striking of these is that of Mercedes Benz, which had an internal rule establishing that 1 percent of each car it sold in the country would be allocated to the Antiterrorist Fund to finance the dictatorship in Argentina (Pereira, 1988). Furthermore, following the end of the dictatorship a group of former union delegates of the Ford Motors Co factory in Argentina denounced that they had been kidnapped and tortured by the security members of the factory a few days after the coup, and they even asserted that within the very premises of the factory there operated a clandestine detention centre (Página/12, 26/2/06).<sup>54</sup>

In 1976 the minister of economy applied a fierce plan of ‘repression of salaries’ which included the freezing of salaries, elimination of the mechanisms to control prices, and devaluation, leading to mounting inflation. In that year the average real salary dropped by at least 33 percent relative to the previous year (Schorr, 2005: 20-21). “Thereafter, a markedly lower minimum wage limit was established. Real salaries have subsequently remained around this level, yet always following a downward tendency” (Schorr, 2005: 21).<sup>55</sup> Inclusive of the devaluation carried out by the previous authoritarian administrations (1974-1976), the average salary in the largest industrial district (Greater Buenos Aires) had fallen more than 30 percent by the end of the dictatorship, and the relative contribution of wages to the GDP had fallen from 48.4 percent in 1974 to 26 percent in 1983.

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<sup>54</sup> Basualdo (2006) explains that since financial valorisation did not create wealth, the resources that the powerful groups systematically sent out of the country were provided by the violent redistribution of wealth away from labour, entailing, in his view, a direct redirection of wealth from Argentinean workers to the international banks.

<sup>55</sup> Translated from Spanish.

With the return to democracy in 1983 “the model imposed by the military dictatorship was not substantially changed. On the contrary, it tended to be consolidated with regards to deindustrialisation, concentration and centralisation of capital, and regressive redistribution of wealth” (Schorr, 2005: 23-4)<sup>56</sup>. Indeed, during the first democratic administration (Alfonsín, 1983-1989) while GDP dropped 5 percent, the actual volume of manufacturing production dropped to 73.7 percent (1980-1990), whereas employment in the sector fell to 71.3 percent (Arceo *et al*, 2008: 29). Combined with the high level of inflation throughout the period, and with weakened labour power after the dictatorship, this led to a plummeting of the real salaries in the industry: according to Schorr (2005: 25) the average industrial salary fell almost 20 percent between 1983 and 1989. In sum,

during the 1980s the labour market was marked by a reduction in real salaries, stagnation of employment levels and a growing labour casualisation, which resulted in a sharp drop in the people’s living standards (Arceo *et al*, 2008: 30).<sup>57</sup>

Once the first democratic government finished, in the midst of a period of ‘hyper-inflation’ in 1989, Carlos Menem, today the most visible face of the neoliberal policies in Argentina, took power. According to Basualdo (2006a) the high foreign debt of Argentina – as was the case in most Latin American countries – constituted a main mechanism for international institutions like the IMF and the World Bank to push forward their policies of low state social expenditure and Structural Adjustment Plans (respectively).<sup>58</sup> Under the pressure of the World Bank, the major state-owned enterprises were privatised, partly under the argument of using those resources to pay back part of the debt. As a result, between 1985 and 1998, total employment in the state-owned companies of the sectors of telecom, post services, airlines, water, electricity, railways and gas dropped from 243,354 to 75,770 employees (Duarte, 2006).

A strong exchange rate and a fierce agenda of trade liberalisation gave a new impulse to the policies of deindustrialisation.<sup>59</sup> In addition, some industries were relocated to areas

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<sup>56</sup> Translated from Spanish.

<sup>57</sup> Translated from Spanish.

<sup>58</sup> In virtue of the financial businesses of both foreign and domestic groups, by the end of the dictatorship the Argentinean foreign debt had multiplied by five. Besides, the nature of this debt was radically different to that of the period of imports substitution, when foreign and domestic firms used to borrow money to invest it in the acquisition of capital goods in order to expand their production and increase their labour productivity. This time, instead, the money had been used to simply keep it circulating within the banks. No real capital had been created, and this made it impossible for both private groups and the state to pay back when the interest rate of international banks was suddenly lifted in 1982.

<sup>59</sup> The extreme to which trade liberalisation was taken in Argentina is illustrated by the fact that the Ministry of Economy refrained from including any exceptions to full liberalisation from the GATT during the

distant from the traditional industrial districts (Buenos Aires, Rosario and Córdoba), where salaries and unionisation are lower (Basualdo, 2006a). These trends continued dismantling and disarticulating the previously strongly unionised industrial workforce.

These trends happened hand in hand with the increasing oligopolisation and strangerisation of the economy in all economic sectors, leading to rising unemployment and economic concentration. Regarding oligopolies, while in 1993 the 500 largest companies of the country contributed 60 percent of total GDP, in 2000 their contribution had risen to 79.4 percent (INDEC, 2002). Similarly, the Economic Commission for Latin America of the UN (1999; quoted in *La Nación*, 9/5/99) indicates that while in 1990 foreign capital contributed to 33 percent of industrial production, only five years later (1995) it was producing 50 percent of it. Taken together, both processes led to increasing unemployment, since their labour productivity is higher. Studying the largest 500 non-financial companies, the INDEC (2002) shows that firms controlled by foreign capital increased their labour productivity at a much higher pace than local firms (30.9 percent against 19.5 percent). The same study shows that despite the fact that their revenues increased 40.3 percent (1993-2000), these firms reduced their workforce by almost 10 percent, which in absolute terms means that 50,000 jobs were lost. Schorr (2000: 156) points out that during the 1990s

two of the main structural features that characterised and conditioned the performance of the [industry] during the last quarter of the century seem to have consolidated: increasing concentration of industrial production in a markedly reduced group of oligopolies, in the context of an increasingly unequal and regressive path of redistribution of wealth.<sup>60</sup>

The increasing competition with both cheap imports and foreign firms in the internal market led thousands of domestic SMEs to bankruptcy and constituted a major disincentive for industrial investment by domestic groups. This contributed to the dismantling of the string of industrial local SMEs that had developed during the period of imports substitution, which had accounted for a large relative share of industrial workforce. In the whole, between 1993 and 2001 GDP grew 16 percent, but manufacturing GDP decreased 6 percent (Schorr, 2005: 27). As a result, the relative contribution of the industry to GDP in 2001 had fallen to 15 percent, whereas in 1974 it had accounted for 30 percent (Schorr,

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Uruguay Round. When asked about why this was the case, Matias (an officer at the Ministry of Economy who participated in the negotiations, interviewed on 11/3/08) stated that the minister did not want to send any contradictory signals to foreign investors and to international financial institutions.

<sup>60</sup> Translated from Spanish.

2005: 27). This deindustrialisation is illustrated most starkly by the employment indicators: “in absolute numbers, in 2001 there existed only one third (33.8 percent) of industrial jobs than those in 1976” (Arceo et al, 2006: 59).<sup>61</sup>

This deindustrialisation, the concentration into competitive companies with a high labour productivity (with its consequent displacement of thousands of domestic SMEs), and the privatisation of state enterprises, led to an unprecedented level of unemployment, which grew from 6.5 in 1991 to 21.5 in 2002 (INDEC, 2010). Precarious employment grew accordingly, from 8.3 to 18.3 in the same period.

As a further consequence of these trends, the high level of unemployment led to higher informality. In the words of José (a labour lawyer of the Asociación Obrera Textil, interviewed on 19/10/09), “in Argentina labour informality is a direct consequence of unemployment.” According to the current minister of labour, “the historical level [of informal employment] in Argentina is 25 percent, and today we are at 37 percent. The existence of informal employment is an obstacle for the redistribution of wealth, because the active policies we apply do not reach informal workers” (interview with Página/12, 24/8/08). The rise of unemployment and informality in a context of strongly regressive social policies led once again to a plummeting of wages as a share of GDP. Salaries dropped from 48.5 percent of the GDP in 1975, to just 32.1 percent in 2001.

This deconstruction of the formal labourers and the growth of informality during recent decades, with its negative consequences over working standards and salaries, can be witnessed with stark clarity in the garment factories. The statements by my interviewees quoted in the next section may depict the personal story of thousands of industrial workers.

## **2.2 Working conditions in the clothing industry**

Before the economic crisis of the late 1980s the main portion of apparel production in Buenos Aires took place in large factories with dozens or hundreds of workers.<sup>62</sup> Some of the workers interviewed for this research had been working in factories in the past, and all of them maintain that conditions were very good; they not only had a good salary along

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<sup>61</sup> Translated from Spanish.

<sup>62</sup> Indeed, there existed two factories with one thousand workers each (interview with Ramiro from SOIVA, 15/02/08).

with all the corresponding benefits, such as national insurance contributions, workplace insurance, holidays and so on, but they also had several premiums (for productivity, attendance, extra payment at the end of the year, etc), plus dining halls with accessible prices, a doctor and a nurse, and even psychological assistance in some cases.

This situation changed drastically during the 1980s. By the end of that decade, several factories had closed down, and in those which continued operating (some are still running nowadays) the majority of the benefits had ended.<sup>63</sup> Medical assistance in the factory and dining rooms were eliminated; later on, bonuses were also scrapped. Today, premium for productivity is extremely rare (even if it is included in the collective bargaining contract), several of the workers are not fully registered (with the consequent impact on their social benefits), and the minimum salary stipulated on the collective bargaining contract is the lowest in the whole manufacturing industry (interviews with Susana [18/1/08], Marisa [8/3/08] and Carlos [3/2/08]). The situation continued to deteriorate over the years, despite the economic recovery of the post 2001-2002 crisis which strongly favoured firms of this sector. One of the first questions of the interview questionnaire for workers was aimed precisely at allowing interviewees to establish a clear comparison between working conditions when they started to work on the sector and those of today. Despite the statement by Alberto from SOIVA (the official union, interviewed on 21/01/08) that conditions are now better than in the 1980s, all of the interviewed workers stated that in the past their situation was better or even “much better”. However, since the number of interviews is not representative, what is more revealing is the scale of the change.

Carlos (53) has worked in the sector since 1973 and he is now a worker in the Cooperativa 18 de Diciembre (formerly Brukman), one of nearly 170 ‘fábricas recuperadas’ (factories recovered by workers, i.e. factories which were about to shut down and were instead taken over and continued by the workers). During the 1980s he was working in Brukman (which was a big factory). They used to work for 45 hours a week, the pay was very good, there was the productivity premium and workers were fully registered: “We had a much better life, it was really another story; bosses were more conscious of the workers’ rights, and actually our productivity was much higher, because we had more incentives. But from then until now there has been a 180 degrees shift.” The story of Susana (59) is similar. She has been working in the sector since 1968. On being asked about working conditions since the

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<sup>63</sup> Today the largest factory in the City (Agrest) has 250 workers.

1980s, she refers to her job at a big factory from 1983 until 1996: conditions were “very good”, she was fully registered, worked for 40 hours a week and she had a high salary and important productivity premiums. She said that “it was another life”. By the mid-1990s productivity premiums were eliminated, and some months later she was fired due to ‘redundancy plans’: “When I started in the factory there were 430 workers, but when I left there were only 220”. She immediately got a job at another factory, but thereafter kept changing workplace due to the conditions she found in each of these. In late 2003 she made the attempt to work at home as a contractor for a small company but, as she pointed out, “it is horrible to work at home, because you find yourself working for up to 11 hours a day without really seeing a significant economic reward.” After only four months she decided to look for a stable job, and she was hired by a big factory the day after. In this factory (producing mainly export-oriented garments) she used to work 55 hours per week and the pay was just enough to live (including over-time). In October 2007 she was fired because in the words of her bosses “you complain too much”. At the time of the interview, she was unemployed and making a claim against the company to recoup her severance pay.

Apart from being instructive in understanding how working conditions have worsened since the 1980s until the present day, this primary source information reveals some other interesting issues. One of these is the fact that mobility between workplaces is very common and straightforward in the sector, even nowadays. In the words of Susana, “I will rest during this week and I will get back to work somewhere next week, it won’t be difficult”. The demand for labour is high, and in this context, the fact that labour conditions continue to deteriorate is difficult to understand.

The explanation lays in the strategies used by capital. All the union leaders I interviewed said that entrepreneurs are extremely obstinate in the negotiations. One of them (Esteban, from the Unión de Cortadores de Indumentaria, interviewed on 23/1/08) pointed out four reasons for this. Firstly, when the economic recovery started in late 2002, the entrepreneurs had been through a very deep crisis (1998-2001) which in many cases had challenged their businesses (indeed some of them had also hardly survived the late 1980s crisis). In virtue of this they are now less likely to concede higher minimum standards. Secondly, there has been a generational shift in the entrepreneurial arena; until the 1980s, entrepreneurs considered that it was necessary to maintain a certain level of benefits for the workers to increase their productivity. According to Esteban, they had a different conception of what a

worker is, since they understood that every worker had a family to feed and other long term compromises. However, “that generation lost the battle, and a new one has come.” This new generation is, in Esteban’s view, a generation of bureaucrats, a group of economic technicians that only think of the numbers: “they come to the negotiations with a calculator, and if the numbers are not those they expect, they simply disagree.” As Carlos affirmed, Jacobo was never a tough boss, the real problem was his sons and daughters: they belong to a generation of neoliberal managers perhaps lacking the ‘on-the-ground’ experience and insight to the production process itself, with a distant relationship with workers,<sup>64</sup> which translated into a more managerial and less human relationship. Even if he did not refer to it, Esteban would most probably agree to point to this generational shift as the embodiment of the broader shift in political economy worldwide; in other words, neoliberal bosses (better said ‘managers’) that can treat workers as numbers (despite rare moments of unrest), have replaced Fordist bosses which had to cope with strongly mobilised workers.

In the third place, Esteban pointed out that entrepreneurs bring the ‘Chinese threat’ into the negotiations, i.e. the threat of the internal market being flooded with imported garments (from China, but also from Brazil) in case their costs rise ‘too much’. Finally, companies use the remarkable availability of informal workshops as a concrete threat to push labour standards down. Certainly, all of the union leaders I interviewed stated that entrepreneurs openly say that “if the cost of labour goes up, we will then subcontract to the Bolivian workshops.” In this context, it is worth recalling that none of the 13 entrepreneurs I interviewed mentioned salaries amongst their main concerns (not even the chambers), and indeed two of them recognised that salaries are at a rather low level.

In sum, as noted by José (a labour lawyer of the Asociación Obrera Textil, quoted above), the general pauperisation of the working conditions in the formal economy generates a high level of tolerance of the informal economy. In turn, the fact that informality is so widespread drives down working standards in the formal sector, in the same way that it makes it difficult for the state to enforce labour rights. Authorities believe that they cannot suddenly enforce the law over enterprises because they would shut down, and certainly no administration wants to deal with the financial and political costs of unemployment. The relaxation of controls over the compliance of labour legislation resulting from such an

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<sup>64</sup> According to Esteban, some new managers may have never been to the factories themselves, since they work in offices which sometimes are away from the production places.



approach has had dreadful consequences for workers. The human rights violations taking place in the sweatshops of the clothing industry entail the most extreme expression of this reality.

### ***3. The sweating system in Buenos Aires: its origin and causes***

As outlined above, the garment industry was one of the sectors most affected by the deindustrialisation of the Argentinean economy. During the economic crisis of the late 1980s, which resulted in unprecedented levels of inflation, the apparel consumption experienced a strong retraction, and many enterprises, having increasing costs and assuming impossible levels of debt, were forced to shut down. However, it was not until the following decade, with fierce trade liberalisation and a strong currency, that the rules of the business changed and really started affecting local companies: according to CIAI, 4,000 out of the 7,000 companies that existed in 1990 had shut down by 2000 (quoted in Monzón, 2001). The legacy of such a dreadful decade was also perceptible as an undercurrent of fear in the interviews with both entrepreneurs and union leaders. Consequently, this fear of a return to crisis is used by entrepreneurs in their bargaining rhetoric as a reason for the continued suppression of salaries.

The economic instability created by the recurrent crises is amongst the main preoccupations of all the entrepreneurs interviewed in Buenos Aires for this research. As pointed out by Gloria (a Professor at the Department of Design in the Universidad de Buenos Aires, who also owns a consultancy firm for textile and clothing companies; interviewed on 5/2/08 and 11/3/08), “with the strong economic downturns affecting our economy, those who have a big structure [i.e. large capital investments] finally go bankrupt.” During the 1990s, the context of crisis for the manufacturers of clothing in an increasingly unstable macroeconomic environment (remember the recurrent crises of the 1990s) paved the way for the development of an informal sector, which, even today, comprises the largest part of the industry. In short, the large pool of small sewing workshops developed as a direct consequence of the crisis of the late 1980s.

### 3.1. The origin of the sweating system (1985 to 2002)<sup>65</sup>

The information from the interviews suggests that not all of the companies that went out of business during the 1990s really left the clothing industry for good. During the first half of the 1990s many firms closed their factories and chose between two different strategies. Firstly, similarly to the case of Natalia (the said owner of an *agencia*), some took advantage of the strong national currency and shifted to commercial activity, importing products and re-selling them to small or middle-sized retail companies (there were no large retail clothing chains at that time). Indeed, Lieutier (2010: 48) points out that “imports (...) imposed [low] top-up prices in the internal market, so many companies decided to shut down their production lines and focus on commercialisation; many times they operated as importers.”<sup>66</sup> Beto (one of the managers of the chamber CAIByN, interviewed on 14/3/08) confirmed this, and added that “in Argentina you must have commercial nous to survive.”

Secondly, other companies shifted to branded clothing, fuelling the surge of this international trend in Argentina, and achieving rapid success. Studying the latter strategy provides some of the key insights for understanding the burgeoning of the sweating system in Buenos Aires.

As a consequence of the closure of several factories, thousands of workers lost their jobs: from 1984 to 1993 employment experienced a drop of 72 percent (Ministerio de Trabajo, 2006). Esteban (the union leader quoted above) asserted that a significant number of the workers fired from the factories were given machines by their former bosses, thereby replacing or compensating their severance pay. These workers continued to work for the companies from home.<sup>67</sup> This implied a shift to an even more unequal and a highly unstable labour relation. In other words, the firms not only transferred the risk to the workers, but they also started taking part of the workers' pay systematically: by paying them per unit (which is only legal for the calculation of bonuses), companies avoid paying salaries during the slack season. In the whole, by these means companies take from the workers between three and four months of their salaries every year. This adds up to the difference between the low pay workers receive and the minimum salary, and implies

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<sup>65</sup> Owing to the lack of bibliography and statistics addressing this issue, in this section my arguments are based upon statements from the interviews.

<sup>66</sup> Translated from Spanish.

<sup>67</sup> Indeed, two of the companies I interviewed (Caro Cuore and Taverniti) had followed this strategy in the early 1990s.

several millions of Pesos that the companies plainly steal from the workers. Esteban identifies this trend as ‘the explosion of workshops’ and the beginning of the sweating system.

Marcelo, a Bolivian immigrant who now owns a sweatshop (interviewed on 9/2/08) stated in the interview that since the mid-1980s there were already several workshops in Buenos Aires in which working conditions were not worse than those which could be found in any other unregistered activity. In the mid-1980s his wife bought a sewing machine (with an accessible loan offered by the state-owned Banco Nación) and started to sew at home for brands to compensate for Marcelo’s stagnated salary. Indeed, in the wake of the growth of unemployment several women started sewing at home for contractors in order to increase the family income. During the first half of the 1990s, the economic recovery had a positive effect on garment sales, but since the statistics do not show any increase in employment or in labour productivity in the sector, it can be deduced that the demand for workers was covered by unregistered homeworkers and workshops. Marcelo and another sweatshop owner who lives in the 1-11-14 shantytown (Ana, interviewed on 26/1/08), pointed out that during the first half of the 1990s the pay from the brands was fair enough, and it allowed them to save money and buy some more machines to bring people home to work for them. The low investment that starting with this trade requires began to play a major role in here. This is how Marcelo started offering jobs in Buenos Aires to his relatives and friends in Bolivia.<sup>68</sup>

By the mid 1990s the phenomenon of workshops had escalated considerably; hundreds (perhaps already thousands) of small workshops with up to 40 employees<sup>69</sup> invaded the city, and were mostly concentrated in four working class neighbourhoods: Caballito, Flores, Bajo Flores and Once. However, when the first signs of recession appeared in 1994 (the ‘Tequila Effect’), apparel production started to experience problems (with a drop of about 5 percent in a year). Despite the timid recovery in 1996, by 2002 sales were down to less than half (43 percent) (CEP, 2008). Such a sudden contraction had a devastating effect on registered workers: from 1997 to 2003 formal employment in the sector fell to 57

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<sup>68</sup> Instead, Ana is Argentinean and had no contacts in Bolivia, so the first workers she brought home were Argentinean, but today they are Bolivian because, as she states, “Argentineans do not want to work.”

<sup>69</sup> According to Lieutier (2010), workshops generally have between 4 and 20 employees.

percent; likewise, between 1993 and 2003 real salaries fell 24.6 percent, reaching a 39.2 percent decrease at the depth of crisis (2002) (Ministry of Economy, 2005).<sup>70</sup>

The effects were also significant for the economic performance of the workshops: finally the supply had met the demand, and when the supply overtook demand in the midst of the crisis, fierce competition between the sweatshop owners (hereafter *talleristas*) broke out. This gave the brands absolute control to set contracting prices. Indeed, since the quality of the garment is not particularly relevant for their businesses, brands prioritise low prices; thence they award the orders to those *talleristas* who offer the lowest price and who meet the deadlines, without any further consideration. Consequently, *talleristas* found themselves increasingly in a ‘take it or leave it’ situation. The downward spiral of prices had started. In only a few years, a strategy (subcontracting) adopted by some firms to face a deep economic crisis had created a whole production system. Mario (a lawyer at the city’s Public Defender’s Office, interviewed on 9/10/07) reminded me that the first denunciations of the existence of sweatshops in Buenos Aires – “in which we found conditions of servitude” – took place in 2000, and they were even published on the front page of the best selling newspaper (*Clarín*, 27/2/99). The sweatshop economy was born.

#### **4. Human trafficking in Argentina: Human rights?**

Since its beginning, the sweating system in Buenos Aires has been organised by members of the Bolivian community. Marcelo – the said *tallerista* – had access to relatives, friends, and friends of friends in Bolivia who were keen to come to Argentina and work, in spite of the unfair conditions, for remuneration that, in virtue of the relative strength of the Argentinean currency, allowed them to send money back home. Collins (2003: 7) explains that immigrant communities are often in an especially beneficial position to cover this demand owing to their community networks: “entrepreneurs wishing to set up an apparel factory have needed only to rent a space and buy sewing machines (...) This has made the industry especially attractive for immigrant entrepreneurs, who could get started with only small loans and tap kin and community networks to recruit workers.”

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<sup>70</sup> As another source of statistics, it is interesting to note that one of the two workers’ unions (*Unión de Cortadores de la Indumentaria*) lost 19 percent of its unionised workers during the crisis (1997-2002), accumulating a loss of 59 percent since 1991.

From time to time, high levels of unemployment and poverty in Bolivia – and Paraguay – have triggered emigration towards countries such as Chile, Argentina and Brazil. Bolivian migration to Argentina became significant in the 1960s. However, since 1991 the strength of the currency, which allowed migrants to send remittances to their families back home, attracted a new wave of migration from Bolivia and Paraguay.. While the 1991 Census revealed the presence of 143,735 Bolivian citizens, ten years later that number reached 233,464 people, representing an increase of 55.5 percent, as Argentina became the main destination for Bolivian emigrants (INDEC, 2003). At present, citizens from Bolivia and Paraguay engage in four main activities: construction, prostitution, agriculture and sewing sweatshops (predominantly, Paraguayans engage in the former two and Bolivians in the latter two). No official statistics exist about how many migrant workers are victims of human trafficking, but unofficial estimates suggest a figure of 130,000 including both Bolivian and Paraguayan citizens (Fundación El Otro, 2007).

Assuming that Marcelo's story is the story of many (there are no reasons to believe it is not, and there are no hypotheses to contradict it in the scarce academic literature on the subject), I would suggest that Bolivian immigrants who were already settled in Buenos Aires and its metropolitan area, jumped scales and gradually created an international network to provide labour for the garment industry in Buenos Aires. Many of them owned a few sewing machines and were working for contractors who demanded more of them than they could produce. They called friends and relatives back home to come and work for them. Little by little, thousands of Bolivian workers crossed the borders to work in these unregistered workshops. Today, during an economic recovery period, this phenomenon continues to take place.

The recruitment works as follows: in some cases, workers get the information through advertisements on radios or in newspapers, mainly in poor neighbourhoods in La Paz. They then call the phone number advertised and they meet the trafficker.<sup>71</sup> In other cases, workers are approached directly by an employee of the sweatshop owner, or by the *tallerista* himself, as happened to José (25/1/08).<sup>72</sup> Lieutier (2010) quotes declarations from other former sweatshop workers in the office of the Public Defender confirming these two modus operandi, and showing that when workers approach the 'agencies' or are

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<sup>71</sup> This was the case of two of the four former sweatshop workers I interviewed (Dionisio – 18/1/08 – and Susana – 18/1/08).

<sup>72</sup> Indeed, in April this year one of the largest *talleristas* was caught in a Northern province bringing 7 people from Bolivia in his own car (a kangoo-style car) (Pagina/12, 25/3/10).

approached directly, they are offered a stable job in Buenos Aires for a £140 monthly salary (£200 ‘if you are skilled’), including housing and meals.<sup>73</sup> Their transportation is paid by the *tallerista*, and once they reach Buenos Aires’ bus station they are taken to the sweatshops. At times their passports are retained, and they are told not to leave the workplace, as the police would deport them. Armando (the said former officer in the City’s Deputy-Secretariat of Labour) explains that the mechanism implies the complicity of: (a) those media companies which publish the announcements; (b) those bus companies that allegedly take extra pay from traffickers to secure the transport of the workers; and (c) officials at the National Office of Migration, both in the borders with Bolivia and Paraguay, and in Buenos Aires. Indeed, Armando, Mario (the lawyer at the City’s Public Defender referred to above) and Gustavo from La Alameda even blame the Home Ministry, of which the National Office of Migration depends. Certainly, as I will address later on, the existence of more than 100,000 victims of human trafficking in the country raises concerns about the possible complicitous involvement of senior officials in the national government.

### **5. Why do workers stay in the sweatshops?**

During this research I was asked this question several times. The interviews with former sweatshop workers and with activists from La Alameda (see 10.1 in this chapter) provided valuable information in response to this question. It is worth noting as a first caveat that workers do not stay for long in the same sweatshops. As I will elaborate in chapter 7, workers do seek better working conditions, but the fact that they are migrants is a crucial disincentive for their engagement in collective attempts to improve them. Instead, the majority of them keep changing from one place to another in the hope of finding better conditions, although they very rarely succeed in leaving the sweating system and entering the sector as formal workers. Discrimination and non-recognition of their skills form part of the explanation. However, as I will stress further on, many workers do not want to work in the formal sector, as this implies fixed hours in a low paid activity, and difficulties to make extra (fresh) money and to have a flexible working schedule (see chapter 7).

The explanation as to why workers stay in the sweatshops is to be found in a complex web of multiple and interrelated issues. First of all it is necessary to consider those sweatshops

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<sup>73</sup> The minimum salary in the sector is £300 (December 2010).

in which workers are actually locked; as Dionisio told me in the interview, “doors were always chained, always!” In other cases, some workers may find themselves in a situation which they perceive to be better than their previous life in their home countries, and they might refrain from complaining for this reason. It may be the case, as happened to Dionisio, that a boss tells his or her workers that no one will pay them more than him or her, and that if they work hard they will receive a better pay. In Dionisio’s words, “the *tallerista* used to tell me that he would give me the pay I merited once I had finished paying back for the transport, and that the situation in other workshops was much worse because no one was as nice as him with his workers.” In this way, many workers enter into an everyday logic that makes them focus on working as hard as possible so as to accumulate some capital to leave the place as soon as possible, to rent a house and, in the case of those who plan to stay in the country long-term, to buy their own machines and become their own bosses. Sometimes, they may also pursue a career as *talleristas* themselves, but previous academic literature on other case studies shows that only a few of them make it (see Morokvasic [1987: 143-44], who quotes an estimate from the French 1982 Population Census stating that “about 5 percent of those (migrants) active in the labour force... are self-employed”). In other cases, the *talleristas* may prefer more coercive mechanisms like openly violent threats and firings to those who complain.

However, the most general explanation can be found in the characteristics of the human trafficking mechanisms. Worldwide, traffickers take advantage of the vulnerable status of workers to over-exploit them and force them to stay in the workplace, isolated from the ‘outside there’ (see Bonacich and Applebaum, 2000). Their status as illegal migrants means they refrain from raising any claims, and those who are locked in the sweatshop may fear to leave the place, as they do not know anyone and have nothing to do outside of the workplace. Moreover, since workers live and get their meals in the sweatshops, and since they usually do not have money, they may even be forced to stay in the place, by virtue of the fact that they are not aware of the assistance they are entitled to from the City’s government or from La Alameda. Hence, they run the real risk of not having a place to stay and not having food, which, in the case of those workers who came with their children is even worse. Indeed, during the months following the tragedy in Viale Street several workshops were shut down by the Office of Supervision and Control of the City of Buenos Aires (see below). Workers were thus sent out of the sweatshops and ran out of food and shelter. During those days it was common to hear in the media of migrant

workers claiming for their jobs, assuring that even if the working conditions were not those which they deserved, they needed their job. The first reaction of the workers, mostly led by *talleristas*, was to blame La Alameda and to organise demonstrations against it. There was even an attempt to set La Alameda's headquarters on fire in one incident (see 10.1 in this chapter).

In virtue of the significant similarities with the case of Prato, I will come back to these issues in chapter 7, to provide a fuller explanation.

## **6. The present situation**

I had a terrible time. I don't want to work and live like that anymore.  
(Dionisio, a former worker in a sweatshop)

After the crisis of 2001-2002 – one of the worst in Argentinean history – rapid economic recovery favoured locally-based garment production again, and the 2003-06 period witnessed a real boom in apparel production. Between 2002 and 2006 garment production grew 70 percent, while in Buenos Aires between 2002 and 2005 it grew 58.8 percent (CEDEM, 2007: 69). For the same period, consumption almost doubled (+94.4 percent). With the devaluation of the Argentinean Peso in January 2002 the national currency lost 40 percent of its value relative to the US Dollar. This led to a sudden halt on imports, which provoked – for those who were importing at the time – the urgent necessity to find local producers that could cover this demand. But it was mostly the sharp increase in consumption since the second half of 2002 that increased the demand for producers, and between 2002 and 2005 registered employment grew 62.7 percent (Ministerio de Trabajo, 2006). Natalia (the owner of an *agencia*, mentioned above) said that before the devaluation she was importing goods from China, but then she had to completely re-design her business; she asserts that finding workshops that could produce for her became a very hard task, and she even had to offer quick payment in cash to the subcontractors. Fernanda (a fashion designer working at the Metropolitan Centre for Design of the City [henceforth CMD], interviewed on 11/2/08) stated that Natalia's case is actually quite common. Even for large factories it was difficult to cover their demand for labour, since many of the former workers had left the sector, shifting to other activities. This high demand for workers triggered once again the trafficking network. Henceforth, the sweating system experienced an even stronger impulse, as the prices paid to *talleristas* remained extremely



low. According to Gustavo from La Alameda, this was the real explosion of the sweating system. Today, unofficial estimations state that there exist about 5,000 sweatshops in the City of Buenos Aires (Fundación El Otro, 2007), plus more than 15,000 in Greater Buenos Aires (Clarín, 25/4/06). Once again the sweating system, emerged as a response to an economic crisis, is healthier than ever in the midst of an economic recovery (2002-2010).

Daniel, a senior officer at the CDM (interviewed on 28/1/08), explains with clarity what was ‘the real problem’ when fashion consumption recovered in late 2002. In his view, the rapid increase in demand for producers and workers could only be met by sweatshops because they were in the best position to supply the industry with a large pool of *cheap* workers quickly. Certainly, the devastating experience of those with medium or large apparel factories during the 1990s, discouraged those who went bankrupt and any potential newcomers to come back or to set up their own factories after the 2001-2002 debacle. The country, in a broader sense, had lost the industrial capacity to cover the increasing demand for industrial goods. In Daniel’s words, “the dismantling of the industrial thread in the country with the economic policies applied from the dictatorship to Menem [1976-1999] had its impact in the clothing industry.” As already said, the few large enterprises that had existed in the city shut down.

### **6.1. Who do sweatshops work for?**

Augusto (a leader from the Argentine Industrial Chamber of Clothing, henceforth CIAI, 4/3/08) pointed out in the interview that the Ministry of Labour calculates that informality in clothing production in the country reaches 75 percent. He recognised that this estimation might be true and that informality is indeed one of the three priorities of the Chamber. Also Alberto (a union leader from the SOIVA – the official union – quoted above) said in the interview that “all the firms work with sweatshops”. This is to say that informal workshops (of which many are sweatshops in virtue of the fierce competition among them) produce virtually all kinds of clothing. However, in analysing the information from the interviews two broadly defined markets can be identified. Firstly, there are a number of illegal outdoor markets, of which the largest is called La Salada. Secondly, there are the brands and retailers, both the well-known ones as well as the medium and small ones, the majority of them being national firms (despite a few multinational sportswear brands – e.g. Puma and Adidas – and the recently arrived Zara). There also exists a third circuit, said to be

rather marginal according to my three interviewees in the CMD; it is that of the apparel produced for designer markets, which is a new fashion in Buenos Aires and is spreading to some other cities in the country (Mar del Plata, La Plata, etc.). This circuit is central in the introduction of young designers into their professional practise, but according to interviewees in the CDM and to a young designer who has a stand in one of these markets (Mariana, interviewed on 8/2/08), garments sold at these markets are overwhelmingly produced in sweatshops.<sup>74</sup>

### 6.1.1. La Salada

A significant part of apparel commercialisation in the city takes place in unregistered stores and outdoor markets. In these, low and medium quality garments, at times fake duplicates of larger brands, are sold in a completely illegal circuit. These garments are produced in sweatshops, and in many cases the owner of the stand is the *tallerista* him or herself. Nano (an officer from the Instituto Nacional de Tecnología Industrial [henceforth INTI], interviewed on 7/3/08) explained to me that since the commercialisation of the garment is much more profitable and less risky than producing for contractors, several *talleristas* are rather interested in having their own stands in the markets and subcontract production. The largest of these markets is called ‘La Salada’ and is said to be the largest outdoor market in Latin America. People from all around the country come to La Salada, load the merchandise and bring it back to their cities, to sell it – according to Nano – in small and medium stores in medium and large cities country-wide.

According to CIAI, in Buenos Aires and its surroundings alone illegal markets have a turnover of US\$ 700 million yearly, representing 30 to 35 percent of the whole business nationally. However, there exist no official statistics with this regard, and indeed those provided by the CIAI are suspect given their vested interest in apportioning blame on such informal commercial circuits for the totality of the informality in the sector. Indeed, the chambers promoted this discourse quickly after the tragedy in Viale, and in the interviews with the leaders of CIAI (Augusto) and the chamber CAIByN (Beto) blamed La Salada and other illegal markets for the sweating system. When I pointed out that there are also

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<sup>74</sup> Indeed, despite having a module on professional practise in the undergraduate course, professional designers are not taught the legal framework regulating subcontracting, even if they might end up in prison for subcontracting to sweatshops. I asked young designers and students in the high stage of their course about this, and checked the outline of those modules in which this should be taught, but the Law of Homework (12713/41, see section 8 in this chapter) is definitely not taught.

brands being taken to court for the use of sweatshops, Augusto denied the responsibility of the brands stating that “that’s a political move to damage the reputation of certain brands”. When asked for details, he refrained from further developing his statement by telling me to “just read the newspapers”. This position was also held by Ramiro (15/02/08), a leader of SOIVA, who in the interview emphasised several times the role of the “unscrupulous entrepreneurs”, i.e. – in his view – those of ‘La Salada’.

### **6.1.2. Brands**

By linking the sweating system exclusively to these illegal commercial circuits, the chambers attempt to separate brands from sweatshops. However, the thorough dedication of La Alameda and of the City’s Public Defender to campaigning against sweatshop labour exposed the clear links between small as well as renowned brands and sweatshops. The pressure from both La Alameda and the City’s Public Defender, as well as from the City’s Deputy-Secretariat of Labour (Armando), led the City’s government to carry out numerous inspections. In many of these, labels and other documents (like informal receipts) showing links with the brands were found systematically in sweatshops. The wave of inspections post-Viale quickly revealed that sweatshops were working for La Salada but also for dozens of registered brands, some of them well-known ones in the local market (e.g. Kosiuko, Soho, Zara, Mimo, Cheeky, etc.).

Garments made in sweatshops for brands can be commercialised in three different circuits. Small and medium brands may sell their products either in illegal markets, on the one hand, or in semi-formal places geographically concentrated in the same neighbourhoods as the sweatshops (Once, Caballito, Flores and Bajo Flores) on the other hand. Thirdly, there are the medium-large and large renowned brands that sell in high street stores and in shopping malls (Lieutier, 2010: 82).

According to Nano from the INTI, brands do not only use sweatshops but are also majorly responsible for the emergence of the illegal circuits; given that the pay they get from the brands is extremely low, *talleristas* search for an alternative circuit, and having a closer connection to the market – through these outdoor markets – offers a better economic alternative. As said by Gustavo, “La Salada is the rebellion of the *talleristas*.”

## 6.2. New actors: the ‘agencias’

Some brands commission the organisation of production to *agencias*, which in the years after the 2001-2002 crisis multiplied and became important actors in the industry. The *agencias* have been critical in the implementation and organisation of the sweating system since 2002. I interviewed the co-owners of two of these firms (one of each type). Natalia (quoted above) and Claudia (interviewed on 28/2/08) explained to me that there are two types of *agencias*: (a) those that are simply intermediaries between the brands and the direct producers (they take the pieces of cloth already cut from the former, take them to the workshops and bring them back to the brand ‘finished’); and (b) companies that bring clothing catalogues to stores and brands and produce them to order. Fernanda (from the CMD) noted that these agencies are amongst the most important winners in the current boom of the industry. Finally, it is worth noting that Natalia confessed to producing the garments in sweatshops,<sup>75</sup> while despite Claudia saying that they subcontract production to registered workshops, the prices she said she was paying to subcontractors (e.g. \$A3.50 for a blouse) are actually sweatshop prices. In her case, in 2007 the *agencia* produced less because, according to her, imports from China increased steadily. Surprisingly enough, despite this drop the situation of the company continued to be very favourable. The explanation is clear: this is only a logistics firm; as a mere intermediary, it does not have to pay for the crisis, because it has very low fixed costs. The fluctuations from one year to the other are instead faced by the *talleristas*, or more precisely by the workers.

## 7. Strategies of the entrepreneurs: the ethics of Capitalism

Augusto, a manager of CIAI, pointed out in the interview that the main concerns of CIAI are: (a) the control of imports; (b) the high level of informality; and (c) developing export capacity.<sup>76</sup> Entrepreneurs argue that given the present conditions it is impossible for the sector to overcome the high level of informality. The argument can be summarised as follows: ‘if we ask all the domestic companies in the sector to fully register their activities, paying all the corresponding taxes and salaries and maintaining the long term compromises

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<sup>75</sup> She said that “these Bolivians of the workshops are silly, you have to explain them a hundred times what do you need them to do; so I send someone else to talk to them.”

<sup>76</sup> These issues were raised by the chambers in a series of working groups between entrepreneurs, union leaders and officers from the ministries of economy and labour that were launched by the hitherto minister of economy (Lousteau) in early 2008. Campaigners against sweatshops were excluded from these.

with subcontractors – as established by Law – we will have to increase our prices to levels which make it impossible to compete with the cheap imported garments from China’. Both the ‘Chinese threat’ (accounting for the way in which entrepreneurs refer to the ‘threat’ of a ‘flooding’ of the domestic market by imports from China) and the high level of informality are further developed below.<sup>77</sup>

### **7.1. The ‘Chinese shadow’**

According to a report from the Ministry of Economy (CEP, 2008) the 1996-2002 drop in production can be partly explained by the higher level of cheap imports. As already said, further to the trade liberalisation during the beginning of the 1990s the strong exchange rate facilitated the importation of garments. However, these imports are said to have affected the internal market by driving down prices, rather than in terms of their relative participation in the domestic market, which, according to the Ministry of Economy “reached about 11 percent of the total market at the end of the 1990s” (CEP, 2008; see also Kestelboim, 2008; Lieutier, 2010). Nowadays, entrepreneurial associations fear that if the high level of inflation continues without strong trade protection, the industry may experience a crisis similar to that of the 1990s. According to CIAI, in 2007 imports from China grew 30.5 percent with respect to the previous year, as the rising costs made it worthwhile for some companies to produce in China or to simply import finished garments.

Matías, an experienced officer at the Ministry of Economy since 1990, who participated in the negotiations of the Uruguay Round of the GATT (interviewed on 11/3/08), argued that the high dependence of Argentina on soybean and soy oil exports to China makes it difficult to lift trade barriers to its industrial goods. Indeed, in May (2010) Argentina lifted the top-down importing reference price on footwear and this led to non-tariff measures from the Chinese government to soy oil coming from Argentina. Two years ago Matías had said to me that every time the country attempts to protect its market from Chinese imports, the Foreign Affairs Ministry gets a letter from the Chinese ambassador threatening to adopt counter-measures. However, Matías also pointed out that the entrepreneurial clothing associations “complain too much about imports [and that] they use

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<sup>77</sup> It is worth noting that exports and sweatshops do not have strong links, as they do have in the case of international sweatshops.

it to justify their dreadful labour practices.” This vision is shared by several officers, by La Alameda and by a union leader. Indeed, both chambers and the Fundación ProTejer are actively promoting the discourse of the threat of a ‘flooding’ of cheap imported garment and textiles. Fundación ProTejer (which brings together both clothing as well as textile producers) is the most active organisation in demanding trade protection. Its statistics indicate that while industrial production is growing at 5 percent a year, textile and clothing imports are growing at 20 or 30 percent (Karagozian, interview in Radio 10, 15/2/08). However, there exist divergences among actors with regards to the real dimension of this issue; the statistics reveal that the level of relative participation of imported clothing reached only 8.7 in 2006 (CEP, 2008), but the entrepreneurial associations argue that these garments have a strong impact in ‘disciplining’ prices, i.e. they set lower prices across the whole internal market.

The lack of reliable statistics makes it difficult to determine whether this perception is accurate. Nevertheless, Aldo Karagozian, the head of Fundación ProTejer, asserted that it is false that imports from China drive prices down, because no matter the cost of the garment, the price is set according to which segment of the market the company selling it is focused on; in his own words, “imagine that I have sold a t-shirt at A\$ 39; whether I get it for A\$ 18 made in Argentina or A\$ 14 made in China, I will sell it anyway at 39 pesos; because of this, it is incorrect to say that imported goods discipline prices in the internal market” (interview in Radio 10, 15/2/08).<sup>78</sup> Indeed, one of the questions I made to entrepreneurs was whether they fixed their prices according to those of their competitors. The result is astonishing: *none* of them assured that competition is a major concern. As said by Martín (an entrepreneur, interviewed on 29/2/08) “sometimes I *might* have a look at the prices of my competitors, but very rarely; instead I always set my prices according to the segment of the market in which I want to sell.” Furthermore, even Augusto from the CIAI recognises that internal competition is not significant as a factor determining prices. Nowadays, the fact that some of the most expensive brands (e.g. Legacy and UFO) import some of their garments from China may be signalling an important shift from what happened during the 1990s: garments imported from China during the 1990s were invariably of poor quality and low priced, but today China has broadened up the range in the quality of its exports. According to Gloria (the professor at the UBA referred to earlier), today China produces a vast range of garments in terms of quality – including

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<sup>78</sup> Translated from Spanish.

cheap women's underwear and men's suits for Gucci – and the quality of what is imported into Argentina varies every year. Hence, the idea that clothing from China has a direct effect on driving prices down may seem to be influenced by what happened in the 1990s, when apparel from this country was cheap and of low-quality.

This is to say that evidence supporting CIAI's and CAIByN's point of view that imports have a strong impact over prices in the internal market is rather poor. While this impact is still to be studied, the worrying lack of official statistics helps entrepreneurial associations to promote this vision and allows them to use the 'Chinese threat' to keep salaries and working standards at the lowest level in the whole manufacturing industry. In the interviews, while recognising the importance of imports, workers and some trade unionists and officials downplayed their importance, highlighting that it is simply a discursive tool used by entrepreneurs to push down working standards in the negotiations of the collective bargaining contracts. The threat of a foreign common enemy seems to be more about a "scalar narrative" (Swyngedouw, 1997) than about a real limitation to the better organisation of the industry.

In other words, the 'Chinese threat' is actively used by entrepreneurs to avoid discussions about the distribution of wealth within the industry. Despite the entrepreneurs' constant complaints, the manager of an *agencia* admitted that brands multiply the total production costs they have by at least three or four to set the price: "they make immense profits". Indeed, earlier this year (2010) the chambers announced in the news magazine 'Noticias' the profits made by the industry during 2009, which amounted to nothing less than A\$6 billion (£1 billion). Not even the Ministry of Economy has had access to the cost structures of the firms, as they have repeatedly refused to disclose this information to the authorities. However, the numbers were finally exposed by one of the former Deputy-Secretaries of Labour of the City of Buenos Aires, and these were published in one of the main newspapers (Página/12, 3/2/08). Today, the value of a t-shirt sold in a store for 100 Argentine pesos (A\$), is distributed as follows: the brand pays, for the finished product, A\$20, including inputs (mainly the fabric), internal costs (design, marketing, etc) and payments to the *agencia*. In the case of selling it in its own stores, the brand gets A\$80: A\$22 to pay the VAT, and A\$10 for store rent and employees' salaries; thus the brand's net profit is A\$48.<sup>79</sup> The *agencia* charges the brand A\$7 for the T-shirt, and the sweatshop

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<sup>79</sup> In case of selling the T-shirt to a retailer, the brands gets a net profit of A\$19 and the retailer gets A\$29.

is paid A\$3.80. At the bottom of the chain, the worker gets A\$1.90 (Pagina/12, 3/2/08). In sum, the brand makes a profit that is 25 times that of the worker. This is why Gustavo from La Alameda asserts that it is here, in the debate about the distribution of wealth within the sector, where the answer to stopping sweatshops lies. In his view, entrepreneurs “want to live like in Denmark paying salaries of Ethiopia”.

## 7.2. Informality

When asked why informality in the sector reaches 75 percent, interviewees at the two chambers and at ProTejer (Omar, interviewed on 20/2/08) asserted that it is because of the lack of support from the state (although CAIByN also blamed “illegal immigrants”). In their view, SMEs – which represent 84.5 percent of total employment in the sector (CEP, 2008: 65)<sup>80</sup> – find it hard to afford the complete registration of their businesses, because the tax structure is set up in such a way as to favour big businesses. There is a strong feeling in the sector that “if you have to pay all the taxes, you must live for the state”, as Natalia asserted. Although complaints about the tax structure are widespread in SMEs’ organisations (like APyME), Jorge (an officer at the Factory Inspections Office of the Province of Buenos Aires, interviewed on 7/3/08) said that “if you can’t afford to pay the taxes, then your business plan is not good enough and you have to invest your money in other business.”

Contradicting entrepreneurs, Nano from the INTI pointed out that the lack of serious, long term and effective management of the business is an endemic problem of the whole sector. Indeed, the four *talleristas* I interviewed stated that contractors do not ask for any kind of receipts; one of them (Marcelo) said that “the brands and the intermediaries only ask us for lower prices and to meet the deadlines.” The complete informality of the production process is the norm, despite the words of Beto (CAIByN) who maintained that “the brands are not informal; it is the Bolivians who are informal”. In Nano’s view, there is a complete lack of knowledge of the management of the business; even if the physical production of the garment is subcontracted, starting businesses requires designing a long term business plan, a good management and marketing strategy and so on. Contrary to the general belief, running an efficient workshop requires significant investments in machinery; there exist special machines for each of the sewing processes; some of these are not cheap, but if a

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<sup>80</sup> The definition of SME used by CEP in this report involves companies with up to 150 workers.



company plans its business in the medium term, it must subcontract to a workshop that has these machines in order to achieve a lower cost per unit, and it should even help its subcontractors to invest in what is needed to improve productivity (see 8 in this chapter). Julieta (an employee at the Textiles Division of the INTI, interviewed on 21/2/08) stated that, at present, the huge majority of the garment is produced with the most basic machines, and at the end of the day this represents an incalculable inefficiency cost for the industry: millions of working hours lost due to the use of improper machinery. Currently, she asserted, “the enormous cost of this inefficient management of the business is being paid by the workers.”

In conclusion, officials maintain that, if run properly, a clothing company can be a good business even paying all the corresponding taxes, but the short term business planning and the complete informality are the rule.

## **8. The legal framework**

By subcontracting the labour intensive processes of their products, brands seek to transfer responsibility for working conditions to contractors, passing onto them the risks of the economic downturns as well. Indeed, in some countries (like Italy, the UK and the US) the legislation establishes that the boundary of the responsibility of the brand is restricted to the activities performed by their direct workers. However, in Argentina things are different.

Two laws regulate subcontracting activities: the Law of the Labour Contract (22744/74) and the Law of Homework (12713/41). Both establish that enterprises, intermediaries and factory and/or workshops’ owners are co-responsible in solidarity for the working conditions in the whole chain. On the one hand, the relationship between the worker and the *tallerista* is regulated by the first of these, which is a very progressive law that was passed in 1974, and according to José (from the Asociación Obrera Textil, cited above) its approval signalled the height of the previous four decades of strong union power. On the other hand, Law 12713 regulates the link between brands, intermediaries and *talleristas*, stating that the latter two are both employees and work givers: while intermediaries are employees of the brands and work givers to the *talleristas*, the latter are employees of the intermediaries and work givers to workers; meanwhile, the brands are, of course, work

givers to both. In sum, what this means is that if a conflict between a worker and a *tallerista* arises, the brands are as much responsible as the intermediaries and the *tallerista*, because according to the legal interpretation the latter is viewed as a mere boss in the production chain.

This Law, which is especially important as a protection to the *tallerista* – mostly when he or she is a small or medium entrepreneur – is the main legal element being used by La Alameda and by the City’s Public Defender to take 113 national and multinational brands (including Adidas and Puma) to court, accused of making profits out of the use of trafficked labour working under conditions of servitude.<sup>81</sup> These legal processes are taking place at the present moment. In September 2008 the first court decision was made in the case of an allegation against a Korean citizen who was an intermediary working systematically with a sweatshop owned by a Bolivian immigrant. The court decision established that workers were “subjected to servitude” (*sic*) because its bosses took advantage of their vulnerability as illegal immigrants in order to make a profit, affecting their very dignity (Lieutier, 2010). The decision consisted not only of a concrete financial punishment, but it also ordered the confiscation of the machinery and granted it to “some organisation that in one way or the other [will use] it to continue with the textile activity, providing jobs to a number of workers and contributing to their development...” (extract from the court decision, quoted in Lieutier, 2010: 67) This is when members of La Alameda (which owns a workers’ cooperative) started conversations with the INTI (a public but highly independent institution) to open a model textile factory for workers’ cooperatives (see 12.2 in this chapter). Furthermore, the decision set jurisprudence and some months later a second case followed this path. Certainly, this court decision showed that the pressure from the bottom (i.e. the struggle of La Alameda) was highly influential in leading a federal judge to take such a progressive decision.

Despite the said court decisions, allegations against large brands are not progressing. Indeed, the first court decision absolved the large domestic brand Cheeky from any responsibility, despite the large amount of evidence that the prosecution had presented (which, according to Mario, included nothing less than a former manager willing to report the brand for labour exploitation, an administrative worker who had given La Alameda a list of sweatshops working for the brand, and a sweatshop worker). In the second most

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<sup>81</sup> According to Lieutier, the government of the City of Buenos Aires is the first and the only government in the world, so far, that has legally demanded brands for using sweatshop labour.

advanced trial against a brand (Soho), a first instance decision from the judge also acquitted it, despite the fact that according to Nestor (a worker of Soho, interviewed on 10/3/08) this brand subcontracts the totality of the physical production of the apparel (except the cutting), to sweatshop subcontractors. In this case, the judge's decision stated that working conditions in sweatshops are the result of 'cultural features' of the people of the Altiplano (Northern Argentinean and Bolivian Andes), whose long term culture legitimises certain work practices which, despite being punished by Argentinian Law, belong to the people in charge of the sweatshops and their workers. This highly racist vision is indeed shared by several of the interviewees, including an officer at the national Ministry of Labour (Eduardo, interviewed on 10/10/08) and a union leader (Alberto, from SOIVA). The idea is summarised by Eduardo's statement:

they exploit each other. The worker keeps his head down until he gets enough funds to start up with his own workshop in order to reproduce the system.

Given the unacceptable nature of the court decision, the prosecutors (La Alameda and the Public Defender) took the trial to a superior court, inviting the Bolivian Council and the Department of Anthropology of the Universidad de Buenos Aires – which participated through a presentation by a specialist in Altiplano culture. The Court upheld the claim of the denunciators, ordered the judge to revise his sentence, and ordered an investigation to analyse La Alameda's claims of corruption.

In virtue of how dangerous the current Law of Homework is for the entrepreneurs' interests, quickly after the tragedy in Viale they expressed a strong interest in pushing forward a change in it. CAIByN (2008) (main proponent of the modification) argued that the current law "is an anachronistic law that distorts subcontracting and leads to further labour casualisation", while Augusto from CIAI asserted that "the legislation is too complex [and] it must be simplified." Beto from CAIByN explained to me that the chambers stress two main structural difficulties for the firms to comply with the current law. On the one hand, they argue that it is impossible for brands to control all the circuits their clothes follow when they subcontract, given that the production of each garment can involve many work places. However, using the example of the auto-makers, which invest millions of dollars in teams of lawyers who deal with subcontracting, Nano from the INTI stated that brands should assume the financial responsibilities that complying with the law

implies. In the same vein, Jorge, from the factory inspections office of the Province of Buenos Aires, said it clearly:

entrepreneurs have to control working conditions in their own factories, and in case of preferring to subcontract it is exactly the same. They can by no means pass the responsibility onto a weaker actor in the chain. If they choose to subcontract, they have to assume the risks of their own decisions.

The second typical complaint from entrepreneurs is the lack of registered workshops. Indeed, some of those entrepreneurs who were subcontracting the production of garments in the interviews pointed out that finding a good and cheap workshop is extremely difficult. Mariana (a young designer, quoted above) said that “when you find one good workshop you have to stick to it; the information about which workshops are good really is valuable. With the one I use now I feel like *finally* I found a good one!”

Information from the interviews is nevertheless contradictory. Fernanda, working at the CMD, said that they have a long list of workshops in the CMD that is available for everyone, and that people at the CMD can actually suggest the best options to those who approach the Centre. Regarding this issue, Nano once again expressed his indignation against “these cheeky entrepreneurs” who pretend to have good workshops while sweating all their *talleristas* and workers. Certainly, paying extremely low prices, not requiring formal documents and not maintaining a constant flux of orders is an inadequate policy to develop good contractors. In his words,

if they had a policy to develop contractors this would not be a problem; they should sign in contracts committed to ensuring stable prices, a continuous flow of orders, financial support and so on. Only in this way they would have good quality workshops working in completely legal conditions.<sup>82</sup>

CAIByN, together with CIAI and other entrepreneurial groups, designed an alternative text and met with the authorities of the ministries of labour and economy to push forward their proposal for a modification of the law. As said above, one of the few points that their law proposal changes is the issue of the responsibility in solidarity, seeking to relieve the brands from any responsibility over working conditions outside their direct sphere of control. In this proposal, the *talleristas* would become SMEs, which means that the links between the brand, the intermediaries and the *talleristas* would now be merely commercial,

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<sup>82</sup> As said above he said this using the example of the significant investments of auto-makers to develop subcontractors. Just as an example, in 2006 Ford Motors dedicated the main part of its investments in Argentina to develop subcontractors (totalising 12.5 million US Dollars) (Página/12, 1/10/06).

i.e. ruled by market forces and not by labour legislation (Fundación Alameda, 2008). In August 2008 the president Cristina Fernández announced that her administration was ready to send the proposal to the Parliament. In her words, this Law “will stop the indignity of servitude” (Pagina/12, 21/8/08). The main reason for the official support of this proposal was expressed by the minister of labour: “homework is currently regulated by a law of 1941, from the prehistory of labour legislation, even previous to Peron” (Pagina/12, 24/8/08). However, the proposal is currently stuck after a meeting of La Alameda and its lawyers with the minister of labour, in which the lawyers argued that the proposal to make brands not accountable would lead to a more severe disaster in the industry.<sup>83</sup>

## **9. The role of the state**

The dimensions of the sweating system pose several questions about the role of the state at the national, provincial, and local level. Almost all of the interviewees, including certain officials from the three tiers, blamed the national government for the situation. This is because for several years the state did not take serious action to stop human trafficking and forced labour. Indeed, Mario contended that following the first allegations of the existence of conditions of servitude in sweatshops made by the city’s Public Defender in 1999, a series of inspections took place, but they stopped soon after following pressure from CIAI. However, the tragedy in Viale Street triggered demands for the state to get involved in these matters, and the anti-sweatshop struggle proved partially successful in achieving this goal.

Key elements in the official supervision and control of sweatshops are the factory and the homework inspection divisions. Thorough and proper inspections are exceptionally important to prevent sweatshops from operating. Indeed, the tighter inspection pressure applied by the City after Viale led to a moderate but important improvement in the living conditions of the sweatshops. As said by Gustavo from La Alameda, many *talleristas* have for example rented a space for the workers to live outside the workshops, which represents an important step forward. The strategies adopted by several entrepreneurs to avoid the inspections of the City are also vital to assess the significance of inspections: the tighter controls made several *talleristas* relocate to shantytowns where inspections are more

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<sup>83</sup> Besides, La Alameda stressed to the minister its deep concerns about how an allegedly liberal government could support a proposal lobbied by an industry that enslaves thousands of its workers and that reaches a level of informality as high as 75 percent (and which is thus one of the minister’s everyday ‘headaches’).

difficult. Meanwhile, companies started searching for subcontractors in Greater Buenos Aires, which falls under the jurisdiction of the Province of Buenos Aires and, compared to the City, allocates fewer resources to factory inspections. In this way, entrepreneurs jumped scales to avoid being discovered. Claudia, who works in an *agencia* (cited above), made a statement which shows not only the importance of inspections, but also the dangers of having weak inspections:

apart from being expensive, registered manufacturers have the disadvantage of receiving inspections once in a while, which is very rare in informal workshops.

According to Mario and to Luis (a labour lawyer who collaborates with La Alameda, interviewed on 25/1/08), the offices of factory inspections were systematically dismantled during the 1990s. Indeed, this is confirmed by the current minister Tomada, who told the newspaper *Página/12* (24/8/08) that when he started (2003) there were only 20 inspectors, i.e. not even 1 per province. Today he has 400 inspectors and believes that many more are needed. According to Jorge (the head of the Factory Inspections Division of the Province of Buenos Aires, cited above), the Province also has a strong deficit of inspectors: whilst according to Armando the City of Buenos Aires has 105 inspectors for a city of about 3 million inhabitants, the Province has only 200 inspectors for a territory in which almost 16 million people live.<sup>84</sup>

In line with this, when in 2000 the national Ministry of Labour transferred the factory inspections to the provinces (and to the City of Buenos Aires) it did not transfer the homework inspections division to the City. It was alleged that these inspections have several specificities which require special training to apply. In the sweatshop in Viale Street, the relations with contractors were meant to be regulated by this division, but by the time the tragedy took place, the division had been reduced to a mere office with only one employee. With regards to this, Armando asked in the interview that “if the reason to keep this division under the domain of the Ministry was the ‘very important’ particularities that homework inspections have, why did they dissolve the specific body?” The answer remains a mystery, but the fact that this was an important advantage for the garment companies and that the national state was responsible for this, is unquestionable.

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<sup>84</sup> For example, in the district of La Matanza, where more than a million people live (and where La Salada is located), there are only 3 inspectors.

Other duties that the state has failed to fulfil are evident in both national and local administrations. The Office of Supervision and Control of the City, for instance, should have shut down all the unregistered workshops, and those which did not comply with health and safety regulations. Indeed, as mentioned above, the Office did shut down dozens of sweatshops, but this only happened in the week post-Viale. Also, the national Ministry of Labour is responsible for controlling the existence of unregistered labour. Besides, the Ministry of Justice and the Home Ministry should also take action against the sweating system, for it involves several serious violations of human rights and of migration regulations. However, these dependencies have taken little action in this regard, consisting only of a series of workshops about Bolivian immigration and their working conditions, which was organised in 2007 by an employee of the Secretary of Human Rights. Similarly, the complicity of the Federal Police (the only Police force in the City until 2010, a division belonging to the Home Ministry) complicates progress on this issue. According to the activists of La Alameda, Police stations have something called the ‘cash box of the commissary’: the money in the box comes from the many bribes collected by policemen in the operational area of the station. In return, the Police would turn a blind eye to those who contribute to the box. Sweatshops are said to be one of the sources: every month, policemen would come to the sweatshops to collect the monthly pay.<sup>85</sup>

All of these events challenge the vision of a ‘passive’ or ‘absent’ state, since some of these phenomena took place as a direct result of political decisions. Mario (an experienced lawyer with a broad knowledge of workers’ rights and international protocols on human rights) explained that these events were the result of the “parallel class interests of those in the higher arenas of the state apparatus and the brands’ owners.” In the interview, he explained that there exists a strong tendency in the discipline of Law that is one of the keys to understand the responsibility of the state: “officials who fail to fulfil their responsibilities with regard to certain workers’ and human rights violations, tend to be held accountable for these crimes when there is broad awareness of them in the wider society.” This tendency suggests that in these cases, with wider society cognizant of the thousands of sweatshops and dozens of thousands of trafficked migrants, officials should be charged as active participants in the economic activities being favoured by such illegal practices (see chapter 7).

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<sup>85</sup> Both activists from La Alameda and Armando maintain that on several occasions police patrols have been seen in the surroundings of the sweatshops prior to inspections. When the inspectors arrived, no workers, and sometimes no machines, were to be found.

When asked about the origin of the sweating system, Mario explained to me that when the City's autonomy from the national government was agreed in 1996, the first administration distributed significant financial resources to several poor neighbourhoods by means of political 'punteros' (*neighbourhood brokers*). Some of the resources were invested by these people to buy properties that they would rent to *talleristas*, or even to start up sewing workshops themselves. Indeed, in his studies on the everyday practices of the state, Auyero (2001) analyses how political parties (especially the peronist parties) exercise political control in specific territories in working class and poor neighbourhoods in the City, as well as in the rest of the country. He focuses on Greater Buenos Aires, where more than 25 percent of the country's 40 million inhabitants live, and where the struggles for the elections take a particularly fierce stance.<sup>86</sup> According to this author, the *punteros* provide people not only with medicines, food, toys for the children, social events and the like, but they also provide jobs, mostly in the local administrations, but also in "subcontracting activities for industrial companies" (see Auyero, 2001: 133).

An extension of these ideas also manifests itself as a 'conspiracy vision' supported by the members of La Alameda. In their view, there exists a clear interest of the state in letting these highly profitable activities based on the over-exploitation of migrant labour (notably including women's sexual exploitation) develop. These businesses represent perhaps the most profitable economic activities in the country. Based on his political activity and contacts, and on the information collected during La Alameda's investigations into human trafficking,<sup>87</sup> Gustavo asserts that the distribution of the wealth created by these activities is, to a high degree, governed by the national state, and notably includes the ruling party, as well as other political parties. In his view, these processes are similar to those referred to as 'primitive accumulation' by Marx (1970 [1818-1883];<sup>88</sup> see Volume I, chapter 26), and are giving rise to a handful of new powerful capitalists protected by the ruling party; this

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<sup>86</sup> Peronist movements – with the different factions of the Partido Justicialista – are particularly important and skilled in these practices.

<sup>87</sup> These investigations include visits to the sweatshops, brothels and rural areas where these crimes take place. On several occasions La Alameda used undercover workers and customers with hidden cameras in these places, and used it as a main element of its campaigns.

<sup>88</sup> Marx (1970 [1818-1883]; see Vol I chapter XXVI) identified a series of processes of 'primitive' or 'original accumulation' that, in "the prehistory of capital" gave birth to the bourgeoisie, on the one hand, and the proletariat, on the other hand. These processes consisted on the separation of workers and (mostly) peasants from the means of production, processes in which the state had a major role. According to Harvey (2003, 2006), processes similar to these are at work today, mostly through privatisation of state enterprises and public debt, which do not require investments and entail plainly a redistribution of wealth in favour of the elites.



handful of men, one of whom was a taxi driver only ten years ago, would be the main financiers of the political campaigns.<sup>89</sup> However, this new group of powerful bourgeoisie protected by the Party would dispute the power of the dominant capitalistic (and oligarchic) groups, who are historically anti-Peronist.

In virtue of the similarities with the case of Prato, I will come back to this issue in chapter 7.

## ***10. The anti-sweatshop struggle***

The aforementioned tragedy in Viale Street revealed the existence of thousands of sweatshops in the city. In only a couple of days, a society that had believed itself to live in the First World and that considered itself more European than Latin American, understood that sweatshops are not a feature of South East Asia, Northern Mexico or Central America. Instead, those practices which had been thought of as resigned to the past were exposed as being very real and present in densely populated neighbourhoods of contemporary Buenos Aires.

According to Gustavo, the accusations in 1999 about the existence of sweatshops in Buenos Aires were soon forgotten after a week because of a lack of pressure from workers. However, since Viale the issue does occupy a major space in the national media, and continues to do so after many years. Authorities are thus constantly forced to take action. In sum, things were different this time; notably, Argentina was not the same country at the end of the 1990s than it is at the beginning of the 21st century. Rising unemployment, poverty and inequality led to deep social unrest with long term consequences. After the rebellion which overthrew two presidents in a matter of days in January 2001, hundreds of social movements continue to arise and to struggle for a multitude of causes; there is a new impulse to engage in social life, protesting or organising alternatives to what the state and capital may offer. In this case, the Popular Neighbourhood Assembly of Parque Avellaneda, also called La Alameda, engaged in the struggle against sweatshops. It seems fair to assert that without the incessant activities and pressure of La Alameda, the issue

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<sup>89</sup> This would mean that these campaigns are being partially financed with the sweat of trafficked immigrants.

would have lost importance in the media and the problem would have been forgotten, just as in 1999.

### **10.1. A main actor in the struggle: La Alameda**

La Alameda is a neighbourhood assembly formed during the 2001 popular uprisings. At that time, and during the whole of 2002, more than a hundred neighbourhood assemblies arose in Buenos Aires as a consequence of both the economic crisis and as a result of the loss of legitimacy of the public institutions and the traditional political parties. People in Buenos Aires felt the necessity to engage in public life and to try and solve the problems in their own neighbourhoods. Events in the neighbourhood of Parque Avellaneda resulted in the emergence of La Alameda.

La Alameda works as a popular dining hall in an occupied building. The presence of sweatshops in its neighbourhood is notable, and several garment workers used to have lunch in La Alameda's dining hall. In this way, these workers who used to visit the place entered into contact with the activists and told them about their working conditions and about those people who could not even leave the sweatshops to have lunch. Little by little, workers escaping from sweatshops and therefore losing work and shelter, went to La Alameda to ask for support. It was at this time that the activists decided to get in touch with the City's government (reaching through this process Mario who had been involved in the denunciations in 1999). In October 2005, six months before Viale, a joint *denuncia* (denunciation) was made, but at that time the national and local administrations did not take action. Finally, in March 2006 the tragedy occurred and the whole issue took a different turn. In only one week, the City's government shut down more than a hundred sweatshops (Página/12, 10/4/06). The tragedy upheld La Alameda's claims and in response, they engaged in a more active campaign against sweatshops – and also against brands benefiting from them. Nowadays, the pressure from the bottom is constant; dozens of demonstrations take place and La Alameda has managed to maintain a strong presence in the media. As Gustavo says, “we provide free information to all the media, without any distinction, and thus they find themselves obligated to inform the people about it.” More recently La Alameda has engaged in the issue of child labour and human trafficking more broadly, and, as said above, it has produced several media reports with hidden cameras in sweatshops, places where women are subjected to sexual exploitation, and places where

child labour occurs. This material was given to all the main TV channels for free, and thus the news achieved major media coverage. La Alameda's struggle against sweatshops was indeed the kernel of these strategies.

As mentioned in section 5, the comprehensive closure of sweatshops by the City's administration in the aftermath of Viale resulted in several sweatshop workers – generally led by *talleristas* – reacting against La Alameda. Faced with these demonstrations, this organisation started to broaden its activities and to develop responses and even concrete economic alternatives for the newly unemployed. It is partly in virtue of this that La Alameda is today much more than a dining hall; it is indeed a community centre with several activities available to the neighbourhood. With regards to sweatshops, its achievements have gone further than the legal actions and the permanent public exposure of sweatshop labour. For example, they have created the *Cooperativa 20 de Diciembre*,<sup>90</sup> in which women formerly working in sweatshops are associates. The list of activities includes a long series of achievements:

- Provision of free legal support for garment workers (they have set more than a hundred labour demands against registered and unregistered factories);
- Job Centre;
- Temporary shelter and assistance to apply for government support for those escaping from sweatshops;
- Assistance to immigrants asking for regularisation of their immigration status, which includes coordination with the International Organization of Migration of the UN);<sup>91</sup>
- Creation of an alternative (not recognised) union (the 'Unión de Trabajadores Costureros' or UTC);
- Organisation of union's factory commissions and participation on the election of authorities in the official union;
- Edition of a monthly newspaper and of a bulletin that they distribute in the main factories;
- Participation in international forums on trafficking in humans; and
- International coordination through the launch of a slave-free clothing brand joined to a workers' cooperative in Thailand.<sup>92</sup>

Finally, La Alameda is one of the founders of another of the most promising responses and one of the best examples of a way out of the sweating system: the Polo Textil (Textile Pole). The importance of this initiative merits further attention.

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<sup>90</sup> 20 December, 2001, was the date in which the popular rebellions led to the resignation of the hitherto president De la Rúa.

<sup>91</sup> Today, almost 5,000 immigrants have applied for residence permit in the office run by unpaid activists of La Alameda.

<sup>92</sup> The brand is called No Chains ([www.nochains.org](http://www.nochains.org)) and it was launched in 4 June 2010.

## 10.2. 'Polo Textil': The workers providing the good example

On 1 July 2008, INTI, La Alameda, the NGO 'Corporación del Sur' and the City inaugurated the 'Centro Demostrativo de Indumentaria' in Buenos Aires (known as 'Polo Textil' or just 'Polo'). It is a large garment factory with room for nine cooperatives of 10 people to work in it. Three professionals of INTI provide management, training and at times orders from contractors. The division of labour within the *Polo* is planned to work as follows: each cooperative will carry out specific stages of the production process, from the cutting of fabrics to finishing of the garment.

The *Polo* is mostly a result of the anti-sweatshop struggle led by La Alameda. The machinery being used was taken from a large sweatshop owner and granted by a judge in a trial initiated by La Alameda. In addition, some other machinery was provided by the national Social Development Ministry, and the property was bought by the City.

Despite having room for nine cooperatives, only 5 cooperatives with an average of 8 workers each are currently working in the *Polo*. The project is facing a number of severe problems. Chela, a member of La Alameda and a worker in one of the cooperatives (interviewed on 15/4/10), identified two main problems. On the one hand, the *Polo* asks for much higher prices than those that the brands use to pay to their subcontractors; its prices are three times those of the sweatshops, not only because workers are registered and taxes are paid, but also because to set its prices the *polo* takes into account the final price of the garment being produced, to ensure a proper redistribution of wealth within the chain. This is why only a few brands and designers actually place orders from the *Polo*. In return, they get a certification of INTI stating that the garment was made under proper working conditions.

On the other hand, one of the main problems the *Polo* has is the habits of the workers in the sector. The original idea was to provide an alternative workplace to workers escaping from sweatshops. However, as Chela said, only 20 percent of the workers in the *Polo* come from sweatshops. 'There were more, but some of them left.' Instead,

the great majority of them come from factories or failed cooperatives. Chela explains the reasons for this with the following words (*sic*):<sup>93</sup>

Working in the *Polo* implies a new way of working for them, that is, the cooperative way to manage the companies and to distribute profits. But when they get here, workers expect to comply with their working day and to get their salary at the end of the month, or every 15 days. But cooperatives do not work like that; the workers must understand that they are their own bosses, that they are responsible for getting the orders and the resources to pay for their own salaries... Also, working in these cooperatives implies as well dedicating time to the management of the firm, instead of just sitting in the machine and sewing... and that's a very hard task. They have too many years of experience under a wage relation, both registered and not: this is as difficult to understand for formerly registered workers as it is for former sweatshop workers. Sometimes they just don't come to work; some have even left without previous notification.... This makes it very difficult to maintain a stable group of workers and cooperatives, and to achieve a proper way to organise production in the whole *Polo* that would make production smooth and much more efficient.

The difficulties the *Polo* is facing are revealing in terms of the complexities that the struggles against sweatshops entail. Even if class politics are essential in this sense, issues more broadly connected to the workers' personal stories must also be taken into consideration. I will come back to this issue in chapter 7, when analysing the 'long and uncertain road to freedom.'

## **11. Conclusions**

Since 2003 the Argentinean economy has been growing at a rate of more than 7 percent a year. According to official statistics, unemployment dropped from 21.5 to 8.4 percent in the same period (INDEC, 2010).<sup>94</sup> However, a large proportion of the jobs created during these years are informal, and informal employment accounts for 37.3 percent of total employment (Ministerio de Trabajo, 2010). The income of these workers is on average 48.3 percent lower than that of the formal workers, and even worse: their average salary does not reach the poverty line. As a result, while the real salary of registered workers increased since 2002, that of the informal labourers decreased. Once again, Argentina provides a good example of the incapacity of orthodox economists to explain the real economic facts: the *theory of the spill over* is a myth; in times of economic recovery, workers sustain the economic growth of firms and nations working harder, but in real terms their income drops. In other words, in times of economic recovery inequality

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<sup>93</sup> The reader might need to be reminded that statements from my interviewees marked as 'sic' are transcripts of interviews I recorded.

<sup>94</sup> Official statistics on unemployment underestimate it, since they consider beneficiaries of social plans (a broad scope of subsidies that start from a pay of only 15 percent of the poverty line) as employed.

deepens. The thousands of migrants subject to trafficking and to servitude or forced labour in brothels, intensive agriculture, the building trades and sweatshops, represent the most severe manifestation of this inequality.

The high level of unemployment generated during the 1990s by the privatisation of state-owned enterprises, by deindustrialisation and by a higher labour productivity (partly resulting from the increasing presence of multinational companies) pushed labour standards down, generating a new level of tolerance which even today, after eight years of uninterrupted economic growth, continue to be accepted *de facto* by the state and by workers themselves. In other words, unemployment was used as a device to justify the driving down of labour standards, but when employment levels subsequently rose again there was not a concomitant increase in labour standards. In this chapter I have quoted a lawyer of the textile workers' union (José) stating precisely this, and showing that despite a few exceptions, it was unemployment rather than labour legislation that created a high level of flexibility and a lower level of demands from the unions (whose priority is still, according to José, to "keep the jobs").

A marked process of deconstruction of the formal labourers and of growth of 'flexible jobs' started with the imposition of policies aimed at redistributing wealth away from labour, which were introduced through state terrorism (1976-1983). Garment workers in Argentina are amongst the most affected by the political and economic changes the country has undergone since then, particularly by the policies aimed at dismantling the industrial thread that had developed with certain success during the imports substitution era (1945-1974). A model of financial valorisation was imposed in order to end the industrialisation of the country's economy and in order to deconstruct the hitherto highly mobilised mainstream labour movement, so that wealth could be redistributed in an allegedly more effective way. In these years when financial capital provides higher and safer returns than large capital investments, industrial production can only provide significant returns if carried out under as much informality as possible, including flexibilising labour relationships so that investors avoid paying for the costs of economic downturns and mistaken decisions made by managers.

In the clothing industry, the shutting down of several companies (mostly during the 1990s) rendered thousands of workers unemployed, while others were given machines to continue

working for the companies from home, having to shoulder the risks of someone else's investments. Today, despite the front pages of women's magazines showing successful fashion entrepreneurs, garment workers in factories receive the lowest salary in the whole manufacturing industry. This is the result of what economists call 'labour productivity': in ten years (1993-2003) labour productivity in the sector grew by 45 percent (MECON, 2005); in an economic activity where there have not been highly significant technological advances, this increase has a single cause: further exploitation of the labour force.<sup>95</sup> But of even greater concern, nothing less than 75 percent of the workers in the sector are informally employed, and many of them work as slaves for both illegal markets and for a myriad of brands, be they small, medium-sized or renowned brands; be they local or multinational firms.

The strategies followed by old and new clothing entrepreneurs made – and continue to make – these matters worse. It is undoubtedly true that thousands of clothing firms have been highly affected by the economic policies applied since the 1970s, and that the sector is particularly vulnerable to economic downturns. In virtue of these facts, and owing to the high labour-intensive nature of the industry, the state should pay special attention to the sector. However, once again the firms in the sector, with the chambers taking the lead, show a worrying lack of professionalism in the management of their businesses. Entrepreneurial associations in a sector with 75 percent informality are demanding that the state subsidise them in order to formalise their businesses, and to release them from being accountable for in their subcontractors' factories and sweatshops. Instead of applying policies to develop contractors (i.e. helping contractors grow) in times of economic growth, companies push down prices to manufacturers and workshops. There exists no planning of the businesses, no contracts and not even invoices or receipts of any kind. According to some entrepreneurs I interviewed, the few good registered manufacturers that exist in the city are "too expensive", and they have a key disadvantage: labour and health & safety inspections. Irregularity is the rule of the companies: the more irregular, the better. The case of Natalia (the co-owner of an *agencia*) is illustrative enough: in 2007, after nine years of having started her business, she decided to register it. According to her, her friends in the industry told her that she was "crazy" for doing so.

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<sup>95</sup> In this case, it also means further use of informal labourers, since the increase in the companies' revenues is registered but the use of more informal labourers is obviously not.

The extent to which certain commercial exchanges affect the industry is not being measured by the state, nor is it being addressed with intelligent strategies to counter the possible social-dumping that imports may be causing. However, a pervasive and amorphous (*Moby Dick*-like) foreign threat cannot justify the exploitation of labour until the point of forced labour. In this sense, the improvement of the working conditions clearly depends upon the sector itself, i.e. in the redistribution of wealth within the industry, and not in further public benefits for businessmen that have shown to be capable of the worst labour rights violations, in times of significant success.

The process of deregulation of the mainstream workforce started by the dictatorship through open repression of the labour movement in March 1976, was deepened during the 1990s by further policies of deindustrialisation and its consequent unemployment, and by means of the dismantling of the bodies in charge of enforcing labour rights (labour inspections divisions). Despite the efforts of the current administration, the events during the 1990s seem to have imposed a minimum standard of acceptability too low to be rolled back to the years of the welfare state. Instead, the economic domination of state management (Jessop, 2002) has permeated the current administration to the point of basing a large part of its economic policy on the allowance of a high level of informality, which implies, as already said, an effective way to subsidise the private sector. As shown by the statements of a high authority at the labour inspections division of the Ministry of Labour in the interview (10/10/07), authorities consider that they cannot ‘suddenly’ enforce labour legislation over enterprises because they would be strongly affected and possibly they would shut down, causing further unemployment. But the relaxation of controls over the compliance with labour legislation resulting from such an approach is having devastating consequences for workers. This tolerance of the violation of workers’ rights certainly reaches its highest level in terms of enforcing the rights of migrant workers, involving the human rights violations described in this thesis, even in a country with a strong tradition of human rights movements (associated with the crimes of the dictatorship).

Nevertheless, the dimensions of the sweating system pose further questions about the role of the state at the national, provincial, and local levels. Trafficking in humans has grown exponentially in the country during the 1990s, and after the crisis (1998-2002) it was reactivated. The current administration shows no interest in containing this matter, and indeed high authorities in the government are said to be involved in networks controlling



human trafficking. Members of La Alameda argue that the development of these processes is allowed and even partly controlled by the state. Certainly, these provide accumulation rates that no other activity can ensure, and such accumulation is seen as a business opportunity that the state, when managed under the belief that the market mechanisms will finally ensure an effective redistribution of wealth, can by no means oppose. Instead, political parties in power seem to engage with these businesses in order to only allow individuals that are close to their interests to benefit, sewing their own mafia-like agreements with traffickers, a fact that is becoming more and more clear in the trafficking of women for sexual exploitation and that has not been contested by evidence to the contrary.

Faced with this reality, workers have organised throughout the solidarity of a neighbourhood assembly which is now at the frontline of the anti-sweatshop struggle in Buenos Aires. They hardly count on the support from the government, and the main union sees La Alameda as a threat. However, by means of thorough and intelligent strategies of networking with lawyers, with the media and with anti-sweatshop organisations worldwide, La Alameda has achieved to install the issue of sweatshops and of trafficking in humans in the public agenda. Unfortunately, a tragedy had to occur for their struggle to reach the national media, and to lead a few progressive authorities to take action in defence of the weakest.

## Chapter 6:

### Sweatshops in Prato: Between Zhejiang and Tuscany

The Chinese in Prato are a problem for the European manufacturing industry (...) They must adjust to our economic categories and to our model, because if not we are importing foreign economic models and destroying ours. (...) Economic enclaves [like this one] are the end of the European manufacturing economic model.  
(Franco, former official of the Department for Multiculturalism, Prato's City Council)

They have completely reshaped the city's industrial zone with this invention (...) Prato used to be a textile city. Today it's a low-cost fashion district.  
(A. Ceccagno, quoted in Spiegel, 9/7/06)

#### **1. Introduction**

It is Monday 5pm in Prato's Central railway station. During a whole hour, thousands of workers step out of the trains coming from Florence and its surroundings. They work in the services and public administration sectors. Years ago, my neighbour Loris notes, it was the other way round: in flourishing post-war Prato, hundreds of workers arrived at Prato Centrale railway station in the morning to work in the thousands of factories that populated the city, and to leave after their day's work.

During the 1960s and the 1970s, Prato, the third largest city of the Centre-North of Italy with 185,000 inhabitants (2008), was a rich and flourishing city, perhaps the best example of the success of the Third Italy's industrial districts (see below). Indeed, in 2001 it was the largest textile district, amounting for 6.1 percent of total T&C employment in districts (trumping Milan's 5.1 percent) (Dunford, 2006: 34). Thousands of hyper-specialised textile micro-enterprises populated this factory-city in which, for example today, 30 percent of the total amount of enterprises is industrial, compared to an Italian median of 12.2 percent (Camera di Commercio di Prato, 2008: 26). However, since the mid-1990s Prato's textile industry has been experiencing a complete collapse: between 1996 and 2007, 3,300 companies ran out of business, leading to a loss of approximately 30,000 jobs (Camera di Commercio di Prato, 2008: 26).

Simultaneously, the city witnessed the development of a strong circuit of clothing and clothing accessories manufacturing. Between 1981 and 2001, while textile companies dropped from 14,593 to 6,180, clothing companies rose from 771 to 1,900 (ISTAT 2001

Census, cited in ORT Artigianato, 2007). In relative terms, while in 1981 only 5 percent of the T&C companies produced clothing, in 2001 they represented 23.5 percent.

Looking at the statistics, one could say that the downfall of Prato's textile industry was balanced by the development of a strong clothing industry. Certainly, the clothing sector brings into the city a trade surplus of nearly €200 million (Camera di Commercio, 2008). However, as discussed in this chapter, the two circuits are hardly interconnected. Today, with very few exceptions, clothing companies do not even buy fabrics from local textile companies. Instead, they have developed what locals call a "parallel district". In this district, the overwhelming majority of the companies are small and medium clothing manufacturing workshops owned by Chinese immigrants. Indeed, the activity was brought by Chinese entrepreneurs, some of them previously established around neighbouring Florence, but the majority of them were brought to the city by the increasing demand of labour from clothing manufacturers. Today, official statistics indicate that 13,840 Asian people live in the city of Prato (2008), but Police (Questura) estimates point to another 5,000 irregular migrants (cited in *Il Sole 24 Ore*, 22/7/08). Franco, from the Department for Multiculturality (interviewed on 1/10/08), even asserted that during the high season for clothing manufacturing, there are 25,000 Chinese citizens in the Province of Prato. The difference is made up of more than 10,000 *clandestini* (irregular immigrants) that go around Italy and Europe following job orders. The majority of them, and some of today's legal residents, were brought to Europe through an international trafficking network. Besides this, according to the Chamber of Commerce (2008) there exist circa 3,500 enterprises owned by Chinese nationals in the Province of Prato; about 70 percent of them – that is, 2,500 – specialise in clothing.

While at the beginning they worked exclusively as subcontractors for Italian firms, many have become entrepreneurs since the early 2000s and have developed their own successful business circuit. Today, according to a book published by the business newspaper 'Il Sole 24 Ore' and supported by the Unione Industriale Pratese (Pieraccini, 2008), the sweating system in Prato produces one million garments a day, generating an annual revenue of €1.8 billion (£1.5 billion).<sup>96</sup> This circuit is what in Prato is called 'the parallel district of the Pronto Moda' and is said to be 'a Chinese invention.' The contrast of such successful activity to the collapsing textile industry has led the newspaper 'La Repubblica' (29/7/09)

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<sup>96</sup> It should be noticed that *Il Sole 24 Ore* is a newspaper that has strong links with Confindustria, the main entrepreneurial organisation in Italy. In other words, it is the voice of the largest businessmen in the country.

to talk about “a two-speed district”: “Prato is two cities, side A and side B, one inside the other, two circles that touch each other but do not interact other than at very few points.”

The same source also states that at least €1 billion of the €1.8 billion is off the books. Indeed, officials in the labour inspectorate of the Province of Prato point out that in the inspections to companies under Chinese ownership they regularly find serious irregularities, like unregistered labour (very often labour under irregular immigration condition), poor health and safety conditions, lack of reporting of work accidents, and fiscal evasion, among others. In fact, in December 2007, a Sunday evening programme in the official TV channel (RAI 1, 2/12/07) revealed some of these irregularities. Some of these companies were found to be assembling purses and other leather goods for large high-end fashion houses like Dolce & Gabbana, Prada, Chanel and others. Indeed, these widespread practices among clothing companies owned by Chinese immigrants have been the object of attention of ‘Business Week’ (22/10/01), ‘Le Monde’ (10/11/05), ‘Der Spiegel’ (9/7/06), the ‘BBC’ (2/8/07) and ‘France’s Channel 4’ (22/7/2008), amongst other media.

These companies qualify as ‘local sweatshops’, according to the description laid out in Chapter 2. Although not all Chinese owned clothing companies are sweatshops, it is fair to conclude, at least for methodological purposes, on the basis of media and labour inspector reports, that the sweating system in Prato is currently comprised of 2,500 sweatshops.

In this chapter I start by setting the general historical and geographical context in which such an astonishing phenomenon takes place. Three main elements are emphasised: a context of industrial decay resulting from increasing international competition of goods and products from low-wage countries (itself made worse by the free-trade policies of the EU and the European Monetary Union of which Italy is a signatory); a turn from Welfare to Neoliberal State (i.e., a state managed by a political and technocratic class closely linked to capital’s interests), with some workfare state elements (Jessop, 2002); and a decisive shift in the balance of power between capital and labour since the early 1980s, which has led to increasing labour casualisation. The latter in particular has made even worse the – otherwise historically high – level of informal labour, linked to the development of submerged economies like the sweating system in Prato.

The origin of the sweating system in Prato is analysed in the following section. My findings are based on interview results and partly on Ceccagno's (2003) work on Chinese immigration into Prato. Four main causes are found: (a) the pre-existence of several Chinese fashion-firm subcontractors in the Province of Florence; (b) the textile industry's deep crisis, on which the city's economy had been overwhelmingly based; (c) the urban morphology of the city centre and its immediate surroundings; and (d) the 'entrepreneurial culture' of the city, whose backbone was partially made of SMEs and informal sectors. Following from this, I put forward a thorough description of the sweating system in Prato, typing sweatshops according to output destination, and focusing in particular on their ties to high-end fashion houses and the development of the parallel Pronto Moda district. An analysis of the reasons for the sweating system's success follows, with a focus on the great capacity of sweatshops to provide the industry with the increasing requirements of flexibility, record times and low prices, and on the semi-legal and illegal practices used by the 'Chinese entrepreneurial class' to maximise its profits. Of these practices, human trafficking is addressed separately, in order to describe in depth the mechanisms of the trafficking network/s that operate and its/their possible links with the Chinese authorities in Italy, and the appalling situation of thousands of migrants in the very heart of historically 'red' Tuscany.

Following these descriptions, I discuss the importance of the state as the main institution responsible for guaranteeing the well-being of its citizens and respect towards ethnic minorities, as established by international conventions signed by the country. The long-standing policy of 'letting this happen' through a lack of political action has (more or less) concrete reasons. The main one is the success of a handful of local entrepreneurs in light of the availability of a large pool of sweatshop labourers and of the huge money inflow that this system brings into the city. In my understanding, these prominent local entrepreneurs are slated to become the new rich of the city, the face of the successful recovery of a Southern European city ruined by industrial decay. For them to actually become so, the state is allowing the development of this underground economy. Such policy is certainly an indication of the lack of alternative policies from public authorities, and a sign of the increasing penetration of capital's interests and logic into the state's policy-making that Jessop identifies for this post-Fordist era.<sup>97</sup>

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<sup>97</sup> Officials and entrepreneurs also mention the fear of a violent response from the Chinese community in the city as a reason to not stop with the sweatshop crisis, recalling the Chinese community's revolt in Milan in April 2007 (see *La Repubblica*, 4/4/07). In 2007 the BBC (2/8/07) quoted the chairman of the *Unione*

Finally, before the concluding remarks, I address the role of the unions. I emphasise their difficulties in a context of increasing labour flexibility – to which the three main unions have largely subscribed – and industrial decline, and their lack of proactive policies to counter the negative effects of economic developments and the state and capital’s attempts to make the working classes pay for the crises. Based on the interview responses, I conclude that the penetration of capital’s logic is not limited to state politics. It is also internalised in union politics.

## ***2. Neoliberalising Italy***

Since the post-war economic boom – itself strongly based on industrial production exported to the newly created European Economic Community (1957) – Italy’s economy has followed a downward slope (despite the success of the 1983-1987 period) and its GDP actually shrank in 2008. Its industrial firms proved unable to face increasing international competition, in a context in which the EU has rather condemned manufacturing firms (mostly based in Southern European countries) to the competition of cheap imports from Southeast and East Asia into the EU market. Since the early 1980s, this process was paralleled by the increasing pressure of entrepreneurs for the flexibilisation of the labour market. Legislation furthering the casualisation of labour relations, generally agreed between capital, the state and the main unions, was applied little by little until present day. At the same time, informal labour experienced renewed growth, and today it reaches a 20 percent (excluding agriculture, where informality is known to be rife) (OECD, 2000; quoted in Gallin, 2001). Finally, the increasing penetration of capitalist logic into the state apparatus, justified in terms of removing politics from state management, led to less social expenditure and to an increasing participation of entrepreneurial associations like Confindustria into policy-making.

The state played a major role in implementing these measures and in creating the political environment that served these plans. Similarly to the case of Argentina, labour flexibilisation and cuts on social welfare expenditures were introduced also by means of

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Industriale Pratese as saying that “I fear that what happened in Milan could happen here in Prato.” However, he failed to explain how this is related to a possible reaction of this kind in Prato, which leads me to discard this as a reason.

“state terrorism” (Balestrini and Moroni, 2006 [1988]).<sup>98</sup> The murders of workers in the hands of police forces, which between 1947 and 1969 had reached 91 workers (Virno, 2006 [1988]: 340), escalated to more than one hundred only between 1975 and 1977. Besides, thousands of workers, students and scholars were imprisoned (and in some cases tortured) under martial laws<sup>99</sup> or even without charges. Specifically in this sense, the Italian case is not a less clear example of neoliberalisation than that of Argentina. Indeed, the relevance of the Italian case for Harvey’s analysis of the origins of neoliberalism is noticeable: the tensions that had built up since the large strikes of the mid-1950s and throughout the 1960s, exploded in the early 1970s with the economic stagnation (Balestrini and Moroni, 2006 [1988]). With decreasing profit margins, entrepreneurs understood that the moment to break up with the “accords” that tied up “big labour, big capital, and big government” were to be written off. The balance between capital and labour was to be turned into capital’s favour by means of state terrorism.

## **2.1. Italy’s broken heart: producing industrial goods in today’s Europe**

During the post-war period, alongside the growth of manufacturing production, the Italian economy was said to be experiencing an economic miracle.

In the twenty years from 1950 to 1970 per capita income in Italy grew more rapidly than in any other European country: from a base of 100 in 1950 to 234.1 in 1970, compared to France’s increase from 100 to 136 in the same period, and Britain’s 100 to 132. By 1970 Italian per capita income, which in 1945 had lagged far behind that of the Northern European countries, had reached 60 percent of that in France and 82 percent of that in Britain (Ginsborg, 1990: 239).

Duggan (1994) attributes this ‘economic miracle’ partly to the favourable conditions in which Italy’s industry found itself when the Treaty of Rome was signed in 1957: “between 1958 and 1963 Italian exports increased on average by 14.4 percent per annum, with the percentage going to EEC countries nearly doubling” (Duggan, 1994:263). During the 1970s the average annual growth of the GDP reached 3.8 percent, only surpassed by Japan and Canada among the G8 countries (4.2 and 4.1 percent respectively) (UNCTAD, 2010). Trigiglia and Burrioni (2009) assert that this ‘miracle’ was mostly sustained by the industrial growth of the North West of the country (the so-called ‘industrial triangle’ which

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<sup>98</sup> *La strage di stato (State terrorism)* is also the name of an anonymous book edited in 1970 that sold more than one million copies and became popular amongst activists.

<sup>99</sup> Indeed, some of these laws had been adopted during Mussolini’s dictatorship and were still in force.

includes the cities of Milan, Turin and Genoa), and that the state-owned companies IRI and ENI (created during the fascist period and in the early 1950s, respectively) played a key role in cheapening energy and other industrial products, notably steel. However, towards the end of the decade, the country suffered the consequences of the international crisis. Inflation grew and trade got stuck. From then on, average annual growth did not recover: 2.5 between 1980 and 1989, 1.7 between 1992 and 2000, and 0.8 between 2000 and 2007, when it was the lowest level amongst G8 countries. This is despite the more successful 1983-1987 period, which according to Ginsborg (1990) was associated with industrial export-led growth. In 2008, partly in virtue of the financial crisis started in October, Italian GDP dropped (UNCTAD, 2008).

These trends are at least partially explainable by the way in which Italy's economy was affected by the European Union. The introduction of the European Monetary Union in 1992, and notably the introduction of the Euro in 2002, implied the impossibility of devaluing the Lira to gain competitive advantages in exports (mainly industrial goods): "without the escape valve of devaluation, firms open to foreign competition have been hit particularly hard" (Trigilia, 2009: 635). Increasing trade liberalisation – negotiated by the EU in the WTO – also affected industrial production. The result was a downward trend in output. In 2007 total industrial production was 1.6 percent lower than in 2000, mostly in manufactures (which have seen a drop of 3.6 percent in the same period) (ISTAT, 2008: 374). The textiles and clothing industries provide a clear example of these developments: between 2000 and 2007, total output dropped 15.6 percent<sup>100</sup> (see 2.4 in this chapter).

## 2.2. Good-bye Welfare State

The above mentioned changes at the European Union and international levels have strongly influenced Italy's politics. In this sense, the 1990s are identified by Ferrera and Gualmini (2000) as "the Italian transition". Towards the beginning of the 1990s, government debt was already surpassing GDP, and debt services were increasing rapidly along with the interest rate. Besides this, the European Monetary Union put further constraints over budgetary policies (Della Sala, 1997). It was in those years that policies to restrict public expenditures, as well as the privatisation of state-owned companies, were carried out.

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<sup>100</sup> These numbers might be misleading because statistics include both textile and clothing production.



Italy embarked on major plans for privatisation and restructuring of the welfare state relatively later than other industrialised states. It is only now in the 1990s, with the blunt instrument of the convergence criteria [the *concertazione*] to marginalise resistance, that governments have put through major reforms that have introduced greater market forces to many parts of the economy, and put into private hands major state holdings (Della Sala, 1997: 27-8).

This same author notes that the 1992 corruption scandals, when one-third of the Chamber of Deputies being accused of corruption, opened the field to a new generation of politicians, while traditional parties “[took] a back seat” (Graziano, 2007). The right-wing parties Lega Nord and Forza Italia were born in those years. The first of these led the voices of tougher fiscal control, i.e. less social spending and greater labour flexibilisation.

The emergence of new political forces, such as the Northern League, put fiscal responsibility and tax reduction firmly on the political agenda. The new political forces were able to combine anti-tax sentiments with public reaction to the corruption scandals of the 1990s, which led to greater questioning of the utility of public expenditure and state intervention in the economy (Graziano, 2007: 28).

### **2.3. Trickle down versus shouldering the costs**

According to Ginsborg (1990), the late 1970s marked a political economic shift in Italian contemporary history. Several centre-left-wing governments since 1962 had helped maintain some balance of power between capital and labour. The more ‘consensual’ approach adopted by certain leaders of the Italian Communist Party (henceforth PCI) and its closest trade union (CGIL) in reaction to the economic slowdown of the late 1970s helped attenuate worker protest (Ginsborg, 1990). In Ginsborg’s view, central to this was the cooperation of the CGIL leader (Luciano Lama), who in a famous interview in the newspaper ‘La Repubblica’ was “in favour of wage restraint, increased productivity and workers’ mobility” (24/1/78; quoted in Ginsborg, 1990: 389). The logics of the CGIL’s approach were explained by the CGIL’s economist Labini:

the Left must help the reconstitution of private profit margins – which today are extremely low – deliberately and without fake consciousness. This has to be done even putting forward measures that are onerous for workers (quoted in Balestrini and Moroni, 2006 [1988]: 668).<sup>101</sup>

According to Balestrini and Moroni (2006 [1988]), the PCI – with its famous leader Berlinguer – had a key role in driving the unions in this direction. Indeed, Balestrini and Moroni (2006 [1988]: 665) stress that the cooperation of the PCI in the repression of

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<sup>101</sup> Translated from Spanish.

independently organised workers was deliberate and very active, and involved an ideological campaign favouring the establishment of martial laws (like the Legge Reale, which entailed “an authentic ‘license to kill’ for the police forces (and) that provoked 350 victims in its first 10 years in force”).<sup>102</sup>

Under such circumstances, “as never before in the history of the Republic, employers, unions and government sat down” to agree on a plan for economic recovery (Ginsborg, 1990: 389). In Ginsborg’s view, the plan succeeded in creating some economic recovery, although the outcome of the *concertazione* (tripartite negotiations) was unfavourable to workers. “The mechanisms of wage indexing were made less favourable to the workers, strikes were discouraged and agreements over mobility and productivity were signed with the employers” (:389). Ginsborg concludes that

once again, as in 1945-47, the PCI was unable and unwilling to use its considerable powers of mass mobilisation to force the [Christian Democrats] into making real concessions. Once again, they accepted the internal logic of the capitalist plea to salvage the economy without having an alternative economic strategy of their own (:390).

The new consensual approach of the institutional left was both cause and consequence of the conditions that laid the ground for weaker labour power. In this context, Ginsborg (1990) and Duggan (1994) point out that events like the 1980 capitulation of a strike at the largest FIAT factory<sup>103</sup> had tremendous consequences for workers, but most of all for those remaining in the informal sector and, with the subsequent labour flexibility, for young people entering the labour market under precarious contracts. However, this event appears as little more than irrelevant when confronted with the hundreds of murders and imprisonments of workers and students since the mid 1970s. In 1977, a group of renowned French intellectuals (including Foucault, Sartre, Guattari, Deleuze and Barthes) condemned the situation in Italy in a public statement, exposing the responsibility and the complicity of the Christian Democrats – the main political force in Italy between 1946 and 1992 –, the police forces, and the PCI in “the banning of demonstrations in Rome, the *siege* in

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<sup>102</sup> Translated from Spanish.

<sup>103</sup> According to Ginsborg (1990) and Graziano (2007), the historical turning point was the capitulation of the 35-day-long strike at the largest FIAT factory in the surroundings of Turin, September-October 1980. The strike ended with a large counter-demonstration by 40,000 white-collar workers willing to go back to work. An agreement with FIAT was signed by the union leaders the day after the counter-demonstration. In Ginsborg’s understanding, with this agreement the owner of FIAT and at that time president of Confindustria, Giovanni Agnelli, “won a famous victory and set the pattern of industrial relations for the coming decade” (1990: 404).

Bologna... and the plain shootings to the crowds in demonstrations” (Lotta Continua, 5/7/77; quoted in Balestrini and Moroni, 2006 [1988]: 614).<sup>104</sup>

Capital’s need to control the labour movement in Italy was successfully carried out by the state during the process of neoliberalisation of the country. Despite the concessions to ensure the acquiescence of the institutional Left and the largest unions – which included limited labour flexibilisation in the public sector, where the unions are still strong – the defeat of the extra-parliamentary Left and its grassroots organisations (like the Confederazione dei Comitati di Base [COBAS]) was significant, and laid the ground for important shifts in the Italian labour markets.

#### **2.4. The complexities of the Italian labour markets: of insiders, outsiders and mid-siders**

Madama, Jessoula and Graziano (2009: 389) note that the Italian labour market has historically been divided into two main groups of workers: the *insiders* and the *outsiders*. These “have traditionally enjoyed differential levels of protection against social risks, and notably against the risk of unemployment.”<sup>105</sup> In the first group there are public administration and large and medium-sized company employees, among which unionisation is high and protection against firing and benefits for unemployment are significant. The second group encompasses those who work in the informal sector and who have no social benefits and protection against unemployment at all. Furthermore, according to these authors, there is a third category; the *mid-siders*. These include employees in micro and small enterprises, on the one hand, and the “multiform universe” of atypical labourers, on the other hand.<sup>106</sup> This group represents workers who have much lesser job security and protection against unemployment than the *insiders*, but can at least have some (poor) benefits in case of unemployment (unlike the *outsiders*).

The mid-siders are those who have been most affected by increasing labour flexibilisation that, in the view of Manuele (a labour lawyer of the Sindacato Italiano Autonomo Lavoratori Poste, interviewed on 29/9/08), started in the mid-1980s with the introduction

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<sup>104</sup> Translated from Spanish.

<sup>105</sup> Translated from Italian.

<sup>106</sup> Quoting Ministero del Lavoro (2008), the authors note that atypical labourers (a sub-group within the mid-siders) today reach 20 percent of the labour market, compared to being a rather marginal group in the late 1980s (cited in Madama, Jessoula and Graziano, 2009: 390).

of part-time contracts. Still, according to Manuele, the first big push in this direction was the introduction of Law 196 in 1997 (the so-called Treu Package on behalf of the then Minister of Labour), and more importantly the Biagi Law (Law 30) in 2003. The latter introduced 32 labour contract types and corresponding sub-types, leading, in the view of Manuele, to “an almost unlimited number of contracts.” It was passed with the usual argument that it would create jobs because it eased the hiring of workers. However, according to studies by the Ministero del Lavoro (2006; cited in Regione Toscana, 2007: 29) and of Veneto Lavoro (2006; cited in Regione Toscana, 2007: 29), “it has been unanimously seen that the numerous forms of contracts introduced by the Law 30/2003 (job on call, occasional job, staff leasing, etc.) have had a very modest impact on occupation.” It is important to note that Law 30 was opposed by about three million people in street demonstrations in Rome, Milan and other large cities in April 2002. Still, only one of the main unions (CGIL) opposed it, while the other two ‘signed in’. Its adoption was a “big collapse” for labour rights (Manuele), and it represented, most probably, the biggest capitulation of the labour movements in Italy in the last decade. These two laws affected mostly those who entered the labour market since then. They are the ‘precari’.

#### **2.4.1. I precari, a labour fashion**

Several years ago, the Italian word ‘precari’ (plural for precarious) was only an adjective; but today, after several years and laws on labour flexibilisation, *precari* is the noun denoting persons working on a flexible contract. A front page of the ‘Corriere Fiorentino’ (29/7/08) puts it like this: “The *precari* from our own home: there is always more, and it increasingly involves elder people. Fixed-term contracts: a rule”.<sup>107</sup> The news referred to a report of the Istituto Regionale per la Programmazione Economica della Toscana (2008) about labour flexibilisation in Tuscany. The report showed that while in 1993 the *precari* accounted for 4.5 percent of Tuscany’s workforce, in 2006 they represented 12.5 percent, which is almost tripled, but still below the national and European rates (13.1 and 14.4 percent respectively). Indeed, recent data cited by Regione Toscana (2008) indicates that more than half of the job posts created nowadays in Italy are ‘fixed term’ jobs, whereas in Tuscany, over 70 percent of new jobs are under fixed-term contracts (IRPET, 2008: 2).

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<sup>107</sup> Translated from Italian.

Madama, Jessoula and Graziano (2009) note how these shifts have led to a “more European” labour policy in Italy, as a response of Italian administrations to increasing pressures from the EU to adopt the strategy of *flexicurity* (on which, according to a report of Regione Toscana [2008], the Biagi law was inspired).

The notion of *flexicurity* is based on three main pillars. The first one consists of the adoption of measures that increase flexibility in the labour market by means of new regulations that tend to make the employment of new workers less rigid, on the one hand, and to disseminate non-standard (or ‘atypical’) labour contracts. The consequence is lower job security in exchange of more jobs. However, greater flexibility has to be coupled – and somehow compensated – with a higher income security and the strengthening of active plans to promote employment security, which represent the other two pillars of *flexicurity* (Madama, Jessoula and Graziano (2007: 388; emphasis in original)).<sup>108</sup>

Graziano (2007) points to certain state employment policies (like requiring the unemployed under income security to take training courses) and employment agencies deregulation (which until the Treu Package of 1997 where only public) as some of the workfare elements introduced in the country. However, as stated by Manuele, “in Italy, the process of deregulating labour guarantees did not take place along with the development of minimum social assistance plans, like laws of support for the unemployed and so on.”<sup>109</sup>

Graziano agrees on this point and indeed notes that

if Italy wants to fully adapt to Europe, it has to move in a new direction, with the reform of safety-net measures, an increase in unemployment benefits to make them more generous (in line with EU standards, at least with Southern European standards), and greater attention to the needs of atypical workers (i.e. offering employment protection to non-standard workers).

These events, which led to a greater segmentation in the labour market (Madama, Jessoula and Graziano, 2009), have had tremendous consequences for union politics. In fact, unionisation among the *precari* is extremely low, because

while working under a certain contract, they are already thinking about their next job, and also because many of them are looking forward to getting another contract with the same boss, and then they do not engage in union actions, they do not show up or speak in assemblies and so on (interview with Manuele).

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<sup>108</sup> Translated from Italian.

<sup>109</sup> When I asked Manuele to compare Italy’s labour legislation to that of other European countries, he argued the following (sic): “I would say that we are somehow in an average situation, but there is a problem: that is only true until 2003! I am not able to state where we are now, after this collapse... I mean, considering all this, I would even say that we are in the group of those who are worse off than the European average, because the workers have lost guarantees of job stability (...) One good indicator of this is that in the demands we take from workers, when Italian regulations are worse than the EU norms on labour issues, then we refer to the latter to raise Italian standards, since EU’s norms prevail. Until some years ago we rarely had to refer to EU norms because we were at a higher level than what was established through them, but today we have to refer to these more and more, meaning that we really are in the midst of a downfall.”

## 2.4.2. Outsiders of Italian history

Referring to the outsiders, Madama, Jessoula and Graziano (2009: 390-91) quote official statistics (CNEL, 2009) to argue that there exists “a high level of informal economy, which in 2008 it was estimated to involve one out of five workers in the South and the Islands [Mezzogiorno] and slightly less than one in ten workers in the regions of the Centre-North.” Other statistics are quoted by Hadjimichalis (2006: 88), who, though not quoting his source, asserts that informal employment represents between 16-17 percent of Italy’s GDP, only surpassed in the EU by Greece (19-22 percent). However, the US State Department points out that the informal economy in Italy reaches 27 percent of GDP, which would most likely raise the level of informal employment. (<http://www.state.gov/r/pa/ei/bgn/4033.htm>, accessed on 25/5/10).<sup>110</sup>

Several authors (Dunford, 2006; Ginsborg, 1990; Hadjimichalis, 2006; Ross, 2002) stress the importance that the informal economy has had historically in the country. Hadjimichalis (2006: 88) quotes Mingione, who argued that “tax evasion, multiple job holding, moonlighting etc., are issues that form part of any description of how Italian (and in general Southern European) economy and society works” (Mingione, 1983). This has been the case for the Mezzogiorno but also the industrial North during the first years of the ‘economic miracle’<sup>111</sup> and in the industrial districts of the Third Italy (where there is a strong culture of “family-as-business” which involves self-exploitation and child-labour [Ginsborg, 1990]). Regarding the latter, Ginsborg (1990: 235) says that during the economic miracle “central government seems to have taken a permissive rather than propulsive role. Taxation on new firms was kept to a minimum and casually enforced. Bureaucratic norms governing firms’ activities were widely ignored, as were the social insurance contributions which they were supposed to pay.”

<sup>110</sup> Which statistics are more reliable is a matter of speculation, but in any case it should be noted that in the Ministry of Finance’s latest annual General Report on the Economic Situation of the Country ([http://www.tesoro.it/doc-finanza-pubblica/dfp\\_rgse.asp](http://www.tesoro.it/doc-finanza-pubblica/dfp_rgse.asp), accessed on 24/5/10), despite the detailed statistical information it contains, informality (or black, unregistered, clandestine, or submerged economy or jobs) is not even mentioned once.

<sup>111</sup> Ginsborg (1990) notes that in the industrial North, in the 1950s, newcomers found it hard to find a job straightaway in a large factory; instead, many of them specialised in construction, where “hours were long, turnover extremely high, and safety precautions minimal.” In the second half of the 1950s a new semi-legal figure was created, generally managed by Southern immigrants already established in the North; these were known as ‘the cooperatives’. These small companies “provided the Northern factories with cheap labour”; workers had to pay a fee and they would start working “without any proper contract, pension provisions or employer’s insurance payment” (Ginsborg, 1990: 223).

As already noted, micro and small enterprises make up a large portion of the labour market in Italy. According to Madama, Jessoula and Graziano (2009: 394) 38 percent of the Italian workforce is employed in companies with up to 20 employees, a widespread phenomenon in the industrial districts of the Third Italy. In their critiques on the industrial districts literature, Ross (2004) and Hadjimichalis (2006) note that the special provisions for artisan companies (those with less than 16 employees) have traditionally fostered informal employment in the industrial districts. Indeed, workers in these firms are not entitled to have union representatives, and their salaries and working standards are lower than those of the industrial workers because their bargaining contracts are negotiated under different (less favourable) conditions (see 7.1 in this chapter).<sup>112</sup>

As I will note below (see 2.3.2 in this chapter), informal employment and exploitation and self-exploitation of employers and their relatives are essential to Prato's 'entrepreneurial culture', which according to my interviewees has helped the development of the sweating system.

## **2.4. Producing textiles and clothing against liberalisation interests**

In the clothing industry, all the elements above identified as major structural facts affecting industrial production and working conditions, as well as the existence of a significant portion of informal labour, reach perhaps their zenith: a framework of permanent economic instability that strongly affects a sector with such volatile demand; trade liberalisation – mostly through the EU – and unfair competition of cheap imported garments; and since some years ago the availability of thousands of cheap sweatshop workers for whose working conditions manufacturers are not legally bonded, and regarding which the state seems especially tolerant.

The end of the MFA, negotiated by the EU in the Uruguay Round of the GATT (despite complaints by the Italian government) left domestic manufacturers unprotected when

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<sup>112</sup> There exist three types of bargain contracts per sector: (a) the contract with Confindustria, which applies to large companies (i.e. those with more than 50 workers); (b) the one with CONFAPI, which applies to SMEs (between 16 and 50 workers); (c) and the one with the artisan companies' representatives (CNA and Confartigianato), which applies to companies with 15 or less workers. Generally, working conditions and pay are better in larger companies, where it is also more likely that such conditions can improve through factory-based contracts. In addition to these, territory-based contracts by region can also be formulated.

having to face the increasing competition of cheap imports from SE Asia – less due to imports into Italy than to imports into the Northern European countries (traditional buyers of ‘Made in Italy’ fashion goods). In this regard, Simone (from the Department of Economic Development of the Tuscany Region, interviewed on 9/6/08) asserted that “the trade norms that until a certain moment had helped us today penalise us.” In his view, with the end of trade protection and increasing international competition

the market has changed [and] the contradictions have exploded. The conditions that guaranteed our economic development during the 1960s and the 1970s cannot guarantee our development today, much less in sectors in which we compete with Asian countries.

The EU’s trade policy concerning textiles and clothing industries illustrates the differences of interests within the Union. As Maurizio (from one of the two artisan entrepreneurs’ organisations [Confartigianato], interviewed on 4/6/08) explained to me, trade liberalisation was mainly fostered by large variety chains and retailers from Northern Europe, in order to be able to import and offer cheap garments in their stores. Besides, according to him the lack of legislation on rules of origin for textile and clothing products allows Northern retailers to import cheap garment and change the label to a ‘Made in Italy’ label, damaging the image of Italian products. The complaints of the Italian government to the EU are thus based on two main issues: reciprocity in the terms of trade (mostly with China), and the establishment of rules of origin (*tracciabilità*). Regarding the former Massimo (an officer at the Department of Economic Development of the Province of Prato, interviewed on 18/6/08), explained to me that the claim is that “China’s accession to the WTO should have had certain conditions”, because “globalisation can lead to a fall in prices and to higher quality goods only if the conditions of competition are the same for everyone.”<sup>113</sup> On the other hand, the Italian government has put forward a proposal to the European Commission to set up rules of origin for textile and clothing products. However, it has been rejected by the Council of Ministers several times. According to Simone, “the proposal sleeps in the drawer of an EU bureaucrat, and it will never be passed”, because Northern countries have more voting power.<sup>114</sup> In sum, the following statement by Simone summarises these points (*sic*):

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<sup>113</sup> None of my interviewees want protectionism. Indeed, Diana (member of the textile and clothing federation of the CGIL-Toscana, interviewed on 5/8/08 and 12/8/08) pointed out that trade liberalisation has opened new markets for Italian firms, Russia and China being particularly attractive (mostly for large fashion brands; for example, according to her, Gucci has over a hundred stores in China).

<sup>114</sup> In Simone’s words, for the proposal to be passed, Italy – and other Southern Europe countries pushing the proposal – needs “the qualified majority of the countries that represent the majority of the population in the Council of Ministers, and the countries representing the majority of the population are the Northern ones, but



Our traditional productive model has gone in crisis in front of the goods from strong competitors in the international markets. The new competitors have placed themselves in textiles and clothing in particular and have developed a competitive capacity which makes it difficult for our companies to survive (...) In the negotiations about liberalisation in the Doha Round, the interests of the European producers have not been considered sufficiently. The strategy is that of exporting products with high value-added in terms of innovation, so it makes sense that they have disregarded the interests of producers in certain countries of Southern Europe that are smaller and politically less and less powerful everyday.

However, my interviewees in Prato seemed to stress the importance of these differences with the EU trade policy to a point at which, similarly to the ‘Chinese threat’ (i.e. cheap imports invading the domestic market) used by entrepreneurs in Buenos Aires, it somehow becomes a rhetorical tool to avoid the issue of the redistribution of wealth within the chain, and to justify the use of trafficked and forced labour. Indeed, despite the fact that between 1970 and 2000 the value added in the textiles and clothing industries almost doubled (Dunford, 2006: 33; based on OECD, 2003), workers in these sectors remain, similarly in the case of Buenos Aires, amongst the worst paid in the whole economy. This holds true particularly for the case of workers in artisan companies, which according to Dunford (2006: 34) make up more than 70 percent of the firms in these sectors. Besides, official statistics stating that 385,000 jobs were lost between 1970 and 2002 (Dunford, 2006: 33; based on OECD, 2003) do not show the reality, since these have partially been transferred to the thousands of sweatshops arising in the last 25 years around the country (Naples and Prato being major cases). This allowed domestic entrepreneurs to keep production at home at lower prices.

The existence of a cascading chain of subcontractors plays a significant role in putting downward pressure on costs. One reason why is that the buyer sets the price of products. Another is the reductions in costs that are made possible by subsidies and, until they were scrapped, special social security provisions for less developed areas. Still another is that the avoidance of taxes and the employment of high shares of clandestine/undeclared labor (including family members, undeclared nationals, and illegal immigrants) permit cost-based producers to implement labor-intensive phases of production at a low price. At the end of the 1990s, FILTA-CISL estimates put the clandestine workforce at 30 percent to 90 percent of the southern total, depending on the district (cited in Aniello 2001, 520–21) (Dunford, 2006: 53).

### ***3. The sweating system in Prato: its origin and causes***

The information collected from the interviews reveals that some of the sweatshop owners today established in Prato started up in the Province of Florence, where a large pool of

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they are contrary to the proposal.” In his view, this illustrates that in the EU, a few Northern countries are more ‘equal’ than the rest.

workshops grew since the early 1980s, mostly producing leather goods for large brands. Their origin must be seen in the strategies of vertical disintegration followed by the large brands, which according to Diana (a leader of the textile and clothing federation of the CGIL at Tuscany, interviewed on 12/8/08 and 26/8/08) started in the late 1970s and strengthened during the following decade. With this strategy, the companies shut down their own production facilities and subcontracted firstly to workshops within the area, and soon later to low wage countries. Further on, once the prices back home were low enough to be competitive with low wage countries, they started subcontracting again to workshops in the area. Many of the latter were the first clothing sweatshops in Tuscany, largely managed by some members of the Chinese community.

A similar case is that of the district of Carpi (in the region of Emilia-Romagna), in which according to Bigarelli (2003, cited in Osservatorio Regionale Toscano sull'Artigianato, 2007: 15),

the increasing vertical disintegration of the fashion houses along the 1990s came hand in hand with the launching of extra-area subcontracting circuits, and at the end of the period of study [1992-2002] half of the new subcontractors were established abroad (66 percent outside the district). Apart from the triggering of foreign subcontracting circuits in low wage countries, the use of Chinese subcontractors which established themselves in the district during this period is also widespread (:15).<sup>115</sup>

The strategy of cutting labour costs by subcontracting the physical production of garments; the huge investments in image and brand building; and the fast-growing fashion advertising launched by the industry as a response to the stagnation of the mid-1970s, were all strategies that strongly favoured the fashion businesses. It was precisely during the 1980s that some of today's large fashion brands consolidated their businesses. According to Diana, Gucci's example portrays to a great extent the way the sector developed in Italy: while Gucci was an artisan at the beginning of the 1980s, by the end of the decade it was already a renowned fashion house. In the early 1990s a large portion of it was sold on the stock exchange. Today, Gucci is present in the most exclusive shopping malls of the world; it has 1,100 employees in its headquarters plus 600 hundred in its own stores in Italy, and only in the Florence area about 5,000 workshops work for it (information provided by Diana from the CGIL-Toscana).

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<sup>115</sup> Translated from Italian.

With increasing fashion marketing and with at least a partial overcoming of the 1970s economic stagnation, demand for fashion goods grew, creating demand for clothing workshops. This fashion propaganda also created demand for clothing in general, more specifically for fashion-sensitive clothing (or fashionwear). As Carlo (the owner of an artisan firm, interviewed on 29/7/08) explained, in the mid-1980s there was a large pulling market for better quality garments, but of lower prices than those of large brands: “that meant a great opportunity for us; we covered that market by copying the designs of the large brands, using lower quality fabrics and selling basically the same product but more cheaply (...) There were also subcontractors in the area who could work for us.” These trends in the Italian clothing industry created a great demand for labour which at the beginning was partially supplied by Chinese-owned workshops. Soon these would monopolise clothing manufacturing.

By the late 1980s and early 1990s, some Chinese immigrants started moving to Prato and its surroundings with their small enterprises. Renting out industrial facilities of formerly textile factories, these workshops continued to produce leather accessories and some clothes for large brands based in Florence, and for Italian clothing SMEs dedicated mostly to produce medium quality garments for large variety chains (e.g. the British Marks & Spencer and the Italian Oviessa).

### **3.1. Why Prato?**

Both the economic history and the resulting morphology of Prato’s landscape were particularly attractive for the development of a new economic activity based in hundreds or thousands of small enterprises (Ceccagno, 2003). Based on Ceccagno’s work and on the findings of my own empirical work, I identify four main reasons why a sweating system emerged in Prato: (a) the previous existence of several Chinese subcontractors of fashion firms in the Province of Florence; (b) the deep crisis of the industry in which the city’s economy had been overwhelmingly based (textile industry); (c) the urban morphology of the city centre and its immediate surroundings; and (d) the ‘entrepreneurial culture’ of the city, of which both SMEs and informality were some of its backbones. Certainly, all the four are intermingled and altogether they laid the ground on which this sweatshop economy developed.

Firstly, with 8 out of 10 manufacturing companies producing textiles, the deep crisis of the textile industry meant a complete disaster for the city's economy: as asserted by Massimo from the Department of Economic Development of the Province of Prato, in just the last 10 years, 6,000 textiles companies went out of business, leading to the loss of approximately 30,000 jobs. This also affected the whole thread of businesses linked to the functioning of the textile industry, notably the mechanics industry which had developed to supply the demand for new machinery and for repairs and so on. In sum, from a flourishing city presented as the perfect example of the Italian industrial districts model (Dei Ottati, 1994), Prato went to be marked with a cross in the banks and credit institutions' map (interview with Luca, an employee of the statistics department of Prato's Chamber of Commerce, interviewed on 11/4/08 and 1/10/08). This context of general decay paved the way for the development of new economic activities.

Secondly, as already said some of today's sweatshop owners in Prato had started their business as subcontractors of fashion firms during the late 1970s and early 1980s in the Florence area. The move of these Chinese subcontractors to Prato was explained in a very particular way by the Chinese council in Florence. In July 2008, having to deal with a renewed wave of accusations about Chinese entrepreneurs' labour and fiscal practices in Prato, which included the launch of a book about 'The Chinese siege' by the Unione Industriale Pratese (henceforth UIP) and by the newspaper *Il Sole 24 Ore*, the council stated that "faced with the crisis of the textile industry, the hitherto Mayor of Prato came to Florence to talk with the Chinese. He has made the Chinese go to Prato, offering them highly favourable conditions."<sup>116</sup> Consulted by the media, the former mayor denied having done so (*Il Sole 24 Ore*, 22/7/08), and no other sources reinforced this view. However controversial, this version seems to be sensible enough for some, since faced with a strong crisis in the city's economy given to the crisis of the textile industry, the city's main authority may have planned to bring in new economic activities. Indeed, Claudio (an officer at the Labour Inspectorate of the Province of Prato, interviewed on 25/7/08) asserted in the interview that "someone has called the Chinese to Tuscany; at some meeting I have heard about the idea of bringing them to cut labour costs to maintain domestic production." In its early exposé of Prato's sweatshops, the magazine *Business Week* (22/11/01) pointed out that "Prato's officials say the huge Chinese influx has been a

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<sup>116</sup> Full video available at [http://video.ilsole24ore.com/SoleOnline4/Video/Economia%20e%20Lavoro/2008/v\\_italia\\_cina\\_abc\\_immigrazione1.php](http://video.ilsole24ore.com/SoleOnline4/Video/Economia%20e%20Lavoro/2008/v_italia_cina_abc_immigrazione1.php)

godsend for the city's garment-assembly and knitwear industry, whose annual sales of \$1.3 billion are growing at a nearly 20 percent annual clip.” The evidence was provided by the statements of Silvano Gori, then the president of the Prato’s Chamber of Commerce, who as quoted by this publication, said that these numbers represented “an extraordinary boost to [Prato’s] local economy”. In sum, in case of being true, as Pratoblog (2008) suggests, then “Chinese immigration into Prato is a political fact, politically wanted and planned by Prato’s administrations, so local politicians have a historical responsibility for which they cannot blame anyone else.”

Thirdly, the architecture and urban morphology of Prato resulted greatly functional for the kind of activity the newcomers needed to develop. As Ceccagno (2003) explains it, Chinese entrepreneurs rented former textile factories which were closed down owing to the crisis in the sector. A large estate market in the hands of formerly local textile entrepreneurs developed subsequently. These factories had the perfect architecture for the kind of activity they wanted to develop: medium factories with an upper floor where the sweatshop’s owner, his family and the workers can live, and a ground floor where production takes place. On the other hand, it must be considered that Prato is a factory-city, in which there exist factories in the very centre of the city (within the limits of the medieval Wall and its immediate surroundings). The area of Via Pistoiese (just beyond the Wall), along which the Chinese community has recreated a little Chinatown, is a very functional area for the development of such a manufacturing activity, since there exists a mix between houses and factories, all concentrated in the same area. As Salvatore (a member of the clothing and textiles federation of the CGIL at Prato, interviewed on 27/5/08) said, “Via Pistoiese is perfect for what they want to do; there is a factory and right besides it a house, then a factory, a house, a house, a factory and so on...”

Finally, some of the characteristics of the ‘entrepreneurial culture’ that had developed in Prato since the post-war (see Dei Ottati, 1994) helped the development of a production system based on several SMEs. According to two interviewees (Salvatore [quoted above] and Antonio [from the clothing and textiles federation of the UIL at Prato, interviewed on 6/6/08]) Prato was a particularly attractive city for the settlement of thousands of small manufacturing companies, because “in here there was the *humus* for the development of this phenomenon.” The fact that the textile industry was based in thousands of tiny companies is particularly relevant, for not only did it provide workplaces that were highly

adaptable to the spatial needs of the newcomers (the third factor mentioned above) but it also shared some sort of ‘entrepreneurial culture’ of the city, in which SMEs were a trade mark of Prato and other industrial districts from the Third Italy. Within this ‘entrepreneurial culture’ the referred interviewees pointed at the fact that, in the words of Antonio, “Prato’s entrepreneurs were never famous for working in fully legal terms.” Indeed, Simone (from Tuscany’s Department of Economic Development, mentioned above) stated that among the several things he has heard from gossips in corridors and meetings in his many years into politics, one of the most astonishing ones came from an official from Prato who had told him that “*i cinesi eravamo noi*” (we were the Chinese), referring to informality, i.e. tax-evasion, unregistered labour and exploitation of workers (and self-exploitation of workshops’ owners and their own families). Similarly, Ross (2006: 213) asserts that

Prato’s dual economy is exacerbated by the immigrant flow, but its combination of a legal, high-wage core and a periphery of low-wage, sweatshop suppliers is not a ‘Chinese’ import. This kind of structure has a long history in the international garment industry, and... some version of it was apparent even in the heyday of the so-called economic miracle that occurred in regional centres like Prato in the 1960s and 1970s.

In 2001 the magazine ‘Business Week’ (22/11/01) quoted a union leader in Prato and pointed out that

Prato’s Chinese entrepreneurs have meshed seamlessly into the Italian economy, which itself is powered by thousands of small, family-owned businesses, many of which operate off the tax rolls. “The mentality of the Chinese is not far from the mentality of an Italian,” says Giovanni Cortese, general secretary of Italian labor union CISL in Prato. “Our family-owned companies also work 11 hours a day when necessary.”

Referring precisely to informal work and exploitation of workers in Industrial Districts, Ross (2002: 212) asserts that

it is impossible to know how much of Italy’s impressive growth in fashion and design is dependent on the sweatshops of the black economy. The true estimate is buried somewhere between the *sommerso statistico* – or lost information, which the state does not collect – and the *sommerso economico* – or submerged economy, which employers will not disclose (...) Without its sprawling off-the-books economy, involving multifarious forms of irregular, informal, and illegal work, the oft-proclaimed ‘miracles’ of Italian manufacturing would look more like mirages.

In the end, all these factors came together to lay the ground for the settlement of the several Chinese immigrants who saw the opportunity of starting up their own business, doing what they had learnt as subcontractors in the Florence area during the 1980s. But this

phenomenon is common to many of those areas identified by ISTAT (the Italian official statistics agency) as Industrial Districts. In his excellent critique of the IDs literature, Hadjimichalis (2006: 91) points to a number of restructuring processes that are affecting them; among them is the “extensive replacement of Italian craft-workers by non-EU immigrants, to compensate [for] increasing local labour costs and/or the lack of skilled labour.” He goes further to assert that

the structure of the labour market, with its many ‘holes’ for informal work, present a ‘window of opportunity’ for thousands of immigrants arriving via the sea to work and stay in Italy without documentation (as in all Southern European countries) (:97).

But the similarities of other cases with Prato’s go beyond informality to include the very physical replacement of formerly Italian firms by firms managed by immigrant entrepreneurs. In this vein, Hadjimichalis (2006: 97) quotes Lanzani (2003: 15-16) as stating that

in the North and the Centre [of Italy] immigrant populations re-use small depopulated historical centres for both housing and work... in small historical towns in the pre-Alpic zone, in the Padana valley and in Veneto as well as in the hill towns of the Marche, where industrial districts face a crisis, immigrants became the solution for many SMEs especially where restructuring was synonymous with cheap and semi-skilled labour.

#### **4. Characteristics of the sweating system**

In December 2007 (2/12/07) a report in a Sunday evening programme in the official TV channel (RAI) revealed the presence of thousands of sweatshops in Prato. The report was broadcasted in the prestigious programme ‘Report’. Only five months later (18/5/08), the same TV programme showed a second report about sweatshops in Prato, suggesting that nothing had changed since the first one. Marco (who is in charge of the development projects division at the Confederazione Nazionale dell’Artigianato – CNA-Prato – interviewed on 22/5/08) told me in the interview that this time the second report had caused mounting tensions within the corridors of the City Council, and many of my interviewees mentioned the report and attributed a certain importance to it. Some of them also pointed out that while the *Pratesi* (people from Prato) used to underestimate the Chinese immigration when it started, the reality seems to have suddenly exploded in their eyes when they saw it on national television.

As already indicated, today there are circa 2,500 sweatshops in Prato. According to a study published by the economics newspaper ‘Il Sole 24 Ore’, and supported by the UIP (Pieraccini, 2008), the sweating system in Prato (which the author calls the “parallel district of the pronto moda” [see below]) produces, in the whole, one million garments a day, which in terms of money represents an annual revenue of €1.8 billion (£1.5 billion). The same author assures that nothing less than €1 billion (£800 million) is not declared.

In the analysis of who these sweatshops work for, there exists contradictory information. The complexity of the system in the midst of an all-encompassing informality leads to a worrying lack of information. Neither the UIP nor the Chamber of Commerce have statistics and reliable data about the destiny of what is produced within the sweating system.<sup>117</sup> My understanding of this issue in particular is based on the information provided by the TV reports and the interviews I carried out. Some interviewees asserted that all that is produced in sweatshops in Prato ends up in “those illegal outdoor markets that you can see in several Italian cities, like the market of San Lorenzo here in Florence” (interview with Venere, from the Department of Fashion at Tuscany Region, on 26/9/08). However, the information shown in the TV report referred to above is clear enough and contradicts this statement. In here, some interviewees clearly have the interest of defending the high-end fashion houses from accusations of sweatshop practices, since they are part of the essence of the ‘made in Italy’.

Bringing together all the information I consider as the most reliable – owing to the overall argumentative strength of the interviewee and to visual proof like the TV – I identify four main types of sweatshops according to the destination of what they produce: (a) those that work as subcontractors of high-end fashion houses producing mainly leather goods (*pelletteria*); (b) those who work as subcontractors of Italian SMEs that export the majority of their products (mostly to variety chains based in Northern Europe); (c) those that produce cheap low-medium quality garments which they market through their own channels (what is called, as we will see, the parallel district of the ‘pronto moda’); and (d) those that work as subcontractors of the latter, which are the majority of the sweatshops.

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<sup>117</sup> Better said, if this information exists, I did not have access to it. Indeed, I was told by a secretary at the Province of Prato that a report that is being kept secret was prepared by the ASL, the office that generates and manages the statistics of the Province of Prato.



According to Luca (from the Chamber of Commerce of Prato), the latter group makes up the majority of the sweatshops; they are at the bottom of the pyramid of this parallel district. In other words, it is in these companies that the worst living and working conditions are found. On the other hand, the first and the third group are of particular importance. The first one because of the fact that these workshops reveal the labour practices that lie behind the elegant and glossy world of fashion businesses, and the third one because of its originality and stubborn growth during recent years and its present importance in terms of the organisation of the system and of possible future developments.

#### 4.1. When time and space meet: the dirty ethics of the high-end fashion houses

For generations Gucci, Dolce & Gabbana and Prada have been the essence of haute couture, and ‘Made in Italy’ meant just that - the chicest handbags from Milan, heels from Rome and gowns from Florence, handcrafted by Italian craftsmen. Not any more...

Italy’s finest fashion houses are leaning increasingly on an army of cheap Chinese immigrants who have turned Tuscany’s textile powerhouse into Italy’s Little China.  
(Sunday Mirror, 2/12/07)

The TV reports mentioned above showed that there are purses of renowned brands as Prada, Chanel and Dolce & Gabbana being sewn at these sweatshops.<sup>118</sup> Vittorio (a former worker in the industry and a member of the CGIL at Tuscany, interviewed on 3/10/08) told me that in a series of investigations that the CGIL carried out to identify small workshops and encourage their workers to join the union, they found a few sweatshops which were Gucci’s subcontractors. In his words, “these were tiny places with conditions similar to those you see in the Chinese sweatshops there in Prato.” According to Venere (from the Department of Fashion of the Tuscany Region, mentioned above) about 50 percent of the leather clothing accessories (*pelleteria*) produced in Italy are produced in Tuscany, mostly in the Provinces of Florence and Prato. The evidence suggests that these accessories are partly produced in sweatshops. Indeed, all the three people I interviewed at the Labour Inspectorate of the Province of Prato (Maria [20/6/08], Andrea [25/7/08] and Claudio [25/7/08]) asserted that in the inspections they have seen goods being produced for the *griffes*<sup>119</sup>, “and not only once!” (as Claudio said). On the other side, while the *Sunday Mirror* (3/12/07) states that the fashion firms refused to make comments about the first

<sup>118</sup> The second report interviewed a Chinese entrepreneur who said that the high-end fashion houses pay them €30 (£25) for purses sold at about €1,000 (£800) in Florence’s Viale Tornabuoni.

<sup>119</sup> This is what Italians call the high-end fashion houses. It is derived from the French *griffe*, which means claw.

report in the TV, the second report (18/5/08) showed a Prada representative implicitly accepting that some of its products are produced in sweatshops, and saying that

We have two different kinds of inspectors, those who check quality and those who check the working conditions of the suppliers. But we're not the police and our inspectors do not have unlimited access to all areas and documents. Regrettably, situations like the one described in the show, which we agree are unacceptable, may occasionally occur notwithstanding our checks, but they are unusual and the show did not bother to mention what the overwhelming reality is.

Several of the large worldwide renowned fashion brands have important design and marketing offices in Tuscany; these include Bvlgari, Calvin Klein, Christian Dior, Dolce & Gabbana, Ferragamo, Hugo Boss, Prada, Valentino, Yves Saint Laurent, and Gucci and Fendi (the latter two from Florence). These companies have their headquarters in Florence and its surroundings. In these, they typically employ designers, modelling and prototyping specialists (particularly important in the production of high-end fashion goods), marketing personnel, and a small amount of workers that produce the samples of the collections. The actual physical production of their goods is, according to Vittorio, either subcontracted to workshops by themselves or commissioned to large intermediary companies (of which there would be 10 to 12) that arrange the logistics of production. The latter subcontract to thousands of SMEs and artisan companies in the surroundings of Florence, mostly in the Northern districts of the Province (Campi Bisenzio and Calenzano) and in the Province of Prato.

Several of the fashion houses named above came to set up large offices in the Florence area during the 1980s. When asked about why fashion brands came to Florence, Diana (the union member from CGIL-Toscana mentioned above) asserted that “in here there is the *know-how*, and there are also thousands of small companies which can provide them with the labour they need.” While, as mentioned above, some interviewees asserted that Prato's sweatshops produce only what is sold in illegal outdoor markets, Fabrizio (the owner of a consultancy agency that provides academic support for textile and clothing companies in Tuscany, interviewed on 22/5/08) directly linked the large fashion brands with the very origin of the sweating system in Prato. Whether there exist *direct* links between the vertical disintegration of high-end fashion houses settled during the 1980s and the development of the sweating system in Prato, is a matter of further inquiry. Nevertheless, as I will stress in chapter 7, there is at least a *direct* relation between certain trends triggered by these

companies' strategies (like vertical disintegration coupled with growing fashion advertisement) and the emergence of sweatshops.

## 4.2. Fast-fashion: the real explosion of the sweating system

Over the end of the 1990s and the early 2000s the extension of the sweating system in Prato was already significant. Competition between sweatshops had reached a point in which the profit margins had been reduced to the limit (Osservatorio Regionale Toscano sull'Artigianato, 2007). Some sweatshops' owners started to realise that pushing down labour costs even more was not enough to compete. Diversifying their production and reaching the market in order to be able to set their own prices were the responses of those who had the financial capacity to do so. As the Osservatorio Regionale Toscano sull'Artigianato notes,

the need for firms to develop strategies to differentiate themselves from their competitors has gained growing importance (...) the intensification of competition has inevitably eroded the profit rates, not only for the Italian competitors but also for the Chinese ones [...] Today the Chinese enterprises must focus on the quality upgrading of their products if they still want to make profits in the clothing sector (:177-78).<sup>120</sup>

According to Fabrizio (the owner of a consultancy firm mentioned above), by that time several sweatshops had acquired the know-how of producing quality garment – including design and modelling – and they had also gained knowledge of the business (e.g. how to know what fashion will be in next season; how to sell clothing in the European market; etc.). Daniele (who owns a retail store in which – according to him – he sells cheap garment entirely imported from China [interviewed on 23/6/08]) explained to me that

we Italians have taught them how to produce, and what to produce. When they arrived to Italy, their stuff, which was being imported from China, was horrible: shiny blouses with strong and bright colours which nobody would buy, but then some of them came and started working for us. Little by little they learnt from us and now they took their own way, they sell their own garment at the prices they set.

Hence, with the financial assistance of the few financial agents of the community (see issue 5 in this chapter), those companies with these skills, the contacts and the experience needed stopped working exclusively for Italian contractors and started selling their own products and setting their own prices. Their success is illustrated by the astonishing growth

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<sup>120</sup> Translated from Italian.

of the sweating system since then: from 2003 to 2007 sweatshops doubled (information provided by Luca from the Chamber of Commerce of Prato).

This breaking point in immigrants' entrepreneurship allowed the sweating system to develop to unimagined levels. Today, interviewees and the media in general talk about 'the parallel district of the pronto moda' (*fast-fashion*), since it has reached the dimensions of a district but it is not the traditional district of the city (textile) and it has only weak connections to it. According to Ceccagno (2006, quoted in 'Der Spiegel', 9/7/06), an academic who works on Chinese immigration in Prato, *pronto moda* is a Chinese invention. The garments sold in this circuit are of a medium-low quality, almost all for young women – that is, they have a certain fashion component – and they are slightly more expensive than imported garments; for instance, on a visit to the district in which several of these companies are settled (Macrolotto) a 95 percent cotton women's top may cost only €1.60 and a cotton dress might be between €6 or €7<sup>121</sup>. In sum, pronto moda companies produce and sell cheap and trendy short-life garments. The newspaper 'La Repubblica' (29/7/08) puts it in an ingenious way: "go, buy it and look at the 'best before' stamp in the label."

Luca from the Chamber of Commerce stated that pronto moda companies are about 400 to 500. They are located in the surroundings of Prato, mostly in the industrial zone Macrolotto 1 and in Iolo. Their customers are chiefly wholesalers from other parts of Italy, and also from the rest of the EU, who then sell these clothes in shops in cities like Florence and Milan. A media report following the publication of the book above referred ('Il Sole 24 Ore', 22/7/08) showed that sales in Macrolotto and Iolo are, by rule, unregistered; customers pay cash, load the merchandise in their cars, and head back to their cities; no registration of the operation exists. Besides this, the subcontractors sewing clothes for pronto moda companies are, as evidenced by the prices they have, sweatshops. As already said, the worst working conditions in the whole sweating system are found in subcontractors of these companies.

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<sup>121</sup> To give an idea of how low these costs are, Francesco (an artisan entrepreneur, interviewed on 24/9/08) stated that sometimes just the quality control of the garment he produces can reach a unit cost of €1. Indeed, prices are so low that since 2007 there exists a big market (Euro-Ingro) in which the large majority of the garment is imported, but both the results of a visit to the place and the statements by Franco suggest that the market seems to have failed, since the price difference is so small that importing it is not worth it.

With the rapid growth of this parallel district, the original plan of the clothing Italian firms to use the cheap labour provided by sweatshops took a different turn: the sweating system would, along the years, develop a separate market (Pieraccini, 2008). In this sense, Massimo (from the Department of Economic Development at the Province of Prato) and Antonella (an academic working on the sweating system in Prato, interviewed on 29/9/08) asserted that originally the Chinese immigration was seen as an opportunity for the city's sinking economy because it brought chances to make of Prato a 'fashion pole': the development of a strong clothing industry would couple with the textile industry to allow the whole production process to take place within the city under collaborative relations among companies, making of it an integrated and unique system (like the IDs). However, as the interviewees also acknowledge, this integration is not at all happening; not even fabrics from local companies are bought today by the sweatshops, because they are rather imported from China. Consequently, only when this parallel district reached a considerable dimension local authorities started realising about the potentialities of this system once the companies do not depend on local firms' orders anymore. According to 'Der Spiegel' (9/7/06) "the first Chinese in Prato were virtually invisible. They worked at home, making woollens and leather goods for Italian subcontractors who then sold the merchandise to big-name designers like Gucci and Versace." In this sense, while in 2001 'Business Week' had quoted the president of Prato's Chamber of Commerce as deeming the presence of Chinese subcontractors as "a blessing" for the city's economy, in December 2007 the 'Sunday Mirror' (2/12/07) quoted the president of the very same institution stating that

we underestimated them. What they're doing here is called unfair competition. We need an operation like the one in Iraq to keep them under control.

#### **4.2.1 Community logics**

When asked about his main preoccupations, Franco (who worked at the Department for Multiculturality of the City Council, interviewed on 1/10/08) told me that it is the dreadful attitude of the leaders of the Chinese community towards local authorities and citizens, which creates an ominous relationship between the Chinese community and the locals: "it is an economic enclave with its own rules and with complete ignorance of Italian norms." His experience dealing with immigration issues in the city led him to assert that the leaders of each community create a whole set of rules and services which makes it unnecessary for their co-nationals to get in touch with local institutions or groups. "When they need for

example a doctor, they go talk to one of the *big bosses* and he sorts this problem out for them.” The strongest sign of this was pointed out by Luca (Chamber of Commerce). In the first interview with him, he told me about a report prepared by Confartigianato (2005) which showed that the level of indebtedness of the 3,000 plus enterprises owned by Chinese migrants with the banks was zero, which, according to Luca, means that there exist some members within the community that act as financial agents.<sup>122</sup> In other words, the sweating system has its own financial system. Following from this, Franco explained to me that

this is why we provide a series of services that these people need *for free*, so they break up with the logics of the community and come to us to ask for assistance. Along the years we have seen that this is the only way in which they approach us, and when they do so we get to know them. Otherwise they just stay within the usual spaces of the community and we can't know their problems and work with them to sort things out.

Again, like in Buenos Aires the nationalist discourse is reproduced by the leaders of the community in events held along the year. In here I would suggest – from the experience of the Buenos Aires' case – that in line with fostering the nationalist feelings, the leaders call everyone to defend the rules of their own district as a means to reinforce the national feelings in the midst of a supposedly hostile local society. Although I have no evidence about this, it seems to me – also from what Franco said in the interview – that they create and reproduce the ethnic logics, and demand the Italian state to respect these rules.

### **5. Why is the sweating system so successful?**

Time, flexibility and low price are the keys to success for companies selling medium-low to medium-high quality garments. It is precisely in providing the industry with these three issues that the success of the sweating system resides. Sweatshops allow Italian companies to respond to the market's shifts in record times, and to be flexible enough to avoid shouldering the costs of crisis, that is, to have more effective control over labour costs – by paying only for the labour they actually use – and avoid stocking up garments that they might not be able to sell.

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<sup>122</sup> These financial agents could possibly have links with the Bank of China's branch in Florence, which is said to be bigger than the one in Rome.

As already said, flexibility is also a key demand of buyers. The final document of a special working group created to put forward policy and other recommendations to officials and entrepreneurs (Tavolo della Moda, 2007) followed the paths of these new trends in Textile & Clothing, assuming that

the future challenge of competition will not only reside in quality, which will be surely produced also in developing countries; rather, it will chiefly reside in the variety of products, in the great capacity of firms to produce strongly personalised and innovative small batches, in the *just in time* and in the good commercial networks.<sup>123</sup>

Mario from the UIP explained in detail the high importance of being flexible in order to keep risks down (*sic*):

The challenge for firms producing clothing is to assume low risks, because demand for garments is highly volatile; if I stock up my store with stuff I cannot sell, I run out of business; therefore I must produce only what I am sure I will sell. Before, the seasons were much more clearly defined, so I could stock up the store with stuff because I knew I would sell it little by little throughout the season. But today fashion is spreading along diverse types of garments and it is more and more variable and uncertain; then I must always reduce the risks... I have to produce during the season, when I understand what garments are being sold, which is it that consumers are demanding ... This leads to a situation in which the continuous stocking up of the stores triggers the need for a production chain that is coherent with the sales I do during the season, which means both small orders and quick times (...) This is the path that the fashion world is following.

The story of Daniele (the said owner of a wholesale store) illustrates these matters quite fairly. During the first half of the 1990s he used to sell the remainders of large manufacturers, but today these are too little: “in those years, the stores and the manufacturers used to stock up more than they needed; they knew they would finally sell everything. If they had an order to make 500 men’s shirts they would make 800, so at the end of the season they would call me and sell me those shirts that they couldn’t sell. But today stocking up is over. Today they produce 490 shirts. The recurrent crises have led to think more thoroughly the issue of the offer of garments.” The experience of Carlo (one of the artisan entrepreneurs I interviewed, mentioned above) is certainly in line with Mario’s statements. As explained by him, “today we need to produce a more specialised product, with more design and image, with a continuous change of designs (we change them every week)... This is what retailers are asking for; they do not ask us to continue the order but to constantly propose new things.”

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<sup>123</sup> Translated from Italian.

If clothing was produced in this manner under legal terms and proper working and environmental conditions, such demand from retailers and branded manufacturers would translate into extremely high prices, undermining their sales. Instead, all these demands from the fashion industry are partially (perhaps mostly) covered – at least at present – by sweatshops. Apart from being flexible and fast, the workshops' owners must accept miserable rates of pay and highly unfair conditions. This is why for an entrepreneur faced with such necessities, the sweating system in Prato is the nearly-perfect solution: it provides local firms with the necessary goods in record times, at low prices and with very low risks.

The explanation of the very low price of what is produced in sweatshops in Prato resides to a large extent in several illegal practices used to avoid paying taxes and benefits, which are possible also due to a lack of state inspections. As outlined by Pieraccini (2008), it is

*a black economy that Liechtenstein and San Marino would envy, and that is able to guarantee very low prices, unattainable by its competitors, with the only brand capable of attracting international customers: the 'made in Italy' brand. Because of this, apart from being easier, using suppliers in Prato has become a better and sometimes cheaper option than to buy in China, Turkey, Tunisia, Laos, Morocco, Vietnam or Bangladesh (:2).*<sup>124</sup>

The entrepreneurs involved in the sweating system adopt some illegal and some semi-legal strategies in order to cut costs and offer very low prices. Of these, a key one is carried by the importers of the fabric; some of these under-declare the volumes of what they import (to pay lower import duties) and in this way they can offer much cheaper fabrics than those offered by many textile companies in Prato.<sup>125</sup> Secondly, and most importantly for the purposes of this thesis, there is the dreadful pay and working conditions, and the way the system provides itself with the large pool of workforce needed during the high seasons: human trafficking. Thirdly, according to the labour inspectors I interviewed, several of the sweatshops' owners are impossible to identify and track: when they are found violating the law in inspections, they declare fake addresses and names. Inspectors assure that "it is impossible to track them back", and that some of these entrepreneurs have been found some months later having started another factory somewhere else in Italy (or in Europe) or as workers in other factories in Prato (which indicates that the real boss is actually another person).

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<sup>124</sup> Translated from Italian.

<sup>125</sup> Today, only a small portion of the fabric is provided by the thousands of textile companies in Prato. Some of them produce special – cheaper – lines for sweatshops, for example eliminating the quality control stage.



On the other hand, regarding semi-legal strategies, turnover (changes in the names of the companies) is a main one: it reaches 60 percent a year – i.e. 60 of every 100 companies are less than one year old, while the average turnover in Prato and in Italy is 20.4 percent and 15.7 percent respectively – so more than half of the firms owned by Chinese entrepreneurs in Prato are less than 2 years old (Pieraccini, 2008).

## ***6. The price of freedom: trafficking in persons in today's Europe***

According to the City Council (2010) in 2008 there were 24,153 immigrants in the city, accounting for 13 percent of the city's 185,000 inhabitants; of these, 13,840 are Asian (and of them, the overwhelming majority is Chinese). However, the Chinese community in Prato is very unstable in terms of its numbers; according to unofficial estimations made by the Department for Multiculturality of Prato's City Council (interview with Franco), during times of high seasons for clothing production there is about 25,000 Chinese migrants, that is, more than 10 percent of the Province's population. A large proportion of them moves around Italy and Europe, according to job demands (e.g. if there is a big order to make shoes in Veneto they might follow it). In stores in Via Pistoiese it is common to see adverts for jobs in regions all around Europe. As Franco asserted in the interview, there is a European labour market of the Chinese migrants; "they move around Europe as if it was a province."

Workers are overwhelmingly from the industrial region of Zhejiang – mostly from the city of Wenzhou, a city with 7.6 million inhabitants [including the Great Wenzhou] – while some others are from the Fujian region. These two regions are not certainly poor regions. Indeed, Zhejiang is located within the powerful industrial triangle of SE China. This is to say that workers in these sweatshops are not the poorest in China. Indeed, the magazine *Business Week* (22/10/01) quotes a Chinese entrepreneur in Prato as stating that "those Chinese citizens who have some money go out to explore the world." According to Maria and Andrea (labour inspectors)<sup>126</sup>, the majority of these immigrants arrive in Prato, be it through Eastern Europe or through large Western European cities, and are brought to the city by train. In the overwhelming majority of the cases they arrive to Europe through a

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<sup>126</sup> I had not heard voices contradicting the version I present in here, owing to the denial (one of them a rather violent denial) to my interviews from three sweatshop owners and two managers of Italian-Chinese associations.

traffickers' network, and come in with a tourist visa. The move costs them between €5,000 and €30,000. They may pay a little part of it in advance. In many cases, when they arrive in Europe their passports are taken out and thrown away. In this way workers are in a more vulnerable position to denounce the traffickers and so on, which obviously helps their traffickers and bosses to keep them under control. Once they arrive to Prato, they are told where to work. From there on, they are told not to leave the workshop under the threat of retaliation with them or with their families back in China. Furthermore, sometimes workers are kept silent with the promise of a 'sanatoria'; that is, a plan by the Italian government to regularise all the 'illegal' migrant workers (as it occurred in the early 1990s): since it is their boss who has to apply for their sanatoria, many of the workers behave in a way that ensures a good relation with their bosses.

Andrea, who interviews the workers in the very sweatshop when the Inspectorate carries a raid of inspections (with the help of a Chinese translator), pointed out that once in the workshops, the workers live and work for long hours in dreadful conditions and are paid between €300 and €400 a month, that is, between 30 and 40 percent the minimum salary set in the collective bargain contract for artisan companies. Saving shelter and food, they use their salary to pay off the debt with their traffickers, that is, literally, to buy their freedom. In the end, in the worst cases buying their freedom might take them up to 4 years living and working under conditions of slavery. Only once they are free they move out and generally get a better job (like a registered job).

Luigi (30), a Chinese entrepreneur in Prato, told 'Der Spiegel' (9/7/06) that his goal is "to become as rich as possible". Franco, who has close contact with the Chinese community due to his duties in the Department for Multiculturalism, stated that "they are not necessarily poor back in China when they decide to come; their goal is to come here, make as much money as they can, and come back to China to set up their own companies. And they might leave their children in Italy." The first step in their social upgrading is generally to become *laoban* (boss). This is generally achieved by means of having certain qualities as workers: if a worker shows to be highly skilled to manage production and to make good contacts, he or she might be given a workshop to keep under his or her control, with machines and workers, being told who to work for, how to do it and at what prices. Once a *laoban*, workers have a much better pay. After saving some money, some of them might set up their own sweatshop and then reproduce the mechanism of having trafficked

workers and subjecting them to servitude. However, addressing the case of sweatshops in Paris, Morokvasic (1986) points out that studies show that only 5 percent of the workers make it to set up their own sweatshops. Indeed, Franco asserted that “those that you see driving nice cars – which is the first sign of welfare for those of them who are *laoban* – and having dinner in expensive restaurants are about 200 or 300.”

The story of Luigi, which in here I borrow from ‘Der Spiegel’ (9/7/06) is rich enough to illustrate some of the features just described:

It was the summer of 1993 and Luigi was 17 (...) He went to Italy illegally, as a ‘clandestino’. His parents, a teacher and an office worker, put him on a ship in Shanghai. A ‘snakehead’, a term used to describe a middleman working for a human trafficking operation, met him in Singapore (...) After a two-month odyssey, Luigi finally made it to Italy (...) [He] spent the next two years working as a forced labourer, hemming pants 18 hours a day and earning €500 [£400] a month under the table (...) His new life began after he had sent €10,000 to his family, allowing them to pay off the human trafficking operation that had brought him to Italy. He wrote himself a five-year plan and drew up a list of Chinese contacts in Italy who would eventually lend him money, which he used to start an ironing service for an Italian textile manufacturer (...) Today Luigi owns an import-export business (...) Like his friends in Prato, Luigi is a member of a new generation of overseas Chinese, a sort of transnational elite that thrives on *guanxi*, or relationships, and lives by an unwritten code whereby Chinese help each other anywhere in the world and never deceive one other. To them Europe is a chessboard. They jet back and forth, visiting old friends in Budapest, Greece and Spain, and treating Europeans as little more than extras in their lives. The Chinese have a term for self-made businessmen like Luigi, *xia hai*, or those who jump into the open sea. Viewed as traitors until a few years ago, they are now China’s vanguard. They send know-how and money back to the mother country, are courted and are treated as models.

Chinese migrants like Luigi are much more visible to locals than the thousands of workers who never achieve to be their own bosses. It is my impression that locals in Prato commonly express highly racist ideas against “these Chinese [who] come here, use our hospitals, and then they drive a Mercedes, an Audi or a BMW while we hardly make it to the end of the month”. But when I asked Franco about why this is the case, he accepted that this is certainly common but, again, “those who drive such cars are not more than 300.” Such a racist view hides the thousands of stories that many do not know and that quite probably they will never know, like the story of Meng, which reveals that not all sweatshop workers have a destiny of glory:

like many others here in Prato, Meng, whose name translates as ‘Dream’, grew up in Wenzhou. Because her older sister was already married and her younger sister was still in school, the mother decided that Meng would be sent to Prato to prospect for Italian gold. She hid in her grandparents' house, but that didn't help. Her mother had already paid for the airline ticket and had hired a trafficker. Three years ago Meng flew to Rome and then went to Prato, where the usual torture began: working 15 or 16-hour shifts in the factory, occasionally even 30 hours during the high season. “Gold?” Meng said to her mother in their first phone conversation, “there isn't any gold here!” Last summer, after two-thirds of the €15,000 she owed the

traffickers had already been paid off, Meng had an accident that changed everything (Der Spiegel, 9/7/06).

The story continues, and today Meng still needs €2,000 to finish buying her freedom, while she continues working as an unregistered labourer in a sweatshop, but at least she lives outside the workplace. Her story is certainly the story of thousands of sweatshop workers around the world, despite common assumptions that they work as slaves until they open their own sweatshop to exploit their nationals (as said by Venere from the Fashion Department of Tuscany, and Dario [leader of the textiles and clothing federation of the CISL-Toscana, interviewed on 7/8/08]).

In comparison to the case of Buenos Aires, in Prato the trafficking network is much better organised, since it implies a much more complex travel, and tougher immigration rules. Franco said that the traffickers do not necessarily have sweatshops themselves: the network has its own bosses and employees, and up to a certain point it is independent from sweatshops themselves.<sup>127</sup> Naturally, there is a strong link between sweatshops' owners and the traffickers: they both work in accordance to regulate trafficked labour demand and offer.

According to one of my interviewees (Antonella), there exist strong suspicions among Italian authorities that the Consulate of China in Florence (which is said to be more important than the Embassy in Rome) is linked to the traffickers' network. For example, the Consulate is said, according to Antonella, to stamp the passports of Chinese nationals so that their tourist visa in Italy does not expire. Despite the lack of proof to accuse the Consulate, the consul does not certainly help alleviate the trafficking into Florence of its own nationals. An interesting element to analyse this is the reaction that he had when faced with accusations of trafficking reported twice on national TV. His immediate response was to deny that enterprises owned by Chinese immigrants in Prato are engaged in such illegal practices. Indeed, he even stated that “[he is] afraid that if Chinese entrepreneurs continue to experience these kinds of attacks, they will leave Prato to move somewhere else, and that would have a terrible effect over Prato's economy” (quoted in ‘Il Sole 24 Ore’, 23/7/08),<sup>128</sup> a statement containing a clear political message: a threat. Again, although such an attitude is not at all enough to accuse the consul of having links with the traffickers networks, it is, at the very least, far from helping to stop with the situation of slavery of

<sup>127</sup> According to Andrea, a labour inspector, there exist people that talk directly about “my clandestines”.

<sup>128</sup> Translated from Italian.

thousands of its nationals. Moreover, Claudio from the Labour Inspectorate asserted that neither the Consulate nor the Embassy collaborate in the identification tasks of those who are condemned to deportation by the Italian authorities, and since China does not accept deported individuals without identification, this rises concerns over the link of Chinese authorities with the traffickers, since – beyond the existence or not of such link – this facilitates the permanence of Chinese nationals in Italian land.

## **7. The response of the state: Leviathan?**

The national government's tolerance of the employment of clandestine labour is an instrument of its support for the (textile and clothing) sector.  
(Dunford, 2006: 53).

In Prato Province the long standing policy of ‘letting this happen’, or of not showing clear attempts to take these matters into its hands, had tremendous consequences for the previous government: in June 2009, the centre-right-wing party PdL (il Partito della Libertà) won the elections, ending 63 years of left-wing administration. The incapacity to manage the issue of the “dreadful attitude of the Chinese entrepreneurial class towards the local authorities and citizens” (as said by Franco) seems to have been the key issue dividing both candidates’ campaigns, as mentioned by the Prato’s edition of the newspaper ‘La Nazione’ (22/6/09). The current mayor based his campaign in statements like this:

The Chinese constitute a problem, not an advantage for our city. The Chinese community sends home more than €500 million a year, but in here they do not pay taxes, employ unregistered labour and undermine the structure of the City Council (quoted in ‘La Repubblica’, 17/11/09).

After the first report shown in national TV inspections for sweatshops increased significantly. Certainly, Maria and Andrea (labour inspectors) confirmed that these increased in the first half of 2008 (precisely after the report), and also that their quality improved, because now many other institutions are involved in these. When an inspection is arranged, a series of public institutions participate. When a factory is found to be violating health and safety, labour and migration regulations, the factory owners and bosses can receive both monetary and criminal penalties. Regarding the former, the approach of the Province’s Labour Inspectorate – which is gaining ground – is that of giving the entrepreneur the possibility to regularise its activities before actually applying the penalty. Under the view of officials of the Inspectorate, being flexible in this regard

allows to improve working conditions, which is in the end the very goal of the office. According to Andrea, in about 80 percent of the cases no penalties are finally applied. However, there is no sign of improvement: none of the interviewees thinks that concrete steps towards the regularisation of sweatshops have been made.

On the other hand, the criminal charges are: labour exploitation and abetting irregular labour in the country. Both of these charges are penalised with prison, which means that the sweatshop owners should be sent to prison instantly after an inspection. However, no entrepreneurs have ever been imprisoned as a result of inspections, even when inspectors have actually witnessed and heard from the workers themselves the practices of forced labour. Unlike the case of Buenos Aires, no allegations against sweatshop owners or brands have been taken to court. Indeed, the labour inspectors I interviewed recognised the existence of forced labour on these sweatshops (journeys up to 18 hours, poor H&S conditions, insufficient toilet facilities, lack of ventilation, a pay of only €300 or €400 a month, etc.) and the existence of what he called a “sweatshop mafia”. Furthermore, one of them (Maria), as well as Franco, stated that several of the sweatshop owners do not even know Italian rules; they apply their own logics according to what allows them to maximise their profit, completely ignoring Italian rules. Franco actually suggested that “they should only be given permission to stay within the country and to start up their own business after being trained on Italian legislation regulating the activities of entrepreneurs.”

In sum, there has not been a clear political decision to stop the development of the sweating system and with human trafficking and slavery taking place in the very centre of the historically ‘red’ Tuscany. Despite the difficulties of ‘reach’ that the state surely has to identify these places (Allen, 2003), to track and prosecute its organisers and to effectively punish them (see issue 5 in this chapter), Manuele (the labour lawyer referred to above) said that stopping with sweatshops in Prato “is a matter of how resources are used and of where do resources go, and that is the product of a political decision.”

In this context, it is important to understand what has stopped governments from taking the necessary political decision to controlling the sweating system and to try to overcome its difficulties of reach. In here, two main reasons contributing to such policy are identified: (1) the rigidities of bureaucracy; and (2) the businesses created by the inflow of money that the sweatshops bring to the city’s economy. These causes are further developed below.

## 7.1. The legal framework and the rigidities of bureaucracy

The insufficient capacities of the offices in charge of controlling these matters, and rigidities of bureaucracy, are major obstacles for checking for sweatshops. Since its very origin the Province's Labour Inspectorate has been under-developed. During its first 8 years (from the creation of the Province of Prato in 1996 to 2004) there were only 3 inspectors, while according to Andrea there should have been about 20 of them. In 2006 another 7 inspectors were incorporated, but the number is still way below the needs of the office (information provided by Maria, labour inspector). The bureaucratic and political way to incorporate new inspectors is extremely complicated, as explained by Maria: "demanding resources to have more inspectors? It is not worth it, the decision has to be made by Law, and that will simply not happen."

Several public offices are now involved in controlling sweatshops; these are: the INAIL (which controls accidents at work); the INPS (registration of workers and payment of the social contributions of work); the Guardia Finanziaria (tax office); the firemen (workplace safety conditions); the ASL (certain aspects of the health issues); the Labour Inspectorate (which together with its Nucleo Carabinieri – one of Italy's security forces – controls labour conditions and payment of extra hours); and the Prefettura (immigration status of workers). However, this does not necessarily mean that the quality of inspections has improved. Coordinating actions among five or six offices where none of these have a coordinating role, is all-too-often more intricate than effective.<sup>129</sup> Indeed, an official stated that it is easy to note in the Territorial Council of Immigration (a special space for public institutions for discussion about immigration issues) that officials do not really know what their role is. "They discuss permanently about each other's roles." This official assured that "what is needed in here is a legislation establishing with clarity what does each institution do", while others (like Luca from the Chamber of Commerce) recommended that there has to be one single office coordinating the diverse offices. Antonio (a union leader mentioned above) and Franco suggested in the interviews that both the insufficient capacities of the Inspectorate and the impossibility to make the most of the union between several public offices are due to the lack of political decision to overcome the sweating system.

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<sup>129</sup> One of the institutions intervening, the Azienda Sanitaria Locale (ASL), has its own jurisdictions which do not even correspond to the region, the Province or the City Council's territories.

On the other hand, the Inspectorate is studying the possibility of reporting the entrepreneurs for subjection to servitude, but so far they have not been successful. Even having seen several of the elements which according to the definition of the ILO would suffice to define the practices by the sweatshops' owners as forced labour (which I prefer to call 'practices of slavery' [see chapter 2]), in Italy "the legal framework does not really help to punish such actions". As already said, sweatshops' owners are instead charged for labour exploitation and for abetting the presence of 'clandestine' labour, but despite the fact that these practices have been exposed on national TV and have been indeed checked by labour inspectors, no one has yet been imprisoned.

Contrary to the case of Argentina, brands and retailers are not legally accountable for the working conditions in sweatshops that work for them. Despite their miserable pay to sweatshop subcontractors, and despite their high profit margins, the companies (some of them SMEs but others corporations traded at the stock exchange, like Gucci) can make use of trafficked and slave labour without any legal limitations. Diana (from CGIL-Toscana) explained to me that the only binding arrangement for brands is a social clause included in all the bargaining contracts since 2002, in which they commit with the unions to not subcontract to sweatshops and to control working conditions in the whole chain.<sup>130</sup> Today, as the manager of Prada told RAI (see above), the large brands have inspectors to control both quality and working conditions in the suppliers, but once and again the media has shown the existence of sweatshops working for these brands, and the unions cannot take any actions when these denunciations occur even if it clearly is a failure to respect the contract. While Diana asserted that this clause has been put forward by the unions given to their concern towards sweatshop workers, Dario from the CISL-Toscana stated that the clause has been included due to the dumping that sweatshops are doing to Italian manufacturers and because it damages the image of the 'Made in Italy': "this clause is a key element to certify that the Italian goods are in fact of cutting-edge quality". When asked about whether they think that a law introducing corporate accountability would help, Diana said that it would be impossible to introduce it, while Dario said that it would not be fair towards the brands to do so. In the end, none of the 40 interviewees in Tuscany blamed the brands and retailers for the working conditions in sweatshops, which in my view shows how far the solutions are from reaching the city. Instead, many systematically blamed the

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<sup>130</sup> The clause emphasises the fact that brands must avoid child labour.



“Chinese culture” for the exploitation in these; as Giovanni (from the Department of Economic Development of the City Council) asserted, “those workers do not even feel that they are being exploited, it’s part of their long-term culture”.

On the other hand, the support provided historically to artisan companies in Tuscany and in the rest of the Third Italy favours subcontracting arrangements. This support consists basically in allowing entrepreneurs to reduce labour costs by a number of means. First of all, artisan companies (i.e. those companies with up to 15 workers) are excepted from the application of the Statuto dei Lavoratori (labour charter), which provides strong defence to workers’ rights and was signed in 1970 (in the heyday of the workers’ struggles, according to Manuele). This means for example that workers in artisan companies do not have the right to have union delegates. Besides this, the minimum salary for these workers set in the bargain contract is lower than that of workers in SMEs and in large companies. According to Vittorio (a former worker) “this has always been like this”; he – who worked in the sector between 1966 and 2004 – always preferred to work in a factory because the salary was higher and the working hours per week were 40, against 50 hours in artisan companies. When he was 13 he started as an apprentice at an artisan workshop and worked in it until he was 18. According to him, when workers were younger than 18 their bosses did not have to make any social contributions. When he started working at an artisan workshop who produced for a large firm (Nannini) he earned what in today’s money would be £400, that is half of today’s minimum salary for artisan workers. This is to say that artisan companies seem to have always been protected by the legislation, but not from abuses in the part of their contractors; quite the contrary, they have been protected from their workers’ organisation. Indeed, Ross (2004) and Hadjimichalis (2006) point this out as an element that presents a less glossy picture than the typical image that a consumer of ‘made in Italy’ goods has.<sup>131</sup>

The number of 15 workers is a key borderline in a small company’s organisation and costs. The three small entrepreneurs that I interviewed in Prato (Carlo, Silvia e Francesco) have precisely 15 employees. The three of them recognised that their companies are undergoing a good moment<sup>132</sup>, and despite the fact that two of them enlarge the premises of their

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<sup>131</sup> Ross (2004) and Hadjimichalis (2006) point at informality as a main feature of Italian Industrial Districts, a fact that has been systematically left aside – or at least downplayed – in both Italian and Anglophone literature on IDs and on flexible specialisation (Piore and Sabel, 1984; Sabel, 1985).

<sup>132</sup> The reader should note that the interviews were carried out right before the financial crisis of October 2008.

companies every five years (on average), none of them plans to hire more employees. The three of them subcontract the physical production of the garment to Chinese workshops. For example, Silvia said that “hiring one more employee would mean a whole series of changes in the organisation of my workers and of my structure of costs. I don’t need to, because I only employ the designers, the seamstress that makes the prototypes, the cutter, those that work in quality control and that’s it.”<sup>133</sup> She actually confessed that every six months she has to go to the Chamber of Commerce to make sure that her suppliers are indeed registered and working, since they change their names quite often (which is a sign of that her suppliers work as sweatshops).

Finally, the incredibly high level of the turnover of companies owned by Chinese nationals, which reaches a 60 percent, is indeed ‘suggested’ by the legislation. Luca (from the Chamber of Commerce) explained to me that to open a company might take as little as one day; for the first two years companies are excepted from presenting any declarations to the tax offices, and no inspections to these new companies take place until their third year of life. It is easy then for the sweatshops’ owners to set up a company and shut it down and re-open it under another name after two years. This can be easily seen in Macrolotto, where the names of the companies are ‘A’, ‘B’, ‘3’, ‘2’ and the like. This shows that they have no interest in setting up serious companies; instead, they register their activities in order to be given a residence permit and to have a store in the area where they sell directly to the customers.<sup>134</sup>

## 7.2. The winners

As above said, the UIP calculates that the sweating system generates about €1.8 billion yearly. Since the majority of their goods are sold to companies from outside Prato, some of this money comes into the city as the inflow generated by the sweating system. In the midst of a terrible crisis in the city’s traditional district (textile), this inflow of money was originally seen as “a blessing” by the UIP and by the City’s authorities. Certainly, it is fair to believe that those who participate in the circuits of this money are not interested in any thorough changes. The few very successful Chinese entrepreneurs in Prato (between 200 and 300, according to Franco) are certainly not the only group highly benefited from the

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<sup>133</sup> Translated from Italian.

<sup>134</sup> Indeed, the process of finally closing down the firm might take up to 3 years; in virtue of this, the number of companies registered in the Chamber of Commerce is surely above the real one.

development of the sweating system. Apart from some clothing companies based in the area, and beside some former textile industrialists that rent their tenements to Chinese entrepreneurs, estate agents, cars sellers, banks, money transfers and some trade operators are the real beneficiaries from this phenomenon.

As already said, the UIP calculates that about €1 billion of the total €1.8 billion that the ‘Chinese district’ brings into the city is not declared. It is known that some of this money is used by the most successful Chinese migrants to buy properties, what has created a huge real estate market. “The Chinese” pay cash, and if they have decided to buy a specific property, the price is not a problem: they can beat any offer. These entrepreneurs are also those who ride the most expensive cars like Audi, BMW, Porsche and Mercedes, but they are not alone in this: according to Franco, a good car means progress and social upgrading for the Chinese immigrant; even if he or she is not rich, an expensive car is a necessary investment. Therefore, this has also created a significant market for car sellers. One other small group of beneficiaries is that of the trade operators: in order to import anything from China (mostly fabric, but also finished garments and many other kinds of goods to be consumed by either the Chinese or the ‘Pratesi’), immigrants join an Italian trade partner and create Chinese-Italian associations. This is certainly a highly profitable business for both. Finally, Franco argues that banks and money transfer companies are especially interested in the creation of such large amounts of capital being produced beyond the reach of the state (and of tax-payment), be it in Prato or in the rest of Europe. Indeed, according to an estimation of Bankitalia (2008; cited in Pieraccini, 2008: 34), in 2007 €600 million were sent to China from Prato.

But despite the growing development of the “parallel district of the pronto moda”, the sweating system is also a blessing for the large fashion houses and other fashion companies that use them. In this sense it is necessary to identify two main types of fashion companies based in Prato which have benefited during recent years. On the one hand there is those artisan or SME companies (e.g. the three I interviewed) producing mostly for variety chains like Mark & Spencer’s, Oviessa (Italy) and others. On the other hand there is a handful of companies that during recent years have achieved to develop their own brand and distribution channels, like Sonia Fortuna, Cavalli, Sage, Castellani and Patrizia Pepe (the latter being the largest clothing company in Prato). Beyond the complaints of the Unione Industriale Pratese about “the Chinese” and its considerate view on the role of

Italian firms, these clothing companies, together with large fashion houses and companies in the sectors referred to above, are precisely the most benefited actors from the emergence of a sweating system. They all are, together with the ‘bosses’ of the Chinese community, the winners of this story.

The three medium-quality clothing artisan companies I interviewed in Prato started up in the early 1980s. Beyond specific and rather short moments of stagnation, these firms did very well and today are amongst the most successful companies in the district. According to an official of the Unione Industriale Pratese (Luca, mentioned above), they account for an important part of the explosive growth of Prato’s clothing exports, with a trade surplus of €200 million only in clothing. One of these entrepreneurs (Carlo, interviewed on 29/7/08) emphasised that

in the end we are lucky to be in Prato, because it is the textiles companies that are suffering, but we are doing well.

These, and the new flourishing brands based in the Province, are meant to become the new rich of the city, the faces of the successful recovery of a Southern European city ruined by industrial decadence. For them to actually become so, the state is allowing the underground economy to develop, which is “an efficient vehicle for channelling money from the public to the private sector” (Ross, 2004: 212). Such policy is certainly an indication of the lack of alternative policies from public authorities, and a sign of the increasing penetration of capital’s interests and logics into the state’s policy-making in these neoliberal times.

### ***8. A country in contradiction: In Italy, the victims of fashion are guilty***

In Italy, condemning ‘clandestine’ labour to deportation is as usual as easing the financial punishments for the entrepreneurs – not to mention criminal charges to them. International conventions like the Palermo Protocol and the Convention of the Rights of Migrant Workers are systematically violated by Italian authorities. When a sweatshop is identified and shut down by the authorities, the workers under irregular immigration status are sent to Centres of Identification (because many of them do not have their passports) and then they are released and told to leave the country in no more than five days. In no cases they are treated as victims of human trafficking as stated in the respective United Nations’ protocol

signed in by Italy: ironically, in the very nation where it was born, the Palermo Protocol is systematically violated by the Italian authorities.<sup>135</sup> Indeed, none of my interviewees even mentioned it.

It is partly in virtue of this that the ILO has called the attention of the Italian authorities for not complying with its Framework Convention for the Protection of National Minorities (ACFC). In the 2009 Report of the Committee of Experts on the Application of Conventions and Recommendations, the experts of the ILO dedicate a specific section of to Italy, arguing that

despite the existence of human rights and anti-discrimination legislation and the creation of administrative and advisory bodies, the Committee notes the apparent high incidence of discrimination and violations of basic human rights of the immigrant population in the country (...) racism and xenophobia affecting immigrants, asylum seekers and refugees – including Roma – persists in the country creating a negative climate concerning these persons” (:644).<sup>136</sup>

Only 2 months before that, the EU’s Commission for Human Rights had put forward similar concerns about policies towards immigrants in the country. As I will stress in chapter 7, this shows that the Italian state is the main responsible for guaranteeing the respect of human rights towards migrant workers in the country. The current government is clearly failing to do so.

## ***9. The unions: of workers, bureaucrats and entrepreneurs***

The lack of a socially concerned approach towards sweatshop work seems to affect the large majority of those who could be central for fighting sweatshops. At this point, it is fair to ask what the unions are doing about sweatshop labour in Prato. For this research I have interviewed all the six union leaders of the T&C divisions within the three main unions (FILTEA-CGIL, FEMCA-CISL and UILTA-UIL) both at the level of Prato and the region.

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<sup>135</sup> Paragraph 3 of Article 6 of the Palermo Protocol states that “each State Party shall consider implementing measures to provide for the physical, psychological and social recovery of victims of trafficking in persons, including, in appropriate cases, in cooperation with non-governmental organizations, other relevant organizations and other elements of civil society, and, in particular, the provision of: (a) Appropriate housing; (b) Counselling and information, in particular as regards their legal rights, in a language that the victims of trafficking in persons can understand; (c) Medical, psychological and material assistance; and (d) Employment, educational and training opportunities.”

<sup>136</sup> The Report actually placed Italy at the same level as Burkina Faso, Cameroon and Uganda, among others, what triggered a fierce response from officials from the Ministry of Welfare that stated that the report was “unfair” towards the country (Repubblica, 12/6/09). Indeed, I was told by an official at the Department of Economic Development on Tuscany about the broad repercussions that the report had within the national government.

The nature of the sweating system certainly complicates unionisation and union activism. The ethnic logics created by the Chinese entrepreneurial class, and the mechanisms mentioned above to keep their workers under complete silence, leads the workers not to report their situation to the authorities. Indeed, Andrea (a labour inspector) pointed out that in his seven years at the Inspectorate he only remembers two reports from Chinese workers. Besides, all the unions in Prato stated that there have been attempts to unionise workers in Chinese companies, but they have failed: “they only come to the union when they have a specific problem – like underpayment or a delay in the pay – and see the opportunity to solve it by means of the union” (interview with Cristina from the CISL-Prato, on 5/8/08 and 12/8/08). However, this does not apply to sweatshop workers, with which there have not been attempts of regularisation or unionisation.<sup>137</sup>

Similarly to the case of Buenos Aires, the vision of all the six interviewees is – albeit to different extents – astonishingly similar to that of the entrepreneurs, including a series of arguments that justify capital’s practices in the sector. Many of these arguments lie under the broad idea that Dario (CISL-Tuscany) put forward in the interview:

until some decades ago, companies controlled the market; but today it is the way round, and working conditions are determined by the market. If the market helps Italian firms, then we will be benefited. So, firstly we must make sure that our enterprises do well, because only when they are in a good situation we can push to get more benefits.

One of the problems with this vision is – in my view – that none of the union leaders had a critical stance on the subcontracting practises of the high end fashion houses, like their miserable pay to the subcontractors (which leads to dreadful working conditions). Diana (CGIL-Tuscany) acknowledged that the pay to subcontractors is very low, but she argued that large brands “save in production to invest in image; that might affect working conditions, but if they do not do so then they run out of business, and for us to save the jobs and to be able to demand better conditions, companies must remain competitive.” What the unions are not acknowledging is that beyond the international and European economic trends affecting Italy’s manufacturing production, the companies with which they negotiate the bargaining contracts every four years (and the salary scale every two years) are making these matters worse. Other sectors are also affected by similar trends happening beyond the reach of individual companies, but their workers’ salaries are not

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<sup>137</sup> Workers must have a passport, a residence permit and a payslip to be allowed to join a union.

*just* above the poverty line, much less in periods of high sales. In other words, ‘the market’ is also (actually mostly) made up by names; ‘the market’ is also called Gucci, Dolce & Gabbana, Chanel, Marks & Spencer’s, Zara, H&M...

Manuele (the labour lawyer from an independent union cited above) noted that large factories are an easy target for unionisation, whereas the much larger army of workers of the thousands of artisan firms and tiny inner-city workshops requires too much dedication, and perhaps a complete reformulation of the union’s strategies (see chapter 7). In this sense, he asserts that unions prefer to keep their usual targets (the *insiders*) instead of paying attention to the (deteriorating) conditions that *mid-siders* and *outsiders* face day after day.

The justification of the companies’ practices and the disregarding view towards workers are embedded in several statements from the interviews. The mention to cheap imports (what I have called ‘the Chinese shadow’ for the case of Buenos Aires) and to delocalisation was much more frequent in interviews with unions than with entrepreneurs: “the unfair competition of imported goods is tremendous. There exist studies by the EU showing that the price of some imported garments is even lower than the price of the raw materials for those garments in here” (Cristina, CISL-Prato). It is my understanding that statements like this one show not only the lack of a thorough strategy of their own, but also the fact that capital’s ideology has not only entered state politics but also union politics (see chapter 7).

It must be considered, however, that unions are not to be fully blamed for their current limitations. Both the general frame of crisis of the domestic manufacturing industries, and the strong trend towards labour flexibilisation, have created and strengthened the shift in the balance of power between capital and labour in Italy. However, as I will discuss in Chapter 7, it seems fair to conclude that the unions are not developing intelligent and proactive strategies to retake power. Rather, they seem to be assuming the comfortable role of ‘doing what they can’, that meaning ‘pushing to get what might be more easily achieved’. In sum, the rigidities of bureaucracy might not be only applicable to the state institutions.

## **10. Conclusions**

Prato's economic changes in the last two decades depict in a single 'space-time fix' (Jessop, 2000) some of the effects that neoliberalisation and international trade liberalisation have had on industrial production in Europe. The former workshops on which the most successful textile industry in Europe was based, are now occupied by sweatshop workers producing for Italian and Chinese clothing entrepreneurs. Both globalisation and the EU's commercial policy have hurt Italy's economy in the very heart of its 'economic miracle': manufactures production in industrial districts. The policies that until the end of the MFA (see chapter 3) had helped Italy's textile and clothing production have changed, and they gave way to the introduction of new competitors into the European markets. These changes benefited, on the one hand, clothing retailers which import cheap products from SE Asia (without even needing to state the origin of what they sell); on the other hand, they also benefited high-end fashion houses, since free trade opened up new markets for them in large countries like Russia and China. Industrial firms based on large factories with well paid and stable workers are the losers of such policies.

However, by means of the reorganisation of production (delocalisation and subcontracting to homeworkers and low-paid workshop-based labourers) and by the active participation into the design of labour legislation towards the beginning of the 1980s, the strongest industrial companies succeeded in deconstructing the strongly unionised mainstream labourers. Labour flexibility spanned progressively to the whole spectrum of workers, pushing labour standards down. In line with this, the increasing economic domination of state-politics and the historical tolerance of the Italian state towards informal labour, led to a race to the bottom in the strongly affected manufacturing sector. Again, as in the case of Buenos Aires, when it comes to enforce migrant workers' rights this tolerance has no limits, and the absolute lack of socially concerned politicians and citizens condemns sweatshop workers to an everyday life of slavery into hellholes, half an hour away from the fashionable Florence's Viale Tornabuoni.

A handful of clothing firms understood international economic trends on time, and when clothing sales dropped and international competition increased, they shut down their factories and subcontracted the physical production of their garment. They shifted to the



knowledge-based and the commercialisation activities, achieving great success.<sup>138</sup> But by this reorganisation the firms transferred the risks to their workers (now subcontractors), generating a deep labour casualisation. Besides, this reorganisation triggered a series of events that, coupled with the availability of a large migrant community and with weak state control, finished generating the rise of the sweatshop in cities like Florence and its surroundings. The phenomenon of the 'Pronto Moda', with its epicentre in Prato, is the best manifestation of these developments: these sweatshops provide retailers and brands with the need for hyper-flexible and cheap labour in record times. In this way, the winners of the fashion businesses can offer rich and poor consumers constantly changing styles at cheaper prices than those of their competitors. This is likely to go on. As the referred phrase of the Tavolo de la Moda puts it, the production of small personalised batches is what will secure the success of firms, but since this must also be coherent with the need for keeping prices low, someone has to pay for the price. So far the uncertainty that this creates and all of the costs of such an ineffective economic activity are being paid by workers.

Henceforth, these processes that can be easily visualised in the fashion industry affected small and medium manufacturing companies, on the one hand, and the working standards in the industry, on the other hand. The availability of a large pool of informal and extremely cheap workforce pushes working standards down in the formal sector as well. If unions demand higher pay, retailers and brands will cut costs by an increasing use of sweatshop workers (as they do in Buenos Aires as well).

As argued in this research, as a consequence of the increasing penetration of cheap imports, delocalisation and deconstruction of the labour movement, during recent years some sweatshop-like systems have emerged in Europe, worsening the crisis of domestic manufactures based on large factories. The latter cannot face the costs and the increasing risks that a business subject to international competition and to such an unstable demand (due to the recurrent economic crises) entail. This is precisely the danger that the sweating system in Prato portrays with clarity: in the near future, the only manufacturing activities which will be possible to take place in Europe will perhaps be those of this nature. Indeed, the proposal of the ministers of labour to extend the working week from 48 to 60 hours was a sign in this way: slaves producing manufactures for the middle classes and for the

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<sup>138</sup> Indeed Gucci became the high-end fashion house it is today after adopting such strategic reorganisation.

rich in the very territory where human rights are said to be sacred. Franco, from the Department for the Multiculturality of Prato's City Council, said it this way:

The Chinese in Prato are a problem for the European manufacturing industry. They cannot come here and apply their own logics, because in this way they are creating ethnic economies, and the ethnic economies are the end of the European manufacturing economic model and of the European economic model in general (...) We must combat ethnic economies. They must have practices adequate to our economic categories and models, because if not we are therefore importing foreign economic models and destroying ours. In Europe, the T&C is managed by the Chinese, the construction industry is in the hands of communities from the Balkans, childcare is managed by women from Eastern Europe, etc... That is: we are importing economic models that end up being prevalent in specific areas and destroying our economic logics. These are all economic enclaves that portray the end of Europe.

On the other hand, the pervasive naturalisation of the market logics in which according to Peck and Tickell (2002) neoliberalism rests, can be witnessed in the increasing economic domination of policy-making. This trend has also affected unions, who have adopted certain neoliberal principles like the idea that first of all the markets must do well, and only then they can demand better conditions. Neoliberal ideas permeated the whole spectrum of the actors involved in the design of the economic life, and this allowed the *concertazione* to take place in the early 1980s and afterwards (despite the refusal of the largest union [CGIL] to the latest labour reform). The unions lacked alternative strategies and pro-active attitudes to get a better redistribution of wealth during and after the end of the 'economic miracle', and they accepted the very plans of labour flexibilisation that are now a major structural limitation for their own activities.

The existence of thousands of sweatshops in the city of Prato is shameful for the local, provincial, regional and national authorities. In less than 6 months the official TV channel (RAI 1) exposed the extent of the problem, but no concrete measures to stop the growth of sweatshops were taken at a public administration level. In Prato, the extreme negligence with which the previous administration managed these matters led the voters to finish with 63 years of centre-left-wing administration. Indeed, these events might also be showing the incapacity of the centre-left administrations to deal with immigration issues amid neoliberal times. On the one hand, putting an end to immigration would not fit the human rights politics of such political view; on the other hand, allowing immigration should mean strong efforts to enforce the immigrants' human rights, but this is not compatible with allowing the development of economic activities that ensure extraordinarily high accumulation rates. The development of the sweating system in Prato entailed such a good opportunity for some local companies to grow up keeping production at home, that the

local administration, permeated by the market logics, could not – rather, *did* not – regulate it. Now that ‘the Chinese’ managed to create their own circuit and that the entrepreneurial association sees them as a threat rather than as an opportunity, a centre-right wing administration is in charge of putting pressure over the masters of the sweating system, in order to either stop with it, or to get a better deal for local entrepreneurs from these businesses.

As I have argued in this chapter, there exist serious limitations to the (still very weak) attempts to overcome the sweating system in Prato. The racism and the lack of a socially concerned vision on the part of the actors involved is one of the most important obstacles that a struggle against sweatshops would have to face in Prato.<sup>139</sup> The fact that the workers are Chinese and are part of the ethnic logics, makes it difficult even for union leaders and for progressive politicians and activists to see human trafficking and slavery at least as a problem – if not as the very first priority – or as something which should be addressed with urgency. Certainly, the ‘despicable attitude’ of the entrepreneurial class of the Chinese community is extremely successful in this sense, but it is in the hands of local groups, be them politicians or citizens, to adopt concrete steps to overcome such a shameful phenomenon happening in their very city.

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<sup>139</sup> I even met a group of left-wing activists in the University of Florence, and when I told them about this research they said instantly “yes, these Chinese are terrible, they are everywhere.”

## Chapter 7

### **The myths of the sweatshop economy and the state as the nanny of capital**

#### ***1. Introduction***

The results from this research suggest that the rise of sweatshops in the last 30 years is broadly linked to the rise of neoliberal policies. The big picture, historically speaking, shows that despite the fact that sweatshops existed at the turn of the 20<sup>th</sup> Century and that homeworking remained a major practice in the industry, sweatshops had been at least left to the margins of the garment industry by the 1950s. However, they returned to New York, London and Paris since the early 1980s, and they even emerged in several cities where they had never existed.

In this chapter I explore the links between the rise of the sweatshop and that of neoliberalism, in light of the findings of my own empirical research. I start by addressing the problems that neoliberalism has caused for workers all around the world, and in the garment industry in particular. The trends towards subcontracting and delocalisation that large firms in several sectors have followed during recent decades have strongly affected workers. Meanwhile, the state has played a major role in supporting the private sector, notably through deregulation (the dismantling of labour inspections divisions being especially important). These trends have led to “the deconstruction of the formal sector [and to] the deregulation of the labour markets” (Gallin, 2001: 535). Workers then face greater flexibility and informality, and a general pauperisation of their working conditions.

On the other hand, these changes took place hand in hand with the financialisation of the economy and its consequent discouragement of large industrial investments in core and in certain peripheral economies. They have led to the lack of locally-based industrial capacity to respond to increasing demand in times of quick economic recovery. In the garment industry in particular, owing to its (at least partial) dependence on local production and its vulnerability to international competition, informal circuits like sweatshops are activated in response to this growing demand, but owing to the fabulous benefits that they offer to the

garment industry (low prices, flexibility and quick response to the demands of brands and retailers) they finish consolidating as mainstream manufacturing systems.

Having set the broader context in which the sweatshop has returned, I address a series of widespread justifications for the existence of sweatshop labour that mislead our understanding of the sweatshop crisis: (1) “sweatshop work is the best job opportunity that can be taken by sweatshop workers”; (2) “exploitation in national sweatshops is due to cultural habits of the immigrant communities in which the sweatshop economies are based”; and (3) “controlling working conditions in sweatshops is impossible”. The former of these has been broadly used by the defenders of sweatshops; despite its persuasiveness, in this chapter I point out that this realistic approach to the sweatshop crisis can only lead to a continuation of sweatshop labour, clearly serving the interests of corporations, and at the same time it diverts the debate from the core problem: the redistribution of wealth within the production chain. The remaining two justifications can be deemed as *myths* in virtue of the intrinsic falseness they hide. The first of these applies rather to the case of national sweatshops; it was expressed by some interviewees (mostly in Prato) and in a court decision in Buenos Aires. According to this perspective, sweatshop work is seen as a normal method of production within the communities in which it takes place. These communities would have their own rules. Thus, class divisions are ignored and exploitation is seen as self-exploitation. Finally, the second myth was pointed out by entrepreneurs in the interviews, and it is their main argument against corporate accountability. Each of these myths is addressed in depth and contested analytically with the inputs of this research, themselves improved with previous academic (or policy-advocacy) work.

Next, I address the current role of the state, considering that stopping with sweatshops is also in the hands of national states. Despite the differences that can be identified in the case studies in this thesis, the lack of enforcement of workers’ rights is widespread in both places. The strength with which public administrations prompt public policies aimed at minimising the impacts of flexibility and informality over workers is quite generally less significant than the adoption of policies aimed at lowering the punishments to employers found guilty of labour violations. Such policy is a result of the policies of deregulation put forward by the advocates of neoliberalism, itself embedded in state politics owing to the closer engagement of the state with capital’s logics in these neoliberal times (Jessop, 1993; Arceo and Basualdo, 2006). In this context, while I understand that in Italy the state may

be ‘letting human trafficking and slavery happen’ owing to the business opportunities that these highly profitable businesses ventures provide to prominent local capitalists, in the case of Buenos Aires there are indications of active participation of the ruling party in these businesses. The idea would be to allow the growth of these circuits but under the strict control of allies of the party who would in turn act as a main financial supporting group of the party.

In the next section I stress the importance of the efforts to organise workers under precarious and informal labour relationships. In here I point at the challenges that unions are facing and to their limitations to develop proactive plans to overcome the attack on their power that the deconstruction of the formal sector and the corresponding growth of non-standard labour relationships imply. Finally, in point 7 I argue that the sweatshop crisis was triggered by strategies followed by high-end fashion houses during neoliberal times, stressing the ties between the current demands of the fashion businesses and their dreadful consequences over the direct manufacturers and their workers. In the concluding remarks I point once again at the importance of workers’ organisation in order to gain strength in their conflictive relationship with capital. Besides, I point at the necessity to push corporate accountability in those places where it has not been applied (like Italy and many other European countries).

## ***2. Neoliberalism, a war against labour***

The results from this research suggest that the rise of sweatshops in the last 30 years is broadly linked to the rise of neoliberal policies. The big picture, historically speaking, shows that despite the fact that sweatshops existed at the turn of the 20<sup>th</sup> Century and that homeworking remained a major practise in the industry, sweatshops had been at least left to the margins of the garment industry by the 1950s, but they returned to New York, London and Paris since the early 1980s, and they even emerged in several cities where they had never existed.

The passage from Fordism to Neoliberalism entailed several political, economic and social transformations. Among the first, in line with Harvey (2005) I have pointed at the decisive shift in the balance of power between capital and labour as the main one. Besides, this shift took place in a context of changing social regulation regimes, since it was partially

operated by means of proactive policies in the hands of think-tanks in order to influence state policy-making. In this sense, pointing at the “historical shifts in the constitution of the neoliberal project in [its] transnational space”, Peck and Tickell (2002: 388) stress that

the first of these shifts occurred in the late 1970s, as neoliberalism underwent a transformation from the abstract intellectualism of Hayek and Friedman to the state-authored restructuring projects of Thatcher and Reagan. This can be characterized as a movement from ‘proto’ to ‘roll-back’ neoliberalism: a shift from the philosophical project of the early 1970s (when the primary focus was on the restoration of a form of free-market thinking within the economics profession and its subsequent [re]constitution as the theoretical high ground) to the era of neoliberal conviction politics during the 1980s (when state power was mobilized behind marketisation and deregulation projects, aimed particularly at the central institutions of the Keynesian-welfarist settlement).

These transformations came hand in hand with the increasingly closer relationship between capital and the state, leading to thorough changes in the priorities of the states and its economic and social regulation policies (Jessop, 2002). In this context, “the backdrop to this shift [from intellectual neoliberalism to its concrete state-politics forms] was provided by the macroeconomic crisis conditions of the 1970s, the blame for which was unambiguously laid at the door of Keynesian financial regulation, unions, corporatist planning, state ownership, and ‘overregulated’ labour markets” (Peck and Tickell, 2002: 388). Henceforth, state priorities shifted from granting full employment and other social protection in order to foster demand, to creating the ideal conditions for the well-being of the markets, since it is considered that the markets self-regulate demand and supply, and that by fostering demand the states were distorting the market mechanisms – thus leading to decreasing efficiency. In the end, this encompassed the progressive dismantling (or the ‘roll-back’) of the Welfare State and the deregulation of labour markets (casualisation and informality) (see Harvey, 2005; Herod, 2001; Jessop, 1993, 2002; Peck and Tickell, 2002).

In this passage from one model of accumulation to other, the end of the Bretton Woods order (i.e. the end of fixed-exchange rates) and the burst of fresh money into the hands of oil companies and the OPEC countries during the first oil crisis (1971-73) were essential, since they triggered financial business (Basualdo, 2006; Harvey, 2005; Lipietz, 1987; Merrifield, 2000). Henceforth, speculation, the management of risks, share prices, and compound growth became more important than the ‘real’ economy. The economic instability that every once in a while affects both Northern and, more often, Southern countries is mostly due to the rise of financial businesses to the current levels, and

discourages large capital investments. Instead, speculation and ‘pure gambling’ appear as the more profitable businesses (Merrifield, 2000).

Subcontracting, delocalisation and deregulation are all trends that have affected workers. In this sense, Chomsky (1999) notes the importance that delocalisation of manufacturing production has had in the core economies as a way to introduce labour deregulation by means of the constant threat of closure.<sup>140</sup> Miller (2004: 325; citing Bonacich and Appelbaum, 2000) calls it “the chilling effect that the threat of apparel producers moving offshore has on the enforcement of labour law and organizing efforts” in the US. In the same vein, according to Gallin (2001: 535) it was not general unemployment created by delocalisations that led to a decline in union membership, but rather the dismantling of the formal sector.

The decline of trade union density in most industrialised countries in the 1980s and 1990s is less due to transfers of production and relocations to the South and to the East than has been often assumed, although such transfers have of course played a significant part. More important has been the deconstruction of the formal sector and the deregulation of the labour market in the heartland of industrial trade unionism.

As noted above, one of the strategies used to deregulate the labour markets is vertical disintegration. In both Italy and Argentina it has strongly affected garment workers. Gloria’s (from CGIL-Tuscany) statement summarises this point:

vertical disintegration strongly complicated our work. Before, we used to have strong battles in large factories (and victories used to be significant), while today the average fashion company only has 9 employees. In this way unionisation is more difficult. Even homeworkers, which we used to organise and even achieved to set minimum prices for them, cannot compete anymore with small companies.

While in Italy labour flexibilisation took place mainly in the form of changes in legislation, in Argentina as well as in peripheral economies in general, the deregulation of the formal sector was not *de jure* but it was rather *de facto*. As explained by Jose from the Asociación Obrera Textil,

when you talk about labour flexibilisation [in Argentina] you do not only talk about laws but also about unemployment (which pushes workers to accept unfair labour practices by their bosses, even if they know that those practices are unfair) and the lack of ‘work culture’ of the workers; by this I mean that there has been a process of disinformation which drove people

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<sup>140</sup> Indeed he talks about the “Thirdworldisation of the First World”, meaning the growing introduction in the core economies of labour standards which are common in the periphery, over which process delocalisation has a central effect.



under 40 to ignore their rights as workers, and this also generates flexibilisation, because they only ask for assistance from the union or the labour authorities when they have already run out of jobs.

Besides, the growth of flexibilisation and the informal sector lead to greater pauperisation of the formal jobs. This is not only illustrated in what I said above (since sweatshop labour somehow ‘competes’ with formal workers, therefore dragging working conditions down) but it can also be seen in the case of Italy, where in the view of Manuele “little by little, many of the provisions included in fixed-term contracts (notably flexibility in the time schedules) are being included in the contracts of [the mainstream labourers].”

## **2.1. Deindustrialisation: Moving with the wind**

The crisis of large industrial production of garment in core countries and in large cities in the periphery, in the mentioned context of general deindustrialisation in these countries and cities, is having long-term consequences. The bad experience of thousands of firms discourages large investments, while the personal stories of former workers and SMEs keep away working-class men and women from pursuing a career in this industry. In the existing factories, there is no need for more than a few highly skilled workers, and the jobs available are those which do not even guarantee a standard of life above the poverty line for an average family. In both the cases addressed in this thesis, entrepreneurs assured that it is very hard – even impossible – to find workshops where all workers are registered and work under appropriate health and safety conditions and so on. Even if entrepreneurs often use this argument to justify their use of sweatshops, it is true that there exists a lack of industrial capacity to supply the market in periods of economic expansion. Henceforth, when there is an economic boom, the response is the rise of small informal businesses that cover the demands of commercial firms in record times, and that may most probably disappear when the economy cools down. The case of Argentina, as revealed by the words of an official from the Metropolitan Centre for Fashion, shows that the dismantling of the – albeit weak in international terms – industrial thread during neoliberal times was a main cause of the raise of sweatshops and of the lack of proper subcontractors after the 2001-2002 crisis. In the same vein, in Italy an SME entrepreneur (Gianfranco) stated that “today it is impossible to have 20 employees sewing in your own factory; we have even reached a point in which you would not find 20 Italian seamstresses who could do the job properly. This is why you have to either subcontract to the Chinese or produce abroad.”

Despite these general trends, the largest clothing firms are also to be blamed for the rise of the sweating system. Interviewees agree in stating that spoken agreements and ‘under the table’ payments to subcontractors are the rule, leaving the workshop (or sweatshop) owner unprotected in case the companies do not comply with their responsibilities. In chapter 5 I have quoted Nano (from the National Institute of Industrial Technology in Buenos Aires) stating that in the majority of the cases companies do not plan seriously their businesses and do not adopt policies to develop good suppliers, for which reason he wonders “how could they have good suppliers under such irresponsible practices?!” Besides, and more importantly, the demands are increasingly tending to concentrate on small personalised batches, in contrast to mass produced standardised garments. This kind of production is anti-economical, that is, it is very expensive, but since the brands need garments to be cheap, someone has to pay for the economic inefficiency of the demands of the buyers. As usual in these neoliberal times, it is the workers who seem to be paying the highest price.

In this sense, the Italian case illustrates more complex processes than the discouragement of industrial production. During Fordism the high flexibility of artisan businesses in Prato assured their quick adaptation to supply the markets in fast times. While the success of these businesses was partly based on informality, today the increasing international competition puts enormous pressures over costs, and subcontractors must not only be flexible and fast, but they also must produce cheaply. This is especially difficult today, for their costs are tied to the Euro. In sum, what the case of Prato might most probably illustrate is that in the contemporary period, for manufacturing production to take place in Europe, it seems that it needs to take place under sweatshop-like conditions, with not only informal businesses but also with vulnerable labour always ready to produce what the ‘buyers’ demand.

### ***3. Justifications and the myths about sweatshops***

It is easy to write  
something calling for action  
against tyrants, against murderers  
against the Cross and the divine power  
Something that’s always handy  
from the shopping window and the living room.  
(Canción en Harapos, 1987; Silvio  
Rodríguez; translated from Spanish)

Faced with the growing importance of anti-sweatshop movements, based mostly in US universities, a number of academics and journalists developed responses in defence of the use of sweatshops by corporations. In this context they asked people to “campaign in favour of sweatshops” and to “cheers for sweatshops” if they cared about fighting poverty (Kristof and Wudunn, 2000). Summarising some of the lessons from this research, in this section I identify three main arguments used by sweatshop advocates. The first of these is the most broadly used: “sweatshop work is the best job opportunity available to sweatshop workers.” In line with this, it is said that anti-sweatshops campaigns actually damage those workers who are meant to be the beneficiaries of the campaigns. In here I contest this idea stating that it diverts the centre of the discussion from the real problem: the unfair redistribution of wealth within the industry. The other two arguments are: (a) “exploitation in national sweatshops is an intrinsic cultural feature of the immigrant communities within which the sweatshop economy develops”; and (b) “controlling working conditions in sweatshops is impossible.” Since the latter two are based on fake premises, I deem them as ‘the myths about sweatshops’. Also, I show how their result is to release retailers and brands from responsibility.

### **3.1. Justifying sweatshop work**

The most prominent action of sweatshop advocates was the Academic Consortium on International Trade (ACIT), “a group of advocates of globalisation and free trade made up mostly of economists” and of lawyers (Miller, 2004). In the year 2000 this group wrote a letter which they sent to university managers around the US, expressing their concern about the process by which these institutions were making decisions on establishing codes of conduct to US apparel brands subcontracting to low-wage countries for the acquisition of college clothing. One of the key concerns raised in the letter was that demanding a better pay and establishing certain codes of conduct to manufacturers could cost workers in the sweatshops their jobs. This is why the way working standards are enforced must be carefully thought because “cutting off the perpetrator (of labour violations) penalises the workers he exploited by taking away their jobs (...) [and] we don’t know if an alternate supplier would be any better (probably not)” (Lim, 2000). The argument was presented in the letter as follows:

multinational corporations (MNCs) commonly pay their workers more on average in comparison to the prevailing market wage for similar workers employed elsewhere in the

economy. In cases where subcontracting is involved, workers are generally paid no less than the prevailing market wage. We are concerned therefore that if MNCs are persuaded to pay even more to their apparel workers in response to what the ongoing studies by the anti-sweatshop organisations may conclude are appropriate wage levels, the net result would be shifts in employment that will worsen the collective welfare of the very workers in poor countries who are supposed to be helped (ACIT, 2000).

In a similar vein, Kristof and WuDunn (2000) put it more simply: “for all the misery they can engender, sweatshops at least offer a precarious escape from the poverty.” Taking the argument even further, the Nobel prize winning economist, Paul Krugman (1997), argued in *The New York Times* that sweatshops can move thousands of people “from abject poverty to something still awful but nonetheless significantly better.” At this point, the reader should note that he is certainly not saying that sweatshops can even solve poverty but just “abject poverty”, despite the long journeys to which they are subjected. But even so, corporations that make use of them should be publicly defended.

These arguments can be very persuasive, as recognised by Miller, the author of an article on ‘why economists are wrong about sweatshops?’ (2003).<sup>141</sup> However, the reality in sweatshops is more complex than what can be seen when analysing a problem to simply write a letter or a few journalistic articles. Addressing these issues, a year after the ACIT’s letter was sent, the group Scholars Against Sweatshop Labor replied to it welcoming the “legitimate concerns” of the ACIT, and taking on each of the concerns raised in their letter. Addressing the point above, these scholars (led by the sociologist Robert Pollin) pointed that

the recent university-sponsored studies as well as an October 2000 report by the International Labor Organization consistently [found] that serious workplace abuses and violations of workers’ rights are occurring in the garment industry throughout the world. Considering simply the ‘prevailing market wage’ in various countries thus tells us little about the working and living conditions of the workers who receive these wages.

As revealed in Chapters 1 and 3, beyond the issue of the pay, working conditions in sweatshops are dreadful. Indeed, the situation within small and medium inner-city sweatshops producing fashionwear for the local and/or national markets (that is, national sweatshops) is even worse: apart from the usual long journeys, under or lack of payment of extra hours, impossibility to unionise, beatings, and lack of job security, national sweatshops can involve practices of forced labour and servitude, like trafficked labour,

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<sup>141</sup> Indeed, in a debate on sweatshops in a British university, I was told by an economics postgraduate student that if a child who is living in the streets of Namibia is offered a job in a sweatshop, including shelter and food, “at least she would have a place where to live.”

limitations to people's free will to move and change their workplace, threats, debt-bondage and/or several kinds of coercions to keep workers under full control, among others. This fact has been largely disregarded in the debates on sweatshops, which are focused on issues of wage and living and working conditions in international sweatshops exclusively (in which for example workers can at least come back home every evening). However, whether sweatshops are desirable or not; whether they provide better job opportunities than those available to sweatshop workers in and from peripheral countries (both migrating to Export Promotion Zones in their countries, or to industrialised economies); and whether workers are better off if working in sweatshops – it all must be discussed considering the existence of subjection to servitude, and of child and trafficked labour.

This said, it is difficult to imagine any academics stating that however dreadful working in a sweatshop may be, sweatshops provide better job opportunities than those available to its workers. But these academics and journalists prefer to disregard this side of the story; their arguments simply focus on a plain comparison of what is true today to these workers and what sweatshops can offer to them. In this sense, if the alternative is starvation, of course sweatshops are better, but the key question might be better put differently: why should we compare working conditions of sweatshop workers with the current job opportunities available to them, and not with the earnings of those who benefit from their work (i.e. CEOs and share holders)? In any case, the kernel of the question is not whether sweatshop work is better than starvation. Limiting the debate to this is nothing less than a smart argument to avoid the necessary broader and more complex perspective. To overcome this argument it is necessary to look at the policy-making consequences that can derive from keeping the debate in this field, i.e. to analyse the arguments politically. Whose interests do such arguments favour? Can the option of 'taking the least bad jobs' lead by itself to the improvement of the workers' lives? An example helps to clarify whose interests the sweatshop advocates are favouring: Lim (2000) argues that higher wages in sweatshops "may lead highly-educated professionals with scarce skills [to] be attracted away from their professions to these jobs." By insisting on this very limited side of the story (which in the case of Lim reaches a sort of obsession for the defence of the current pay and working conditions in sweatshops worldwide) the author is only providing arguments for the companies to pay low wages.

Besides, the defenders of sweatshops generally argue that sweatshops are a first step towards the upgrading of the conditions of life for those workers, and it is following from this belief that Kristof and Wudunn (2000) quote a Chinese proverb that states that “first comes the bitterness, then there is sweetness and wealth and honour for 10,000 years.” For these authors, abuse and sexual harassment, slavery, beatings and many other kinds of violence which have been repeatedly reported even in mainstream media are a sort of side-effect of a better future. To put it simply, the argument is this: “this is not good nor bad, it is just inevitable.” It is not a minor issue that such arguments are put forward by people who do not have direct contact with sweatshop workers, and who did not interview them according to a scientific methodology.<sup>142</sup> Instead, the strength of their arguments is based on the fact that they favour powerful interests and get published in renowned newspapers and magazines (in this case, in *The New York Times Magazine*).

Trying to put forward this same argument of the upgrading of working and living conditions as being the natural result of the present suffering, Goldberg (2001) appeals to the soap opera-like personal story of Rose Freedman, the last survivor of the Triangle Shirtwaist fire: “[Rose] died in February [2001] at the age of 107. Mrs. Freedman, a tireless advocate for labour reforms, was a remarkable woman who saw a lot in her lifetime. But what was barely mentioned in her obituaries was that she lived to see her granddaughter become the president of 20th Century Fox Television.” Such a persuasive but simplistic argument is barely coherent (what is the connection between sweatshops and 20th Century Fox Television?) and it can hardly resist a single *collective* historical lesson. Instead, the historical lesson of the successful struggles against garment sweatshops in the US contradicts this evolutionist approach. At least in the history of Capitalism, improvements in working conditions have been rather a consequence of workers’ organisation and struggles, and not a result of a presumed ‘natural development’ of the production forces. In this sense, addressing the several strikes that took place in Europe, the US and other countries in the early and mid-1990s as a response to the negative consequences of lean production and increasing international competition on working peoples, Moody (1997: 58) notes that

the demand for the eight-hour day in the 1880s; workplace organization and shop stewards in 1914–21; industrial unionism in the 1930s; the forty-hour work week in the 1930s (...) these

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<sup>142</sup> In the article by Kristof and Wudunn that I am quoting here, they stress that they met a sweatshop labourer in Thailand who assured to be happy about her job. Their arguments are actually based on such limited experiences, as said by themselves.

ideas motivated millions across the world in earlier times and gave focus to the strike movements, political fights, and new organizations that arose in those times.

In Moody's understanding, it is these demands from organised labour that lead to better working conditions. Indeed, if the upgrading of working conditions in sweatshops were natural (i.e. inevitable), a thesis on the return of slavery in the early 21st century to the US, the UK, France, Italy and other countries North and South of the world, would not be feasible.

In sum, the realistic approach to the debate on sweatshops hides the strong political commitment of its proponents with the creation of discourses aimed at justifying whatever labour practices in the hands of large corporations. These think-tanks take for granted the current unprecedented levels of precarious employment and of unemployment in several places around the world to stress the purported inevitability of the situation and to limit the debate to what is true today. The message is clear: 'this is what you get; take it or go back to your miserable life.' No interest for stopping this reality is noticed; no alternative is proposed or imagined.

Even if sweatshops were a blessing for its workers, these authors would find it hard to justify the usually high security standards of the large garment sweatshops in peripheral countries (i.e. international sweatshops). This is illustrated in the excellent documentary 'The Corporation', when the interviewer and his crew enter a factory in Honduras which is tightly controlled by security agents.<sup>143</sup> Also, Cravey (2001) reports on an anti-sweatshop campaign in a Phillips Van-Heusen (PVH) factory in Guatemala. The campaign led to the creation of the first collective bargaining contract in the garment industry in the country. However, soon after the agreement the factory shifted location and "the spatial isolation of the individual factory was further reinforced in an urban and regional environment that is decidedly hostile to union organising. The historical involvement of US agents (e.g. military troops and advisors) in producing a hostile climate in the region is an additional obstacle" (Cravey, 2001: 205-06). This militarisation (which is said not to be rare along Central America) is way too expensive to be paid for to stopping sporadic visits from Northern anti-sweatshop activists. Rather, it is mostly aimed at avoiding strikes and other factory-based boycott actions in the hands of workers and other locally-based groups.

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<sup>143</sup> See <http://www.youtube.com/watch?v=H3m5lq9FHDo>

Some citizens and even economists and officials in cities where national sweatshops are settled also argue that the control over sweatshops should not be too tight, since they can always move out of the city. This argument was common in interviews for both case studies. In the case of Prato it was even stronger, since there is the fear that the Chinese entrepreneurs move out from the city – with their workers – and cause a significant problem for Prato’s economy.<sup>144</sup> Certainly, some local entrepreneurs are being benefited by this phenomenon, but this should not be taken to the extreme of not taking action, since the social costs of having thousands of workers living and working under the situations described is certainly too high for the whole city to just live with it. If supported in the hands of officials, these arguments show the lack of social concern and of alternative plans.

Yes, the consequence of demanding better jobs can be relocation of the factories. Yes, sweatshops allow workers to have some shelter. Yes, workers come from rural areas with no electricity, fresh water and other services. But supporting such labour rights violations and asking for more of that, while writing from a very comfortable office in a rich American university, is at the very least very easy, and morally outrageous. No bottom line is envisioned. Instead, as the quote by Zunini in Chapter 2 states, if tomorrow Mozambique (or Haiti, or Bangladesh) decided to legalise slavery, the world’s markets would soon be invaded with goods produced in that country.

### **3.2. Myth 1: Exploitation in national sweatshops is an intrinsic cultural feature of the immigrant communities within which the sweatshop economy develops**

All-too-often exploitation of immigrants by immigrants in national sweatshops is seen by locals as an intrinsically cultural issue among the particular migrant community in question. Bolivians in Buenos Aires, Chinese in Prato, Pakistanis in Manchester, Latinos in Los Angeles... In my four years of involvement with the issue of sweatshops I have heard several times – and I even had to hear liberal friends stating this – that these communities are like a stranger phenomena coming into the cities with their own rules, one of which rules is a particular mode of exploitation (seen as self-exploitation). In Prato, two union leaders (Antonio [UIL] and Cristina [CISL]) stated that exploitation within the “Chinese enterprises” is due to their millennial culture of self-exploitation, whereas the judge’s

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<sup>144</sup> Mind once again the words of the Chinese council in Prato, telling the press that if “attacks” on the Chinese community continued they would have to leave the city.



decision cited in Chapter 5 for the case of Buenos Aires is perhaps a clear example: this decision stated that long journeys and other labour abuses are a cultural habit of the indigenous populations of the ‘Altiplano’.

As witnessed in the case of Prato (and as put forward by Franco from the Department for Multiculturalism), the leaders of the immigrant communities foster this belief in the locals since they are amongst the ones who benefit most from it. They avoid integration of migrants with locals by creating and financing the whole set of services that their workers and their families need, from doctors and everyday needs, to financial agents for petty entrepreneurs. In this way there is no need for the immigrants to get in touch at all with the locals or even with the local institutions, since the community leaders can provide all that they need. A good example is that of the previous administration of the Bolivian Consulate in Buenos Aires: in 2006, La Alameda discovered and reported that the Consulate had developed a kind of parallel Ministry of Labour where problems between workers and sweatshop owners were ‘solved within the community.’

The exaltation of *nationalism* by its leaders is a key feature of the ethnic economies. In this way, any kind of ‘intrusion’ by the public local administrations or by any local group is seen as an external force trying to break up with its rules. A raid of nationalism and fierce accusations of racism from the whole of the immigrant community follows such ‘intrusions’ (as it did in Milan in April 2007 or in Buenos Aires in April 2006, when sweatshops’ owners led a march against La Alameda).

In the end this strategy contributes to foster in the locals the view of the immigrant community as a single entity, without any class divisions. Even officials are permeated by these beliefs. In both Buenos Aires and Prato they refer to sweatshops as “the Bolivian” or “the Chinese” workshops, and not as sweatshops in which workers are subject to the worst labour (and human) rights violations. I have stressed the limitations that the lack of a socially concerned approach to the issue implies for the struggle against sweatshops in Prato. Although no major acts of violence have taken place so far, racism towards “the Chinese” from locals is said to be rife. This was revealed during many of the interviews undertaken for this research and discussed in the previous chapter; statements like “they don’t pay taxes and then they use our hospitals” and “while we struggle everyday to make the month, they ride their BMW and Mercedes, and all this in our very city” are not

unusual. Franco asked me “if officials in the City Council are saying nonsense things, then what can you expect from the citizens?” Indeed, as already said, a book published by the economics newspaper ‘Il Sole 24 Ore’ and supported by the UIP (Pieraccini, 2008) has the unfriendly name ‘The Chinese siege’ (*L’assedio cinese*).<sup>145</sup>

Under these beliefs, class divisions within the communities are blurred; thus, exploitation is seen as self-exploitation. Such a belief has profound political consequences, as it leads local citizens – potential allies in the struggle against sweatshops – to assume that exploitation will continue to take place as long as “the Chinese” and “the Bolivians” stay in the cities, because it is a cultural issue.

Finally, building on this cultural misinterpretation, some defenders of sweatshops (Goldberg, 2001; Jacobs, 2001) argue that in many countries sweatshop work is considered as a normal job. In their view, despite the (broadly) anti-imperialistic nature of the anti-sweatshop movements, opposing sweatshop labour would be patronising over those whose values indicate that there is nothing wrong with sweatshops. However, going beyond the moral side of the story, and focusing on the material aspects, it can be seen that within the workshops there are many working as slaves for the few. That has little to do with cultural issues and a lot to do with exploitation. Still, even if we, for the purposes of going deep inside the arguments, assume the relativist position and accept that considering these practices as exploitation is culturally patronising, then the problem arises as soon as corporations belonging to countries where these practices are seen as outrageous make fabulous profits from that – not to mention what happens if this is done in their home countries, where slavery is thought to be part of a shaming past in human history. Thus, this is not only a moral but chiefly a material issue. Besides, it should be a legal issue as well, through enforceable corporate accountability.

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<sup>145</sup> The current political environment taking place in Italy, with a right-wing government (Berlusconi) and an escalating public campaign against immigrants (led by the Home Affairs Minister [Maroni] and fostered through the three TV channels and several newspapers and radios owned by the Premier), makes these matters even worse.

### 3.2.1. Nationalism versus class (and class versus class)

In Prato, a union leader I interviewed raised an issue which brings the attention to a key aspect of this thesis. Referring to the complete lack of organisation of sweatshop workers, this interviewee said that

a Marxist theorist would never understand why so many thousand workers living under such conditions in an Occidental country with full labour rights do not get organised.

Certainly, approaching this issue from an orthodox Marxist point of view would lead to only limited explanations. As Castree *et al* (2004) note, beyond the Marxist broad distinction between working class and bourgeoisie, there exist several other social divisions which do place “real *barriers*” between workers. In their own words,

the classic Marxist idea is that all those who labour within a capitalist system have a common class interest in not simply demanding better pay and conditions but ultimately in creating a post-capitalist system where the many do not have to work for the few. However (...) the political interests of wage-workers are necessarily more complex than this because of the multiple social divisions in play (:60).

In furthering their causes, the political agendas of workers are thus more complex than just the class struggle. In this sense, Castree *et al* (2004) put forward an interesting (although, as acknowledged by the authors themselves, rather simplistic) typology of the political agendas workers might have. The authors identify five of these: (1) Class politics; (2) occupational politics (like teachers demanding higher wages); (3) Identity politics (like gays and lesbians demanding equality of civil rights); (4) reproduction politics (like the unemployed claiming for their right to work and have a living wage); and (5) life politics (like workers and other groups of the civil society coming together regarding issues of ‘quality of life’). Besides, these sets of political issues can interact to a great extent.

Throughout this research I have found that class politics operate individually, while identity politics is what mobilises – or indeed what immobilises – sweatshop workers collectively. Individually, these workers left their countries because they were promised a good pay and were also told about the possibility of accumulating some capital to become their own bosses. Their priority is not, at least not in their original plan, to work in a collective project like a cooperative, but rather, to accumulate capital as soon as possible. Indeed, in Buenos Aires the opportunity to organise their own cooperatives in the textile pole of the INTI, where they are given machinery, contracts with the manufacturers and the

assessment and training they need, did only appeal to a limited group of workers (see chapter 5). The case of Prato also illustrates this. According to the three union leaders I interviewed, sweatshop workers only approach the unions occasionally when they have specific problems with their bosses, like a delay in the pay or lack of payment of the extra hours and so on. Once the problems are solved –or not – they do not come back to the unions and they do not even unionise. What this shows is that while many workers can be threatened to refrain from demanding better pay and conditions through collective action, the majority of those who have the possibility of doing so do not do it, and none of them is unionised.

Besides, none of the former sweatshop workers I interviewed for this research said that they had been living in “abject poverty” in their home countries.<sup>146</sup> They stressed that they were unemployed, informal workers or, in the majority of the cases, self-account workers. This aspect is particularly important to analyse the reasons why workers decide to migrate. Indeed, migrating is chosen to the detriment of the option to organise and struggle for better conditions in their own countries. This is surely a fair option, but those people interested in fostering the organisation of workers to struggle against sweatshops should take this into account, instead of idealising the workers as if they all were potentially willing to fight for their cause collectively.

This evidence suggest that rather than considering themselves as workers, they identify themselves with their bosses, since that is what many of them want to be: entrepreneurs. According to these happenings, it is fair to assume that what mobilises many of them individually is the will to become their own bosses, and, as a sweatshop worker in Prato told the BBC (2/8/07), “to become rich as soon as possible.” However, only a few of them achieve the status of having their own workshop, and only a tiny portion becomes rich (remember the statistics for France quoted by Morokvasic, see chapter 5). Indeed, unofficial estimates of the Department of Multiculturality of Prato’s City Council (quoted by Franco) state that less than 2% of the Chinese immigrants in the city are rich.

On the other hand, the collective defence of the system is based on the ethnic logics fostered by the sweatshop masters and the community’s leaders. As discussed above, these

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<sup>146</sup> I did not interview any current or former workers of sweatshops in Prato. However, the fact that the overwhelming majority of them come from the wealthy region of Zhejiang, and that in many cases they must pay at least 2,000 euros in advance, makes the argument be likely to hold true for them as well. In the end, in both cases people in “abject poverty” do not even have the possibility of leaving their countries.

individual and collective interests come together under the façade of nationalism to face the threat of a foreign enemy (i.e. local institutions and groups). This ideological backdrop of the community leaders' strategy is illustrated by the following event: in the latest attack to members of La Alameda (in July 2009), a prominent leader of the community organised a counter-demonstration in order to defend a sweatshop lord being denounced.<sup>147</sup> In less than one hour about a hundred Bolivians (sweatshop owners, their families and their workers) gathered and participated attacking the members of La Alameda while chanting the popular – generally left-wing – song “people united will never be defeated.” “People”, in this case, is the Bolivian community, struggling against the racist Argentineans who do not understand that they have their own rules. The Chinese council in Florence also responded to the report on the RAI in a similar vein, stating that if attacked periodically, the Chinese community would move away from Prato, causing severe economic problems to the city. In other words, the community leaders foster nationalism to try to amalgamate and mobilise workers collectively.<sup>148</sup>

These particular class and identity politics are then fostered by the sweatshop lords and are aimed at driving workers to identify themselves as Bolivians or Chinese, and sometimes as future bosses, rather than as workers. This then acts as a “real barrier” that divides sweatshop workers from local workers and local anti-sweatshop organisations. In this way, the workers are more easily convinced about not seeing the sweatshop owner as the middle man in charge of ‘making them sweat’, but they may rather join him or her in demanding a better pay from the brands.

Finally, it is worth noting that beyond these political and/or ideological reasons, there exist material conditions limiting workers' organisation, and they may indeed be more important. This is to say that the most important single reason for the lack of workers' organisation seems to be their vulnerability. The experience of Armando at the Deputy-Secretariat of Labour of the City of Buenos Aires is highly valuable in this sense. In an informal meeting on 30/4/10, he asserted to me that the most important problem they found systematically was the workers' complete lack of means to sustain their own (and their families') survival: their vulnerability many times leads them to get back to the

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<sup>147</sup> This ‘lord’ currently faces charges of human trafficking.

<sup>148</sup> Chela from La Alameda explained to me that the capacity of *talleristas* to mobilise their workers has weakened strongly in recent years, even if some workers are compelled to participate in the demonstrations. In other cases, “workers are convinced [to participate] through the clandestine radios of the leaders of the community, because that voice in the radio is the only thing they may get from outside the sweatshop.”

sweatshops. This is precisely where the importance of the application of international conventions defending the rights of trafficked and exploited migrant workers resides: only if they are offered proper and instant assistance, and if they have access to this information, they can think of leaving the sweatshops.

### 3.2.2. The long and uncertain road to freedom

Emancipate yourself from mental slavery  
none but ourselves can free our mind  
(Redemption Song, 1980; Bob Marley)

The fragmentation of workers to which Castree *et al* (2004) refer is basically due to ideological conditions that place “real barriers” between workers. As said above, the collective defence of sweatshops under nationalist feelings, and the individual interest in becoming entrepreneurs, are the main ideological barriers to sweatshops’ workers’ organisation. The experience of the Textile Pole of the INTI (see chapter 5) is strongly marked by this: even if given legal and financial assessment, machinery, and workplace, sweatshops’ workers, or those who move from one sweatshop to another following orders, are not interested in setting up cooperatives, or alternatives that can assure their survival – and nothing less than that – but not capital accumulation or enough money to send remittances to their families. This is why Chela says that “everyday I see less and less chances to make the Polo [of the INTI] work as it was originally planned, with workers coming from the sweatshops and getting organised collectively into a production unit of their own.” Workers do certainly have good reasons not to engage into a risky business which, they know, implies very low pay and hard work during several months. Still, their overwhelmingly marginal participation, and the fact that they only make a 20 percent of the workforce, illustrates the lack of political or ideological conviction to try to solve problems collectively in their side. In sum, the workers are being given the means of production into their hands, but the ideological barriers and the individual (economic) interests that drive them, lead them to stay away from such an option.

This lack of class-struggle politics – which is indeed one of the most important barriers to the struggle against sweatshops – can only be understood if the workers’ personal stories and the analysis of what it is that currently mobilises them towards a better future are properly studied. Certainly, it is impossible to look at personal cases; instead, a general

pattern in the given social group must be found for the purposes of policy-making, and personal stories are also ‘collective stories’.

### **3.3. Myth 2: Controlling working conditions in sweatshops is impossible**

One of the arguments used by retailers and brands to contest denunciations of sweatshop practices is that it is impossible for them to control the whole of the production chain. Once they subcontract to factories, workshops or intermediary agencies, the control over stages in the subcontracting chain is certainly more difficult. In virtue of this, the companies argue that it is impossible for them to control working conditions. An Argentinean entrepreneur (Martin) argued that he cannot go and ask his subcontractors to show him the list of workers and whether they are all properly registered and so on. Likewise, in the case of Prato I have quoted Prada’s spokesperson asserting that “we’re not the police and our inspectors do not have an unlimited access to all areas and documents” (RAI, 3/12/07; translated from Italian).

There exist important technological developments for managing logistics and for tracking back the production chain in the fashion industry. The availability of this technology suggests that controlling that their products are made in proper working conditions, rather than impossible is expensive and, more importantly, not desirable. Companies that count on the highly sophisticated Point of Sale technology, which connects in real time the point of sale directly with the factories abroad and generates instantly the order of production of the items being sold thousands of miles away, also use sweatshop labour while arguing that they cannot control the whole of the circuits followed by their products. In the same way as they are able to calculate every cost and plan thoroughly their decisions on investments and so on, they also could be able to inspect their subcontractors, that is, they must check that the human, technological and logistical resources available to their subcontractors are adequate for meeting the orders they place in form, price and time. Besides, the significant punishments applied to subcontractors when they fail to meet the deadlines – which sometimes reach a 50 percent of the order – are not applied to those who fail to comply with the labour legislation.

As above said, controlling the circuit followed by their garments to secure that they are produced under proper working conditions may imply important investments. For example,

as said by Nano from the INTI (quoted in chapter 5) auto-makers invest immense resources in teams of lawyers who deal with subcontractors. They sign in medium-term contracts involving compromises from both sides (e.g. financial help from the company; respecting labour rights and meeting deadlines from the subcontractor). They do so not only where they are compelled by the law (through corporate accountability) but also elsewhere, because it is part of their necessity to develop good providers, in which they can trust. Instead, as this research reveals, in the sweatshop economy items as basic as written agreements are extremely rare, a fact that makes sweatshop owners more vulnerable to sudden changes in the agreements. This is why Luis (a lawyer of La Alameda, interviewed on 25/1/08) argued that “the problem is not the fact that they subcontract but that it’s cheaper to do it!”

Legislation avoiding corporate accountability implies an unfair benefit for corporations who lead an industry largely based on sweatshop work. In this way the state – that is, the taxpayers – pays for the decisions taken by capital (because capital is not compelled to control working conditions). Indeed, this benefit is one of the main elements driving to the sweatshop crisis worldwide. This is why the US-based organisation Sweatshop Watch assures that one of the main reasons for the existence of sweatshops in the State of California is that branded manufacturers and retailers are not made accountable for working conditions in the whole of the chain. The same goes for Prato, Manchester, Barcelona, Mexico City and so on. If made accountable by law, and if the law is properly enforced, then branded manufacturers and retailers would be more likely to invest what is needed to avoid sweatshop practices in their production chain.

#### ***4. Codes of conduct: Turning into pounds our ethical concerns***

The codes of conduct and the Corporate Social Responsibility (CSR) mantra were born in the very heart of the industry. They constitute, according to Naomi Klein (2000), the response of the industry to the mounting accusations of sweatshop practices by the anti-sweatshop movements. Despite their proliferation around the globe, during recent years there have been several exposés of sweatshop practices by retailers and branded manufacturers which participate in diverse kinds of certifications. (Primark, Nike, The Gap, C&A, Levi’s Co, H&M among others). However, beyond the public damage to the image of the brands and retailers, no punishment has been applied, since codes of conduct



are not enforceable; indeed, it is generally the subcontractor who faces the end of the contract in such case.

Codes of conduct systematically marginalise workers from their design. In several cases not even subcontractors participate. Instead, they are designed by the public relations offices of the corporations. Merrifield (2000: 30) points at the case of The Gap, which “has a code of conduct for its suppliers, although no worker has actually seen it. Nor, in Central America, has The Gap bothered to translate it into Spanish! The Gap, meantime, does not allow independent monitoring at any of its contract factories in over 50 countries around the world.” The result of this could have been expected: recently (December 2010), at least 27 workers died in a fire in the Hameem factory in Bangladesh that works for The Gap (which has been confirmed by its spokesperson).<sup>149</sup>

Quoting existing literature, Merk (2009: 605) points at some reasons why the lack of participation of workers or even of workers’ unions is worrying:

as Braun and Gearhart (2005) have noted, ‘without [the workers’] active participation, codes of conduct run the danger of becoming tools for corporate interests rather than workers’ interests’. This is a serious problem in light of the increasing number of self-assigned experts (law firms, accountants, consultants, ethics officers, etc) who have jumped onto the CSR bandwagon in order to extract ‘business’ out of it. Activists and critical scholars worry that this has helped to ‘domesticate the CSR space as a docile, auditable, and management friendly arena that is inhabited by professionals’, as Sum (2005) puts it. By appropriating these topics, these professionals seek to turn workers into passive objects to be audited, instead of active subjects that need to be involved in the regulation of their own working conditions. This ‘economising [of] the ethical’ might result in a domestication of social responsibility through management techniques. As such, it is not a process that prioritises the needs of workers.

Participating in codes of conduct provides companies with the possibility to take distance from those who are found to be using sweatshop labour. But it is impossible for social movements to trace the whole production chain of huge corporations. For example, Bill Clinton’s Fair Labor Association, the favourite CSR programme of many of the clothing giants, requires that only 5 percent of the factories be inspected. The risks that such alternatives carry are immense: all companies may be deemed ‘clean’ even if more than

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<sup>149</sup> There also exist a number of prizes and rankings of ethical trade companies. A list of The Gap’s achievements can be seen in [fashiongear.fibre2fashion.com/brand-story/gap/Awards-Accolades.asp](http://fashiongear.fibre2fashion.com/brand-story/gap/Awards-Accolades.asp) It remains to see how the company and those who had awarded it with prizes react. Besides, it is worth noting that less than one week before the fire in the Hameem factory, garment workers in an industrial zone in Southeast Bangladesh had organised a demonstration asking for a higher minimum wage: they were met by police forces, and at least 3 of them died as a result of police repression (The Guardian, 14/12/10).

half their workers are unregistered, or even enslaved. The best example to illustrate this is that of today's largest clothing companies in the world: Inditex (and its brand Zara).

Inditex works together with the International Textile, Leather and Garment Workers' Union (ITLGWU) promoting fair labour practices. Recently, the ITLGWU and Inditex presented a model factory in Bangladesh (BBC Radio 4, 21/1/10). However, as indicated by an official in Prato's Labour Inspectorate, and by members of La Alameda, there are sweatshops in Prato and in Buenos Aires sewing for Inditex. Indeed, as argued in Chapter 3, the very commercial model that Zara is imposing to the industry is contributing decisively to the worsening of the sweatshop problem. Despite mass production of some items, its demands for small runs, cheap prices and prompt despatching to market are pressures that force the need to produce part of its items in sweatshops (i.e. hyper-flexible workshops producing in record times and at very low prices).

Being hurt by ethical consumers and activists in Northern Universities, the fashion industry has smartly used this criticism to turn the arguments round and develop marketing strategies. The codes of conduct are the element through which they implemented this policy. However, codes of conduct have done little if anything for alleviating the sweatshop crisis worldwide.

### ***5. The role of the state and the sweatshop economy***

Despite the differences that can be identified in the case studies in this thesis, the lack of enforcement of workers' rights is widespread in both places. The strength with which public administrations prompt public policies aimed at minimising the impacts of flexibility and informality over workers, is quite generally less significant than the adoption of policies aimed at lowering – and in fact eliminating – the punishments to employers found guilty of labour violations. Officials in the labour inspectorate in both cases state that there exists flexibility with entrepreneurs that rely on informal labour (among them the sweatshops' owners) in order to help them 'clean up' their activities and thus to progressively register their workers. However, all-too-often no significant punishments are finally applied, as recognised by officials, while sweatshops actually continue to reproduce. In political terms, this can be seen as an incentive for employers to avoid registering their employees.

Such policy is a result of the ideas of deregulation put forward by the pundits of neoliberalism, itself embedded in state politics owing to the closer engagement of the state with capital's logics in neoliberal times (Jessop, 1993; Arceo and Basualdo, 2006). This trend was operated in different ways in Argentina and in Italy. In this sense, Jessop (2003: 32-3) helps to understand why:

[globalisation] does not generate a single, uniform set of pressures on all states but affects them in different ways. Indeed, it is not the State as such (sovereign or otherwise) that is pressured by globalisation (or other challenges). For the many social forces and mechanisms that generate globalisation can only exert pressure on – or, indeed, strengthen – particular forms of state with particular state capacities and liabilities. Moreover, in so doing, they modify the balance of forces within states and create space for, and prompt, struggles to reorganise state forms and capacities in order to meet these challenges.

These differential pressures and trends can be identified in the statements made by my interviewees. In Buenos Aires the majority of them argued that the national state is the main agent responsible for the current sweatshop crisis, mostly given to the fact that it is the principal guarantor of the compliance of workers' rights. Meanwhile, entrepreneurs blamed the state for the high taxes and the lack of support for the sector. On the other hand, in Italy the European Union was pointed out by the majority as the most important institution responsible for this crisis<sup>150</sup>, and the national state was second in importance. The former was blamed for its trade policies which encourage cheap imports over production of consumption goods, and the latter given that it has not been successful in defending the interests of its manufacturing industries in the EU's and the WTO's tables. Certainly, as noted in the first section of chapter 5, in Argentina it was the IMF and the World Bank which exercised the strongest pressure towards the implementation of neoliberal policies, but despite the broad criticism towards these institutions, at least since the popular uprisings in 2001 political demands are mostly focused on the state. Meanwhile, in Italy, as well as in many European countries, it is the EU which leads the pressures over individual countries to apply policies like labour market flexibility, lesser social expenditures and free trade, for which reason it is generally blamed by many as the main responsible for the crisis of the Italian economy.

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<sup>150</sup> I must make it clear, however, that many interviewees did not understand the question properly and instead of referring to the sweatshop crisis, they replied to the question about who holds responsibility thinking of the general framework of crisis of the Italian manufacturing industry.

Perhaps contradicting the opinion of the majority of my interviewees in Prato, in here I argue that in both cases stopping with the sweatshop crisis and with human trafficking and slavery is mostly in the hands of the national state. This is mainly because I understand that defeating the sweatshop is also an issue of setting the battle against it at the highest policy-making levels. Even if this is made at the EU level, the enforcement of such a potential policy would be in the hands of the Italian state, same as the enforcement of national laws on labour contracts, minimum pay, immigration policy and the like. This holds true with particular strength when it comes to organised crime like human trafficking; it is under these conceptions that, according to Mario (from the Public Defender of the City of Buenos Aires, interviewed on 9/10/2008) in recent years in the field of law there has been a growing development of the idea of granting responsibility to public authorities for the lack of control over organised crime (see Bacigalupo and Bacigalupo, 1987; Hammurabi, 1987). This is to say that there is a tendency to see officials as active participants in these businesses rather than as passive and negligent public agents when these phenomena are highly visible, and when the lack of control cannot be justified convincingly. In the interviews for this research, explanations about the absence of political decision to defeat the sweatshop range from the lethargy and the incapacity of officials to accusations of corruption. Moreover, while incapacity and corruption are not a minor part of the story, the latter can also be approached from a different – less simplistic – point of view. In this sense, as asserted by some interviewees (like Gustavo from La Alameda) while corruption is only beneficial for the individual in question, there is evidence suggesting that these processes are generally more complex, collective and rather planned. The section below focuses on this specific issue.

### **5.1. State as the nanny of Capital**

The crisis of Prato's economy led to a general decline of the exciting and glamorous city it once was. While during the 1960s and 1970s the banks rarely had any doubts about lending money to Pratesi businesses, and its nation-wide powerful *Unione Industriale Pratese* (UIP) used to be a prominent partner at *Confindustria's* table, today Prato is marked with a cross in the banks' lending map. According to five interviewees (two union leaders, two officials and one entrepreneur) its entrepreneurs are known for even having abused public

programmes of financial aid (like the Cassa Integrazione)<sup>151</sup> once and again. The fact of having their businesses based in the city gives its businessmen lesser chances of getting credit to re-launch the city's economy. The alternative is to bring in public resources, particularly at the level of the Region, from which permanent financial aid is available and, more importantly, European resources are brought in owing to the framework of crisis of Tuscany's industry – which makes it qualify for the European Fund for Regional Development. But for these resources to reach Prato, the city's institutions and entrepreneurs must work to overcome its negative image.

In this complex context, Prato's upper classes are undergoing a deep process of reconfiguration. Looking at the statistics on the decay of textile production, it can be said that the entrepreneurial class of the city (those 'new rich' of the 1970s' flourishing industrial districts to which Duggan [1994] refers) is less and less dedicated to industrial production. Its *Unione Industriale* continues to be a major actor in the city's economic scenario, but the crisis, which "still has not reached its bottom" (as indicated by Dario from the union *UIL-Toscana*), is discouraging new investments in the sector. Rather, the services sector, like brand-building (Patrizia Pepe, Sonia Fortuna, Cavalli, etc.), and more specifically those services directly linked to the businesses created or fostered by the inflow of capital from the sweating system (i.e. real estate, selling expensive cars and commercialisation of the most varied items from China), seem to be the arenas of the new investments.<sup>152</sup> This is to say that today Prato's powerful businessmen depend to a great extent on the money that the "Chinese sweatshops" and trafficking lords bring into the city's economy. A process of social and economic reconfiguration of the elites is underway. The accumulation rates that human trafficking and the sweating system allow are giving way to a group of prominent capitalists with which locals expect – or expected until recently – to form a new class agreement. The statement of the *UIP*'s president in 2001 shows that some saw the possibility of transforming Prato into a fashion pole as an alternative to the textile industry's crisis. This seems to be the reason that explains why the local administrations were determined to 'let this happen' until recently,<sup>153</sup> probably because they saw this possible coalition as the only way to take Prato's economy back to

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<sup>151</sup> The Cassa Integrazione is a subsidy to which SMEs and large companies can apply in moments of crisis. If granted, the state pays for part of the workers' salaries until the companies recover.

<sup>152</sup> Indeed, Italian authorities are investigating the possibility of the existence of drugs trafficking through these networks: the illegality surrounding the whole sweating system is an incentive for the development of illegal activities that assure accumulation rates that no other activities do.

<sup>153</sup> According to an entrepreneur with whom I had an informal meeting in 2008, local officials are often seen sharing coffee or lunch with prominent members of the Chinese community.

its most glorious times. The dreadful attitude towards local authorities that the sweatshop entrepreneurs have, and the fact that they have taken an independent commercial path (the Pronto Moda – see chapter 6), pose major challenges for the near future, and it explains, at least partly, the complete shift in the UIP's opinion about the sweating system, embodied in the publication of the book 'The Chinese siege' (Pieraccini, 2008).

There are a few similarities between Prato's case and that of Buenos Aires in what concerns to the role of the state in the sweatshop economy. However, in the case of the latter there exist indications of active participation of the ruling political party into these and other illegal businesses. In this sense, in the view of members of La Alameda the sweating system in Buenos Aires seems to be only one part of a whole process of consolidation of new capitalists linked to the government. Gustavo explains it as follows:

in his inaugural speech [in May 2003], Kirchner assured that his administration would reconstitute the national bourgeoisie that would lead the country's economy and defend the nation's interests in international forums. What he did not say is where the capital would come from! But now we know it: it is organised crime (drugs trafficking; human trafficking for labour and sexual exploitation; clandestine game; and so on) what is allowing some of his old friends to reach astonishingly high accumulation rates. And then you see these three or four friends of him that suddenly became super-entrepreneurs. One of them was a taxi driver only 10 years ago! Now these good friends of him are disputing the economic primacy to the oligarchy and the right-wing entrepreneurs that have historically controlled the Argentinean economy (and consequently the policy-making).

All these processes are certainly not random economic activities. Instead, they have concrete political causes and consequences. In this sense, it must be taken into account that these illegal activities ensure accumulation rates that no other activities can provide. Henceforth, when managed under the premise of prioritising the good functioning of the markets, states may allow their development, assuming that this accumulation of capital will finally result in more well-being. This is why some consider such policy as 'active participation' of the public administrations, because it means the allowance of labour (and human) rights violations. But suspicions of active participation of the administrations increase when considering that in case of public exposition of these matters, they have to face the political cost. Henceforth, it may well be the case that they actually get concrete economic benefits. In such case, the administrations would let these businesses develop and in this way they would make sure to have a powerful economic group attached to their parties. These groups would then be, for example, the financial source of political campaigns.

An example of state apparatus participation in these networks surely illustrates this point. As a response to an accusation of human trafficking for sexual exploitation in the city of Mar del Plata by La Alameda (in January 2010), a judge ordered an inspection to 15 brothels. 38 immigrant women were rescued by the justice and put under the assessment of the Office of Assistance to Victims of Trafficking. However, only one month later, the public prosecutor of the city claimed that only one of the girls (who was as well a minor) was receiving assistance. The rest of them had disappeared from his sight; the Office does not inform him about their destiny, and there are high suspicions that they have gone back to the brothels. La Alameda's investigation goes on now following unofficial information about members of three major political parties in the city that would be owners of some brothels where women – mostly from Paraguay – are virtually enslaved. Suspicions on the political protection of brothels (which since 1938 are banned) are certainly high. If confirmed, this would mean that the political campaigns are partly paid with the sweat of trafficked, slave and child labour.

In sum, not only the interviewees but also the news often state that all-too-often these matters involve public officials like policemen and immigration agents at a high level (mostly in the case of Buenos Aires).<sup>154</sup> Sometimes political parties themselves control these circuits, as the existence of *punteros* (neighbourhood brokers) who own sweatshops shows (see chapter 5). This suggests that in the case of Buenos Aires, rather than corruption, these matters encompass more or less active participation in processes of accumulation that give birth to powerful – although reduced – groups of capitalists attached to certain political groups or parties.

## **5.2. Factory inspections and law enforcement: Letting labour rights vanish**

The statements in the previous section do not mean that this is always the case, or that the state should be taken as a mere ally of traffickers and sweatshop lords. In this sense, political mobilisation can lead to progressive legislation addressing the sweatshop crisis. Indeed, the most urgent steps forward in this struggle are those demanding corporate

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<sup>154</sup> Another accusation by La Alameda involved a woman who left the Human Trafficking Division of the Federal Police to accuse her bosses of participating in the business of sexual exploitation of women. The woman actually asserted that her bosses owned brothels in the City. The news was in the front-page of the renowned newspaper *Página/12* (14/5/2010). However, no officials have been removed.

accountability and other beneficial legislation. “The anti-sweatshop movement has created a favourable climate of public opinion, forcing the world’s largest corporations to respond. But given the nature of that response, it is time to explore government-based solutions through reforms in our public policy” (Hayden, 2003: 4). The first step in this sense is to identify the current limitations of the administrations, and the poor quality of factory inspections is an alarming one.

The necessity to control working conditions in thousands of hidden sweatshops scattered all around the territory certainly complicates the task of the factory inspections divisions. However, this can hardly be taken by officials as a justification for the existence of thousands of sweatshops which are easily perceived by citizens. The fact that a social movement, as well as TV channels and other media, have exposed hundreds of sweatshops and over a hundred brands is shaming for the responsible public officials. In this sense, the quality of factory inspections is very poor. The divisions in charge in both cases are understaffed and their training and human resources needs are not being properly addressed. The mechanisms to incorporate new inspectors are complicated, and there are reduced resources to train them. Besides, the participation in the inspections of several agencies in charge of a number of specific aspects – like health and safety, labour registration, policemen, tax offices, immigration agents, etc. – entails a bureaucratic mix that makes it difficult to maximise the scarce resources.

State institutions are proving to be incapable of adapting the regulatory frameworks to the new economic conditions. Better said, legislation is certainly acknowledging the prominence of short term economic planning, recurrent economic downturns, and lean production, for which reason labour flexibilisation, the relaxation of the punishments to those violating workers’ rights and, more importantly, the lack of corporate accountability, are surely taking place. However, when it comes to ensuring the enforcement of labour rights the state strategies are not being updated accordingly, which is illustrated by the very return (or in some places the surge) of human trafficking and forced labour. Likewise, the high geographical mobility of sweatshops is not being properly taken into account. Capital can make use of the uneven political and economic contexts between cities and regions largely owing to the organisation of space into putatively fixed territories administered by different – and sometimes opposed – political groups. This is what allows companies to compare all the available contexts and choose the most convenient one (e.g. that with the



least organised and most deregulated labour, lower wages, tax exemptions, ‘market-friendly’ administrations, etc.). To put it into concrete facts, this is precisely what happened in the case of Buenos Aires: when factory inspections increased in the City, the sweatshops’ owners and the brands moved to the Greater Buenos Aires, where it is the weaker Province state that controls sweatshops. This is only possible due to the lack of coordination among different jurisdictions.

In sum, employers are shifting place and subcontractors day after day, and relying on a mix of formal and informal employees and on other illegal tricks – chiefly tax evasion. All this takes place with the more or less often complicity of state members, but the state is not coping with the expansion of these phenomena when it comes to defend workers’ rights. The bureaucratic organisation of the state divisions that assured an appropriate regulation of the more or less harmonic relations between capital and labour during Fordism, are not working today under neoliberalism. In the end, complicity and genuine incapability are both driving to very similar results.

## ***6. Workers’ organisation: From Triangle to Viale***

Freedom is never voluntarily given by the oppressors; it must be demanded by the oppressed.  
(Martin Luther King, 1963)

The one argument underlying the convictions of sweatshop advocates is the simplistic – a-historical and a-geographical – belief that the current sweatshops will some day resort to something better through the progressive upgrading of the sweatshop economies. This biological approach to socio-economic processes is shown to be incorrect by the simple fact of the return of the sweatshop to the very same cities from which they had been almost wiped out decades ago. The idea underlying the argument is also that of portraying workers as passive agents in the organisation of economic life. However, scholars addressing the upgrading of working conditions in factories in New York agree in stating that it was the strong labour organisation and mobilisation of the first half of the 20th century that lead to thorough improvements, in a context of general labour mobilisation (Bonacich and Appelbaum, 2000; A. Ross, 1997; R. Ross, 2004).

However uneven the balance of power between capital and labour may be, the production process takes place under a certain temporary and more or less stable agreement between

capital and labour. The terms of that agreement are constantly renegotiated, under the framework conditions set partly by the state (Hudson, 2001; quoted in Castree et al, 2004: 43). Indeed, highlighting workers' agency has been one of the major contributions of the labour geography (Castree, 2007; Castree, *et al*, 2004; Herod, 1997, 2000, 2001). Though for some the fact that workers have agency may be obvious, portraying workers as a passive factor of production has been a powerful tool of the discourse of globalisation, and it allowed its advocates to present the negative consequences of neoliberalism as inevitable side-effects of the general progress of societies. Castree et al (2004) point out this issue as one of the myths of globalisation. However, "the fact that employers need workers (as much as the other way round) gives the latter a degree of potential control over the terms and conditions of their labour" (Castree et al, 2004: 32). In sum, working conditions depend on the constantly changing relations between capital and labour.

The empirical evidence provided in this comparative research illustrates precisely the importance of workers' organisation for both empowering themselves when having to face the instances of negotiations with employers, and as a major tool to drive the state to act in their defence. Indeed, the level of compromise of the public administrations in the control over working conditions is proportionate to the strength of workers' organisation. In Prato – where there exists a complete lack of workers' organisation – the authorities have only taken spectacular (highly visible) action against sweatshops, targeting workers rather than entrepreneurs, and aiming to show political will in this sense to those who voted the centre-right national and local administrations. Instead, in Buenos Aires, faced with the existence of a strong well-organised group like La Alameda, the authorities did respond with several (albeit timid) actions to stop sweatshops. La Alameda even stopped the project of law designed by the clothing chambers aimed at releasing the companies from accountability. Besides, it led the allegation against a judge who pretended to release a brand under the argument that sweatshop-like labour practices are typical of Bolivian people (see the first myth in this Chapter). This shows that workers' organisation can in the worst case limit the attacks on their rights. Besides, it is the job done by this social movement that has contributed to maintain the issue of sweatshops in the public agenda, and to reveal that the sweating system does not only produce for illegal outdoor markets, but also for large national fashion brands and for multinational sports brands. Moreover, La Alameda also provides sweatshop workers with an alternative place from where to denunciate their situation and get proper assistance, while in Prato migrant sweatshop workers can only

refer to the state, running the risk of being deported. Also factory workers have been benefitting from the launching of an informal union by La Alameda's members, which has helped workers to press the official union – by means of demonstrations – to get a better deal from the negotiations with employers. Finally, the arrangement of a model garment factory with a state agency (the 'Textile Pole' of the National Institute of Industrial Technology) provides sweatshop workers with an alternative place to work when running away from sweatshops.

Innumerable examples of how workers' organisation in Buenos Aires is helping to defend sweatshop and factory workers can be mentioned. In contrast, however, there appears to be little evidence of progressive approaches for sweatshop workers in Prato. Although the linear comparison put as simply as this provides only one example, it makes it clear that workers' organisation not only assures improvement in the long run, but also it may have immediate and concrete consequences for the improvement of their lives. As I said above (see 3.1 in this chapter), the history of workers' struggles in the garment industry shows that the upgrading of working conditions is not a natural outcome of the development of the productive forces in Capitalism. Rather, improvements in working conditions only come when workers get organised to struggle for it.

In the first half of the Century, the sweatshop was mostly wiped out owing to strong workers' organisation, including the emergence of unions and their participation in the making of labour legislation. Several authors (Miller, 2003; A Ross, 1997; R Ross, 2004) agree in pointing at the reactions to the fire in the Triangle Shirtwaist factory as the starting point of this fight. In the view of one commentator:

the Triangle fire led to a burst of city, state, and federal laws regulating the garment industry and dealing with workers' safety. For instance, by just two years later, the state of New York had passed into law eight new factory safety acts (McClymer 1998, 88). Following another burst of union organising during the Great Depression, the legislation-reform movement culminated in 1938 with the passage of the federal Fair Labor Standards Act under the Roosevelt administration. That act established the national minimum wage, required premium pay for overtime, and limited child labour (Miller, 2003: 93-122).

But workers' struggles have an even stronger role in moments of crises like the one that emerged following October 2008. "In the same way that neoliberalism emerged as a response to the crisis of the 1970s, so the path being chosen today will define the character of capitalism's further evolution" (Harvey, 2010a: 11). This is why to further their causes workers must take an active role in the negotiations of the terms in which the current crisis

is resolved, and engage in the struggle towards a “transformative shift in inherited macroinstitutional rules of the game” (Peck, Tickell and Brenner, 2010: 112). However, this seems not to be the case. Despite the fact that the late 2000s have been particularly damaging for the institutional and ideological pillars of globalisation – see the bad reputation and the internal disagreements in the IMF and the WTO – “current policies propose to exit this crisis with a further consolidation and centralisation of capitalist class power” (Harvey, 2010a: 11). Right-wing governments claiming for more labour flexibilisation and cuts on state (social) expenditures are on the rise in Europe, while states continue to “privatise profits and socialise risks” through the bailing out of banks – the “same old story” (Harvey, 2010a: 11). In this path, following European directives Spain has recently eased – and made cheaper – ‘redundancy plans’ (i.e. massive firings), despite the opposition of the two main unions (CCOO and CNT) (Televisión Española, 18/6/10),<sup>155</sup> and the Socialist administration is currently working on a labour reform which will “modernise” its labour market: “flexibilisation” has been highlighted by the Minister of Labour as the key to the reform (Televisión Española, 12/02/2010). If such are the perspectives, the path towards more flexible and informal employment might most probably not come to an end.

In this context, following Bonacich and Appelbaum (2000), it seems more sensible to assume that instead of diminishing, sweatshops might rather be portrayers of future developments in other industries.

We believe that the way apparel production is organised is a predictor of things to come in many industries and portends the expansion of the sweatshop (:14).

This is where the importance of the case in Prato partly relies: sweatshops in the heart of the Italian manufacturing industry should be understood as one of the possible paths to be followed by manufacturing producers in the EU. The attempt to extend the maximum of 48 hours per working week to 60 hours, can be interpreted as a sign in this way, rather than a step to defending the alleged right of the workers to “[benefit] from freedom of choice on working hours” (Mandelson, 2008; quoted in *The Guardian*, 31/3/09). The European Parliament finally rejected this proposal of modification of the Working Time Directive,

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<sup>155</sup> Interestingly, this labour reform was adopted during the World Cup of football, in which Spain finally resulted champion. Besides, *Televisión Española* (18/6/10) showed the 180 degrees shift in the right-wing leaders of Germany and France’s support to the Spanish Socialist administration when these labour market plans were passed (bypassing the Parliament).

although the project had been approved by nothing less than all the European Ministers of Labour, with the only exception of the Spanish one (El País, 10/6/08).

## ***7. Fashion and slavery: The chicest marriage in Neoliberal times***

Fashion is thus not just fantasy or social-signifier; it is a specific production problem.  
(Green, 1997: 20)

Illegal outdoor markets selling fake items and diverse kinds of clothing and clothing accessories are usually blamed for the sweatshop crisis. Both Macrolotto in Prato and La Salada in Buenos Aires emerged in recent years, quickly reaching significant sales. Medium-large and petty entrepreneurs come from other cities to buy products in these markets and re-sell them in their own cities in outdoor markets and small stores. In Argentina and in the rest of Latin America; in Italy; in India; in Cameroon; in the US and in many other countries, thousands of people, many of them lower class, live from this trade. Certainly, it is the sweatshop economy that makes this possible, because of the low prices offered in these markets. These illegal circuits account for a significant part of the sweatshop crisis.

However, these markets are not the origin of the sweating system, nor can their unfair competition be taken by large entrepreneurs as a justification of their dreadful labour practices (as it usually is the case). Indeed, these markets constitute one of the responses of the sweatshop owners to the low prices and unstable orders that they get from large contractors. Along the years they have learnt that in what clothing concerns, the closer a company is to the market, the higher its profits and the lesser its risks. Hence, little by little those with the financial and the lobbying capacity to reach the market organised their own commercial circuits beyond the law. These large markets based on sweatshop labour are the consequence.

But the return of the sweatshop and its geographical extension around the globe is principally a consequence of the marketing strategies adopted by large high-end fashion houses to face the economic stagnation of the 1970s. It is true that they are not to be fully blamed for the sweatshop crisis: once taken, their decisions were subject to myriad social and economic processes that ultimately led to the situation described in here; the context of the decisive shift in the balance of power between capital and labour, which goes beyond

this industry in particular, certainly played a decisive role. Nevertheless, contingency does not release fashion brands from their responsibility into these matters, mostly because they do use sweatshops today, not only to remain competitive but also to increase their vast profits. More specifically, increasing subcontracting arrangements (which constituted one of the first steps towards the deconstruction of the mainstream labourers under neoliberalism), and the growing importance of fashion in the industry, directly influenced the organisation of production and led it to the current developments. Notably, the shortening of fashion trends implies the demand of small runs from brands and retailers to the manufacturers, what means fast rotation in the production line, raising significantly the production costs and therefore making production highly anti-economic. Coupled with the tight competitive pressures over prices, and with the high elasticity demand of fashion-sensitive garments, these demands mean low paid hyper-flexible jobs in the physical production stages. In other words, under the current situation it seems that only using a significant portion of unregulated and sweatshop labour (which allow transferring the risk on to the individual worker) brands and retailers can remain competitive.

Finally, the extreme that the obsession for fashion has reached in recent decades is having negative consequences over the production of garment. Today the quality and durability of the product in itself is devaluated; the value added resides, instead, in the brand's image. Investments in the superfluous side of the fashion industry are exceeding imagination, while workers in the other end of the chain are paid but a pittance, if paid at all. The economic result of this speaks for itself, as illustrated by the extreme inequality that characterises this industry (see chapter 3).

## **8. Concluding remarks**

In this chapter I have explored the links between the rise of the sweatshop and that of neoliberalism. In light of the empirical findings of this research, I found that these links are strong. Indeed, some of the developments in this industry can be taken as the epitome of the shifts that the world economy, the state and the labour markets have experienced during recent decades, in a general move from Fordism and the welfare state to a post-fordist (Jessop, 1993, 2002) or neoliberal order (Castree *et al*, 2004; Chomsky, 1995; Harvey, 2005; Peck and Tickell, 2002; Peck, Theodore and Brenner, 2010). This industry was at the very front of subcontracting and vertical disintegration timely with the pressure

over large capital to adapt to increasing international competition. The consequent deregulation (or re-regulation [Jessop, 2002; Coe, Johns and Ward, 2007]) of the formal sector (with a strongly unionised workforce) and the financialisation of the world economy (which discourages large capital investments) led to a rise of flexible and informal jobs which in the garment industry, owing to some of its structural features (low initial investment, the facility to produce virtually anywhere, and highly fragmented production process), reach the extreme of the working conditions that are witnessed in sweatshops. Besides, these processes were possible owing to the deregulation of the labour markets, notably the lack of state control over corporations. This is because it is considered that the state must only ‘interfere’ in processes of capital accumulation in order to further the markets’ mechanisms, which are in the end those that will bring progress and redistribute the resulting wealth efficiently. As Jessop (2002) has pointed out, this has led to a closer re-articulation between capital and state.

The increasing financialisation of the world economy encouraged speculative investments to the detriment of long-term investments and planning. The organisation of industrial production was adapted accordingly: in this context of permanent economic instability and high investment risks (which are a highly profitable financial products and opportunities), having large factories and numerous direct workers is today a problem for corporate profitability. For such developments to take place, deregulating the labour markets to break up with its rigidities was a main necessity for capital: no more full employment, no more long-term contracts and no more relatively high salaries. The president of the International Confederation of Private Employment Agencies (Biller, 2005; quoted in Coe, Johns and Ward, 2007: 503) put it starkly clear:

Globalization means competition, and competition means productivity, and productivity means using labour as efficiently as possible—the right worker in the right job at the right time.

Translated into concrete labour-market policy, this led to the rise of precarious and informal employment, and to the consequent general pauperisation of working standards in the formal sector as well.

For these paths to take place, a thorough reorganisation of the modes of social regulation had to take place. In this sense, neoliberal ideas that had been put forward since the 1930s and that were further developed during the 1970s within think-tanks, gained increasing

terrain in policy-making in the midst of the stagflation of the 1970s (Peck, 2008; Peck, Theodore and Brenner, 2010). The macroeconomic conditions of crisis laid the ground for the actual application of the hitherto highly theoretical and abstract ideas of neoliberalists into state-politics, until becoming its mainstream backdrop. Considered as major causes of the crisis, state interventionism and strong union power were “unambiguously blamed” for the crisis (Peck and Tickell, 2002; see also Harvey, 2005). With the shift from Fordism to neoliberalism a further articulation between capital and the state has taken place, a fact that in many countries around the world could be witnessed from the 1990s with the active participation of entrepreneurs into politics. State ‘interventionism’ had to be kept to the minimum and aimed at creating good businesses environments. This is also why union power was specially targeted, in order to allow a thorough deregulation of the labour markets. Dictatorships in several peripheral countries (notably in Latin America) were in charge of eliminating the radical trade union movements (even torturing, killing and disappearing their leaders when deemed necessary), whereas in core countries unions were also subject to plain state violence and ruthless public administrators. In Italy, this encompassed hundreds of murders and thousands of illegitimate arrests. Students and workers organised into independent unions were specially targetted (Balestrini and Moroni, 1997). Here, the role of the mainstream unions is particularly controversial. According to Ginsborg (1994), they proved incapable of developing alternative strategies to cope with the economic stagnation, and its leaders were co-opted with the cooperation of the PCI, leading mainstream unions to participate in the application of plans designed by capital itself (in the famous *concertazione*). Stressing the importance of non-institutional workers’ organisation and their joint activism with students and radical scholars, Balestrini and Moroni (2006 [1988]) go further in this line, emphasising the active role of the PCI and the main union confederations (most notably the CGIL) in “(elaborating) a political line aimed at... the resolute elimination of any kind of uncontrolled and uncontrollable workers’ opposition” (:540).<sup>156</sup>

On the other hand, the deregulation of the labour markets and the consequent increase of flexible and informal employment have further complicated the process of unionisation. Since the mid-1980 unions have lost astonishing amounts of members. However, despite this rise of non-standard employment and the decreasing mass of workers on formal jobs, unions still have not been able to cope with these changes and reorganise and rethink their

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<sup>156</sup> Translated from Spanish.



strategies and governing structures in order to strengthen their bargaining power. They have historically seen informal and part-time workers as ‘competitors’ of their ‘labour citizenship’, and the same goes for migrant workers (Gordon, 2009). But for the times to come, immigration and non-standard jobs will not stop, and the evidence so far suggests that unless an inclusive strategy is thought and militated by either current or new union leaders, their availability will certainly continue to be an element for capitalists to push working standards down (Gallin, 2001; Gordon, 2009).

As mentioned above, the clothing industry is a paramount example of these trends. Beyond the policy advocacy plans of capital, firms themselves also applied their own reorganizational strategies to deconstruct the mainstream labour movement. Vertical disintegration and delocalisation were at the centre of these strategies. Both of them reach their clearest manifestation in the clothing industry. By relying in the use of thousands of subcontractors involved in mutual cutthroat competition, the winners of the fashion businesses (brands and retailers) achieved to cut the labour costs that had always been a headache for the previous ‘bosses’ of the industry (i.e. direct manufacturers). Furthermore, the marketing strategies used by the largest fashion corporations, in the context of a fierce international competition that drives prices down, triggered developments that finished causing the emergence of sweatshops, on the one hand, and that allowed them to become the successful fashion houses that are seen today. The obsession for fashion that has been created permeates the whole range of the market, leading to the widespread use of flexible and cheap subcontractors (sweatshops) that may respond to the whims of the leaders of the industry, in order to dress up both the poor and the rich.

The changes that this industry has experienced in the last four decades illustrate the ethics of capitalist companies: if they do not face opposition, they push labour costs down once and again until the very bottom; the result: trafficked labour and children working for them. This systematic violation of human rights has indeed been identified by some authors (Bonacich and Appelbaum, 2000; R. Ross, 2004) as a structural feature of the fashion industry. However, corporations survived to the damage to their image that the rise of anti-sweatshop campaigns caused in the late 1990s, firstly thanks to a series of arguments and beliefs (or myths) that justify their use of sweatshop labour, and later on to the development of codes of conduct which are, in the end, usually violated. These arguments illustrate the admirable capacity of neoliberals to not only justify the practices

of large capital but also to portray transnational corporations as philanthropists helping the poor to cope with their situation 'in a less painful way.' As this research attempts to show, these myths are based on simplistic and evolutionist explanations about the economic well-being of peoples around the world. But a thorough insight into the sweatshops and into the redistribution of wealth within the chain shows a quite different story: the inequality between workers and managers and owners (stock-holders) seen in this industry, can hardly be seen in other economic activities, and the possibility of workers or their children to progress under the current circumstances is minuscule.

Unions and social organisations that work for the defence of workers' rights are struggling to offer a significant challenge to the current state labour and social policies. The state in both cases has proved to be enforcing workers' rights only weakly, following the demands for deregulation raised by the pundits of neoliberalism, and allowing high levels of informality in peripheral countries (a fact that is also widespread in Southern Europe [Hadjimichalis, 2006]). The same goes for labour legislation, which is systematically designed according to the exigencies of 'the markets' under the belief that the state must foster good investment environments. It is thus mainly 'the markets' that allocate resources in an allegedly more efficient manner. In this sense, it is worth recalling the statistics based on the US Census quoted above, which show that in 1999 only 3 percent of what US families spent in apparel went to the workers: this is what neoliberals mean by 'efficiency' and productivity. It is a war against labour in its purest sense.

## Chapter 8

### Concluding remarks

When the houses have become the common heritage of the citizens, and when each man has his daily supply of food, another forward step will have to be taken. The question of clothing will of course demand consideration next, and again the only possible solution will be to take possession, in the name of the people, of all the shops and warehouses where clothing is sold or stored, and to throw open the doors to all, so that each can take what he needs (P. Kropotkin, 1906).

#### **1. Introduction**

If a worker in a garment factory in Florence or in Buenos Aires during the 1970s had to return to work in one of the contemporary factories, she would hardly believe how working conditions have deteriorated. Extra payments for productivity, dining halls and doctors in the factories are a thing of the past. Indeed, in Buenos Aires many of the workers that lost their jobs in the late 1990s did not come back to garment production after the crisis ended in late 2002. Despite the economic recovery, working conditions did not improve as much as the macroeconomic indicators would suggest. Even after seven years of uninterrupted economic growth, today the minimum salary in the industry remains just above the poverty level for an average family. The same goes for the majority of workers in Italy, despite the earnings of the successful Italian brands for whom they work in subcontractors' artisanal companies.

Since the introduction of the sewing machine in the mid 19th century, legions of unregistered homeworkers have produced garment, sometimes engaging in cutthroat competition between them. The availability of these unorganised and even confronted workers has since then dragged down working standards in the industry. Towards the mid 20th century, a combination of strong union organisation and a political economic situation that made mass production in factories more suitable for clothing manufacturing (i.e. production of more standardised apparel and soldiers' uniforms during World War II) limited the use of homeworking as a widespread practise. However, the responses of the clothing companies to the crisis of the 1970s fostered a return to homeworking and subcontracting to small and medium workshops, translating the risks of the market to the workers themselves. As a result, the firms of this industry have been at the forefront of the trends towards the deregulation of the labour markets and the rising inequality that

characterise neoliberalism. Indeed, increasing concentration of power and profits in a few corporations, on the one hand, and subcontracting and labour deregulation, on the other hand, are among the shifts that the industry has experienced over the last four decades. This is why the National Labour Committee takes this industry as the best case to illustrate “The Hidden Face of Globalisation” (see <http://www.youtube.com/watch?v=8Bhodyt4fmU>).

This chapter is aimed at summarising the main findings of this research, and to make a call for strong locally-based coalitions against sweatshops worldwide. Firstly I address the changes the industry has undergone during recent decades. The spatial reorganisation of production appears as a major transformation, with widespread subcontracting as a key element of garment production in present times. In analysing these trends I focus on the deregulation of the labour markets and the negative consequences this has had over workers engaged in this and other economic sectors.

The role of the state is considered next. In here I stress once again the role of the state in paving the way for, and in applying and enforcing, neoliberal policies. The introduction of these policies in several Latin American countries took place by means of state terrorism, including dictatorships and massive killings of union and revolutionary leaders (CONADEP, 1985; Harvey, 2005; Petras and Veltmeyer, 2003); whereas in core countries the ideological battle was effective enough for the application of these unpopular policies, though state violence and anti-union policies were not absent (Harvey, 2005; Balestrini and Moroni, 1988). It is in this section that I argue that the states must set the combat against the sweatshop as a main priority (starting by the adoption of corporate accountability, and its enforcement) in order to stop the sweatshop.

Also in this chapter, I address with particular depth what I understand as the limits to today’s unions, as well as the potentials and limitations of the cross-border anti-sweatshop campaigns. In addition, I focus on the need for workers’ organisation in the struggle against the sweatshop. There exists an urgent need for strong coalitions of workers, together with the civil society and liberal politicians, in order to put pressure on public officials to engage in these matters. Furthermore, beyond the need for the creation of a political macroinstitutional framework that may lay the way for more progressive policies,

I argue that workers' organisation is also essential to achieve more thorough changes, particularly a more equal balance between capital and labour.

As I point out in the conclusions, human and labour rights violations of the kind I have stressed in this thesis will always be latent as long as workers are divorced from the means of production. With the diagnosis to which I arrive in this research, entrepreneurs of the clothing industry have shown that if they do not face opposition they may roll back the labour and human rights' conquests of the 20th century without major ethical concerns. But this industry has also seen the workers' struggle against the sweatshop in the first half of the past century, which led to positive changes in legislation in the middle term. The clothing industry, then, could follow two confronted destinies (with their myriad variations): on the one hand, it may entail the start point of a future spread of sweatshops around the world; and on the other hand, it could embody the project of workers liberated from forced labour, spreading their conquests to workers in other industries, North and South.

## ***2. On neoliberalism and workers' rights***

The paths followed by the international economy since the early 1970s (chiefly the high instability caused in part by the financialisation of the world economy, and the growing international trade), affected with particular strength the garment industry. The way in which leading fashion houses responded to these events has fostered a return to the widespread use of subcontracting in clothing production. Faced with the economic stagnation of the mid-1970s and with rising international competition, the high-end fashion houses and the largest clothing manufacturers were forced to cut costs and to reorganise their businesses in line with more flexible production strategies, in order to survive to intensifying competition. On the one hand they adopted vertical disintegration to cut labour costs and convey the risks to their subcontractors. Subsequently, they searched for subcontractors in low wage countries. On the other hand, they invested considerable resources in design, image and marketing; i.e. they became sellers of a brand rather than producers of apparel. But since in those years garment consumption had decreased (measured as percentage of family income spent on garment items) the industry itself had to think of a collective strategy to encourage consumption. Consequently fashion marketing expanded by means of fashion events and specialised magazines. By the mid-

1980s this had created a growing popular demand for more fashion sensitive clothes, but at lower prices. According to the findings of this thesis, the kind of garment production developed to supply this demand is what led to the emergence of sweating systems in several large cities: this segment of the market, supplying mostly young women fashionwear, is led by the demand of small batches, fast production and cheap prices to the subcontractors. In the end, the increasing use of subcontracting, coupled with weakened labour power and with a relaxation of the state's corporate control, led to the resurgence of small inner-city workshops, many of which rely on the use of trafficked and forced labour to provide the industry with its requirements for flexibility, rapidness and low costs. As I conclude, these demands necessitate the establishment of sweatshops.

In virtue of these developments, today a large portion – if not the majority – of the physical production of garment in large cities, both in the core and the periphery, takes place in SMEs that often do not receive proper treatment from their contractors (e.g. medium or large term contracts, financial help and so on), and that compete against each other in what is referred to as a 'race to the bottom'. The result is the rise of thousands of what I call 'national sweatshops' in large cities in recent decades. Generally these sweatshops work as a system managed by transnational networks of prominent members of immigrant communities, who have access to a large pool of migrant workers in their home countries. They bring in migrants to the sweatshops under the promise of fair working conditions, but as shown by previous academic literature on the issue, through media reports and by this research, working conditions are far from fair and generally involve journeys of more than 12 hours (sometimes even 18 hours, as in Argentina), poor health and safety conditions, mistreatment, retention of IDs and the restrictions to move freely (including doors locked, like in the fire in Viale Street), among other labour and human rights violations like plain subjection to servitude.

The availability of a large pool of informal workers pushes down labour standards for formal workers. This adds up to the possibility to delocalise production of basic garments to low-wage countries (sometimes to 'international sweatshops'). As a result, millions of registered garment workers have seen their working conditions get worse. Meanwhile increasing concentration takes place in the managerial arena, leading to more reduced and richer groups of stake-holders and managers. The economic result of this speaks for itself: the average salary in the industry (in the US) is behind the poverty level for an average

family, while in the other extreme of the chain, CEOs of large companies earn millions of pounds a year.

These changes in the organisation of the clothing industry took place in a context of weak labour power and the end of the Welfare State. The priorities of the state shifted from granting full employment and strong social protection, to creating the ideal conditions for the wellbeing of the markets – as understood by the pundits of neoliberalism. One of the main results of the combination of these two processes was the deregulation of the labour markets, or, in other words, the rise of informal employment and casualisation of employment relationships.

These deep and long-lasting transformations, which today are deemed ‘unavoidable’, were originally imposed by force in several countries. In Latin America, dictatorships trained by the US Department of State (in the *School of the Americas* situated in Panama), or the US military forces themselves (like in Central America), and funded by foreign and local capitalists, killed hundreds of thousands of activists, targeting in particular union and revolutionary leaders. Simultaneously, the foreign Debt of Latin American countries mounted to unprecedented levels. The Debt would be utilised years after to impose Structural Adjustment Plans in these countries and to privatise state enterprises, leading to the demolition of the Welfare State – however weak it might have been in some countries of the region.

Meanwhile, in core countries strongly anti-union leaders were appointed to chief positions in Reagan and Thatcher’s administrations (Harvey, 2005), whereas force was not absent, as shown by the repression of workers’ mobilisations in the early and mid-1980s, which encompassed murders as well (as in the case of the miners’ strike in 1982-84 in the UK). Although social protection is stronger than in peripheral countries, it is not possible anymore to speak of Welfare State neither in these countries (Jessop, 2002). The job was done throughout democratic regimes and a constant and admirable ideological battle against the ‘nanny-state’, which was further triggered by and timely associated to the failed socialist regime in the East.

For many, the triumph of capitalism over socialism portrayed *The end of History* (Fukuyama, 1992), the triumph of the market over the distorting hand of the state. From

that moment onwards, the market, if appropriately helped by specific interventions from the state, would allocate resources efficiently. However, the recent financial crisis demonstrates that far from efficiency, what the deregulated financial market did is to create a highly fictitious market that increased the risks to unimaginable levels. In other words, deregulation did not work even in terms of what the pundits of the free market understand as ‘efficiency’ (see below; also see Harvey, 2010a; Peck, Theodore and Brenner, 2010).

The deregulation of the labour markets and the weaker controls over the private sector led to a series of developments that can hardly be interpreted as efficient, as illustrated by increasing concentration and the rise of oligopolies in the car makers industry, retail and the clothing industry among others. Regarding the latter, these trends are among the main causes for the unprecedented levels of concentration in an industry that had so far been considered as the epitome of competition. The efficiency of the market mechanisms in terms of the distribution of wealth within the industry is controversial. I have quoted in Chapter 7 statistics that show that only 3 percent of the money spent by the average US family on apparel in 1999 went to garment production workers. Some might nevertheless consider that these numbers do speak about the efficiency of the market: efficiency as a way to redistributing wealth in favour of those who control the market.

Clothing production is a textbook example of these trends, and firms of the sector were indeed the precursors for some of the recent transformations in the spatial divisions of labour in other industries (Dicken, 2003). Increasing concentration of power and profits in a few corporations, on the one hand, and subcontracting and labour deregulation, on the other hand, are among the shifts that the industry has experienced along the last four decades. The development of international subcontracting, in which according to Bonacich and Appelbaum (2000) the industry is the most developed of all, drove labour standards down, pitting workers around the world against each other, and leading to the return of national sweatshops and the rise of international sweatshops. This is why Bonacich and Appelbaum conclude that “the textile and apparel industries are a showcase of horrors for the labour abuses sanctioned by the global free trade economy, where child labour, wage slavery, and employer cruelty are legion” (2000: 10), whereas Andy Merrifield (2000) also chooses this industry to illustrate “globalisation as class war.”



On the other hand, even if they do make use of the sweating systems to increase their astonishing profits, high-end fashion houses only hold a partial responsibility for the rise of the sweatshop. Their responsibility lies in both having triggered the attack on labour rights in the industry, and a type of marketing strategy that fosters flexibilisation and rapid response to market demand, which coupled with the lack of adequate technology, makes production anti-economical. Regarding the latter, it is the demands of the businesses of fashion that continue to exacerbate the sweatshop crisis. As I have shown in this thesis, the phenomenon of 'pronto moda' is the epitome of the trends triggered by the marketing strategies of the winners of the industry over the organisation of production. In sum, the largest corporations controlling fashion business managed to cut labour costs by means of transferring the risks of the markets (and the negative consequences of failed decisions of managers and CEOs) on to the individual worker, using informal employment, vulnerable – and sometimes trafficked – migrants, as well as avoiding tax payments in several stages of their activities.

In virtue of all these developments, the sweating system, which was born as an alternative to cover a demand that could not be compensated by factories, continues to expand until a crisis hits back. Sweatshops in both cases discussed in this thesis have proliferated along the period of high demands in the mid 2000s; in the case of Prato, they have indeed doubled between 2003 and 2007 ((information provided by Luca from the Chamber of Commerce of Prato, interviewed on 11//4/08).

But the garment industry has gone beyond that. From the beginning of mass-production of ready-to-wear garments in London and New York, working conditions were marked by long journeys, poor health and safety conditions and low (piece-rate) pay. Through union organisation and countless struggles, workers (mostly women workers) achieved to raise working conditions in the industry, in a general environment of raising workers struggles (see below), but the strategies of the main players of the fashion industry in the context of neoliberal shifts in international political economy have brought the sweatshop back to these and other cities in the core and in the periphery of the world economy.

Still, advocates of the sweatshop argue that the poor should thank clothing corporations for allowing them to be better-off than without sweatshop jobs (see chapter 7). But the argument that the poor should thank capitalists for helping them escape starvation, despite

the extreme human rights violations (and despite the excessively uneven redistribution of wealth within the production chain) is the ideological corollary of the industrial reserve army, the starkest illustration of the victory of capital over every other human value.

### **3. On the state**

The shifts experienced by the fashion industry during the last decades are also a good example to illustrate the unavoidable relevance of the nation state in the economy. Firstly, the national laws, the lack of law enforcement and the corruption of officials (including those in the justice), protect retailers and branded manufacturers from being punished for the working conditions in their subcontractors' factories. Secondly, the social regulation regimes and the distribution policies – notably the tax structure and social security policies, all of which determine to a large extent the political environment within which the economic relations must unfold – are mostly designed and are fully applied and enforced by the states. Thirdly, even in European countries individual states have a major role in setting the rules of the game for financial businesses, notably the interest rate.<sup>157</sup> Finally, labour legislation is overwhelmingly designed and enforced – or not – by the state, as revealed in this thesis, and notably in the statements by the labour lawyers I have interviewed.

The case study in Buenos Aires shows that the deficiencies of the state are not limited to the lack of supervision and control over the sweating system. The assassination of thousands of union leaders and activists during the latest dictatorship (1976-1983), and the consequent long-lasting ideological effect of state terrorism (fear to activism), facilitated the posterior deregulation of the labour market and the simultaneous – and also consequent – redistribution of wealth away from labour. During the 1990s a few laws introducing elements directly undermining labour rights were passed by the Parliament (see chapter 5). In addition, despite these direct attacks to labour rights the paths followed by economic policies applied by both authoritarian and democratic administrations since 1976 paved the way for the general pauperisation of workers' rights. During the 1990s, state policies favoured a high exchange rate and a fierce trade liberalisation that, jointly with the encouragement of financial speculation, led to a marked deindustrialisation. Coupled with

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<sup>157</sup> The European Central Bank monitors the countries' financial policies (chiefly in order to control inflation), but by virtue of the principle of independence (article 108 of the ECB's constitution) it is not entitled to force any monetary policies into countries.

privatisation of state companies, these policies caused mounting unemployment, which led to the deregulation of the labour market and the rise of informal employment (and certainly of poverty).

In recent decades, in both Italy and Argentina – what can certainly be extendable to Europe and Latin America – state labour policies have tended to ease employment under less stable contracts. Such policies were applied under the conviction that they would lead to higher employment rates, or that at least they would contain unemployment. However, the evidence provided in this research suggests that this was not the case. In Italy legislation favouring flexibilisation of the labour markets has not had the expected results on raising employment rates (Regione Toscana, 2007). By the same token, similar policies and the diminishing of the social contributions of labour in Argentina during the 1990s did not stop mounting unemployment. The current minister of labour stresses that

there is no empirical evidence anywhere in the world that shows that cutting down the social contributions of work helps the creation of jobs or of formal employment. Not even marked-led research like that of the OECD could demonstrate such convictions (Página/12, 24/8/08).<sup>158</sup>

In both countries, informality, labour deregulation and lesser public investment in welfare provisions, demonstrate instead the increasing inequalities between workers and managers and entrepreneurs, as well as how poverty and unemployment – in the case of Argentina – and stagnation of salaries – in the case of Italy – are possible in times of economic growth.

In a similar vein to that of scholars calling for “more sweatshops”, the think-tanks of neoliberalism insist on the fact that the problem with these events is not neoliberalism but rather the fact that there is not enough neoliberalism yet. It is argued that “more flexibilisation is needed to start seeing its benefits,” as illustrated by the current plans of Spain’s socialist administration. However, beyond the more or less technical arguments, a progressive political reading of the long-term developments shows that these policies are among the package that led to the current high levels of poverty and inequality around the world. Furthermore, both in the periphery and in core economies thousands of union leaders and activists had to be repressed, jailed, tortured, executed and even disappeared in order to introduce these policies. It was the state, once again, the one actor in charge of securing the reproduction of capitalist social relations under these highly unpopular terms.

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<sup>158</sup> Translated from Spanish.

This is not to completely disregard the claims about the shrinkage of the state. Certainly, the increasing economic domination of state-politics that paralleled the strength of the doctrine of free market in these arenas, makes the state more vulnerable than ever to the lobby of foreign and national elites. Furthermore, the redistribution of the decision-making over key economic policies from the state towards market-led institutions – like free-trade agreements and the WTO – meant a direct transfer of power from the public to capital, as explained by Chomsky (1998) and Swyngedouw (2000).

In addition, in Argentina and Italy, further to WTO's disciplines, there exist further pressures over their commercial and economic policies. On the one hand, the high foreign debt of Argentina – and so is the case of most Latin American countries – allowed core capitalistic countries to push Structural Adjustment Plans and other policies of high social and economic relevance – like education policies – into the country. The complete liberalisation of the economy was a result of these pressures. On the other hand, Italy's sovereignty over its commercial policy is strongly limited by the European Commission. As stated by several of my interviewees, the EU's trade policy favours the interests of the Northern services companies (retailers) to the detriment of the Southern manufacturing sectors (clothing manufacturers among them).<sup>159</sup> Moreover, in virtue of the introduction of the Euro, the country has lost one of the most important elements of its trade policy: the possibility of devaluing the Lira to make its goods cheaper to European neighbours (its main buyers). As I have suggested in this piece, the Italian case illustrates more complex processes than the discouragement of manufactures production. In current times, for manufacturing production to take place in Europe, it seems that it needs to be under sweatshop-like conditions, with informal businesses and vulnerable labour always ready to produce what the 'buyers' demand.

But beyond the neoliberal discourse of the end of the 'nanny-state', the visible hand of the state is present in almost every aspect of the economy. For example, it is an illusion to think that the Structural Adjustment Plans and the WTO's commercial disciplines could have been – or can be – applied by institutions other than the state. In sum, as shown by several Marxist scholars (Harvey, 2005; Jessop, 1993, 2000, 2002, 2003; Peck, Theodore and Brenner, 2010), beyond external and internal pressures, and beyond international treaties and supranational legal arrangements, the state continues to be the very actor

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<sup>159</sup> Italy is allowed to lift temporary antidumping barriers, but its limitations are determinant.

setting the concrete conditions for capital's reproduction, and shaping to a large extent the boundaries of both labour's and capital's agency.

For if there were any doubts about the importance of the state, the bail-out of banks during the 2008-2009 financial crisis illustrates the illusion of the shrinking state, as well as it illustrates its top priorities. Only in the first week of the crisis (early triggered by the collapse of the investment banks Lehman Brothers and Merrill Lynch in the US) the New York Federal Reserve injected \$50 billion (£33.3 billion) in the markets. The Bank of Japan did the same with \$24 billion (£16 billion), while the Bank of England injected £25 billion<sup>160</sup> (Financial Times, 16/09/08). In the whole period, the NY Federal Reserve spent more than \$100 billion (£66.6 billion) in rescuing the markets (The Economist, 31/03/10). In this way the states transferred public money to the hands of some of the largest corporations in the world to prevent the collapse in the price of their own assets. Now it is in the hands of the administrations to handle the highest levels of public debt in decades, and following from this, budget cuts are in agenda, as illustrated with astonishing clarity by the current plans of the UK's government. Chris Giles, the economics editor of the conservative Financial Times, assures that greater inequality is likely to result from the crisis (Financial Times, 15/12/09). In other words, rather than the end of the nanny-state, neoliberal practice is much about the state as the nanny of capital, or in Harvey's view, neoliberalism "amounts to a veritable form of communism for the capitalist class" (2010b: 1).

As far as sweatshop economies are concerned, states are also to be blamed. First of all, states are the principal guarantors of labour rights, and as such they are to be fully blamed for the labour and human rights violations happening in their territories. Furthermore, legislation releasing corporations from accountability for working conditions in their subcontractors factories implies an absurd benefit. Indeed, this benefit is one of the main elements driving to the sweatshop crisis worldwide. If they were made accountable by law, brands and retailers would be more likely to invest what is needed to avoid sweatshop practices in their production chains. In virtue of this, corporate accountability is the most important next step to be taken by national states. In addition, the enforcement of the law is as important as the law in itself; in fact, the law does exist in Argentina but so far it has not

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<sup>160</sup> The Presidential Campaign in the US was interrupted in order for the parties to negotiate financial aid packages to prevent the total collapse of the stock markets. A meeting took place in Washington and the outcome was an agreement among both candidates to request the Congress a 700 billion US dollars bail-out for the main players in the financial market.

been used against brands by the Justice. This is what allows Natalia (one of the entrepreneurs interviewed in Buenos Aires) to assure that “nothing happens with the legal reportings [by La Alameda], they appear in the media for a couple of days and then everyone forgets about it.” In addition, in the case of Prato existing laws propose concrete punishments towards the companies who exploit workers and facilitate the permanence of *clandestini* in Italian soil, but so far no sweatshop owners have been charged for the violation of these laws (despite the evidence collected by labour inspectors). In the end, the lack of enforcement of the law leads to its absence *de facto*.

As stated by several interviewees (mostly in Buenos Aires), the weak control and the negligence of so many labour inspectorate offices are the result of the lack of political decision to terminate the development of sweatshop economies. In virtue of the responsibilities that officials hold with regards to sweatshops and to informal economy in general, I have analysed this fact looking at the interests and policies lying behind such approach. I have found that this lack of political decision seems to be the result of two main facts. On the one hand, under the precept that the state must help the market to create wealth, states allow a certain level of informality as a way to subsidise the private sector. Indeed, sweatshop economies allow an accumulation rate that can hardly be met by any legal activity; henceforth, officials understand the development of such businesses as a good opportunity to keep production at home, so that wealth can be then redistributed.<sup>161</sup>

On the other hand, evidence provided in this research shows that sometimes this lack of political decision involves more or less well designed political plans at the highest spheres of the state, to ensure the processes of expanded accumulation that would give birth to powerful – although reduced – groups of capitalists.<sup>162</sup> Even progressive administrations (like in both cases in this research) believe that this is a proper way to ensure the rise of a stronger national or local economy. Capitalist rules force them to accept certain social costs, and the fact that workers are immigrants is not minor. Instead, if the cost of a better – capitalistic – future is to be paid by them, their sweat and blood are worth it. They are not workers for whose interests liberal political leaders might risk their economic policy plans. Instead, they are ‘just immigrants’.

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<sup>161</sup> This is best illustrated in the case of Prato, where officials and the Unione Industriale Pratese recognized that at the beginning they saw the rise of “Chinese enterprises” as an opportunity for the development of joint businesses, particularly in the context of a strong crisis of the textile industry.

<sup>162</sup> Sometimes these are attached to certain political groups or parties (those in the administration).

#### **4. On anti-sweatshop activism: A long way to go**

Economy connects us not just with sweatshop workers but with oppressed workers outside the factory gates as well. We need to make all these connections visible if we are to build a movement that would demand more for working people across the global economy. Campaigns to improve conditions in the world export factories should certainly be part of that movement. But that movement must also tackle the often worse conditions of low-wage agriculture workers, street vendors, domestic servants, small shop textile workers, and home-based workers.  
(Miller, 2009)

In the early and mid-1990s the dreadful working conditions in factories and sweatshops in peripheral countries triggered resistance in many parts of the world. In just a few years, several organisations emerged in industrialised countries to counter working conditions in these factories. Movements and NGOs like United Students Against Sweatshops (USAS), Behind the Label, Clean Clothes Campaign (CCC), Sweat Free, Maquila Solidarity, Sweatshop Watch, No Sweat, Workers' Rights Consortium, the National Labor Committee and many others, have exposed some of the main companies of the garment industry like The Gap, Nike, Reebok, and brands commercialised by retailers like Wal-mart stores (remember Kathy Lee Gilford's scandal in the US)<sup>163</sup>, and Primark. These campaigns were highly successful in raising public awareness about working conditions in these factories and about US-based TNCs' investments in peripheral economies and globalisation policies in general. They also exercised a strong pressure over universities' managers to adopt codes of conduct for the purchase of college sports clothing.

Along the years the anti-sweatshop organisations revised their strategies. At the beginning their campaigns were generally based on exposing branded manufacturers and retailers which are known to make use of these labour practices. This included pushing forward urgent appeals arrived from workers in factories producing for renowned corporations. Targeting renowned corporations assured these campaigns a high public recognition. According to Klein (2000: 486) these specific cases were taken as examples to denunciate not just one company but rather all American foreign investments in garment outsourcing to low-wage Asian and Latin American countries. I would add to Klein's argument that this strategy of anti-sweatshop organisations was also partly aimed at gaining recognition. This is surely legitimate, but while these campaigns surely affected the firms' image (particularly given the fact that image is precisely the very key of their businesses), the extent of their success in influencing worker's rights after 15 years is still to be discussed.

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<sup>163</sup> See <http://www.youtube.com/watch?v=zCszZ5lwAgA>

Research on the issue is full of examples in which partial victories in specific factories were finally neutralised by the companies, mostly through the strategy of ‘cut-and-run’ (Cravey, 2001; Klein, 2000).

Partly due to their limited achievements, anti-sweatshop movements evolved along the years. Some of them have made important progress in networking with unions in peripheral countries and engaging in living-wage campaigns (like Clean Clothes Campaign and its engagement in the Asia floor-wage campaign). Indeed, owing to the limitations of addressing case-to-case appeals, and recognising that “many of the conflicts or violations that occur in a particular production area are part of a more general pattern”, CCC “has increasingly begun focusing on core themes in urgent appeal work and addressed these as a series of collective cases with brands, retailers and possibly governments. (...) These thematic campaigns are rooted in a specific geographic area, and executed in direct collaboration with local organisations that define priorities, goals and targets” (Merk, 2009: 611). This strategy of “launching thematic campaigns on multiple but geographically clustered workplaces” represents, in my view, the path towards a more mature anti-sweatshop activism. It shows a certain progress in the political reading that these groups make of the sweatshop problem as a whole. They have finally recognised that addressing sweatshops from the side of ethical consumption is a gigantic task with rather poor concrete results, and they are now addressing the issue from the side of production, that is, they are now fostering workers’ organisation wherever these companies arrive in mass and push entire regions or countries to cut labour standards and forbid workers’ organisation. They have finally acknowledged that the conditions under which sweatshop workers undertake work are not solely determined by the practices of large companies based in central capitalistic states. Although the situation was certainly triggered by the practices and the lobby of these corporations, the organisation and continuation of the sweating system can only be explained addressing also state practices and institutional arrangements back in these countries. As noted by Castree et al (2004) and by Massey (1984), international political economic trends are embedded into specific places in specific manners, and anti-sweatshop movements seem to be only starting to consider this unavoidable fact.

Still, several of the issues addressed in this thesis are being systematically ignored by many of the anti-sweatshop movements. In this sense the complete ignorance of these



movements regarding national sweatshops is at best worrying.<sup>164</sup> An empirical example clarifies this point: in June 2009 the media published a raid of inspections in the department of Mataró in greater Barcelona, in which several sweatshops were discovered and shut down (El País, 24/6/09). In that opportunity, the Barcelona-based branch of Clean Clothes Campaign (called ‘Roba Neta’) did not publish anything about the report, despite its admirable compromise with workers in international sweatshops. When I asked them about the reason why they did not pay attention to the sweatshops in Mataró, one of them replied that, apart from having been busy with other issues at that time (mind that these activists are unpaid), those sweatshops are rare. Considering that in only one day the policemen shut down 72 sweatshops, and that El País (24/6/09) even talked about the existence of a ‘Chinese mafia’, it seems difficult to assume that the extension of the phenomena is marginal.<sup>165</sup>

As previously argued anti-sweatshop movements have been highly successful in exposing the labour practices of the largest clothing corporations, and I would argue that they constitute one of the movements that have contributed to the rising opposition to neoliberal globalisation during the last 15 years. This notwithstanding, anti-sweatshop organisations seem not to acknowledged the fact that their struggle is only one particular struggle in the context of raising inequalities and decreasing workers’ power and crisis. Concrete victories can be achieved by focusing the struggle on stopping sweatshops, but a broader political reading of the big picture shows that the long-lasting and thorough transformations that will definitely lead to a radical change are necessarily tied up to decisive shifts in the balance of power between capital and labour. In the words of Gallin (2001: 534),

these are not short term trends, nor trends that are reversible in the short term. Even if they are the results of policy decisions which are by their nature reversible, a reversal involving the adoption of different macroeconomic policies at a global scale depends on a fundamental shift in global power relations between labour and capital.

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<sup>164</sup> California-based activists (notably the National Labour Committee, Sweat Free Communities and Workers’ Rights Consortium) are a notable exception, owing to the campaigns to struggle for corporate accountability in Los Angeles.

<sup>165</sup> A similar case is that of the London-based Stop the Traffic. Faced with an attack suffered by activists of La Alameda, I started a campaign to collect letters of solidarity from anti-sweatshop movements and NGOs in core countries. La Alameda suffered the attack when they were trying to free-up a family that was hold into a small sweatshop, just meters away from its place. When I explained the issue to members of Stop the Traffic, they asked for further details because they were not aware of the existence of sweatshops in the form of small inner-city workshops in which workers were not allowed to leave. That is, not even an NGO mostly dedicated to human trafficking and slavery was aware of the way in which trafficked labour was being held within a sweatshop.

In sum, many anti-sweatshop NGOs and groups still have a way to go, partly in taking an active part in fighting national sweatshops, but also in becoming activists for a broader social change.

### ***5. On the importance of workers' organisation***

In this thesis I have argued that the defeat of the sweatshop depends on two main shifts in the current state of affairs. Firstly, states must set the battle against sweatshop economies (and against trafficking, child labour and forced labour in other economic sectors as well) among their main priorities. Secondly, but more importantly in terms of the efficiency to bring about the first of these shifts, workers' organisation is necessary to both demand the state to set this battle as a priority and to empower themselves in their dialectical relationship with capital. Peck and Tickell (2002, 401) put it starkly clear when stating that

the strategic objectives for opponents of neoliberalism must include the reform of macroinstitutional priorities and the remaking of extralocal rule systems in fields like trade, finance, environmental, antipoverty, education, and labour policy. These may lack the radical edge of more direct forms of resistance, but as intermediate and facilitative objectives they would certainly help to tip the macroenvironment in favour of progressive possibilities.

The members of La Alameda in Buenos Aires understood this from the beginning, and apart from their street demonstrations and their factory-based activities, they adopted an active policy towards searching for progressive officials within the state to work with them, using as well the media in order to put pressure over either conservative or liberal officials. It is partly due to their efforts that the macroenvironment in which a proposal to change the human trafficking law (which is only 2 years old) for a more progressive one has emerged. Indeed, the laws were not directly proposed by La Alameda but mainly by liberal MPs who are keen towards the organisation. These activists understand that the priorities of the state are set according to the political situations under which the administrations must govern. Whether the latter prioritise full employment and expanded social security, or, on the contrary, good businesses environments, is intrinsically political, that is, it is a result of several interests that drive capital, labour and the state, and of the interplay of interests within each of these groups. The political order resulting from this is temporary and constantly shifting, and it always supposes the exclusion of other possible orders:

Things could always be otherwise and therefore every order is predicated on the exclusion of other possibilities (...) What is at a given moment considered as the ‘natural’ – jointly with the ‘common sense’ that accompanies it – is the result of sedimented practices; it is never the manifestation of a deeper objectivity exterior to the practices that bring it into being [...] To summarize this point: every order is political and based on some form of exclusion. There are always other possibilities that have been repressed and that can be reactivated (Mouffe, 2005: 18).

For the state to adopt the political decision of setting the battle against the sweatshop as a priority, workers must organise and cooperate with groups in the civil society to push the agenda of the administrations towards emphasising the defence of the weakest. A political coalition to push the states to take action against sweatshops could involve progressive officials and entrepreneurs, grass-roots organisations, trade unions, religious leaders, artists and film-makers, journalists, human rights organisations and many other institutions and groups, and if managed properly, it would get broad international support. The eight hours day and holidays, health insurance, bargaining contracts and so many other workers’ conquests of the 20th century did not only materialise in virtue of the job done by well-intentioned and progressive political leaders. They were certainly applied by liberal politicians, but mostly under the understanding that to save Western Capitalism it was necessary to listen to the workers and the civil society, and to redistribute wealth more fairly. These triumph cost the sweat and blood of millions of workers around the world, including garment workers’ struggles before and after Triangle.

In order to engage groups within the civil society it is necessary to break with certain ideological barriers, notably racism towards migrants, which in both the cases addressed in here (but mostly in Prato) is a main obstacle. The centre-left administration in Prato paid the price for its policy towards the development of the sweating system, not for not fighting trafficking and forced labour, but for not fighting “the Chinese” (what can be witnessed by the fact that the winner of the local elections in 2008 had a strongly ‘anti-Chinese’ discourse). But beyond the escalating open racism taking place in Italy, racism can adopt more subtle forms. In Argentina, where racist discourses are socially censored at the moment, many consider sweatshops as a problem of the Bolivian community and as self-exploitation (the first myth pointed out in chapter 7), and this contributes to ensuring the *status quo*. A socially concerned view would most probably allow citizens to identify class differences within the migrant community, and perhaps engage liberal individuals in defending the weakest within the sweating system.

Disputing the ideological barriers that divide workers is also essential. Certainly, I cannot disagree with Bonefeld (2001) when he states that “the struggle for human autonomy, and that is, self-determination, entails the transformation of the means of production into means of emancipation” (:13); but the experience of the textile pole in Buenos Aires shows that making the machines available to all workers is not enough to ensure their liberation. Apart from the material difficulties that engaging in a risky project like a cooperative may imply, many workers continue to be slaves of the wage-labour relationship. The ultimate step forward in the long way to defeat sweatshops is to break up with the sort of identity and class politics fostered by the sweatshop lords and the immigrant communities’ leaders, and to open up opportunities that show the several possibilities that lie beyond a life of daily subjection to capital for the mere subsistence. In other words, expropriating the bourgeoisie from the means of production is only one step in the way towards a society of free individuals. Creating the conscience of free individuals is as hard and necessary. In the end, both material and ideological conditions are equally necessary; none of them is necessarily prior to the other one, and none of them can be fully achieved in the long run in the absence of the other.

## ***6. On the limits to (today’s) trade unions***

Organising the informal sector serves the interests of the majority of workers worldwide.  
(Gallin, 2001)

Clothing workers’ unions have suffered considerably from mounting unemployment caused by both increasing international competition, delocalisation, and higher labour productivity. Also, the extensive informalisation of the sector affects to a great extent the bargaining power of unions. Indeed, in Buenos Aires union leaders assured that entrepreneurs do mention the possibility of subcontracting to “the Bolivians” if union representatives demand higher salaries. In both cases, the availability of sweatshops is in fact an advantage for the entrepreneurs that unions do not report to the justice. The real trauma which clothing unions had to undergo during recent years, with an astonishing loss of membership (see below), have led several unions to join the entrepreneurs in the demand of special protection for the industry from the state, even setting aside to a large extent the demands for redistribution within the industry. This is shown by numerous statements made by union leaders in Italy, as well as in Buenos Aires, where the mention of ‘the Chinese shadow’ (i.e. the fear to the dumping of imports from China) was more

frequent in the interview with the head of the main union (SOIVA) than in that with the heads of both chambers.

These paths are certainly not exclusive of the garment industry. Indeed, the trends towards precarious and informal employment have strongly affected unionisation. Several unions across the world have experienced significant losses in their membership, whereas today only a small portion of those entering the labour market unionise. Just to mention a few examples, between 1985 and 1995 unions lost 21.2 percent of their membership in the US; 27.7 percent in the UK; 37.2 percent in France; 44.3 percent in Czech Republic; and 28.2 percent in Mexico (ILO, 1999; quoted in Gallin, 2001). As seen in the previous chapters, the decline for the case of Argentina was of 42.6 percent (ILO, 1999; quoted in Gallin, 2001). All the strategies followed by capital to deregulate labour markets affected union power and were indeed largely aimed at this specific goal.

The deregulation of the labour market is also a strategy for eliminating the trade union movement. Sub-contracting is a well-travelled road to evading legal responsibilities and obligations. The fragmentation and dispersion of the labour force, its constant destabilization by the introduction of new components (women, youth, migrants of different origins) in sectors without trade union tradition (computerization, services), the pressure for maximum profits (productivity) together with management intimidation - all these are obstacles to trade union organisation (Gallin, 2001: 535).

If flexible contracts and informal employment are on the rise, and if they are among the main causes of the decline in unions' membership in recent decades, it seems sensible to assert that unions should engage in the organisation of these workers. This is why once and again the academics from the Global Labour Institute (Gallin, 2001, 2004) have urged unions to reconsider their strategies towards informal workers (as well as they have asked NGOs to avoid their usually derogative opinions about unions), because

organising workers in informal employment needs to be a priority of the trade union movement at both national and international levels, because: (1) it is here to stay; (2) it is growing, whilst the formal sector is declining in terms of organisational potential; (3) these two trends are linked and are irreversible in the short and medium term; and (4) consequently, the stabilisation of the formal sector organisations and building trade union strength internationally depend on the organisation of the informal sector (Gallin, 2001: 532).

This takes a further shift when considering that a full stop to the rise of non-standard jobs would only be achieved by macroeconomic changes which are indeed contrary to the current political economic paths witnessed in the international scenery.

The growth of the informal economy cannot be reversed in the short or medium term anywhere in the world. Formalising the informal economy on a world scale is an illusion. In the current global economic and political context, no State or regional grouping of States has the ability or the political will to set in motion the macroeconomic changes that would create universal full employment under regulated conditions. On the contrary, for the foreseeable future we can expect more deregulation and a further growth of the informal economy (Gallin, 2001: 532).

Therefore, “the issue is (...) not ‘formalising’ the ‘informal’ but protecting the unprotected. That, of course, is also a way of ‘formalising’, but it implies a different approach: organising from below rather than regulating from above” (Global Labour Institute, 2010).

Informal workers are indeed organising in several countries. In India, where statistics in 1998 set informal employment at 92 percent (Gallin, 2001: 532), the union Women in Informal Employment Globalizing and Organizing (WIEGO) has 700,000 members. Gallin (2001: 539-40) quotes examples of similar developments in South Africa, Turkey, Hong Kong, Korea, Nepal, Pakistan and the Phillipines, and he also mentions partnerships between NGOs and unions that have allowed the further organisation of self-employed and informal workers (like the European Homeworking Group).

On the other hand, since informal employment affects with particular strength and extension migrant workers, unions also need to adopt specific strategies towards them. In this sense, Gordon (2009) analyses the way unions create their own ‘labour citizenship’, and focuses on the way they set the boundaries between those whose interests they protect, on the one hand, and those from the outside, who are basically seen as competitors to their ‘citizens’, on the other hand. Under this policy migrant workers have historically been left aside from unions, because the majority of them accept to work under dire conditions, which drives down the union members’ working standards.

Destination country unions may be reluctant to initiate campaigns with migrants because they see them as competitors rather than fellow workers, and are concerned that migrants are taking scarce jobs and undercutting union wages. They may press governments to exclude migrants from the country rather than seeking to organize them (:44).

In other words, dual labour markets can place “real barriers” between workers, like the ones identified by Castree et al (2004). This is certainly the case of sweatshop workers, at least in Prato and in Buenos Aires, since unions are not engaging in their organisation; quite the contrary, the large majority of the leaders I interviewed only showed to have a derogative opinion towards sweatshop workers, and two of them even made racist comments. In this sense, Gordon (2009) argues that these strategies should be thoroughly

re-thought. In her view, migrant workers should be included, also because improving their working and pay conditions would alleviate their ‘competition’ to ‘mainstream’ labourers.

This is to say that organising informal and migrant workers is a challenge that would imply thorough changes in unions’ governing structures and logistics, many of which may face resistance in the hands of old established union leaders. In this sense Gordon points at the example of a few American unions (like the Farm Labor Organizing Committee) who are engaging in such plans, including the opening of offices in foreign countries like Mexico in order to educate workers planning to migrate and work in the US about their rights (see Gordon, 2009).<sup>166</sup> However, this is not the case in either Argentina or Italy.

The rise of a non-institutionalised group aimed at fighting sweatshops and organising garment workers in Buenos Aires is precisely one of the most important differences between both case studies in this thesis. In this city, the failure of the official workers’ unions (or rather their lack of interest) in the organisation of sweatshop workers was contested by the creation of an alternative union by members of La Alameda. This social movement, which was born in December 2001 with the burst of social movements, is proving to be more or less effective in alleviating the sweatshop crisis, and even in organising formal workers. The lack of a socially concerned group of activists or politicians towards the dreadful human rights violations taking place in sweatshops was contested by a social movement in a context of broad social uprisings, while unions remained astonishingly passive, as they are doing in Italy in present times.

Whether groups of informal workers should organise independently from unions or try to be included into these, is a controversial point which surely depends on the local and/or national conditions (i.e. the history of the trade union movement in that city or country; the level of organisation and the potential public recognition that informal workers may reach from such alliances; and so on). However, in either case it is clear that “it is impossible to conceive at the present time of organising a majority of workers at world scale without serious organising in the informal sector” (Gallin, 2001: 532). In this sense, the struggle of locally based groups against small inner-city sweatshops scattered around some urban

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<sup>166</sup> Recently Gordon’s work (2009) has focused in the interesting proposal for the creation of a new immigration status called “transnational labour citizenship”, which she bases in US-Mexico migrant workers but could be applied “in any migrant-sending country.” This status “would entitle the holder to come and go freely between the sending country and the United States, and to work in the United States without restriction” (:563).

areas cannot be carried out in the same way as the campaigns to defend registered garment workers. Although in the medium term (not to mention the long term) the political goals of such struggles are the same, the former requires of certain specificities. This is why innovative strategies are necessary, also because resistance from the very workers may arise. In many cases, workers are engaged in mutual competition (e.g. street vendors, homeworkers), while in the case of sweatshop workers they are immigrants tied up to their bosses by nationalist politics and/or by coercive mechanisms. All-too-often their lives depend on the pennies they can make day by day; they are tied up by the thin thread that allows their reproduction.<sup>167</sup> They cannot even go on strike, due either to their low employment security or to the fact that they are (at least formally) self-employed workers. Therefore, any changes in their precarious condition must come along with alternatives to guarantee their survival, and for this to be achieved, networking with state agencies and other groups, be it locally, nationally and even internationally, might quite possibly be necessary.

What this means is that engaging in the struggle for informal workers' rights might quite often mean going against their own most immediate interests, and this confers this struggle certain particularities which cannot be addressed with the typical union strategies like strikes, boycotts and so on. Moody (1997) makes this point referring to the rise of interesting developments of this kind around the world:

The vision appropriate to the era of globalization is *social-movement unionism*. It has already been born in South Africa, Brazil, South Korea, and elsewhere in the more industrialized parts of the Third World. Within the industrial North it is implied in many of the ideas put forth by oppositional groups within unions, national cross-union networks of union activists, international solidarity networks and committees, official and unofficial cross-border networks, and the only global grassroots industrially based network, TIE (Transnational Information Exchange). These forces are small, even marginal in some cases, but they speak with a clear voice and offer ideas pertinent to the epoch of capitalist globalisation (:58, my emphasis).

## **7. Conclusions**

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<sup>167</sup> Precisely the example of the difficulties that La Alameda faced when starting to report sweatshops is worth recalling: when sweatshops were shut down, workers that were getting food and shelter in these run out of their most immediate needs. They even participated in demonstrations against the very people who were trying to help them (i.e. La Alameda). In the end this social organisation was able to offer food, shelter, and legal, financial and job seeking assistance, and its members actually included workers in its cooperative. Further on, it arranged the textile pole for workers cooperatives joint to the INTI, in what has been a strong mark in this struggle and an international example.



This research has explored the links between neoliberalism and the rise of sweating systems in Argentina and Italy. The strongest similarities found between both cases are: the deregulation of the labour market; free trade; and weak state control and social protection. The findings of this research lead me to conclude, in line with critical literature about neoliberalism, that these policies underpinning the neoliberal project have caused labour casualisation and mounting informality; rising inequalities; human trafficking; forced labour and even the return of practices of slavery; state violence; and so on.

From its very beginning, the clothing industry was a precursor of subcontracting and of sweatshops. However, in the early 20th century it was garment workers who organised the first women's demonstrations in recent history, as well as they pushed forward the emergence of the first collective bargaining contracts. This struggle for the defeat of the sweatshop in New York took three decades between the fire in Triangle and the 1938 Fair Labour Standards Act that signalled its zenith. "Because these industries [textile and apparel] have seen some of the worst labour excesses, they have also been associated with historic victories of labour" like "the union's role in forging pioneer labour-capital accords" (A. Ross, 1997: 11) and "the Protocols of Peace, the prototype of collective bargaining agreements and the first step on the road to elimination of the sweatshop" (:30). In this sense, the social importance of this highly labour-intensive industry, and the terrible abuses that characterise the industry today, are strong reasons to demand the adoption of renewed political strategies. Notably, progressive proposals which transform the way unions are organised and the way they address informal economy and migrant labour, could take place in this industry before expanding to other economic sectors.

Beyond the indisputable importance of the demands on the state in order to set the macroinstitutional conditions that may lay the ground for more liberal politics, these demands would only be effective in the long-run as long as there is a general political environment that drives states to take the fight against the sweatshop as a priority. The changes that are needed are thorough ones and imply going against powerful interests. For public officials to engage in stopping the sweatshop, there needs to be workers' organisation. There is where the kernel of the struggle lies. In the process of building a strong workers' coalition, the backbones of neoliberalism must be targeted, and a different organisation of production and redistribution of wealth must be negotiated.

As long as civil society and workers' mobilisation continue to be extremely weak, the only future we can predict is, no doubt, even darker. In line with this, Bonacich and Appelbaum (2000) insist that sweatshops are precursors of possible future developments in other industries. But if the struggle against sweatshops achieves important steps forward, the developments in the garment industry might once again be an example to be taken by other industries. In this context, more than ever the myth of the natural upgrading of living conditions for workers appears artificial. The developments addressed in this piece show that if employers do not face opposition, they put more and more pressure onto workers. If opposition is still weak, they employ child and trafficked labour.

Furthermore, I understand that the scope of all these struggles for empowering workers will be limited as long as capitalist social relations are not overthrown. As long as workers are not the owners of the means of production and, thus, of their working conditions, problems like sweatshops and trafficked and child labour will always be latent, ready to come to reality as soon as labour is defeated in any corner of the world.

Many in the world have decided to liberate themselves and engage in self-management, in the past and in present times, and there will surely be those who follow this path in the future. Their painful struggle for survival in a capitalist market is an admirable example of the unlimited strength of women and men in search for their freedom. Someday capitalism will be overthrown, and whether what comes after it is beneficial for all, or not, depends to a large extent in the good health and the multiplication of these initiatives, and in their progressive organisation at larger scales.

## APPENDIX I

### LIST OF INTERVIEWEES

#### Interviews in Buenos Aires

*October 2007 to March 2008*

	<b>CATEGORY</b>	<b>FANTASY NAME</b>	<b>ORGANISATION</b>	<b>INTERVIEW DATE</b>
1	Official	Arnaldo	Deputy-Secretary of Labour (CABA)	05/10/2007 & 21/02/2008
2	Official	Mario	Public Defender (CABA)	10/9/2008
3	Official	Francisco	Labour Inspections Division (Ministry of Labour)	10/10/2007
4	Official	Not quoted	Deputy-Secretary of Labour (CABA)	1/24/2008
5	Official	Not quoted	Homework Division (Ministry of Labour)	2/1/2008
6	Official	Pedro	Deputy-Secretary of Labour (CABA)	1/28/2008
7	Official	Daniel	Metropolitan Centre for Design (CABA)	1/28/2008
8	Official	Not quoted	Metropolitan Centre for Design (CABA)	1/31/2008
9	Official	Fernanda	Metropolitan Centre for Design (CABA)	2/11/2008
10	Official	Not quoted	Human Rights Department (Ministry of Justice)	3/27/2008
11	Official	Julieta	National Institute of Industrial Technology	2/21/2008
12	Official	Not quoted	National Department of Migration (Home Ministry)	2/22/2008
13	Official	Not quoted	Centre for the Study of Production (Ministry of Economics)	01/10/2007 & 02/02/2008
14	Official	Jorge	Department of Labour Inspections (Buenos Aires Province)	3/7/2008
15	Official	Nano	National Institute of Industrial Technology	3/7/2008
16	Official	Matías	Ministry of Economics	3/11/2008

17	Official	Not quoted	National Institute of Industrial Technology	1/21/2008
18	Worker	Dionisio	Alameda	1/18/2008
19	Worker	Not quoted	Alameda	1/18/2008
20	Worker	Susana	Alameda	1/19/2008
21	Worker	Not quoted	Alameda	1/19/2008
22	Worker	Not quoted	Brukman	1/23/2008
23	Worker	Not quoted	Sportech	1/25/2008
24	Worker	Not quoted	Ex-worker	1/25/2008
25	Worker	Not quoted	Brukman	2/3/2008
26	Worker	Not quoted	Sportech	3/8/2008
27	Worker	Nestor	Soho	3/10/2008
28	Union representative	Gustavo	Alameda	10/8/2007
29	Union representative	Not quoted	Fundación El Otro	1/17/2008
30	Union representative	Alberto	SOIVA (main garment workers' union)	1/21/2008
31	Union representative	Esteban	UCI	1/23/2008
32	Union representative	Luis	Alameda	1/25/2008
33	Union representative	Ramiro	SOIVA (main garment workers' union)	2/15/2008
34	Union representative	NN	Alameda	3/11/2008
35	Union representative	José	AOT (Textile Workers' Union)	10/19/2009
36	Union representative	Chela	Polo Textil (INTI)	4/15/2010
37	Entrepreneur	Natalia	Intermediary agency	2/6/2008
38	Entrepreneur	Mariana	SME entrepreneur	2/8/2008
39	Entrepreneur	Omar	Fundación Pro-Tejer	2/20/2008
40	Entrepreneur	Claudia	Intermediary agency	2/28/2008
41	Entrepreneur	Martín	Taverniti	2/29/2008
42	Entrepreneur	Augusto	CIAI (main chamber)	3/4/2008

43	Entrepreneur	Not quoted	Punto Uno	3/5/2008
44	Entrepreneur	Not quoted	Le Utthe	3/6/2008
45	Entrepreneur	Agustina	Ay Not Dead (designer)	3/7/2008
47	Entrepreneur	Beto	CAIBYN (chamber)	3/14/2008
48	Entrepreneur	Not quoted	Caro Cuore	3/5/2008
46	Academic	Gloria	Department of Design (University of Buenos Aires)	05/02/2008 & 11/03/2008
49	Workshop owner	Not quoted		1/24/2008
50	Workshop owner	Ana		1/26/2008
51	Workshop owner	Not quoted		2/7/2008
52	Workshop owner	Marcelo		2/9/2008
53	Workshop owner	Not quoted	STTAD (workshops' owners union)	3/12/2008

### Interviews in Prato

*April to September, 2008*

	<b>CATEGORY</b>	<b>FANTASY NAME</b>	<b>ORGANISATION</b>	<b>INTERVIEW DATE</b>
1	Official	Luca	Chamber of Commerce (Province of Prato)	11/04/2008 & 01/10/2008
2	Official	Giovanni	Department of Economic Development (Prato City Council)	5/19/2008
3	Official	Simone	Department of Economic Development (Tuscany Region)	6/9/2008
4	Official	Massimo	Department of Economic Development (Province of Prato)	6/18/2008
5	Official	Maria	Labour Inspections Division (Province of Prato)	6/20/2008
6	Official	Andrea	Labour Inspections Division (Province of Prato)	7/25/2008
7	Official	Claudio	Labour Inspections Division (Province of Prato)	7/25/2008
8	Official	Venere	Department of Fashion (Tuscany Region)	9/26/2008
9	Official	Not quoted	Department of Labour (Tuscany Region)	9/30/2008
10	Official	Franco	Department of Multiculturality (Prato City Council)	10/1/2008

11	Union representative	Cristina	CISL-Prato	5/26/2008
12	Union representative	Salvatore	CGIL-Prato	5/27/2008
13	Union representative	Antonio	UIL-Prato	6/6/2008
14	Union representative	Not quoted	UIL-Toscana	8/4/2008
15	Union representative	Diana	CGIL-Toscana	05/08/2008 & 12/08/2008
16	Union representative	Dario	CISL-Toscana	8/7/2008
17	Union representative	Manuele	Sindacato Italiano Autonomo Lavoratori Poste	9/29/2008
18	Union representative	Gianluca	CGIL-Toscana	10/3/2008
19	Entrepreneur	Daniele	SME entrepreneur	6/23/2008
20	Entrepreneur	Not quoted	SME entrepreneur	6/23/2008
21	Entrepreneur	Mario	UIP	7/10/2008
22	Entrepreneur	Carlo	Alido	7/29/2008
23	Entrepreneur	Not quoted	SME entrepreneur	8/5/2008
24	Entrepreneur	Silvia	Pholya	9/16/2008
25	Entrepreneur	Francesco	Cunningham	9/24/2008
26	Entrepreneur	Fabrizio	Free-lance Consultant	5/22/2008
27	Entrepreneur	Marco	CNA-Prato	5/22/2008
28	Entrepreneur	Maurizio	Confartigianato-Prato	6/4/2008
29	Entrepreneur	Not quoted	SME entrepreneur	7/30/2008
30	Entrepreneur	Not quoted	Clotilde	9/26/2008
31	Academic	Not quoted	IRPET	6/3/2008
33	Academic	Not quoted	Pratofutura	4/15/2008
34	Academic	Not quoted	Department of Economics (Universita degli Studi di Firenze)	4/17/2008

32	Academic	Not quoted	Dipartimento di Lingue e Letterature Straniere (UNIBO)	9/9/2008
35	Academic	Antonella	Il Sole 24 Ore	9/29/2008
36	Worker	Not quoted	CGIL-Toscana	8/12/2008
37	Worker	Not quoted	CGIL-Prato	5/29/2008
38	Worker	Vittorio	CGIL-Toscana	10/3/2008

## **APPENDIX II**

### **Sample questionnaires**



*Durham University*  
*Department of Geography*

## ENTREPRENEUR #

*Project Title:* The Politics of Scale of Textile and Clothing Industry  
in Latin America and the European Union: A Comparative Approach

### Interview questionnaire

#### PERSONAL DATA

Name: \_\_\_\_\_

Company and position: \_\_\_\_\_ Since: \_\_\_\_\_

Year of settlement of the company: \_\_\_\_\_

Approximate yearly revenues or quantity of employees: \_\_\_\_\_

1. How was the company born (regarding the reasons to settle it, its initial size and the market segment it targeted?)
2. At that time, was the economic and political situation in the country very good, good, regular or bad for the competitiveness of the company?
3. How did the company change since 1980? Can you identify specific policies/events that influenced its performance (directly or indirectly)?
4. What are your main preoccupations at present?
5. How do the economic and labour policies of the government influence the activity of the company?
6. What is the relation of the company to the external sector? Does it import/export? To what extent is imported clothing affecting the company?
7. Regarding the domestic market, is competition important? What strategies does the company adopt to maximise benefits and enhance its competitiveness?
8. When speaking about garment production, it seems unavoidable to address the issue of informality. There exists in the City and in Greater Buenos Aires a network of sweatshops. Several brands are blamed for subcontracting their production to these. Is it a common practice in the sector? Why?

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**OFFICIAL #**

*Project Title:* The Politics of Scale of Textile and Clothing Industry  
in Latin America and the European Union: a Comparative Approach

**Interview questionnaire**

**PERSONAL DATA**

Name: \_\_\_\_\_

Institution and position: \_\_\_\_\_ Since: \_\_\_\_\_

1. How would you describe current working conditions in the clothing sector?
2. How many informal workers there exist in the sector? How many of them are immigrants?
3. What does your department do regarding informality in the sector?
4. Does your department coordinate activities with similar state agencies in other jurisdictions?
5. Is the number of sweatshops diminishing?
6. Are working conditions improving?
7. Who (or what institutions) is/are responsible for the current working conditions in clothing manufacturing?
8. Who (or what institutions) could help improve working conditions in the sector? How?

*Durham University*  
*Department of Geography*

**UNION #**

*Project Title:* The Politics of Scale of Textile and Clothing Industry  
in Latin America and the European Union: a Comparative Approach

**Interview questionnaire**

**PERSONAL DATA**

Name: \_\_\_\_\_

Institution: \_\_\_\_\_

Position: \_\_\_\_\_ Since: \_\_\_\_\_

1. How would you describe current working conditions in the clothing sector?
2. Have working conditions deteriorated if compared to those in 1980? What was the situation then?
3. Can you identify specific events/policies that influenced working conditions (directly or indirectly) during the last 30 years?
4. What do you (and/or your institution) do regarding working conditions?
5. Who (or what institutions) is/are responsible for the current working conditions in clothing manufacturing?
6. Who (or what institutions) could help improve working conditions in the sector? How?

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*Department of Geography*

**WORKER #**

*Project Title:* The Politics of Scale of Textile and Clothing Industry  
in Latin America and the European Union: a Comparative Approach

**Interview questionnaire**

**PERSONAL DATA**

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Sex: \_\_\_\_\_

Works in:  Home       Workshop       Other: \_\_\_\_\_

Produces clothing for:

Unemployed

Outdoor market

Small and medium stores/brands

Large stores/brands ( domestic    foreign)

NR

1. When did you start working in the sector? \_\_\_\_\_ (year)
  - 1.1. Where? \_\_\_\_\_
  - 1.2. If not in Buenos Aires/Prato, why did you come to Buenos Aires/Prato? How?
  - 1.3. What did you use to do in your home country?
2. How and why did you enter the sector?
3. How were working conditions at that time (especially regarding payment, hours, premiums and infrastructure/health and safety)?
4. How did your working conditions change throughout the last 30 years? Can you identify specific policies/events that influenced them (directly or indirectly)?
5. How would you describe your working conditions at present?
6. Is it difficult to find a good job in the sector?
7. When you were unemployed (if you did), did you look for assistance? Did anyone help you?
8. Who (or what institutions) is/are responsible for the current working conditions in clothing manufacturing?

9. Who (or what institutions) could help improve working conditions in the sector? How?

*Durham University*  
*Department of Geography*

## WORKSHOP OWNER #

*Project Title: The Politics of Scale of Textile and Clothing Industry  
in Latin America and the European Union: a Comparative Approach*

### Interview questionnaire

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Gender: \_\_\_\_\_

Works in:  Workshop  Home

Produces clothing for:  Own brand/store

Contractors

Outdoor market

Small/medium stores/brands

Large brands ( Domestic  Foreign)

NR

Number of workers: \_\_\_\_\_

1. When did you start working in the sector? \_\_\_\_\_ (year)
  - 1.1. Where? \_\_\_\_\_
  - 1.2. If not in Buenos Aires/Prato, why did you come to Buenos Aires/Prato? How?
  - 1.3. What did you use to do in your home country?
2. How and why did you enter the sector?
3. When did you start employing others? \_\_\_\_\_ (year)
4. How would you describe the conditions for garment manufacturing at that time (in relation to the economic context and to the performance of your own enterprise?)
5. How did these conditions change throughout the last 30 years? Can you identify specific policies/events that influenced them (directly or indirectly)?
6. How would you describe the current conditions? Is your company doing well?
7. How is the relationship with your work-givers?
8. Does imported clothing affect your business?

9. Who (or what institutions) is/are responsible for the current conditions faced by workshops' owners like you?

10. Who (or what institutions) could help improve these conditions? How?

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## Sources

### Anti-sweatshop resources

Academic Consortium on International Trade  
[www.spp.umich.edu/rsie/acit/](http://www.spp.umich.edu/rsie/acit/)

Behind the Label  
[www.behindthelabel.org](http://www.behindthelabel.org)

Clean Clothes Campaign  
[www.cleanclothes.org](http://www.cleanclothes.org)

Global Labour Institute  
<http://www.globallabour.info/en/>

Maquila Solidarity Network  
[maquilasolidarity.org](http://maquilasolidarity.org)

National Labour Committee  
[www.nlcnet.org](http://www.nlcnet.org)

No Sweat  
[www.nosweat.org.uk](http://www.nosweat.org.uk)

Roba neta  
[www.ropalimpia.org](http://www.ropalimpia.org)

Students Against Sweatshops  
[www.usasnet.org](http://www.usasnet.org)

Sweat Free Communities  
[www.sweatfree.org](http://www.sweatfree.org)

Sweatshop Watch

[www.change.org/sweatshop\\_watch](http://www.change.org/sweatshop_watch)

United Students Against Sweatshops

[www.usasnet.org](http://www.usasnet.org)

Women in Informal Employment: Globalizing and Organizing

[www.wiego.org](http://www.wiego.org)

Worker Rights Consortium

[www.workersrights.org](http://www.workersrights.org)

## **Newspapers and Magazines**

BBC

[www.bbc.co.uk](http://www.bbc.co.uk)

Business Week

[www.businessweek.com](http://www.businessweek.com)

Daily Mirror

[www.mirror.co.uk](http://www.mirror.co.uk)

Der Spiegel

<http://www.spiegel.de/international/>

El País

[www.elpais.com](http://www.elpais.com)

Financial Times

[www.ft.com](http://www.ft.com)

RAI

[www.rai.it](http://www.rai.it)

Radio Televisión Española

[www.rtve.es](http://www.rtve.es)

The Economist

[www.economist.com](http://www.economist.com)

The Guardian

[www.guardian.co.uk](http://www.guardian.co.uk)

The New York Times

[www.nytimes.com](http://www.nytimes.com)

## Institutions

Center for Public Integrity

[www.publicintegrity.org](http://www.publicintegrity.org)

Economic Commission for Latin America and the Caribbean

[www.eclac.org](http://www.eclac.org)

International Labor Organization

[www.ilo.org](http://www.ilo.org)

International Organization for Migration

[www.iom.org](http://www.iom.org)

Organization for Economic Co-operation and Development

[www.oecd.org](http://www.oecd.org)

United Nations Conference on Trade and Development

[www.unctad.org](http://www.unctad.org)

United Nations Industrial Development Organization

[www.unido.org](http://www.unido.org)

United Nations Office on Drugs and Crime

[www.unodc.org](http://www.unodc.org)

US Department of State

[www.state.gov](http://www.state.gov)

## Argentina

Cámara Industrial Argentina de la Indumentaria

[www.ciaindumentaria.com.ar](http://www.ciaindumentaria.com.ar)

Cámara Argentina de Indumentaria para Bebés y Niños

[www.caibyn.com.ar](http://www.caibyn.com.ar)

Centro de Estudios de la Producción

[www.cep.gov.ar](http://www.cep.gov.ar)

Centro de Estudios para el Desarrollo Económico

[www.cedem.gob.ar](http://www.cedem.gob.ar)

Clarín

[www.clarin.com](http://www.clarin.com)

Instituto Nacional de Estadísticas y Censos

[www.indec.gov.ar](http://www.indec.gov.ar)



La Alameda  
[laalameda.wordpress.com](http://laalameda.wordpress.com)

La Nación  
[www.lanacion.com.ar](http://www.lanacion.com.ar)

Página/12  
[www.pagina12.com.ar](http://www.pagina12.com.ar)

## Italy

Camera di Commercio di Prato  
[www.po.camcom.it](http://www.po.camcom.it)

Comune di Prato  
[www.comune.prato.it](http://www.comune.prato.it)

Confederazione dei Committati di Base  
[www.cobas.it](http://www.cobas.it)

Consiglio Nazionale dell'Economia e de Lavoro  
[www.cnel.it](http://www.cnel.it)

Corriere della Sera  
[www.corriere.it](http://www.corriere.it)

Il Sole 24 Ore  
[www.ilsole24ore.it](http://www.ilsole24ore.it)

Il Tirreno  
[iltirreno.gelocal.it](http://iltirreno.gelocal.it)

Istituto Nazionale di Statistica  
[www.istat.it](http://www.istat.it)

Istituto Regionale Programmazione Economica della Toscana  
[www.irpet.it](http://www.irpet.it)

La Nazione  
[www.lanazione.it](http://www.lanazione.it)

La Repubblica  
[www.repubblica.it](http://www.repubblica.it)

Ministero dell'Economia e delle Finanze  
[www.tesoro.it](http://www.tesoro.it)

Prato Blog  
[www.pratoblog.it](http://www.pratoblog.it)

Regione Toscana  
[www.regione.toscana.it](http://www.regione.toscana.it)