



Women Working in the Shadows:

The informal economy and export processing zones

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Imprint

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Summary

This publication examines areas of women’s work in the world economy which have been largely ignored by labour market statistics, media headlines and research projects. It provides basic information on the informal economy and export processing zones, in which the vulnerable work of women predominate, and looks at the development of women’s work in the context of globalisation and the prevailing gender order.

According to the latest statistics of the Organisation for Economic Cooperation and Development (OECD), almost two-thirds of all paid labour in the world work in the informal economy – most of them in the developing and newly industrialising countries. Two-thirds of them are considered to be poor. In the 3,500 export processing zones located in 130 countries, women account for 70 to 90% of workers. Elementary labour and women’s rights are violated in these tax and customs enclaves. A

current assessment by the International Labour Organisation (ILO) on the effectiveness of export processing zones after four decades is shocking: According to the study, they were only successful in developing the local economy in four countries, albeit with numerous incidences of serious violations of labour and women’s rights.

This publication proposes that the “ILO Agenda for Decent Work” and the recommendations of the UN Development Fund for Women (UNIFEM) be used as a strategic orientation framework for a realignment of the economic and gender order. These objectives are spelled out in concrete form in proposals for action by church and women’s groups, trade unions and youth organisations using the example of campaigns relating to the global textile and clothing industry, in which work in the informal economy and export processing zones is commonplace.

Foreword by Oberkirchenrat Michael Martin, Evangelical-Lutheran Church in Bavaria

Our planet is growing together. And that is a good thing – because that is how understanding for other cultures can grow. And who can have anything against poorer countries in the global South being included in global economic processes, thereby creating job opportunities in developing countries?

That was the idea around 40 years ago, when developing countries began setting up so-called export processing zones in order to attract investors and in this manner create jobs in their countries. But what does the balance sheet look like today in these export zones? We are repeatedly shocked at how inhuman working conditions are in sweat shops, in which above all women are exploited. On the other hand, were not especially these job possibilities originally supposed to provide opportunities for women?

This study aims to contribute to a more objective discussion. It places the informal labour sector in its historical and sociological context without losing touch “with the grass roots”. This is achieved by means of case studies which are worth reading in and of themselves. The study seeks to produce recommendations for specific

steps with which to create decent jobs which are just in gender terms – recommendations which warrant reflection. Some answers no doubt deserve additional discussion, but a tremendously important impetus is provided here towards improving working conditions of women throughout the world.

This study is aimed at provoking more thought on the matter. It is hoped that it will be read by many persons and that it will help generate serious discussions which increase pressure on business enterprises, policy and society so that suitable conditions can be created which will lead to a globalisation of social and environmental standards. This is because in a globalised world we cannot be indifferent to working conditions for those invisible workers far away who produce our daily goods to be displayed on the shelves of our stores. It was for this reason important to the Evangelical-Lutheran Church in Bavaria to make this study possible and publish it in collaboration with SÜDWIND.

*Oberkirchenrat Michael Martin
Evangelical-Lutheran Church in Bavaria*

Cleaning woman in Delhi, 2002 (photo: ILO/M. Crozet)



1. Introduction

This publication sheds light on areas of women's work in the world economy which for the most part takes place in murky shadows ignored by labour market statistics, media headlines and research projects. Information on work performed in the socially vulnerable informal economy – primarily the domain of women – is scanty. The same goes for data on working conditions of mostly female employees in the global export processing zones. Nevertheless, we are dealing here with a mass phenomena and an extreme form of discrimination against employees requiring greater attention and stronger counter-measures. This is all the more so given the fact that the plight of these people living and working in this shadowy realm – beyond the pale of social protection and often lacking sufficient income to pay the cost of living – may well deteriorate even further with ongoing globalisation and the current global economic crisis.

In recent years public criticism of the social rifts emerging in the wake of neo-liberal globalisation has been growing ever stronger. This criticism is being voiced not only by trade unions, churches, researchers and non-governmental organisations – governments, international organisations and even business enterprises have also chimed in. As the "World Commission on the Social Dimension of Globalization" of the International Labour Organisation (ILO) noted in 2004, globalisation has not meant decent work for the vast majority of women and men in the world or a better future for their children.

High rates of economic growth have not gone hand in hand with an increase in employment, as is demonstrated, for example, by the development of the Southern Asian labour markets following the opening up of their economies to trade and investment over the last few years. Wherever new jobs have been created, these have usually been in the informal economy, where earnings are low and where there is scarcely any social protection.

In a recent study conducted by the Organisation for Economic Development and Cooperation (OECD) on the "normality of informality" in global employment, it was determined that almost two-thirds of paid employees work in the

informal economy – most of them in developing and newly industrialising countries. Two-thirds of these people, once again, are considered poor.

It is predominantly women who work in the informal economy – not only in the developing countries, but in the industrialised countries as well. The rate is particularly high in certain regions of the world such as, for example, South Asia and sub-Saharan Africa. Although employment of women has risen by almost one-fifth over the last decade and as a result more women than ever before have jobs, decent jobs are a rarity for them.

The global financial crisis plunged the economies of many countries into a dramatic recession in 2008. The ILO assumes for the period 2007-2009 that the number of unemployed in the world has risen by 40-60 million, while the number of poor has swollen by 200 million. Many of them – above all in the developing countries – are trying to survive by working in the informal sector, but here as well declining demand, falling prices and declining exchange rates are having a fatal impact on employees, as they are able to earn less and less income and because there are no official social protection mechanisms for them. According to the UN Organisation for Food and Agriculture, the number of hungry persons in the world rose by 100 million to more than a billion persons last year.

One key element in the global spread of vulnerable employment is to be found in the establishment of export processing zones over the last few decades. In the course of the outsourcing of labour-intensive industries from the industrialised to the developing countries, more and more tax and customs enclaves have come into existence in which foreign investors enjoy numerous privileges and tax breaks, but labour and social rights have for the most parts been suspended.

Right from the outset, the growth strategies of industries in the export processing zones have been based on social discrimination against women and their greater willingness to accept poor working conditions. Women account for more than two-thirds of employees in the export processing zones. Individual job possibilities nevertheless offer many women a chance to

fend for themselves – even though most of them are poorly paid and violations of labour rights are commonplace and widespread.

Export-oriented enclaves have only succeeded in providing a development boost for economies in very few countries with export processing zones. In the vast majority of cases, the elimination of economic regulation of multinational enterprises and the privatisation of labour markets have been fatal, the reason being that in the main industries producing in the export processing zones such as the clothing and electronics industry, these special conditions have become global standards. In the face of this international competition, those countries which have upheld and respected labour and social rights as well as imposed taxes and customs regulations on enterprises have come under increasing pressure.

Basic information is provided on the informal economy and export processing zones in the following chapters and their inception and development placed in a socio-economic context. At the same time, the main focus is on employment of women and the question as to what manner and why women predominate among the

workforce in these sectors. The specific forms of women's work is illustrated by using case studies and portraits of female employees from a total of eight countries.

This topic is explored in more concrete terms in the chapter on the global textile and clothing industry, in which vulnerable work in the informal economy and export processing zones is widespread. The ILO's "Agenda for Decent Work" and the resolutions of the UN Development Fund for Women (UNIFEM) are proposed as a strategic orientational framework for a realignment of production and proposals for action addressed to church and women's groups, trade unions and youth organisations. It is hoped that the contact addresses and the glossary contained in the service section of this publication will serve as an aid in the practical implementation of these actions.

Street vendor in Bangkok (photograph: ILO/M. Crozet)



2. The global boom of informal work

2.1 Problems and historical review

The amount of informal employment in the world has risen dramatically over the last few decades. Informal work, which for the most part takes place beyond the pale of government regulation, is a mass phenomenon in the countries of the global South, but is also increasing rapidly in the industrialised countries as well.

Is informal normal? This is the title of a study published in April 2009 by the Organisation for Economic Cooperation and Development (OECD), illustrating the boom in informal work with the latest statistics (*Jütting/Laiglesia 2009*). This is more of a rhetorical question, as the answer produced by the study is clear: almost two-thirds of paid workers in the world work in the informal economy, even if there are regional differences. This goes above all for the developing countries. Informal employment has “reached a record level in the world, which has serious consequences for the risk of poverty in developing countries,” according to the OECD report, as for most people informal work means poverty.

More than 700 million informal employees live off of less than US\$ 1.25 per day, the dividing line used by the World Bank for absolute poverty. The vast majority of vulnerable workers in the informal economy are women.

More and more people have been losing their jobs since 2008 as a result of the financial and economic crisis. Many of them have to look for work in the informal economy, in which earnings are generally low, accident rates high and social security seldom offered. Informal employment is not a new development which has taken hold since the outbreak of the most recent financial crisis, however.

The International Labour Organisation (ILO) coined the term “informal sector” at the beginning of the 1970s to characterise the non-modernised area of developing countries’ economies (*ILO 1972*). According to the ILO, work in informal factories takes place without government regulation and on the margins of legality.

In contrast to the proponents of modernisation theory, who predicted that the informal sec-

tors of the developing countries would automatically disappear in the course of modernisation of their societies, the ILO has been demanding that states actively support this sector through economic and job-creation programmes with the aim of linking it up to the formal economy step by step.

Since the end of the 1970s, proponents of neo-liberalism (see Glossary) have been standing this perspective on its head: Instead of calling for integration in a government-regulated economy and employment, deregulation was touted as the patent recipe for overcoming underdevelopment and poverty. Especially the formalisation of employment and the red tape imposed by government regulations are responsible for development not taking place in the Third World,

*Street vendor in La Paz, 1995
(photograph: ILO/J. Maillard)*



it was argued by the pioneer of this perspective, Hernando de Soto, in 1986. The “informal sectors” could only develop entrepreneurial initiative if government regulation was ended (Soto 1992: 18–23).

The rise of neo-liberal deregulation policy was accompanied, however, by growing criticism of its social impact on employees. As a result of the limits placed on labour and social rights, laws and regulations, both labour costs and wages have declined and production has become cheaper in comparison to the formal sector of the economy. In the course of “informalisation”, more and more employees in industrialised countries have for instance lost their health insurance or pension insurance protection. Labour and manufacturing costs have also been reduced through the outsourcing (see Glossary) of areas of production from enterprises as well as global outsourcing of production sites.

The growing informalisation of employment has not only had massive disadvantages for labour, but also states as well, as it means a loss of revenue from the social security contributions

or taxes with which social systems are financed. Thus informalisation of employment weakens the social, distributive and taxation function of the state. The Fordist welfare state (see Glossary) is increasingly being replaced by a state which is more and more promoting the production-site interests of business enterprises in global competition as its own (Hirsch 1995).

Basic information on informal work is provided in the following – definitions, statistics, its scale and trends – as well as reasons offered for why informal work comes about and portraits of informal employees provided. At the same time, the analysis shows why the vast majority of informal workers are women. The chapter wraps up with examples of different strategies of trade unions, women’s organisations and civil society alliances with a view to informal work.

2.2 Definitions and statistics

The worldwide debate on “informal work” and the “informal economy” is marked by numerous contradictions. There are a large number of names which, however, designate different substance matters, which is why statistics often differ. A final definition has yet to be established.

Informal work is usually held to be synonymous with vulnerable or precarious work. There is indeed a close connection between these two types of work (as is further explained below), but they are not synonymous.

The terms “informal” or “atypical” work relate to employment in which government laws and regulations in the area of labour law do not or scarcely apply, while “precarious” or “vulnerable” work designate the lack of material support for employees, thus addressing problems relating to distribution and poverty.

In the developing countries, where the informal sector was “discovered” more than 30 years ago, work not subject to statutory regulations is synonymous with socially vulnerable work.

There are also types of informal work which are not of a precarious nature, however, especially in the industrialised countries, such as, for example, highly paid contract work in the IT, business consulting or media sectors.

As a result of this differentiation, labour market experts in Germany, for example, have developed distinguishing criteria which categorise jobs as vulnerable or protected employment:

- a. An income which is enough versus is not enough to pay the cost of living
- b. An existing versus absent/weak integration in social security systems,
- c. A high versus low level of employability (especially as a result of further occupational training),
- d. A high versus low level of job security (Keller/Seiffert 2007: 20–21).

The more the said deficits crop up, the greater the level of precariousness (see Glossary).

Portrait of waste picker Ranjanben Ashokbai in India

Ranjanben Ashokbhai Parmar is an old member of SEWA. When I visited her house recently, she started to cry: "Who sent this recession! Why did they send it?" I was actually speechless. Her situation is very bad, her husband is sick, she has 5 children, they stay in a rented house, she has to spend on the treatment of her husband and she is the main earner in the family. When she goes to collect scrap she takes her little daughter along, while her husband sits at home and makes bundles of wooden ice-cream spoons, from which he can earn not more than 10 rupees a day. How can they make ends meet?"

Source: WIEGO 2009

Keller/Seiffert used this approach to further refine the definition used by the International Conference of Labour Statisticians (ICLS), which in 2003 defined informal work as "work without any written contract and with insufficient social protection, which exists both in the formal as well as the informal economy" (Jütting/Laiglesia 2009: 28), thus assigning the same status to informal and precarious employment. The ICLS recognised for the first time with this definition that the informal nature of economic sectors and employment is a global phenomenon which can

Portrait of street vendor Anuja in India

Anuja from India sells fish on the street. The police harass her frequently for bribes to receive protection because she has no license and no idea how to get one. The dangers of food contamination from the food she sells could be greatly reduced with the provision of clean water, garbage removal, and latrines near vending sites.



Source: WIEGO 2009

by no means be limited to the developing countries.

With regard to informal workers in the formal sector, the ICLS in particular noted that these are employees at small companies with five or more employees as well as domestic employees who, although paid, do not have any social insurance.

Employees in the informal sector, according to the ICLS, include a) self-employed persons, i.e. employees working on their own account, small companies and other family members working for them, and b) employees and paid staff in small factories with fewer than five employees (*ibidem*).

Because small companies in the informal sector are non-registered enterprises which usually produce at least in part for the market, the subsistence economy producing primarily for a household's own needs and unpaid domestic and family work (care economy – see Glossary) is not part of the informal sector. Nevertheless, paid labour and unpaid care work are closely linked with one another and are also dialectically related, as is elucidated below.

In contrast to the previous indirect methods used in statistics, which often only produced rough estimates, governments in numerous countries have begun to increasingly count informal companies and activities in recent years by surveying households and companies or carrying out surveys of employees. While solid, up-to-date data is available on employment in the informal sector for more than 110 countries, findings relating to informal employment in the formal sector is very limited and only applies to the recent past (*ibidem*: 30).

In spite of this progress, the data available on informal labour worldwide is still full of gaps. Statistical measurement of informal work is also impeded by the fact that a) it is frequently treated the same as illegal employment, especially in the industrialised countries, as the borderlines are often hazy – like in the building sector or cleaning enterprises, for instance, and b) it is also held to be connected to illegal businesses such as trafficking in women, drug and weapons, in the extreme forms of which there is still slave labour.

2.3 Scope and trends

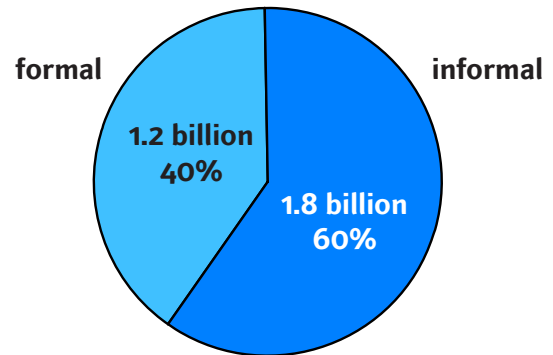
Of the 3 billion paid employees working throughout the world today, 1.8 billion (i.e. 60%) are informal and 1.2 billion (i.e. 40%) are formal employees, as **Diagram 1** on the right shows.

In countries with low income and in most countries with medium income, informal labour is the norm, accounting for 50% to 90% of all employment. The following diagram from the OECD states the share accounted for by this type of work for the countries of sub-Saharan Africa, South and Southeast Asia, Latin America, North Africa, West Asia, Central and Eastern Europe, with levels hovering between 75% and 25% (**Diagram 2**):

Atypical employment is also growing at a fast pace in the industrialised countries: Thus the percentage of temporary and casual employment, agency work and new (sham) self-employment in Germany accounts for one-third of total employment at present (*Keller/Seiffert 2007: 14*).

The amount of informal labour is growing throughout the world – in spite of overall eco-

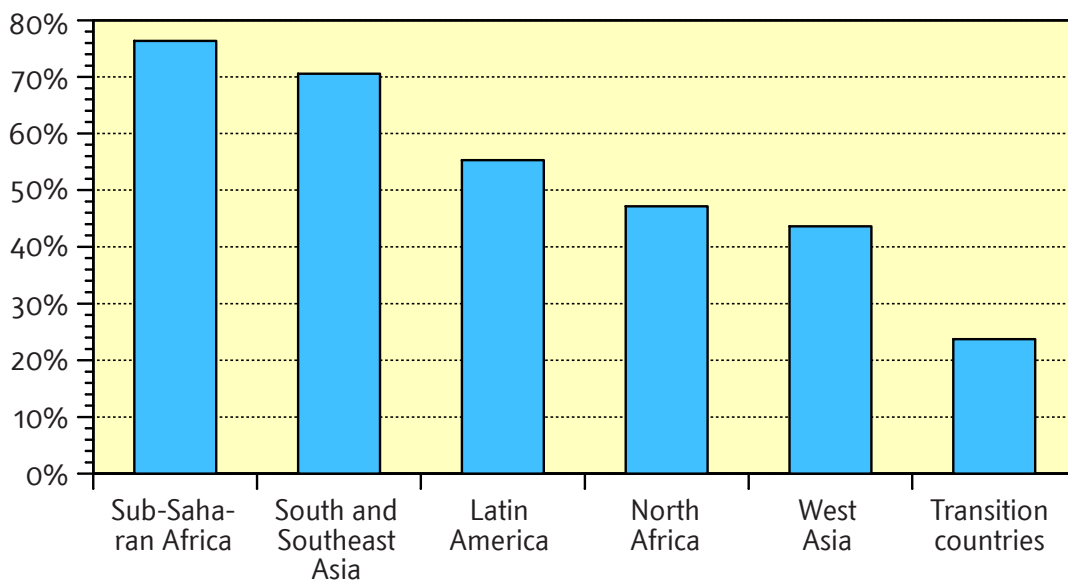
Diagram 1:
Worldwide informal employment



Source: OECD 2009

nomic growth figures such as, for example, in South Asia, Southeast Asia and Latin America in the last 30 years (*OECD 2009*). This type of work accounted for almost 70% of total employment in India, Pakistan and Indonesia over the period 1994–1999. In India, where economic growth over the last decade was 5% per year, nine out

Diagram 2:
Share of informal non-agricultural employment in developing countries by region



Source: OECD 2009

Survey of street vendors in Durban, South Africa

A 1997 census of street vendors in Durban, South Africa, counted 19,000 street traders: 57 per cent of these were in the central business district (CBD) and 30 per cent were in high-density but non-central areas (such as Umlazi township). Sixty-one per cent of the street traders were women; 39 per cent were men. This survey counted both street traders who sold goods (78 per cent of the total) and street workers who provided services (21 per cent of the total). Of those who sold goods, seven out of ten sold food stuffs (fruits, vegetables, meat, and poultry); some sold new and used clothing; and less than 1 per cent sold traditional medicines. Those who sold fresh produce were mainly self-employed, while those who sold clothes were

most often employed by someone else. Nearly half sold only one type of product, one quarter sold two types of products, and one quarter sold three or more types of products. Only a few (3 per cent) sold goods or foods produced by themselves.

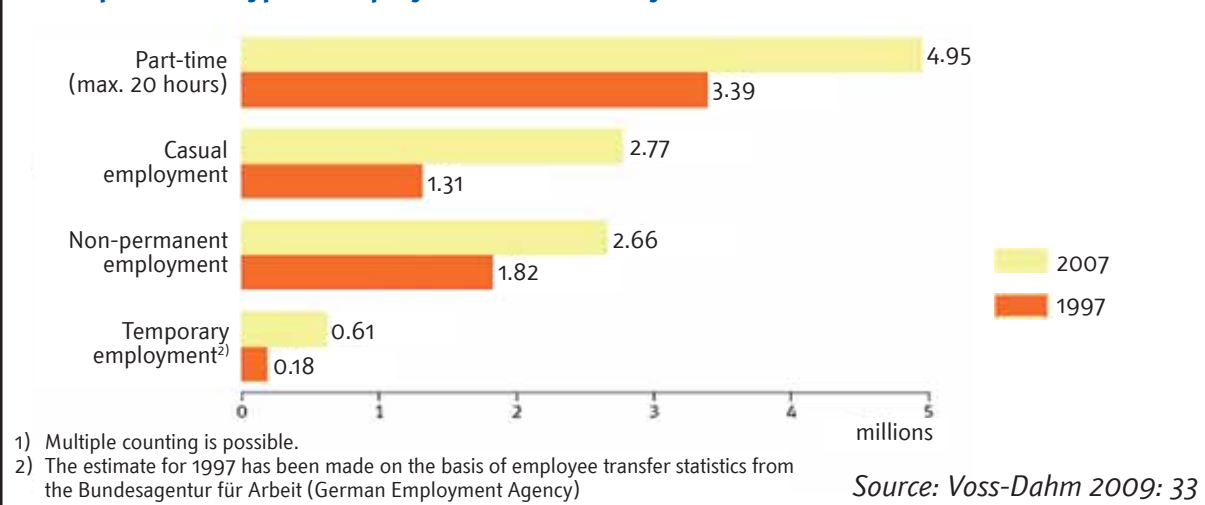
The Durban study found some important gender differences in street trading. Although few vendors overall hired other people, slightly more men (13 per cent) than women (10 per cent) did. Among those hired, there were nearly twice as many women as men. Nearly all of the women, but only two-thirds of the men, were vendors only. More men (61 per cent) than women (54 per cent) purchase from a large wholesale dealer, rather than from a small retail shop. About six out of ten of the transborder or immigrant street traders were men.

Source: ILO 2002: 53

Women in South Africa discussing the 2009 crisis. (Photograph: WIEGO)



Diagram 3:
Development of atypical employment¹⁾ in Germany 1997–2007



of ten employees are working without any formal social insurance at present.

In Pakistan the ratio of informal labour to paid labour (not including agriculture) rose between

the periods 1985–1989 and 1995–1999 from 39% to 64.6%, while the figure for Indonesia nearly doubled over this period to 78% (Jütting/Laiglesia 2009: 35).

2.4 Reasons why informal work occurs and spreads

Historically speaking, formal, i.e. government-regulated, socially protected work is an exception. It came about in the course of capitalist industrialisation and played a leading role over the space of only a few decades, and for the most part only in the industrialised countries. Although it is being increasingly undermined by the encroachment of neo-liberalism, in its manifestation as a normal employment relationship (see Glossary) it still constitutes the most important reference point for all other types of employment at present as well (Keller/Seiffert 2007: 12). But its claim to normality needs to be subjected to closer scrutiny.

Why? Because the proper functioning of normal employment relationships has always depended on other types of labour required by society. It presupposes i.e. a close interlinkage with domestic and family work as well as a wide variety of forms of informal work and subsistence labour. Given this, and in view of the fact that today the majority of people work “informally” in one way or another, it is only fitting to refer to informal work as the norm.

Given the gender-specific division of labour, formal work cannot be considered the norm when

unpaid domestic and family work, which is performed almost exclusively by women (care economy – see Glossary), accounts for a greater amount of time than paid employment (see below).

One important underlying reason for the rapid spread of informal work since the 1970s is the global restructuring of financial markets, production, commerce and working conditions accompanying neo-liberal globalisation. As a result of the deregulation and opening of national markets, global competition has grown, subsequently causing labour costs to be reduced in order to make locations more competitive. The “normal employment relationship” so typical of the Fordist welfare state (see Glossary) is increasingly disappearing.

The structural adjustment programmes of the World Bank and International Monetary Fund (IMF) as well as the policy of liberalisation of the world market and privatisation have made a significant contribution to the informalisation of employment in the developing and transformation countries.

In the industrialised countries, labour markets are being rendered more flexible and deregulat-

ed within the framework of an economic policy defending the interests of corporations in global competition. Even if flexibilisation of employment is welcomed in principle by many employ-



Beedi cigarette rolling – working at home, India 2002 (photograph: ILO/M. Crozet)

ees as a result of changing living conditions, the linkage of this to the erosion of working, social and collective bargaining rights which is being witnessed, is running up against the opposition of employees.

In the recent past, financial and economic crises (*inter alia* in Southeast Asia and Argentina) have caused informal work and poverty to rise sharply in the countries hit by these crises. The world economic crisis of 2008 constitutes a massive threat to the majority of the 2.6 billion poor people in the world, who live off of less than US\$ 2 a day and for whom survival depends solely on their own labour. A recent study shows that the decline of consumption and demand has meant severe belt-tightening in the informal economy of numerous developing countries for refuse collectors, street vendors and domestic labourers: “I used to make 7,000 pesos a day – nowadays it is 3,000 to 5,000 pesos,” reports a refuse collector in Bogotá, Colombia, for example (*Inclusive Cities 2009:14*). And a refuse collector in Santiago, Chile describes the situation as follows: “We have to cut back. Instead of the three potatoes I had for dinner in the past, now it is two.” (*ibidem: 18*). The implementation of UN Millennium Goal No. 1, halving the number of people living in extreme poverty by 2015 (see Glossary) has become more elusive.

2.5 High percentage of women in informal work

Of the 3 billion working people in the world, women account for 40% with 1.2 billion and men 60% with 1.8 billion (*UNIFEM 2008: 54*). The largest group is accounted for by women in the service sector (46.3% – with men accounting for 41.2%) and processing industry (18.3% – with men accounting for 26.6%) (*ibidem*).

Women’s work has grown sharply over the last few years: 200 million new women joined the labour market between 1997 and 2007. This development has led to the development of the notion of the “feminisation of employment” in globalisation (*UNDP 1999: 80*).

But as much as women have profited from this development in quantitative terms, the quality of their employment is of an ambivalent nature,

as work is more and more being performed in the vulnerable areas of the formal as well as informal sectors (*ibidem*). Nor has the increase in paid employment decreased the unpaid work performed by women – it has even increased in some cases (*ibidem: 81*).

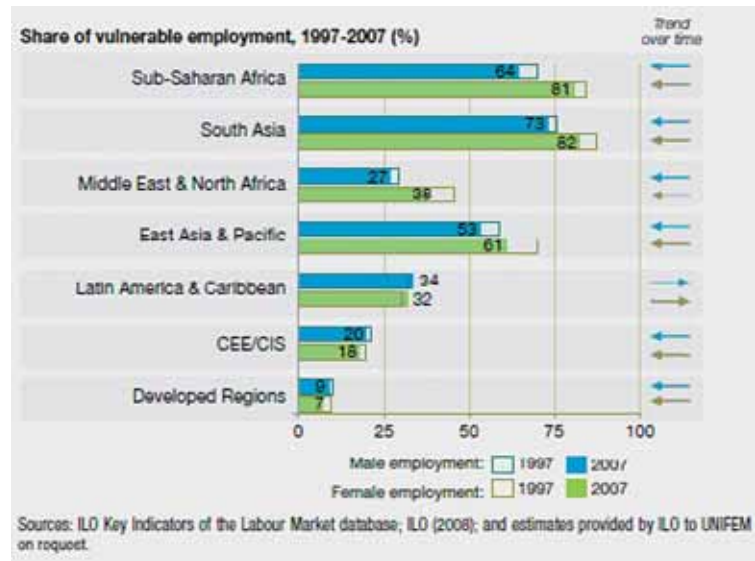
On a global average, women earn 17% less than men (*UNIFEM 2008: 55*). With globalisation, the income scissors between high and low-qualified persons has widened even further. The vast majority of women’s work is non-permanent, poorly paid and marked by a low level of qualifications.

By the same token, the differences in pay between formal and informal work for women are greater than for men. In general, there is a dispro-

portionate percentage of women at the lower end of the scale in informal employment (Jütting/Laiglesia 2009: 90). Broken down according to the average amount of income, the range of informal employment extends from unpaid help provided by family members at the lowest level to home work, informal paid labour, self-employment and small enterprises at the top (ibidem: 93). 52% of women in paid employment in the world work in the informal sector, i.e. in family businesses (24%) and as self-employed persons (28%) (ILO 2009: 42).

Especially in the developing countries, there is a disproportionately high percentage of women in jobs with low qualifications, which are often found in the informal economy (Jütting/Laiglesia 2009: 90). The extraordinarily great number of women involved generally means greater dependence and poverty among women. In some densely populated regions of the world, socially vulnerable employment accounts for 80% of total employment, as shown in Diagram 4.

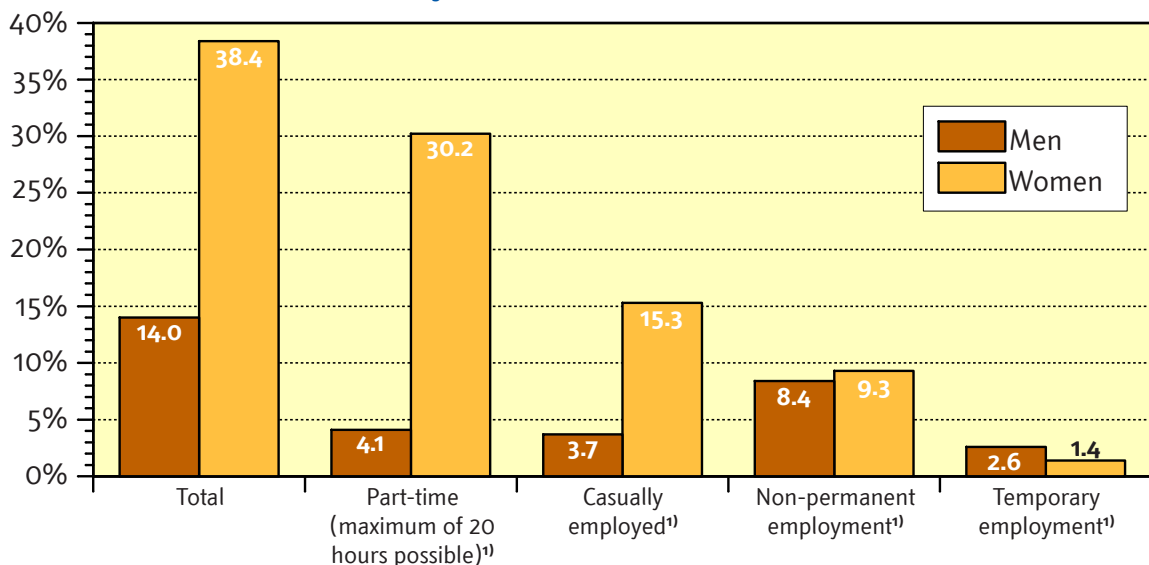
Diagram 4:
More women in vulnerable employment than men



Source: UNIFEM 2008:17 (Executive Summary)

Women in industrialised countries like Germany are much more involved in informal work than men. Almost 40% of women in dependent employment work atypically, while this rate is 14% for men. Diagram 5 below shows this difference in aggregate terms and broken down according to types of employment for 2007.

Diagram 5:
Atypical employees as a percentage of permanent employees by gender 2007 (results of Micro Census in Germany)



1) Multiple counting possible

Source: Voss-Dahm 2009: 34

Portrait of Franziska R., casual worker in a private German household

Three million households employ a cleaning person in Germany – many of these cleaning women do not have a German passport and work illegally. Some work on the basis of mini-jobs, not earning more than € 400 a month. One of them is Franziska R., 22 years old, who comes from Poing, a suburb of Munich:

I work as a household helper five hours a week for a family with a child and house. The parents both work and have very stressful lives. When they come home, they want to spend time with their two-year old daughter and not worry about housework. I clean, do the laundry, iron and water the plants. Every now and then I pick up the little girl from the nursery school and take care of her until her parents arrive. I have had the mini-job for three months and it has been a very positive experience. The great thing about it is that I also have paid holiday and health insurance.

Source: *Die Minijobzentrale Essen, 2009: 12*

The reason for discrimination against women in informal and formal paid employment is especially due to the hierarchical gender division of labour, according to which women are still largely responsible for the care economy (family and household work – see Glossary). That is why they have fewer opportunities in the labour market with respect to access, qualification, advancement and union representatives. The gender-specific division of labour is also one of the main reasons for the disadvantages women face with respect to access to resources such as land, loans, communications channels and networks.

The neo-liberal policy of market liberalisation and deregulation has been responsible for labour and social costs being reduced, especially in the low-wage area, in which women are underrepresented, in order to make locations more competitive in global competition for multinational corporations. In the course of the implementation of structural adjustment measures promoted by the World Bank and the IMF in indebted developing countries, government social

security expenditures have been reduced and public services cut back since the 1980s, leading to loss of jobs and overtime work – especially for women.

The ILO expects that the high rate of women engaged in informal work in the group of the “working poor” and among the unemployed will continue to grow as a result of the current financial and economic crisis. The ILO is forecasting, for instance, that more than 10 million women will have lost their jobs in 2009 (*ILO 2009: 55*).

Among other things, a study on “the statistical foundations for the care and non-care economy in six states” was carried out over the period 2006–2009 within a project of the UN Research Institute for Social Development (*UNRISD 2009*). The study found that women in all six countries (Argentina, Nicaragua, India, South Korea, South Africa and Tanzania) spend more than twice as much time in unpaid family and domestic work than men. In India the rate was even ten to one (*ibidem*).

Street vendor in Moscow, 2006
(photograph: ILO/M. Crozet)





Home workplace in Bangkok 2006 (photograph: F. Zander)

Turning to Switzerland, a study carried out by the economist Mascha Madörin came to the conclusion that in 2004 two-thirds of unpaid work in households, accounting for 8.5 billion hours in comparison to 7 billion hours for paid work, was performed by women (WOZ 28 May 2009).

The central importance of the unpaid care economy in overcoming discrimination against women was underscored as far back as the UN Women's Conference held in Beijing in 1995. The conference called for the care economy to be taken into account in national income accounting, for instance. It also appealed to UN member nations to implement gender mainstreaming programmes (see Glossary) to establish gender equality in all fields of policy and for government

budgets to take gender-specific factors into account (gender budgeting – see Glossary). Most of the countries are still at the beginning in implementing resolutions along these lines – such as the EU countries following the issue of a directive on gender mainstreaming in 1996.

Nevertheless, this process in the wake of the Beijing conference shows that a gradual change in awareness regarding the gender topic is taking place, with this also applying to the key importance of the care economy. The implementation of specific demands is jeopardised, however, by the neo-liberal agenda of globalisation and its crises, as a result of which the majority of women especially in the developing countries are being marginalised.

2.6 Interlinkage of formal and informal work

In the global production and procurement chains of multinational enterprises, the tight interlinkage between informal and formal employment is on the agenda at present. The outsourcing of labour-intensive industries from the industrial to the developing countries and

their location in export processing zones (see chapter 3) has gone hand in hand with a drop in working and social standards and an “informalisation” of employment. The textile and clothing industry is a case in point here (ILO 1996).

Portrait of a Chinese home worker in Canada

In global value chains in which the lead firm is a multinational firm based in an industrialised country and the homeworkers are scattered across one or more countries, the links between the homemaker and the lead firm for which she/he works become obscure. The following case illustrates how complicated things can be in negotiating payment or wages due for completed work.

When a trade union organiser in Canada tried to help one immigrant Chinese garment worker get her back wages, she found that the garment worker did not know who she worked for as the man who dropped off raw materials and picked up finished garments drove an unmarked van. When the garment worker eventually found a tag with a brand label on it among her raw materials, the trade union activist was able to trace the “label” from a retail firm in Canada to a manufacturing firm in Hong Kong to an intermediary in Canada: in this case, the global value chain began and ended in Canada. When the local intermediary was asked to pay the back wages due to the garment homemaker he replied: “Put me in jail, I cannot pay. The manufacturer in Hong Kong who sub-contracted production to me has not paid me in months.”

Source: ILO 2002: 46

This structural change in production and procurement, which has not been accompanied by any labour law regulation, has been made possible by the market liberalisation policy of the General Agreement and Tariffs and Trade (GATT) and the World Trade Organisation (WTO). Thus, informal employment in labour-intensive sectors of developing countries such as textiles, clothing and electronics, in which women’s work predominates, has increasingly become the standard in global competition to reduce costs and global competition between production sites.

Portrait of Maria Torero Avalos, home worker in Lima/Peru:

“We are people, not machines!”

“My name is Maria Torero Avalos. I am 48 years old and live in San Juan de Lurigancho in the north of Lima. I knot bracelets, sew beads on jumpers and bags – anything and everything that comes along. Companies do not hire women like us on a permanent basis because they say we are too old. That is why we work on our own account, at home. For the companies that means that they don’t have to insure us. We don’t have any employment agreements and do not receive any pension. We have no security at all. The companies don’t have any problem with this arrangement because it is cheap for them. But if we have an accident or take ill, nobody feels the least bit responsible for us.”

Maria Torero knits her eyebrows, concentrating on putting the thread through the eye of the needle. Lying on the table are piles of T-shirts in various colours, which she is to sew silver beads on. The beads are in plastic cases, ready to be sewn on with the right thread. She received the material and the sewing heads from a neighbour who “has contacts at a company” and passes orders on to her.

Maria is one of 10,000 home workers in the Peruvian capital of Lima.

She works for a starvation wage at home in the living room in poor light on garments which will later be available at bargain prices in our



*Peruvian home worker with child, 2006
(photograph: S. Holz)*

department stores. She sews on sequins and beads by hand, embroiders applications, crochets details or cleans away the remnants of threads from the stitches.

She is hired by textile workshops and larger companies which outsource various production steps to the informal area in order to save on wage costs and avoid labour law regulations. They hire workshops or trade agents to carry out certain steps in the work, while the trade agents for their part also outsource part of the work by employing other workshops or home workers. This means that home workers are often the last link in a production chain in which pay decreases as one moves down the chain.

Because there are so many trade agents, it is difficult to find out for which large companies the women are actually working. Maria, for example, only heard from her neighbour that the T-shirts go to Canada and Europe.

She now receives between 10 Centimos and 3.50 Soles in Peruvian currency to embroider one jumper or T-shirt. At an exchange rate of 1 to 4, this wage does not even amount to one Euro per garment: often only 5 to 12 Cents. She rarely receives more than 20 garments at a time from her neighbour, so at 25 to 30 Soles she hardly ever earns more than six to eight Euros. The legal minimum wage in Peru is 600 Soles a month (EUR 150) – a sum which Maria can only dream of.

In the afternoons, after she has attended to her many daily household chores, she sits down for six hours of sewing, embroidering, knotting or even crocheting before she has to take care of her family in the evening again. When there happens to be a lot to do and the garments need to be done quickly, she also works late into the night or sometimes even stays up all night. And then there are times in which there is no work and the family is hard pressed to make ends meet.

What her husband and her five grown sons contribute is hardly enough, as rice, eggs, oil and meat are also becoming more and more expensive in Peru. On top of it all there are electricity, water and travel costs, not to mention medication and building material for the house. (...)



*Peruvian home worker 2006
(photograph: S. Holz)*

Maria Torero is constantly haunted by the fear of not being able to make ends meet, even if her sons try to help out with the wages they earn. But her husband just lost his job from one day to the next, and for this reason she is more dependent than ever on her home work.

Moreover, there have been some major cuts in wages over the past couple of years. Now she only receives a fraction of what she used to receive for the same work, as the large number of women looking for work in the new suburbs of the city allows the companies to reduce wages further and further: "They used to pay well, but they know that there are a lot of women out there who will work for them, so they don't pay as well any more."

There is no point in complaining, according to Maria. If she does, she would not receive any more work at all. The home workers depend on the companies that give them work without having any written contracts. In their capacity as informal workers, they do not have any leverage which would allow them to demand higher wages. Nor is it all that rare to not be paid anything at all: "Sometimes they say, 'no, this is poor work'. It isn't true, but they just say that so they don't have to pay anything, or they just pay half," says Maria.

Most of the home workers do their work by themselves and irregularly. Moreover the public is not even aware of them. "These are all the reasons which make it harder to organise and improve their situation", confirms Magaly Ríos, a social worker at a local organisation which supports workers in the informal economy. She

considers their organisation and amalgamation to be a crucial precondition in the fight for more just and decent wages and better working conditions. But there is still a long road to travel.(...)

Source: Holz 2007

Parallel to this there is an “informalisation” process taking place within the formal sector in the industrialised countries. As a result

of employment arrangements which undercut collective agreements, excessively long working times, the use of reduced working hours and temporary work or casual employment, labour costs are being decreased and occupational health and safety regulations increasingly undermined. As a justification for these steps employers point to the constraints imposed on them by international competition. Furthermore, they argue, such measures are unavoidable if socially protected jobs are to be preserved (Möller 1991: 9).

2.7 Strategies of informal employees

Over the last few years informal workers have joined together to form stakeholder organisations and have started initiatives along the lines of the example furnished by SEWA in India as far back as the 1970s.

► SEWA

The pioneer of the stakeholder organisation of informal workers is the “Self-Employed Women’s Association” (SEWA) in India. The first trade union of its kind in the world was founded in 1972 by women in the textile trade union in Ahmedabad, India, who felt that their activities were not being afforded adequate attention. Today SEWA has 1.1 million members – street vendors, refuse collectors, home workers, textile workers and domestic labourers – in nine federal states in India. More than two-thirds of them are not in the textiles sector.

SEWA organises its members with the aim of achieving full-fledged employment and independence. SEWA considers full-fledged employment to mean employment which gives workers security with respect to their job, income, food and social protection (at least in the event of illness, care for children and living quarters). Independence means the individual and collective autonomy of its members as well as the empowerment to defend their economic interests and get involved in decision-making processes in general (SEWA 2009).

With this understanding of its role and organisational model, SEWA has forged ahead into

new territory. SEWA has included both, unpaid care work performed by women, as well as paid employment in the paid labour market in its activities. It also established trade union representation for unprotected and dependent employees who are not able to strike and do not have any classic employer – two features of classic trade union organisations. SEWA addresses an invisible, yet overwhelming majority of workers in India, approximately 90% of whom according to official statistics work in the informal economy – 60% of them women (SEWA 2009).

SEWA offers its members educational courses and access to micro-credits at its own cooperative bank. Members can also obtain social insurance through a SEWA insurance policy. SEWA has also initiated legislative campaigns which benefited its members, for instance through laws and regulations setting out minimum wages, equal wages for men and women, maternity benefits and accident insurance (SEWA 2006). SEWA finances its activities through members’ dues, grants and donations from government agencies and individuals.

After not receiving recognition from Indian or international trade unions for many years, SEWA is now a member of the International Confederation of Trade Unions. SEWA has supported the founding of numerous similar trade unions in other countries (SEWU in South Africa, StreetNet International and others). SEWA made a crucial contribution in the preparation of the ILO convention on home workers in 1996, which, however, has only been ratified by five states to date (Albania, Argentina, Finland, Ireland and the

Netherlands). The impact of SEWA is also reflected in the establishment of WIEGO (see below), the inclusion of the informal economy on the “ILO Agenda for Decent Work” (2002) and the preparation of an ILO convention on domestic workers, which is to be adopted at the annual conference in 2010.

► WIEGO

Representatives of informal workers, researchers and women from development institutions and facilities in many countries founded the organisation “Women in Informal Employment: Globalizing and Organizing” (WIEGO) in 1997. WIEGO’s objective is to improve the status of the working poor, in particular women, in the informal economy (WIEGO 2009).

WIEGO forwards four main demands, primarily directing these at governments, parliaments and political parties:

- The rights of informal workers should also be protected by adherence to ILO core labour standards and national labour laws.
- Informal employees should be encouraged to organise themselves and their representation in political decision-making processes and negotiating forums strengthened.
- Informal workers should be socially protected by strengthening existing rules and newly developed regulations.
- The chances of informal employees to improve productivity, save money and boost their competitiveness should be increased through initial and continuous training programmes, credit programmes and access to the market (*ibidem*).

WIEGO bases its work on the demands forwarded by the UN Development Fund for Women (UNIFEM), whose 2005 report on the situation of women in the world drew attention to the growth in informal work and poverty as a result of globalisation (UNIFEM 2005). In spite of progress in obtaining equal rights for women and elementary school education for girls, there continues to be a serious lack of economic opportunities for women, according to the 2005 UNIFEM report (*ibidem*).

WIEGO has encouraged and contributed expertise to the international debate on informal work – not least in the ILO – through global research projects and dialogue forums. WIEGO is funded through financial resources provided by foundations, government development agencies and non-governmental organisations.

Young street musicians in London 2003 (photograph: ILO/M. Crozet)



Bellagio International Declaration of Street Vendors

In 1995, representatives from street vendor associations and activists, lawyers, and researchers working with street vendors from 11 cities around the world met in Bellagio, Italy to form an international alliance (now called StreetNet) of street vendor associations and of organizations working with street vendors. The founders of the network drafted the Bellagio International Declaration of Street Vendors.

The Bellagio Declaration identifies the following common problems of street vendors around the world:

- a. No Legal Status, No Right to Vend
- b. Lack of Space or Poor Location
- c. Restrictions on Licensing, Costs of Regulation
- d. Harassment, Bribes, Confiscation, and Evictions
- e. Lack of Services and Infrastructure
- f. Lack of Representation or Voice

The Declaration urges national governments to incorporate street vendors in economic policies relating to trade, financial policies relating to micro-entrepreneurs, and social policies relating to the working poor. The Declaration also urges city governments to incorporate street vendors in urban planning processes and urban policies and to promote institutional mechanisms for street vendor associations to voice grievances, make demands, and resolve disputes with other urban stakeholders.

Source: ILO 2002: 50

► SEIU and ver.di

Innovative strategies for trade union organisations have also been developed in industrialised countries such as the USA over the last few years which have afforded employees in the informal economy more attention. The “community approach” adopted by the US service trade union

SEIU in the 1990s challenged the limits of conventional trade union concepts, opening up broader trade union representation of employees as well as stakeholders in the occupational and private environment (Choi 2008). In the meantime, new approaches like these are also being practiced by services’ trade unions in other countries such as, for example, ver.di in Germany, with considerable success (Dribbusch 2008).

In the minimum wage campaign, German trade unions, led by ver.di, have been attempting over the last few years to target low wages and the informalisation of employment in the German retail sector – with only scattered success to show to date, however, such as in the case tried before Dortmund Labour Court, which in May 2008 ordered the clothing and textiles discounter KiK to pay three casually employed staff a higher wage:

“This is what winners look like: three sales staff at the discounter KiK won their legal action against the company”

“What you are doing should not be allowed!” It was with these clear and unambiguous words that the presiding judge at Dortmund Labour Court addressed the attorney representing the textile discounter KiK. She ordered the company to raise the hourly wage for part-time employees by about EUR 3. The court thus ruled in favour of three KiK employees, who with the help of ver.di had filed suit against the starvation wages they were being paid. The discounter was paying its part-time employees EUR 5.20 per hour. A reasonable wage, held the Court, is EUR 8.21. Anything else is *contro bonos mores*.

“A huge success”, concluded Henrike Greven, managing director of the ver.di district of Mülheim-Oberhausen. ‘The court accepted our arguments on all the most important points.’ For the women involved, the ruling means retroactive wage payments of up to EUR 10,000 for the last few years.

Martina Kraft, Ursula Grünwald and Veronika Görtz travelled a long road. After these women



KiK vendors Martina Kraft (left) and Veronika Görtz (photograph: WICIOK)

took legal action against these starvation wages last year, they entered a world of pain at the company, running a virtual gauntlet. 'The first thing they did was to drastically reduce our hours of work.' Before the women had worked up to 70 hours a month. Now it was ten. As a result, their monthly income dropped from approximately EUR 400 to EUR 50. As Veronika Görtz put it, 'too much to die and too little to live on.'

It was not just the money which plagued the women, however. On top of it all, their colleagues stopped talking to them, fearing for their own jobs. Only a few of them whispered words of encouragement when nobody was looking.

Source: Reepen 2008 (excerpt)

In March 2009 the Regional Labour Court upheld the ruling handed down by Dortmund Labour Court. Similar proceedings involving KiK employees are pending before several German courts at present.

International networks of non-governmental organisations and trade unions such as the Clean Clothes Campaign, OECD-Watch, etc., are also working to improve the working conditions of formal and informal employees in the global supply chains of multinational enterprises. Over the last few years they have initiated both legislative campaigns to force enterprises to abide by binding social obligations in their global supply chains as well as public campaigns to make them accept voluntary social self-commitments (see chapter 5).

3. Work in export processing zones (EPZs) – an assessment after four decades

3.1 The controversy comes to a head

A controversy has been raging since the very beginning of the international development policy debate on costs and benefits of export processing zones (EPZs). The first of these tax and tariff enclaves were established in the developing countries in the middle of the 1960s. The group of supporters included governments, business enterprises and international financial institutions which urged the developing countries to promote export-led development and industrialisation with this instrument. However, trade unions voiced criticism of the systematic violations of labour rights in EPZs early on (Romero 1995 *et al*).

In the recent past, the group of critical voices has grown to extend beyond the borders of trade unions. The reason for this is a change in the structure of world trade and the world economy, which has had a concrete impact on the EPZs – above all due to the arrangement allowing subsidised exports of goods from member countries of the World Trade Organisation (WTO), which will expire in 2015 under the Agreement on Subsidies and Countervailing Measures (SCM). Under this WTO Agreement, it will no longer be possible to maintain EPZs in their present-day form after 2015.

The expiry of the WTO Agreement on Textiles and Clothing (ATC) in 2004, ending the 40-year practice of restrictions on quantities in world textile and clothing trade and accelerating structural change in this industry, is also having an effect on EPZ practice. Numerous factories in EPZs have already closed and EPZ workers made redundant (see chapter 4). Given this, recent critical analyses of EPZs in numerous studies conducted by international organisations have met with a positive response and been assigned a different status than in the past (Milberg/Amengual 2008, OECD 2007 *et al*).

In spite of growing international criticism, more and more developing countries have es-

tablished EPZs in their territories over the last few years – in the hope of generating an impetus to development through the implementation of export-led growth strategies such as those pursued, for example, by South Korea, Taiwan and not least China. (Milberg/Amengual 2008: 2–3). The EPZs are apparently still being attributed a key role in the modernisation of developing countries.

The reasons underlying this controversy are explored and the development of worldwide EPZs over the last few decades are analysed on the following pages. At the same time, the focus will above all be on the overwhelmingly female workforce and their working conditions in personal portraits. The chapter ends with some conclusions and traces out prospects for the EPZs countries and employees.

Migrant worker in China/Shenzhen 2004
(photograph ©Ren Yan, ninnenn@yahoo.com.cn)



3.2 Basic information

The International Labour Organisation (ILO) defines an EPZ as an “industrial zone offering special incentives for foreign investors by further processing imported materials and then re-exporting them” (ILO 2004).

There is a total of 32 different names for EPZs, inter alia free-trade zones, special economic zones, bonded warehouses, customs warehouses, freeports, customs zones and Maquiladoras. In spite of some minor differences, one thing they all have in common is that they are special zones offering privileges to foreign enterprises with respect to taxes, tariffs and statutory regulations (Milberg/Amengual 2008: 1). Among other things, these privileges include:

1. Exemption from some or all export taxes.
2. Exemption from some or all import duties on raw materials and semi-finished products.
3. Exemption from direct taxes such as profit tax and trade tax.
4. Exemption from indirect taxes such as value-added tax in the purchase of local products.
5. Unimpeded repatriation of profits to the country in which the foreign enterprise is headquartered.
6. Exemption from national restrictions and controls on the flow of capital.
7. Provision of fast-track administrative handling for import and export.
8. Use of infrastructure free of charge in production, transport and logistics (electricity, warehousing space, roads, water supply, etc.).
9. Waiver of labour law regulations such as, for example, the right to strike.

(Milberg/Amengual 2008:1)

Such wide-ranging and costly incentives for foreign investors raises the question as to the motives which have moved governments of host countries to establish EPZs on their territories. The main motives include:

- To provide a growth impetus for the domestic economy,
- To generate foreign exchange reserves, *inter alia* to reduce foreign debt,
- To reduce unemployment,
- To promote the training and know-how of employees,
- To encourage the development of regions with weak structures.

While the first EPZs were usually fenced-in industrial parks with several factories in the host countries, other forms joined these over the course of time. Thus individual factories or enterprises, entire countries (Mauritius), parts of countries (the Chinese island of Hainan) or ports such as Hong Kong have EPZs status. There are EPZs which have concentrated their product range on one single agricultural product (tea in Zimbabwe) or on an industrial product (such as jewels in Thailand), although these constitute the exception.

Whereas during the early period in the 1960s and 1970s EPZs were solely involved in simple processing stages of production in labour-intensive industries such as the clothing and electronics industries, nowadays the EPZs have in some cases developed into high tech parks and science centres, financial and logistics and tourist centres. Imported materials by the same token often consist of electronic data and call centres which are located in EPZs. Even though one focal point of production in the worldwide EPZs is still to be found in the sectors of “textiles and clothing” and “electronics”, the spectrum nowadays encompasses almost all industrial sectors in some countries. In some countries traditional patterns of production have been broken up by EPZs and replaced by new ones: thus Mauritius has switched from sugar exports to the export of processed industrial goods, Sri Lanka from rubber and tea to clothing exports and Costa Rica from banana to clothing and micro-processor exports.

The beginnings of the EPZs have been traced back to 1959. The first EPZ was opened in that

Diagram 6:
The development of EPZs, 1975–2006

	1975	1986	1995	1997	2002	2006
Number of countries with EPZs	29	47	73	93	116	130
Number of EPZs	79	176	500	845	3000	3500
Employees worldwide (millions)	no data	no data	no data	22.5	43	66
Employees in China (millions)	no data	no data	no data	18	30	40

Source: Milberg/Amengual 2008: 4

year in Shannon, Ireland. Because the airport in Shannon was destined to die out as a result of the use of jet planes for trans-Atlantic flights, the Irish government established a duty-free production zone for goods with a high level of value-added there. The example was recommended by UNIDO (the UN Organisation for Industrial Development) and the World Bank as a promotional measure for export-led industrialisation especially to governments of developing countries in the 1960s. The establishment of EPZs in developing countries remained an exception, however, until the 1970s.

The first EPZs in developing countries were set up in 1965 in India, Taiwan, on the Mexican-U.S. border and in the Dominican Republic. This was rapidly followed by the establishment of EPZs in South Korea and Mauritius.

There has been an enormous increase both in the number of EPZs as well as countries which have established EPZs in the last decades. The number of employees also grew considerably with this boom (see **Diagram 6**).

The table shows that although an EPZ boom could especially be witnessed in China, the number of countries with EPZs also increased: it more than quadrupled between 1975 and 2006.

3.3 Reasons for the boom of EPZs

The number of EPZs grew significantly with the neo-liberal privatisation offensive in the 1970s and in particular since the implementation of structural adjustment programmes (SAPs) in indebted developing countries beginning in the 1980s. The SAPs forced numerous developing countries to lower government expenditures on employment and social programmes, promote an export-led economy and open their markets to investment from foreign countries.

Among other things, EPZs were suitable instruments for this, accelerating the relocation of production sites and the establishment of global production and employment networks of multinational enterprises. These zones thus opened up the possibility for multinational enterprises to locate production processes and service functions in different parts of the world in order to take advantage of differences in costs, resources, logistics and markets (*UNCTAD 2004*).

An additional reason for pushing EPZs over the last four decades was the special treatment afforded one of the main industries in the EPZs, the textile and clothing industry, in the world trade system. A labour-intensive industry, the textile and clothing industry along with the electronics industry have absorbed a large number of labour with lower qualifications in the EPZs of developing and newly industrialising countries down to the present day, thus performing a key employment-policy function.

The textile and clothing industry was provided special treatment in the GATT and WTO trade system in the guise of the quota policy since the 1960s, with which the industrialised countries protected their markets against cheap imports from developing countries up until 2005. In order to avoid trade restrictions in the form of quotas on exports, many textile and clothing manufacturers relocated more and more production

to countries which had not yet exhausted their quotas. It was in this way that the quota regime strengthened the globalisation of an industry which began with the relocation of millions of jobs from industrialised to the developing countries. Today a large part of the labour-intensive textile and clothing production for the world market takes place in the developing and newly industrialised countries as well as Eastern Europe – especially in EPZs and in the informal economy.

China's share of the world market in clothing exports grew rapidly at the expense of numerous other producing countries after the liberalisation

of the world textile market in 2004. Falling prices in the world market for textile and clothing products have been increasing the pressure on wages and working conditions of employees in the EPZs ever since then. The repercussions of liberalisation are even being exacerbated at present by the impact of the international financial and economic crisis, as declining demand for textiles by consumers in the industrialised countries has led to closures of factories and mass redundancies (see chapter 4). To reduce costs, multinational enterprises are now shortening their production and supply chains and withdrawing from numerous supplier countries and factories.

3.4 Employment

One key motivation of governments in developing countries for the establishment of EPZs has from the very beginning been the creation of jobs and the reduction of unemployment. The quantity and quality of employment in EPZs throughout the world is examined in the following, with special attention being devoted to the gender issue.

The number of EPZ employees has almost tripled between 1997 and 2006, rising over this period from 22.5 million to 66 million. It was not only in China where this tremendous growth took place, as **Diagram 7** on the development of employment between 2002 and 2006 on the next page shows. In spite of the general, even though gradual, expansion of employment in the

Migrant workers in China/Shenzhen 2004 (photograph: ©Ren Yan, ninnenn@yahoo.com.cn)



**Diagram 7:
Change in EPZ employment by region,
2002–2006**

Region	2002	2006	percentage change
North Africa	440,515	643,152	46,0
Sub-Saharan Africa	421,585	860,474	104,1
Middle East	328,932	1,043,597	217,3
Asia (not including China)	7,710,543	14,741,147	91,2
China	30,000,000	40,000,000	33,3
Central America	4,490,757	5,252,216	16,9
South America	299,355	459,825	53,6
Caribbean	215,833	546,513	153,2
Central and Eastern Europe	543,269	1,400,379	157,8

Source: Milberg/Amengual 2008: 5

EPZs, the share in the total worldwide employment is very low at 0.2% (Engmann et al. 2007: 29). Broken down by the 30 countries for which data is available, Indonesia, Brazil and Columbia at 0.1% range at the lower end of the scale, while Mauritius at 17.7% is at the top, as can be seen in the right-hand column of **Diagram 8**.

In those EPZs which concentrate on service activities and not on labour-intensive industries such as the textile, clothing and electronics industries, the level of employment is low and will tend to decrease over the medium term.

The ILO, trade unions and non-governmental organisations have published numerous case studies on the quality of employment in the EPZs worldwide over the last few decades (David 1996, Romero 1995, Wick 1998 and others). However, there is a dearth of systematic comparative international data on working conditions and the implementation of labour standards in EPZs, especially in the area of national labour law and international law (Milberg/Amengual 2008: 3).

This is first of all an indication of the lack of resources available to conduct inspections of factories in the host countries with EPZs, which is also a result of the cut in government expenditures within the framework of SAPs since the 1980s. On the other hand, this reflects the dilemma that there are no regulations setting out labour and

social standards with sanctions for violations under international law – in contrast to the bind-

**Diagram 8:
Employment in EPZs
as a percentage of total employment 2002**

Country	%
Mauritius	17.7
Hong Kong	10.4
Tunesia	8.9
Lithuania	7.1
Honduras	4.7
China	4.1
Mexico	3.5
El Salvador	2.9
South Africa	2.6
Ukraine	2.0
Pakistan	1.1
India	1.0
Poland	0.4
Vietnam	0.3
Indonesia, Columbia, Brazil	0.1

Quelle: Milbert/Amengual 2008: 6

ing regulations which apply to liberalisation e.g. within the framework of the WTO.

EPZs are exempted from the provisions of national labour law in 19 countries (*Sussex 2008*). Trade union activities were prohibited in the EPZs of Bangladesh until recently, for example (*ibidem*). This is not the case in most countries, however, even though in reality labour laws are not actually applied (*ibidem*). It has been documented that the application of labour laws and regulations by government agencies is much more lax in the EPZs, while trade unions are often prohibited or intimidated (*Milberg/Amengual 2008: 12*).

Work in the EPZs is characterised by an enormously high degree of fluctuation. Generally speaking, employees do not remain longer than five years on average. (*ICFTU 2003, 10*). In some cases the rate of fluctuation in personnel is even 30 to 40% per month. The reasons for this fluctuation appear to be the pressure on employees, lack of training opportunities and the disadvantages of contract labour. In part, cultural factors also play a role: thus young migrant workers in China often return to the countryside after working several years in order to settle down with the money they have saved or to re-join their families.

The focal point in trade union criticism of working conditions in the EPZs worldwide since the very beginning, however, has been on the suppression of freedom of association and the right to collective bargaining as documented in numerous ICFTU annual reports and ILO publications (*David 1996, Romero 1995, Milberg/Amengual 2008*). Even though trade union rights have been strengthened in individual EPZs over the past few years, the global trend is not characterised by any sustainable improvements (*Milberg/Amengual 2008: 33*).

Similar to the case with respect to trade union rights, there has been no progress when it comes to violation of statutory provisions regulating working time in EPZs worldwide (*Milberg/Amengual 2008: 34*). This problem is closely related to the insufficient remuneration of employees. Because wages are not high enough to live on, employees generally have a major in-

terest in working overtime – a feature which approaches forced labour.

Most studies have not found any major differences between the wages in EPZs and those of comparable jobs in the respective national economies (*Milberg/Amengual 2008: 13*).

Two-thirds of all employees in EPZs worldwide work in special economic zones in China. "The personnel and the employees of enterprises in the special economic zones are treated in line with company needs. If necessary, they are dismissed, although the procedures set out in the employment agreements are supposed to be adhered to." (*Excerpt from the Law on Special Economic Zones, from: Ong 2004: 78*). Independent trade unions have been prohibited in China down to the present day.

Cooking corner in a female worker's apartment in an export processing zone in Batam/Indonesia 2006 (photograph: D. Weinbrenner)



3.5 Work in EPZs: a women's domain

Women account for the vast majority of employees in EPZs worldwide – their share has been estimated to be 70%, in some cases even 90% (Milberg/Amengual 2008: 13). The reason stated for the preference for female employees in EPZs is that they are cheaper, less organised in trade unions and exhibit greater endurance in the monotonous production work (*ibidem*).

The special target group of EPZ enterprises is young women up to 25 years old who are unmarried and have no children. EPZs are often located in regions without marked labour market structures, in which women are receiving paid employment for the first time in their lives. This personnel policy is profitable for EPZ enterprises for many reasons: first of all, women earn 17% less than men worldwide (UNIFEM 2008). Moreover, as newcomers to the market they are rarely members of a trade union and show a greater acceptance for working conditions than experienced workers. They usually have not had much in the way of training as a result of patriarchal societal structures and families and have scarcely any alternatives in labour markets. As a result of their responsibility for family and domestic work, women are often willing to take up employment at any price, be it in EPZs or in the informal economy such as, for example, in sweatshops or in home work (see chapter 2).

As the portraits of female workers in EPZs in this chapter show, they are guided by the desire to shed traditional gender roles and escape the poverty their families live in by deciding to work in EPZs.

Trade unions and non-governmental organisations have protested against the violation of women's rights among EPZs in numerous publications since the 1970s. Common practice includes, for example, pregnancy tests when women are hired, dismissal if they become pregnant, sexual

harassment and violations of the right to maternity leave (David 1996 and others)

The diversification of production in the EPZs of some countries went hand in hand with a change in the role of gender among workers. The greater the technological development of production, the greater the decline in the percentage of women in the workforce (ICFTU 2003:10). In Mexico, where the manufacture of television sets, telecommunications goods, automotive parts, etc., rose precipitously in the 1990s and hundreds of clothing factories were closed, women account for "only" 60% of the workforce in the Maquila (see Glossary) (ILO 2003).

The "feminisation" of employment in EPZs appears to have passed its zenith and is now declining, according to an ILO study on EPZs from 2008 (Milberg/Amengual 2008: 13). Whether economic diversification and the switchover from labour-intensive to high-tech industries is indeed a worldwide phenomenon is questionable, however, the reason being that this process has only been successful in a few countries to date, as the following discussion shows.

Migrant female workers in China/Shenzhen, 2007 (photograph: © by gongcao.org)



3.6 Analysis of costs and benefits of EPZs

The costs and benefits of EPZs must on the one hand be examined in terms of their direct impact on exports, employment and foreign investment, and on the other hand in terms of their longer-term effect on the development of the respective countries.

In numerous countries in Asia, Africa, Latin America and the Caribbean, exports from EPZs continue to account for a large percentage of total exports. The following table (Diagram 9) shows the development of exports from selected countries over the period 2002–2006, whereby all three variations can be witnessed: stagnation, increase and decrease.

In some countries exports from EPZs only began to grow significantly in the recent past: in Bangladesh, for example, this share was 3.4% in 1990 and 21.3% in 2003, before it shot up to 76% in 2006.

From the very beginning governments of host countries expected exports from EPZs to produce foreign currency which would allow e.g. the financing of imports such as investment and consumer goods. In estimating the amount of foreign currency reserves – the difference between

exports and imports – the said ILO study bewails the dearth of precise data on imports by EPZs (Milberg/Amengual 2008: 11). Furthermore, it appears that a large share of employment in EPZs as a percentage of overall employment in a country has a negative effect on the generation of foreign currency reserves (Milberg/Amengual 2008: 12). This suggests that direct EPZ successes in boosting exports and employment are not necessarily tantamount to positive long-term effects on the national economy (*ibidem*).

A global overview on the quantity and quality of employment in EPZs is provided in section 3.4. As for the number of workers in individual countries with the exception of China, which is a special case, there have been significant increases or decreases in some countries over the period 2002–2006 (see Diagram 10).

The changes in the number of workers reflect the industrial development of the respective EPZs and the position of the industry in international competition. In Mexico, for example, numerous EPZ factories in this sector closed down over the period 1995–2005 as a result of the ongoing liberalisation of the world textile market, while

Diagram 9:
Change in EPZ share of exports, selected economies
(2002, 2006)

Country	2002	2006	Percentage change
Philippines	87	60	-31
Malaysia	83	83	0
Mexico	83	47	-43
Macao, China	80	80	0
Vietnam	80	80	0
Tunesia	80	52	-35
Kenya	80	87	9
Mauritius	77	42	-45
Bangladesh	60	76	26
Madagascar	38	80	111
Columbia	9	40	330

Source: Milberg/Amengual 2008: 9

Diagram 10:
EPZ employment in selected countries, 2002–2006

Country	2002	2006	Percentage change
Mexico	1,355,000	1,212,125	–11
Mauritius	87,607	65,512	–25
Vietnam	107,000	950,000	788
Sri Lanka	111,033	410,851	270
Morocco	71,315	145,000	103

Source: Milberg/Amengual 2008: 10

Vietnam profited from the establishment of new EPZ factories in this sector over the same period of time.

China is one example that an export boom has ambivalent effects on the situation of employees: Increases in Chinese exports in the textile and clothing sector over the years 1995 to 2004 went hand in hand with a net decrease in jobs and only a slight improvement in wages. The situation of employees has worsened dramatically as a result of the global financial and economic crisis. By the beginning of 2009, millions of workers in the labour-intensive industries of the Southern Chinese Pearl River Delta had been made redundant.

The integration of EPZs in the local economy

Experts have been emphasising the importance of integrating EPZs in the economy of a guest country since the establishment of the first EPZs in developing countries – even to the point of asserting that the degree of this integration serves as a measure of the success of the EPZs (*Jenkins 2005: 24*). But this reflects an important dilemma, as EPZs were established in order to extend privileges to foreign investors and not the local economy. The latter as a result had cost disadvantages. It is for this reason not surprising that the majority of recent studies provide little in the way of evidence for such an integration in the local economy (*Milberg/Amengual 2008: 20*).

In principle, EPZs could be linked with the local economy through backward and forward

linkages. Backward linkages include, for example, the supply of goods from the host country or the outsourcing of certain activities to local enterprises in the form of sub-contracts. Because forward linkages such as, for instance, the sale of EPZ products in the host country, are extremely rare, international studies concentrate above all on upstream areas.

On the whole, the backward linkages of EPZs with respective national economies have remained minimal worldwide (*Milberg/Amengual 2008: 20*). Neither have there been large supply contracts for local enterprises, nor has advanced EPZ technology spilled over into the local economy.

Only a few countries can be considered exceptions to this: South Korea, Taiwan and Mauritius. Supply of products to local industry by EPZs in South Korea, for example, grew from 13% to 32% of total exports of EPZs from 1972 to 1978, while in Taiwan this percentage grew from only 5% to 27% over the years 1967–1978. The rate for Mauritius in 2003 was 41% (*ibidem: 21*). In contrast to these countries, the level in Sri Lanka, the Philippines, Guatemala and El Salvador in the 1990s was between 3% and 9%. In the Dominican Republic, after 30 years of EPZ presence in the country, the supply of products to domestic companies did not amount to more than 0.0001% of all EPZ imports (*ibidem*). Massive government promotion of special economic zones (see Glossary) in China has led to a massive influx of foreign investors throughout the entire country since the 1990s, causing total exports to rise – similar to South Korea, Hong Kong and Singapore before.

For the vast majority of the EPZ countries, there is scarcely any evidence of a spill-over effect on initial and continuing training of workers or the rest of the economy (*ibidem*).

According to experts, the key factors conditioning the success of EPZs in general are the existence of high tech sectors, a large market for the host country, an advanced stage of industrial development in the country and an active government (*ibidem*: 22). At the same time, however, a host of fundamental problems are ignored.

Industrialisation, value addition and social progress

The thesis forwarded by supporters of EPZs to the effect that industrial development in the tax and customs enclaves is associated with higher levels of value creation, which for its part leads to higher wages and better working conditions, needs to be scrutinised more closely according to the results produced by recent studies.

Even though numerous developing countries have been able to boost their exports of goods and share of global exports over the last 20 years, the percentage of global value added accounted

for by them has not increased commensurately. Only a few countries in (South)-East Asia such as Hong Kong, South Korea, Malaysia, Singapore, Thailand and China have been able to attain an industrial value-creation rate of 30% or more over the period 1980–2004 (*ibidem*: 25).

Nor is there any hard evidence to support the theory that EPZ industrialisation promotes social progress. There is scarcely any data available on the profits achieved by EPZ enterprises. The unimpeded repatriation of profits to the home countries of foreign investors, as is provided for in EPZ programmes, prevents the use of resources in the local economy for social and continuing training programmes (*ibidem*: 26). In 2006 alone, there was an outflow of hundreds of billions of U.S. dollars from developing countries to the industrialised countries (*ibidem*: 27).

Another factor casts doubt on the EPZ concept of an export-oriented growth strategy. While this strategy may work for some countries, it can in no way be generalised, as increases in exports in certain sectors or product categories only intensifies competition among exporters in certain sectors or product categories – and only a few can prevail in the end.

Outside view of workers' quarters in the export processing zone in Batam/Indonesia in 2006 (photograph: D. Weinbrenner)



3.7 EPZs and international/regional trade agreements

The importance of the WTO-ATC, which expired in 2004, for EPZs was discussed back in section 3.3. Less competitive countries in which the EPZs play a dominant role in the textile and clothing sector will face increasingly strong pressure over the next few years as a result of cheap competition in the liberalised world textile market and the “leaner” global supply chains of multinational textile retail trade enterprises. A reorientation of industrial and employment policy in many textile-producing countries is for this reason unavoidable. In Cambodia, for example, a public debate on the thrust of such a structural change began a few years ago among provincial governments, employers and trade unions, as studies showed a large share of the Cambodian textile and clothing industry will no be able to survive global competition (*CIDS 2008*).

Above and beyond the textile and clothing industry, general EPZ practices are also affected

by a host of additional WTO-agreements. These include the WTO-Agreement on Subsidies and Countervailing Measures (SCM), the General Agreement on Services (GATS) and the Agreement on Trade Related Investment Measures (TRIMS).

The WTO-SCM-Agreement

Under the SCM-Agreement, the export subsidies and subsidies for import substitution practiced in EPZs are deemed to violate WTO agreements. This is not the case, however, with respect to tax and custom incentives for EPZ exports.

The SCM-Agreement which was concluded with the founding of the WTO in 1995 prohibits subsidies of this kind in the area of trade in goods. For development countries it originally provided for a transition phase until the final ex-

Dwellings for migrant workers in China/Shenzhen, 2004 (photograph: ©Ren Yan, ninnenn@yahoo.com.)



piry of this type of subsidisation in 2003, after the industrialised countries had already accepted the obligation to cease this practice as far back as 1979 in the Tokyo Round (with the exceptions of trade in agricultural goods, textiles and clothing!). This transition phase was extended to 2015, however, for the group of 33 “least developed countries” as well as 19 countries with a per capital income of less than US\$ 1,000 per year and 19 additional developing countries with medium levels of income (*Creskoff/Walkenhorst 2009*).

The expiry of this period will not necessarily mean the end of EPZs, however. Countries which have EPZs could expand incentives for foreign investors which are in conformity with the WTO, for example. Thus, government subsidies for EPZ products could be maintained if they are not intended for export, but rather also for sale to local markets. Governments could also create new incentives which are not focused on export activities.

There is hence a danger that the price of exports will be decreased through a further erosion of labour and social rights, for instance through greater use of contract work, which would allow labour costs to be reduced considerably. Like all WTO Agreements, the SCM Agreement does not contain any provisions whatsoever stipulating that fundamental labour and social standards must be upheld in the implementation of liberalisation policies.

EPZs and the WTO-Agreements GATS and TRIMS

The principle of the most-favoured nation in the trade system of GATT and the WTO, according to which trade advantages have to be extended to all member countries, may also clash with EPZ activities in the future with respect to trade in services and trade-related investment, even though no official action has been taken against this yet. Service enterprises enjoying special preferential conditions have already been established in a host of EPZs. The treatment of subsidies under the GATS Agreement is still being negotiated at present, however.

EPZs and regional trade agreements

EPZs pose a problem to regional trade agreements because non-partner countries could unintentionally obtain the benefit of trade advantages as a result of investment in EPZs, as EPZs are special economic zones lying outside the customs territory of individual countries. In order to prevent this, individual regional trade agreements such as e.g. MERCOSUR (Common Market of the South) have concluded special agreements against such practices. Some countries view regional trade agreements to offer greater advantages than EPZs over the long term, however, and are as a result reducing their EPZ activities, as can be seen in the case of Costa Rica (*Milberg/Amengual 2008: 31*).

3.8 Conclusion and prospects for EPZs

The economic and social developments in EPZs worldwide over the last four decades explored here should not lead one to naively conclude that it is a “mixed” picture (*Engmann et al. 2007: 52*). It must be concluded, rather, that the cost-benefit ratio is highly skewed:

- a. The cost-benefit analysis only reveals a development impetus and improvements in the standard of living in extremely few countries. Among the 130 countries with EPZs, only South Korea, Taiwan, Mauritius and China

have made clear progress in integrating EPZs activities in the local economy and successful industrialisation – even though there are huge areas which have not benefited: the example of China shows that the employees in labour-intensive EPZ industries have only participated minimally in economic growth. One extremely negative example is the EPZ Ramatex in Namibia (see below), which shows what harm a host country, industry and employees can suffer through the existence of an EPZ for many years.

- b. EPZs have turned in a poor grade card in social terms over the last decades, as is demonstrated by numerous case studies. Violations of labour rights stand out with respect to freedom of trade unions, respect for maximum statutory requirements applying to working time, the prohibition against discrimination as a result of gender as well as labour and health standards. It has been criticised for many years that no systematic comparative studies have been conducted on the labour situation in EPZs worldwide, nor has much changed in this regard in the last four decades. When reports address employees in EPZs, they often only dwell on the number of new jobs created.
- c. Although numerous analyses of EPZs assess the fact that it is primarily women who are employed in EPZs as progress, it is not mentioned, however, that female employees are usually subject to discrimination as a result of their gender and that the increase in jobs has scarcely led to any improvement in their social status. To expose and combat the cause of this, it is necessary to overcome the gender-specific division of labour, according to which women assume responsibility for the unpaid care economy and for this reason are placed at a disadvantage in the paid employment market.

EPZs have made a salient contribution to the economy of developing and transformation countries becoming oriented towards the world market while neglecting their own domestic markets. Their governments have lost tax and customs revenue and reduced efforts to monitor fundamental labour standards. In de facto terms, the special conditions applying to EPZs in some economic sectors have become the norm, thus contributing to a general undermining of labour standards enshrined in international law.

On the basis of this assessment, one can derive some basic elements in an alternative mode of development for the EPZ countries:

- a. The one-sided focus of the EPZ countries on export-led growth must be replaced by an approach assigning priority to domestic development.
- b. The implementation of the ILO Agenda for Decent Work and the recommendations of UNIFEM have become more urgently neces-

sary as a result of growing social distortions in developing countries, as it must be feared that after EPZ export subsidies are ended under the WTO Agreement on Subsidies and Countervailing Measures other ruinous incentives will no longer only be offered in EPZs after 2015 – incentives which include not least decreasing labour costs – but rather in entire countries (*Milberg/Amengual 2008: 62*).

Individual options for action are discussed in chapter 5, “Steps towards decent work which is just in gender terms”.

Portrait of Louissane Borgella from Haiti

“Why I was sacked”

She used to work on a production line making jeans and bras. Now Louissane Borgella makes school uniforms for children. The 32-year-old Haitian worker began working for herself after being dismissed in June along with 370 work colleagues from the CODEVI (Industrial Development Company) free trade zone. As the eldest of the family, with a brother, five sisters, and two children of her own to support, she does not have much choice. Louissane still has a vivid picture in her mind of the infernal production line where she worked for almost ten months in the free trade zone located on the Dominican-Haitian border.

“The minimum wage was 432 gourdes (10.50 Euros) a week. We had to work on production lines of 14 people. If we managed to finish 10,000 items, we could earn 900 gourdes (22 Euros). But I never managed. It was impossible. At best, 6,000 or 7,000, no more.”

Louissane witnessed threats of physical violence and verbal abuse on a daily basis

“We were often pushed around while we were working. Some women were approached by men who wanted to ‘have a chat’ with them. They were threatened with dismissal if they didn’t allow themselves to be taken advantage of.”

Louissane could not even begin to calculate the number of overtime hours she worked, al-

ways unpaid. She had to clock in at the factory entrance by showing her ID card, but she never had to clock out.

“Our working day was supposed to be from 6 in the morning to 4.30 in the afternoon, but the supervisor never agreed to that. He always wanted us to work longer, often until 6pm and sometimes as late as 7.30. And do you think we received more money for it?”

Louissane decided to join the local union SOKOWA which had been formed in March, knowing that she risked her job. When in June Grupo M, the Dominican company controlling CODEVI, fired workers from five out of the ten production lines, claiming a fall in productivity, Louissane did not believe it for one second.

“We were sacked because we had organised a one day strike for a pay rise. The workers on these five production lines were practically all members of SOKOWA.”

The 5,500 gourdes received as “severance pay” have not silenced Louissane who is still fighting for compensation and interest. But aside from sexual harassment, mass dismissals and other violations of workers’ rights, Louissane Borgella’s chief concern is her health. On two occasions, CODEVI workers were administered vaccines in the factory clinics. These were tetanus jabs, they were told. Since then, many of the women have been suffering from serious health problems.

“I myself no longer have my periods at the same time; they come much later. And I often have stomach ache.”

Like many workers, Louissane suspects that she may have been subjected to a covert sterilisation campaign, but has no way of proving it.

Would this former FTZ worker ever work again in the CODEVI free trade zone?

“If the management starts to show respect for the workers, yes. If not, no!”

Source: Permann 2004: 32

Case study “The Ramatex closure in Namibia”

Hard lessons to be learned

Herbert Jauch

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When Namibia passed the Export Processing Zones (EPZ) Act in 1995, the government argued that both local and foreign investment in the first five years of independence had been disappointing and that EPZs were the only solution to high unemployment.

The EPZ Act went as far as suspending the application of the Labour Act in EPZs which government described as necessary to allay investors’ fear of possible industrial unrest. Namibia’s trade unions on the other hand opposed the exclusion of the Labour Act as a violation of both the ILO convention and Namibia’s constitution.

After lengthy discussions a “compromise” was reached which stipulated that the Labour Act would apply in the EPZs, but that strikes and lock-outs would be outlawed for a period of 5 years. (...)

The first casualty: labour rights

Even before Ramatex began its operations in Namibia in 2002, it made headlines, as it became the most talked about investment in Namibia.

Workers were waiting for information outside the closed Ramatex factory. (photograph: LaRRI)



The debate around Ramatex revolved around the massive size of its operations, the establishment of a new industry and the controversies surrounding the company's environmental impact and working conditions.

Due to its massive operations, government expected that this particular investment would help reduce the high unemployment rate in Namibia.

A study of Ramatex carried out by LaRRI in 2003 found widespread abuses of workers rights. These included forced pregnancy tests for women who applied for jobs; non-payment for workers on sick leave; very low wages and no benefits; insufficient health and safety measures; no compensation in case of accidents; abuse by supervisors; and open hostility towards trade unions etc.

Tensions boiled over on several occasions as the company was unwilling to address the workers concerns. After spontaneous work stoppages in 2002 and 2003, Ramatex finally recognised the Namibia Food and Allied Workers Union (NAFAU) as the workers' exclusive bargaining agent in October 2003. The recognition agreement was supposed to pave the way for improved labour relations and collective bargaining.

However, the union was unable to make progress on substantive issues and on several occasions reported Ramatex to the Office of the Labour Commissioner for unfair labour practices and the company's unwillingness to negotiate in good faith. Despite several attempts to find a solution through mediation, no agreement was reached.

By September 2006, the company had not raised wages and benefits and claimed that its operations in Namibia were running at a loss. Ramatex' workers, however, had run out of patience and declared that they would go on strike unless their wages were significantly improved.

When the company refused to meet their demands, they went on strike in October 2006, bringing the operations to a standstill. Within 2 days, workers achieved what 4 years of negotiations had failed to deliver: Hourly wage increase from N\$ 3 to N\$ 4 plus the introduction

of some benefits such as housing and transport allowances.

Throughout its operations in Namibia, Ramatex used a significant number of Asian migrant workers, mostly from China, the Philippines and Bangladesh. Although the company had claimed that they were brought in as trainers, most of them were employed as mere production workers with basic salaries of around US\$ 300–400 per month.

Their salaries were thus higher than those compared to their Namibian counterparts and the company obviously believed that Asian workers were more productive. The import of Asian workers also served the company's strategy of "divide and rule". Workers were divided according to nationalities, they received different remuneration and benefits and they found it hard to communicate with each other.

As a result there was hardly any joint action by all Ramatex workers. Protests over working conditions over the past few years by Namibian, Filipino and Bangladeshi workers were isolated from each other and workers found no support from their Chinese counterparts. Protest by migrant workers usually resulted in the immediate deportation, for example in the case of the Bangladeshis in 2004.

Economic significance of Ramatex

At the height of their Namibian operations in 2004, Ramatex and its subsidiaries employed about 7000 workers, including over 1000 Asian migrant workers. Following retrenchments in 2005 and 2006 (including the closure of one subsidiary), this number dropped to 3 400 (including 400 Asian migrants) in early of 2007 and further to about 3000 by the end of that year.

These trends provided a clear indication that Ramatex was preparing for closure in Namibia in line with a global trend of a massive relocation of clothing and textile producers from Africa to Asia. This followed the end of the global clothing and textile quotas in 2005 and could be observed all over the continent.

In Ramatex' case, the company indicated on its own website that it was planning to expand

production in Cambodia and China. Currently negotiations are under way for the establishment of 2 new plants in Vietnam. Ramatex' global strategy always regarded Namibia as a temporary production location although the Namibian government seemed to think otherwise.

Ramatex' claims of losses of up to N\$ 500 million in Namibia seem devoid of truth. Labour costs accounted for 11% of export earnings in 2004 and for about 16% in 2006. Ramatex pays no taxes in Namibia, receives water and electricity at subsidised rates and is exempted from import duties in the USA. It is thus almost impossible for the company to make losses in Namibia and the truthfulness of Ramatex' claims is highly questionable.

The closure

Ramatex workers had observed that the company was shipping equipment out of the country since 2007. They reported this to their union but when confronted, Ramatex denied having any plans to close down production. In early March 2008, workers were told to go home at 16h00 in the afternoon, due to a power failure at the plant. When workers returned the next morning, they found the factory gates closed and were told that Ramatex had closed its operations. They were offered no compensation and decided to camp out at the factory, putting pressure on the company, their union and the Namibian government. The latter finally issued an instruction that Ramatex managers would only be allowed to leave the country if they paid workers what was legally due to them. This however, only amounted to one month severance pay and one week's wage for each year of service. Workers thus found themselves literally back in the streets with a few hundred N\$ and almost no prospects of finding another job.

The economic assessment of Ramatex' operations must also take into account the substantial environmental damages caused by the company's operations. These include the pollution of the Goreangab dam and underground water resources.

The Namibian government had been warned against the environmental dangers by Earthlife

Africa but did not take precautionary measures. Instead, the Windhoek municipality announced towards the end of 2006 that it would take over the company's waste management. Ramatex should have been held fully accountable and forced to rectify the damage done at its own costs.

Conclusion

Ramatex represents a typical example of a transnational corporation playing the globalisation game. Its operations in Namibia have been characterised by controversies, unresolved conflicts and tensions. Worst affected were the thousands of young, mostly female workers who had to endure highly exploitative working conditions for years and in the end were literally dumped in the streets without any significant compensation.

Ramatex had shown the same disregard for workers when it closed its factories in South Africa a few years earlier and also when it closed its subsidiary Rhino Garments in Namibia in 2005. During that year, workers had observed that the company was shipping equipment out of the country and informed both their union and the government. When confronted, Ramatex initially denied any plans to close its subsidiary but then retrenched about 1,500 workers in April.

Overall, Ramatex' presence in Namibia was a disaster for the country and some hard lessons will have to be learned to avoid a repeat in future. When dealing with foreign investors there is an urgent need to ensure (at the very least) compliance with national laws and regulations, workers rights, as well as environmental, health and safety standards.

Experiences elsewhere have shown that compromises on social, environmental and labour standards in the name of international competitiveness lead to a "race to the bottom", a process of self-destruction. In the case of Ramatex, the Namibian government abandoned its role as regulator and some government officials behaved like public relations officers of the company. They defended Ramatex against criticism and concerns raised by workers, unions and other Namibian NGOs.

The Ramatex case has shown the problems of blindly accepting any investment as beneficial. Instead of adopting an open-door policy towards foreign investment, Namibia (and Africa in general) need to adopt selective policies that channel investments into certain strategic sectors that will have a lasting developmental impact. Such policies were pursued with some success in parts of South-East Asia. They require a very clear and strategic development agenda that is not based on blind faith in foreign investment as the panacea to our development problems. (...)

Currency: 1 Namibia-Dollar (1 N\$) = 0,12 US\$

Source: Herbert Jauch 2008 (excerpt)

Portrait of Xiao from China: “Wavering prevarication”

26-year-old Xiao was born in a poor mountainous region in the province of Guangxi. Xiao was the oldest girl in her family and had to take care of the household and her little sisters. As a result she was independent at a very early age. In addition to going to school, she also performed the housework. After she completed fourth grade, she had to leave school as a result of the low income of the family (...).

In 1993, after she had done the field work at home for four years, Xiao met an older cousin who lived and worked in the city. Xiao asked her cousin to take her to work with her in the city. Her father was not very happy about it. He and her three sisters had to take care of each other, and her father was worried that Xiao was still too young. But Xiao had a strong will. She borrowed a personal identity card from a woman from the village and money from her aunt for the trip. Three of them, three cousins, left home for work (...).

In Zhuhai Xiao started working in a plastic flowers factory with more than one thousand employees. The daily working time was twelve hours and doing piece-work she made ten to twelve Yuan a day (approximately € 1.25). Xiao worked as a machine operator. The conditions in the production hall were deplorable. Be-

cause plastic was constantly being heated and melted down for the different types of products in the processing of the plastic material, it was very hot in the hall. In winter it was possible to get by in summer clothing, but in summertime it was unbearable. She had to splash water on her face every couple of minutes.

The work was often dangerous. One could easily burn oneself on the plastic which dripped off when it was melted, or which stuck to the hands in producing the flower petals. The management did not install any ventilation system and it was tough working at the high temperatures. Nevertheless, the wage in this hall was somewhat higher than in the other departments. Even if it was hard work, we had to carry on and keep going.

There were constantly problems with occupational health and safety. The moulds were placed in the presses by hand. Xiao began working in the factory in April and after only one month two female workers had crushed their hands in the machines.

There were a lot of accidents in the factory. The moulds were placed in the presses by hand. Sometimes the women did not do it right, and their hands were crushed when the switch was hit. Sometimes machines and the press moulds went out of control and injured a worker. I had been there for just one month when that happened to two workers, including a young woman who had just started there. Her hand was crippled afterwards. Later a woman from my village who had worked around twenty days there had her little finger crushed. She had to accept one month's wage and return home.

Without any knowledge of labour law, the young women did not know how they could defend themselves against the dangerous working conditions in the factory. In view of the unbearable situation, there was nothing left for them to do but give notice and return home. Xiao and her other sisters who she had left with her worked only about half a year there before they returned home.

Since her father had gone to Shanghai to work, Xiao took care of her two young sisters after her return. In spite of this she increasingly had the feeling that there was nothing for her to do here. After the spring festival Xiao and

one of her fellow pupils went to work again in the province of Guangdong. Her two little sisters, who were still going to school, looked after each other. They received the money they needed from their father and Xiao, who split the expenses.

Xiao and a friend from school went to Dongguan in the municipal district of Houjie. Her friend started working in an electronics factory. Without an elementary school graduate certificate Xiao had to be satisfied with a job in a purse factory. The company only paid 8.5 Yuan a day (approximately € 1) and the management was very strict. After three months Xiao switched to an electronics factory in Shenzhen. (...)

At the beginning of 2001 she started working in a Korean tool factory in Bao'an, Shenzhen. She had an accident there, which she is still suffering from today. She had already heard that the company did not pay much, but it was difficult to find any work at all. Xiao wanted to first

start working there and then see what happened. The accident occurred at work before her three-month probationary period was over.

There were two shifts at our factory. The day shift had to work overtime until after 11 p.m., while the night shift started at 9 p.m.. Once a young woman from the day shift came up and started talking to me. I conversed with her while continuing to work. I had not yet placed the unit I was working on in the machine when she hit the switch. This made the safety precautions useless and my finger was crushed by the machine. At first no blood flowed. I only saw that part of my finger had been crushed. We were both in shock and did not know what to do. Then the group leader came up to us and I told her that me my finger had been injured. She had someone get some money and brought me to the hospital.

The management had already finished work at 9:30 p.m.. When I arrived at the hospital in

*Migrant workers in China/Shenzhen, 2004
(photograph: ©Ren Yan ninnenn@yahoo.com.cn)*



Bao'an, the doctor asked me how he was supposed to treat me. The group leader did not want to decide and only said we would have to wait until the money from the company arrived.

She got someone who stayed with me and went back to work at the factory. My hand was sewn up with six stitches. When she removed the infusion, it was already after 3 a.m., shortly before dawn. The people from the personnel department decided not to put me in the hospital and instead sent me back to my apartment. When the anaesthesia wore off, my hand started to hurt, and I was not able to sleep at all that night. The next day I was brought to the hospital again for an infusion. I asked the management why they did not let me stay in the hospital. I was told that they could not do any more than give me an infusion in the hospital, and that it would not make any difference. Moreover, they said, it would cost the company a lot more. I thought I had already been through the worst of it all that evening and that there was no longer any point in going to the hospital. So I accepted things the way they were.

After three infusions, Xiao's hand still hurt. Reluctantly the management gave her two more days, after that only the bandage was to be changed. The foot-dragging and ignorance of the company management infuriated Xiao:

In the hospital they said that the bandage had to be changed every two days. But the management kept postponing it one day at a time. When the stitches were supposed to be pulled, nobody came to bring me to the hospital. I went to the office, but they acted like they were too busy. As a result I missed the appointment.

It was no oversight. Xiao had lost the tip of her little finger, had to endure physical pain and was also under considerable mental strain.

The removal of the stitches had been postponed too long and the wound, which had just healed, had completely grown together with the stitches. When the stitches were pulled, it really hurt. I felt like crying. I told the nurse that she should cut away the flesh in the wound, but she was hard-hearted and only said that I should stop whining. I experienced more pain than during the operation, and it was so emotionally painful! When I returned home in the evening, I only had the operation at the hospital in my

head. It was as if they had not only cut my flesh, but also my bones. For a long time I had been lucky at work and the accident came completely unexpected. I felt crippled and thought I would mourn my hand for the rest of my life. (...)

Xiao went through a difficult period while her hand was healing.

After Xiao had recovered from her accident and the injury was healed, she spoke to the company management about how the work-related accident was to be classified. It was assessed as a 10th-degree handicap. Under the provisions of the work-related accident insurance scheme of the Province of Guangdong at the time, she was entitled to six months' wage as compensation for incapacity to work. In the event that she could not return to work at the old company, it would also have to pay additional compensation for "redundancy as a result of an accident" (approximately four months' wages). Xiao did not want to work there again and demanded that the compensation for redundancy be paid, but the management began dragging their feet again. She went to the company almost every day from September to February to demand her compensation. (...)

Later the management offered to pay her the money immediately if she would accept compensation amounting to three months' wages. If she insisted on the payment of four months' wages, they said, she would have to wait for the Korean boss to return. Xiao did not give in. Not until January 2002 did the company state that it was willing to pay the entire compensation. Xiao took the money and left the company.

Source: Pun Gai/Li Wanwei, 2008b (excerpt)



Book cover
"DAGONGMEI"
(© gongchao.org)

4 Women's work in the textile and clothing industry

In the worldwide textile and clothing industry, work in the informal economy and in export processing zones (EPZs) is commonplace and widespread. For this reason the following chapter

focuses on this sector once again separately. This is intended to allow alternative actions to be devised for civil society organisations and networks, as described in greater detail in chapter 5.

4.1 Industrial structural change

Nowadays labour-intensive industries such as the textile and clothing, toy, IT and consumer goods industries are marked by decentralised production networks in exporting countries of the global South which are for the most part controlled by trade and brand-name enterprises headquartered in the industrialised countries (*Appelbaum 2008*). Generally these enterprises do not manufacture their products themselves, nor do they have any factories of their own. They are responsible for the development of designs and finding sales markets for their brand-name products, however. A greater concentration of enterprises increases their purchasing power, with which they often are able to exert a decisive influence on the mode and quantity of production by suppliers.

In international competition between these industries, suppliers and licensees fight for contracts from multinational purchasing enterprises, often by caving in to their price pressure or even by undercutting offers from competitors. In doing this, they especially reduce labour costs. The result is a downward spiral in social standards, in which more and more people and national economies have been caught up over the last years.

Following the end of the WTO Agreement on Textiles and Clothing (ATC), numerous less competitive producing countries lost the advantage of relatively stable trade relationships. Beginning in 2005 they were exposed to the direct competition of producing countries which had competitive advantages in the liberalised world market. These advantages especially included

- Access to high-value textile products,
- Short production and supply cycles,

- An extensive infrastructure (transport, telecommunications, electricity, financial services, etc.),
- A high level of labour productivity and low unit labour costs,
- Preferential access to the market

(*Audet 2007*)

Suppliers offering "full package service", i.e. suppliers which procure input products, guarantee production, organise warehouse storage and transport and which operate at low cost, have been attracting contracts from more and more retail and brand-name companies in this sector over the past few years, as this allows the latter to reduce costs. This trend will intensify as a result of the impact of the economic crisis, in which risks and costs are shifted to outside parties. Moreover, the proximity of suppliers to the main consumer markets is becoming ever more important, as time and costs can be saved here as well.

In the course of efforts to obtain a "leaner" production of textiles and clothing, there was a process of concentration at production sites over the last few years, with small and medium-scale enterprises being closed in favour of large factories, while direct relationships were established between import companies and suppliers, i.e. without any agencies acting as go-betweens or trade agents. In this process suppliers of multinational import enterprises became more independent on the one hand, but on the other hand integrated supply chain management systems in the countries producing textiles and clothing also strengthened their positions in the value chain of import enterprises (*Appelbaum 2008*).

With a view to this structural change in industry and the end of the ATC, the textile retail and brand-name enterprises have already begun to "streamline" their global procurement over the last few years. Part and parcel of this strategy is to reduce the number of suppliers and supplier countries which make this transformation possible with the aim of lowering costs.

Thus, for example, adidas reduced the number of supplier countries from 66 to 59 between 2003 and 2005, and the number of suppliers from 898 to 701. Puma took 107 suppliers off its list in the years 2005–2006, leaving a total of only 369. The GAP eliminated a total of 23%, i.e. 615 factories from its list of 2,672 suppliers

worldwide in 2005–2006. It is expected that enterprises such as WalMart, Inditex and numerous others will drastically shorten their supply chains in the coming years (*Knappe 2004*). It is impossible to predict the repercussions for the employees and countries affected by this, and this trend has only just begun to be researched.

The growing criticism of violations of workers' rights in the global supply chains of import enterprises over the last few years has been confronted by these companies with corporate social responsibility strategies. Their impact on employees is very limited, however (*Barientos/Smith 2006*) and for this reason should not be overestimated (see chapter 5).

4.2 Employment: a race to the bottom in social standards

The textile and clothing industry is a prominent example of the contradictions and skewed social developments associated with free trade policy over the last few decades. The opening up of national markets through the policy of GATT and the WTO along with global shifts in production from the industrialised to the developing countries have allowed multinational import companies to expand their market shares at the cost of eliminating competition and accelerating the race to the bottom in social standards. At the same time, the markets of the industrialised countries were protected for 40 years by quota agreements within the framework of GATT and the WTO.

Through the location of labour-intensive industries such as the textile and clothing industry in EPZs throughout the world as well as in the informal economy, the suspension of workers' rights has largely become the norm in this sector. Enterprises play off predominantly female workers in different countries against each other in the course of global cost-reduction strategies, promoting competition between them while impeding union representation.

Following the end of the quota policy in world trade with textiles and clothing in 2004, after which approximately 160 producing countries have been facing off against each other in intensified competition, employment has become even more precarious. The number of employ-

ees working in EPZs worldwide, in which the textile and clothing industry still plays a dominant role, has also continued to grow.

The total number of employees in the global textile and clothing industry is estimated at almost 30 million (*ILO 2005*). There are only vague estimates of the number of non-registered informal workers in this industry. The ILO speculates that this number is five to ten times greater than that of formal employees (*ILO 1996: 1*).

In the wake of the relocation of production from the industrial to the developing countries worldwide, employment in the labour-intensive textile and clothing industry has remained the domain of women: approximately two-thirds of employees worldwide are women. This often applies all the more so to the clothing industry, in which the level of technological sophistication is low and employees with lower levels of qualification predominate. The percentage of men working in the textiles industry is generally higher.

The high percentage of women among employees in this sector is a consequence of the gender-specific discrimination against women in the labour market and in society, which assigns the majority of women to the less qualified areas of employment.

The high level of female employment in this sector has ultimately not led to any fundamental improvement in the position of women in the

working world and the societies of producing countries.

Within only a few months after the WTO-ATC expired in 2004, 150,000 workers in the textiles and clothing sector from 15 countries had already lost their jobs (*ILO 2005*). As of the end of 2008 there was evidence of jobs being shed, in some cases on a dramatic scale, in individual producing countries. This was not only due to the liberalisation of the world textiles market – it was also a reflection of the initial effects of the global economic crisis on the textiles and clothing industry:

- 30 factories were closed in Cambodia in 2008, as a result of which 62,000 employees lost their jobs (*Cambodia Daily 21 November 2008*).
- A total of 95 factories were closed in Indonesia over the years 2002-2005, causing the loss of approximately 100,000 jobs (*Tempo 9 October 2005*).
- As a result of dwindling orders from the U.S., which have dropped by up to 50%, thousands of employees in the textiles and clothing sector in the Maquilas face redundancy in Honduras and Nicaragua.
- In China, millions of workers in labour-intensive industries – a large part of them in the textiles and clothing industry – lost their jobs in 2008 (*epo.de 2 February 2009*).

The end of the WTO ATC has not only had an impact on the quantity of jobs – it has also had repercussions for the quality of employment. These effects may be further exacerbated by the global economic recession.

One striking aspect of this trend is the saving of labour costs through precarious employment and contract work, in which employees suffer financial losses as well as an erosion of labour and social rights. A country study carried out in 2008 by the Indonesian research institute AKATIGA came to the conclusion that employers had saved up to 60% on labour costs by resorting to contract work (*AKATIGA 2008*).

Additional current analyses and studies have furthermore highlighted the practice of overtime, low wages, repression of trade unions and discrimination against women as the key features in the development of working conditions and labour relations over the last few years (*ITUC/*

ITGLWF/CCC 2008, Maquila Solidarity Network 2009, Wick 2009). According to the ITGLWF, the real wages of employees in the textiles, clothing and shoe industries have dropped 25% over the last ten years, while overtime has risen 25% (*ITGLWF 2009*). Skyrocketing food prices worldwide (with the price of rice leaping 60%), surging oil prices and mounting inflation in 2007–2008 afflicted workers in the textiles and clothing sector with enormous social and human hardship.

Against the background of these structural and crisis-related developments, the satisfaction of demands by union representatives of employees in this sector and their alliance partners constitutes a huge challenge. Alternative strategies and proposals for options for informal work are presented in the following chapter using the example of the textiles and clothing industry.

*Indonesian clothing factory
(photograph: I. Wick)*



5. Steps towards decent work which is just in gender terms

A series of demands and campaigns of union representatives in individual countries have already been examined in the chapters on informal work and export processing zones (EPZs). On the following pages, their objectives are

placed in a strategic orientation framework. On this basis proposals for action will then be derived for church groups, women and youth organisations and networks in Germany and at the international level.

5.1 Strategic orientation framework

The ILO's Decent Work Agenda and recommendations forwarded by the UN Development Fund for Women (UNIFEM) in its reports 2000–2008 are proposed in the following to serve as a strategic orientation framework summing up the demands of union representatives and workers in the EPZs.

The Decent Work Agenda of the ILO

The Decent Work Agenda of the ILO from 1999 comprises four key demands: a) the safeguarding of workers' rights, b) the creation of job opportunities, c) social security and d) promotion of the social dialogue.

The workers' rights cited under a) involve the core labour standards of the ILO, which became binding on the member states of the ILO in 1998 in a special declaration. These core labour standards include the freedom of association, the right to collective bargaining and the prohibition of child labour, forced labour and discrimination on the basis of gender at the job site.

In the ILO context, the demand for a prohibition against discrimination, for example against women at the job site, only relates to paid employment, and not to the unpaid work performed by women at home and for the family. The Decent Work Agenda of the ILO is to be further developed with regard to this core issue.

The Decent Work Agenda of the ILO constitutes progress in comparison to the foundations of most ILO conventions in that it explicitly relates to formal and informal paid employment.

The ILO has thus placed this economic sector, which is booming all over the world, at the core of its work.

With its demands for sufficient employment possibilities and social security in the Decent Work Agenda, the ILO has drawn conclusions from the fact that insecure employment conditions and the growing share of "working poor" worldwide means fewer and fewer people are able to pay the costs of living through paid work and that they have to be supported by social networks. As a result of this objective, the Decent Work Agenda of the ILO has also been incorporated in the list of UN Millennium Development Goals.

Since income from paid employment suffices to defray the costs of living for fewer and fewer people, a government-funded basic income independent of earnings has been under discussion in various forms over the last few years. A pilot project guaranteeing basic income is being conducted in Namibia at present and receiving considerable attention internationally (see www.bignam.org).

The tripartite ILO mechanism works on the basis of conventions and recommendations which do not possess any power to impose sanctions. As a result of failure to respect many of the ILO conventions which have been ratified since 1919 and the growing social cleavages resulting from globalisation, trade unions and non-governmental organisations have started up initiatives with the aim of improving social standards in world trade over the last few years. Some of these ini-

tiatives focus on a voluntary self-commitment on the part of multinational enterprises to pursue a policy of global social responsibility and independent verification systems, as their buying and procurement practices encourage these enterprises to systematically abuse workers' rights in their global supply chains. Other initiatives seek a legally binding obligation on the part of enterprises as a response to neo-liberal privatisation policy in labour and social law such as, for example, the "Corporate Accountability" (CorA) network in Germany and its European counterpart, the "European Coalition for Corporate Justice" (ECCJ), headquartered in Brussels.

The demands forwarded in the Decent Work Agenda of the ILO should go beyond the legal status of voluntary obligations to also be legally binding on states and international organisations and backed up by sanctions so that they can have a sustained impact. Strategies along these lines are being pursued, for example, by CorA and the ECCJ with their demands for a legally binding corporate reporting system, socially responsible public procurement or a strengthening of consumer rights (see below).

UNIFEM demands

Decent work and social security are inconceivable without a reorientation of the world economy in a manner which is just in gender terms. One key question, as it were, is the need to eliminate the gender-specific division of labour, the importance of which has been underscored by UNIFEM again and again over the last few years.

UNIFEM views a reassignment and reassessment of all areas of work performed in society to be the key to overcoming discrimination against women in the working world as well as society. For this reason UNIFEM is calling for the inclusion of unpaid reproductive work in national income accounting (*UNIFEM 2005*), thereby addressing one of the core demands framed by the UN World Women's Conference in Beijing in 1995. This conference recommended, for example, the review of public budgets in terms of their gender-specific impact (gender budgeting – see Glossary) as a key instrument in eliminating discrimination against women. Gender budgeting programmes have in the meantime been instituted in many countries.

In implementing the following proposals for action, the ILO and UNIFEM demands need to be tightly interlinked – i.e. initiatives aimed at promoting respect for women's rights should focus on all areas of women's work.

Flashmob action in an Aldi branch in Bonn (photograph: Aktionsbündnis Gerechter Welthandel Bonn)



5.2 Proposals for action by civil society organisations and networks

a. Demands addressed to governments: legally binding global social accountability for business enterprises

Headlines in the world press and a large number of studies have shown in recent years that existing legal instruments i.e. national labour and social laws, UN and ILO obligations such as, for example, the UN Human Rights Charter, the UN Covenant for Economic, Social and Cultural Rights and the core labour standards of the ILO – will not suffice in the face of underlying conditions of globalisation to implement fundamental labour, social and women's rights worldwide.

With a view to imposing a legally binding global social accountability of multinational enterprises, civil society organisations have undertaken new legislative initiatives along the lines of the ILO's core labour standards in recent years. Some of them are presented in the following.

Binding accountability requirements and reporting obligations for business enterprises

Business enterprises should publish transparent, comparable information free of charge which shows how they respect human rights as well as social and environmental standards along the value chain under their influence.

The European Parliament demanded such a statutory obligation in the form of resolutions as far back as 1999 and 2001, calling for these once again – along with additional binding obligations for multinational enterprises – but in watered-down form in a resolution it adopted on 13 March 2007. The EU Commission, on the other hand, has focused on a voluntary corporate social responsibility (CSR) strategy (*EU Commission 2006b*).

Founded in 2006, the Network for Corporate Accountability (CorA) in Germany, with more than 30 organisations, associations and trade unions as members, is working among other things for a binding reporting obligation on the part of enterprises. It has been pursuing this goal at the European level since 2006 in the ECCJ Alliance. Initial success in this direction has been

attained by an alliance of non-governmental organisations (*Amnesty International, Friends of the Earth, Action Aid, etc.*) in Great Britain: their campaign contributed to the so-called Companies Act being adopted at the end of 2006, under which enterprises listed on the stock exchange are subjected to the obligation to report on how they abide by and respect social and environmental standards in their domain of influence.

CorA seeks to influence policy-makers to institute binding reporting requirements for all business enterprises – regardless of their legal status.

Supermarket initiative calls for regulation of the purchasing power of commercial and trading enterprises

A supermarket initiative consisting of 19 organisations from the areas of the environment, development, small farm agriculture and trade unions began addressing the public in September 2008. They are calling upon the Federal German Anti-Trust Agency to review the purchasing power of supermarket chains including discounters in terms of adherence to social and environmental standards across their entire supply chain. They are appealing to members of the German Bundestag and the Federal German government in an effort to obtain protection for employees, small farmers and suppliers in Germany, the EU and the developing countries along with consumers from any abuse of purchasing power by supermarket chains.

This initiative is also working with other organisations at the European Parliament and the EU Commission and demanding that the EU Competition Commission review the effects of concentrations of business enterprises on suppliers, employees and consumers (*www.responsible-purchasing.org*).

Amendment of the Consumer Information Act

The German Consumer Information Act (*Verbraucherinformationsgesetz*), which went into effect in Germany on 1 May 2008, offers an additional, but longer-term approach for initiatives along the lines of a global social obligation on



The Aldi campaign in Essen in September 2008 (photograph: Essen Press Office)

the part of business enterprises. This law is in need of urgent amendment, as it is virtually devoid of impact in its present-day version, as an assessment drawn by Food Watch after the first six months of its effect concluded.

The current Consumer Information Act merely obligates the responsible government authorities, and not business enterprises, to provide information on the quality of foodstuffs and fodder, cosmetics and consumer goods such as, for example, toys and clothing. An initial review has been announced for 2010. At the same time as the Consumer Information Act went into effect, the existing Foodstuffs and Fodder Code was revised so as to now require authorities to report to the public on health risks posed by foodstuffs, fodder and consumer goods (previously the law only stipulated that public authorities “may” inform the public).

In spite of public protests by political parties (the Greens and the Left) and consumer organisations since the first draft Consumer Information Act was issued in 2001 until it was passed in 2007, the scope of the law has been considerably narrowed. Deficits exist above all in the possibility for business enterprises to refuse to disclose

information by citing the need to protect business secrets, and in the charging of fees for work performed by governmental authorities in answering questions of consumers.

The objective behind an improved Consumer Information Act is to protect consumers in the future from contributing to violations of workers’ and women’s rights through their consumption. The Consumer Information Act is aimed at contributing to the promotion of sustainable consumption patterns in this manner.

The German Clean Clothes Campaign has developed sample letters to be sent to the government authorities in charge with the aim of summing up experience with the Consumer Information Act and forwarding demands for additional improvements by the time the first revision of the act is due in 2010.

b. Demands addressed to business enterprises

Numerous multinational enterprises have been forced to report on their social responsibility towards employees in global supply factories

through public campaigns and protest campaigns sponsored by international networks and individuals since the beginning of the 1990s. Their protest year-in year-out to the effect that multinational trading and commercial enterprises are not responsible for labour law and social law issues with legally independent suppliers has become less and less tenable with the growing number of analyses of the control of global value chains by multinational enterprises and the economic dependence of suppliers (*Gereffi 2005*) and with the growing number of case studies which have been published on violations of workers' rights, particularly among textile suppliers.

In addition to the world textiles and clothing industry, numerous other sectors have also been the subject of such studies over the last few years. This has been the case with the global toy, electronics, flower, carpet, stone and diamond industries, for example. The results of these studies are often used in the campaigns and public-relations work of numerous alliances of non-governmental organisations and trade unions in the industrialised and developing countries (for example, the PC Global Campaign of WEED, Make IT Fair of German Watch, the fairplay campaigns of Misereor, campaigns by SÜDWIND on the local procurement of stones from China and India and adherence to social standards in the prospecting for and processing of diamonds).

A revision of purchasing practices towards suppliers should be at the focus of demands by consumers levied at business enterprises, as violations of workers' and women's rights in the global supply chains of multinational trading and commercial enterprises are to a considerable degree a product of increasingly tough price and delivery-time policies towards suppliers engaged in international competition.

Given the experience gained to date in global campaigns by consumers, church groups, women's organisations, etc., the following minimum requirements, which have not been implemented by most business enterprises in the world, need to be respected:

- The list of "clean" working conditions, adherence to which business enterprises should enforce among their suppliers, is based on pertinent conventions (or the recommendation) of the ILO, i.e. the prohibition against forced

labour, discrimination on the basis of gender and child labour, the freedom of association and the right to collective bargaining, a wage sufficient to meet the costs of living, hours of work, health and safety standards and permanent job positions.

- As a result of their economic power, multinational import companies must bear the main responsibility for adherence to labour standards by global suppliers and not pass this responsibility on to their suppliers.
- An independent watchdog institution is needed to monitor respect for labour standards. The various parties involved – including the unions representing employees – should be represented in this institution.
- The procedure by which employees can lodge complaints must be independent.
- Transparency regarding the results of independent review and corrective measures is to be guaranteed through continuous reporting.
- Adherence to labour standards must be reviewed in the entire supply chain, i.e. at direct and indirect suppliers (*Wick 2007: 76 et seqq.*).

On the whole, campaigns focusing on multinational enterprises are above all a means of raising public awareness and less a means of obtaining sustainable improvements in the social situation of employees. Binding rules instituted at the state level and backed by sanctions, rather, are what is required here.

c. Social alliances

As this publication shows, the social distortions caused by the neo-liberal economic system and the patriarchal gender system come together in the informal economy and export promotion zones similar to in a crucible. Effectively counteracting these distortions with the aim of realigning economic production and gender relations requires not only determination on the part of individuals and individual organisations – it also demands their collaboration in local and international alliances in order to achieve a greater impact.

6. Service part

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6.2 Acronyms and abbreviations

- | | |
|--|--|
| ▶ ATC
WTO Agreement on Textiles and Clothing | ▶ CorA
Corporate Accountability |
| ▶ AGOA
African Growth and Opportunity Act | ▶ CSR
Corporate Social Responsibility |
| ▶ CCC
Clean Clothes Campaign | ▶ ECCJ
European Coalition on Corporate Justice |
| ▶ CIDS
Cambodia Institute of Development Study | ▶ EPZ
Export processing zone |

- ▶ **EU**
European Union
- ▶ **GATS**
General Agreement on Trade in Services
- ▶ **GATT**
General Agreement on Tariffs and Trade
- ▶ **ICFTU**
International Confederation of Free Trade Unions – now ITUC-CSI
- ▶ **ICLS**
International Conference of Labour Statisticians
- ▶ **ILO**
International Labour Organisation
- ▶ **IMF**
International Monetary Fund
- ▶ **ITGLWF**
International Textile, Garment & Leather Workers' Federation
- ▶ **ITUC**
International Trade Union Confederation (previously ICFTU)
- ▶ **LaRRI**
Labour Resource and Research Institute in Namibia
- ▶ **LDCs**
Least Developed Countries
- ▶ **MFA**
Multi-Fibre Arrangement
- ▶ **NGO**
Non-Governmental Organisation
- ▶ **OECD**
Organisation for Economic Co-operation and Development
- ▶ **SA8000**
A global social accountability standard for decent working conditions, developed and overseen by Social Accountability International (SAI).
- ▶ **SAP**
Structural Adjustment Programme
- ▶ **SCM**
WTO Agreement on Subsidies and Countervailing Measures
- ▶ **SEIU**
Service Employees International Union (USA)
- ▶ **SEWA**
Self-Employed Women's Association
- ▶ **TRIMS**
WTO Agreement on Trade-Related Investment Measures
- ▶ **UNCTAD**
United Nations Conference on Trade and Development
- ▶ **UNIDO**
United Nations Industrial Development Organization
- ▶ **UNIFEM**
UN Development Fund for Women
- ▶ **Ver.di**
United Service Trade Union (Federal Republic of Germany)
- ▶ **VIG**
Verbraucherinformationsgesetz (German Consumer Information Act)
- ▶ **WIEGO**
Women in Informal Employment: Globalizing and Organizing
- ▶ **WTO**
World Trade Organisation

6.3 Glossary

▶ **Atypical employment**

Atypical employment takes place largely beyond the pale of government regulations under labour and social law – see “informal work / informalisation”.

▶ **Care Economy**

Care economy designates that part of the economy in which almost solely women perform unpaid care work in families, at home and in communities throughout the world. As a result of the care of children, old people and the sick, women have less opportunity in the paid employment market, to undergo training or save for old age.

▶ **Core labour standards of the International Labour Organisation**

The ILO adopted binding conventions on the freedom of trade unions, the right to collective bargaining and the prohibition of child labour, forced labour and discrimination for all ILO member states in a special declaration issued in 1998. These conventions are also referred to as core labour standards. They have a special status within the framework of the total of 184 conventions of the ILO.

▶ **Contract work**

In contrast to fixed employment, contract work is usually characterised by the absence of obligations towards employees under labour and social law.

▶ **Export Processing Zone (EPZ)**

An EPZ is an “industrial zone with special incentives for foreign investors in which imported materials are further processed and then re-exported” (ILO 2003). Most of the 3,500 EPZs are located in the developing and newly industrialising countries. The majority of the 66 million employees in 130 countries – 70% to 90% of them women – work in the clothing and electronics industries. Incentives for foreign investors are provided in the form of customs and tax breaks, free use of infrastructural measures and virtual suspension of labour and social laws which apply

in the rest of the country. One special problem is the suppression of the freedom of trade unions.

▶ **Fordism**

Fordism is a form of producing goods established following World War I which is named after the industrialist Henry Ford. The Fordist organisation of labour and capital predominated in the industrialised countries until the 1970s. It is based on highly standardised mass production and consumption of goods in scientifically optimised assembly-line work, a certain partnership between employees and employers and wage increases which are pegged to rising productivity plus the inflation rate. Fordism and regulation by the social state have been increasingly abandoned since the policy of market liberalisation and deregulation in the 1970s.

▶ **Formal work**

Formal work is protected and registered under social, labour and collective bargaining law.

▶ **Gender budgeting**

Gender budgeting is a term denoting the preparation and assessment of public budgets from a gender-specific perspective. In the framework of the strategy of gender mainstreaming (see below), gender budgeting seeks to promote equality of the sexes through the realignment of public revenue and expenditures.

▶ **Gender mainstreaming**

Gender mainstreaming is a strategy to bring about equality between the sexes in all fields of policy which have been proposed by the World Women’s Conference in Beijing in 1995. Under the EU Directive on Gender Mainstreaming issued in 1996 and the Treaty of Amsterdam ratified in 1999, all EU member states have assumed the obligation to implement gender mainstreaming.

▶ **Informal work / “informalisation”**

Informal work is a type of work which is for the most part performed outside the domain of gov-

ernment regulation. This usually involves a type of work without any written employment agreements and insufficient social protection and exists both in the formal as well as informal part of the economy. "Informalisation" designates the process of declining legal protection of formal work. Informal work is also often referred to as precarious, atypical, insecure and unprotected employment even though these terms are not synonymous with it, as not every type of informal work – such as, for example, highly paid fee-based work in the IT branch – is also precarious.

▶ **Maquila**

A term for export processing zones in Central America.

▶ **Millennium Development Goals (MDGs)**

The UN General Assembly passed eight MDGs in 2000. The first MDG is to halve the number of absolutely poor people in the world (i.e. those persons who earn less than US\$ 1.25 per day) by 2015. The third MDG on the promotion of gender equality and the strengthening of women's rights calls for gender differences to be eliminated at all levels of education by 2015.

▶ **Neo-liberalism**

The "new" (neo-) liberalism is a modern variant of the classic economic liberalism which came about as a reaction to the failure of liberal economic policy in the world economic crisis of 1929-1932 and which seeks to counteract the redistribution policy of the welfare state. In spite of different forms in continental Europe and the Anglo-Saxon countries, a radical neo-liberal strategy has gained increasing currency since the end of the 1970s: it provides for far-reaching privatisation of public services, the government's withdrawal from the regulation of labour relations and social security systems, tax breaks for enterprises and wealthy persons along with the integration of developing countries into the world market in line with the interests of multinational enterprises and leading industrialised nations. Because the "free" forces of the market are assigned priority while states are primarily supposed to uphold liberal economic principles, neo-liberalism constitutes an attack on the principle of democracy and participation. The reputation of neo-liberalism has been badly shaken

by the world economic crisis which began in 2008.

▶ **Normal employment relationship**

Normal employment relationships are considered to be the normal empirical type of non-self-employed paid employment. It refers to a type of permanent, full-time employment with an employer which is subject to social security obligations. It is based on the model of the male bread-winner of the family, according to which the earnings of the man are used to pay for the main needs of family members, while women perform unpaid house and family work (see "care work"). Normal employment relationships came about as typical labour relations in the 19th century as a reaction to opposition from labour unions and labour parties. As a result of neo-liberal deregulatory policy and changed gender roles, normal employment relationships have been increasingly undermined since the end of the 20th century.

▶ **Outsourcing**

The relocation of parts of companies to reduce costs.

▶ **Precarious employment**

Declining employment and social protection – see informalisation. Precarious employment is also referred to as precariousness.

▶ **Quotas in world trade**

Quotas denote quantity restrictions in the world trade system, the elimination of which was the declared objective of GATT. The most prominent example of this is the quotas for world trade in textiles and clothing articles set out in the Cotton Agreement of 1963, the Multi-Fibre Arrangement of 1974 and the 1995 Agreement on Textiles and Clothing (ATC). The quota regime in the world trade in textiles and clothing ended after 40 years in the 2004..

▶ **Social standards**

Social standards are rules for structuring working conditions. These rules were formulated for the first time in international law in the conventions of the ILO. These rules include inter alia the maximum amount of working hours per week, a

living wage, the prohibition of forced labour and child labour or the right to freedom of association and collective bargaining.

▶ **Sub-contracting**

In the global procurement system the supply chain is made up of a large number of suppliers, sub-suppliers, licensees and home workers. Employment relationships are rendered informal and production costs reduced through the system of awarding contracts, i.e. sub-contracting, to legally autonomous, but economically dependent sites.

▶ **Sweatshops**

A large part of global labour-intensive production of clothing and sportswear nowadays takes place in sweatshops, i.e. smaller workshops and backyard sewing rooms, and in home work. Women make up the majority of employees here.

▶ **Special economic zone (SEZ)**

Export processing zones in China are called "special economic zones" (SEZ).

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SÜDWIND e.V. – Institut für Ökonomie und Ökumene

SÜDWIND conducts research for just economic relations

We are convinced that many people throughout the world are suffering from the effects of globalised business. There is a direct relationship between the wealth of few and the poverty of many, above all in the developing countries.

Often it is unjust political or economic structures which are responsible for this. SÜDWIND shows time and time again that policy, business and consumers all share responsibility for these unacceptable conditions in developing countries.

SÜDWIND produces proposals for action

How can the situation be changed to help the poor attain justice in the world economy? In addition to analysing problems, SÜDWIND makes use of a wide range of options:

- Public-relations work,
- Direct negotiations with decision-makers from policy and business,
- Committed work in campaigns and networks such as "erlassjahr.de", "attac", "Kampagne für Saubere Kleidung", "Corporate Accountability" or "Klima-Allianz".
- Campaigns for consumers

SÜDWIND works in the following areas

- Women and economics,
- Socially responsible investments,
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We structure our partnerships with churches in Africa, Latin America, East Asia and the Pacific through encounters, personal exchange and financial support.

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We promote ecumenical and global learning and work for the concerns of our partners. We are committed to human rights so that women, men and children can live in dignity and freedom.

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Women working in the shadows:

The informal economy and export processing zones

Large areas of women's work in the world economy takes place in a shadowy realm not covered by labour market statistics, media headlines and research projects. Information on socially vulnerable sectors of the economy in which women's work is performed is scanty.

The amount of employment which is largely beyond the pale of protective measures of the state has increased dramatically over the last few decades. Such forms of employment, also referred to as informal, atypical, unprotected or precarious, are also sharply on the rise in the industrialised countries as well. Almost two-thirds of paid employees in the world work in the informal economy today.

They usually include street vendors, small producers, domestic employees and home workers in the South, and casual employees, temporary workers, part-time and non-permanent employees and frequently micro-entrepreneurs in the North. Two-thirds of them are considered poor in the world. The majority of employees in the informal economy are women.

There is also a dearth of data on the working conditions of the primarily female employees working in export promotion zones worldwide. There is scarcely any public awareness of the fact that workers' and women's rights are being systematically violated in many of these tax and customs enclaves in more than a hundred countries.

This publication provides basic information on the informal economy and export processing zones, exploring their development in the context of globalisation and the prevailing gender order. It offers proposals for action to be taken by church and women's groups, trade unions and youth organisations taking the example of campaigns relating to the global textiles and clothing industry, in which women's work in the informal economy and in export processing zones is very widespread.



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