

2014

REPORT

Can you earn a living wage in fashion in Italy?

PAY A LIVING
WAGE



**Clean
Clothes
Campaign**



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Introduction

One of the winners of the Nobel peace prize in 2014 was Kailash Satyarthi, an Indian who has campaigned for decades against child labour, and indeed against slavery. Despite their outrage, many people might view this phenomenon as one specific to India, but Satyarthi has always maintained that child labour is a scourge that affects us all, as many of these children are abducted and forced to make carpets that are then exported to markets in Europe and the United States.

What's more, *Flawed Fabrics*, a report produced by Dutch NGOs Somo and ICN, published on 28 October 2014, shows that working conditions in export-oriented textile factories in Tamil Nadu essentially represent a state of forced labour. Women employed in spinning and weaving, some just 15 years old, are taken from Dalit communities in the poorest areas of the region and forced to work long hours for a mere pittance. They live in shanties next to the factories where they work, and find it pretty much impossible to escape from the area where they are forced to live and work. Many of the factories in question sell their fabrics to Bangladeshi and Western clothing firms, including C&A, Mothercare, HanesBrands, Sainsbury's and Primark.

From 2005 to 2013, Bangladesh saw a 250% increase in its garment exports, from 8 to 21 billion dollars. At the same time, the number of workers in the clothing industry grew from 2 to 4 million. Yet, this dizzying growth has been paid for by the workers, or rather by women workers, who have been exploited to a barely believable degree. A number of interviews conducted in 2013 highlighted the fact that an entry-level woman worker takes home a monthly wage of \$56.00, working 48 hours a week. A sewing machine operator with five years' experience earns a net wage of \$64.00 a month, up to \$80.00 with overtime. It should come as no surprise, then, that labour costs have just a 0.6% bearing on the final price of the goods produced¹.

Shockingly low wages are however only one aspect of the horrors experienced by Bangladeshi women workers. Many work 13-14 hours a day, weekly rest days are not always granted, and they endure scams, abuses, insults, beatings, and even sexual abuse. And, as we know, their workplaces are unhealthy and terribly unsafe.

As a result of fires and building collapses, there were 25 serious incidents in Bangladeshi clothes factories between 2000 and 2013, resulting in death tolls of 10, 30, 60, even 100 victims. The most dramatic incident happened on 24 April 2013 in Dhaka, with the collapse of the Rana Plaza, an eight-story building containing five sewing workshops and housing 4,000 workers.

The death toll was 1,138, with a total of 2,500 injured, and the victims were mostly young women aged from 17 to 20.

With the knowledge that, in this age of globalisation, big-brand companies are moving from one part of the planet to another seeking ever-lower labour costs, trade union organisations and associations defending some Asian countries decided in 2007 to work together and set up a common platform for minimum wages, to be applied in every country as a means of putting a stop to the downward spiral in working conditions. After many months' work, the coalition, which had adopted the name Asia Floor Wage Alliance (AFWA), defined a number of common criteria for a living wage that could be imposed on all firms as a mandatory 'firewall'.

One of the member association of AFWA is the Clean Clothes Campaign, a global organisation protecting workers' rights in the garment industry, that has been involved in the initiative right from the outset. And while, initially, the battle appeared to be concerned basically with newly industrialised countries, we are now seeing that the question of paying a living wage to workers is being raised increasingly in traditional industrialised countries. This is borne out by the terrible working conditions found in underground Chinese sweatshops and on farms that hire primarily immigrant workers who can be easily coerced and manipulated, but also by the amounts paid to temporary workers and the contractual wages in place for entry-level positions.

Campagna Abiti Puliti, the Italian section of the Clean Clothes Campaign, therefore decided to conduct a survey on pay conditions in the clothing and footwear sector in Italy to see whether in Italy too there is a real living wage problem. This report sets out the findings of the survey, which was conducted from April 2013 to August 2014 by members of the campaign and a team of Italian researchers represented by Devi Sacchetto, Veronica Redini and Davide Bubbico.

Because the research demonstrated the existence of a living wage problem in Italy, at least for certain categories of workers, Campagna Abiti Puliti organised a study workshop on 30 October 2014 and invited representatives of trade unions, businesses, the Government and the academic world to share their experiences and suggestions as to the potential approaches to be applied to guarantee a living wage for all.

While everyone recognised a living wage as being essential, no clear indications emerged on how to achieve this. Some of those present drew attention to the risks involved in defining actual figures through law: if these were too high, they might drive firms underground, while if they were too low, they might affect trade union bargaining positions. Everyone agreed, however, that there would be a better chance of establishing a living wage if certain political conditions were in place, such as the presence of strong trade unions, international standards ensuring the accountability of firms in the sector, and a high degree of transparency in supply chains.

¹ Nazneen Ahmed and Dev Nathan, *Improving wages and working conditions in the Bangladeshi garment sector*, Working paper 40, University of Manchester, May 2014

The following criticalities and suggestions were put forward:

1. amendment of current immigration laws that favour labour flows to areas where production is based, in order to halt the mechanism that currently links illegal immigration status with undeclared work, and thus with exploitation and inhumane conditions;
2. calculation of the minimum living wage, taking into account the free services offered by the State and the applicable levels of taxation. We should not forget that public services are a way of ensuring indirect income for everyone, while tax policy is a fundamental instrument for combating unfair economic conditions through the redistribution of income;
3. introduction of mechanisms that adjust the living wage based on the actual situations of individual households. In addition to family dependents, this should consider the number of adults within the unit who are in employment;
4. maintenance of a balance between legislative intervention on wages and trade union bargaining. In addition to ensuring a minimum level of protection for everyone, the intervention of trade unions is essential in terms of the bargaining of indirect wages and particular aspects of specific sectors and, indeed, individual firms;
5. promotion of the introduction of a minimum wage within Europe as a whole, in order to initiate the process of overcoming wage differences that currently provide businesses with the opportunity to adopt a 'divide and conquer' strategy;
6. creation of a multi-stakeholder observation group on wages. This is now an established proposal that must be addressed, seeking alliances across all economic sectors;
7. cooperation in order to achieve major advances in terms of transparency and social traceability;
8. particular focus on international rules and trade liberalisation treaties that fundamentally undermine the possibility of defending advanced laws and systems for social protection;
9. fighting against processes that generate impoverishment and insecurity, which fuel low-quality consumptions, and in turn encourage forms of production that make use of substantially exploited labour. The extension of a living wage to everyone, as a way of increasing family income, could be a means of breaking this vicious circle;

10. introduction of mechanisms that encourage companies to set the prices of their orders at a level that provides suppliers with sufficient margins to ensure the application of legal conditions and the payment of living wages, and the introduction of systems to ensure that this practice is actually applied.

This document concludes with a number of recommendations that also take into account the contributions made during the workshop. We wish to make it clear, however, that we are at the very beginning of a path which, in order to make progress, will require a significant degree of cooperation among all of the forces fighting to advance the cause of human dignity.



Methodological note for field interviews

The field research was conducted through in-depth interviews, with two lines of semi-structured interviews with workers and key stakeholders, such as contractors, managers, trade union officials and researchers. The field research was supplemented with an examination of literature on the matter (books, magazines, newspapers), both 'grey' (unpublished) literature (reports and internal periodicals) and statistical information available on the webpages of public bodies (ISTAT, INPS, ICE) and employers' associations (SMI, ANCI, etc.).

During the course of the survey, around 70 workers (both men and women) and key stakeholders were interviewed in the period from April 2013 to August 2014. The persons interviewed were chosen through formal and informal networks developed over time by researchers and the Campaign. Only a small portion of workers interviewed were selected via trade union channels.

In some cases, the research group visited businesses. Some people involved in the interviews wished to remain anonymous, and the names attributed to them in the full report are therefore fictitious. It should be noted that it was not always easy to find workers willing to be interviewed, which demonstrates that, in times of economic crisis and during restructuring processes, a person's readiness to provide information and opinions is increasingly conditioned by the fear of standing out, even if anonymity is guaranteed.

Acknowledgements

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This project is a journey into what is left of the clothing and shoes industry in Italy in order to explore the associated working conditions and, above all, wage levels, with a view to understanding the extent to which they can be considered a living wage. The study method adopted was a field study based mainly on interviews with workers, trade unionists and other persons with knowledge of the industry.

Most of the content was obtained from the research conducted from June 2013 to February 2014 by Devi Sacchetto (University of Padua), Veronica Redini (University of Florence) and Davide Bubbico (University of Salerno) on the fashion sector in the Veneto, Tuscany and Campania regions. Our warmest thanks go to those individuals.

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The following conducted additional research and helped to draft the final report: Francesco Gesualdi (Centro Nuovo Modello di Sviluppo), Ersilia Monti (Coordinamento Nord Sud del Mondo), Deborah Lucchetti (Fair) and Francesco Verdolino, members of Campagna Abiti Puliti.

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The living wage as a worldwide need

The working poor

Article 23 of the Universal Declaration of Human Rights, approved on 10 December 1948 by the General Assembly of the United Nations, states that 'Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection'.

In this age of globalisation, however, respect for this principle appears to have all but disappeared. In November 2013, the legal minimum wage in Bangladesh was \$30.00 a month. It was then increased to \$67.00, solely for the textile-clothing sector, which in any case means \$2.20 a day, a figure just above the poverty line, a marker used to indicate those unable to meet their own needs effectively. And these figures relate to individual workers - the problem is exacerbated if that individual needs to support the needs of an entire family.

In practice, wages have never been set based on workers' needs, but rather on the basis of bargaining power. If the power is held by the employer, wages fall. If it is held by the workers, wages go up. And today, when globalisation has enabled multinationals to have access to practically the world's entire workforce, bargaining power has shifted appreciably towards employers, to the detriment of workers, who had once been united and are now competing against each other. Italian workers against Romanian, Chinese against Indonesian, Bangladeshi against Cambodian, Kenyan against Ethiopian - all competing against one another to offer the lowest rate of pay, just so they can have a job.

It should come as no surprise, therefore, that wages are falling everywhere, and OECD nations, traditionally the most industrialised group of nations, have seen a 10% drop in wages between 1970 and 2010 in the sharing of generated wealth.

The International Labour Organisation tells us that out of a total of 3.1 billion persons employed (paid and unpaid), 839 million (26.7%) live on less than \$2.00 a day, and 375 million (11.9%) in fact have to survive on less than \$1.25 a day². But a study conducted on paid workers in 32 countries in the southern regions of the world has highlighted the fact that 87 million (41%) paid workers out of a total of 209 million receive wages below the

² ILO, Global Employment Trends 2014

'bread line' (\$2.00 a day), while 23 million people earn below \$1.25 a day, which is considered to be the extreme poverty threshold³.

Although the benchmarks are different, the phenomenon of the 'working poor' is expanding, even in more traditional industrial nations. According to data supplied by Eurofound, 8% of EU workers were at risk of poverty, in that they were earning less than 60% of the national average wage. Italy is above the European average, with 10% of workers considered as working poor⁴.

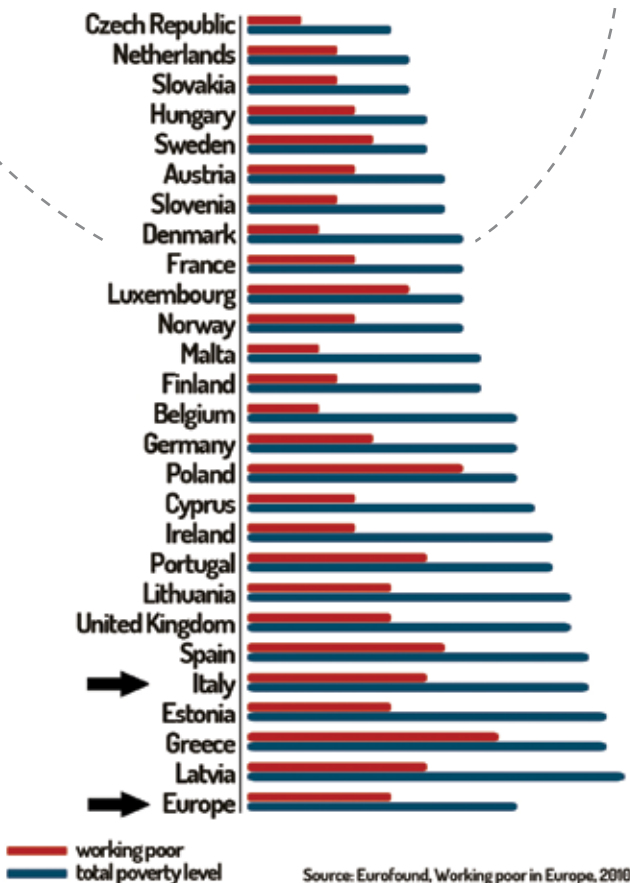
TABLE 1

Distribution of wage levels in 32 countries in the Southern Regions of the world

| \$1.25/DAY | \$2.00/DAY | ABOVE \$2.00/DAY |
|---|------------|------------------|
| 23 million | 64 million | 122 million |
| 87 million (workers below poverty threshold) | | |

FIGURE 1

Workers and population in poverty



Insulting minimum wages

Theoretically, the law should represent a bulwark for decent wages, establishing minimum values that must be applied by all firms. However, the ILO Minimum Wage Fixing Convention of 1970 (No 131) is rather tolerant. Article 3 reads: 'The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include:

a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;

b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.'

Unfortunately, many countries have ascribed greater importance to so-called economic development than to human decency and, with the excuse of creating an attractive environment for foreign investors, have set minimum wages at levels well below the levels of decency. The country at the bottom of this ranking is Bangladesh, with a level of €1.67 a day, followed by India, with €1.72. China, on the other hand, is already at €5.82 a day, while Turkey stands at €8.40. In Europe, the nation at the bottom of the pile is Moldova, with a level of €2.36 a day, followed by Ukraine (€2.66), Romania (€4.43), Bulgaria (€4.60) and Serbia (€6.30).

TABLE 2

Monthly minimum wages by Country

Source: Data from the Clean Clothes Campaign, wages in world clothing industry, 2014

| | |
|------------|----------|
| Bangladesh | 50,32 € |
| India | 51,70 € |
| Moldavia | 71,00 € |
| Ukraine | 80,00 € |
| Indonesia | 82,14 € |
| Romania | 133,00 € |
| Bulgaria | 139,00 € |
| China | 174,60 € |
| Serbia | 189,00 € |
| Turkey | 252,00 € |

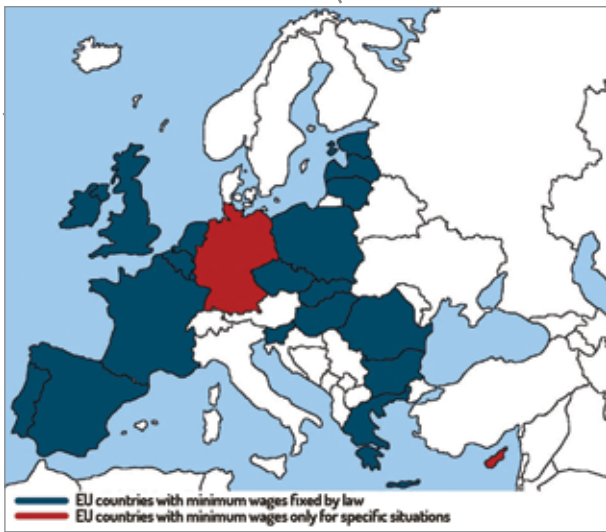
³ ILO, Global Wage report 2012/2013

⁴ Eurofound, Working poor in Europe, 2010

FIGURE 2

Legal minimum wages

Data processed from the Stitched up Report of the Clean Clothes Campaign.



Of the 27 states in the European Union, only 20 have legal minimum wages (Belgium, Bulgaria, the Czech Republic, Estonia, France, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, the United Kingdom, Romania, Slovakia, Slovenia and Spain). Austria, Denmark, Finland, Italy and Sweden do not have a mandatory minimum wage, while Germany and Cyprus have minimum wages in place only for specific situations. These data show that many legislative systems regulate the minimum wage differently by sector, age of workers and corresponding experience. The group of countries that have differences by age are Belgium, the Czech Republic, Ireland, Latvia, Luxembourg, Malta, Netherlands and the United Kingdom. Differences in terms of qualifications exist in Belgium, Greece, Ireland, Luxembourg, Malta, Romania and Hungary.

But as has been admitted by Eurofound, the European Foundation for improving living and working conditions: 'In all States of the European Union, for which data are available, minimum wages tend to be well below the poverty line. In recent years, minimum wages have actually fallen, taking as a benchmark the average wages paid in industry and services. This is so in Ireland, but also Bulgaria, the Czech Republic, Poland, Portugal, Romania, Slovenia and Hungary. In other countries (Latvia, Lithuania, Malta and Spain), minimum wages have risen slightly, and they have remained unchanged in Luxembourg and the United Kingdom'⁵.

The living wage: the Asian experience

It is in this general context of vagueness that we began to see the development of the idea of a living wage, interpreted as a minimum wage able to meet the fundamental needs of individual workers and their families. This is a concept already contemplated by Article 36 of the Italian Constitution, which reads: "Workers have the right to remuneration commensurate with the quantity and quality of their work and, in all cases, to remuneration that is sufficient to provide them and their families with a free and dignified existence'.

In global terms, the group that has developed the most cohesive living wage proposal is the Asia Floor Wage Alliance, a group of trade union and non-governmental organisations not only from Asia (Bangladesh, India, Indonesia, Hong Kong, Malaysia, Pakistan, Sri Lanka and Thailand), but also from Europe and North America.

In 2009, this group introduced a system for calculating a living wage applicable in various Asian countries. The starting point is the definition of living wage, interpreted as a salary that, earned from 48 hours of work a week, allows the individual worker and his/her family (partner and two children) to meet basic needs, namely: food, accommodation, clothing, healthcare, energy, transport and education⁶.

With regard to food, the group warns that the composition of this component varies from country to country based on habits and customs. The suggestion is that a food basket is prepared, taking into account nutritional needs in terms of quality and calories, so as to reach 3,000 kilo-calories for adults and 1,500 kilo-calories for children.

Non-food items, too, vary from country to country according to standards in individual nations. The proportion of wages set aside for clothing, power needs, accommodation and healthcare depends on the climate, price policies applied by Governments, and public services provided at no cost. It also depends on the habits and customs of each country in relation to special circumstances, such as births, marriages and funerals. It is therefore difficult to define universal parameters for expenses other than food, that might be valid for all countries.

One way of getting around this problem is to find out how an average family in the country allocates its budget. In Indonesia, Bangladesh and other countries, for instance, non-food expenses usually take up half the family income. In India, the Ministry of Employment has stated that workers spend 52.2% of family income on expenses other than food. In Thailand, on the other hand, the sum represents 40% of the total budget.

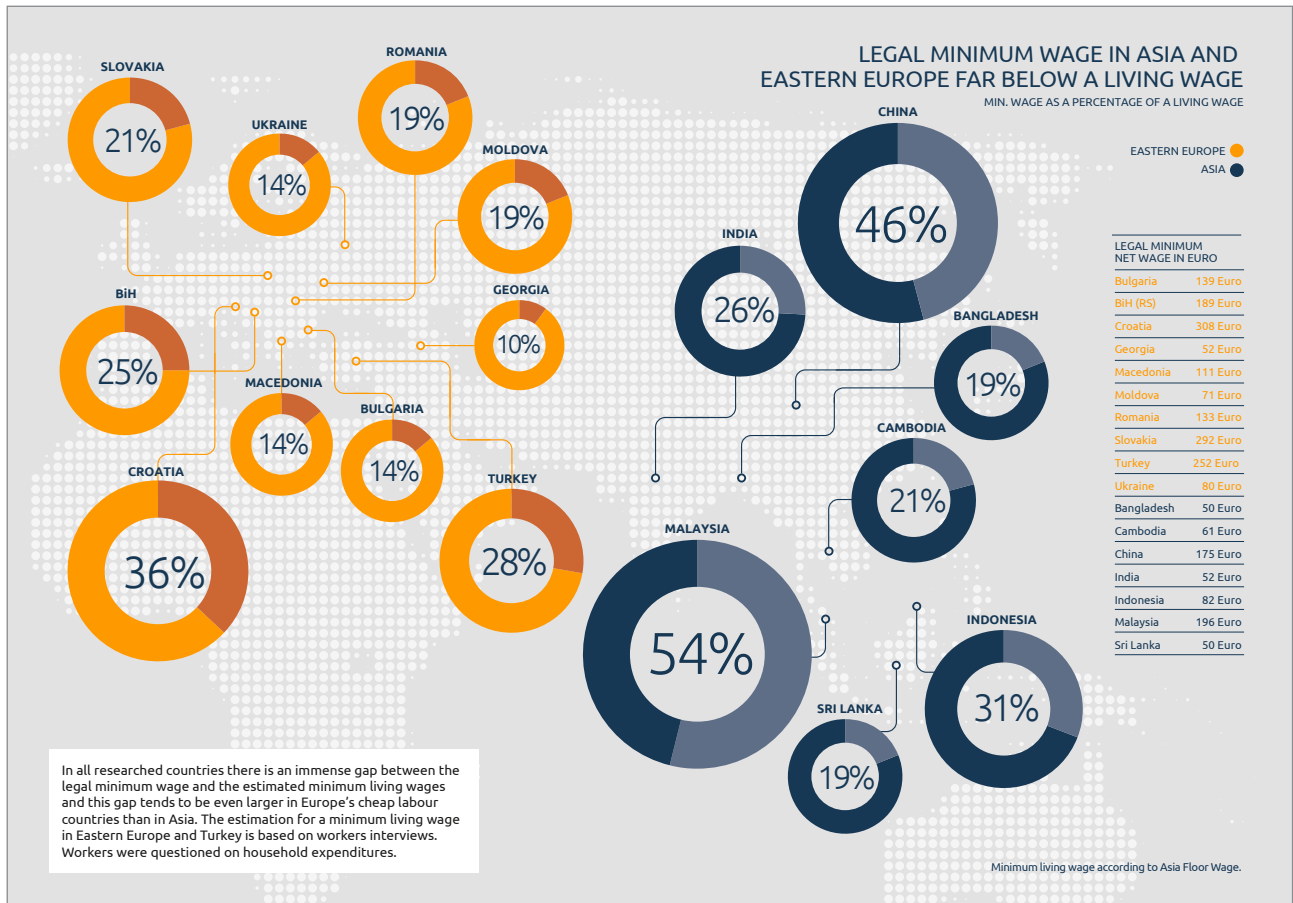
5 Eurofound, Working poor in Europe, 2010

6 Jeroen Merk, Clean Clothes Campaign, Stitching a Decent Wage across Borders: the Asia Floor Wage Proposal 2009

On the basis of these data, the Asia Floor Wage Alliance has decided to determine expenses for needs other than food by multiplying food costs by a coefficient resulting from a country-based analysis.

The graph below shows living wages calculated for some countries, and a comparison with corresponding minimum wages.

So how does Italy rank in this area? In the pages below, we have provided a snapshot of the garment and footwear industry in Italy, and a comparison with the provisions of contracts and the living wages calculated by Istat (Italian national institute of statistics).



Work in the Italian fashion industry

A changing sector

At the turn of the 19th century, the city of Milan, now a world capital of conceptual fashion, was a centre of Italy's textile industry. The 'Textile Arts', the official journal of the National Federation of Textile Workers, described the dawn exit of women workers from factories in the province after a night shift in 1903 as follows: 'Pale, worn out, covered in dust, hair unkempt, with huge bags under their eyes, branded by fine dust, fatigue and exertion'⁷. Emissions from macerated fibres, stagnant dust and unprotected machinery claimed as many victims as malnutrition and long working hours, making the factory an extremely dangerous and hazardous place. Tuberculosis caused the death of spinners and weavers at a young age much more than in other sectors. One of the causes of this disease was an operation involving the use of the lips to thread the eye of the shuttle, which would remain forever in the memory of future generations associated with the frightening image of the 'kiss of death'. Even though alternative machinery was available, industrialists did not use it, because they had at their disposal numerous workers, at low cost and easily replaceable. Wages were decided by the employer, and rates were subject to arbitrary reductions at any time.

Female workers began to organise themselves, and textile workers have the accolade of being the first in Italy to fight for working hours. This led, in the early 20th century, to a 10-hour working day, and totally new claims by workers, as shown by the strike of 400 textile workers in the company Da Re, who stopped production for days during the busy season in July 1899, forcing the owner to introduce the fundamental principle of a minimum wage and internal rules drafted by the workers themselves.⁸

History teaches us that acquired rights are never for ever, and after the great trade union struggles after World War Two, which led to collective labour agreements, the first comprehensive laws on health and safety, the Workers' Statute, and complete trade union freedom, today globalisation has changed the situation completely, returning us to an industrial world that is not very much different from the situation in place one and even two centuries ago.

⁷ Fiorella Imprenti, *Operaie e socialismo* : Milano, le leghe femminili, la Camera del lavoro (1891-1918), Milano, Franco Angeli, 2007, p. 71

⁸ Fiorella Imprenti, *Operaie e socialismo* : Milano, le leghe femminili, la Camera del lavoro (1891-1918), Milano, Franco Angeli, 2007, p. 33

The fashion industry, which includes the textile, clothing, footwear, leather, eyewear and fashion accessories sectors, continues to drive the economy in our country, second in the manufacturing sector only to metalworking, and is the top industry in terms of female employment⁹.

The sector is characterised by a significant presence of small- and medium-sized companies, including craft firms, employing an average of 8.5 workers per firm.

In the early 1990s, at a time when producer firms were starting to move towards countries offering low-cost labour, seeking commercial expansion and maximum profit, the number of workers in the sector was well over a million¹⁰, representing almost all segments of the supply chain, except for the cultivation of fibre plants¹¹.

The international economic and financial crisis of 2007-2008 had a particularly negative impact on this sector, which had already been in recession for at least ten years, a period during which the relocation of producers, the reorganisation of production models and the need to compete with countries offering low-cost labour removed from the market a large number of small-sized firms making their own products or working in the supply chain of big brands.

The result has been a net reduction in the number of firms in the sector and in the number of jobs, which was already somewhat in decline. Between 2007 and 2012, the number of workers in the Italian textile-clothing industry (excluding footwear) went from 513,000 to 430,000, a drop of 16%, and the number of firms fell from 58,000 to about 50,000, a drop of 13%, accompanied by a reduction in sales revenue of almost 10%.¹²

Business crises have been tempered somewhat over the years through the use of so-called social buffers, in particular the earnings supplement fund (CIG), but, despite avoiding mass dismissals and ensuring that workers have income while they are dealing with temporary economic difficulties, these mechanisms have not always been able to provide a bridge to recovery of production activities.

⁹ The fashion sectors in Italy are those sectors of industry that record the highest rates of women workers, ranging from 75% in garment making to 60% in textiles and 50% in footwear, compared with an average in the manufacturing sector of 30%.

¹⁰ Clemente Tartaglione (a cura di), *I principali numeri sull'occupazione del tessile-abbigliamento italiano prima e durante la crisi* : con un focus sull'Europa, 2014

¹¹ The growing of linen and hemp was abandoned for good in the 1950s. Up until that time, Italy was the second largest producer in Europe in terms of the quantity of hemp for the textile sector and the leading country in terms of fibre quality.

¹² Source: ISTAT data processed by SMI, Movimprese, Sita Research and sample surveys, 14 May 2013.

TABLE 3

Use of earnings supplement fund
in the fashion industry in 2011

Source: Inps Annual report 2011

| Sector | earnings supplement hours ⁽¹⁾ | extraordinary earnings supplement hours ⁽²⁾ |
|------------------|--|--|
| Textiles | 28.162.820 | 16.014.787 |
| Clothing | 16.990.311 | 17.258.925 |
| Leather/footwear | 6.199.585 | 9.163.946 |

(1) Ordinary CIg can be claimed in the event of temporary events not attributable to the employer or to workers, such as a temporary market crisis.

(2) Extraordinary CIg can be claimed in the event of bankruptcy and/or corporate restructuring.

Veneto, Tuscany and Campania regions under review

Despite these difficulties, the textile and clothing sector (excluding footwear) accounts for 10% of the total added value of Italian manufacturing and 14.2% of job numbers¹³. This sector has the same importance within the 27-Member EU as a whole, considering the fact that about one third of sales revenue for the sector and about 28% of companies are Italian¹⁴. Italy's footwear industry, in turn, was the world's tenth largest producer in 2011, with 80,000 workers, almost two thirds of all workers in the footwear sector in Europe as a whole¹⁵.

In terms of worldwide trade, Italy is in second place, behind China, for clothing, footwear and leather items, and fourth for textile products¹⁶.

Italy's textile, clothing and footwear sector is concentrated in nine regions: Veneto, Lombardy, Emilia-Romagna, Tuscany, Umbria, Marche, Molise, Campania and Apulia. The three regions covered by our survey (Veneto, Tuscany and Campania) record high values in terms of the number of workers and firms, and for exports¹⁷. The provinces in which the textile-clothing sector is most present in terms of the number of workers are Fermo (36.2%), Prato (35.5%), Biella (25.8%), Barletta-Andria-Bari (17.4%) and Macerata (15.4%). In absolute terms, the provinces

in which the highest number of workers are employed in the textile-clothing and footwear sectors are Milan, Naples, Rome, Florence and Vicenza; in these provinces over a quarter (25.2%) of workers are employed in the sector.¹⁸

One distinctive trait of the textile, clothing and footwear system in Italy is the concentration of manufacturing firms in specialist industrial districts (among the best known are the wool and knitwear district of Biella, the sports footwear district of Montebelluna, and the jeans district in the Marche region).

Our research examines three regional settings in the North, Centre and South of the country (Veneto, Tuscany and Campania) and, within those regions, three specific production areas: the footwear district of Riviera del Brenta for Veneto, the textile-clothing district of Prato, the leather goods district of Florence and the footwear district of Valdinevole in the province of Pistoia for Tuscany, and the fashion system in the province of Naples for Campania.

These sectors play an important role in the respective regional economies, but their production systems and labour markets are extremely different in terms of quality, type of product, general labour market characteristics, presence of foreign labour and women workers, and percentage of undeclared employment, and consequently percentage of undeclared production.

The aim of this process is to provide an overview of working and pay conditions in these areas, and thus of the national context, looking at a range of production, from craft or garment-making firms to luxury manufacturing centres.



¹³ Source: ISTAT data processed by SMI, Movimprese, Sita Research and sample surveys, 2012.

¹⁴ Source: ISTAT data processed by SMI, Movimprese, Sita Research and sample surveys, 2012.

¹⁵ Ermeneia-Studi & strategie di sistema, Shoe report: fifth annual report on contribution of footwear sector to 'Made in Italy' movement, Milan, Franco Angeli, 2013.

¹⁶ Source: National Foreign Trade Institute, 2013.

¹⁷ Source: Processed from INPS, ANCI-Ermeneia 2012, ISTAT data.

¹⁸ Istituto Tagliacarne, *I numeri mai visti delle filiere: oreficeria, TAC, nautica, edilizia sostenibile*, 2012; consultabile sul sito www.unioncamere.gov.it/download/1834.html

THE FOOTWEAR DISTRICT OF RIVIERA DEL BRENTA (VENETO)

This is one of the main footwear districts in Italy, specialising in the production of women's shoes of medium and high quality. 90% of output is exported to Germany, France, Switzerland and some new markets, including Russia and China. A total of 550 firms work in the area, employing 10,000-11,000 workers, about two thirds of whom are women. Immigrants make up about 10% of the workforce, mostly Moroccan, Bangladeshi and Romanian. A further 10% are of Chinese origin, working almost exclusively in the 150-200 subcontracting factories owned by their fellow countrymen, a few dozen of which operate illegally or semi-illegally. A further 300-400 women workers are employed in their own homes doing hemming work, although their numbers are falling sharply following the relocation of this type of work. In the late 1990s, the manufacturing expertise of this area, provided at modest prices, drove some of the world's leading luxury brands to move to the district, taking over small and medium enterprises, and turning some medium-sized enterprises into their licensees or contractors. Louis Vuitton is now present in this district, with 400-450 employees, along with Giorgio Armani, with 170-200 employees, and Prada and Dior, each with about a hundred employees.

TEXTILE-CLOTHING DISTRICT OF PRATO, LEATHERWEAR DISTRICT OF FLORENCE AND FOOTWEAR DISTRICT OF VALDINIEVOLE IN THE PROVINCE OF PISTOIA (TUSCANY)

Tuscany's fashion industry centres on textile-clothing production (Prato, Empoli) and leather-footwear production (Valdinievole, Valdarno, Santa Croce), an area in which most production is concentrated, with almost 27,000 enterprises and 150,000 workers operating in the sector and producing over 37% of all exports for the region. While the historical, primary weaving sector is generally in decline, clothing production in the province of Prato has grown considerably over the past twenty years, due mainly to the impetus provided by Chinese entrepreneurs, who have entered the local production scene, initially with products requiring little specialisation but subsequently all but replacing existing local businesses. With regard to garment production, Chinese-run firms make up about 80% of all enterprises in the area. The Florentine leather goods sector (bags, wallets and purses, belts, luggage and footwear of medium-high quality as well as the luxury segment), bordering Italy's main tanning district (which employs a substantial number of immigrants, chiefly from Senegal), has trebled its output over the past decade, becoming the most important manufacturing centre in the world in this segment. International luxury brands operate here, both Italian and foreign, including Gucci, Ferragamo, Prada, Fendi, Louis Vuitton, Chanel, Dior and Céline.

THE FASHION INDUSTRY IN THE PROVINCE OF NAPLES (CAMPANIA)

In southern regions, the clothing and footwear industry, concentrated in Apulia and Campania, consists primarily of firms that cover the needs of the local market and contractors producing for clients in the centre-north of the country, partly destined for export. The fashion sector in Campania represents a little over 7,500 firms, about 60% of which are located in the province of Naples. There is a craft-based haute-couture presence in the area (men's clothes, formal dress, bags, gloves), which continues to work within a system of small and micro-contractors characterised by a varying degree of employment legality, and which is increasingly under pressure from foreign competition, mainly Chinese, but also Pakistani, in the garment-making sector. In the 'ready to wear' segment, a number of local brands have flourished (Coconuda, Original Marines, Piazza Italia and Alcott in the clothing sector; Carpisa for leather goods, Yamamay for lingerie), although almost all their production is based overseas. As regards the footwear sector, there are small craft-based enterprises, making expensive items, working alongside other medium-sized firms producing for brands such as Ferragamo, Sergio Rossi, Louis Vuitton and Melluso, the latter a well-known high-quality Italian brand. Nevertheless, a portion of production (cutting or hemming) has now been outsourced. One problem faced by the sector is that of counterfeiting, compounding the more general problems of undeclared work and wholly undeclared production.

Main conditions encountered in the areas under review

Labour in **Riviera del Brenta** is provided by the less well-off social classes, marked by low levels of education. Among those hired in the period 2008-2013, one tenth did not have any academic qualifications, half of workers held a basic school-leaving certificate, one fifth had an advanced school-leaving certificate, and only 5% were graduates.¹⁹ This picture is similar in part to that of the province of Naples, where workers are from the lower social classes and have low levels of education.

I am 48, I left school early. My father was a bricklayer, my mother worked from home... I started work after leaving school, first learning to be a home-based worker, for a year and a half, then in a factory. I spent a year in a shoe upper factory, five years in another, then for a while I did some cleaning. After that I started at Rossi Moda.

(female footwear worker, 2013)

Women and immigrants perform the most repetitive and simple jobs, while men are employed in services, in prototyping, design, leather cutting and assembly of footwear. The highest ranking and best paid professional figure in the process is the pattern-maker, whose job is to make a prototype from the designs provided by the designer.

The most common type of employment contract among Riviera shoe manufacturers is the open-ended contract. This type of contract accounted for 88.4% of all contracts in 2007, a little below the average for workers in the manufacturing industry in Veneto (91.5%).²⁰ Although numbers are falling steadily, about 400 home-based workers are still employed, working mainly on hemming and some cutting operations, in Tuscany (especially in the Empoli area) and in the Naples area.

Currently, about 20% of the workforce is of immigrant origin, about half of whom are Chinese, employed almost exclusively in enterprises owned by compatriots. Immigrants originate primarily from Romania, Bangladesh, Morocco and Albania.

Hiring via temporary employment agencies has increased with the presence of companies producing luxury items, with temporary workers increasingly being taken on subsequently under apprenticeships, with a view to moving on to open-ended contracts:

I have been working for seven years, I started with a temp agency. I did almost three months with them. After that I was an apprentice, with an open-ended contract. Then they took me on as a factory worker.

(Bangladeshi footwear worker, 2013)

One pattern maker hired by a leading brand spent five years under an apprenticeship contract:

I did a trial period for a month, then they took me on as an apprentice on a fixed-term contract. Five years, the most they could get away with. Obviously, they pay fewer social security contributions. At the start I was paid €900 a month. Then the pay rose gradually.

(pattern maker, 2013)

One issue that unites many workers is the length of time spent at particularly low contractual levels:

I didn't move up a level in fifteen years' work, to go up a level you have to give a lot, for instance if you do a lot of overtime you can go up in your boss's estimation, I have always asked for rises, but never been given one.

(footwear worker, 2013)

The presence of leading brands ensured that the district made it through the period of economic crisis, but there was also a decline in small manufacturers of medium-quality goods, whose names are not well known in international markets, and of their subcontractors:

It's the big names that are killing us, not the Chinese

(contractor, 2013)

Some operators that have closed down due to bankruptcy have been hired as production managers, but also as workers:

The person taking charge of the conveyor belt [on footwear assembly line] once had a factory of his own. Unit managers are usually people with experience. They can't just put anyone in charge if the factory is going to survive.

(footwear worker, 2013)

¹⁹ See the Silv database at the website Veneto Lavoro, www.venetolavoro.it.

²⁰ N. Parise, Popolazione e occupazione nel distretto calzaturiero della Riviera del Brenta, in P. Messina (ed.), Sguardo al futuro: il caso del distretto calzaturiero della Riviera del Brenta, Padua, Cleup, p. 65-94.

According to the results of a research conducted at the turn of the century, working hours in Riviera vary depending on production needs for two-thirds of the footwear workers interviewed, while job tasks were considered rather repetitive, and 30% of workers were required to do them within one minute. It comes as no surprise, therefore, that over 44% of the sample considered the pace of work to be stressful, significantly higher than the percentage for workers in other districts²¹.

With regard to working hours, in Riviera, as in other areas under study, the standard shift is the so-called split shift, from 8:00 am to 5:00-5:30 pm, with a break halfway through. The national collective labour contract (CCNL) makes it possible for businesses to increase weekly hours when this is required by production needs, and to recoup the hours worked in periods when work is scarce by means of compensatory periods of time off with a 20% increase in hourly wages. Work time flexibility (flexitime) involves the possibility of having to work for nine or more hours a day, usually five days a week, consecutively for some weeks (the CCNL agreement includes the possibility of flexible hours for up to 20 weeks a year). In the new national collective contract signed at the end of 2013, there is also the possibility that the limit of 96 hours of annual flexibility (Article 33-bis) can be exceeded through an agreement with the trade unions representatives at the factory level. In practice in Riviera del Brenta, agreements between trade unions and company management are often pure formalities, and sometimes there are not even any trade union delegates:

Usually we do an hour of overtime a day when there is a lot of work, but we do not get paid for it. They do flexitime. If you go over 120 hours a year, from the 121st hour they pay you an hour of overtime. We are lucky, however, because if we work on Saturday they pay at once, and they always do pay.

(footwear worker, 2013)

The practice of not officially declaring overtime is still present in some small and medium firms:

Especially on Saturdays; more than anything it's what we ask for, to tell the truth. Everything else is above board, he also gives us the money for contributions, which of course he does not pay in. But it's always us that get ripped off.

(female footwear worker, 2013)

The pace of work can be exhausting for the workers of firms working for the major brands. A woman worker employed by a firm that began to produce for the big brands in the late 1990s says:

They installed the electric conveyor belt, in order to go quicker, then they added hours, because they had to deliver, they were there with the lorry waiting to go. It was no longer a simple, unhurried job. They would say to you: "We have to make 90 pairs of shoes for tomorrow evening", and they still had to be cut. They were things that you had to do well, they were going to be worn on the catwalk. We also worked on Saturdays, almost always just in the morning. But someone also went in the afternoon. We were doing up to 12 hours a day during the peak times. Sometimes the soles were missing, sometimes the heels, and you find yourself having to do everything in a hurry, and instead of finishing at half past five you finish at eight o'clock.

(female footwear worker, 2013)

As well as pay-related aspects, some workers highlight the lack of recognition of the quality and effort that has gone into the work:

We often feel we are considered as just a number. In my unit, we are all well-trained and careful cutters. We do our job with care and dedication, including the tailors, women who are marvellously dextrous, and do the sewing work by hand, precious work that is an ancient art.

If they once said to us: well done!, it would be as good as a bonus, maybe even better. They see what we do more for the amount we produce and how much we are ready to work than for our contribution in terms of experience. Most of the time it all appears to be expected of us.

(cutter in clothing sector, 2014)²²



21 F. Belussi (2001), La condizione del lavoro dipendente nelle piccole imprese della Riviera del Brenta: una ricerca sulle aree distrettuali venete, in F. Belussi (a cura di), Tacchi a spillo: il distretto calzaturiero della Riviera del Brenta come forma organizzata di capitale sociale, Padova, Cleup, p. 165-196

22 Interview of Campagna Abiti Puliti, July 2014.

Injury risks are still present in the **footwear** sector, albeit to a lesser extent than in other manufacturing sectors. Crushed limbs and cuts continue to be a problem for work safety. One of the aspects highlighted by some interviewees is the wear and tear on the body, in particular with regard to carpal tunnel syndrome and problems associated with the high degree of repetitiveness of some tasks. The Italian workforce has on average twenty years of work experience, and is beginning to report a number of physical problems due to wear and tear. Other problems relate to the emergence of allergies to glues and dust. Quantitative data from INAIL (Italian national institute for the insurance against occupational accidents and diseases) do not, however, reflect the real extent of injuries, bearing in mind the amount of work performed illegally. For the **textile-clothing** sector, an auditor of working conditions on behalf of international fashion brands says:

I have not found evidence of many injuries relating to poorly maintained machinery. I do, however, see a lot of cuts. Workers using cutters without suitable metal gloves. But it really is impossible to cut while wearing a wire-mesh glove. I didn't believe it at first. They got me to try. When you put on one of these gloves, you have no perception of the fabric, you can't handle it. But in one way or another, you have to protect yourself. I'm not an engineer, and I don't know how to resolve this problem, but wire-mesh gloves must be worn: too many people have cut their fingers²³.

(auditor, 2014)

In all the areas examined, the low level of conflict with trade unions is a common trait. Few workers are trade union members, while almost everyone views union actions to be absolutely inadequate. In the specific case of Riviera del Brenta, the levels of trade union participation are relatively low, no more than 10%-15% of workers. Some of the workers registered with trade unions, probably around 10%, are migrants who join a trade union to solve red tape issues, and to be able to organise and defend themselves in the workplace.

Among the top brand names, it appears that Prada is the company in which trade union relations are most complicated, and working conditions most critical. Furthermore, Prada is the only luxury brand working in Riviera that applies the leather sector employment contract even though footwear is produced:

Prada applies the leather goods contract. But, it basically makes shoes. The leather sector contract is slightly lower in economic terms and as regards regulatory aspects compared with the textile or footwear contract. So it is quite a cunning choice.

(trade union official, 2013)

In **Tuscany**, in both the leather-footwear sector and the clothing (wedding gowns) and accessories (gloves, hats) sector, there are still forms of home-based piecework that are paid based on the patterns and the number of items made. These types of employment are part declared and part undeclared, as a home-based undeclared worker who sewed shoe uppers recounts:

I was sewing the uppers by hand, with a needle and thread. It's a hard job. It's made my arms ache. We [her and her son] would do 20-30 pairs. They paid me per pair, cash in hand. You would wake up at 6 o'clock, but be at home, so you could watch TV while you worked, and you would go on until the evening, pulling the thread all day [makes a sewing gesture] because you have to do this movement. So, all day doing this, in order to make €500 or €600 a month. Then I got these pains, and had to stop. It wasn't difficult to find this job: my sister was already doing it. But now she does something else. She makes hats. Still from home. It's a small factory, the job is still sewing using the machine, but now she's insured. She sews on the machine and has a part-time contract.

(home-based worker, 2013)



In the province of **Naples**, the sector is characterised by the intensive use of undeclared labour, which is distributed as shown in Table 4.

TABLE 4

Types of enterprises in the sector in Campania and extent of undeclared employment²⁴

| Type of enterprise | Reference market | Extent of undeclared employment |
|---|--|---|
| Enterprises working for themselves | Medium-high, strong craft tradition, foreign market | Absent, but possible In subcontractors |
| Enterprises working partly for themselves and partly for others | Final enterprises, medium-low products | Especially for low-quality goods, working for others |
| Contracting enterprises | Ready to wear for local or national final enterprises (leading brands); medium-low quality product for local/national market | Greater spread of undeclared employment, especially in firms making low-quality goods |
| Specialist enterprises | Eg sewing for textile firms, stitching operations for footwear firms, binding, heel layers | Greater spread of undeclared work and informal enterprises |
| Completely underground enterprises | So-called parallel and legal production; orders from wholesalers | Production unit completely undeclared |



²⁴ Adapted from: G. D'Onofrio, Nero e grigio: i colori del sistema moda in Campania: processi di esternalizzazione, grandi griffe ed economia sommersa, 2013. Sociology degree thesis, Faculty of Sociology, University of Naples.

It is also fairly usual in **Naples** for work to be handed down from father to son, so workers in the sector usually do not have a good school education, and begin to work at a very young age. They are used to hold a job as informal workers for many years, in some cases in family firms:

I began to do what I do now at the age of 14, working in my uncle's firm, a workshop with about twenty workers, which made women's suits (jackets and skirts) for retailers and wholesalers. Most workers did not have a contract, most certainly those related to the owner, while the other ten girls had a contract, even though they did not always do what was written in the contract.

(cutter in clothing sector, 2013)

In small contracting firms in the footwear sector, work is often based on daily production targets; it is not piecework as such, since it is agreed that the working day is 9-10 hours, and all possible production is done within that period of time. The smaller the firm, the less there is a clear-cut division of work, but this is because, in part, many workers come from a long professional apprenticeship, albeit often unofficial, which has enabled them to acquire a range of different skills.

Probably the most interesting point to emerge from the surveys in Tuscany and Campania is the presence in many firms, if we exclude those with a trade union presence, usually (but not always) employing over 50 workers, of both declared and undeclared employment, which often takes the form of workers hired with part-time contracts that work all day, or workers, especially in recent years, who have been made temporarily redundant and are called back by the firm to carry on working regularly alongside those not affected by redundancy. Then there is the practice of prolonging the working day, at the end of the shift or at the weekend, without overtime pay, or of classifying workers in lower categories to pay lower wages. One example of this is workers hired as apprentices, but who perform level I or II factory worker jobs:

I can generally say, in this area at least, that firms complying with legislation on wages, working conditions, safety, etc. are in the minority. The most common misdemeanours are false pay slips, and the absence of legal employment relationships. But I have to say that the techniques employed have become more subtle over the years. Firms also pay by cheque or bank transfer, but the worker has to go right back to the employer and give back a portion of the pay that he/she should not have received. So while wages are correctly calculated on the pay slip, wage reductions are a widespread practice. Grey labour is perhaps the most common form of remuneration in this sector.

(work lawyer, 2013)

An auditor looking into working conditions on behalf of international fashion brands says:

I have come across some cases of child labour. The first was in Naples nine years ago, the second four-five years ago, again in Naples. The first time it was, I think, an unannounced audit, in any case the firm was not expecting me, and there was this girl working at a sewing machine. She was the daughter of one of the workers, but who was not registered anywhere. She must have been 13 or 14 years old. The second case was another girl, who did however appear on some papers: she was on health and safety documents, she had done a course in the firm. I realised that, more than anything else, the firm was not aware of the seriousness of the offence.²⁵



Chinese businesses

A parallel district

In Italy, there is a large and well-established community of immigrants from China, which began to form in the period between the two world wars, although migratory flows grew in particular in the 1980s and 1990s. The Chinese community is the third largest non-EU foreign community in Italy in terms of numbers (over 300,000 legal residents in 2013)²⁶. The first Chinese to come to Italy were mainly pedlars and workers making bags and ties,²⁷ who managed to find a place in the Italian economy using their professional skills. The cohesion of family networks has led to the organisation of work in ethnic workshops, where both employers and workers are Chinese, operating as subcontractors for Italian enterprises chiefly in the clothing, leather goods and bag- and shoemaking sectors. Chinese workshops have made a fundamental contribution in maintaining the competitiveness of the Italian fashion industry, providing their clients with flexibility and cost reductions.

Individual Chinese enterprises make up 8.8% of all firms operating in Italy in the textile-clothing sectors, and are situated all over the country. This number doubled in the period 2000-2005 (4% in the year 2000). Individual Chinese enterprises in the leather goods and footwear sectors made up 9.5% of the total in 2005, compared with 5.8% in the year 2000.

In Tuscany alone, Chinese enterprises make up 19% of all firms in the garment sector and 22% in the leather goods and footwear sectors²⁸.

In the historic district of Prato, in Tuscany, 3,600 textile-clothing and leather goods firms are owned by Chinese. In the garment-making sector, Chinese-run enterprises make up about 80% of all active firms²⁹.

In recent years in Prato, one of the biggest Asian communities of Europe (second only to that of Paris) has formed, and this community has silently and methodically penetrated the various phases of the clothing supply chain. The characteristics typical of work performed in Chinese undertakings (extreme flexibility, massive use of piecework, family labour, extreme cost

cutting) have proven to be a valuable resource for Italian businesses, which have made increasing use of small Chinese workshops, exploiting their organisational model in order to cut production costs. Chinese workers first entered the home-based work circuit with an extremely low labour cost, before taking a step upwards and becoming entrepreneurs and clients. The economic strength of the community has grown in tandem with the rising number of immigrants arriving, mainly in the mid-1990s, first illegally and then legally through the regularisation of residency offered by new laws.

INDEPENDENT PRODUCTION SITES

While the entry of Chinese labour has allowed garment-making firms to stay in business and combat the crisis, the characteristics of the production model and Chinese immigration trends have pointed to the possible creation of a district within a district, in other words of a 'parallel district'. This definition refers not so much to a Chinese economy removed from the local productive context, with which it nevertheless interacts in various phases, from the renting of production plants to the purchase of machinery, export services and accounting, as to the fact that the Chinese economy in Prato is not a part of the chain, but, rather, a veritable 'enclave', an autonomous and separate production area that accommodates and employs almost exclusively new immigrant labour of Chinese nationality.

26 Ministry for Employment and social policies, *La comunità cinese in Italia: rapporto annuale sulla presenza degli immigrati, 2013* (http://www.integrazionemigranti.gov.it/Attualita/rrPunto/Documents/2c13_Comunita_Cinese_vo.pdf).

27 Antonella Ceccagno (a cura di), *Il caso delle comunità cinesi: comunicazione interculturale ed istituzioni*, Roma, Armando Editore, 1997, p. 31.

28 Antonella Ceccagno, Renzo Rastrelli, *Ombre cinesi?: dinamiche migratorie della diaspora cinese in Italia*, Roma, Carocci, 2008, p. 72-73.

29 Chamber of Commerce of Prato, *L'imprenditoria straniera in Provincia di Prato, 2013*, p. 7-8.

Subcontractors for all

In recent years, concern has been growing about the legality of many of the activities performed by Chinese enterprises in Prato, not just the use of labour without residence permits, but also undeclared employment relationships, under-the-counter payments, tax evasion, long working hours and night-time work. What is very revealing is the fact that the sense of alarm increased within a section of local operators when many Chinese firms broke away from their traditional role of subcontractors and expanded into the ready-to-wear sector, taking control of all phases of production and distribution.

In their capacity as subcontractors, Chinese entrepreneurs produce for both Italian firms interested in quick deliveries and low labour costs and for those interested in higher quality work that comply with employment rules. A survey conducted a few years ago through interviews with Chinese businesses supplying Italian firms showed that the most commonly cited names were Armani, Ferré, Valentino, Versace and Max Mara³⁰. Indeed, quite a lot of Chinese subcontractors were working with Italian firms. These firms are legal in terms of taxation and employment aspects, but they pay the penalty for working in a subcontracting system focussed on constant cost-cutting. One trade union representative says:

Despite now being a not insubstantial link in Tuscany's supply chain, in particular in the luxury sector, Chinese businesses usually stay in the shadows.

(trade union representative from Prato area, 2013)

A BUSINESS KEPT IN THE SHADOWS

Chinese entrepreneurs complained about the fact that they had to deal with Italian businesses who would say 'this is the the price I pay'. Then, when they saw they were Chinese, they would say, 'no, wait, it's half that'. Just seeing a Chinese person meant being able to manoeuvre more with the price. But the opposite can also happen, where a firm may not wish to showcase the Chinese presence in the business, even if it works with declared firms, because it is afraid to let people know it is working with the Chinese.

As one journalist notes:

Sometimes the luxury sector and the Chinese come into contact, because there are Chinese working for Ferragamo, for Chanel, for Cartier, as producers in the leather goods supply chain in Florence. This happens above all in the leather goods sector, but a lot less in the clothing sector, although in Empoli there are Chinese working for Dolce & Gabbana, Armani, as suppliers for Italian firms, which are the main client. The big brands protect the supply chain very jealously, and are therefore unlikely to tell you who their suppliers and subcontractors are. The most transparent in this sense is Gucci, which has been working on its supply chain, but the other big names are a lot less transparent.

(economic journalist, 2013)

Excessive fragmentation and complexity, with long subcontracting chains, have, over time, essentially created conditions that cannot be monitored and thus controlled:

This is what happened in our district, which had a tradition in the leather goods sector, a situation in which the grey market reigned supreme... Chinese firms, unventilated basements..., the subcontracting chain came right to the home, with family members sticking on the label.

(textile entrepreneur, Florence, 2013)

In production areas in Campania too, the arrival of Asian immigrants, Chinese and Pakistani in particular, gave preference to the use of low-cost labour (fuelling the exploitation of foreign workers) and created strong competition with local labour. In recent years, Chinese and Pakistani businesses have presented themselves directly as entrepreneurs in the garment-making business. The Chinese have now taken over much of the sales of fabrics and accessories for sewing activities:

The Chinese produce with final prices that local entrepreneurs could not even offer to cover their costs. Many small owners have closed down their workshops and, if they had a special skill, they are now working as employees for more stable firms. A friend who was the owner of a small firm that made leather jackets is now working with me, because Chinese production pushed the firm completely out of the market. Today in Grumo [province of Naples], there are a large number of Pakistani businesses making women's garments.

(cutter worker, Naples area, 2013)

30 Antonella Ceccagno; Le migrazioni dalla Cina verso l'Italia e l'Europa nell'epoca della globalizzazione, in Antonella Ceccagno (a cura di), Migranti a Prato: il distretto tessile multietnico, Milano, Franco Angeli, 2003, p. 25-68

Two television programmes looking at the world of high fashion broadcast in 2007 and 2008 revealed for the first time to the general public the very close ties in place between undeclared Chinese factories operating in the control-free subcontracting chain and the luxury sector, both Italian and foreign, with production activities in Italy: Fendi, Dolce & Gabbana, Prada, Dior, Ferré, Ferragamo, Valentino, Burberry, Chanel, Max Mara and Louis Vuitton.³¹

and there is a gas canister. Windowless places, and the stairs taking you down to the production zone are probably packed with cardboard boxes filled with fabrics. I am always reading about the inspections performed by the Guardia di Finanza on Chinese subcontractors. They close them down, but then they re-open. How do they do it? They open it in their wife's name, her name and the firm's name are different. But then, this economy brings money into Italy, so perhaps the authorities turn a blind eye to it, otherwise the top brands would not be here³²

(auditor, 2014)

Speed, at the expense of workers

The Italian public was very upset by news of the tragedy of the Chinese low-cost clothes factory that went up in flames in December 2013 in Prato, killing seven people in a part of the city where dozens of industrial sites were located, almost all rented to Chinese garment makers operating in the underground economy. Working conditions brought to mind images from other countries: round-the-clock work, illegal employment of illegal immigrants, beds created on mezzanine floors used as dormitories, doors and windows barred with gratings. This tragedy highlighted the inability of public institutions and prevention bodies, such as INAIL's labour Inspectorate, for years the victims of economic cuts and restructuring, to ensure an efficient public system to monitor the health and safety of workers.

An auditor of working conditions for leading foreign brands that have suppliers in Italy says:

When the client asks me to go to a Chinese subcontractor, it is for a full audit. When I go around the production area, I check the papers, I try to talk to employees. But it's very difficult, because they do not speak Italian, and even if I have an interpreter, they do not trust me. At first sight, you may see nothing unusual, apart from enormous quantities of cloth everywhere, because they naturally have large orders. Perhaps the sites are poorly maintained, but that is often also a trait of Italian subcontractors. The problem starts when you ask for documentation, when you ask to see the chamber of commerce registration, standards certification, when you ask for information about the person renting out the building, or registration of personnel at the employment office. They might have one or two employees registered with the employment office, but they may not actually be among those working there at that time. The main problems of Chinese subcontractors are illegal labour and the non-management of health and safety. They might have a fire extinguisher, but it is empty, they have dormitories like those in the factory that burnt down in Prato last month. I have seen a number of dormitories, and I can assure you that they are terrible, because 15 people are expected to sleep in a room as big as this one, there is space for the kitchen

In Riviera del Brenta, the type of production – women's shoes of medium-high quality – requires sophisticated production techniques and a particularly skilful workforce. The degree of relocation to other countries is less than in other sectors due to the need to maintain quality levels and meet production deadlines. There are, however, many firms that resort to relocation to eastern Europe, in particular for the hemming phase.

The need to keep production costs low and to prepare collections very quickly has driven businesses to resort increasingly the use of local contractors, in particular Chinese workshops, whose number has grown since the year 2000. The percentage of foreign-owned firms has risen considerably in recent years, a situation that is also the result of the closure of numerous businesses. The estimated number of Chinese enterprises varies and can be assumed to be around a hundred. Chinese enterprises can work directly on behalf of luxury brands or, more often, form part of the subcontracting chain, combining low-quality production with medium or high-quality output. The key aspect relating to the use of Chinese workshops does not appear to be just cost cutting, but also the extreme flexibility of working times, ensuring almost real-time responses to production needs, as an Armani manager says:

You have to admit that the Chinese are extremely competitive as regards the time factor. The Chinese firms we work with are all correctly registered [with the Chamber of commerce] and certified, above all we go and visit them, they come here, they have a responsiveness and a flexibility that local businesses struggle to achieve. But we also have some excellent local [Italian] entrepreneurs.

(manager, 2014)

31 Schiavi del lusso, 2 December 2007; Disoccupati del lusso, 18 May 2008 ("Report" programme broadcast on RAI 3).

32 Interview of Campagna Abiti Puliti, January 2014.

In some cases production is low quality. A former female worker, for instance, notes:

The upper shoes to be sewn were cut inside [in the factory] then they were given out, then they did everything themselves. They gave them to you already sewn, then they were moulded. The stitching was not well done. The big brands, like Dior, knew how they were done. But you know, they always work, and ask for little. When we went on holiday, we would come back and there would be a lot of work ready to do, they had already done everything. They always worked on Saturday and Sunday.

(former factory worker, 2013)

In recent years, law enforcement agencies and labour inspectors have performed a number of operations to combat illegal labour, which have involved suppliers for well-known brands such as Prada, Louis Vuitton, Chanel, Dior and others. Over time, the presence of Chinese businesses has ended up being a source of conflict, and both some local businesses and trade union organisations have complained about the unsustainability of the system. In 2013, the provincial union leaders of Filtem-Cgil reported that half of Riviera output was through Chinese workshops.

Big companies, leading brand names, are beginning to play on the price of the product. So, I have to make 100 heels? You are asking for 40 a heel? I ask you if you can do it for 20. Why? Because I can find someone that will do it for 20, perhaps even less: they are the Chinese. It is clear that, at that point, a war breaks out in Riviera del Brenta, and indeed in the sector as a whole, between those asking for legality and those who try to handle the situation in their own way. There are those who are brave enough to report the situation, and indeed nine months ago the Heel-makers Association was formed, as they are the hardest hit by the Chinese.

(CGIL trade union official, Venice, 2013)

A 'creative' solution to reduce production costs, maintain control over quality of the product and avoid situations of illegality is to 'incorporate' the Chinese subcontractor into the firm, reserving a unit for its activities. This solution has been chosen by one of Italy's biggest industrial dye-works:

Inside our structure, we have a Chinese firm, with which we collaborate, not just for labour cost reasons. They do all machine work on jeans [brushing, papersanding, chemical fading, etc., editor's note]. But we have provided the best technologies, the laser unit is managed by them, with the supervision of one of our engineers, but the personnel are Chinese. The Chinese are very productive, take fewer breaks and are more efficient. Personnel are hired legally by a company managed by Chinese, in accordance with Italian employment rules. They perform repetitive, mechanical operations that Italian workers do not want to do any more. They prefer to monitor machinery and do more gratifying jobs. It would have been difficult for us to replace retiring workers. If we find them, they are immigrants, in particular Senegalese³³.

(owner of industrial dye-works, 2013)



Wages and contracts

A host of contracts, a host of contractual levels

In Italy, as in some other EU countries (Austria, Cyprus, Denmark, Finland and Sweden), there is no compulsory minimum wage. The level of pay is established by bargaining among social partners, namely between employers' associations and trade union organisations, through national collective labour agreements in different sectors.

We should stress that contractual pay levels are pre-tax values. The actual figures that workers will pocket are therefore influenced by tax rates and social security withholdings. While withholdings for social security contributions can be quantified at about 10%, tax rates are impossible to calculate in advance, because they are significantly influenced by the number of family dependents.

While they have lost a measure of their powers of representation in recent years due to reduced membership and, more generally, a fall in the number of workers, Italy's trade unions, some of the strongest in the Western world, still retain their negotiating power. The past twenty years have seen the emergence of 'uncharacteristic' forms of employment in the production sector (for example project-based contracts, and various forms of temporary employment), and this, combined with the difficulties observed in bringing wages into line with price rises through the mechanism of contracts, has fuelled the debate on the level of economic protection required for workers. The mandatory minimum wage, like the basic (so-called citizenship) income or social income for workers removed from the production process, is one of the proposals currently being discussed. In Italy, only the old age pension has minimum levels set by national laws.

The current contractual model is based on two levels:

- the national collective agreement (level I contract) (CCNL), valid for three years, which governs employment relationships and general rules regarding economic and regulatory treatment.
- the company agreement (level II contract), of the same duration, entered into by the employer and trade union representatives elected by workers in the workplace. The company agreement governs matters delegated thereto by the national agreement (for example, the or-

ganisation of work, working hours, job duties, worker training, etc.), with special reference to economic incentives in the form of production or attendance bonuses.

Company agreements are not mandatory, and their application depends on the rate of unionisation within firms (which is generally higher in larger-sized firms), on the ability of firms to generate profits, and on the readiness of employers to invest economic resources in innovation and better working conditions.

The main national collective agreements governing the textile-clothing and footwear sector are the Textile Clothing Fashion CCNL for industrial operators, the Footwear CCNL for industrial operators, and the Textile Clothing Footwear CCNL for craft firms.

Contracts for craft firms differ considerably from those for industrial enterprises in terms of pay, with a gap of about €150-200 per month (before taxes). To be defined as such by Chambers of Commerce, craft firms cannot employ more than 19 workers, even though the type of production may be similar to that of industrial firms. They employ about 200,000 people, including 75,000 employees, out of a total of 750,000 workers in the fashion industry as a whole (textiles, clothing, footwear, leather goods, tanning, eyewear, fashion accessories)³⁴

While, for a big name company, labour costs do not normally exceed 8%-10% of sales revenue, the cost for a craft firm can represent up to 80% of sales revenue, in relation to the considerably lower ability to generate income³⁵. Small and very small enterprises may also choose to apply the contract applicable to industrial concerns, which, unlike the craft contract, contemplates payment of a contribution to the earnings supplement fund, partly covering pay-outs to employees in periods when production has been halted due to economic crises. Craft firms are exempted from paying in this contribution, but, consequently, they are not permitted to take advantage of it.

³⁴ Trade union source, August 2014.

³⁵ Trade union source, August 2014.

TABLE 5

Clothing industry: overview of minimum contractual pay before tax withholdings and social security contributions

Textile Clothing Fashion CCNL for industrial operators – 2014–2016, with gradual wage rises (13 monthly payments) (*)

| Worker category | Position (simplified) | Monthly pay 2014 € before taxes | Monthly pay 2015 € before taxes | Monthly pay 2016 € before taxes |
|-----------------|-------------------------|---------------------------------|---------------------------------|---------------------------------|
| 5 | Tailor/Couturier | 1.640,45 | 1.713,70 | 1.734,05 |
| 4 | Cutting | 1.557,51 | 1.629,51 | 1.649,51 |
| 3 | Complete garment making | 1.522,81 | 1.592,06 | 1.611,29 |
| 2 | Simple garment making | 1.415,57 | 1.479,01 | 1.496,63 |

(*) to be added to the above minimum values:

- individual rises dependent on length of service in the same firm;
- payments set down in company agreements. If company agreements are not entered into, workers will in any case be paid €280 a year before taxes. Bearing in mind that the previous contract had established an amount of €200 for the same purpose, considered to be an acquired right, if no company agreement is concluded, each worker receives a total of €480 a year.³⁶

TABLE 6

Footwear industry: overview of minimum contractual pay before tax withholdings and social security contributions

Footwear CCNL for industrial operator – 2013–2015, with gradual wage rises (13 monthly payments) (*)

| Worker category | Job (simplified) | Monthly pay 2014 € before taxes | Monthly pay 2015 (January) € before taxes | Monthly pay 2015 (July) € before taxes |
|-----------------|---|---------------------------------|---|--|
| 4 | Hemming/cutting/pre-assembly - high quality | 1.563,50 | 1.626,50 | 1.649,50 |
| 3S | Cutting/stitching/pre-assembly | 1.529 | 1.590 | 1.612 |
| 3 | Sewing/soles/heels | 1.495 | 1.555 | 1.577 |
| 2 | Simple processes | 1.420,50 | 1.477,50 | 1.498,50 |

(*) to be added to the above minimum values:

- individual rises relating to length of service in the same firm;
- any payments set down in company agreements;
- €200 before taxes per annum for all employees from firms not entering into a company agreement.

TABLE 7

Craft-based clothing-footwear sector: overview of minimum contractual pay before tax withholdings and social security contributions

Textiles Clothing Fashion CCNL for craft firms – 2014–2016, with gradual wage rises (13 monthly payments)

| Worker category | Job (simplified) | Monthly pay unchanged vis-à-vis previous CCNL 2010–2012 € before taxes | Monthly pay 2014–2016 (*) € before taxes Textiles-clothing | Monthly pay 2014–2016(*) € before taxes Footwear |
|-----------------|----------------------------------|--|---|---|
| 4 | Workers, complex tasks | 1.311,75 (Textiles-Clothing) 1.319,20 (Footwear) | | |
| 3 | Workers, medium difficulty tasks | | 1.283,03 (2014) 1.323,03 (2016) | 1.290,56 (2014) 1.330,80 (2016) |
| 2 | Workers, simple tasks | 1.203,47 (Textiles-Clothing) 1.211,67 (Footwear) | | |

(*) the renewal of the contract in July 2014, provided for a €65 rise per annum for level 3 workers. To be added to the above minimum values:

- individual rises relating to length of service in the same firm;
- any payments set down in company agreements.



Company bargaining

Company bargaining (or geographical bargaining if defined, for example, and more rarely, in terms of industrial district) is used to conclude contracts that are valid for three years, like the collective agreement, and, in economic terms, seeks to reward workers with wage rises as they attain pre-determined productivity and efficiency goals (results-based or productivity-based bonus), depending on the firm's ability to generate profits.

Worker pay resulting from level II agreements is, therefore, a variable component of the pay structure. To encourage more widespread use of company bargaining, incentives are subject to tax and social security relief.

In the Italian fashion sector, only about 10% of firms, or 25%-30% of workers, enter into level II agreements³⁷ (compared with 22%-25% in 1998/99, and only 5% in 2006 for larger companies)³⁸. This can be explained by the substantial percentage of small firms in the total, often with limited economic leverage, and with little trade union presence.

The company agreement can govern other non-economic aspects: according to a recent trade union (CISL) study³⁹ on supplementary agreements concluded in the period 2009-2012 across all manufacturing industry categories, the areas most frequently addressed are, in order of importance, wages, crisis management (earnings supplement fund, solidarity contracts, restructuring), trade union rights, working hours, supplementary welfare payments and vocational training. The question of equal opportunities languishes, with other less important issues, towards the bottom of this list.

Less favourable employment contracts

Wages paid to workers in the fashion industry, which are generally among the lowest in the manufacturing sector, are threatened by the existence of collective labour agreements which, being recognised as valid and binding at a national level (subject to limitations, described in more detail below), have passed under the radar, but nonetheless represent a serious and concrete danger were they to be widely adopted by manufacturers, and not only those most exposed to product price competition.

While there are no definite numbers, there are thousands of workshops and micro-enterprises in Italy, and primarily in southern regions, operating in the garment-making sector that perform standard production activities with minimal diversification, often working only for one client, on behalf of leading fashion brands. These are firms that employ a limited number of workers, often fewer than ten, and operate by sailing very close to wind, in terms of legality.

In the late 1990s, attempts were made to remedy these illegal situations through so-called 're-alignment contracts', trade union agreements that permitted a gradual adjustment over some years in terms of pay levels and regulations envisaged by national agreements, for enterprises that wanted to escape from the underground economy and legalise their undeclared labour situations. Our survey does not extend to an examination of the results achieved through this initiative. It is unfortunately evident that illegal employment, or employment subject to varying degrees of illegality, has not been defeated in this sector, while numerous small firms forming part of the supply chains of leading companies in the sector, which were operating legally, have been forced to leave the market.

Rather than attempting to use negotiating power and representation to combat the excessive power of sourcing companies that unilaterally set the conditions and prices for orders (according to a representative of an employers' association; entering into a less favourable contract 'at least 50% lower than what it should be'), which made it necessary in 1998 to promulgate a law establishing certain obligations for sourcing companies (contract in written form, known prices, payment within 60-90 days, no abuse of dominant position), some small associations of contractors have made efforts in recent years to impose reduced wage and labour protections for their employees, by means of collective labour agreements.

The first such labour contract to be recognised as a national agreement, being less favourable than agreements concluded by the most representative employers' associations and trade unions, was concluded in 2005 along the lines of agreements known as 'pirate

37 Trade union source, August 2014.

38 International, European and national report on negotiating and social dialogue activities: research project promoted by Ministry of Employment and Social Policy, [2010], p. 107.

39 CISL, Industrial relations in times of crisis: OCSEL data on level 2 bargaining in years 2009-2012, 2013.

contracts' introduced in the late 1990s. This contract, which cut pay and reduced acquired rights, expired in 2009, but, because it was never terminated by the signatories, it remains in force.

We have not been able to quantify the number of businesses that have adopted this agreement, but it could be in the hundreds, according to a representative of one of the signatory trade unions, who claims that in the province of Lecce (Apulia region) alone, an area with a high concentration of subcontracting workshops, 80% of firms continue to apply this text.

In 2013, a new agreement was entered into by ANPIT/LAIF on behalf of employers and CISAL for independent trade unions, one that was more structured and cohesive than the previous agreement but still less favourable, as can be seen from the table below on minimum pay:

TABLE 8

Subcontracting work: overview of minimum contractual pay before tax withholdings and social security contributions

CCNL employees of subcontracting firms 2013-2016 (13 monthly payments)

| Worker category | Job (simplified) | Monthly pay 2013-2014 € before taxes | Monthly pay 2015-2016 € before taxes | Percentage compared to most representative CCNL |
|-----------------|-------------------------|---|---|--|
| 3 | Tailor/Couturier | 1150,00 | 1190,00 | 69% |
| 4 | Cutting | 960,00 | 995,00 | 60% |
| 5 | Complete garment making | 870,00 | 900,00 | 56% |
| 6 | Simple garment making | 810,00 | 835,00 | 56% |
| 7 | Simple processes | 760,00 | 782,00 | no comparison due to lack of similar function in national CCNL |

This contract is also less favourable than those in place in terms of trade union rights, working hours, overtime pay, and supplements for illness, maternity and injury.

In the preamble to the document, the signatory organisations explain their point of view:

'The single, real problem for contractors, arising from a lack of contractual power, is that clients impose the price for processing of the 'order', which makes it impossible to organise efficient planning within the firm and actually pushes firms towards various forms of illegal operation, adopted by firms in the sector in order to reduce their labour costs.

It therefore follows that the 'subcontractor system' does not feel the need to apply a simple contract of employment, but rather to apply a contract for employment'.

What has made it difficult to apply the previous contract,

and may discourage businesses from adopting the new one, thus limiting its spread, is the fact that the national social security agency (INPS) has not so far granted social security contribution relief to signatory enterprises, due to reservations about the representativeness of the contract. This may lay the foundations for an administrative dispute with the Government, which, if resolved in favour of the signatories of the contract, would pave the way for widespread forms of 'social dumping' in the sphere of contracts and unfair competition among enterprises.

The agreement reached by the Italian leading trade unions with Confindustria, the leading manufacturers' association, in 2011 on trade union representativeness, by which only trade union organisations representing more than 5% of workers in the sector are allowed to sign national collective agreements for that sector, should in theory clear the way for the renewal of agreements that attempt to introduce less favourable labour conditions.

Whatever the future of agreements such as this one, they are nevertheless a clear manifestation of an unhealthy situation, the practical consequences of which are felt most by the workers. This is a situation that requires sourcing companies to be responsible for the operation of their own supply chains, wherever they are located.

The actual wage situation

Wages broken down by firm and job

Our field survey, which was limited to the regions of Veneto, Lombardy, Tuscany and Campania, shows that wages in the first three of these regions are essentially in line with the national average. The situation in Campania is more precarious, as it is dominated by small enterprises being crushed by the crisis.

Our survey also noted that wages in factories run directly by top brands are generally higher than in those making up the rest of the supply chain. The factories run by major brands are also those in which company bonuses are most frequently applied, and where supplementary pay benefits are provided, making these wages significantly higher than average wages earned in other establishments.

TABLE 9

Average monthly pay (net) of factory workers and office workers in the Clothing sector for some Italian regions. 2010

Source: INPS data processed by us

| Region | Total workers | Average wage | Total workers | Average wage | Total workers | Average wage |
|------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | M | M | F | F | MF | MF |
| Factory workers | | | | | | |
| Lombardy | 6.007 | 1.264 | 16.264 | 1.140 | 22.271 | 1.169 |
| Veneto | 6.493 | 1.168 | 17.850 | 1.099 | 24.343 | 1.116 |
| Emilia-Romagna | 4.596 | 1.165 | 10.979 | 1.227 | 15.575 | 1.211 |
| Tuscany | 10.337 | 1.008 | 14.906 | 1.081 | 25.243 | 1.054 |
| Marche | 2.329 | 1.244 | 8.170 | 1.172 | 10.499 | 1.186 |
| Campania | 4.418 | 1.196 | 7.124 | 1.067 | 11.542 | 1.116 |
| Apulia | 2.579 | 1.248 | 11.266 | 1.066 | 13.845 | 1.106 |
| Total Italy | 41.457 | 1.176 | 106.797 | 1.126 | 148.254 | 1.139 |
| Office workers | | | | | | |
| Lombardy | 1.955 | 2.374 | 6.127 | 1.773 | 8.082 | 1.925 |
| Veneto | 2.527 | 2.339 | 6.209 | 1.735 | 8.736 | 1.914 |
| Emilia-Romagna | 1.219 | 2.211 | 4.712 | 1.742 | 5.931 | 1.841 |
| Tuscany | 1.034 | 2.230 | 2.856 | 1.721 | 3.890 | 1.859 |
| Marche | 435 | 2.303 | 1.013 | 1.632 | 1.448 | 1.835 |
| Campania | 572 | 1.834 | 882 | 1.279 | 1.454 | 1.506 |
| Apulia | 619 | 1.494 | 1.012 | 1.223 | 1.631 | 1.328 |
| Total Italy | 10.655 | 2.200 | 28.024 | 1.700 | 38.679 | 1.841 |

Wages in tanneries are also slightly higher than the average. Workers in this sector, however, are exposed to more exhausting and more unhealthy working conditions, and to fluctuations in orders, and thus are employed more frequently on fixed-term contracts. The situation is different in the network of small and micro-enterprises that operate primarily doing subcontracting work. In this case, the wage structure in Tuscany is basically in line with the national average, with some differences between industrial firms (€1,200) and craft firms (€1,100). The biggest differences are associated with jobs such as assembly, where wages are up to around €2,000, while apprentices rarely earn more than €900.



TABLE 10

Average monthly pay (net) of factory workers and office workers in the Footwear sector for some Italian regions. 2010

Source: INPS data processed by us

| Region | Total workers | Average wage | Total workers | Average wage | Total workers | Average wage |
|------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | M | M | F | F | MF | MF |
| Factory workers | | | | | | |
| Lombardy | 4.381 | 1.580 | 4.958 | 1.292 | 9.339 | 1.429 |
| Veneto | 11.047 | 1.704 | 9.012 | 1.251 | 20.059 | 1.507 |
| Emilia-Romagna | 2.186 | 1.604 | 3.408 | 1.253 | 5.594 | 1.390 |
| Tuscany | 14.928 | 1.654 | 16.074 | 1.281 | 31.002 | 1.465 |
| Marche | 12.773 | 1.468 | 12.358 | 1.238 | 25.131 | 1.358 |
| Campania | 7.957 | 1.333 | 4.654 | 1.086 | 12.611 | 1.251 |
| Apulia | 3.398 | 1.361 | 1.803 | 1.136 | 5.201 | 1.296 |
| Total Italy | 59.175 | 1.556 | 55.184 | 1.245 | 114.359 | 1.410 |
| Office workers | | | | | | |
| Lombardy | 1.060 | 2.621 | 2.322 | 1.949 | 3.382 | 2.172 |
| Veneto | 2.216 | 2.725 | 3.078 | 1.688 | 5.294 | 2.134 |
| Emilia-Romagna | 385 | 2.454 | 1.088 | 1.733 | 1.473 | 1.922 |
| Tuscany | 2.385 | 2.636 | 3.948 | 1.830 | 6.333 | 2.142 |
| Marche | 1.612 | 2.159 | 2.577 | 1.492 | 4.189 | 1.755 |
| Campania | 613 | 1.872 | 734 | 1.276 | 1.347 | 1.564 |
| Apulia | 378 | 1.716 | 287 | 1.244 | 665 | 1.528 |
| Total Italy | 9.228 | 2.456 | 14.972 | 1.699 | 24.200 | 1.997 |

Focus on Veneto

Monthly wages for the vast majority of factory workers in the **Veneto** region are around **€1,100-€1,300** after taxes in industrial firms and **€1,000** in craft firms. In 2007, the average net wage was about **€1,140** for factory workers and **€1,600** for office workers. Apprentices took home no more than **€730** a month, while home-based workers were making around **€850**. On the other hand, top management figures earned about **€8,500** a month.

According to data gathered and interviews conducted with male and female workers and key stakeholders, we can estimate that **70%-75% of personnel in the footwear sector in Riviera del Brenta** receive a wage of **€1,000-1,200**, or in any case not above that figure, as in the case of apprentices. 10%-12% of workers, primarily standard office workers, earn between **€1,200** and **€1,500**. 8%-10% of workers hired as skilled factory or office workers earn from **€1,500** to **€2,000**, while 4%-5% of workers earn more than **€2,000** a month. Some workers also receive family allowances, which increase their monthly wage by a few tens or at most a few hundred euros.

Men's wages are higher because of the types of job for which they are employed, such as assembly or cutting, for which they often receive extra allowances over minimum pay, enabling them to earn a decent and, in some cases, quite high salary. For a particularly skilled cutter with some management responsibilities, the average wage can be around **€1,900**. On the other hand, initial wage levels for apprentices are around **€800**, increasing to **€900** after a few years.

At the beginning, I was getting €700-€750 as an apprentice, now I get €1,100-€1,150 ... I've always done the same hours. I left school early. I worked as an apprentice, but I was doing practically the same things. I began by gluing soles, now I put nails in heels, and remove pieces from the mould... I've been working here for seven years, and I've done three-four jobs, it's not so much. Simple tasks in any case ... I work on the conveyor belt, the work is quick, very quick. Now it's quicker, before you could say it was normal.

(Bangladeshi footwear worker, 2013)

The wages of foreign workers are usually lower, because they work more often in small enterprises. In any case, some of these workers have developed good professional skills, and some years of service. An immigrant worker with fifteen years' service at level 4, for instance, claims he receives a wage of **€1,400**, plus **€200** for family allowances for his dependent wife and children. The range of wages is quite marked in large enterprises. Levels relate not only to job type, but also to experience and readiness to meet production needs.

Many workers, especially women, would like to change job:

I would really like to change my job. The first thing I would do is change my wage, although it would be better to work fewer hours and receive the same wage, especially for a woman.

(woman worker in footwear sector, 2013)



Focus on Tuscany

The wage structure in Tuscany is basically in line with the national average, with some differences between industrial firms (€1,200) and craft firms (€1,100). The biggest differences relate to jobs such as assembly, for which wages can be up to around €2,000, while apprentices generally do not earn more than €900. The entry of the big names of fashion has, however, changed the pay scene: in the district of Scandicci, for example, wages are around €1,500 a month after taxes for entry-level employment, and around €3,000 for skilled workers, compared with monthly average pay after taxes of €1,235 earned by employees in Tuscany in 2012. Hourly rates are thus around €8.80, which is basically in line, and even a little above, the Italian average. Despite this, the instability of demand, the small size of firms and the pressure of competition have led to cost cutting and the use of illegal labour or, in any case, forms of undeclared work. This is compounded by the entry of foreign operators, above all Chinese, acting both within and outside the law. These form the basis for comparison used by many Italian firms to determine costs. However, probably the most interesting fact in this context is not so much the spread of undeclared work as the presence in many businesses of both legal and undeclared work, the latter of which takes different forms. For example, this includes workers made temporarily redundant and then called back to the firm to work in the usual way alongside workers not affected by redundancies, as a trade union representative from Prato recounts:

The spread of undeclared work?

In the clothing sector, yes, with the Chinese. In fact, everywhere, also in Italian firms. Relations are 'going Chinese'.

They are... ? Going Chinese?

Yes, because in this phase of the crisis, people do what they can to get by, if you don't have a job, you do moonlighting. Some workers have been offered jobs working for €2-€3 an hour, Italians! Working in spinning units, twisting units, in craft firms! They say to you: 'well, you're out of work, you can come and work for €2 or €3', i.e. what the Chinese pay in production.

They are lowering the cost of labour.

Yes, through moonlighting! A worker might be getting something from the earnings supplement fund, working zero hours, and then goes to moonlight somewhere else, to do another job, and they give him ... say, with the unemployment benefit he gets €4, and then he gets another €4 off the books. You see? This is happening. Nobody says it in so many words, but everyone knows.

Yes, they also told me that have made workers temporarily redundant and...

Yes, they get them to work off the books. Yes, that happens too. Every Wednesday, we have a meeting, and every Wednesday we say the usual things, but ... where we have found out about alleged irregularities, we have acted to remedy the situation. Where workers have talked to us, we have said to the firm: 'either you put your house in order, or we will report you'. In those cases, the firm has paid the workers and straightened things out. It is workers that have told us, you cannot do it yourself.

(trade union representative, Prato, 2013)

Workers may also be hired as apprentices, but doing level I or II tasks and working the whole day. And there is also the common practice of undeclared payments.

I used to work in a textile firm, I had worked there for 11 years. It was a terrible beginning, I was working from 6 in the morning to 8 at night, with a half hour break.

14 hours?

Yes, absolutely! If I wanted to work ... as an apprentice! Not usually, but it was that or nothing.

You joined as an apprentice?

Yes

Were you paid?

Yes, there was a normal pay packet, then an off-book payment.

Pretty much everyone tells me similar things. Did you always receive off-book payments in those 11 years?

No, only for the first six years, then there was an incident in the firm, someone was making money out of it.

What do you mean?

Well. It's true [directed at trade unionist] he took practically ... it is said the owner knew nothing about it. I had 600,000-700,000 lire in my pay packet, and I also received 1,200,000, 1,300,000.

So you were earning about 1,800,000?

In the end I was earning 4,000,000! But it was all ... we were working from 6 in the morning to 9 or 10 o'clock at night.

So no set working hours.

Yes

(textile worker, Pistoia, 2013)

Focus on Campania

Wages in **Campania** are not generally very high, partly because wages in the region are very low to begin with and also because of the widespread practice of undeclared wages. Larger firms, too, pay lower wages than those in Northern Italy, because of the absence of company bargaining and because the contractual levels laid down by national collective labour agreements are not recognised (the phenomenon of classification in a lower work category). These differences can be seen to a certain extent in comparisons with other production areas. While pay in Campania is undoubtedly lower for factory workers in the footwear sectors compared with Veneto and Tuscany, wage rates in the clothing sector are practically the same. The same gender differences exist in terms of pay levels as in other regions. In a context that is extremely varied, due to the co-existence of both legal and undeclared work, with differences even in the sphere of off-book labour, the comments made by one of the workers interviewed are quite revealing when he talks about real pay levels, with reference to work regulated by contracts:

The wage you actually earn is never what is declared in the pay slip, it's either less (bogus pay) or higher (e.g. overtime paid off the books, one-off payments, etc.)

(cutter in clothing sector, 2014)

In firms operating as **subcontractors**, pay is even lower. In subcontracting firms, wage levels and working hours vary enormously depending on the degree of legality of the contracts: these range from workers hired illegally at a rate of **€700-€800** a month who often work more than eight hours a day, to those hired under so-called 'non-standard' contracts, often in 'grey' employment, earning **€1,000** or more a month working hours well beyond the limits laid down in the corresponding contract.

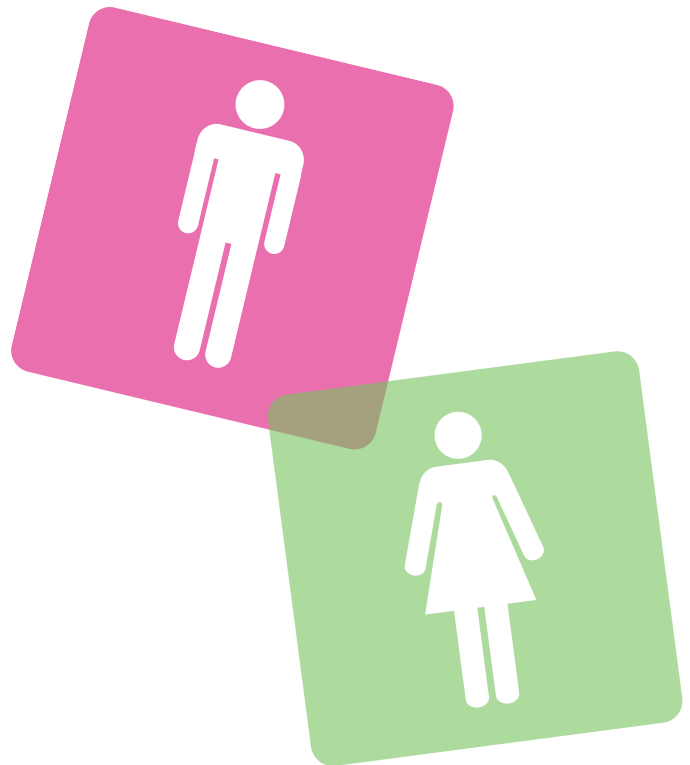
Workers hired without contracts usually receive 'day-based' pay, in other words, they get paid at the end of the day, and rates are set according to the working needs of that day or period. Their pay also depends on age, gender, experience and professional status (e.g. temporarily laid off and/or redundant workers).

The four people employed without a contract are paid a daily amount of €55, but for newcomers, the entry-level pay in hand falls to €20. For skilled workers working without a contract, the agreed pay is generally €60-€70 an hour. This is called day-based pay, because 'hires' are never for a fixed period of time, but are more based on completing a production batch (...). Recently, a temporarily redundant worker said he was willing to work as a cutter for this level of pay, and to do some of the work (or all of it) at home, still a very widely used method of production, especially in the winter, when the footwear produced changes to products like boots, which require the binding of heels and insoles.

(shoe cutter, 2014)

For workers being made redundant and paid welfare support, pay levels are lower, and home-based work is prevalent, often at the request of the worker. **Piecowork** is based on individual bargaining, with a few exceptions, without any sort of contractual relationship, and is characterised by very low pay levels.

For **undeclared workers** in the footwear sector, pay is generally fixed on a daily basis. The average pay is **€40 a day**, but this rate can be higher for skilled workers. For the productions of uppers, pay is around **€30/€35**. This type of work also depends on the period, as this is a sector that experiences production peaks at certain times of the year. In the winter, work is concentrated on production for the summer, and so on. With regard to **home-based work** (preparation of uppers and in some cases cutting as well), the CCNL sets a pay rate halfway between piecowork and the conditions in place for factory workers, but this figure is purely indicative, given the fact that this work is very often performed illegally⁴⁰.



⁴⁰ For footwear production, people working at home are paid by piecowork according to the number of pairs they make, and pay also depends on the pattern. Pay varies from €2 to €5, but €5 means that fewer than 10 pairs are made a day, as it means the shoe takes longer to make. In the case of footwear, as we have already noted, the most common tasks outsourced to home-based workers and paid on a piecowork basis are those of hemming.

The extent of off-book payments

It is difficult to define **actual wage levels** when the practice of paying overtime off the books is so widespread, and, in any case, there is often no correlation between contract types (including in terms of working hours) and corresponding pay, as we can see from the very common situation of workers employed under part-time contracts but working eight or more hours, or personnel being hired with a different pay grade so as to keep pay levels down, even for specialist job tasks:

A medium-skilled factory worker usually earns €900 a month, which increases to €1,500-€1,800 for quality control workers. However, these are often hired as secretaries if they are women. Off-book payments are a very common practice.

(former sales manager, Naples area, 2013)

I make €50 a day, so about €1,000 a month, but if I work on Saturday morning, I get €50 for the whole day. In any case, I formally have a part-time, fixed-term contract, but I've been working with this firm for six years full-time, it's as if I had an open-ended contract.

People working in a sole factory usually get around €850 a month, although pay varies according to skills and age; the younger you are, the less experience they think you have, so the less you get paid. (...) In this sector, three out of four workers who have an open-ended contract never get what it says on their pay slips, either because they get less, or they get more, with off-book payments. Here, we have workers, especially younger ones, who are unable to read the pay slip, who confuse gross and net figures, who don't know whether there is payment of holidays not taken, and things like that, basically, they don't know what a pay slip is, when it comes or how to read it.

In this sector, there are still workers, especially inexperienced youngsters, and I'm talking about Italians, who are still earning (off the books) just €15 a day.

(shoe cutter, Naples area, 2013)

The presence of both undeclared work, but more often 'grey' labour, and legal employment is a frequent phenomenon in other areas, such as Tuscany, where the crisis in the sector has seen an increase in the number of workers temporarily laid off who are called back to the firm to continue working 'normally'.

On this basis, it is certainly true that 'pay uncertainty' and contractual volatility are the real factors involved when measuring pay levels.

Some final considerations

Despite all the anomalies resulting from illegal work and off-book payments, the table below shows that, generally speaking, the average wages declared by workers interviewed with valid employment contracts in the three regions under review do not differ significantly from those calculated for 2010 based on figures made available by INPS for factory and office workers in the footwear and clothing sectors. These pay levels are basically uniform, and should be considered net of overtime hours and bonuses or one-off payments, such as attendance bonuses, extra allowances above minimum levels, production bonuses or family allowances. The differences between wages in the clothing and footwear sectors are due to the presence of more skilled workers in the latter sector.

TABLE 11

Average wages declared by factory workers interviewed in the three regions covered by the survey

Source: our direct survey

| Region | Factory workers - craft firms | Factory workers - industrial firms | Skilled workers (e.g. assemblers, shoe-makers) |
|----------|-------------------------------|------------------------------------|--|
| Tuscany | € 1.100 | € 1.200 | up to € 2.000 |
| Veneto | € 1.000 | € 1.300 | up to € 1.900 |
| Campania | € 900 | € 1.300 | up to € 1.800 |

A living wage: from the workers' point of view

Low wages for expensive goods

Our research has shown that workers have different points of view about whether their wages are commensurate with the cost of living. However, in most cases, they feel that their pay should be higher than what they actually receive. Female workers, in particular, are among those who believe that a pay packet of €1,100-€1,200 after taxes is a pittance.

Two factors, in particular, influence the pay level of each worker: the value they produce, on the one hand, and all of the things they are able to purchase with their wage, on the other. These two elements are often interwoven, but it is useful to separate them in analytical terms.

With regard to the first aspect, it is quite obvious that production of top quality shoes for leading brands, which are then sold for high prices, clearly demonstrates the disparity between a worker's wage and the market value of a pair of shoes. These are goods that no female worker could afford, except by resorting to purchases of 'seconds' within the firm at discounted prices or, as in the case of Armani, thanks to big discounts granted each year by the company to its employees for the purchase of Armani products. From this standpoint, it is clear that women workers, who are often hired at very low contractual levels and with little likelihood of advancing in a career, are more often those highlighting the need for a higher wage. Their daily physical and mental exertions, the effort required at work, and the pressure from their bosses result in a product that has a visible and high value. At the same time, the purchasing power of their wages not only remains low, but has actually fallen in recent years.

The second aspect refers to the quantity and quality of goods and services that can be purchased by the wages of male and female workers. Here, we need to consider the fact that many workers, in particular women, live in households in which there are at least two incomes, so low wage levels can be offset by the total income earned by the family. Perception of wage levels can in such cases be less negative than for a family's breadwinner, having to rely on only one wage. We should also remember that this workforce resides in small towns or in rural areas,

and has the benefit of access to networks of families and friends for support in dealing with family needs. Thus, many families can rely on grandparents to look after their children, while in other cases the possibility of growing their own produce can lead to considerable budget savings.

From the interviews we conducted, workers have indicated values for a living wage of €1,400-€1,500 in Lombardy, €1,400 in Tuscany, and €1,700-€2,000 in Veneto.

One case study from Veneto

Carlo, a worker in the Brenta zone, lives alone in a house in the country. Carlo earns about €1,150 a month, plus a thirteenth payment (Christmas bonus) amounting to a little less than his monthly wage. Because he is employed in a large firm in the area, he is paid a productivity bonus in July or August, related to work attendance and the achievement of production targets. In his case, the bonus is about €800.

Over a period of about two years, Carlo's average monthly expenses can be broken down as follows: food: about €230, small mortgage: €250, cigarettes: €150, gas, water, electricity, waste collection bills and TV licence: about €120, car (insurance, road tax, fuel, repairs, depreciation): €110, animal feed, vegetable seeds and related expenses: about €70, clothes and shoes: €50, meals out and other expenses out: about €70, household appliances: about €30, healthcare: €10, telephone: €10.

Carlo's average monthly expenses are €1,100. In percentage terms, we can divide this amount as follows: 33.6% for foodstuffs (including indirect costs, such as animal feed); 36.4% for mortgage and housing-related costs (electricity, water, gas and depreciation of household appliances); 4.5% for clothing; 1% for mobile phone charges; 4.5% for savings; 10% for transport; healthcare 1%; 13.6% for other expenses (cigarettes).

Carlo told us that, in recent years, he has given up his landline phone, as the cost of about €25 a month was too much, as well as a newspaper that he regularly bought. He can count on informal help from some neighbours who give him stale bread for animals, or second-hand clothes.

Case studies from Tuscany

In **Tuscany**, interviewees showed a certain reluctance to declare the exact amount of their wages, due, as we have seen, to a contractual pay grade that may be rather vague, and to the widespread practice of 'off-book' payments. Most interviewees did not commit themselves, giving responses such as 'around' or 'more or less' €1,200. While almost all interviewees stated that this figure is not sufficient to meet their daily needs, when asked how much they would need to live decently, they added 'only' an extra €100-€200. This figure highlights a somewhat fragile monthly financial equilibrium, where the situation could crumble with even a single unexpected expenditure, and demonstrates the gradual impoverishment of a broad swathe of the population and the workforce. When faced by an unexpected expenditure or the loss of a job, some families could find themselves just above the poverty line, and thus in a very similar position to families who are just below that threshold.

From this point of view, a close relationship within the family group or even extended families living together, as was described in many interviews, becomes essential:

My wage was adequate only because I own my own home, and I live with my mother, who has a pension! So we can talk about a decent standard of living.

(textile worker, 2013)

This is confirmed by Emilio, a factory worker in a footwear firm in the province of Pistoia, who lives alone in a privately owned property. Emilio's wage fluctuates depending on overtime worked (but is gradually falling) from €1,150 to €1,200, plus a thirteenth monthly payment of the same amount and a productivity bonus paid in July, which can vary, according to company bargaining, from a maximum of €900 to a minimum of €500 (in any case, never less than €400). Emilio lives on the outskirts of the city and does not have housing expenses, because he lives in the part of the family house built by his parents and given to him. Emilio eats lunch in the firm's canteen, and spends a total of €130 a month for food, shopping in large retail supermarkets and discount stores, depending on what specials are available. About €120 a month is spent on house bills, with about €50 for tobacco, which he has begun to consume to save on the cost of cigarettes. Spending on his car is probably the biggest individual item, with the cost of petrol, car insurance, road tax and maintenance amounting to about €300 a month. This spending partly overlaps with the costs of his passion for hunting, and the cost of the licence, petrol and cartridges requires about €70 a month. Emilio believes he is a 'lucky' worker, because his status as a single man without children and the use of the home provided by his parents mean that he can allow himself one or two treats, perhaps a pizza in the evening or visit to a nightclub, at least once a week. He spends about €50 a month on clothes, making use of the company's store, which grants employees a 20% discount. He stated that he manages

to save a part of his monthly pay, as he is aware of the fact that his company has reorganised the network of local contractors, relocating production increasingly eastwards: from Romania, Albania and Bulgaria towards Indonesia, Malaysia and China, further cutting costs and procuring raw materials locally.

The typical situation in Campania

Moving on to Campania, the main element of the wage structure that stands out in this region, as we have already seen, is the extensive use of undeclared work and corresponding forms of pay, and the use of 'grey' labour, which is in some respects even more widespread. This represents the most significant distortion in the local context, and ultimately has a considerable influence on the actual understanding of income levels. What seems fairly certain, in any case, is that, at very low pay levels, which in the case of totally 'off-book' pay can mean €500 a month (assuming a daily rate of €20 for inexperienced workers performing basic activities, a sort of entry-level wage), corresponding levels of consumption are very low. In the area of Naples, in some traditional working class areas where undeclared employment is rife, we must also consider that the total income of family units is often indistinguishable in terms of family or individual consumption, as is shown by the frequent existence of family units sharing the same home.

Generally speaking, what we have seen from workers interviewed is a situation in which the only family income is that of the interviewee, with the wife often unemployed and with two dependent children. Considering an average wage of €1,100, which can increase to about €1,200 with family allowances for two underage dependent children, the biggest spending items relate to housing (in many cases, rent is one of the biggest costs). On average in the situations we encountered, the most frequent housing situation involved rents of around €300. Spending on food is a similar figure, an average of €100 a month is spent on house-related bills (gas, water, electricity, telephone); €50 for school-related costs; about €100 for clothing (considering a family of four); and an unspecified amount for healthcare spending, often for private sector services, considering the difficulties in obtaining access to public health services, and in some cases the quality of those services. Then there are items like car insurance, which, in Campania and especially in the province of Naples, is the highest in Italy (annual premiums of €1,500 for small vehicles).

Even bearing in mind a lower cost of living in this part of the country, the incomes earned often provide levels of consumption that are barely sufficient for family needs, and their sustainability over time is often made possible only by the resources that can be provided by family members or by a sort of extended family that is still quite common among the working classes in the province of Naples.

The increased use of the earnings supplement fund, in the case of firms operating legally, has also helped to weaken spending power despite price trends that have been weak in recent years for some products, food products in particular (this is not true for other spending items, such as gas and electricity, or medical costs).

It should therefore come as no surprise that most of the opinions expressed by interviewees regarding pay reflected the view that wages were barely sufficient, or at the limits of sustainability in terms of their family needs. This factor should help to illustrate the great readiness among workers in these situations to do overtime and to accept off-book payments, so that they can earn as much as possible.

Some conclusions

The interviews we conducted revealed that, at current wage levels, the majority of workers manage to live an acceptable life only if they own their own home, with no mortgage to pay, but they are unable to put money aside to cope with any unexpected expenses. Factors that are crucial as an addition to income, in particular for single-income households made up of two adults and one or two children, are overtime (where possible, it is

the worker that requests off-book payments in order to obtain the full sum, without paying any social security contributions) and support from family members. The most common sacrifices reported by workers in ensuring that their families make it through the month are holidays and expenses for culture and leisure activities, as well as medical check-ups and treatment.

The interviews also revealed that, in recent years, it has become increasingly common for workers having to deal with unexpected, high costs, such as for property renovations and medical treatment (primarily dentistry), to request cash advances from the supplementary social insurance fund Previmoda, or similar funds in the sector, into which the benefits accruing for the employee severance fund are paid.



The living wage threshold according to Istat⁴¹

Benchmark items

Albeit for different reasons, Istat has already determined calculation methods very similar to those used by the Asia Floor Wage Alliance, which can be used to define a minimum living wage for Italy. This forms part of studies conducted into absolute poverty, defined as 'a situation in which the lack of resources is so severe as to represent a serious threat to life'.

In order to define the level of income required to attain a standard of living deemed to be the 'minimum acceptable', Istat prepared a standard basket of essential goods and services and calculated their value.

Three macro-categories were defined: food, housing and other items, which essentially include adequate nutrition, the availability of housing (of a size commensurate with family size, heated and equipped with the principal utilities, durable consumer goods and accessories) and the possibility of purchasing the minimum necessary in order to be clothed, communicate, be informed, move around, be educated and stay in good health.

Food basket

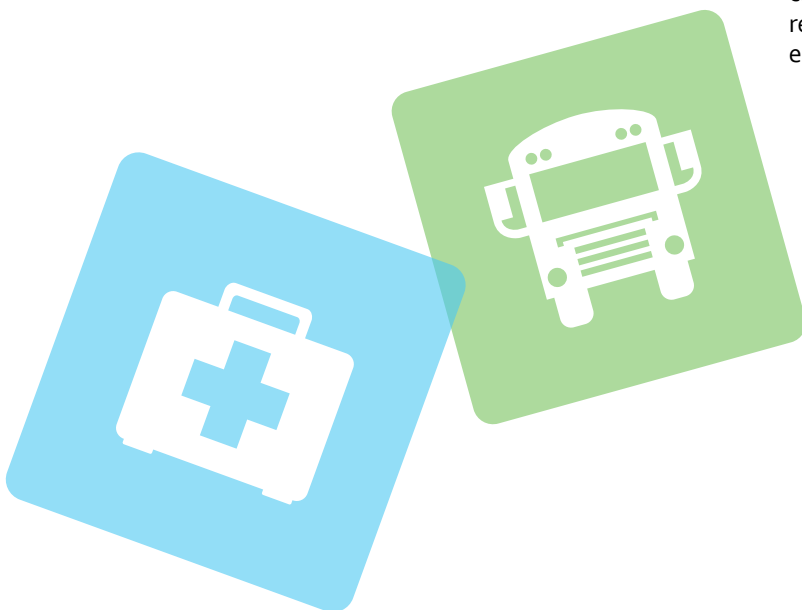
The food basket includes a set of foodstuffs, sufficiently available on the market and widely used, that are able to provide adequate nutrition. In addition to all nutrients (proteins, vitamins, fatty acids, amino acids, etc.) needed for the human organism to develop and stay healthy, the basket also includes those compounds that are useful for improving health through protective actions (e.g. bioactive molecules such as antioxidants, plant sterols and plant oestrogens, which can be found in large quantities in fruits, vegetables and legumes).

The nutritional needs of the individual, which vary according to gender and age, have been identified as those officially summarised in recommended dietary intakes (RDI) for Italians, which relate to healthy individuals who do not have specific needs deriving from illnesses, special therapies or special diets.

To obtain a monetary valuation of individual combinations of foodstuffs, the data for consumer prices obtained by Istat in the current year were used.

The monetary values for food combinations for men and women in the various age groups show modest differences. The gender difference was therefore eliminated, with the weighted average of values being calculated for men and women, by geographic region and age group.

Furthermore, based on the inconsistencies observed at different ages, Istat decided to limit the age classification to just six groups (0-3, 4-10, 11-17, 18-59, 60-74, 75+), calculating the weighted average in each geographic region for values relating to the age bands included in each of the six groups.



⁴¹ Unless otherwise stated, the content of this chapter comes from Istat, *La misura della povertà assoluta*, 2009.

TABLE 12

Comparison of foods included in the new absolute poverty basket and products included in the basket adopted to measure consumer prices - 2005

Source: ISTAT

| FOOD | PRODUCTS | |
|------------------------|-----------------------------------|--|
| | NAME | DESCRIPTIONS |
| Milk | Fresh milk, full | Pasteurised, 1 litre |
| | UHT milk | Semi-skimmed, 1 litre |
| Sugar | Sugar | Granulated, 1 kg |
| Grana cheese | Grana padano cheese | |
| Pecorino romano cheese | Pecorino cheese | |
| Mozzarella cheese | 'Fior di latte', cow's milk | One piece |
| Caciottina cheese | Provolone cheese | Mild or strong; pack or by weight (specify in variety) |
| | Gruyère | Pack or by weight (specify in variety) |
| Groviera francese | Gruyère | Pack or by weight (specify in variety) |
| Whole chicken | Fresh chicken | Cleaned, gizzard removed, head and feet removed, cat. A: whole or in pieces (specify in variety) |
| Cow liver | Adult cows liver | (a) |
| Lean pork | Fresh pork, boneless | Lean meat |
| | Fresh pork, with bone | Flank steak |
| Tender beef | Adult cow, fresh meat, first cut | Boneless. Steak with fillet, flank, rump, thick flank, topside |
| | Adult cow, fresh meat, second cut | Boneless. Shoulder, neck, thick rib, fore rib (stewing steak) |
| | Adult cow, fresh meat, minced | First choice minced meat |
| Turkey breast | Turkey breast | Sliced |
| Plaice | Frozen plaice fillets | Plain, 400 g pack |
| Cured ham | Cured ham | Mature Parma type, to be sliced at the counter |
| Cooked ham | Cooked ham - leg | Without polyphosphates, first choice, to be sliced at the counter |
| Mortadella | Mortadella 1st choice | Pure pork |
| Hake | Frozen hake | Whole, in slices, or fillets, providing the same type is selected |
| Eggs | Hen-eggs | Pack of 6 eggs, category A, medium sized, 53-63 g (as per EEC Regulation (EEC) No 1511/96) |
| Beans | Tinned beans, boiled | 400 g tin |
| Peas | Frozen peas | Petits pois in cardboard or plastic pack, 450 g |
| | Tinned peas | Small peas, plain, 400 g tin net weight |

| FOOD | PRODUCTS | |
|-------------------|--------------------------------|---|
| | NAME | DESCRIPTIONS |
| Potatoes | Potatoes (all varieties) | |
| Bread type 00 | Bread | Type most sold in each store (specify in variety). Specify size |
| Durum wheat pasta | Durum wheat pasta | 500 g packs, most requested standard format specifying variety, excluding special formats |
| Polished rice | Rice | 1000 g packs, not parboiled |
| Egg pasta | Egg pasta | Fettuccine in 250 g packs |
| Carrots | Carrots | |
| Lettuce | 'Cappuccia' lettuce | |
| | Salad Romaine lettuce | |
| Salad tomatoes | Salad tomatoes (all varieties) | |
| | Chard | Swiss chard (all varieties) |
| Oranges | Oranges (all varieties) | |
| Apples | Apples (all varieties) | |
| Pears | Pears (all varieties) | |
| Olive oil | Extra virgin olive oil | Bottle 1 litre, excluding mill and vitamin-rich oils |
| | Olive oil | Bottle 1 litre |
| Seed oil | Sunflower seed oil | Tin or plastic bottle 1 litre, specifying variety |
| | Corn oil | Tin or plastic bottle 1 litre, specifying variety, excluding vitamin-rich and diet |
| Butter | Butter | 250 g packs |
| Margarine | Margarine | 100 per cent vegetable, 250 g pack or tray, excluding special types |

(a) as from 2002, adult cows liver is no longer in the basket of consumer prices: the minimum national average price for 2005 was accordingly calculated based on the minimum national average price of adult cows liver for 2001, plus an amount calculated using the percentage variation of the NIC consumer price index referring to fresh beef.

Housing

The evaluation of housing needs was based on the assumption that families need to have a roof over their head, a dwelling commensurate with the size of the family, with suitable heating and equipped with the principal utilities and durable consumer goods. Given the difficulties facing families in finding subsidised-rent accommodation or, in any case, a rent lower than market rates, minimum housing needs were considered to be rented accommodation at market prices. With regard to the size of the dwelling, the standard was established on the basis of the provisions contained in the Ministerial Decree of 5 July 1975, which is still in force and is used by local health authorities as a parameter for the granting of habitability certification.

As with the previous methodology, it was assumed that essential durable consumer goods must include those most commonly used by families, namely a refrigerator, washing machine, television set and gas cooker.

Energy needs were defined on the basis of a study conducted by the electricity authority, taking into account the size of the family and the combination of household appliances owned thereby.

With regard to heating, the initial assumption, which sought to take into account the climatic zone, degree day, size of the dwelling and associated legislation, would have required specific information that is not always available, for instance the rates applied by different power companies or for different housing conditions, and in particular the level of insulation of homes. As this information was impossible to obtain, this method was abandoned, and data from the survey on household consumption were used, with needs being determined according to the size of the dwelling, family type and zone of residence.

Rent costs were also estimated based on data from the household consumption survey, because the price unit archives did not provide sufficiently detailed information for this item. For each dwelling size class defined in terms of needs, an estimate was obtained, as a minimum affordable price, by geographic area and size of the municipality of residence, taking into account the features of the dwelling and the type of rental contract.

The monetary value of essential durable consumer goods corresponds to the rate of depreciation of individual goods, obtained, by geographic area, as the ratio of their minimum affordable price, taken from the consumer prices survey, and their average life span, based on estimates supplied by *Mobiliare Assicurazioni e Previdenza*.

Electricity costs, relating to each family size class, were calculated by applying the rates in effect in 2005 to the corresponding energy needs.

For heating, too, the monetary value was obtained from data on fuel spending taken from the household consumption survey. The estimate took into account the number and age of family members, broken down by geographic area of residence and dwelling size class.



TABLE 13

Monthly monetary value of rent by family size, geographic area and type of municipality (euros)

Source: ISTAT

| FAMILY SIZE | North-Centre | | | South | | |
|-------------|-------------------|----------------------|----------------------|-------------------|----------------------|----------------------|
| | Metropolitan area | Large municipalities | Small municipalities | Metropolitan area | Large municipalities | Small municipalities |
| 1 member | 317,61 | 284,74 | 246,78 | 228,27 | 210,23 | 178,84 |
| 2 members | 354,92 | 315,26 | 270,28 | 246,47 | 225,38 | 189,09 |
| 3 members | 386,16 | 340,39 | 289,20 | 260,62 | 236,91 | 196,48 |
| 4 members | 437,22 | 380,63 | 318,69 | 281,68 | 253,58 | 206,35 |
| 5 members | 474,67 | 409,49 | 339,19 | 295,56 | 264,16 | 211,96 |
| 6 members | 508,49 | 435,08 | 356,89 | 306,97 | 272,56 | 215,92 |
| 7 members | 539,33 | 458,01 | 372,34 | 316,46 | 279,29 | 218,64 |
| 8 members | 567,69 | 478,73 | 385,98 | 324,42 | 284,71 | 220,43 |
| 9 members | 593,92 | 497,61 | 398,09 | 331,14 | 289,08 | 221,50 |
| 10 members | 618,32 | 514,89 | 408,92 | 336,84 | 292,59 | 222,00 |

Other items

All other needs, required to protect families from forms of social exclusion, form part of the third group of items. Families must be able to purchase the bare minimum needed to furnish and maintain the dwelling, clothe the family, communicate, be informed, move around, be educated and stay healthy. For other items, therefore, the individual goods and services required to meet the above essential needs were identified, although specific quantities were not defined. This last step was indeed rather arbitrary, because it was not possible to refer to specific legislation (for instance, provisions used to determine the adequate size of the dwelling), regulatory measures (such as those used to regulate energy consumption) or reference scientific standards (such as the RDI used to define dietary intakes) that might permit a definition of how many pairs of shoes or how much movement around the geographical zone is/are needed to prevent a state of absolute poverty.

As regards spending on education and healthcare, only the expenses normally incurred by families were considered. With regard to school up to upper secondary level, the needs to be met by families from their own pockets were thus limited to exercise books, stationery and other sundry materials (e.g. satchels and pencil cases). In terms of healthcare, on the other hand, and also taking into account national health services, expenses incurred by the family were limited to: dentistry and gynaecology costs, medicines, medical and treatment devices, and care for the disabled and elderly.

Spending on other items depends significantly on the individual traits of family members, in terms of both quantity and composition, and is less sensitive to the effect of economies of scale than spending on housing, heating, utilities and the purchase of durable goods. As a result, it was assumed that spending on other items was affected by family composition in a similar way as for foodstuffs.

On the basis of the observed connection, within families, between spending on food and spending on other items, as revealed by the household consumption survey, we estimated multiplier coefficients which, when applied to the monetary value of the food component, provide the value of the 'other items' spending component.

Examples of incomes needed to attain a 'minimum acceptable' standard of living in Italy based on 2012 prices⁴²

NORTH

| Number of family members | Metropolitan area | Large municipality | Small municipality |
|--------------------------|-------------------|--------------------|--------------------|
| 2 adults | 1.112,12 | 1065,76 | 1013,19 |
| 2 adults + 2 children | 1648,04 | 1581,90 | 1509,50 |

CENTRE

| Number of family members | Metropolitan area | Large municipality | Small municipality |
|--------------------------|-------------------|--------------------|--------------------|
| 2 adults | 1067 | 1017,24 | 960,75 |
| 2 adults + 2 children | 1566,32 | 1495,26 | 1417,47 |

SOUTH

| Number of family members | Metropolitan area | Large municipality | Small municipality |
|--------------------------|-------------------|--------------------|--------------------|
| 2 adults | 844,42 | 820,62 | 779,66 |
| 2 adults + 2 children | 1275,12 | 1243,39 | 1190,09 |

42. Tables obtained from calculation performed, from the page <http://www.istat.it/it/prodotti/contenuti-interattivi/calcolatori/soglia-di-poverta>. A family of four persons is made up of two adults + one child of 4-11 and one child of 11-17. Metropolitan area is taken to mean cities bigger than 250,000 inhabitants in size; large municipalities are from 50-250,000 inhabitants; small municipalities are below 50,000 inhabitants.

TABLE 14

Goods and services included in 'other items'

Source: ISTAT.

| HOUSING |
|--|
| Water |
| Condominium administration |
| Furniture |
| Bathroom furniture and accessories |
| Repair of furniture and furnishings |
| Repair of large household appliances |
| Blankets, sheets, furnishing fabrics |
| Repair of home fabrics and linen |
| Light bulbs |
| Blenders, irons and other small household appliances |
| Repair of small household appliances |
| Cutlery |
| Glasses, bottles, plates |
| Pots and pans |
| Tablecloths, paper plates and cups |
| Kitchen paper, aluminium containers |
| Brushes, rubber gloves, matches |
| Soap powders, wax for furniture, insecticides |
| Small utensils and accessories |
| HEALTHCARE |
| Dentist |
| Gynaecologist |
| Medicines |
| Care of disabled and elderly |
| Spectacles, pressure measuring devices |
| Prostheses, hearing aids |
| Thermometers, syringes, surgical stockings |
| Hiring of healthcare devices |
| EDUCATION |
| Exercise books, stationery, photocopies |
| Satchels, folders and bags |
| Nursery school and other childcare services |
| TRANSPORT |
| Tickets and season tickets for buses, underground and trams |
| Tickets and season tickets for out-of-town transport |
| Tickets and season tickets for railways |
| Tickets and season tickets for ferries and other water transport |

| CLOTHING |
|--|
| Men's clothing |
| Women's clothing |
| Children's clothing |
| Underwear |
| Other clothing items and accessories |
| Buttons, cotton thread, trimming, wool |
| Needles, crochet needles, safety pins |
| Mending of clothes |
| Men's footwear |
| Women's footwear |
| Children's footwear |
| Mending of shoes |
| COMMUNICATION |
| Telephone bills, mobile phone refills |
| Telephone cards |
| Purchase of telephone |
| Purchase of mobile phone |
| Repair of telephones |
| Radio |
| Repair of radio and TV |
| Stamps and other postal costs |
| OTHER |
| Children's items |
| Toys, games and videogames |
| Electrical equipment for personal care |
| Soap, toothpaste, perfume |
| Paper handkerchiefs, nappies, toilet paper |
| Newspapers, magazines, comics |
| Books other than school books |
| Football pools, lottery and other gaming |
| House-moving |

Conclusions and recommendations

A decent wage is a basic human right, as stated in the Universal Declaration of Human Rights and in numerous, important international conventions. Indeed, this right is ratified in the United Nations Covenant on Economic, Social and Cultural Rights, and in other documents, such as the ILO Constitution of 1919, the Preamble to the Declaration of Philadelphia (International Labour Conference, 1944), the ILO Declaration on Social Justice for a Fair Globalisation of 2008, and, finally, the European Social Charter adopted by the European Union in 1989, which asserts the principle that workers have the right to fair remuneration. Naturally, taking into due account the different national contexts, from both an economic and legislative viewpoint, Europe has given itself a charter that stresses the statutory efforts needed to attain a decent standard of living for all European citizens, irrespective of their country of origin. This is a goal that is present in and has been historically anticipated by many of the constitutional charters of Member States, including Italy's, in Articles 1, 4 and 36.

Yet the winds in Europe appear to be blowing in the opposite direction. If we look at the events and the policies pursued in the years following the major international economic and financial crisis, the 'old continent' appears to have stopped working to safeguard social protection or basic human rights. In 2011, under pressure from the modern-day TROIKA (the European Commission, European Central Bank and International Monetary Fund), Ireland reduced its minimum wage by 11.5% with the aim of 'recovering its competitiveness'. When a new government came to power with the promise of restoring the previous minimum wage, it was forced to offset the new wage rise with an equivalent reduction in social security contributions to be met by businesses. Again under pressure from the TROIKA, in the same year, Portugal had to pledge that it would only raise the minimum wage where there were justified economic reasons, and only if agreements reached were altered: a veritable veto imposed by the TROIKA. The Portuguese government was thus obliged to freeze the minimum wage for the first time in its history. Again in 2011, Spain too decided to suspend the adjustment of the minimum wage in line with cost of living rises. At the same time, the European Central Bank, in exchange for the purchase of Spanish bonds, requested in writing the introduction of new forms of 'mini-jobs' under less favourable conditions and with wages below the legal minimum. This was a genuine situation of coercion in exchange for new loans.

Then, Greece, in 2012, was forced to accept a cut in the national minimum wage, imposed by the TROIKA, of

22%, in exchange for 'rescue' funds provided by the European Financial Stability Facility. This decision was taken notwithstanding the opposition of both trade unions and employers, who had jointly requested that wage levels established by the national collective agreement be maintained. But the TROIKA did not yield and, again in the name of competitiveness, imposed the most drastic measure ever inflicted in Europe since the last world war. These specific cases constitute the application of a veritable wage compression strategy, even though wages do not come under the jurisdiction of the European Treaties. But, taking advantage of the crisis and the growing dependence of EU countries on loans granted by the International Monetary Fund and European institutions, reductions in wages and intervention in relation to workers' rights have been imposed as part of normal economic policy. With the adoption of the so-called Euro-Plus Pact of 2011, wages have officially become the principal adjustment variable and, as the European Commission stated in 2011, labour market reforms are necessary for 'absorbing macro-economic imbalances and bringing down unemployment'. The International Monetary Fund agrees, and sees the reform of the labour market as a necessary precondition for beating the crisis⁴³. In other words, only the victims have to foot the bill.

At the end of the 1990s, the European Commission stopped investing in so-called social dialogue, shutting down the sector-based social dialogue committees (SSDC), which have now been replaced by vague areas of discussion, and shifted resolutely towards a reinforcement of the Monetary Union and new macroeconomic governance in order to implement austerity policies. Policies which, as we have seen, move in the opposite direction to that of strengthening a Social Europe. Instead, those policies are pressuring the governments of Member States to implement draconian measures, including wage compression, a more flexible labour market, taxation free zones, and cuts in public spending and services.

Italy too is under special scrutiny, and it is no accident that recent measures to reform the labour market, such as the Jobs Act I, now Law No 78 of 16 May 2014, and Jobs Act II, Law No 183 approved on 3 December 2014, are moving towards further increases in insecurity and flexibility in the labour market, reducing social protection and social buffers and leaving workers increasingly alone and exposed to the effects of the crisis. The risk is that this could create a situation that is increasingly unfavourable to workers, who can easily be coerced, and who will be increasingly unable to present collective claims in the future. The result will be a frontal assault on the system of negotiating national contracts. In this way, some influential researchers argue that in Italy, too, a minimum wage of no more than €800-€900 a month will become established, below the levels set in national agreements and below the living wage threshold defined by Istat. In Italy, too, we will have increasingly poor workers, by decree.⁴⁴

⁴³ Thorsten Schulten, European minimum wage policy: a concept for wage-led growth and fair wages in Europe, in *International Journal of Labour Research* 2012, Vol.4 Issue 1.

⁴⁴ Piergiorgio Alleva, Il Governo Renzi ed il Job Act, August 2014, and Art.18: va difeso e riguarda tutti. Un lucido disegno contro il lavoro, September 2014 in <http://www.dirittisocialiectadnanza.org/>.

TABLE 15

Comparison of data emerging from the research

| Areas under study in the report | Average wages declared by workers interviewed* | Net average wage according to INPS data 2010** | Living wage based on 2012 prices according to Istat*** | Wages deemed to be decent by workers interviewed | Net monthly wage Level 2 factory worker**** |
|---------------------------------|--|--|--|--|---|
| Veneto | 1.000 - 1.300 | 1.116 | 1.648 | 1.700 | 1.453 |
| Tuscany | 1.100 - 1.200 | 1.116 | 1.566 | 1.400 | |
| Campania | 900 - 1.300 | 1.054 | 1.275 | n.d. | |

* net figures for 13 monthly payments. Fluctuation declared by non-skilled factory workers employed in SMEs and industry.

** INPS data processed by us.

*** data for metropolitan areas for two adults and two children

**** simulation of payslip of €1,600 before taxes as standard wage, including 13th monthly payment and additional payment as per the CCNL for Industry, assuming family dependents of spouse and two children

The ideal of a fair and sustainable Europe could, in fact, become a myth, as stated by the Treaty of Lisbon, in Article 3(5), concerning EU relations with the rest of the world and referring to the obligations of the EU in contributing to '[...] the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and protection of human rights'.

In recent years, however, the **Guiding Principles of the United Nations regarding Business and Human Rights** have clearly laid down the responsibilities of governments and businesses, in terms of the obligation to protect and respect human rights at every stage of the supply chain and in every producing country, be it the country of origin of the international brand or the hosting country of the supplier.

The same Principles define the obligation for businesses of 'due diligence' to prevent negative consequences of economic activities in relation to human rights, and to remedy any such impacts. The European Union has pledged to encourage the adoption of the Guiding Principles and to cooperate to ensure their enforcement. Many Member States are drawing up national plans of action on the subject of business and human rights, and Italy formally submitted its own plan to the European Commission at the end of 2013.

According to UN Principles, and with reference to the textile-clothing-footwear sector:

- the governments of countries in which multinationals are based have a duty to ensure that these enterprises respect human rights throughout the supply chain, wherever it is located, and that includes the guarantee of a living wage for all workers;
- countries hosting production units and recipients of foreign investments have a duty to protect their citizens and workers, promoting respect for human rights within their territory and ensuring the adoption of minimum living wages;
- multinational businesses have a responsibility to pay suppliers a price that guarantees workers a living wage, through coherent purchasing practices. They are also responsible for promoting the raising of wages to above a living wage threshold, through government policies and/or collective bargaining.



Campagna Abiti Puliti therefore asks

The Italian government:

- 1.** to take all the measures needed to remind Italian companies of their responsibility to respect human rights, including through payment of a living wage, in all phases of the production chain, using as a benchmark the levels calculated by the Asia Floor Wage Alliance (AFWA) for Asian nations and those calculated by Clean Clothes Campaign (CCC) for eastern Europe and Turkey⁴⁵;
- 2.** to regulate the activities of government agencies promoting businesses internationalisation (SIMEST, SACE, INVITALIA and ACE), making the granting of financial services/loans to companies conditional on a guarantee of a living wage;
- 3.** to play an active role in getting European institutions to alter their intervention strategies on the issues of wages in coherence with the provisions of the Treaty of Lisbon and the Guiding Principles of the United Nations for Business and Human Rights;
- 4.** to entrust Istat with the permanent task of selecting criteria for calculating a living wage and of publishing the corresponding value every year, taking due account of any price variations;
- 5.** to adopt the living wage calculated by Istat as a bare minimum for calculating social security contributions;
- 6.** to promote the adoption of a living wage within Europe as a statistical reference valid for every country of the Union;
- 7.** to promote the harmonisation of social security contribution rates in all EU countries;
- 8.** to adopt a critical stance in relation to free trade agreements, assessing the relative social impacts of such agreements with care and in advance, and to act so that the European Union freezes negotiations regarding the TTIP, which would have further negative effects on employment and on workers' rights;
- 9.** to implement the Guiding Principles of the United Nations in Italian legislation and to promulgate a law making controls on respect for human rights and payment of a living wage mandatory, and public, throughout the supply chain, for Italian businesses operating overseas and for foreign investors operating in Italy, where many international brands have located some of their most important production;

10. to promote the adoption of legislation requiring businesses operating in Italy to publish a social reporting, including a complete list of their suppliers, company policies pursued to check compliance with workers' fundamental rights, including the payment of a living wage, and the results of checks undertaken, in compliance with the European Directive approved by the EU Parliament on 15 April 2014 concerning the disclosure of non-financial information on the subject of human rights and the social impact of production activities throughout the supply chain;

11. to promote public procurement from companies that respect human rights, making it mandatory to comply with Guidelines for the inclusion of social criteria in public administration tender notices (Ministerial Decree of 6 June 2012), and to include the obligation of respecting the living wage among the criteria for the procurement of goods and services to public administration, adapting calculation methods for national or foreign products, and setting prices that can ensure their actual payment;

12. to include, in the above Guidelines, compliance with international protocols introduced on the subject of labour and human rights – such as the *Accord on Fire and Building Safety in Bangladesh* and the *Memorandum of Understanding on Trade Union Freedom of Association in Indonesia*;

13. to intensify labour inspectorate activity in order to increase public sector monitoring capacity and promote the identification of undeclared and illegal work in the country;

14. to protect trade union activity in the workplace and increase the protection of workers against discrimination for trade union activity and to consider less favourable wage agreements as forms of contractual dumping and unfair competition among businesses, to be discouraged;

15. to amend policies and current immigration laws that drive labour flows to where production is based, in order to halt the mechanism that currently links illegal immigration status with undeclared work, and thus with exploitation and inhumane conditions.

Companies:

1. to publicly pledge to guarantee a living wage in accordance with standards proposed by the AFWA and minimum levels set out in the CCC Stitched Up report for countries in eastern Europe and Turkey;

2. to publicly call for the raising of minimum wage levels in producer countries to the minimum living wage, committing not to cease trade relations in the event of an increase;

3. to comply with national laws and all international conventions, where they constitute improvements in ensuring respect for human rights and living wages, in particular through the use of due diligence to prevent and mitigate negative effects potentially deriving from their activities in Italy and overseas;

4. to enter into commercial contracts that include guarantees in relation to the payment of living wages to workers in supplier factories, as per the recommendations of the AFWA for Asian countries and the CCC for countries in eastern Europe and Turkey, and recommendations from the trade unions of producer countries in other parts of the world;

5. in keeping with the above commitment, and in cooperation with trade unions, to establish and pay a correct price to suppliers, both domestic and foreign, that includes a margin such as to allow decent wage levels, ceasing to impose the processing prices, abusing their negotiating power with Italian SMEs and foreign suppliers, and integrating the concept of a living wage into company policy;

6. to modify purchasing practices (prices, delivery times, planning of orders) to allow suppliers to gradually adjust their workers' wages and encourage their buyers to achieve social sustainability objectives;

7. to undertake tangible commitments to ensure respect for trade union freedom of association and collective bargaining in international supply chains.

TABLE 16

The Asia Floor Wage for 2013 is 725 PPP\$, and is shown below by country in the local currency

| | |
|-------------------|------------------|
| Bangladesh | 25,687 Taka |
| Cambodia | 1,582,668 Riel |
| China | 3,132 Yuan |
| India | 16,240 Rupees |
| Indonesia | 4,048,226 Rupiah |
| Malaysia | 1,566 Ringgit |
| Sri Lanka | 46,168 Rupees |

TABLE 17

Recommended wage rises in the area covered by the survey conducted by the CCC in eastern Europe and Turkey ("Stitched-up" report) – standard net values

| Country | Net minimum wage in euros ⁴⁶ | 60% of average national wage in euros* | Estimated minimum living wage [2013]** |
|-----------------------------|---|--|--|
| Bosnia and Herzegovina (SR) | €189 | €259 | €767 |
| Bulgaria | €139 | €245 | €1,022 |
| Croatia | €308 | €435 | €862 |
| Georgia | €52 ⁴⁷ | €196 | €518 |
| Macedonia | €111 | €208 | €790 |
| Moldavia | €71 | €122 | €378 |
| Romania | €133 | €218 | €710 |
| Slovakia | €292 | €406 | €1,360 |
| Turkey | €252 | €401 | €890 ⁴⁸ |
| Ukraine | €80 | €167 | €554 |

* First immediate measure

** Subsequent measure to be reached with gradual increments

⁴⁶ Exchange rates in all tables as at 1 February 2014, www.oanda.com; minimum wage as at 1 May 2013.

⁴⁷ No minimum wage is in force. Contracts often establish 125 GEL/€52 as a basic wage. We have used this parameter to analyse the gap between the minimum wage and the estimated minimum living wage.

⁴⁸ Women workers interviewed stated a minimum living wage of €890. The Turkish trade union estimated the poverty threshold at €1,095.





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