*Oksana Dutchak*

# Next-door relocation: Labour conditions and bargaining power in the Ukrainian made-for-brands garment industry[1]

***Abstract***

*This article is an attempt to close the respective gap in our knowledge of labour pay rates and conditions in the Ukrainian made-for-brands garment sector. It is also an attempt to map the structural factors which are at the heart of the existing problems in both labour conditions and labour bargaining power. The latter is analysed in the framework of structure-agency relations to answer questions about the mechanisms of local labour empowerment/disempowerment in the context of this particular form of production. Using a literature review against which to contextualise original research into the article's themes among Ukraine workers in the sector, the article concludes that there are significant differences as well as striking similarities within the Ukrainian made-for-brands garment sector; the former coming from the peculiarities of the post-Soviet context, the latter resulting from the peculiarities of supply chain operations and the neoliberal transformation of the economy. Bargaining power in the sector remains low, while state support has the contradictory effect of allowing producers to keep a disempowered labour force cheap.*

***Keywords:*** *garment industry, global supply chains, neoliberalism, bargaining power, minimum wages, state subsidies*

## Introduction

The mainstream discourse of modern development proposes a straightforward path for a periphery country. This path of development encourages countries to prospect for inclusion into a global supply chain (GSC) in order to avoid extensive investment in their own production chains. This discourse assumes that inclusion into GSCs is easier and allows fast and less costly profit-making for local enterprises, brings investment and employment for the local population and tax revenues for the local state.

However, continuous scandals on labour conditions in GSCs in the 80s and 90s saw doubts arise over the univocal positive outcomes of inclusion into GSCs and led many researchers and activists to focus their attention on the controversial issues of GSCs' operations. These efforts created another discourse which, in relation to

1 This article is based on a paper prepared for the 12th Danyliw Research Seminar on Contemporary Ukraine, held at the University of Ottawa, 16-18 November 2017. https://www.danyliwseminar.com/.

labour, can be summarised through the International Labor Organization statement (International Labor Organization, 2016) that, although GSCs do create local employment, at least in labour-intensive industries (Southall, 2008), they are structurally problematic in terms of delivering decent wages and an environment of respect for labour.

Following the collapse of the Soviet Union, Ukrainian enterprises have been included in garment GSCs, usually at the lower level of their operation. Now, according to some sources, 90 per cent of Ukrainian garment enterprises use toll manufacturing (Tsepko, 2010), producing mainly for export. The light industry officially employs some 72 000 people (*Derzhavna sluzhba statystyky*, 2016: 55), or nearly 3.5 per cent of industrial employment. However, both researchers and the general public have paid little or no attention to the labour situation in the industry and, correspondently, zero reflections have been made on the outcomes of the inclusion of the local labour force into garment GSCs. Academic articles are concentrated on the structural characteristics of the sector in relation to its potential (e.g. Farion, 2015), while media articles represent exclusively the position of local employers (e.g. *Korrespondent*, 2013) and not their employees. They generally praise brands' production in the country and mention cheap labour solely as an advantage in the attraction of foreign capital; the consequences of such an 'advantage' for local labour are never evaluated and analysed.

Our article here seeks to provide some redress of this imbalance.

## Labour (dis)empowerment in GSCs

Before turning to research into the Ukrainian made-for-brands garment sector, a brief introduction to the global context and theoretical framework is needed. A critical discourse of the operation of GSCs is most important in relation to both the global context and its structural influence on local labour. The theoretical framework of labour control and labour power studies is most relevant in understanding local labour (dis)empowerment.

The problematic nature of modern GSCs has been extensively researched in past decades. Flexibility of capital relocation, the critical imbalance of power between leading firms and suppliers, hypercompetition and the neoliberal 'adjustments' of periphery economies (Anner, 2015a; Baldwin, 2013) have created a 'race to the bottom' (International Trade Union Confederation, 2016) in wages and 'labour-unfriendly regimes' (Mezzadri, 2008: 604), which disempowers workers. Moreover, inclusion into GSCs within the neoliberal economy also disempowers states and gives little prospect of climbing the supply chain (Bruhn, 2014).

These all play a similar role in garment GSCs, but the latter also has additional peculiarities which contribute to the disempowering of labour. High competition; labour intensity; easy relocation; consolidation among the leading firms; the peculiarities of brands' purchasing practices (Anner, 2015a; Baldwin, 2013); low unioni-

sation; and the phenomena of 'fast fashion',[2] the prevalence of 'just-in-time' production[3] and cut, make and trim (CMT) schema[4] – all these make garment GSCs a low value-added sector with a high level of production offshoring, serious pressure on wages and frequent violations of labour standards and rights (Mezzadri, 2008).

However, it is not only inclusion into a GSC which influences the possibility of local labour struggle. Labour has its own agency, the capacity of which is defined by labour bargaining power (Silver, 2003; Wright, 2000) which, in turn, is influenced by complex structural conditions. The most known concept of structural influence on labour agency is that of 'production regimes', developed by Michael Burawoy (Burawoy, 1983, 1985). However, this concept has a significant gap because the author develops his modern understanding of production regimes within a particular geographical location. Burawoy's 'hegemonic despotism', which emerged during the neoliberal phase of global history and is implicitly related to GSCs, is elaborated on the basis of core countries in which the labour force feels the threat of relocation. Mark Anner develops his interpretation of labour structural conditioning in the form of 'labour control regimes' (Anner, 2015b), explicitly analysing garment production in periphery countries. But, like most research into labour conditions in garment GSCs, he focuses on established production countries such as China, Bangladesh, Cambodia, etc.

And here the question emerges – can Ukraine (or other post-Soviet countries) be classified as a 'classical periphery' production country? This question goes beyond our research here, but we will try to answer whether theoretical concepts, developed on the basis of evidence from 'classical periphery' countries, can be directly and unrestrictedly applied to Ukraine – a post-Soviet country, with a relatively high level of urbanisation and industrialisation which, therefore, cannot be called a 'thin' (Bruhn, 2014) or 'classical periphery' industrialisation (Kelly, 2002).

## Harsh crises, cheap labour

Before presenting and analysing the research material, the Ukrainian garment sector and its workforce should be located within its local socio-economic context. The military conflict in the east of the country, caused by the political crises at the beginning of 2014, led to a steep economic decline. This manifested itself in a radical drop in Gross Domestic Product (GDP), in the order of 28-31 per cent in 2014 and 2015, as well as rocketing inflation and unemployment rates which grew from 7.7 per cent in 2013 to 9.7 per cent in 2016.

The outcomes of the crises have had a direct and drastic impact on the population. One of the most visible results is that, from having one of the lowest wages in

2 'Fast fashion' corresponds to the tendency to make many smaller garment collections instead of fewer big collections. For example, some brands can make as much as fifty small collections per year.

3 Just-in-time production is a production strategy in which big orders are replaced by small, short-cycle orders.

4 Cut, make and trim means the hiring of a subcontractor who is supplied with all the material and who performs only cut, make and trim functions.

Europe before the crises, workers' earnings have been devalued even more – due to inflation and governmental 'austerity' policy to freeze the legal minimum wage (see Table 1). Only an unprecedented doubling of the legal minimum wage at the beginning of 2017 could compensate for the currency devaluation and inflation during the crises. For workers in the garment sector, the crises and still inadequate governmental policy in wage regulation means poverty wages: light industry has the lowest average wage in Ukrainian manufacturing. The findings of this research study, discussed below, strongly support this claim.

According to official statistics, in 2015 there were 1 810 garment enterprises operating in Ukraine, corresponding to 4.3 per cent of all industrial enterprises and employing 72 000 workers, amounting to 3.5 per cent of all industrial employment. Taking into account a general informal economy of 40 per cent (UNIAN, 2016) and the usually higher level of informality in the light industry sector, the informal sector in light industry may be as big as 60 per cent. Hence, it can be carefully estimated that there may well be more than 3 000 garment enterprises employing at least 140 000 workers. In any case, statistics stress that the industrial sector in Ukraine is relatively well-developed and quite diversified. Hence, Ukrainian export-oriented garment production does not constitute as major a part of GDP as the same sector does, for example, in Bangladesh.

Due to the low purchasing power of the local population and some other factors, garment enterprises are export-oriented ones, 90 per cent of which, at least partially, use toll manufacturing or CMT schemas (Tsepko, 2010). Clothes are mostly produced in micro- (62.9 per cent) and small-sized (25.4 per cent) enterprises (Farion, 2015), located mostly in the western and central parts of the country.[5]

5 Unfortunately, there are no regional statistics on the production of apparel. Approximate calculations can be made on the regional production of the main types of clothes in 2015 (in terms of numbers of items produced), provided by the State Statistics Service (see: http://bit.ly/2ymiZOv; pp. 204-210).

**Table 1 – Wages in Ukraine**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| Subsistence threshold,[6] €[7] | 74-87 | 87-93 | 102-105 | 107-108 | 106 | 62-54 | 52-58 (55)[8] |
| Legal minimum wage (net), € | 66-78 | 78-82 | 91-94 | 95-96 | 95-56[9] | 55-47 | 47-52 (89)[10] |
| Legal minimum wage (net) in PPP, $ (private consumption) | 246-259 | 254-270 | 294-310 | 320-338 | 308-303 | 204-228 | 208-239 (436) |
| Average net wage in economy, December, € | 204 | 230 | 257 | 262 | 173 | 165 | 190 |
| Average net wage in light industry, December, € | 118 | 128 | 141 | 146 | 117 | 118 | 135 |

Source: State Statistics Service

Only 10-15 per cent of added value corresponds to the manufacturing stage for factories operating within GSCs (CBI Ministry of Foreign Affairs, 2015: 141). This, combined with the diversification of the industrial sector, explains why garment manufacturing constituted only 1.3 per cent of total exports, in money terms, in 2016. Nevertheless, the relative position of garments in total exports was not damaged by the most recent crises; instead, it has been slowly growing to a current peak in 2016.

As for 2015, the main export destinations for garments were, in cash value terms: Germany (37 per cent); Hungary (7 per cent); Poland (7 per cent); Romania (6 per cent); Denmark (6 per cent); and France (6 per cent) (UN Comtrade 2015). Some 20 per cent of exports being to Hungary, Poland and Romania suggests that a lot of orders are placed not by brands directly, but by first-tier suppliers with Ukrainian factories playing the role of, at least, second-tier subcontractors.[11] This suggestion is

6 For an able-bodied adult of working age. This is officially called the 'living minimum' but, in fact, it corresponds to a subsistence threshold.

7 All currency rates here are taken from www.oanda.com. Currency rates for the beginning of the respective period are taken. In cases where there are two numbers for one period, the currency rates for the end of the period are taken in respect of the second number.

8 In 2017.

9 Due to the 'austerity measures', the legal minimum wage was not increased until 1 September 2015. Dynamics in the table show only the devaluation of income and the results of the 1.5 per cent Military Tax.

10 In 2017.

11 This situation is even more unequivocal for the export of shoes, where 41 per cent of exports corresponds to the export of shoe components, with these going to Romania, Hungary, Italy and other countries.

further supported by the findings of Christos Kalantaridis in his study of garment factories in one Ukrainian region (Kalantaridis, 2000). Moreover, Kalantaridis discovers that the more successful Ukrainian factories outsource part of the production process to smaller factories.

Besides poverty wages, the garment sector in Ukraine is characterised by a high level of informality. Olexander Tsepko suggests that:

> [No] more than 10% of Ukrainian apparel producers work fully within the legal framework. (Tsepko, 2010: 10)

This, of course, does not mean that 90 per cent of the garments industry is found in the informal economy. However, almost all factories contain some components of informality. For example, in 2013 there was an inspection of all garment factories in the Zakarpattia Region (*Derzhavna sluzhba hirnychoho nahliadu ta promyslovoi bezpeky*, 2013). There were 157 violations of the labour law found across all the factories: most of the violations concerned wages, especially wage arrears. Other violations were related to severance packages, illegal overtime and the conditions of employment of under-age workers. According to information from our field research, other components may also be: inconsistent payments for overtime, too great a period of overtime (more than that allowed by the law), the payment of wages below the legal minimum wage, etc.

## Made-in-Ukraine sweatshops

In this context, it is important to look at the actual conditions in the Ukrainian export-oriented garment sector in general, and the survival strategies of the workforce in particular. Empirical data for this research was collected in September 2016, and March and July-September 2017. It consists of 51 semi-structured interviews with workers in eight factories, including five per cent of the total workforce from three enterprises. All of the factories are in the formal economy, employing between 100 and 700 people. They are located in seven different administrative regions of the country, in locations ranging from an urban-type settlement, with almost 10 000 people, to a city with more than 600 000. Three of the settlements are the administrative centres of their regions. All the interviews were confidential and took place outside the factories. The researchers worked to conceal their research activities from management but, at one factory, one of the workers told management and the researchers had to retreat immediately to avoid problems (above all, for the workers).

The composition of the workforce in Ukrainian garment factories is both similar to and different from other export-oriented locations. Nearly 80 per cent of the workers are women (Palyvoda and Pryma, 2013). There are no official statistics on the age of workers; however, the field research findings suggest that they are usually not young women, who tend to feature in export-oriented garment industries elsewhere – the average age of the interviewees was 45 years. Many of them have a lot of experience working in the industry – one has been working at this particular factory for

fifty years. There was no migrant labour involved in factories in the study,[12] and people were either from the same settlement or from the nearest villages. Furthermore, the factory workforce is not concentrated in dormitories[13] and is rarely removed from connected communities. Factories are often located in renovated buildings of garment factories from the Soviet time; they are inside a settlement and not concentrated in a separate remote industrial zone. Hence, the composition of the workforce and the space issues are totally different, for example, from the Indian garment sector (Mezzadri and Srivastava, 2015). This means that at least the vulnerability of the workers in the research is not reinforced by their identity, background and departure from a home community; and that spatial practices of indirect surveillance and control can hardly be used by management (Kelly 2002).

Another major difference to the situation in many 'classical' production countries is that all of the interviewed workers have permanent contracts, in line with the law. Hence, workers' vulnerability is not reinforced by contract informality or horizontal labour fragmentation within a factory: officially, all of them are employed under the same terms. Their employment also provides them with a corresponding social package, such as paid annual leave, sickness leave, unemployment benefits and pension. Hence, at least formally, there is quite a diversified system of state support for labour reproduction and state regulation of production.

However, even here some aspects of informality are present. For example, in several factories workers basically have no choice when to take their annual leave – they are forced to take it during the low season, when there are few orders:

> What vacation do we have? Just when we want to go on vacation, in summer, such a mess happens [with urgent orders] that we have to spend the whole days here. And when we don't want to, they 'send' us on vacation. Yes, it is paid – they pay the same minimum wage – but not when we want, but when there are no orders.

But violation of the law is not the biggest problem here. The biggest problem faced by the workers in terms of state support of the reproduction of the labour force is not even related to a particular factory but to the general economic conditions. Basically, the state guarantees social support in the form of social security, but this has been significantly devalued because of the crises. The role of this support becomes even more problematic taking into account the high level of unemployment, huge informal sector and the stratification of the labour market. Classical interpretation would suggest that social support from the state empowers workers, increasing their structural or marketplace bargaining power (Burawoy, 1983), but, in the Ukrainian situation, this support plays a paradoxical role. Workers are afraid to lose their job, falling instead into informal employment relations; hence, they rarely complain or protest. Instead of empowering workers, the Ukrainian welfare system binds them to a factory and restrains them from self-organisation and collective bargaining. Similar

12 There were some internally displaced women working, but they had the same conditions and payments as the rest of the labour force.

13 At least some of the factories do have factory dormitories, but they were not investigated in this research.

results, though reflective of a different policy approach, were found by Jonathan Pattenden in India, where the state avoids control of informality. This reduces social 'insurance', although instead:

> [The state] subsidises labour's reproduction in order to protect social stability, reduce capital's labour costs and facilitate global competitiveness. (Pattenden, 2016: 1826)

State subsidies for labour reproduction also exist and play their role in Ukraine too; this will be discussed further below.

After these significant differences in labour conditions, striking similarities follow. These factories are usually in big industrial buildings with big windows, with some machinery working inside, and so temperature is an issue. Some of them have been renovated, but none has air conditioning. Without air conditioning, the temperature inside the factories can reach 40 degrees in summer.

> It is very hot in the factory [makes a face]. It is very hard. Last year, or a year before, it happened that one woman's blood pressure increased; she felt very bad and went home. Three days later she died. (Woman, 49 years, seamstress)

It is usually in summer when extensive overtime takes place. Commonly during this high season of orders, seamstresses work ten hours per day, six days per week. This is already a direct violation of the labour law. Sometimes they have to work twelve hours per day and even stay until the morning in cases of urgent orders. Such a situation normally does not occur for technical personal, but there was also a case when a boiler operator had to work eight hours per day without days off during the season when the heating was turned on (six months). In most cases, this extensive overtime is not paid properly – the rule of double-time payment is not followed, although some extra payment can take place.

And, even out of the high season, seamstresses have several hours of overtime per week which is not paid at all. This overtime occurs because of the piecework system, when the quota of production is sometimes too high to be done during regular hours. Sometimes, those quotas are so high that, according to management accounting calculations, workers earn half the legal minimum wage during their regular hours. In such situations, management still pay the legal minimum, but present it as if the boss is 'taking care' and 'will pay more'.

> As if I've done nothing and she pays more. Explain it to me: do you pay me the rest up to the minimum [wage] out of your own pocket? I don't get this. As if I haven't even earned the minimum wage! (Woman, 38 years, seamstress)

Hence, workers have to work overtime to get even the legal minimum wage; this situation violates the law. It can be reformulated that at least one-third of the workers we researched do not get the legal minimum wage for regular hours. As one of the workers explained:

> No matter how long you work – they give you a minimum wage. We just have to finish orders.

Sometimes, however, there is extra payment for overtime: for example, as much as €0.70 per hour and €4 for a whole Saturday. In some extreme cases, however, the law is being violated even further: workers are not paid even the legal minimum wage during the low season when there are few orders, even though sometimes they still work a regular 40-hour week.

> [I don't get] even the minimum wage. Now, the minimum wage is 3 200 [UAH] gross. I have 2 900 gross. They write down 'plus 300' – for the inspections. And, in this month, they will probably write down 'plus 1000'. On paper, they follow the law; in fact – they pay less than the minimum wage when there are no orders. (Woman, 49 years, seamstress)

Another striking problem at the factories in the research is poverty wages. The average net wage, as reported by workers, outside the high season was €96 per month – and this was still with regular overtime of at least three hours per week. The lowest net wage was detected in winter 2017 and amounted to €48 for a regular 40-hour week. The average net wage during the high season was €117 – with extensive overtime of 1-4 hours per day. The maximum detected net salary during the high season was €239. After finishing her regular hours at the factory, the seamstress referred to in the previous quote took some work home to do there.

But even this maximum payment for exhausting overtime is lower than a decent salary. A decent salary, calculated[14] on the basis of information from workers, amounted to €477. Hence, workers' average net wage outside the high season is almost five times lower than the estimated decent wage; and, even during the high season with extensive overtime, the maximum detected net salary is half as much as a decent wage.

Despite the different locations of the factories, the research materials do not support any relationship between a factory's location, conditions of labour and payments. The picture looks more or less similar in both small and bigger towns. The only factory which provided workers with slightly better conditions and wages differs from other factories not in geographical terms, but in terms of its location in GSCs. This factory has also been intensively working with one German brand for several years – it also takes some small orders from others, but most of its production capacities have been regularly used by this one particular brand. On the other hand, the factory with the worst situation, where double accounting was used to avoid paying workers even the legal minimum wage, can make more than ten small short-term orders at once. And there is some evidence suggesting that this factory may be not a direct supplier, at least for some brands; rather, it plays the role of a supplier's subcontractor.

14 Workers were asked to name their necessary family expenditures on key items such as food, utilities, clothes, medicine, education, recreation, savings, etc. One part of workers could hardly estimate the expenditure they required concerning new clothes, holidays, recreation or other items so an average was calculated per family member for those who could estimate such figures, and then, according to the Asian Floor Wage methodology, it was multiplied by three consumption units.

The role of suppliers in GSCs already decreases the workplace bargaining power of local labour (Flecker, 2010), but a lower position in the chain suggests an even bigger decrease. In Ukraine, at least in the formal export-oriented garment sector, there is no factory-level fragmentation – it can hardly be arranged under the current Ukrainian legislation as it is arranged, for example, in Indonesia (Tjandraningsih, 2012) and elsewhere. However, there is employment fragmentation inside the Ukrainian sector, where the workforce of smaller factories occupies a poorer position, and there is some regional fragmentation between factories from different countries, where some Ukrainian factories occupy lower positions in GSCs.

If workers sometimes do not understand that they can bargain with brands, the findings of the field research shows that, in the case of subcontracting, they sometimes do not even know for which brands they are producing and, at best, can name only a destination country of the products.

> We don't know which brands we make for. They don't really tell us this. I know there was Germany, now – France. It is better to produce for the military. One month on a military order gives you more. The women have been making such expensive things and now they feel very, very bitter: they say, 'We produce expensive things and earn so little.' (Woman, 56 years, seamstress)

## Struggle to survive instead of labour struggles

There are several ways of survival and sources of support for workforce reproduction in the context of such low levels of payment. There is a sad irony that, working for at least 40 hours per week, and usually more, workers often support their survival through the 'natural economy' – products from their own personal gardens – where, of course, they have to work during their free time: after work, at weekends or during annual leave. One of the workers stated that gardens 'are gold' now; another that they spend their annual leave at the 'green sea', meaning labouring in the field. Sometimes they are also supported by their village relatives, who supply them with food.

> We have a garden, four *sotka* [four hundred square metres] near the house, but there is not enough potatoes for winter [laughs]. How do we survive? I don't know. We borrow and give back from wages. Like, all the time. Our parents from the village help a lot; they give us food all the time. And my godmother from the village also helps. (Woman, 38 years, seamstress)

Another sad irony is that the reproduction of the workforce, which produces for rich and famous western brands, is basically subsidised by the state. This 'subsidy' takes different direct and indirect forms. It can be in the form of old age pension if a worker is a working pensioner, or it can be a disability pension if he or she has a disability. It can also be in the form of subsidies for the payment of public utilities which, without subsidy, can be almost equal to a worker's monthly wage. Local transportation is also subsidised from local budgets, making it relatively cheap. However, this does not prevent some workers walking as long as forty minutes to their factory and forty minutes back home again each day – just in order to save €0.50 on

bus fares. Formally free education and health care services also play an important role, although these are free only formally, and some workers experience financial problems in cases of illness – they do not have enough money to buy medicines or go to a hospital for treatment. And, finally, most workers have their own place to live, which was distributed to them or their parents during Soviet times.

> Why should I take a subsidy [for public utilities, from the state]? Subsidies are humiliating. Why don't I have that kind of salary to pay my utilities [without a subsidy]? (Woman, 37 years, seamstress)

And still they often have to borrow money either from relatives or from banks. This usually happens in cases of illness or when they have to make some relatively big purchase, such as furniture or materials for renovation. For some of them, borrowing is a common monthly practice just to be able to cover their basic needs.

> What helps? Acquaintances in shops give me food on trust. I've got my salary today, so I will go in and pay them back. [We enter the shop and she tells the shop-keeper:] 'Oh, you probably thought that I had lost my sense of conscience…' (Woman, 49 years, seamstress)

Nevertheless, with all these sources of support, workers still have to use consumption austerity as the most common way of survival. Basically, workers have to save on everything, including such a vital need as food. Some of them even stated that they do not eat meat at all, or that they buy very simple food for themselves although they are trying to provide better nutrition for their children. They also try to spend as little as possible on clothes and shoes, either buying the cheapest items in local markets or shopping in local second-hand shops. So, the last sad irony in this situation is that, while making garments for famous western brands, these people also buy brand clothes but in the form of the cheapest, second-hand goods imported from the west.

> 80% I spend on utilities and 20% on food. It is hard for me to say how much I would have to spend on food weekly. I spend as little as possible. I don't buy food, and I don't know prices. I eat very simple food. (Woman, 45 years, seamstress)
>
> If one could buy sanitary towels in second-hand shops, I would buy them. See how they've driven people to desperation. (Woman, 32 years, seamstress)

Being forced into a situation of austerity, most workers have no access to recreation or a cultural or social life where these are related to expenditure. Lack of time is also an important factor here, but poverty wages play the major role. Some workers never go to a cinema or a café, and only a few can allow themselves to spend annual leave on some trip within the country. When asked to estimate how much they needed to spend on these activities, most could hardly make any such estimate and some reacted with sarcasm and even hostility. In addition, workers have almost zero chance of saving.

> Sea, mountains… I'm from [a resort town in the mountains] myself, but I don't remember when I was there the last time. I guess a ticket for one person would cost 100 hryvnia [approx. €3.50]. (Woman, 58 years, warehouse worker)
>
> I have to be at work at 0730 and work till 1600, then I take some work to do at home – I sew on labels. I work at home on Saturdays and Sundays – my job is my hobby [irony] – and I don't have days off. My job is like poison in my blood; it's like a drug – I've quit three times already, but have come back. (Woman, 49 years, seamstress)

Hence, workers are struggling to survive with almost no attempts to improve their conditions and pay rates significantly. The absence of labour struggle is the result of many factors and can be interpreted within theories of labour bargaining power (Wright, 2000; Silver, 2003) and labour control regimes (Burawoy, 1983; Anner, 2015b).

In Mark Anner's terms, the Ukrainian labour control regime in the garment sector can be classified as a market labour control regime. In a situation of severe economic crisis and decline, which produces unemployment and a high level of informality and which devalues income, workers are afraid to lose their jobs. At the same time, the structure of the Ukrainian labour market makes searching for another job problematic. Taking into account that a lot of workers in the sector are older women, it is unlikely that they will find a better job, especially in small towns. The high level of informality in the economy also plays an important role: their current employment at least provides workers with a full social package and stability of income, however small both may be. This discourse of 'stability' was explicitly present during the interviews, and so were stories about negative experiences of trying to find other jobs.

> It is called light industry, but it is so hard. Wages are low. If they at least paid good wages! But where can a seamstress go except the factory? Only to a tailor's shop. But will there be orders? And will they be stable? One cannot develop like this. At least in the factory there are stable wages. (Woman, 58 years, warehouse worker)

Searching for another job outside native settlements is also problematic. The mobility of many workers is restricted: by children, age and, sometimes, by disability. Another major factor restricting mobility is the private flats or houses they have from the Soviet period. Migration to another town is sometimes unimaginable for them because their income would not allow them to rent a flat.

> I ask you, what conflict? Everybody needs money, but everybody stays where they are. I tell you, you don't like something – they can always find another person to take your place. (Woman, 40 years, seamstress)

In general, one can say that the market labour control regime diminishes workers' bargaining power in the marketplace (Silver, 2003), which also prevent them from self-organisation, diminishing in the process their associational bargaining power. Associational bargaining power is also deterred by the peculiarities of the Ukrainian major trade union federation (FPU). Its structure, ideology and practice are inherited from Soviet times; and it can be classified as a 'yellow' union. Dealing mostly with managing additional social benefits, the FPU rarely cares about labour struggles

(with some exceptions) and often takes the side of management. This situation is absolutely visible in the factories we visited where unions collect fees and provide loans and some material support but do nothing about direct violations of the labour law.

> Yes [we have a union], the one which only collects money. [Laughs]. I say 'collects', but they deduct it. But what does it do? [Laughs]. Everybody becomes a member after being hired and they deduct subscriptions, the same as they deduct taxes, pension fund, unemployment benefits, etc. (Man, 65 years, mechanic)

It is clear that associational bargaining power can be strengthened with the involvement of other actors such as local and religious communities (Silver, 2003), political parties, etc. However, in respect to the latter option, one should consider that labour issues are mostly depoliticised in Ukraine. Participation of political parties in labour protests, for example, is 2-3 times lower than their participation in general protests (Dutchak, 2015). Political interest in labour issues sometimes increases slightly before elections, and this can be explained to some degree by the 'elite bargaining theory of strikes', developed by Graeme Robertson particularly in the context of post-Soviet Russia (Robertson, 2007). However, such a concept can barely be applied to the Ukrainian garment sector. We would suggest that the local political elite would use labour protests in their bargaining with the political centre only in those sectors which play an important role in the economy – either in terms of income generation or strategically (because of the sector's social importance or high level of employment).

Workplace bargaining power, which corresponds to workers' position in the organisation of production (Silver 2003), is also relatively low in this context. The imbalance of power in garment GSCs, the flexibility of capital and the vertical fragmentation of employment do exert a negative influence. On the other hand, just-in-time production, with strict deadlines, does give workers some power in the organisation of production – here, strikes can be a powerful tool. However, with such a low level of self-organisation and with vertical fragmentation, where local firms are often subcontractors of brand suppliers, strikes become an unlikely event. If there is no organisational capacity to associate them, and if workers sometimes do not understand that they can bargain with brands but sometimes do not even know for which brand they are producing, it is not surprising that there has not been a single strike reported by the media in this sector in the past few years (Dutchak, 2016).

There have, however, been some unsuccessful attempts, raised during the research to be reviled. One example can scarcely be investigated further because only the fact of the strike attempt and its location is known. It happened several years ago and all the workers were dismissed afterwards. Another case is one of self-organisation, when workers tried to organise an independent union to bargain on their behalf. Two of these workers were also dismissed and one was able to get her job back only after several years of going through the courts. However, they were too demoralised to continue their struggle. It is obvious that there should be more cases like these, though it would be a surprise were there to be many.

Ultimately, it can be summarised that the Ukrainian garment sector is characterised by market labour control regimes with elements of employer repression. Such repression happens rarely because of low marketplace bargaining power and its negative influence on associational bargaining power. The result is that labour struggle has become a relatively rare event in the sector; hence, there is little to repress.

## Concluding remarks

Our study reveals both significant differences and striking similarities in labour conditions and pay rates in the Ukrainian made-for-brands garment sector. Significant differences in workforce composition and the extent to which the state operates to support labour reproduction can be attributed to the peculiarities of the post-Soviet context, but there are striking similarities resulting from the peculiarities of GSC operation and the current neoliberal transformation of the economy, partially triggered by local socio-economic crises. In relation to labour, this neoliberal transformation can be escalated in the following years if the new Labour Code is passed, allowing extensive use of fixed-term contracts and increased labour flexibility and restricting trade union power.

The post-Soviet context peculiarities, with the relatively high level of industrialisation, diversification within the industrial sector and social security make not only a contextual difference but also influence the local labour control regime and bargaining power. Though the bargaining power of labour in the sector is also relatively low, as in traditional production economies within GSCs, some mechanisms of the market labour control regime, with elements of employer repression, are different. One of the most interesting discrepancies is related to the contradictory role of the state's social security system, which has a contrary influence on workers' bargaining power. Conventional theory would suggest that state support for labour reproduction must increase marketplace bargaining power, but the research points out that it can have the opposite effect. In conditions of economic crisis, and with a high level of informality, the support of the state binds workers to their factory and allows local producers to keep labour cheap. This, of course, can give competitive advantage to a producer, but it has tough effects on the socio-economic conditions confronting the local labour force. Moreover, it can have a negative long-term effect on the industry – one can find few young workers employed and willing to stay in a factory.

The research also shows that more young workers are involved in the factory which has been producing for one brand for some years because that factory provides slightly better conditions and pay rates. So, less vertical employment fragmentation definitely has a positive influence as regards the workforce. Theoretically, it should also increase workers' workplace bargaining power, but there is no evidence of attempts at collective bargaining in that factory. An interesting theme for follow-on research would be a comparison of formal factories, which produce for brands, with informal factories, and factories and workshops producing for different segments of the internal market.

Acknowledgment

I express my gratitude to the Clean Clothes Campaign and especially to Bettina Musiolek, who inspired and guided this research. I am also grateful to the Rosa-Luxemburg-Stiftung and the Südwind Institut for their support. Finally, this research would be impossible without Artem Chapeye and Anna Oksiutovych who collected the major part of the interview data.

## References

Anner, Mark (2015a) *Stopping the Race to the Bottom. Challenges for Workers' Rights in Supply Chains in Asia* Berlin: Friedrich-Ebert-Stiftung, Department for Asia and the Pacific.

Anner, Mark (2015b) 'Worker Resistance in Global Supply Chains' *International Journal of Labour Research* 7(1/2): 17-34.

Baldwin, Richard (2013) 'Global Supply Chains: Why They Emerged, Why They Matter, and Where They are Going' in Deborah K. Elms and Patrick Low (Eds.) *Global Value Chains in a Changing World*, pp. 13-59, Geneva: World Trade Organization.

Bruhn, Dominique (2014) *Global Value Chains and Deep Preferential Trade Agreements: Promoting Trade at the Cost of Domestic Policy Autonomy?* Bonn: German Development Institute, available at: http://bit.ly/2x0pKkY.

Burawoy, Michael (1983) 'Between the Labor Process and the State: The Changing Face of Factory Regimes Under Advanced Capitalism' *American Sociological Review* 48(5): 587-605.

Burawoy, Michael (1985) *The Politics of Production: Factory Regimes under Capitalism and Socialism* London: New Left.

CBI Ministry of Foreign Affairs (2015) *Value Chain Analysis Report* available at: http://bit.ly/2yrLae8.

UN Comtrade (2015) *UN Comtrade Database* https://comtrade.un.org/data/

Derzhavna sluzhba hirnychoho nahliadu ta promyslovoi bezpeky (2008) 'Zakarpattia: na pidpryemstvakh vzuttievoi promyslovosti vyavleno ponad 180 porushen' vyrobnychoi bezpeky' 11 November, available at: http://bit.ly/2yshcqm.

Derzhavna sluzhba statystyky (2016) *Promyslovist Ukrainy 2011-2015* Kiev.

Dutchak, Oksana (2015) 'Unite or Fall: Labor Protests in Ukraine in the Face of the Crises' *Intersections. East European Journal of Society and Politics* 1(3): 140-157.

Dutchak, Oksana (2016) 'Rabochie protesty v Ukraine do i posle "Evromaidana"' *Sotsyologia: Teoria, metody, marketing* 4: 85-101.

Farion, N (2015) 'Suchasnyi stan lehkoi promyslovosti v Ukraini: problemy ta shliakhy ikh vyrishennia' *Efektyvna ekonomika* 10 http://bit.ly/2xJedWZ.

Flecker, Jörg (2010) 'Fragmenting Labour: Organisational Restructuring, Employment Relations and the Dynamics of National Regulatory Frameworks' *Work Organisation, Labour & Globalisation* 4(1): 8-23.

International Labor Organization (2016) *Decent Work in Global Supply Chains* International Labour Conference Provisional Record 14-1, 105th Session, Geneva.

International Trade Union Confederation (2016) 'Scandal inside the Global Supply Chains of 50 Top Companies' *Frontlines Report 2016* available at: http://bit.ly/2k TgrC5.

Kalantaridis, Christos (2000) 'Globalization and Entrepreneurial Response in Post-Socialist Transformation: A Case Study from Transcarpathia, Ukraine' *European Planning Studies* 8(3): 285-299.

Kelly, Philip (2002) 'Spaces of Labour Control: Comparative Perspectives from Southeast Asia' *Transactions of the Institute of British Geographers* 27(4): 395-411.

Korrespondent (2013) 'Shveini ZARAbitky. Ukrainski fabryky peretvorylysia na tsekh z poshyttia dlia svitovykh brendiv' *Korrespondent* 10 September, available at: http://bit.ly/2yt19ZT.

Mezzadri, Alessandra (2008) 'The Rise of Neo-Liberal Globalisation and the "New Old" Social Regulation of Labour: The Case of Delhi Garment Sector' *The Indian Journal of Labour Economics* 51(4): 603-618.

Palyvoda, O. and Yu. Pryma (2013) 'Formuvannia ekonomichnoi stiykosti shveinykh pidpryemstv Ukrainy na osnovi klasternykh merezh' *Tekhnolohii i dyzain* 4(9): 1-8.

Pattenden, Jonathan (2016) 'Working at the Margins of Global Production Networks: Local Labour Control Regimes and Rural-Based Labourers in South India' *Third World Quarterly* 37(10): 1809-1833.

Robertson, Graeme (2007) 'Strikes and Labor Organization in Hybrid Regimes' *American Political Science Review* 101(4): 781-798.

Silver, Beverly (2003) *Forces of Labor: Workers' Movements and Globalization since 1870* Cambridge: Cambridge University Press.

Southall, Roger (2008) 'The "New Scramble" and Labour in Africa' *Labour, Capital and Society/Travail, capital et société* 41(2): 128-155.

Tjandraningsih, Indrasari (2013) 'State-Sponsored Precarious Work in Indonesia' *American Behavioral Scientist* 57(4): 403-419.

Tsepko, Olexander (2010) *Export Marketing Survey: Ukrainian Apparel Market* The European Union's Tacis Programme for Moldova, available at: http://bit.ly/2hJF9 A2.

UNIAN (2016) *Informal Economic Sector Accounts for 40% of Ukraine GDP – Economy Ministry* UNIAN, 5 July, available at: http://bit.ly/2ie0rth.

Wright, Erik Olin (2000) 'Working-Class Power, Capitalist-Class Interests, and Class Compromise' *American Journal of Sociology* 105(4): 957-1002.