Workers and Social Upgrading in “Fast Fashion”:
The Case of the Apparel Industry in Morocco and Romania

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1. Introduction

Over the last three decades the global economy has witnessed a dramatic change from shallow to deep integration and the associated rise of organizationally fragmented and geographically dispersed global production networks (GPNs). An increasing amount of literature drawing on chain and network conceptualizations has accumulated on how these changes in international trade and global production affect countries, regions and firms and their development prospects; however, comparatively little has been said about the effects on workers and their roles in GPNs. Although the expansion of global production arrangements has been an important source of employment generation in many developing and transition countries, this quantitative assessment reveals little about the qualitative aspects of work nor about the sustainability of these jobs. The quality of employment generated in GPNs often provides a less optimistic outlook with jobs characterised by a high degree of flexibility, uncertainty and precariousness (Barrientos et al. 2010).

These employment characteristics may be specifically relevant in the increasingly important fast fashion segment of the apparel industry. At the heart of the fast fashion strategy lies a business model that is based on increased variety and fashionability and on permanently shrinking product life cycles that requires bringing new products to markets at an increasing pace and in shorter time spans. Lead firms’ high responsiveness to consumers’ preferences implies not only increased organizational flexibility and shrinking lead times for supplier firms but also delivering high quality apparel items at low cost. Supplier firms struggle to accommodate these potentially conflicting requirements and may pass on these commercial pressures to the workforce. In particular regional suppliers – those firms located in countries in geographic proximity to the key end markets of the EU-15, the US and Japan – are often deriving their competitive advantage from being integrated into the fast fashion segment of apparel GPNs.

Against this background, this paper assesses how integration into GPNs in the fast fashion apparel segment is impacting on workers and social upgrading - i.e.,

1 The authors would like to thank John Pickles for comments on an earlier draft. The views expressed in the paper are those of the authors’ and do not necessarily reflect those of their institutional affiliations.
the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. The focus is on the apparel industry in Central and Eastern Europe (CEE) and in the Euro-Mediterranean Rim (“Greater Europe”) with case studies on Morocco and Romania due to their importance as regional and fast fashion suppliers. In the last three decades, the European apparel industry has experienced dramatic transformations in the context of global liberalisation and European macro-regional integration that involved the relocation of manufacturing capacities from Western European countries to Greater Europe. The extension of these networks enabled Western European lead firms to access suppliers that offer lower costs as well as short lead times, responsiveness and flexibility. For supplier firms in Greater Europe, the integration into Western European production networks led to increased exports and employment, but at the same time it often led to concentration in low-value and flexible production arrangements. This paper investigates what consequences the integration into Western European and particularly fast fashion production networks has had for social upgrading in the apparel industries of Morocco and Romania.

The paper is based on a diverse set of secondary and primary data. It utilizes trade, national industry and employment data; firm-level semi-structured interviews with managers and workers’ representatives; and standardized interviews with workers (in the case of Romania) and focus group discussions with workers (in the case of Morocco).\(^2\) The fieldwork in Morocco and Romania took place in 2008, and the non-random samples were selected based on differences in geographical location within each country, firm size (number of employees), positioning in GPNs, and institutional specificities (former state-owned vs. greenfield location in Romania; participation in the Fibre Citoyenne (FC) initiative in Morocco). More specifically, in Romania, a sample of 12 firms that largely supply fast fashion products to retailers such as Hennes & Mauritz (H&M), C&A and Zara geared towards the EU-15 market was selected. Most of these firms are concentrated around Bucharest as well as in the South and the North-East of Romania.\(^3\) In Morocco, a sample of 19 firms that are located in the main four industrial poles - Casablanca, Rabat, Fes and Tangier - were selected. Among these, 13 firms are suppliers for fast fashion retailers such as Zara and Mango.\(^4\) In Tangier these fast fashion retailers are particularly important due to the immediate proximity to Spain and to the widespread use of Spanish as a business language. The sample in both countries consists mostly of medium-sized firms. Key informant interviews with stakeholders in the apparel industries in Morocco and Romania, including the government, employers’

\(^2\) The primary data derives from fieldwork conducted for Rossi (2011) and Plank and Staritz (2011).

\(^3\) Apparel firms are also concentrated in the North-Western region of Romania; however, these firms are largely integrated into GPNs of branded manufacturers, largely from Italy and Germany, and not retailers. The interviews and this paper focus on Romanian suppliers that are integrated in sourcing networks of retailers, particularly into the fast fashion segment.

\(^4\) We make a difference between fast fashion retailers and buyers that cannot altogether be described as fast fashion retailers but follow fast fashion sourcing strategies for specific product lines. The first group of buyers includes Inditex/Zara, Mango and H&M; the second group a much larger group of retailers, including Marks & Spencer (M&S), C&A, Next, New Look, Gap and The Limited.
associations, trade unions, workers’ representatives, NGOs and industry experts complemented the firm-level interviews.

The paper is structured in the following way. The first part defines and operationalises social upgrading. In the second part global and macro-regional dynamics in the apparel industry in Greater Europe are discussed with a focus on the emergence of fast fashion and regional trade agreements as well as the developments of the apparel industries in Morocco and Romania. The third part discusses findings with regard to roles of workers and social upgrading highlighting similarities and differences between the two countries. The last part concludes.

2. Social Upgrading in Global Production Networks

The impact of participating in global production on firms and workers in developing and transition countries is a highly disputed topic. In the last decades considerable attention has been dedicated to the economic, financial and trade effects of globalisation. However, significantly less attention has been devoted to the social dimension of globalisation and, particularly, to the interaction between the economic and social spheres. More specifically, the literature on GPNs, global value chains (GVCs) and international coordinated trade often fails to fully consider social outcomes alongside economic outcomes.

There seems to be mixed evidence on the social dimension of global production. On the one side, GPNs have undoubtedly created new employment opportunities for previously marginalised groups of workers, such as women and unskilled workers, who did not have the chance of receiving an income beforehand. Nevertheless, at the same time, globalisation of production and especially commercial pressures deriving from buyers’ purchasing practices and their search for low costs often lead to high pressures on supplier firms. These pressures are often associated to low labour costs and an increase in flexible and vulnerable labour arrangements, such as temporary, contract and migrant labour. For these categories of workers, participation in GPNs may have led to increased vulnerability and insecurity and even to social downgrading (Barrientos 2007; Barrientos et al. 2010; Carr and Chen 2004; Chen et al. 1999; Collins 2003; Hale and Wills 2005; Oxfam International 2004; Raworth and Kidder 2009; Standing 1999).

Commercial pressures radiating from lead firms include not only low cost but also high quality, short lead times, responsiveness to changes in orders and flexibility. These pressures are related to lean production and just in time delivery which enables retailers and manufacturers to maintain low inventories of goods thereby reducing storage costs and enabling rapid and flexible response to changing market conditions. In contrast to standard conceptions of flexible labour markets where labour costs reduction drives flexibility and causality, employment strategies tend to be more nuanced within GPNs because of the need to balance cost reduction and flexibility on the one side with consistency and quality of supply that meets lead firms’ standards on the other side (Barrientos et al. 2010). Production for GPNs has been therefore linked to the
emergence of a new type of labour which is characterized by a high degree of flexibility and cost effectiveness but which also meets quality standards (Barrientos and Kritzinger 2003; Barrientos et al. 2010).

These contradictory demands from lead firms are in particular pronounced in the increasingly dominant fast fashion segment in the apparel industry into which suppliers in Greater Europe are often integrated due to their geographical proximity to Western European end markets. The fast fashion segment of the apparel industry, pioneered by the Spanish retailer Inditex (particularly with its Zara brand) is named for the ability of making cutting edge fashion trends accessible to high street customers in a matter of weeks. Fast fashion is therefore characterized by short product life cycles (down to two weeks), responsiveness to the latest fashion trends, and speed and flexibility of production as well as consistency and quality that are as crucial as costs to remain competitive. Within GPN analysis it is therefore key to investigate what are the stimuli and constraints for social upgrading, defined as the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment (Barrientos et al. 2010). This definition, which places a strong emphasis on the attainment of rights and the achievement of decent working conditions, encompasses the vision of labour at the core of the ILO’s definition of “decent work”, i.e. work taking place under conditions of freedom, equity, security and human dignity, in which rights are protected and adequate remuneration and social coverage is provided (ILO 1999).

Building upon categorizations of labour standards (Elliott and Freeman 2003; Barrientos and Smith 2006; Portes 1994; Luce 2005; Palley 2004), social upgrading is composed of two broad elements:

- **Measurable standards**, quantifiable, easily measured and observable during factory visits and social auditing, and easier to tackle through policy interventions, because the outcomes are visible (Barrientos and Smith 2007). They include wages, physical wellbeing (e.g. health and safety, working hours) and employment security (e.g. type of contract, social protection).

- **Enabling rights**, intangible, and more difficult to measure and quantify. They are the key to improve labour standards by empowering workers to engage in an effective relationship with their employer (Elliott and Freeman 2003) and are the full expression of the rights and entitlements of workers as social actors. They include freedom of association and collective bargaining, the right to freely choose employment, non discrimination and voice.

Social upgrading is not linear as workers are not a homogenous group. Some workers may experience social upgrading whilst others may be left behind. The different impact can be related to the status of workers - regular vs. irregular workers or workers in core plants vs. subcontracting plants - as well as to their gender and ethnic background (Barrientos et al. 2010; Barrientos and Smith 2006, 2007). Where irregular workers are over-represented by women, ethnic and migrant groups, they often face double discrimination (both through their social and employment status).
This paper analyses whether integration in apparel GPNs, and in particular in the fast fashion segment, has led to the attainment of both measurable standards and enabling rights for workers, or whether the sourcing practices related to fast fashion sourcing strategies, such as high flexibility, speed of production, low costs and high quality, may create additional hurdles for workers to achieve social upgrading. This question is investigated by analysing empirical evidence from the apparel industries in Morocco and Romania.

3. The Apparel Industry in Greater Europe

3.1 Fast fashion and regional suppliers in Greater Europe

In the last three decades, and in particular since the 1990s, the apparel industry in Greater Europe has experienced dramatic transformations in the context of European macro-regional integration. The deepening of regional production networks in Greater Europe has been propelled by changing industry dynamics and corporate strategies, in particular the increased role of time factors in sourcing decisions and the emergence of fast fashion, as well as the macro-regional integration process driven by regional trade agreements.

Since the 1970s there has been a significant change in the industrial organization across a variety of sectors shifting the focus away from internal scale economies via vertical integration towards external economies related to outsourcing (Gibbon and Ponte 2005). The apparel industry is the prime example in this regard. Profits derive less from relatively standardized and commodified labour-intensive, production-related activities but rather from activities that differentiate the product in the eyes of the consumer, including design, branding and marketing. These activities are protected by high entry barriers and are the core competencies of lead firms in apparel GPNs, typically large retailers and brand owners (Gereffi 1994; Gereffi and Memedovic 2003).

While initially sourcing decisions have been primarily motivated by labour costs, other considerations have also become important. One of the most influential trends in sourcing is the increasing importance of time factors. This is related to the shift to lean retailing and just-in-time delivery where buyers defray the inventory risks associated with supplying apparel to fast-changing, volatile and uncertain markets by replenishing items on their shelves in very short cycles and minimizing inventories (Abernathy et al. 1999, 2006). The increasing dominance of fast fashion underlines these developments. Retailers such as Inditex/Zara and to a lesser extent H&M have come to be known as the avant-garde in this respect and have gained increasing shares of the world apparel market with Inditex becoming the world’s leading specialized apparel retailer (The Economist 19 May 2001, 18 June 2005, 6 November 2008). Shorter lead times, quick response and flexibility have however become important not only for fast fashion retailers. While there are only few retailers that can be labelled genuine fast fashion retailers as their whole sourcing strategy is geared towards fast fashion, many traditional retailers that used to have four seasons per year, such
as Marks & Spencer (M&S), C&A, Next, New Look, Gap and the Limited follow fast fashion sourcing strategies for specific product lines (i.e., the more fashion sensitive item). Most recently, even luxury labels such as Chanel and Gucci are under pressure to offer new products more often (Roberts 2010). Hence, fast fashion sourcing trends have become increasingly important in the whole apparel industry. One consequence of this development is that geographic proximity to end-markets has become an important factor in sourcing decisions.\(^5\)

Another influential trend in buyers’ sourcing decisions is the increasing importance of labour compliance in response to pressure from campaigns by non-government organizations (NGOs) and compliance-conscious consumers. As large retailers are often highly recognizable high-street brands, they are particularly sensitive about their brand reputation and have invested considerable resources in corporate social responsibility (CSR) and developed codes of conducts (O’Rourke 2002; Jenkins et al. 2002; Mamic 2003; Pearson 2007; Locke et al 2008). There is often an intrinsic tension between the commercial pressures with regard to low costs and high flexibility and the CSR requirements also imposed by buyers, which by default are likely to increase the cost of production and reduce flexibility.

Organisational dynamics in apparel GPNs have to be assessed in the context of the changing regulatory landscape. Macro-regional integration has played an important role in the furthering of regional production networks in Greater Europe. Special trade agreements - referred to as “Outward Processing Trade” (OPT) - created favourable conditions for the offshoring and outsourcing of labour-intensive production steps to nearby countries as part of a broader strategy to secure the competitiveness of the European apparel and textile complex (Gereffi 1999; Dicken 2003). This was achieved by allowing EU-based firms to temporary export inputs for processing to an OPT-partner country and re-import products under preferential conditions, i.e. only paying duty on the minimal value-added (labour) taking place in the neighbouring country (Pellegrin 2001).\(^6\) In the case of apparel, it generally involved the export of EC/EU inputs (fabric, cuttings or semi-finished apparel) to nearby lower-cost countries in Greater Europe which made them up into ready-to-wear apparel for re-import into the EC/EU. These trade arrangements promoted a specific division of labour where low cost regional neighbours were largely responsible for labour-intensive assembly production whereas more capital-intensive and higher value activities remained based in Europe. As integration deepened in the context of EU accession or the Euro-Mediterranean Partnership these specific

\(^5\) Location per se does however not appear to constitute a major advantage or entry barrier on its own as distance can be compensated by other factors such as infrastructure and logistics, local availability of fabrics and vertical integration, supply chain management capabilities, firm capabilities and management practices.

\(^6\) In the case of apparel these preferential conditions were either reduced tariff rates (tariff OPT) or expanded quota access (economic OPT). Tariff OPT suspended tariffs on the re-import of goods from the OPT-partner country into the EC/EU when raw materials (such as yarns and fabrics) are temporarily exported from the EC/EU country for processing undertaken in the OPT country and re-imported into the same EC/EU country as partially or fully finished goods. Economic OPT granted additional quota for the import into the EC/EU of specific products produced from EC/EU-originating materials (Pellegrin 2001).
rules of origin regulations were expanded but production structures tended to be sticky due to a deep seated division of labour based on OPT relationships (see below for Morocco and Romania, Begg et al. 2003).

These OPT arrangements laid ground for flourishing intra-Greater European apparel trade in the 1980s and particularly 1990s.\(^7\) Western European apparel manufacturers and retailers increased their involvement in the region however in different ways based on geographical location, cultural affinity, historical factors, national industry pressures and existing structures and business contacts (Pincheson 1995; Textiles Intelligence 1997; Begg et al. 2003).\(^8\) German manufacturers started to outsource specific production processes already in the late 1960s to the European environs, including former Yugoslavia, Hungary and Romania (Schuessler 2009). In contrast, Italy was a relative latecomer, due to relatively low domestic wages, the outsourcing potential that was available domestically and the focus on up-market products (Textiles Intelligence 1997; Baden 2002). In Italy’s later outsourcing efforts Romania had an important role, also due to language ties (Graziani 1998). The restructuring process of UK’s textile and apparel industries started also only in the mid-1990s. Like German retailers, large UK retailers often used UK-based manufacturers as intermediaries to subcontract production to CEE and North African countries (Begg et al. 2003). France was an early and prominent actor in apparel relocations focusing on North African countries, including Tunisia and Morocco (Textiles Intelligence 1997), due to their colonial legacy in the region as well as the common language. Spain rose to prominence as a key sourcing country in the early 2000s, and in the case of Morocco, became the prime export destination for apparel in 2005.

In the context of regional trade agreements and fast fashion, regional supplier countries increased their market share in the EU-15 in the 1990s and early 2000s. The boom in apparel exports from Greater Europe lost however momentum particularly at end of 2004 with the phase-out of the Multi-Fibre Arrangement (MFA) quota system as orders shifted to China and other low-cost Asian apparel exporter countries (Gereffi and Frederick 2010; Staritz 2011). However, these reductions have not been as dramatic as expected by those foretelling the elimination of regional suppliers. The still important role of regional supplier countries for the EU-15 is revealed in data on the main apparel exporters to the EU-15 (Table 1). Intra EU-15 trade accounts for the largest share (decreasing however from 43.4% in 1995 to 36.9% in 2009). Regional suppliers increased market share until 2004 but lost market share post-MFA. All countries from Greater Europe together accounted for a market share of 25.3% and 27.3% in 1995 and 2004 respectively which declined to 19.7% in 2009. CEE

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\(^7\) This production model was already embraced before the formal adoption of OPT in 1975 by some Western European firms, which outsourced the sewing operation to (the then) Yugoslavia, or Romania, as early as in the beginning of the 1970s, but it considerably accelerated after the formal adoption of OPT and with regard to CEE countries after the collapse of state socialism.

\(^8\) The use of OPT transactions varied across the EC/EU. Germany was among the first to rely on OPT transactions and accounted for the bulk of OPT operations; around 70% of EU OPT with CEE originated in Germany in the 1990s (Pellegrin 2001). France, the Netherlands and Belgium were also very active at an early stage while the UK and Italy were latecomers (Baden 2002).
and MENA-4 countries experienced a declining share from 12.9% and 6.7% in 2000 to 8.1% and 4.7% in 2009 respectively.

Table 1: Top 10 apparel exporters to the EU-15

<table>
<thead>
<tr>
<th></th>
<th>Value (EUR Mil)</th>
<th>Market Share (%)</th>
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<tbody>
<tr>
<td>World</td>
<td>50.377</td>
<td>78.117</td>
</tr>
<tr>
<td>EU-15</td>
<td>21.838</td>
<td>30.513</td>
</tr>
<tr>
<td>China</td>
<td>3.542</td>
<td>7.450</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.189</td>
<td>5.322</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>967</td>
<td>2.567</td>
</tr>
<tr>
<td>India</td>
<td>1.588</td>
<td>2.005</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1.729</td>
<td>2.567</td>
</tr>
<tr>
<td>Morocco</td>
<td>1.631</td>
<td>2.356</td>
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<tr>
<td>Romania</td>
<td>972</td>
<td>2.558</td>
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<tr>
<td>Poland</td>
<td>1.604</td>
<td>1.826</td>
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<tr>
<td>Vietnam</td>
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</tr>
<tr>
<td>MENA-4*</td>
<td>3.508</td>
<td>5.222</td>
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<tr>
<td>CEE**</td>
<td>6.049</td>
<td>10.055</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.189</td>
<td>5.322</td>
</tr>
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</table>

Source: Eurostat; Apparel represents HS61+62; World value represents the sum of EU-15 intra and extra trade. (-) indicates country not in the top 15 in given year.

Note: * MENA-4: Tunisia, Morocco, Egypt, Jordan; ** CEE: Romania, Poland, Bulgaria, Czech Republic, Hungary, Slovakia, Slovenia, Estonia, Latvia, Lithuania, FYR Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Moldova, Ukraine, Belarus, Russia.

3.2 Fast fashion and Morocco’s and Romania’s apparel industries

Morocco and Romania are chosen as country case studies given their key role as regional suppliers to the EU-15 market and as suppliers for fast fashion retailers. In 2009 they ranked 7 and 8 respectively as EU-15 apparel importers (Table 1). This section illustrates the development and characteristics of the apparel industries in Morocco and Romania with their similarities and differences related to distinct historical and institutional contexts. An understanding of the apparel industries in both countries and their specific integration into GPNs is crucial to assess social upgrading dynamics in the next section.

In Morocco, the centre of the textile and apparel industries was historically the ancient capital city Fez where an elite of local aristocratic families controlled production and trade. In line with import-substitution policies, production was largely oriented towards the domestic market. This began to change in the first half of the 1980s with a broad domestic policy change to a more export-oriented development model (Cammet 2007). The apparel industry has been at the forefront of export-led industrial growth in Morocco and its centre shifted towards Casablanca and later Tangier. Apparel exports increased significantly from the early 1980s onwards. Although growth declined during the 1990s due to the increasing role of CEE countries such as Romania as key apparel suppliers in the EU-15 market, the industry continued to expand in terms of exports and
While apparel exports accounted for 4.5% of total merchandise exports in 1980, they increased to 32.2% in the early 2000s. Formal employment grew throughout the 1990s and early 2000s peaking in 2003 with a registered workforce of 168,480. OPT relations – known as “admission temporaire” in Morocco - had an important role in promoting Morocco’s integration into production networks of Western European retailers and manufacturers (GATT 1989; Cammett 2007; Staritz and Frederick 2011). By the late 1990s, the share of apparel exports using temporarily imported inputs for re-export under this regime reached 90% - up from 60% in 1987 (GATT 1989; ILO 2000).

In Romania, the apparel industry was strongly integrated with the textile industry under state socialism and had an important role in achieving national industrialisation and providing employment, especially for female workers (Begg et al. 2003; Plank and Staritz 2011). The decision of the Romanian leader Ceaucescu to secure Romania’s autarkic status, including the decision to repay the entire foreign debt and promote exports to earn foreign currency, shaped the industry’s development through the 1980s. Romania became the major exporter of apparel from the CEE region to the EC/EU in 1988 (Textiles Intelligence 1997). Alongside the overall economic downturn, production in the textile and apparel industries declined sharply after 1989. However, the apparel industry recovered quickly due to OPT relationships with Western European firms. The OPT contracts – called Lohnsystem in Romania – provided orders as well as materials and machinery firms could not finance otherwise. However, they also established a division of labour that furthered the disintegration of the domestic textile and apparel complex at the industry level and a change from integrated “full-package” production to assembly manufacturing at the firm level. Against this background, the apparel industry developed into a major pillar of the Romanian economy absorbing almost a fifth of total industrial employees and accounting for more than a quarter of total exports in the early 2000s; around 80% of these exports occurred under the Lohnsystem (Plank and Staritz 2011). Formal employment in the apparel industry reached its peak in 2003 where it accounted for 303,000 workers.

Expectations for regional supplier countries, including Morocco and Romania, were pessimistic for the post-MFA period as global buyers were expected to shift their orders towards low-cost Asian suppliers. As expected, exports declined in both countries in 2005. However, while exports and employment continued to decline in Romania, the Moroccan apparel industry stabilised in 2006 (Table 2). In particular, orders from fast fashion retailers from Spain contributed to a smoother restructuring than in Romania. Formal employment accounted for 153,010 in 2007 (down from 168,480 at its peak in 2003) with at least as many in the informal sector (Rossi 2011). Consolidation in Romania was more pronounced as firms were not only confronted with increased competition related to the MFA phase-out but also had to face rising production costs in the context of EU accession. Around 40% of the firms disappeared after 2004 and formal employment declined to 193,000 workers in 2008 (down from 303,000 at

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9 Helpful was also the privileged status that Romania enjoyed concerning trade relations to Western Europe compared to other countries of the soviet-bloc due to the “maverick communist” image that had been ascribed to Ceaucescu during his early years (Textiles Intelligence 1997).
its peak in 2003) (Staritz and Plank 2011). The remaining firms tried to move away from the increasingly precarious Lohnsystem by taking on more functional responsibilities and diversifying to the domestic and regional export markets. Another strategy to reduce (labour) costs was the internal relocation of production to poor regions within Romania and to neighbouring non-EU countries (e.g. the Republic of Moldova and the Ukraine) and to a lesser extent the use of migrant workers from Asian countries (including China, Vietnam, Bangladesh and the Philippines), under the working permit scheme (Plank and Staritz 2009, 2011). Notwithstanding the critical situation that has been brought about by increased competition post-MFA, the apparel industry remains critical in both countries, in particular for employment generation. In 2007, the apparel industry accounted for 42% and 15% of total manufacturing employment in Morocco and Romania respectively (Table 2). In both countries, the workforce is further characterized by a high share of female workers with women accounting for 84% and 87% of the total workforce in 2007/08 in Morocco and Romania respectively (Rossi 2010; Plank and Staritz 2011).

Table 2: Key Indicators of Romania’s and Morocco’s apparel and textile industries

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<tr>
<td><strong>Romania</strong></td>
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<tr>
<td>Apparel Exports (US$ Mio)</td>
<td>262</td>
<td>1,396</td>
<td>2,737</td>
<td>4,828</td>
<td>5,374</td>
<td>5,177</td>
<td>5,079</td>
<td>4,393</td>
<td>4,224</td>
</tr>
<tr>
<td>Annual growth (%)</td>
<td>n/a</td>
<td>36%</td>
<td>7%</td>
<td>21%</td>
<td>11%</td>
<td>-4%</td>
<td>-2%</td>
<td>-14%</td>
<td>-4%</td>
</tr>
<tr>
<td>EU-15-Share (%)</td>
<td>91%</td>
<td>94%</td>
<td>91%</td>
<td>90%</td>
<td>90%</td>
<td>88%</td>
<td>87%</td>
<td>84%</td>
<td>85%</td>
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<tr>
<td>EU-15 Unit Value (€)</td>
<td>n/a</td>
<td>n/a</td>
<td>157</td>
<td>182</td>
<td>189</td>
<td>196</td>
<td>213</td>
<td>297</td>
<td>257</td>
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<tr>
<td>Textile Imports (US$ Mio)</td>
<td>183</td>
<td>977</td>
<td>1,563</td>
<td>2,706</td>
<td>3,184</td>
<td>3,153</td>
<td>3,183</td>
<td>3,108</td>
<td>3,159</td>
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<tr>
<td>EU-15-Share (%)</td>
<td>76%</td>
<td>86%</td>
<td>88%</td>
<td>85%</td>
<td>83%</td>
<td>79%</td>
<td>77%</td>
<td>72%</td>
<td>73%</td>
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<tr>
<td>Employment Apparel (ths.)</td>
<td>244</td>
<td>189</td>
<td>261</td>
<td>303</td>
<td>281</td>
<td>259</td>
<td>247</td>
<td>215</td>
<td>193</td>
</tr>
<tr>
<td>Annual growth (%)</td>
<td>n/a</td>
<td>-9%</td>
<td>9%</td>
<td>0%</td>
<td>-7%</td>
<td>-8%</td>
<td>-5%</td>
<td>-13%</td>
<td>-10%</td>
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<tr>
<td>Share in manuf. (%)</td>
<td>8%</td>
<td>89%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>18%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Employment Textile (ths.)</td>
<td>394</td>
<td>185</td>
<td>95</td>
<td>84</td>
<td>78</td>
<td>67</td>
<td>65</td>
<td>58</td>
<td>54</td>
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<tr>
<td><strong>Morocco</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Apparel Exports (US$ Mio)</td>
<td>398</td>
<td>2,250</td>
<td>2,444</td>
<td>3,217</td>
<td>3,480</td>
<td>3,331</td>
<td>3,593</td>
<td>4,239</td>
<td>4,469</td>
</tr>
<tr>
<td>Annual growth (%)</td>
<td>n/a</td>
<td>23%</td>
<td>-3%</td>
<td>14%</td>
<td>8%</td>
<td>-4%</td>
<td>8%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>EU-15-Share (%)</td>
<td>91%</td>
<td>97%</td>
<td>94%</td>
<td>94%</td>
<td>93%</td>
<td>93%</td>
<td>90%</td>
<td>89%</td>
<td>88%</td>
</tr>
<tr>
<td>EU-15 Unit Value (€)</td>
<td>n/a</td>
<td>n/a</td>
<td>66</td>
<td>72</td>
<td>70</td>
<td>98</td>
<td>91</td>
<td>93</td>
<td>112</td>
</tr>
<tr>
<td>Textile Imports</td>
<td>413</td>
<td>1,297</td>
<td>1,359</td>
<td>1,803</td>
<td>1,963</td>
<td>1,930</td>
<td>2,093</td>
<td>2,429</td>
<td>2,552</td>
</tr>
<tr>
<td>EU-15-Share (%)</td>
<td>82%</td>
<td>91%</td>
<td>90%</td>
<td>85%</td>
<td>83%</td>
<td>80%</td>
<td>77%</td>
<td>76%</td>
<td>75%</td>
</tr>
<tr>
<td>Employment Apparel (ths.)</td>
<td>81</td>
<td>n/a</td>
<td>157</td>
<td>168</td>
<td>162</td>
<td>150</td>
<td>152</td>
<td>153</td>
<td>n/a</td>
</tr>
</tbody>
</table>

10 Similar regional relocation patterns have been observed between Slovakia and the Ukraine (Smith et al. 2008).

11 The issue of migrant workers gained some publicity in January 2007 as 300 female Chinese workers who were employed legally under the work permit scheme in an apparel factory in Bacau protested for higher wages (BBC News 2007; ITUC 2008).
<table>
<thead>
<tr>
<th>Annual growth (%)</th>
<th>n/a</th>
<th>n/a</th>
<th>n/a</th>
<th>-4%</th>
<th>-7%</th>
<th>1%</th>
<th>1%</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share in manuf. (%)</td>
<td>n/a</td>
<td>n/a</td>
<td>43%</td>
<td>47%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>42%</td>
</tr>
<tr>
<td>Employment (ths.)</td>
<td>Textile</td>
<td>75</td>
<td>n/a</td>
<td>49</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>39</td>
</tr>
</tbody>
</table>

Source: UN Comtrade (Apparel exports & textile imports); Eurostat (EU-15 Unit Values); Employment Romania (NIS 2008, 2009); Employment Morocco (Rossi 2011, based on HCP; GoM 2011).

Both countries are predominately integrated in the fast fashion segment of Western European apparel GPNs. While the dependency on the EU-15 market has decreased over the last decade, it remains still around 85% in 2009 (Table 2 and 3). A disaggregate view of the EU-15 end market reveals that Romanian and Moroccan apparel firms serve different national end markets. Morocco’s main end markets are France (31.3%) and Spain (30.1%) while Romania’s exports are concentrated in Italy (30.9%) and Germany (20.1%). The different end markets are related to historic and cultural affinities. These differences in end markets are also reflected when assessing the major buyers in both countries. The main buyers active in Morocco are Spanish brands pioneering fast fashion, such as Inditex (Zara) and Mango, large French companies, such as Decathlon, and British buyers such as M&S (Rossi 2011). In Romania, the fast fashion retailer H&M has had a prominent role employing around 10% of the Romanian apparel workforce according to its own CSR report in 2006 (H&M 2006: 8). German buyers with a long sourcing history include C&A, KardstadtQuelle and Steilmann as well as British M&S. Prominent branded manufacturers from Italy and Germany include Dolce & Gabbana and Hugo Boss (Plank and Staritz 2011).

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12 For Morocco, France has been the traditional export market accounting for 54.9% of total apparel exports in 1995. The recent decline in exports to France is largely due to the increasing importance of Spain, which accounted for just 4.2% of total apparel exports in 1995. The UK market used to be more important accounting for 21% in 2000; the German market reached its highest share with 10.5% in 1995. In Romania, Germany was the largest end market up to 2000 accounting for 45.2% of total apparel exports in 1995. Italy increased its share from 20.8% in 1995. France and the UK are also important end markets slightly increasing their shares between 1995-2009 from 9.2% and 7.7% to 13.2% and 9.9% respectively (Table 3).

13 Different types of buyers are associated with different regions within both countries. In Morocco, Casablanca and Rabat are associated to British and French buyers while Fez and Tangier are characterized mainly by Spanish buyers (Rossi 2011). In Romania, The North-Western region is associated with Italian branded manufacturers while retailers source largely from Bucharest, the South and the East (Plank and Staritz 2011).
### Table 3: Top 5 Apparel Export Markets in Romania and Morocco

<table>
<thead>
<tr>
<th></th>
<th>Morocco - Market Share (%)</th>
<th>Romania - Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>France</td>
<td>54.9</td>
<td>39.4</td>
</tr>
<tr>
<td>Spain</td>
<td>4.2</td>
<td>10.1</td>
</tr>
<tr>
<td>UK</td>
<td>7.8</td>
<td>21.0</td>
</tr>
<tr>
<td>Germany</td>
<td>17.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Italy</td>
<td>5.7</td>
<td>--</td>
</tr>
<tr>
<td>Top 5</td>
<td>90.4</td>
<td>85.4</td>
</tr>
<tr>
<td>EU-15</td>
<td>97.0</td>
<td>94.0</td>
</tr>
</tbody>
</table>

Source: UN Comtrade; HS1992 61+62; exports represented by partner country imports; (−): indicates country not in top five for given year.

Morocco’s and Romania’s apparel industries are primarily locally-owned and consist predominantly of small and medium sized firms.\(^{14}\) Besides some functional upgrading processes, the majority of firms continue to largely operate as cut-make-trim (CMT) suppliers for the EU-15 market. In Morocco, most firms operate a production model named “co-traitance” which is an intermediate form between CMT and full-package. Under this arrangement the supplier can be responsible for fabric suggestion or some design additions but the buyer is still responsible for inputs sourcing and the associated financial risks. The share of traditional CMT was estimated at 27% while co-traitance accounted for 54% in 2007 (USAID 2008). In 2010, the share of CMT-like contractual arrangements was estimated to range between 50-70% of total turnover (GoM 2011). In Romania the Lohnsystem accounted for around 75-85% of total apparel production in 2004 but its importance has decreased. Buyers are increasingly demanding from suppliers to take over input sourcing which has been facilitated by textile investments in Romania, particularly from Italian firms in the first half of the 2000s. Given the limited linkages to textile suppliers in countries outside the EU-15 and limited access to finance, an important part of apparel firms, particularly smaller ones, seem to be however still involved in CMT production. Hence, while the share of mere CMT-assembly has declined in the last years in both countries, CMT-like production arrangements still account for an important part of the industry where EU-15 buyers organize or are at least involved in input sourcing and other non-manufacturing functions such as design and product development (Begg et al. 2003; Rossi 2011; Plank and Staritz 2011). This is crucial for social upgrading, as in CMT-like production arrangements labour costs account for the largest cost component as inputs are sourced and financed by the buyer. This limited the room for improvements in wages and

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\(^{14}\) In Morocco, there were around 880 firms registered in 2007 (Rossi 2011). In Romania the number of firms accounted for around 6,300 in 2008. However, the overwhelming majority are small (1,270) and micro enterprise (4,199) and an important share of those may not be operational (Plank and Staritz 2011).
working conditions. Further, in this setting there are limited possibilities to reduce costs and increase speed and flexibility through supply chain management or other management improvements since firms are largely focused on direct production-related activities. However, also at this stage there is scope for improvements, particularly with regard to reorganisation of production and improved human resource and time management, which is however often untapped in Morocco and Romania due to lack of production management and supervisory skills.

Although functional upgrading to design and input sourcing as well as backward linkages into textiles have remained limited\(^\text{15}\), there has been functional upgrading with regard to finishing processes as well as product upgrading in both countries. Investments in finishing activities, including laundry, embroidery, patchwork and printing, have increased in both countries as these functions are demanded particularly in the fast fashion segment where retailers source more complex products and require quick and flexible response from suppliers. This can be also seen in the unit values of apparel exports that are relatively high in Morocco and particularly in Romania (Table 2).\(^\text{16}\) In Morocco, unit values have increased with the rise of fast fashion indicating the importance of more sophisticated and higher quality products. The situation is different for Romania, which has a long history of manufacturing comparatively sophisticated products for German and Italian branded manufacturers. Fast fashion retailers also source relatively sophisticated products from Romania, such as suits for H&M. The production of these products requires higher skills and new techniques that may benefit workers by gaining access to training and improving their skills. The higher quality of apparel exports and the prevalence of CMT production are also shown in the continuing importance of EU-15 textile imports that accounted for 73% and 75% of total textile imports in 2008 in Morocco and Romania respectively (Table 2). Given the high costs of EU-15 textiles compared to other suppliers, including Turkey and Asian countries, this high share reflects largely two developments: first, the relatively high quality and complexity of apparel exports that require (and can carry the costs of) higher-value textile inputs from EU-15 suppliers; and second, the stickiness of production structures based on OPT-relations with textile inputs sourced from EU-15 countries for assembly production in Morocco and Romania, even though formal OPT regulations phased-out end of the 1990s in both countries.\(^\text{17}\) This specific

\(^{15}\) Romania had an important textile industry before 1989 and also in Morocco there existed capacities in textiles, including spinning, weaving and dyeing, before the turn to export-orientation. However, given the dominance of OPT- and similar contracts that relied on imported inputs from the EC/EU, the existing textile capacities were not further developed. After the phase-out of OPT regulations, only few major textile investments have taken place: in Romania largely in the first half of the 2000s and in Morocco around 2005. The constant decline in terms of employment in the textile industry in both countries underlines this stagnation (Table 2).

\(^{16}\) Interpretations of unit values have to be taken cautiously as they may reflect higher quality and more sophisticated export products as well as a loss in competitiveness related to increasing costs. In this regard it is useful to assess unit values together with market shares. In particular in Romania the increase in unit values after 2004 that coincided with shrinking market shares is also related to rising costs.

\(^{17}\) OPT regulations phased-out In Romania at the end of 1997 in the context of EU accession; in Morocco in 2000 in the context of the Euromed Partnership.
integration of supplier firms based historically on OPT-relations and the more recent importance of fast fashion as well as the specific institutional contexts in Morocco and Romania have crucial implications for workers and social upgrading that are discussed in the next section.

4. Social Upgrading in Fast Fashion: Findings from Morocco and Romania

The apparel industries of Morocco and Romania provide a good opportunity to analyse the implications of fast fashion in the context of regional suppliers for social upgrading, highlighting the similarities and differences in outcomes in the two countries due to their specific institutional contexts. The empirical evidence in both countries shows that the highly volatile nature of the fast fashion segment in the apparel industry and potentially contradictory pressures with regard to buyers’ business demands for low costs, flexibility, high quality and consistency as well as labour standard requirements that are particularly pronounced in fast fashion creates additional pressures on supplier firms and workers and circumscribes social upgrading prospects.

There are important similarities in both countries with regard to social upgrading that relate to fast fashion sourcing strategies. In particular, flexible and short-notice orders are a challenge for firms and workers that impact on working time and work intensity (i.e., increased pace and stress at work). Interviews with Moroccan managers show that human resource management is rendered very difficult because of flexibility and short notice in the orders. This translates into workforce fluctuations depending on orders: In certain weeks or days there may be slow production and no urgent orders, and managers send workers home early in the day in order not to pay for them being idle. When orders arrive, they usually entail a sustained production pace that involves long working hours. Managers in Morocco are quite open in stating that the legal requirements in terms of maximum working hours and overtime are unrealistic and often not respected, and that they often resort to compulsory overtime.

In Romania, overtime and work intensity issues are also related to fluctuating and short notice orders. In times with low orders, workers are sometimes forced to work (and earn) less, whereas in peak times, minimum targets are very high and can often only be met by work intensification (e.g., through reengineering of the production process) which is however difficult to achieve in the short-term, or increasing work intensity or working overtime. Romanian managers and trade unionists acknowledge that the scope for calculating a “realistic” target that allows for decent working conditions is often limited by the buyers’ requirements in terms of delivery time and price. A reoccurring practice in Romania with regard to overtime is that suppliers maintain two sets of working time records – one “official” that is compliant with national law and buyers’ CSR demands and one “internal” that records the effectively worked hours. In Morocco, the volatility of orders has also lead to hiring temporary and casual workers. This strategy has been less overt in Romania as regulations with regard to casual and informal workers are relatively strict and enforced by labour inspectorates (as discussed below). Another strategy common to cope with flexible and short-term orders that has been observed in Romania and more
recently also in Morocco is subcontracting to smaller firms to be able to increase production capacity quickly and to buffer the insecurities and flexibilities of orders. This often takes place unofficially and informally as many brand-conscious buyers restrict subcontracting. Orders in both countries also largely involve small sizes and thus small production runs which make it necessary to change the production set up regularly, sometimes within a week, leading to additional pressures on firms and workers.

As the fast fashion strategy not only relies on flexibility, fast product delivery and low prices, but also on high quality and to a certain extent more sophisticated products (Acona 2004), buyers’ commercial requirements are particularly challenging to fulfill. In the particular case of Inditex in Morocco, factory visits have shown that the product lines produced are the top-end of the Zara range, requiring embroidery, applications, patchwork and pleating (findings are supported by evidence in Tokatli 2008). A representative for Inditex confirmed that they source their most expensive items from Morocco. Similarly, given the long existence of the apparel industry in Romania and the inherited skilled workforce, Romanian apparel exports are characterized by comparatively sophisticated products for German and Italian branded manufacturers as well as for retailers. This means that alongside ensuring fast delivery times and reactivity to buyers’ demands, suppliers must provide high quality production which increases the pressure on both management and workers. A way for suppliers in Morocco and Romania to keep a flexible workforce without compromising quality is the co-existence of different types of workers. In Morocco, regular, higher-skilled workers, who guarantee high quality coexist with irregular workers with temporary or casual contracts, that can be hired and dismissed with high flexibility in accordance to the workload (Barrientos 2007; Barrientos et al. 2010). Regular workers are often senior workers who have worked in the factory for many years and have a good relationship with management. Irregular workers are usually young, unskilled workers just entering the labour market finding themselves in the last segments of the production chain such as finishing, packaging and loading trucks for exports. Working on these activities is intrinsically adding pressure on workers, because all the delays accumulated throughout the manufacturing process are absorbed at this level. In Romania, regular and irregular workers in the same factory were not commonly observed; however, a common strategy by suppliers to cope with the divergent pressures was to subcontract orders to smaller firms and workshops in rural areas or smaller towns in the surroundings of the firms. The motivation was the same as in Morocco with regard to regular and irregular workers - to maintain skills and workforce stability and secure quality by using core workers in the main plants but coping with costs and flexibility pressures by using a network of smaller firms for mostly lower value tasks where cheaper and more flexible labour could be tapped.

Regular and irregular workers experience very different social upgrading outcomes. In Morocco, regular workers tended to benefit in terms of training needed to respond to specific product requirements, and they may be socially upgraded in terms of measurable standards such as correct payment of wages and social security coverage as a result of buyers’ or multi-stakeholder social
compliance initiatives (see below). A similar pattern is observable in Romania where improvements in working conditions have taken place in formal apparel firms in certain areas, particularly with regard to measurable standards such as occupational health and safety (OHS) measures and formal employment contracts. In contrast, pressure on working time and work intensity as a result of fast fashion orders also affected regular workers or workers in formal firms. Nevertheless, in both countries it is the irregular or subcontracting workers who are most strongly affected by short-term and fluctuating orders and who have had the most limited access to social upgrading. Indeed, commercial pressures are not only creating hurdles for social upgrading, but they may even be encouraging social downgrading. The demand for shorter lead times and the just-in-time delivery practice mean that suppliers effectively discriminate against a group of workers by keeping them on temporary and casual work arrangements (within the core firm or between the core and subcontracting firms), imposing highly flexible and at times very long working hours and mandatory overtime. A manager in Casablanca effectively described the tension he faces by saying that there is the “law of the Law” and the “law of the client”, and for the immediate survival of the factory, as well as the jobs of the workers, he would rather save on social upgrading and keep prices low.

To a certain extent, industry pressures in GPNs are mediated by local institutional structures and regulatory contexts that play an important role in shaping social upgrading prospects (Pickles and Smith 2010). Moroccan and Romanian firms reacted in different ways to accommodate industry pressures. Due to Romania’s state socialist legacy, national labour codes, labour inspectorates and trade unions had been in place as part of the institutional environment. This legacy distinguishes Romania from other apparel exporters such as Morocco, where similar structures were often weak or nonexistent. However, the legacy of state socialism not only entailed “assets” but also “liabilities” with regard to social upgrading. In particular trade unions’ role as “transmission belts” for the communist party prior to 1989 limited their role to secure workers’ interests as they were largely delegitimized after 1989. Unions were further slow in adapting to changing conditions related to global production and fast fashion and to organize a feminized and fragmented industry and are concentrated in larger, former state-owned firms where they could build on earlier structures with nearly no representation in newly found firms after 1989. However, although unionisation rates declined they are still higher than in many other main apparel exporting countries accounting for around 20-25% and particularly labour inspectorates have had an active role in securing certain labour rights, particularly with regard to OHS standards and formal employment contracts. EU accession has also impacted on labour legislation and social upgrading prospects of Romanian apparel workers. As Romania had a national labour code in place with its roots in state socialist ideology, and, thus with high levels of workers’ protection (Pickles and Smith 2010), EU accession has had varying effects on labour legislation. In some areas such as discrimination legislation was improved while in others, in particular with regard to flexibility of employment relationships and working time, labour legislation was weakened (Plank and Staritz 2011). EU accession also encouraged outward migration towards Western Europe resulting in labour shortage in certain industries and
regions in Romania. The apparel industry was particularly affected given its relatively low wages and poor working conditions compared to other industries. Notwithstanding regional differences, this led to an increase in the overall bargaining power of workers and to additional efforts by employers to retain or attract in particular skilled workers.\(^{18}\)

In Morocco, the labour code was revised in 2004 and is considered among the most progressive in the Arab world. However, its enforcement is rather challenging due to the lack of resources for effective labour inspections. Freedom of association is a problematic issue in the apparel industry, where unionisation rates are around 3% with largely male participation, not reflecting the predominantly female composition of the labour force in the industry. At best, there is widespread mistrust on the managers’ side towards unionisation efforts, which are one key expression of workers’ enabling rights. The limited effectiveness of labour inspection and collective action in ensuring compliance to labour standards has led to a proliferation of private codes of conduct, and, particular to the Moroccan case, to the emergence of the FC initiative. In 2003, the Moroccan Textile and Garment Industry Association (AMITH) issued unilaterally an industry-wide code of conduct and a related label to be awarded to factories passing a social audit. The FC initiative garnered particular relevance in 2007, when Inditex pledged to source exclusively from FC-labelled factories as part of the International Framework Agreement signed with the International Textile, Garment and Leather Worker Federation (ITGLWF) (Pfeiffer 2007). While the FC has had considerable positive outcomes for workers in terms of measurable standards (especially on OHS regulations, social security registration and correct records of employment contracts and recruitment procedures), it still fails to have a significant impact on enabling rights (Rossi 2010), also due to its lack of coverage of collective bargaining, an ILO core labour standard. This is due to the code being unilaterally issued by the industry association without consultations with trade unions and other industry stakeholders. Furthermore, the benefits brought about by the FC are captured by regular workers but are largely off-limits for irregular workers, who continue to operate under casual, temporary contracts and often are paid below the minimum wage. In Romania there exists no such industry-wide code, but most buyers have established and implemented codes of conducts. These codes have lead to improvements in working conditions but, as in the case of Morocco, on a selective basis. Improvements focused on measurable standards such as better lighting, ventilation or ergonomic chairs that relate to process upgrading as they also increase productivity by a more “efficient” use of the “human resource”. In contrast to these “win-win” situations issues that are in conflict with the prevailing business logic (e.g. living wages, working time, work intensity, trade union rights) remain contested. This trade-off is revealed by contradictory demands from buyers: on the one hand tight price and delivery time demands from the buying departments and on the other hand labour compliance demands from the CSR departments and auditors who do however not have the means to reward the supplier for improvements (e.g. via higher prices or more stable contractual relationships).

\(^{18}\) Another strategy to counter labour shortage and reduce (labour) costs was the relocation of production to poorer regions within and outside of Romania, as discussed above.
Flexible workers and the co-existence of some type of regular and irregular workers play a crucial role in Morocco and Romania to cope with conflicting pressures with regard to low costs and high flexibility on the one side and high quality, consistency, reliability and compliance with labour standards on the other side. The stable “core” of regular workers ensures quality and consistency of production while the group of irregular workers are used to accommodate fluctuations in orders and cost pressures. While in Morocco flexible workers are often recruited through informal arrangements with regular and irregular workers working together in one firm, informal employment within larger core firms has been limited in Romania given the stricter labour code and the role of labour inspectorates in enforcing formal employment contracts. To accommodate flexibility demands, larger suppliers rather draw on subcontractors whose workforce is cheaper and more flexible and where informal work arrangements are more widespread than in the core plants. This phenomenon has however more recently also increased in importance in Morocco, especially in the Tangier area. Paradoxically, the FC has led to increased subcontracting, because larger firms applying for the FC label are not able to achieve the production targets in the required time frame imposed by their buyers without imposing excessive overtime and resorting to casual contracts. To avoid being in non-compliance with the FC code, suppliers have furthered outsourcing their production to smaller workshops or informal garages often in the same neighbourhood.

From the empirical analysis it emerges that social upgrading is not linear and participation in the fast fashion segment of apparel GPNs geared towards the EU-15 market has delivered a mix of social upgrading and downgrading in Morocco’s and Romania’s apparel sector. Table 4 provides a summary of the empirical findings discussed in the paper. It shows that social upgrading has been selective with regard to both the type of workers and the dimension of social upgrading. Improvements in the position of workers have largely remained limited to measurable standards, where a case for “enlightened” human resource practices can be made and thus where social upgrading has fulfilled a role in the competitive strategy of firms. However, issues of high importance for workers such as low wages, work intensity, overtime, including enabling rights such as trade union representation have remained contested, since they potentially conflict with the prevailing industry dynamics, particularly demands associated with fast fashion. There are also crucial differences between social upgrading for regular versus irregular workers as well as for workers in core firms and in subcontractor firms, who are often discriminated with regard to types of contracts, payment of wages, employment security, work intensity and flexibility, and skill training opportunities. Hence, social upgrading prospects are strongly influenced by buyers’ purchasing practices particularly with regard to fast fashion strategies. Specific types of work and working conditions play crucial roles in enabling and sustaining particular industry dynamics in GPNs, in particular with regard to flexibility and the contradictory demands for low costs and high quality and consistency, and where labour rights are in contradiction with these industry dynamics they have remained contested.
Table 4: Social upgrading/downgrading in fast fashion

<table>
<thead>
<tr>
<th>Type of worker</th>
<th>Social upgrading/downgrading dimensions</th>
<th>Measurable standards</th>
<th>Enabling rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>accessible</td>
<td>contested</td>
</tr>
<tr>
<td>Regular/core firm workers</td>
<td>OHS standards, employment contracts, social security, training</td>
<td>wages, overtime, work intensity</td>
<td>union representation in former state-owned firms in Romania</td>
</tr>
<tr>
<td>Irregular/subcontracting firm workers</td>
<td>employment contracts, wages, overtime, work intensity</td>
<td></td>
<td>discrimination, voice, union representation</td>
</tr>
</tbody>
</table>

5. Conclusions

The emergence of organizationally fragmented and geographically dispersed GPNs in the last three decades has provided new opportunities and challenges for countries, firms and workers. This paper has analysed the outcomes of insertion in apparel GPNs from the perspective of two countries in Greater Europe, Morocco and Romania, emphasizing the challenges of supplier firms and workers with regard to social upgrading in the context of fast fashion. The main findings of this paper can be summarised as follows:

- **Buyers’ purchasing practices have a clear impact on social upgrading trajectories, with fast fashion trends posing intrinsic challenges:** The fast fashion business model, relying on quick response to fashion changes and customer demands, high flexibility of production, low costs and high quality poses particular and specific pressures on workers in supplier firms. While EU-15-based retailers have been key in ensuring continued apparel exports and employment in Morocco and Romania and have furthered certain economic upgrading processes in the areas of finishing activities, more sophisticated products and to a lesser extent input sourcing, this business strategy has had mixed outcomes for the quality of employment. In particular, the short lead times and highly flexible orders that characterise fast fashion production have direct negative implications in terms of flexible work arrangements, unrealistic production targets, high work intensity, excessive overtime and even harsh treatment and harassment and heightened work intensity, and may lead to harsh treatment and harassment to spur workers to be more efficient.

- **Social upgrading has been selective in the apparel industries in Morocco and Romania with regard to both the dimension of social upgrading and the type of workers:** The evidence presented in this paper shows that while some workers with regular contractual arrangements in core firms have experienced a certain degree of social upgrading as a result of the heightened need for skills demanded by fast
fashion production and improvements in measurable standards, irregular workers or workers in subcontractor firms have been largely excluded from social upgrading opportunities or even experienced social downgrading as a result of fast fashion, given their role as a buffer in the context of costs and flexibility pressures. However, as noted above, the attainment of social upgrading is limited also for regular core workers, since certain issues such as wages, work intensity, working time and trade union representation that are in contradiction to buyers’ and firms’ business strategies in the fast fashion context continue to be contested.

- **Buyers’ CSR demands exacerbate the existence of a parallel workforce**: Buyers impose strict business requirements in terms of low costs, high quality and consistency, quick response and flexibility, while simultaneously they expect compliance to CSR and labour standard requirements from their suppliers. These CSR requirements tend to be in contradiction with sourcing practices and have therefore exacerbated the use of a tiered workforce where regular workers in core firms are the target of CSR and improvements in labour standards while irregular workers in subcontracting firms are often under the radar of these initiatives. In Morocco, irregular workers often exist in parallel of regular workers working alongside each other in the same factory. In Romania where employment contracts are more widely enforced by labour inspections and trade unions in core firms, the parallel workforce has taken the form of subcontracting to small and micro firms or workshops.

- **Local institutional structures and regulatory contexts may mitigate fast fashion pressures on regular/core firm workers**: The examples of Morocco and Romania show that local institutional structures and regulatory contexts lead to different strategies to cope with and mitigate the pressures on workers deriving from the fast fashion model. In Morocco, the FC code and label contribute to a certain extent to monitor working conditions in apparel factories and to raise awareness about compliance to labour standards. In Romania the legacy of state socialism and EU accession has provided certain structures with regard to labour regulation, labour inspection and union representation that have contributed to mediate industry pressures on workers. However, although these specific local institutional and regulatory settings have led to different responses to pressures and to a certain degree contributed to protect regular and core firm workers, the most vulnerable groups, such as irregular workers in Morocco and workers in subcontracting firms in Romania, continue to be largely excluded by social upgrading efforts.
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