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

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Abbreviations

AMITH	Moroccan Textile and Garment Industry Association
CEE	Central and Eastern Europe
CM	cut-make
CMT	cut-make-trim
CSR	Corporate Social Responsibility
EC	European Commission
EFAs	European Framework Agreements
EU	European Union
FC	Fibre Citoyenne
GPN	Global Production Networks
H&M	Hennes & Mauritz
IDS	Institute of Development Studies
IFAs	International Framework Agreements
IFC	International Finance Corporation
ILO	International Labour Organization
ITGLWF	International Textile, Garment and Leather Worker Federation
M&S	Marks & Spencer
MENA	Middle East & North Africa
MFA	Multi-Fibre Arrangement
NGOs	Non-Government Organizations
OPT	Outward Processing Trade
OSH	Occupational Safety and Health

Abstract

Over the past three decades the global economy has witnessed the 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 affect countries, regions and firms. Comparatively little has, however, 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. This paper assesses how integration into GPNs in the increasingly important fast fashion apparel segment, that is based on increased variety and fashionability and on permanently shrinking product life cycles, is impacting on workers and social upgrading. It particularly assesses whether the sourcing practices related to fast fashion, such as short lead times, high flexibility, speed of production, low costs and high quality, create additional hurdles for workers to achieve social upgrading. The focus is on the apparel industry in Central and Eastern Europe 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 to Western European buyers.

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1. Introduction

Over the past 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. Comparatively little has, however, been said about the effects on workers and their roles in GPNs. In particular, the linkages between the new economic opportunities created by insertion in GPNs and the changes witnessed for workers have not been sufficiently explored. 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 characterized by a high degree of flexibility, uncertainty and precariousness (Barrientos et al. 2011).

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 changing consumer markets 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., the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. It particularly analyses whether the sourcing practices related to fast fashion, such as short lead times, high flexibility, speed of production, low costs and high quality, create additional hurdles for workers to achieve social upgrading. 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 liberalization 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 the consequences of the integration into Western European and particularly fast fashion production networks for social upgrading in the apparel industries of Morocco and Romania.

The paper is based on comparative case studies of the apparel industries of Morocco and Romania. It relies on primary data collected through 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).[1] 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 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.[2] 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. 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] Key informant interviews with stakeholders in the apparel industries in Morocco and Romania,

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

2 We differentiate 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 includes a much larger group of retailers, including for example Marks & Spencer (M&S), C&A, Next, New Look, Gap and The Limited.

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 suppliers that are integrated in sourcing networks of retailers, particularly in the fast fashion segment.

including the government, employers' associations, trade unions, NGOs and industry experts complemented the firm-level interviews. To provide a contextual background and to situate the case studies within the broader institutional framework of the apparel GPN in Greater Europe, the paper uses secondary data, including trade and national industry data.

The paper is structured in the following way. The first section provides an overview of chain- and network-based analytical frameworks to assess global production and transnational activities of firms, highlighting the gaps in the existing literature and defining and operationalizing the concept of social upgrading. In the second section, 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 development of the apparel industries in Morocco and Romania. The third section discusses the empirical findings with regard to the roles of workers and social upgrading experiences in fast fashion apparel GPNs highlighting similarities and differences between the two case study countries in Greater Europe. The last section concludes by summarizing the main findings and identifying policy areas and recommendations to further economic and social upgrading.

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 past decade considerable attention has been dedicated to the economic and trade effects of globalization. However, significantly less attention has been devoted to the social dimension of globalization and, particularly, to the interaction between the economic and social spheres. More specifically, the literature on global production and international coordinated trade often fails to fully consider social outcomes alongside economic outcomes.

The literature on production chains and networks shares a common interest in conceptualizing economic globalization and in particular how global production is organized and governed in inter-firm networks and how this affects the development prospects of firms, regions and countries (Coe/Hess 2007). However, different theoretical frameworks are used in the literature that derive from different disciplinary domains and place different questions and empirical concerns at the centre of their analysis (Bair 2005, 2009; Coe et al. 2008; Hess 2009) such as the historically- and macro-oriented World Systems commodity chains (Hopkins/Wallerstein 1977) and the more operational and firm-centered global commodity chains, global value chains and global production networks.

The initial conception of global commodity chains (Gereffi/Korzeniewicz 1994) analyses how the linkages between the production, distribution and consumption of commodities and products are globally interconnected along chains that embody networks of activities and actors (Kaplinsky 2000). According to this approach, global commodity chains are defined by four analytical dimensions (Gereffi 1994, 1995): (i) an input-output structure that characterizes the transformation of raw materials into a finished commodity or product; (ii) a territoriality aspect that ties them to particular geographical locations; (iii) a governance structure that defines the power relationships among different firm actors across the chain, and particular the role played by "lead firms" that control and govern the production processes and capture the highest shares of value; and (iv) an institutional context that describes how local, national and international conditions and policies shape chains.

The literatures on global commodity chains and global value chains (that largely share the same analytical concepts) have focused on the governance dimension and the role of lead firms in governing chains and in enabling or restricting entry and upgrading prospects of supplier firms. In doing so, they often overlooked the spatial and territorial as well as the institutional dimensions of global production. As a result, this paper uses the concept of global production networks, which includes territorial considerations and brings attention to the embeddedness of production networks in social and institutional contexts. This approach stems from the early recognition that economic activity and actors' behaviors are strongly influenced by the social context in which they operate (Granovetter 1985), and encompasses not only the economic and commercial actors involved in global production, but also the whole range of actors operating in the social and institutional context that surrounds and influences global production such as states, supra-national organizations, business associations, trade unions and non-government organizations (NGOs) (Bair 2009; Henderson et al. 2002). However, the global production network approach has often also neglected the broader socio-economic effects of global production and the role of and the impact on workers. Nevertheless, the approach still provides an effective analytical framework to investigate how insertion in GPNs translates into opportunities and challenges for workers.

Evidence on the outcomes for workers as a result of insertion in GPNs is mixed. On the one side, GPNs have undoubtedly created new employment opportunities for previously marginalized groups of workers, such as women and unskilled workers, who did not have access to this type of wage employment beforehand. Nevertheless, at the same time, globalization of production and especially commercial requirements deriving from buyers' purchasing practices and their search for low costs often lead to high pressures on supplier firms. These pressures are often associated with low labor costs and an increase in flexible and vulnerable labor arrangements, such as temporary, contract and migrant labor. For these categories of workers, participation in GPNs may have led to increased vulnerability and insecurity (Barrientos 2007; Barrientos et al. 2011; Carr/Chen 2004; Chen et al. 1999; Collins 2003; Flecker 2009; Hale/Wills, 2005; Knorringa/Pegler 2006; Oxfam International 2004; Raworth/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 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 labor markets where labor 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. 2011). Production for GPNs has therefore been linked to the emergence of a new type of labor which is characterized by a high degree of flexibility and cost effectiveness but which also meets quality standards (Barrientos/Kritzinger 2003; Barrientos et al. 2011).

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 renowned 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 and production cycles, 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 how these complex commercial dynamics in GPNs and particularly in the fast fashion segment of apparel GPNs impact on workers and 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. 2011). This definition, which places a strong emphasis on the attainment of rights and the achievement of decent working conditions, encompasses the vision of labor 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 labor standards (Elliott/Freeman 2003; Barrientos/Smith 2006; Portes 1994; Luce 2005; Palley 2004), social upgrading is composed of two broad elements:

- *Measurable standards* that are quantifiable, easily measured and observable, and easier to tackle through policy interventions, because the outcomes are visible (Barrientos/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* that are intangible and more difficult to measure and quantify. They are key to improve labor standards by empowering workers to engage in an effective relationship with their employers (Elliott/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. 2011; Barrientos/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).

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 increasing importance of time 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/Ponte 2005). The apparel industry is the prime example in this regard. Profits derive less from relatively standardized and commodified labor-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/Memedovic 2003).

While initially sourcing decisions have been primarily motivated by labor costs, other considerations have also become important. One of the most influential trends in sourcing is the increasing importance of time. 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 labeled 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 items). 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.[4]

Another influential trend in buyers' sourcing decisions is the increasing importance of labor compliance in response to pressures from campaigns by 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 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 imposed by buyers, which by default are likely to increase the cost of production and reduce flexibility.

Organizational 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 favorable conditions for the offshoring and outsourcing of labor-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 temporarily 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 (labor) taking place in the neighboring country (Pellegrin 2001).[5] 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 labor where low cost regional neighbors were largely responsible for labor-intensive assembly production whereas more capital-intensive and higher value activities remained based in the EC/EU. As integration deepened in the context of EU accession or the Euro-Mediterranean Partnership these specific rules of origin regulations were expanded but production structures tended to be sticky due to a deep seated division of labor based on OPT relationships (see below for Morocco and Romania, Begg et al. 2003).

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[4] 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 and other firm-related capabilities and management practices.

[5] 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).

These OPT arrangements laid the ground for a flourishing intra-Greater European apparel trade in the 1980s and particularly 1990s.[6] Western European apparel manufacturers and retailers increased their involvement in the region, but 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).[7] 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, the focus on up-market products as well as the late date of initial capitalization of the Italian industry (Textiles Intelligence 1997; Baden 2002; Sellar 2007). In Italy's later outsoucing efforts Romania had an important role, due in part to language ties (Graziani 1998). Italian banks also played an important role in facilitating these outsourcing processes to Romania (Sellar 2007). The restructuring process of UK's textile and apparel industries also started 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 and the common language. Spain rose to prominence as a key sourcing country in the early 2000s, and in the case of Morocco it 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 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/Frederick 2010; Staritz 2011; Frederick/Staritz 2012). 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 35.8 % in 2011). 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 19.5 % in 2011. CEE and MENA-4 countries experienced a declining share from 12.9 % and 6.7 % in 2000 to 8.2 % and 4.4 % in 2011 respectively.

[6] This production model was already embraced before the formal adoption of OPT in 1975 by some Western European firms, which outsourced sewing operations 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.

[7] 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).

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

	Value (EUR Mil)						Market Share (%)					
	1995	**2000**	**2004**	**2008**	**2010**	**2011**	**1995**	**2000**	**2004**	**2008**	**2010**	**2011**
World	**50.377**	**78.117**	**85.393**	**103.758**	**105.484**	**114.131**						
EU-15	21.838	30.513	32.642	38.812	37.887	40.862	43,3	39,1	38,2	37,4 %	35,9 %	35,8 %
China	3.542	7.450	11.038	24.330	27.539	28.661	7,0	9,5	12,9	23,4 %	26,1 %	25,1 %
Turkey	3.189	5.322	7.520	7.612	7.610	7.923	6,3	6,8	8,8	7,3 %	7,2 %	6,9 %
Bangladesh	967	2.567	3.689	4.667	5.748	7.363	1,9	3,3	4,3	4,5 %	5,4 %	6,5 %
India	1.588	2.005	2.434	3.826	4.135	4.533	3,2	2,6	2,9	3,7 %	3,9 %	4,0 %
Tunisia	1.729	2.567	2.586	2.580	2.312	2.401	3,4	3,3	3,0	2,5 %	2,2 %	2,1 %
Romania	972	2.558	3.679	2.349	1.958	2.310	1,9	3,3	4,3	2,3 %	1,9 %	2,0 %
Morocco	1.631	2.356	2.417	2.386	2.084	2.146	3,2	3,0	2,8	2,3 %	2,0 %	1,9 %
Poland	1.604	1.826	1.153	1.421	1.830	1.993	3,2	2,3	1,4	1,4 %	1,7 %	1,7 %
Vietnam	--	--	--	1.201	1.337	1.646	--	--	--	1,2 %	1,3 %	1,4 %
Greater Europe*	**12.746**	**20.599**	**23.330**	**22.136**	**20.819**	**22.252**	**25,3**	**26,4**	**27,3**	**21,3 %**	**19,7 %**	**19,5 %**
MENA-4**	3.508	5.222	5.351	5.451	4.808	5.004	7,0	6,7	6,3	5,3 %	4,6 %	4,4 %
CEE***	6.049	10.055	10.459	9.073	8.401	9,324	12,0	12,9	12,2	8,7 %	8,0 %	8,2 %
Turkey	3.189	5.322	7.520	7,612	7,610	7,923	6,3	6,8	8,8	7.3 %	7.2 %	6.9 %

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, CEE, and Turkey. ** MENA-4: Tunisia, Morocco, Egypt, and 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, and Russia.

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

For this paper, we focus on Morocco and Romania as comparative country case studies because of their key role as regional suppliers to the EU-15 market (ranking 8th and 7th in 2011 respectively, Table 1) and as suppliers for fast fashion retailers. As context for the analysis of social upgrading dynamics, this section illustrates the development of the apparel industries in Morocco and Romania and their specific integration into GPNs highlighting similarities and differences related to distinct historical and institutional contexts.

In Morocco, the apparel industry has been at the forefront of the export-oriented development model that has been embraced since the first half of the 1980s (Cammett 2007). 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 in the EU-15 market, the industry continued to expand in terms of exports and employment. 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/Frederick 2011). By the late 1990s, the share of apparel exports using temporarily imported inputs for re-export under this regime reached 90 % (GATT 1989; ILO 2000).

In Romania, the apparel industry had an important role in the industrialization process under state socialism (Begg et al. 2003). Romania became the major exporter of apparel from the CEE region to the EC/EU in 1988 (Textiles Intelligence 1997).[8] Alongside the overall economic downturn, production in the apparel industry declined sharply after 1989. However, the apparel industry recovered quickly due to OPT relationships with Western European firms. The OPT contracts – called the *Lohnsystem* in Romania – provided orders as well as materials and machinery firms could not finance otherwise. However, they also established a division of labor 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, involving a shift to cut-make (CM) and cut-make-trim (CMT) production at the firm level, while sustaining and expanding employment at low wages. 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/Staritz 2011). Formal employment in the apparel industry reached its peak in 2003 where it accounted for 303,000 workers.

In the context of the final MFA phase out at the end of 2004, exports declined in both countries as in other regional supplier countries as global buyers shift orders towards low-cost Asian suppliers. However, while exports and employment continued to decline in Romania, the Moroccan apparel industry stabilized in 2006, in particular through orders from fast fashion retailers from Spain (Table 2). Retrenchment and consolidation in Romania were 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. The remaining firms tried to move away from the increasingly precarious *Lohnsystem* by taking on more functional responsibilities, diversifying to the domestic and regional markets and reducing (labor) costs through internal relocation of production to poor regions within Romania (particularly to Moldavia) and to neighboring non-EU countries (e.g. the Republic of

[8] The privileged status that Romania enjoyed concerning trade relations to Western Europe was also helpful 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).

Moldova and the Ukraine[9]) (Plank/Staritz 2009, 2011).[10] Notwithstanding the critical situation brought about by increased competition post-MFA, the apparel industry remains important 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 2008 in Morocco and Romania respectively (Rossi 2010; Plank/Staritz 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 2010 (Table 2). 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 as well as to the time of insertion in the OPT regime. The different end markets are also reflected in the major buyers. 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 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/Staritz 2011).[11]

Morocco's and Romania's apparel industries are primarily locally-owned and consist predominantly of small and medium sized firms.[12] Besides some functional upgrading processes, the majority of firms continue to largely operate as CMT suppliers. 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. In 2007, the share of traditional CMT was estimated at 27 % while co-traitance accounted for 54 % (USAID 2008). In 2010, the share of CMT-like contractual arrangements was estimated to range between 50-70 % (GoM 2011). In Romania in 2004 the *Lohnsystem* accounted for around 75-85 % of total apparel production but its importance has decreased as buyers are increasingly demanding from suppliers to take over input sourcing. 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 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/Staritz 2011). This is crucial for social upgrading, as in CMT-like production arrangements labor costs account for the largest cost component as inputs are sourced and financed by the buyer. This limits the

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

10 Another strategy was the use of migrant workers from Asian countries (including China, Vietnam, Bangladesh and the Philippines) under the working permit scheme. 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).

11 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/Staritz 2011).

12 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/Staritz 2011).

room for improvements in wages and working conditions and possibilities to reduce costs and increase speed and flexibility through supply chain management or other management improvements.[13]

Although functional upgrading to design and input sourcing as well as backward linkages into textiles have remained limited[14], 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).[15] 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 where unit values used to be high given its 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 together with the path dependency of production structures (despite the formal phase out of OPT end of the 1990s[16]) based on OPT-relations are also shown in the continuing importance of (high cost) EU-15 textile imports that accounted for 67 % and 71 % of total textile imports in 2010 in Morocco and Romania respectively (Table 2). The specific 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.

[13] At the CMT stage there is also 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.

[14] 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).

[15] 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.

[16] 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.

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

	1991	1995	2000	2003	2004	2005	2006	2007	2008	2009	2010
Romania											
Apparel Exports (US$ Mio)	262	1.396	2.737	4.828	5.374	5.177	5.079	4.394	4.231	3.218	3.327
Annual growth (%)	n/a	36 %	7 %	21 %	11 %	-4 %	-2 %	-13 %	-4 %	-24 %	3 %
EU-15-Share (%)	91 %	94 %	91 %	90 %	90 %	88 %	87 %	84 %	85 %	84 %	84 %
EU-15 Unit Value (€)	n/a	18,0	20,0	20,4	20,9	22,4	24,0	43,2	36,8	25,7	n/a
Textile Imports (US$ Mio)	183	977	1.563	2.706	3.184	3.153	3.183	3.108	3.157	2.415	2.681
EU-15-Share (%)	76 %	86 %	88 %	85 %	83 %	79 %	77 %	72 %	73 %	72 %	71 %
Employment Apparel (ths.)	244	189	261	303	281	259	247	215	193	173	n/a
Annual growth (%)	n/a	-9 %	9 %	0 %	-7 %	-8 %	-5 %	-13 %	-10 %	-10 %	n/a
Share in manufacturing (%)	8 %	9 %	17 %	19 %	19 %	18 %	18 %	15 %	14 %	15 %	n/a
Employment Textile (ths.)	394	185	95	84	78	67	65	58	54	28	n/a
Morocco											
Apparel Exports (US$ Mio)	398	2.250	2.444	3.217	3.480	3.331	3.593	4.239	4.473	3.599	3.766
Annual growth (%)	n/a	23 %	-3 %	14 %	8 %	-4 %	8 %	18 %	6 %	-20 %	5 %
EU-15-Share (%)	91 %	97 %	94 %	94 %	93 %	93 %	90 %	89 %	88 %	87 %	85 %
EU-15 Unit Value (€)	n/a	17,2	17,3	17,8	18,0	18,3	19,4	20,8	22,0	21,8	21,4
Textile Imports	413	1.297	1.359	1.803	1.963	1.930	2.093	2.434	2.567	2.144	2.361
EU-15-Share (%)	82 %	91 %	90 %	85 %	83 %	80 %	77 %	76 %	74 %	69 %	67 %
Employment Apparel (ths.)	81	n/a	157	168	162	150	152	153	n/a	n/a	130
Annual growth (%)	n/a	n/a	n/a	n/a	-4 %	-7 %	1 %	1 %	n/a	n/a	n/a
Share in manufacturing (%)	n/a	n/a	43 %	47 %	n/a	n/a	n/a	42 %	n/a	n/a	n/a
Employment Textile (ths.)	75	n/a	49	n/a	n/a	n/a	n/a	39	n/a	n/a	34

Source: UN Comtrade (apparel exports & textile imports); Eurostat (EU-15 unit values); Employment Romania (NIS 2008, 2009, 2010); Employment Morocco (HCP 2010; GoM 2011; MICNT 2011).

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

The apparel industries of Morocco and Romania provide good comparative case studies to analyze the implications of fast fashion in the context of regional suppliers for social upgrading, highlighting the similarities and differences in outcomes due to the specific institutional contexts of the two countries. 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 labor standard requirements create additional constraints on supplier firms and workers and circumscribe social upgrading prospects.

There are important similarities between the two 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 the flexibility and short notice of orders. This translates into workforce fluctuations: 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 time. 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 recurring 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. 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 with regard to working time and work intensity.

As the fast fashion strategy not only relies on flexibility, fast product delivery and low prices, but also on high quality, reliability, to a certain extent more sophisticated products and compliance with labor standards (Acona 2004), buyers' commercial requirements are particularly challenging to fulfill. In the particular case of Inditex in Morocco, factory visits have shown that top-end products of Zara are produced in Morocco, requiring embroidery, applications, patchwork and pleating (this is supported by 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 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 keep the prices low and fulfill the client's requirements and save on social upgrading.

A way for suppliers in Morocco and Romania to cope with conflicting buyer demands and cope with the flexibility pressures by keeping 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. 2011). 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 labor 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 to be able to increase production capacity quickly and to buffer the insecurities and flexibilities of orders. 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 and the volatility of orders by using a network of smaller firms for mostly lower value tasks where cheaper and more flexible labor 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 safety and health (OSH) 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 .

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 labor codes, labor inspectorates and trade unions had been in place as part of the institutional environment and they have had an active role in securing certain labor rights, particularly with regard to OSH standards and formal employment contracts. This legacy distinguishes Romania from other apparel exporters such as Morocco, where similar structures are 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 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 built on earlier structures with nearly no representation in newly found firms after 1989. EU accession has also impacted on labor legislation and social upgrading prospects of Romanian apparel workers. As Romania had a national labor code in place with its roots in state socialist ideology, and, thus with high levels of workers' protection (Pickles/Smith 2010), EU accession has had varying effects on labor 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, labor legislation was weakened (Plank/Staritz 2011). The apparel industry was particularly affected by outward migration towards Western Europe in the context of EU accession given its relatively low wages and poor working conditions. 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.[17]

In Morocco, the labor 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 labor inspections. Freedom of association is a problematic issue in the apparel industry, where unionization rates are around 3 % with largely male participation, not reflecting the composition of the labor force. At best, there is widespread mistrust on the managers' side towards unionization efforts. In 2003, the Moroccan Textile and Garment Industry Association (AMITH) issued unilaterally an industry code of conduct and a related label, *Fibre Citoyenne* (FC), 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-labeled 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 OSH 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), in part due to its lack of a collective bargaining clause. While the benefits brought about by the FC are available to regular workers, they 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 in both countries private codes of conduct have proliferated as most buyers have established and implemented their own codes. As in the case of the industry-wide code in Morocco, these codes have led to improvements in working conditions but 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, and trade union rights) remain contested. This trade-off is revealed by contradictory demands from and limited coordination between the buying and CSR departments of buyers: on the one hand tight price and delivery time demands from the buying departments and on the other hand labor compliance demands from the CSR departments and auditors who do however not have the means to reward suppliers for improvements (e.g., via higher prices or more stable contractual relationships).

Although 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 industry pressures the concrete arrangements on the ground differ. 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

[17] Another strategy to counter labor shortage and reduce (labor) costs was the relocation of production to poorer regions within and outside of Romania, as discussed above.

the stricter labor code and the role of labor 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. In particular 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 in their plants, suppliers have increasingly been outsourcing their production to smaller workshops or informal garages, often in the same neighborhood, which is however also in violation of the code.

From our analysis it appears 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 industries. Table 3 provides a summary of the empirical findings. It shows that social upgrading has been selective with regard to both the type of workers and the dimension of social upgrading. Improvements 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 wages, work intensity, overtime, and 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 industry dynamics in GPNs, in particular with regard to flexibility and the contradictory demands for low costs and high quality, and where labor rights are in contradiction with these industry dynamics they have remained contested.

Table 3: Social upgrading/downgrading in fast fashion

		Social upgrading/downgrading dimensions			
		Measurable standards		**Enabling rights**	
		Accessible	**Contested**	**Accessible**	**Contested**
Type of worker	Regular/core firm workers	OSH standards, employment contracts, social security, training	wages, overtime, work intensity	union representation in former state-owned firms in Romania	union representation in Morocco and in newly found firms in Romania
	Irregular/ subcontracting firm workers		employment contracts, wages, overtime, work intensity		discrimination, voice, union representation

5. Conclusions and policy issues

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, particularly in the labor-intensive apparel industry. This paper has analyzed the outcomes of insertion in apparel GPNs from the perspective of two countries in Greater Europe, Morocco and Romania, emphasizing the challenges with regard to social upgrading in the context of fast fashion. The main findings of this paper can be summarized 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 characterize fast fashion production have negative implications in terms of flexible work arrangements, unrealistic production targets, excessive overtime and high work intensity.
- **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, given their role as a buffer in the context of cost and flexibility pressures. However, the attainment of social upgrading is limited also for regular core workers, since certain issues such as wages, working time, work intensity and trade union representation that are in contradiction to business strategies in the fast fashion segment 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 labor standard requirements from their suppliers. These CSR requirements are often 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 labor standards while irregular workers in subcontracting firms often not.
- **Local institutional structures and regulatory contexts mitigate fast fashion pressures on social upgrading**: 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 fast fashion. While in Morocco irregular workers often exist in parallel of regular workers in the same factory, in Romania the parallel workforce has taken the form of subcontracting to small and micro firms or workshops as employment contracts are more widely enforced by labor inspections in core firms. Further, the legacy of state socialism and EU accession has provided certain structures with regard to labor regulation, labor inspection and union representation that have contributed to mediate industry pressures. In Morocco, the FC label has contributed to raise awareness about compliance and increased monitoring

activities. However, although these specific local institutional and regulatory settings have 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.

Based on these findings the following policy areas and recommendations can be identified for the different actors in apparel GPNs to improve the position of supplier firms and workers and further economic and social upgrading.

An important first step by buyers would be to align their core-business activities and sourcing practices with their ethical statements as reflected in their CSR initiatives and codes of conducts. Important areas in this regard are to reduce volatility and flexibility in supplier relationships and orders and align contractual expectations with decent wages and working conditions (Plank/Staritz 2011). Another limitation of buyers' codes of conducts is their often limited approach to social upgrading focusing on measurable standards, monitoring labor and quick fixes to visible problems without taking into account broader dimensions of social upgrading that perceive workers as social actors with enabling rights (Rossi 2011). Further, it would be crucial that buyers abandon their unilateral initiatives and engage with local stakeholders, including their suppliers and workers as well as local trade unions, NGOs, labor inspections and other relevant public authorities. In particular more cooperation with local regulatory agencies would be crucial to reduce multiple standards and audits and to complement efforts.

In the context of asymmetric relationship between buyers and suppliers, supplier firms should try to diversify their contractual relationships towards more buyers and markets to reduce dependencies and increase options (Plank/Staritz 2011). Other end markets, including regional and local markets, might exhibit better growth and upgrading potentials and allow for more beneficial outcomes (Pickles/Smith 2010). Supplier firms should also be more pro-active in initiating economic and social upgrading processes. In this regard industry associations have played critical roles to further upgrading in the apparel industries in countries such as Turkey, Sri Lanka and Bangladesh (Staritz 2011). With regard to social upgrading, participation in industry-wide codes or multi-stakeholder initiatives can help to increase the bargaining power of suppliers vis-a-vis buyers with the objective to mitigate the tensions between sourcing and compliance requirements (Rossi 2011).

Government policies play a crucial role for economic and social upgrading, in particular industrial, trade, innovation, skill and labor market policies which would need to be aligned within a comprehensive pro-active industrial development strategy. Such strategies should combine economic and social dimensions of upgrading. In the context of cost competitiveness, governments may be unable or unwilling to enforce labor rights and further social upgrading. However, cost competitiveness is not the whole story, particularly for regional suppliers in Greater Europe that are largely out-competed from a mere cost perspective by lower-cost suppliers in other regions. The strategic location of regional suppliers needs to be complemented with industrial policies to further competitiveness, economic upgrading and broader industrial capabilities and skills, and align these strategies with social upgrading.

Governments in the EU-15 can also influence the outcomes of apparel GPNs by altering the domestic and international institutional and regulatory contexts with a view to encourage upgrading and more responsible business practices. For instance, the significant buying power of public authorities could be used as a lever to influence buyers' behavior and thereby impact on economic and social upgrading trajectories. Another important area for intervention relates to trade policy. With regard to economic upgrading, market access should not constrain value addition and broader local functions and linkages in supplier countries as used to be the case under OPT regulations. With regard to social upgrading, positive market access incentives can be linked to improvements in the area of labor rights in supplier countries. EU member states could also demand from buyers based in their authority to ensure at least certain minimum labor rights in their supply chains. This would reduce competition in labor standards between supplier countries.

Civil society actors, including trade unions and NGOs, should continue to pressure for decent working conditions in GPNs. There are a variety of approaches that are pursued to this end, including campaigns directed at buyers, fair trade and decent work initiatives, and cross-border labor dialogues. The collaboration of international or European actors with local actors in developing or transition countries should be further encouraged as a very effective strategy to reach different actors along GPNs and take into account institutional and regulatory specificities. On the level of social dialogue, trade unions have a crucial role in supporting social upgrading and have to further adapt to global production arrangements, collaborate regionally and internationally with trade unions and other civil society actors, and represent and approach all types of workers, including irregular workers. At the European and international level, European and International Framework Agreements (EFAs and IFAs) between TNCs and European and Global Trade Unions have been signed to extend cooperative industrial relations to the company's locations outside the home country. Although their effectiveness depends on a number of factors such as the commitment of buyers and the capacities and political environment of the trade unions involved (Lukas et al. 2010), EFAs and IFAs are certainly very promising instruments and should be supported and embedded in a wider regulatory framework which strengthens their enforcement structures.

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