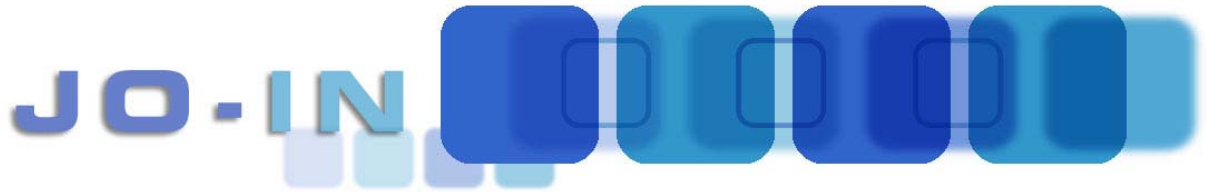


Joint Initiative on Corporate Accountability and Workers Rights



BUSINESS RELATIONS AND WORKING CONDITIONS AT THE LOWER LEVELS OF ISTANBUL'S GARMENT INDUSTRY

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The Joint Initiative for Corporate Accountability and Worker Rights (Jo-In) commissioned this study in 2006 to support its efforts to understand the complexities of the global supply chain and its impact on Turkish workers. The authors worked independently of Jo-In staff, and the six initiatives involved in Jo-In have not verified the contents of this study. It nonetheless offers important insights into the context in which Jo-In's pilot project in Turkey functioned.

ABBREVIATIONS

SSK	Social Security Organization
OECD	Organization of Economic Cooperation and Development
EU	European Union
YTL	New Turkish Lira
YKR	New Kurush
USA	United States of America
USSR	The Union of Soviet Socialist Republics
NC	Numerically Controlled
ICP	International Competition Power
GATT	General Agreement on Tariffs and Trade
MFA	Multi Fibre Arrangement
ATC	Agreement on Textile and Clothing
SPO	State Planning Organization
ITKIB	Istanbul Textile and Apparel Exporters Association
IFTAD	Istanbul Textile and Garment Sub-Contractors Association
WTO	World Trade Organization
DIE	State Institute of Statistics
TCMB	Central Bank of the Republic of Turkey
TUIK	Turkish Statistical Institute
PPI	Producer Prices Index
WPI	Wholesale Prices Index
CPI	Consumer Prices Index
DISK	Turkish Confederation of Revolutionary Trade Unions
ILO	International Labour Organization
PPP	Purchasing Power Parity

INTRODUCTION: TURKEY'S GARMENT SECTOR

Turkey's Garment Sector is an export-oriented labour-intensive sector, directly affected by the structure of international labour markets. The changes caused by the start of the liberalization process in the 1980s were intensified by the Customs Union agreement with the European Union, which was introduced in 1996. As the Turkish economy was undergoing a transformation, international competition also grew fiercer due to the globalization.

On January 1st 2005, the MFA (Multi Fiber Agreement), which allowed exceptions to the rules of free trade recommended by GATT, came to an end and was replaced by the Agreement on Textiles and Clothing (ATC) replaced it. From a market environment regulated by quotas, Turkey's garment sector was forced to make a transition to one dominated by the rules of free trade, as quotas implemented against China, Egypt, Pakistan and other low-cost producers by many of its customer countries, especially the United States, were lifted. An important entry barrier that had worked in Turkey's favour was thus removed.

The impact was felt rapidly. While garment production had risen 24.2 % in 2002 and 24.5 % in 2003, as the Turkish economy recovered from the impact of the 2001 financial crisis and the recession that followed, growth slowed down dramatically in later years. After the lifting of quotas, the rise in garment exports failed to keep up with the overall growth of Turkey's exports. While Turkey's overall exports rose 16.8 % and industrial exports grew by 17.9 % in 2006, ready-made and garment sector exports only increased by 1.9 % the same year (details in Table 1).

Another indicator of the slowdown was the decrease in machine imports, which had risen sharply from a low of 660 million dollars during the crisis year in 2001 to reach a peak of 2.352 billion dollars in 2003, before decreasing by three quarters to 607 million dollars in 2007 (details in Table 2).

In 2006, however, garments still took second place among export sectors, behind the automotive industry, with a 16.3 % share of Turkey's overall exports.

In the redistribution of international market shares after 2005, geographical proximity gained more importance. Thus Turkish exports to the US and Japan regressed, due to China's closeness to these markets and the cost advantages it offers. At the same time, an increase was recorded in exports to countries geographically closer, such as Spain (42 %), Hungary (349 %), Slovakia (728.6 %) and Romania (349.1 %).

Factors affecting a firm's international competitiveness fall into two broad categories. Among internal factors are the quality of goods and services produced by the company, their cost (labour, raw material, energy, capital, imports, marketing, tax, social security), price, level of efficiency, profit, information technology used at the firm, organizational and management structure, efficient use of resources, innovation and creativity. External factors range from the role of the state in the overall economy of the country, the international trade system, the domestic demand structure, the flexibility of the labour market, economic stability, exchange rate and interest policies, foreign capital, physical and corporate infrastructure, the structure of the financial markets as well as norms and rules regulating competition.

Unemployment stood at 11.4 % in February 2007 and 46 % of the 21.4 million workers employed in Turkey were unregistered. For female workers, this ratio was 61 %. Although labour costs are high in Turkey, data suggest there is no direct correlation between wages and garment sector exports: the best export results were recorded in 2002, 2003 and 2004 when wages had increased significantly in dollar terms (details in Tables 3 to 7).

Among OECD members, Turkey is the country where the tax burden increased most between 1985 and 2004. While taxes rose 15.7 % in Turkey during that period, they were lowered in countries like the United States (0.2 %), United Kingdom (1.6 %), Japan (2.1 %), Germany (2.6 %), the Netherlands (3.5 %), Luxembourg (4.5 %) and Ireland (4.8 %). In 2007, Turkey topped the list of OECD countries with high employment tax.

As international trade relations are being reorganised to eliminate unfair competition, attempts are underway in the sector to set standards for products as well as for the production process, and particularly for working conditions. In this context, it is important to examine working conditions in Turkey's garment sector, and the business environment in which the sector is operating. Whether these conditions comply with international standards will also determine the sector's long-term competitiveness.

This research aims to analyse relations at the lower levels of the supply chain in the garment sector. These relations cannot be examined independently from power and control relations dominating the sector in general.

This report aims to draw a broad picture of all factors and relations that influence the sector in general. Links in the supply chain were examined separately, as were the interaction of these links with each other, their original structure and the impact they have on the sector as a whole.

I. RESEARCH METHODOLOGY

Field research in the garment sector took place in and around Istanbul between October 2006 and July 2007. A qualitative research method was chosen for the research, which involved data gathering as well as observation, interviews and document analysis. The aim was to describe perceptions and events in their natural environment, realistically and with integrity. In line with the principles of qualitative research, the researchers spent time in the field and performed the visits to workshops and companies themselves. A flexible approach was adopted for the methodology. The scope of the research had to be adjusted when new data and circumstances arose during the research process.

Setting up a theoretical framework, which is a stage needed in most research projects, was not necessary in this case as researchers were already familiar with it. However, it was deemed helpful to provide some numerical data and facts reflecting the general dynamics in the field.

1.1. Definition of the Research Questions

The research was carried out at three levels. The first involved mapping the structure of the supply chain and revealing the hierarchy, dependency relations and power relations within the chain. The second step was to analyze the conditions experienced by workers of different firms within the chain. Finally, the third level involved analyzing the situation and the problems experienced by firms in different parts of the chain as a result of international competition.

The main export firms located at the upper levels of the garment supply chain, with which major brands work, were not the main focus of this research, although we deal with them in paragraph 2.3. Instead, the research focused on middle- and small-scale workshops, subcontracted by export firms to carry out cutting, sewing, colouring, printing, ironing and packaging work.

Our work focused on the following:

- Understanding how the supply chain in and around Istanbul is organized at the lowest levels,
- Obtaining concrete information regarding workers and home-based workers operating in unregistered workplaces,
- Understanding the consequences of compliance with codes of conduct for employers and employees,
- Finding out what issues workers consider a priority to improve their working conditions,
- Understanding what is needed to improve their working conditions within the framework of codes of conduct,
- Recommending available methods for monitoring-tracking-verification.

The researchers also discussed the current situation and future of the garment sector with companies at different levels of the chain. They examined processing mechanisms throughout the chain, and analyzed how small subcontractor workshops are articulated within the supply chain and how they relate with export firms.

Aside from concrete information such as the working conditions of unregistered workers, hours of work, wages, working age, workers' health and safety, discrimination, freedom of organization, researchers also looked at the sociological characteristics of the workers, their lifestyles, how they perceive labour practices, discussed their expectations and the work issues they raised.

The problems faced by the workshops and the elements that affect their competitiveness such as cost, production quality, production speed, geographical proximity, technology, creativity and branding were also examined.

1.2. Definition of the Research Field Sampling

One method used to define the sampling used in the research is the snowball method. The research starts with this question: "Who can provide the most information on this topic? As the study expands, more names and situations are added, forming the sampling.

The researchers' theoretical knowledge and personal contacts in the sector facilitated access to the people and organizations that could provide the most information, thus preventing unnecessary waste of time. Interviews were performed with people recommended by organizations such as sector associations, unions, local government as well as through personal relationships.

A second method used in the research was typical situation sampling. After gathering information about the general characteristics of the chain, companies that exemplified different segments of the chain were identified and their owners interviewed. Companies with typical features, such as scale or type of goods produced, were selected. Among sewing workshops, for example, companies were selected that could best illustrate differences within the supply chain based on number of workers, machines or product type. Companies that illustrated features found at all levels of the chain, such as export firms, representative firms, machine importers, colouring workshops, printing workshops, embroidery workshops were also analyzed.

The research was carried out in several districts on both sides of Istanbul, chosen to reflect the general distribution of the sector in the city. These districts are Maltepe, Kartal, Pendik, Cevizli on the Asian side and Sefaköy, Bağcılar, Çekmece, Kiraç, Avcılar on the European side. They are located around main arteries, the E-5 and TEM highways, which connect Istanbul to Anatolia and to Europe. The districts developed over the past 20-25 years as a result of migration from Anatolia. Many small factories and workshops from various sectors, which can be described as small industry,

have developed in these districts. The availability of cheap housing, and therefore cheap labour, was a key factor in the establishment of production units in these districts.

Researchers personally conducted in-depth and face-to-face interviews with owners and managers of agencies, export firms and sub-contractor workshops, to reveal the structure of the subcontractor chain. They also talked to employer organizations, worker unions, non-governmental organizations and related government agencies to obtain information about the general structure of the sector.

“Worker interviews” were performed with people residing in these districts and working in various workshops. Open-ended questions were used during interviews with workers and companies, and supported by additional corroborative questions to get more information. (APPENDIX 1 and APPENDIX 2). The interviews with workers were conducted at their homes during weekends in order to obtain accurate information about their working conditions. We conducted a total of 23 interviews with workers in eleven houses in different districts on both sides of Istanbul. Sixteen of them were women and 7 were men. Six home-based women workers were also interviewed in their own houses. Researchers also visited a Home-based Women Workers Cooperative where they interviewed 7 women.

The triangulation method was used to validate the research and confirm its reliability. Our target was to gather data through research questions, using different methods, and then to compare the findings. Information gathered through observation was tested during the interviews and the information gathered during the interviews was compared with written sources and statistics on the sector.

Our research focused on middle- and small-scale workshops carrying out cutting, sewing, colouring, printing, ironing and packaging work for export firms at the lower levels of the supply chain. We also conducted in-depth interviews with owners of firms importing machinery and equipment used in the garment sector, and visited a fair. Two agencies, which are important links in the chain, were also interviewed. One of them is a big company working with famous brands, generating a large volume of business. The other agency works with smaller buyers and experiences the cost pressure more acutely.

Interviews were carried out in 23 sewing workshops of varying sizes. Two dye houses of different sizes, 1 embroidery workshop, 2 printing workshops, 2 ironing/packaging workshops, 2 gem decoration workshops, 2 collar-buttonhole workshops were also visited. We chose to interview the workshop owners. Shareholders of the companies or people in charge of the production also attended some of these meetings. Production areas and working conditions were monitored, and short conversations took place with the workers whenever possible.

2. SUPPLY CHAIN

2.1. Overall conditions in sewing workshops

The garment sector includes several types of subcontractor workshops: sewing, knitting/weaving, dyeing, printing, embroidery, cutting, ironing and packaging. Most of these workshops are in neighbourhoods whose population is composed of recent migrants, located at the periphery of cities. Home-based female workers also operate in the sector, individually or in cooperatives, usually carrying out specific jobs such as spangle/gem decoration.

Sewing workshops create most of the employment opportunities in the supply chain. Most of the information obtained while researching the structure and working conditions of the sector was therefore obtained in sewing workshops, where we carried out interviews with workers and workshop owners.

2.1.1. Workers employed in the workshops

During our interviews with workers, it emerged that the majority of those employed in subcontractor workshops are of marriageable age, single and living with their families. They usually have no financial responsibilities such as rent or food expenses. In some cases, a younger sister lived with an older married sister. Most workers are unmarried girls and young men who have not yet done their compulsory military service.

Most workers said they had found their jobs through acquaintances, relatives, neighbours, fellow townsmen. They usually work near their homes. For young girls in particular, the familiarity and reliability of the workplace are very important. Most girls wore headscarves, but they reported no pressure about it. Some girls said they would consider removing it if necessary.

Some of the girls said they gave their wages to their families to contribute to the construction of an additional floor to the house. In some cases, the workshop owner mentioned lower wages to the girls' father, so the worker could keep a small amount of money for herself. Generally, the young girls did not complain about their uninsured status because laws in Turkey grant women the right to health insurance benefits through their parents. In case of the death of the insured parent, women receive the related benefits until they get married. These practices are discouraging women from getting insured. As they only aim to work until they marry, they know marriage will place them under their husband's insurance coverage and they therefore do not insist on insured employment.

Some of the young girls said they devoted the major part of their earnings to collecting a dowry, buying washing machines, dishwashers, cutlery, carpets, etc. They also spent some of their earnings on clothing, entertainment, make-up and hairdresser, and gave a share to their families. Some of the young female workers were elegantly dressed.

Most of the male workers said they supported their families and spend the rest of their earnings on clothing, entertainment, football matches, internet cafes and travel. None of the male workers said they were saving money.

We noticed that the workers, who are predominantly young, had no spending discipline and were affected by the current consumption culture. Some of the workers said they spent their salary within the first ten days of the month, and had to request advance payments from the workshop owner.

2.1.2. Wages and Labour Costs

During our interviews with subcontractors, it emerged that the ratio of insured workers in the sector is around 10 %. A higher ratio, while viewed positively, is not expected. For instance, a workshop owner who employed 65 workers explained that when he told the SSK inspector that he could only provide insurance cover for 30 of his workers, the inspector congratulated him.

The following can be said about the wage structure in the sector: a newly recruited worker is paid around the legal minimum wage. However, when the worker learns the job a bit, s/he moves freely between workshops and transfers without hesitation to any workshop that offers an additional 10 YTL.

The workers' wages vary according to their job status and the status of the workshop. The lowest salary for helpers¹ is 350 YTL. With overtime pay, this can go up to 450 YTL. In sewing workshops, these unskilled helpers carry goods between the machines at various stages of the sewing process and do the cleaning. Some of them can receive up to 500-550 YTL. A helper usually starts using a machine after 1-2 years. Machine operators, for example overlock operators, receive 600-700 YTL. This figure can increase to 1,000-1,250 YTL for a good supervisor. According to the workers, employees performing multiple functions may receive 800-900 YTL, overtime not included. Temporary workers, who know from the onset that they will be laid off, receive 900-1,000 YTL. They usually work for 3-4 months. During peak periods, workshops favour this type of workers.

Workers said wages used to be increased every six months during the years of high inflation, but wages are now adjusted once a year. Other stated that the wages of long-term employees are still revised every six months, while newly recruited workers receive a raise once a year. The majority of the workers we interviewed were not insured, although some workers did have insurance coverage. Insured workers tended to be senior workers or workers trusted by the employers.

Workshop owners stated that labour covers 1/3 of the cost, while others estimated overheads to be 75-80 %. Some estimated the breakdown of their costs as follows: 50 % net labour, 7 % raw materials, 10 % energy, 10 % rent and 5 % service bus.

According to figures provided by workshop owners, a worker who received 140 US\$ in 2001 is now paid 500 US\$ on average. During the same period, the social security share of the wages reached a world record.

The main reason subcontractors cited for employing uninsured workers was the high level of premiums collected by the government. Workers accept to work without insurance, provided that part of the premium is paid to them instead of the government. One sewing workshop owner said that a basic T-shirt, which they sew for 1-1.20 YTL would cost 2-2.5 YTL to produce if the workers were formally employed, including insurance pay, possible severance pay, pay for leave, overtime premium, etc.

The inversely proportional evolution of the cost and sale prices of the products was emphasized during our interviews. In the past, the profit margin was 50 %, but it is now 5-10 %. Workshop owners say they needed a profit margin of at least 25-30 % to survive. One subcontractor underlined that sale prices were still at their 2000 level when they should be twice as high. Workshop owners said prices had continuously declined since 2003, and export firms were also heavily affected by the shrinkage of the sector. But while subcontractors shared the losses with export firms during periods of low sale prices, the slight increase in profit recorded by export firms due to a positive exchange rate with the US\$ in 2006 was not passed on to them.

¹ The Turkish word used is "ortacı", which means an unskilled person in the middle (of the workstation) asked to lend a hand, to transport material, etc.

2.1.3. Working Hours

Working hours are as follows:

- 08:30- the work starts
- 10:30 tea break (15 minutes)
- 13:00 (lunch break (1 hour)
- 16.30. tea break (15 minutes)
- 19:00 - the work ends

In sewing workshops – and in most other workshops - working hours are generally aligned with the working hours of export firms. On Saturdays, workshops operate until 13:00. Overtime work is generally on Tuesdays and Thursdays until 22:30. But, according to workers, during peak periods, overtime work may increase to 4 days a week. After overtime work shifts lasting until 02:00 or the morning, workers are allowed to take a day off. They then compensate for this leave on Saturdays or Sundays. Workers indicated that intensive night work occurs several times a month. Workshop owners mentioned overtime of up to 60 hours. In one workshop, for instance, total overtime work for January reached 46 hours.

2.1.4. Working Age

Subcontractors said they had trouble finding workers. The 8-year compulsory education system introduced in Turkey in 1997 has virtually eradicated cheap child labour, which formed an important part of the labour in the sector. This was one of the main complaints voiced by subcontractors.

According to Article 71 of the Labour Act of Turkey enacted in 2003 (Law No 4857), “Employment of children who have not completed the age of fifteen is prohibited. However, children who have completed the full age of fourteen and their primary education may be employed on light works that will not hinder their physical, mental and moral development, and for those who continue their education, in jobs that will not prevent their school attendance.”

Until the law changed, small workshops could employ girls aged 12-14, who had graduated from elementary school. Now, a girl who has completed 8 years of compulsory education is around 15, and her father usually prefers to keep her at home, waiting for potential husbands, rather than allow her to work outside. The labour force primarily consists of migrant families from East and Southeast Anatolia and their second-generation children. For most of these young girls, 16 is the age of marriage. Our personal observation is that although child labour has not disappeared altogether from the sector, it has decreased significantly compared to 10 years ago. Children aged between 13-14 may still be forced to work during holidays.

During our interviews, most workers said they had started working at the age of 14. They confirmed that child labour is no longer seen much in the sector because of the extended compulsory education.

2.1.5. Workforce Turnover Rate

Workers frequently change their workplaces. Workshop owners consider a 5-year worker a long-term employee. Most workers work between 1.5 and 3 years, and then leave the sector. The gender distribution of the workers is 70-80 % female. Workshop owners said they favored women workers, who are more submissive. Most female workers leave when they get married. Only a small percentage of women workers continue after marriage. They may return to work after they have had a child, if someone in the family is able to look after the child.

The trend among male workers is to leave when they have to perform their military service. After military service, male workers prefer jobs that will bring better wages or they establish their own workshops.

There is no stable workforce in the sector. Workers too are affected by the general instability. Those who cannot get regular wages switch to other sectors, such as shipyards, which are said to have enough orders to provide work until 2016. Some workers have also been the victims of "mushroom workshops", which shut down suddenly, sometimes without paying wages, and as a result, they do not place much trust in workshops. Workplaces that pay wages regularly and have a good reputation on the market find it easier to recruit workers, while weaker workshops in the sector have difficulties hiring workers.

Firm owners find workers by hanging banners on the façade of their workshops, listing the qualifications they are seeking. Most of the workshops we visited had such banners on their front, which illustrates the rapid turnover in the sector. Workers are also recruited through employee word-of-mouth in the neighborhoods, among relatives and fellow townsmen.

During our interviews with workers, reasons invoked for leaving a workplace included non-payment of wages, of insurance premiums or overtime wages, as well as excess overtime work. Helpers also mentioned anger about not being promoted to the position of machine operators while inexperienced workers recruited later were transferred to machine work. Workers also mentioned discontent with the behaviour of supervisors². Others complained that "mushroom workshops" had offered them relatively high wages, employed them for a few months and disappeared one morning without paying wages. In sewing workshops, the work is tiring, and only young workers can keep up with the fast pace. There are therefore no workers over the age of 40 in this sector, and no worker ever stays until retirement.

2.1.6. Discrimination

Workers explained that work on heavy machines, for example Singer, is done by male workers because of the tiring and physically demanding nature of this type of labour. Gender discrimination may exist based on the nature of the work, but workers said wages were determined on the basis of skills and there was no discrimination.

Workers said there was no harassment in the workplace, and they had never heard of any case. This is due mainly to the fact that in smaller workshops, jobs are found through acquaintances or fellow townsmen, and workers are entrusted to the bosses, who protect the girls. The fact that workers live near their workplace also reduces the risk of harassment.

2.1.7. Physical Conditions

The physical conditions of the workshops vary. Some workshops are located in dark, insufficiently ventilated basements, heated by stoves fuelled with combed cotton rejects. Others are highly modern workshops with elevators, heating, proper lighting and in clean and orderly condition.

2.1.8. Occupational Health and Safety Issues

The dust arising from combed cotton, and particularly from velvet, during the overlock process is the source of most workers' complaints about health and safety conditions. Workers explained that when they produce black goods, they end up looking like coal merchants, and when they produce white goods they look like they are covered in flour. Workers said they experience itching and shortness of breath due to the dust. They stated that they do not use face masks, and know of

² The Turkish word here is "ustabaşı", which means foreman. We use the more common word supervisor here.

no workshop which uses them. It emerged that workers sometimes discuss masks among themselves, but they do not find them very important. When asked, the workers replied “If I wear a mask, nobody will ask why” and they were not convinced that the mask would protect them. They believe dust would still penetrate through the masks.

Workers complained of diseases like calcification and rheumatism. They explained that windows have to be kept open to provide ventilation, otherwise they could not breathe because of the dust, and they complained that drafts cause rheumatism. Fatigue is another common complaint, particularly when they work on complex models, which is unpleasant and tiring. “Avoiding mistakes and doing the job quickly is very tiring”, they said.

Workers sit on non-orthopedic chairs, it emerged, and their sitting position creates problems. Workers commonly suffer from back ache and use pillows to mitigate the pain. Other complaints were arm, neck, shoulder pains. A physician, consulted by one employee for calcification and rheumatism, recommended that the worker quit this job.

Accidents, such as fingernails getting caught in machines, do occur and often involve newly recruited workers. Those we interviewed said the most dangerous machine is the overlock machine. Broken needles and spin outs are among work accidents mentioned, although they happen rarely. Several workers referred to an anecdote involving a needle that broke during the production of baby clothes. The broken piece was left inside the garment and was only found after it was sold and the baby wearing it started crying. The mother filed a lawsuit and forced the brand to pay a heavy penalty. Since this incident, brands have started counting needles and demand that the pieces of broken needles be kept.

The workers we interviewed said workshops were equipped with a fire escape and a fire ladder. Toilets, it emerged, are not clean enough and their number is insufficient. There are even workshops where no separate toilets are available for men and women. Toilet paper is not commonly found in workshops, but all of them stock soap. The lack of garbage bins in the toilets is another source of complaint.

2.1.9. Workshop owners

Many of the workshop owners in the subcontractor sector come from East and Southeast Anatolia. They tend to hire their fellow townsmen and relatives in order to foster a sense of “family business” that is meant to encourage workers to throw themselves heart and soul into the job. This policy however creates problems, and some workshops are now refraining from hiring townsmen. For example, a workshop owner from Kars province told us he avoids employing workers from Kars. He said he views it as dangerous that they have a collective action reflex when faced with injustice.

When we examine the social class of the sewing workshop owners, we see that owners of large workshops have middle- and upper-middle class living standards. They own houses, cars and summer houses. Some of them own the building where the workshop is located. Yet most of them complain about heavy debts.

Many owners of small and medium-sized workshops we interviewed, on the other hand, live in the suburbs where their workshop is located. Their lifestyle is not very different from that of their workers, who also live in these neighborhoods. The wife of a workshop owner, who paid 450 YTL in rent for his house, babysat to earn money. In fact, the majority of these subcontractors are themselves former workers in the sector, who became supervisors and eventually established their own workshops. They are now facing hardship, and struggling to survive. Many of them borrowed from loan sharks to renew their equipment, and find it difficult to repay these debts with high interest rates. Many of them also owe back taxes to the government. Some of them talked of shutting down their workshop, but said they could not even sell their machines for a third of their price and they could not pay the severance pay of their insured workers. They therefore complained they had no choice but to stay in business. “We are bogged down. I have sold three plots of land and one apartment

to set up my workshop", says one owner. The following statements summarize the problems voiced by workshop owners: "We cannot predict the future. We can only see one month ahead. We don't know what will happen in six months."

2.1.10. The future of the sector

Workshop owners' assessment of the current and future state of the sector can be summarized as follows: "First, the increase in the value of the YTL slowed down exports. Then, the increase in the world prices of cotton in Euro- and US\$-terms surpassed expectations. And finally, the tax burden on labour and rules such as the legal minimum age for work have put unprecedented pressure on the sector and brought the profit margin down to zero." Another costly element is energy. Subcontractors complain that the price of natural gas and electricity in Turkey is very high compared to other countries in the region, such as Egypt, Jordan and the Turkic Republics. Some of the larger subcontractor workshops have therefore moved to these countries.

Workshops owners believe that Turkey's garment sector is increasingly used mainly for high-quality goods, small quantity orders, and short delivery times. For example, we were told by a workshop producing 2 million pieces annually for Sturker that this brand also does business with Bangladesh, but orders with short delivery times are placed in Turkey. According to the workshop owner, while the price paid for goods is 4-4.5 Euros in Bangladesh, it is 7.5 Euros in Turkey. But Bangladesh cannot meet that price when the quantity decreases.

Another workshop owner said: "Before 2002, we worked for the USA and produced 100,000-1,000,000 pieces at low prices, and earned our money from the high volume. We could keep standard models in production for a long time. The US market disappeared because of China. Now only 5 % come to Turkey. We work mostly for the EU. The variety is great, customers are very demanding, their prices are low and they order in quantities of 100-500 pieces. When we receive an order for 5,000 pieces, we thank God! Prices vary according to the number of pieces. 1,000 pieces can be produced in half a day with the 60 machines on my production line. When the model changes, the cost rises." Workshop owners also said that 200-1,000 pieces were considered boutique production on the world market, and workshops with 20 workers were best suited for such small quantity orders.

Some workshops are trying to survive with the financial support of export firms, which are extending credit assistance to workshops they do business with regularly. We observed that a kind of patronage relationship developed among some of them as a result.

Brands mentioned were: Altinyildiz, Beymen, Network, Boyner, Mithat, Marks&Spencer, GAP, Banana, Club Monaco, Federite, Wee, Marco Polo, Zara, Zeg, Tribo-Mithat, Next, Esprit, Comma, H&M, Hey Tekstil, Benetton, EDC, Reebok, Streetone, Cecil, Soft, Armani, Kika, Vera Moda, Tepe Jeans, Ege Tekstil, Quelle, Neckermann, Karlstadt, Dieterhot, Babykamp, Mothercare.

In Turkey, some provinces such as Maras and Adiyaman in the East and Southeast benefit from a government incentive scheme. Taxes are lower in these provinces and energy costs are subsidised. However, we found during our research that subcontractors in Istanbul do not favour operating in these regions. The main reason is the distance, which makes these regions only suitable for orders with longer delivery terms and larger quantities. Such orders tend to be placed in China and India. Also, the labour force in these regions is unskilled and workers often leave their jobs during harvest to work in the fields. The workforce is therefore unstable.

2.1.11. Other problems in the sector

2.1.11.1. Problems raised by subcontractors

Subcontractors cited reclamations as a problem in their relations with export firms. Every stage of the production is audited and inspected by the export firms and the agencies. When export firms face reclamations, they deduct the whole amount from the sum due to the subcontractor. Workshop owners believe that when goods are returned by the client, losses should be shared.

Some subcontractors complained they were not receiving their money on the date agreed with the export firms, but this was not a widespread problem.

Some export firms required that subcontractors buy special machines, and when orders were discontinued, the machines were left idle. This was however not a situation observed widely.

Subcontractor workshops voiced their concerns about mushroom workshops, which carry out short-term work and disappear rapidly. Such workshops cause them double damage: not only do they place downward pressure on prices, but they also attract workers from nearby workshops by offering high wages. Export firms sometimes place orders with mushroom workshops without doing much research into their operations because of the low prices they offer. In the end, both the real subcontractors and the export firms incur losses. Export firms lose money to these workshops when they disappear suddenly. Subcontractors believe export firms have a responsibility to show more sensitivity to this issue.

Mushroom workshops still exist, appearing and disappearing rapidly. Some firms entered the sector between 2003-2004, incurring huge debts and then disappeared. Some of them have now entered the construction and real estate sectors, where they are also known as mushroom workshops.

Because of technical obsolescence, the renewal period for machines is said to be 5 years. The sector has become a "dump site for machines" because of used machines from closed workshops and the new machinery bought by workshops, which has become idle through lack of orders.

2.1.11.2 Problems and wishes expressed by workers

When the workers were asked about their wishes, most of them said they wanted no work on Saturdays, shorter hours of work ending at 18:00 instead of the current 19:00, and wages to be increased to 800-900 YTL. Their complaints about the workplace related mostly to unhappiness, unpaid salaries, low wages, and excess overtime work.

Most workers said their decision to work was motivated by financial hardship. Most young girls interviewed said they were not planning to work after they married. They thought it would be too tiring for a married woman to look after her husband, children and home properly and work outside the house as well, although they said they would consider working part-time in case of financial need. Some female workers said they might work after they were married, but only in more skilled jobs such as modeling.

Some of the young female workers said they were bored sitting at home and found working enjoyable for single women, as long as the work environment was peaceful. None of the young girls thought of marrying someone doing the same job.

The married women we interviewed said they worked to contribute financially to household expenses and send their children to school. Their husbands were employed in construction and other temporary jobs, and did not have job security.

2.2. Characteristics of subcontractor workshops

2.2.1. Sewing Workshops

Some workshops handle both cutting and sewing, while others only handle sewing. Some of the sewing workshops prepare and duplicate samples for the export firms. Export firms supply, cut and spread the fabric. If the fabric requires embroidery, spangle, printing, etc. processes, these processes are completed before the fabric arrives at the sewing workshops.

Taking into account the heterogeneous nature of sewing workshops, interviews were conducted in small- and medium-sized workshops. Some had been audited and approved; others had not. The number of the workers employed in these workshops is given below as an example: 153, 70, 60, 45, 30, 25, 15.

2.2.1.1. Workshops with and without brand approval

Although the physical conditions in the workshops tend to improve as they grow, the main factor leading to improvement is whether or not the workshop has been audited and approved. A smaller, but approved workshop may offer better physical conditions than a workshop with over a hundred of workers.

Among the medium- and small-sized workshops we studied, there were a few approved workshops. According to the information provided by the people we interviewed, the cost of being an approved workshop is high for a subcontractor, but the yield is low. Workshops which had been audited and approved indicated that they had equipped their workshops in line with the terms and conditions set by the brands, but that they found it difficult to match the price with the related costs. Furthermore, the fact that export firms also do business with unaudited workshops creates unfair competition. Although the subcontractors arrange their workshops to meet the demands of the brands, there is no guarantee that they will receive orders. The lack of continuity in the orders is their main problem. Workshop owners are therefore not keen to be audited and approved.

For example, one workshop owner told us that H&M does not accept workers under the age of 18, but they could not find any "helpers" above that age. Another workshop approved by Reebok, which had worked with the company in 2000-2001, said they no longer wanted to do business with that firm because Reebok demands perfect quality for a very low price. Reebok does not allow young workers to be employed, but the workshop is unable to meet the demanded price when it employs older workers.

One workshop owner said they had bought a special machine second hand, but H&M demanded a Juki or Brother machine instead. Subcontractors said they were ready to respond to such demands if orders are guaranteed, but they complained that such guarantees were not forthcoming.

According to our observations, physical conditions in the workshops - doors, fire escapes, firefighting equipment, air conditioning, lunchrooms, toilets, lighting, workshop cleanliness and orderliness, production and management concepts - as well as working conditions are very positively affected by a workshop's approved status. The huge difference between an approved workshop and a workshop that had not been audited was immediately visible.

One approved workshop owner explained the change as follows: "After H&M, we no longer base our work on rule-of-thumb. When we start working on an order, we perform working time studies. We have quality control personnel and perform quality checks at every stage. The whole production line is controlled within 1 hour. Productivity and quality increased 50%. The intensity of the lighting, the fire escapes, the kitchen, and the toilets have all been improved. The auditors come for inspection once every two months. We prepare a remediation plan. We have advanced from C2 to B2 and A2. We improved health and safety conditions. H&M even requests an analysis

of the water we drink. When we want to move, we have to notify them of the new place we have chosen. They come and inspect. We can only move in after they have found the new place suitable." The workshop owner complained about legal restrictions limiting working time for apprentices to 7 hours. This legal requirement cannot be met in practice, and H&M complains about it.

2.2.2. Dye Houses

The dye houses where we conducted interviews mostly dye the fabrics according to the demands of the export firms that send them. They have a small laboratory where employees try to reproduce the exact shade by mixing several colours and chemicals. When they reach the exact shade, it is then produced in large amounts. All those working in the laboratory are women.

Dye houses look like small factories. The fabrics are dyed in big machines attended by one male worker. Since dye houses are mostly tech-intensive businesses, they need skilled workers who are familiar with the process. Work in dye houses also requires physical strength. Therefore, all workers are men. In the dye houses where we carried out interviews, there were 50-70 workers. All of them were insured.

Because the production process is performed with expensive machines in large facilities, this sub-sector is not affected by the "unstable short-term workshops" problem. The owners of dye houses said almost all of the workshops were registered.

The biggest problem mentioned by dye house owners is the high electricity and gas costs. The large machines consume a lot of energy. Although all workers are insured, labour costs were not mentioned as a major problem, compared to other costs. Another issue is that dyes are imported, mostly from the US. However, since the sale price of the products is in Euros and the US\$/Euro parity is in favour of the Euro, this problem is alleviated. In 2000, 1 Euro was equal to 1 \$, whereas 1 Euro is now approximately 1.35 \$. Therefore, firms using US\$ for imports saw their costs decrease.

Dye houses are large, noisy, damp places, difficult to heat, with strong chemical smells, where big machines are used.

Chemical fumes are the most significant threat to workers' health and safety. The workers breathe in polluted air. Noise is also a problem. The owner of the business told us that he provided sufficient training for his workers and repeatedly warned them about accidents that could occur when chemical materials are handled. No work accidents have been reported in the past 3 years.

Workers' wages vary according to the characteristics of the job. Wages range from 400 to 1500 YTL. Skilled labour operating machines earn more than 1,000 YTL.

Working hours are 8.30 – 19.00. There may be overtime once or twice a week depending on the work flow. Workshops usually take care to accept only orders they can handle during normal working hours.

Dye house owners have a better social position than owners of other production units in the sector. They can be regarded as middle- or upper-middle class. The dye house owner we interviewed lives in a 150-m² house in a luxurious neighbourhood of Istanbul and his children attend private school. He has a BMW car.

2.2.3. Printing Workshops

Printing workshops used heavy machines. Skilled workers are required in this sub-sector because it takes labour and time to prepare the molds. On average, these workshops employ 15-20 workers. We were told printing is one of the production units that face the most intense time pressure.

The difference between registered and unregistered work at the printing workshops is clearly visible. While part of the sector is composed of registered printing workshops, the rest are unregistered workshops known as "below the stairs" workshops. In printing workshops producing for export, workers are generally registered. Skilled labour is used to prepare the printing molds. Child labour is not used in these workshops, because of the big and heavy machines used in the production process. Another important feature is that the dyes used in the printing process contain chemicals. One of the printing workshop owners we interviewed stated that their products are for export and they never use dye containing fitelat. This workshop has dye tests carried out by accredited laboratories and stores the resulting documents at the workshop. Agencies audit their compliance with ecological standards strictly. However, they do not audit labour conditions. The workshop works with Quelle, Neckermann, Ben Haper, Camp David and Esprit.

Printing workshops complain that the pressure for high quality has risen in the sector, deadlines are shorter and profit margins have decreased. The profit margin depends on the quality of the printing. In the workshops we visited, we were told that overtime is not excessive and workers only stay once or twice a week until 22:00. Some workshops declared they had not had any overtime since January.

Printing workshops mostly complain about competition from "unregistered workshops". These workshops carry out printing jobs that do not require heavy machinery simply by placing a desk under the stairs. An unregistered workshop can be set up for only 3,000-5,000 YTL. They usually work with 3-5 people, mostly family members. These workshops buy Chinese or Indian machines of poor quality with a 15-year repayment period. These machines cannot be sold even for 30% of the purchase price if the workshop fails to stay in business.

These workshops generally produce only for the domestic market, but they nonetheless have an impact on prices, which they push downward. They also lower quality and ecological standards. The main danger is that these workshops use dyes containing fitelat, and they employ child labour. These are generally the children of the workshop owner or the children of relatives or fellow townsmen. People working in unregistered workshops are mostly migrants from East or Southeast Anatolia. A workshop owner from Diyarbakir, who used child labour to stamp the soles of socks with carcinogenic dye, was mentioned as an example. One child eventually developed cancer, and his father is now trying to obtain a "green card" (given by the authorities to poor people to secure access to health services) to get him treated.

The unregistered workshops we visited do not necessarily meet health standards and they employ child labour. This is the most problematic part of the sector, since the raw material involved in the job is a dye that contains the carcinogenic fitelat. Although these workshops only carry out simple jobs for the domestic market, their number is increasing and they put pressure on registered workshops.

Registered printing workshop owners have average and above-average living standards, since printing requires expensive machines and some capital. Owners of unregistered workshops, on the other hand, have lower-class living standards.

2.2.4. Embroiderers

Embroidery is one of the most important processes in the garment sector, and it increases the added value of the product. For this reason, embroidered products are gaining ground in the sector.

Embroidery production is a technology intensive sector, mostly performed with computerized machines. The production carried out by the NC machine requires skilled labour, care and effort. Most of the skilled workers used for this kind of production involving machines are men. After the designated areas of the cut fabrics have been embroidered with the help of machines, the pieces are sent to another unit where they are cleaned and the threads are cut. Thread cutting and cleaning is a routine manual job. It is done in two stages: first, the threads on the embroidered piece are cut and separated; then the reverse side is cleared of threads. Young women are involved in the first process and young girls in the second process, which requires more care. Big embroidery firms give cleaning work to home-based women workers rather than to workshops.

Workshops have approximately 30 workers. Men mostly work in front of the machines. These workers, called designers, earn approximately 1,300 YTL. Young girls involved in the cleaning process earn 350 YTL, and the women earn 450 YTL. While some of the men are insured, women workers are not. Workers in the sector are aged between 12 and 25 years old on average.

Computerized machines are very important in embroidery production. There were about 10 machines in the workshops we visited. While German- and Japanese-made machines cost 70,000 Euros, Chinese-made machines are approximately 30,000 US\$.

Expensive machines of good quality are required for the production of good embroidery. However, "unregistered workshops" have entered this sector recently. They produce embroidery with Chinese-made machines for very low prices. Although a middle-scale workshop demands 600 YTL for embroidery, an unregistered workshop only asks for 200 YTL for the same job.

There are a few big embroidery factories in the sector. Each of them has 100-150 machines. The workshops we visited complained that they could compete neither with these big factories nor with the small unregistered workshops that have 2-3 machines. Unregistered workshops are the biggest threat to them. They complained that workshops using Chinese-made machines pushed prices down and they could only earn 100 YTL for an embroidery which used to bring them 300 YTL ten years ago.

Workshop owners complained that Chinese-made embroidery machines create a bottleneck in the sector. They said the import of such machines should be banned as a precaution. They claim that the current number of machines in the sector is sufficient to handle demand for the following five years, but that there are 5,000 Chinese machines waiting to be sold at the free zone. They said 2,000 Chinese machines were sold within 2 years with down payments of 5000 \$. A workshop owner who has 7 machines complained he could not pay the debts on two machines he had bought recently. He added that he could not quit the business either because of the leasing credit. He complained that an unregistered workshop with 2 machines earned more than he did. This owner said the era of profit had ended in this sector, due to high labour, energy and tax costs.

Embroidery thread is also imported. The workshop owner claimed that while 5 thousand meters are sold at 50 cent in China, the same thread costs 2.5 dollars in Turkey. He also emphasized that since large volumes are no longer produced, the sector deals with orders placed for only 300-500 items and is affected negatively. Preparing a separate mold for each embroidery reduces profit. Workshops mostly work on smaller orders with short deadlines. Orders are also very unstable.

A workshop owner said there were 15-20 workshops when he started his own workshop 30 years ago. Now they number 5,000, he said, but no more than 20 of them employ insured workers.

The living standards of embroidery workshop owners can be considered average and above average. They own houses and cars. However, they complain about being in debt.

2.2.5. Spangle Gem Decorators

Spangle decoration and gem impression/sticking are labour intensive jobs, mostly done by home-based workers. There are, however, a few workshops employing 100-150 workers in this sector.

Spangle decoration jobs are distributed to home-based women workers by agencies or directly by the export firms. The production is distributed across dozens of neighbourhoods in and around Istanbul. The material is provided by the agency, which also distributes and collects the goods. Women can earn 20-40YTL for 8-9 hours of daily work.

The process of gem impression and sticking takes place as follows: The export firm provides the cut fabric and the design of their choice to the subcontractor. The subcontractor makes a mold of the design and prepares the samples. Before an order of 5,000 thousand items is produced, 30-40 samples are made. These samples are tested by the exporter and the agency, and they are reproduced once they are approved. Reproduction is not carried out at the workshop. The job is distributed to women residing in the vicinity. Women transfer the small gems from the molds to the tapes with a special adhesive.

The subcontractor we interviewed handles the distribution himself, and works regularly with 8-10 women. However, some of the subcontractors hand over the distribution to an "agent woman". These "agent women", who can be described as the sub-subcontractors of the subcontractors, recruit the home-based women workers, but they don't do the work themselves. The agent women also find women workers for spangle decoration. They take a commission from these women's fees.

The last part of the gem sticking/impression involves the transfer from these self-adhesive tapes to the product. Self-adhesive tapes are ironed on from the reverse side of the fabric and taped to the fabric. This job was also carried out in an ironing workshop with small and simple irons provided by a subcontractor. There were 7-8 ironers in this workshop. None of them were insured and they earned approximately 500-600YTL.

The fee paid to home-based women workers varies according to the model. Depending on the level of difficulty, 50 to 100 YKR (0.5 to 1 YTL) are paid for one unit tape. The subcontractors then sell the unit tape to the export firm for approximately 5 YTL. They usually work with a 100% profit margin, but we were told the profit margin can rise up to 500% when the production is carried out in workshops operating on the European side.

2.2.6. Collar - Buttonhole Workshops

Some sewing houses downsize, by necessity rather than preference, in order to survive. An employer, who used to have a medium-sized sewing house with 30-35 workers and 35 machines, now owns a small workshop, which only sews collars and prepares collections. He sold 30 of his machines and his cars to pay 15,000 YTL he owed his workers. Although he repaid a total of 30,000 YTL, he still owes 30,000 YTL to the government. Nonetheless he said: "Others are 1,000,000 YTL in debt. I am thankful to God". Although he seemed pleased with his new situation, he complained of several problems. One of them is uncertainty about the future due to the unstable flow of orders. Others include the 80% increase in energy, tax and labour costs compared to 1995, and the difficulties he faces training workers because of the 8 years of compulsory education. Workshop owners complain about the shortage of skilled labour, the difficulty of training workers aged 18-20, and the workers' reluctance to accept the wages offered.

Currently he employs a total of 12 workers: 10 male and 2 female workers. One of the girls is a machine operator and the other is a helper. The owner said he had transferred the responsibility of

the business to the supervisor, and was relieved. The supervisor receives 1,500 YTL and he is the only employee with insurance coverage in the workplace. Helpers receive 400 YTL, machine operators 550-600 YTL.

This workshop is the subcontractor of several sewing workshops. In a sense, it is a sub-sub-contractor. Outsourcing collar work, which requires special machinery and special labour, brings advantages to sewing workshops and allows them to reduce their costs. It also speeds up the work flow.

This workplace had the worst physical conditions among all the workshops we visited. The workers operated in a rented, 250-m² humid basement. When asked: "How can you work here during the summer?" the owner replied "We moved in recently, and have not yet experienced a summer here".

2.2.7. Ironing/Packaging Workshops

Some integrated export firms in the sector have in-house ironing/packaging units. They are known as firms with finishing. But the trend is toward outsourcing the ironing/packaging work to subcontractors to decrease costs. Because the lack of orders prevents continuous ironing/packaging operations, these units stay idle for long periods and are a heavy burden for export firms. When ironing/packaging work is subcontracted, the workshop becomes a flexible structure capable of producing for different firms at the same time.

Ironing/packaging workshops are generally small, employing 15-30 people. Medium-sized workshops also exist, although they are few in numbers. These employ 70-80 workers.

The workshops where we carried out our interviews described themselves as small workshops. They employed 20 workers on average and had 6-10 irons. There are two types of ironing workshops: fabric ironers and combed cotton ironers. It is possible to setup an ironing workshop of 20 workers with a capital of 10,000 YTL.

Final product checks are conducted in the ironing/packaging workshops. As we indicated earlier, products undergo interim controls throughout the production process. The final control is performed before packaging, by controllers from the agency, from the export firm and from the ironing/packaging workshops. Each product is checked one by one and defective items are returned to the export firm.

Three types of jobs are performed at ironing/packaging workshops: controlling, ironing and packaging. Young girls are employed in control work. All the ironers are men. Packaging, that is laying the products in cartons, is done by young girls and men. Ironers receive the highest wages, between 650 – 700YTL per month. A master ironer can receive up to 1,000-1,200 YTL. Controllers and packagers receive 450 YTL.

In an ironing/packaging workshop with 16 workers (10 women and 6 men), there were 6 irons for combed cotton. Only 4 of the workers were insured, all of them ironers. Two other ironers worked without insurance, and 5 workers were employed in controlling and packaging. The owner of the workshop had started as a master in an ironing/packaging workshop and later established his own workshop, which he had run for 2 years. The system he established is very striking. He had migrated from the Southeast and is of Kurdish origin. Some of the workers are young relatives he brought from his village. He rents a room for them and employs them for a pittance. In this workshop, workers usually work day and night to meet short deadlines. They operate in conditions akin to "slave labour". The workshop owner justified it as follows: "Instead of remaining idle in their village, jobless and hungry, they are at least fed here."

Among the workplaces we examined, this one had the lowest wages and the highest overtime work. This type of employment allowed the highest savings, involving no expenses for house, rent,

heating, kitchen or utilities. This form of labour, based on feudal relations, fellow townsmen and relatives, represents the least formal type of migration to urban areas and to the urban workforce. This workshop owner covers the housing, food and other needs of the workers he brings from their village. When there are orders, the workload is heavy and the wages are meager. However, this kind of network relationship stops workers from being thrown out on the street when orders run out. This type of labour is seldom encountered in the sector.

This workshop is frequently visited by agency representatives, but they limit their inspections to product quality. It is striking that this workshop produces for European brands.

The workshop owner seems pleased with this arrangement. He currently works for 4-5 export firms, and hopes to expand his business in the near future. He cited finding workers as the main difficulty he faces. With his current wage policy, he has trouble recruiting workers on the Istanbul labour market. Wages offered in this workplace range from 450-600 YTL but, as we mentioned earlier, five workers who are his relatives are working for a pittance and do excess overtime.

The workshop owners' living conditions resemble those of his workers. He lives in the same area, paying 400 YTL rent. He says he thanks God if he is left with 1,500 YTL at the end of the month. He rents his workplace.

2.2.8. Home-based women workers

Home-based women workers do not know the company that owns the goods they produce and they have no direct contact with the principal employer.

According to our observations, there are different types of home-based women workers. One group consists of women who are poor, illiterate and do not have the skills needed to establish social contact and travel within the city. Some of them do not have even telephone lines at home. For many of them, home-based work is the only option. Their experience looking for and finding work is limited since they do not have money or permission to leave their home. Most of them live in traditional relationships, and some are veiled or wear a chador.

There are also women workers who have a slightly better status, and have more developed social skills. These women said they mainly work to get additional income or because they have spare time. Some of them have tried cleaning jobs, but found them more tiring and difficult. They also faced problems due to the continuous and regular nature of such jobs.

In areas where labour is available, women acting as agents establish work contacts. These agents are sometimes the most socially experienced workers in a group, and they also work as home-based workers themselves. In other cases, the female agent only organizes the work activities and does the follow up, earning a living from commissions. In some cases, the employer visits the households one by one, distributes the work, collects the finished work and pays the wages.

The main reason women work is subsistence. For some, the money earned is the main source of income, while for others the wages constitute additional earnings. "I don't get bored, and I get additional income," some women said. When they work regularly, they said they earn 400-600 YTL for 8-10 hours of daily work.

Home-based work, it emerged, does not affect the division of domestic labour and the responsibilities of the women. The women do not gain the status of "working women". However, the money they earn builds the home-based workers' self-confidence. It means they are no longer obliged to request money from their husbands to meet household needs.

Because the flow of work is irregular and working hours are very long, we observed that children are also forced to work.

It was clear that the women we interviewed do not see their work as similar to outside work, and they do not attribute much value to it. "We earn money just sitting where we are", said one of the women. Those who cannot work outside opt for this type of work, which they can do while doing household chores and taking care of their children, their sick husband or the elderly.

Depending on the nature of the work, several women may gather in a house and work collectively.

2.2.9. Home-based Women Workers Cooperative

The Home-Based Women Workers Cooperative is an institutionalized organisation in this sector. Its members have done different kinds of home-based work such as producing toys, hangers, waistbands, shoes, and jewelry. Currently, they are involved in bead decoration on sweaters, knits and combed cotton.

They can earn 10 YTL working half a day. They said they had worked on combed cotton for Mirabbo some time ago, earning 40 YTL daily and 600 YTL monthly. But such orders are not frequent.

The women in the Cooperative described the sector as follows: "In this market, combed cotton tolerates workmanship defects. But the wages are much lower in combed cotton. Agent women do the distribution. These women take 300 YTL out of earnings of 1,000 YTL as their commission. Sometimes they even charge higher commissions. Women do not want to work for export. Eighty percent of the combed cotton work is problematic in terms of payments. Agent women may disappear without paying the wages. Sometimes these women reappear, for example 6 months later, when they are in a position to pay the wages. Or they disappear altogether"

Women from the Cooperative said that 2,000 YTL of receivables from one company had remained unpaid for 2 years.

The Cooperative has monthly overheads of 500 YTL, of which 275 YTL is the rent. They find it difficult to cover these expenses. Ten to fifteen percent are deducted from the goods produced by the women for the Cooperative's expenses. However, this amount is insufficient and does not cover all expenses. If the deduction was higher, the Cooperative would lose its characteristic as a solidarity organization and become an agent itself. The women do not want this to happen.

Home-based women workers generally do piece work. The jobs come to them via kinship and neighbour relations. The jobs are irregular and do not promote stability. When there are orders, daily hours of work may stretch to 12-14 hours, while at other times there is no work at all.

Women workers do not have any bargaining power. They have no information about the market and cannot establish solidarity relations with each other. The rates are imposed on them. Workers in one neighbourhood are threatened by the workers in another area. "The lower area has hundreds of women ready to work", is an expression familiar to them.

Home-based women workers are furthest removed from inspections or audits. The conformity of their working environment is not inspected or even known. Conditions in the home can create risks for the health and safety of children and elderly living there.

The most widely encountered work-related diseases are calcification, bone-cartilage problems, backaches, lumbar and neck pain; visual impairments due to bead processing, stringing, bonding, lacing, embroidery, tailoring; lung diseases due to dust; varicose veins and disk hernia due to long hours standing up; allergies, skin diseases, bronchitis.

We observed that workers do not receive any material or equipment from the employer or the agent to protect their health. When asked what they would do in case of a work accident, some women said they would receive treatment if someone in their household was insured. Others have

a green card (provided by the authorities to the poorest households to give access to health services) and some women said they had no social security at all. Most women were not aware that work-related accidents occurring in the home are in fact the responsibility of the employer.

2.3. Export Firms

Exporters form an important part of the garment sector. They usually get their orders from agencies but in some cases take their orders directly from the brands. However, due to the bottleneck in the sector, most of these firms are on the verge of closing. Three thousand well-established firms went bankrupt after 2005. Many firms also closed their workplaces in Turkey and moved to the Turkic Republics, the Caucasus or Egypt.

There are two main types of export firms:

- **Integrated facilities:** The fabric is purchased from outside or woven/knitted according to the model. Colouring and washing are outsourced to subcontractors. After the sewing sample is approved, production starts and all the stages of the production, namely cutting, sewing, ironing and packaging are carried out within the firm.
- **Subcontracting firms:** These started like the previous firms but over time they started to outsource some stages of the production process to subcontractor workshops. In general, the firm takes the order, prepares the model and provides the fabric. Although some of these firms have a cutting workshop, cutting is also increasingly outsourced to cutting/sewing subcontractor workshops.

2.3.1. Features of Integrated Facilities

It is possible to subdivide these firms into two groups.

TYPE A)

The first integrated facility we evaluated was located in a four-storey modern building and employed 100 workers. We were told that the quality control and standardization are easier in integrated facilities. The company was building an additional facility with capacity for 100 people. The facility, which mostly produces pants, was equipped with the latest computerized machines. They emphasized that they could produce the best quality and were ambitious. However, they said time pressure was the most significant obstacle to high quality production.

Each floor of the four-storey building was allocated to a different production area. One of the floors was entirely dedicated to the dining hall. In terms of physical conditions, the workplace was a modern and comfortable facility with good ventilation, heating and lighting. There was a fire escape.

We were told 30% of the workers are registered with the SSK system. The owner of the firm said he hoped to leave the business in the long run, and justified it as follows: "If a needle sticks into a worker's finger, I will be jailed for 6 months. I can't deal with the stress." In spite of this statement and recent investments in the company, 70 % of the workers are still unregistered.

Another source of unease owners mentioned were the occasional inspection visits by state auditors, which made them feel "raided". They felt it created the impression that their work was entirely illegal.

Wages vary according to the job. The youngest workers doing the legwork earn approximately 400 – 500 YTL. This segment can be divided into unskilled workers, interim controllers and controllers, who

earn approximately 500 YTL. Mechanics, overlockers and lockstitchers earn 700 – 750 YTL. Multi-skilled workers earn approximately 900 YTL. Employees working on computerized machines earn about 1,000 YTL. An experienced supervisor earns 1250-1500 YTL.

We were told workers are aged 15 and above, and we did not come across any worker below that age. Sixty-seven of the 100 employees were women.

The firm was trying to develop a brand, and attended fairs to promote their own brand.

TYPE B)

Another type of exporter has developed in response to new global circumstances, to address the changing demands of the market. Five small workshops, operating in different areas of the supply chains, joined forces and gathered under the umbrella of an export firm to cooperate with each other. They said this formula allows them to provide both quality and guaranteed deadlines. While these small workshops had worked as subcontractors of a big export firm in the past, they chose to join forces to set up a new export firm. The manager of the export firm which had worked with them in the past became a shareholder in this new venture. The earnings received from the agency go into a collective pool. The workshops can also take work from the market independently. Each workshop has its own separate accounting.

In these workshops located in a 5-storey building, the processes carried out include model preparation, cutting, sewing, ironing and packaging. While the workshops exploit the advantage of working in the same place, within the same company structure, to produce high-quality work on deadline for their umbrella firm, they also try to reduce the risk of remaining idle by taking independent jobs on the side.

The different stages of the production were summarized as follows: "Pictures of the sample are sent by e-mail or the sample itself is sent by mail. First, the sample fabric is priced. Its price depends on the thread and the dye, which are imported products and expensive in Turkey. Therefore, we make a calculation on the basis of the exchange rate. We work with subcontractor workshops for fabric production. Dying and knitting are performed abroad. The volatility of the exchange rate makes pricing difficult. For example, the brand sets the price at 2.40 Euros for a product. In general, the retail price of the brand is three times higher than this price, namely 7.20 Euros. This rate is higher if we are handling boutique-style small orders".

The umbrella export firm works with known brands such as H&M. They are regularly audited and the five workshops are approved. There are 250 employees in this firm – 5 workshops with 50 workers each. All the workers are registered in the social security system. New workers start with the minimum wage. After 1 or 2 years their wages are increased. They earn 600-700YTL according to their skills; supervisors earn 1000-1200 YTL. There is little worker turnover since workers feel they are a part of the firm. Working hours are same as in integrated facilities. Working conditions are in line with the social compliance demands of the brands. The physical conditions of the workplace are also in compliance with standards.

The five shareholders stated that they acted in solidarity to overcome the economic bottleneck, adding that they would otherwise fall prey to moneylenders.

2.3.2. Features of Subcontracting Export Firms

As mentioned above, these firms chose to become smaller and more flexible. Initially performing their operations like the integrated firms, they closed down some of their production units or transferred them to other people. For example, one of the most important and oldest underwear firms of Turkey, once employing 300 workers, now performs its operations with 30 people. Within the body of the firm, there is only a knitting workshop. Essentially, only design and collection preparation are performed on site. When workers employed in the knitting workshop are included, the facility employs nearly 100 people, but their number increases during intense work periods. This firm subcontracts sewing, embroidery, printing, ironing-packaging to workshops. It works with nearly 30 subcontractors.

Another export firm also opted to simplify operations and become more flexible. They transferred the ironing-packaging work to another firm. The tasks performed in-house are limited to the design of the collection. They prepare their models with some 10 machines and employ 25 workers. All other processes are outsourced to some 50 subcontractors. Only 3-4 of these workshops have been audited and approved.

The employees of both firms are insured. The companies stated that production stages like cutting, sewing, and ironing-packaging increase the costs by around 30-40%, which is why they are being outsourced. One company said that by transferring the ironing-packaging work to workshops, they eliminated both the high labour insurance costs and the costs arising from idle time when there is little work.

The main work performed by these firms is the follow-up of the subcontractors' work. For some of the orders, the staff of the agency takes over this task and audits both the quality and speed.

The firms we interviewed work mostly for the European market, primarily companies in Germany, England and Netherlands. The orders usually come from the agency or through their own contacts. The firm giving the order chooses the model and sets the price. Orders come in the form of a file, and a few samples of each model are initially prepared by the export firm. Once confirmation is received, production starts. Here, one important function of the firm is to provide the fabric which, depending on the quality of the product, can either be knitted or woven by subcontractors. The dyeing of the fabric is done by subcontractor dyeing workshops. Cutting is sometimes performed in-house. Some workshops handle both cutting and sewing, however others only do the cutting. After the cutting process, printing, embroidery and accessory work is carried out. Sewing is the last stage of the production. The last checks are carried out before ironing/package and the products are prepared for export.

Although the export firm assumes the main responsibility for the product, the agency can also get in touch with subcontractor firms at several stages of the production. In this context, it seems that the responsibility is shared. Staff members of the firms in charge of subcontractor follow-up usually distribute the work to the workshops, collect it and try to deliver it before the deadline. Quality control is performed mainly by the staff of the agency firm. In addition, there are also interim controllers in subcontractor workshops, for example during the sewing stage, and the work is inspected again in the ironing-packaging workshops.

The export firms we interviewed stated that the ratio of insured workers in the subcontractor workshops they work with does not exceed 10%. An executive from the export firm we interviewed said that even big agencies such as Lefung turn a blind eye when the pricing of the products constitutes a problem.

Although export firms have made some efforts to develop their own brands, they said it proved very difficult.

The biggest problem these firms face is meeting deadlines. They usually produce within short deadlines, which translate into overtime and strong pressure on the workshops further down the chain. Since the main responsibility lies with the export firm, in other words since the firm faces the potential reclamation, it creates intense stress. Most of the time, export firm reflects the cost of reclamation to the subcontractor, but we did not come across major reclamation problems within the firms we interviewed. Reclamation seems to be a problem occurring mostly at the start of a work relationship, caused by inexperience.

We observed that the trend has shifted toward the second type of export firms, which provides flexibility and advantages in terms of costs.

2.3.3. Opinions of the Export Firms Regarding the Sector:

The firms mostly complain about the following issues:

- The state should give priority to supporting cotton production.
- High energy costs.
- Volatility of the exchange rates and the overvaluation of Turkish lira against dollar.
- High level of state premiums on wages.
- Agencies siding with brands.
- Neither the state nor the private banks provide credit facilities to the sector.
- Overtime is needed to meet deadlines, creating stress.

Export firms complain that agencies switch to new subcontractors for small price differences and always try to undercut prices.

The strong Turkish lira is detrimental to export firms. However the exchange rate works in favour of the sector when it comes to threads and dyes, which are imported from the US.

Export firms also complain about agencies, which select the producer on the basis of the price set by the client. Although the agency, being an intermediary between the brands and the exporter, should consider the interests of both sides, they mostly look after the brands' interests. For example, even if the client does not object to a small product defect, the agency can be fastidious and not tolerate it. A firm representative told us that agencies let producers discount each other's rate, and that once their company failed to get an order because of a difference of 0.05 Euro. Nevertheless, export firms acknowledge the importance of agencies in the sector and believe they are indispensable. Although they try to establish direct links with the brands, they say they are not very successful. There is however one successful example. A big exporter, drawing on the staff of the agency firm Lefung, set up an agency unit within the body of his firm.

Due to its geographical proximity, Turkey is the European market's first choice for orders with short deadlines of 4-6 weeks. China cannot produce within such short deadlines because of the distance. We were told the shortest deadline for China was three months. Given that American sizes are different, Turkey is suitable to produce and ship European sizes to the European market. Producing boutique-style products with high added value works to the advantage of the producer, however the production of such items within short deadlines without compromising on quality puts significant time pressure on the producers. The instability and irregularity of the orders forces firms to do overtime during some periods and remain idle at other times.

It was suggested that the garment sector, which creates significant employment, should benefit from exemptions. Giving incentives to some provinces is not sufficient.

We were told that workshops operate with a profit margin of 10%, export firms with 15-25% and agencies with 5-12%. Export firms provide the white collar workers, modelists, stylists, manufacturing and export staff.

2.4. Agencies

Agencies are at the top of the supply chain in Turkey. They communicate with the clients abroad, get the orders and get these orders produced by the export firms.

Agencies set the cost of the product in accordance with the prices recommended by the brand/client abroad. Agencies also pass on product information, such as fabric and other details, to the export firm, and audit several stages of the production for quality and speed.

Agencies are intermediaries, broadly divided into two groups: independent agencies, and big export firms conducting in-house agency activities. This type of firm aims to establish direct contact with the client, thus eliminating the agency share. These firms are new in the sector and it is not possible to say at this stage if they will be successful.

Independent agencies are divided into large-scale and small agencies. The large agencies employ more than 100 workers, are organized like factories and cooperate with export firms in the formal sector. Although these workplaces and their business relationships within the formal sector of the supply chain are not the main focus of our research, we also interviewed them.

These agencies, intermediating between big export firms and the brands, audit the production process and monitor the suitability of working conditions in the supplier firms. These inspections are being performed entirely by independent supervisory firms. There is also a social compliance department within the body of the agency firm. It was stressed that social compliance audits in Turkey are usually performed by American brands, and more than 50% of the workshops in the sector are approved.

An agency, which works mostly for the American market, complained about the bottleneck the sector is currently facing. The firm manager with interviewed said gross profit in the sector had decreased to 5-6%, whereas it was around 70-75% ten years ago. He stated that a t-shirt which he produced for 6.5 \$ in 2000 was produced for 3.80 \$ in 2005. He also told us they were offered a price of 10.30 \$ in 2005 for pants they had produced for 18.65 \$ in 2000, and had to turn down the job. During our interviews we were told that a product with an average price of 5\$ can be sold by the brand at 20\$ on the retail market. The price difference can be 1/4.5-5, the minimum being 1/3 but rising to 1/10 or 1/20 with some brands.

Export firms and workshops facing more difficulties than the agencies, which can find suppliers in countries around Turkey and thus overcome the pricing problem. Big agencies in Turkey are setting up offices in countries such as Egypt, Jordan, Turkmenistan and Azerbaijan for this reason. They believe that Turkey's know-how and professionalism constitutes a big advantage. We were told that foreign clients often have problems communicating and getting companies to comply with deadlines in countries of the region. They overcome these obstacles by enlisting the help of Turkish agencies to work with suppliers in other countries of the region. Agencies, seeing that Turkey can become an important base, are transforming into more flexible structures and expanding their operations. India is seen as their biggest competitor. Lower labour costs and the convenience provided by local laws give India a strong advantage.

High wages (average 450 \$) and the taxes collected on wages by the state in Turkey are the biggest problems. We were told that wages in Egypt, Bangladesh and China are 40\$, 30\$ and 80-100\$ respectively, and it is impossible for Turkey to compete with them. Industrial costs are also higher than in other countries, and high energy and oil expenditures undermine competitiveness. But Turkey has some important advantages, mainly experience and know-how. Turkey can also

respond to demand rapidly, which is important when deadlines are short. European and US firms tend to resort to Turkey during intense and busy periods for “emergency work”, but this brings instability to the market. The managers of agencies told us that they sometimes worked day and night for three months, and then had no work to do. Export firms are the most affected by this situation.

The solution lies in the rationalization of the supply chain. The establishment of permanent relationships with fewer suppliers would solve many of the problems linked to social compliance and increase the quality and the delivery of the products.

According to the agency, wages in Turkey are higher than in most competing countries and the labour legislation is stricter. For example, we were told that most firms are keeping a second book to prevent overtime from being taxed. When brands notice this, they change their mind about giving orders to firms which are dodging tax. A 15-million dollar order went to another country as a result. We were told the law in India is very flexible and its regulations are far behind Turkey. Since brands look mainly for compliance with local laws, countries like India do not face social compliance issues even though they are far behind Turkey in terms of labour conditions.

In the past three years, Turkey has been chosen for products with high added value, small or complex orders or “fast fashion” requiring fast production. The quality of Turkish workers is seen as Turkey's best asset in this competitive market. However, taxes, production costs and exchange rates cause large price differences with competing countries. We were told that Turkey is now in the higher price bracket and if prices could be decreased to be closer to the average, the country could compete better.

Another point which was underlined is that social compliance prevents firms from getting a good price. Even when social compliance is not required, high costs still often prevents them from meeting the demanded price.

Integrated factories sometimes turn to subcontractor workshops for some parts of the production when big orders come in and deadlines are short. However, they still show these products as having been produced in their factory. Although agencies know it is not the case, they usually ignore it. On this issue, an export firm executive told us: “Some goods come to Turkey, for example for button sewing, from workshops of countries where child labour is used intensively. The goods are then stamped “Made in Turkey” as if they were entirely produced in Turkey.”

The order policies of the brands were criticized. Interviewees said brands should analyze costs more carefully, also taking into account the middle and long term. The final cost of goods brands order from Asia to cut costs can end up being higher when quality and date of entry into the store are taken into account. We were told the brands' practice of looking only at their initial costs was wrong. Turkey has the advantage of not creating stock costs. While products can be produced here in 8 weeks, they are produced in 14-16 weeks in India and China. Turkey is therefore in an advantageous position to respond to fashion trends. But we were told the market trend in the sector leans toward Egypt, Jordan, Turkmenistan, Ukraine, Morocco, Tunisia, Uzbekistan.

Small agencies pointed to the overvalued Turkish lira as their biggest problem. They said the 5 % agency share includes producer costs and custom clearance. In an interview with such a firm, the following figures were quoted: 2.70 Euro production cost (fabric + sewing + overhead), labour cost: 0.5 Euro, energy: 0.40 Euro. A firm said that during the last five years, they had been selling a basic t-shirt for 3 Euro. An agency working in this market for 10 years said they were facing difficulties and working with smaller brands because 80 % of them do not seek approved workshops. The firm said price was not affected by a workshop's approved status. No price support is given to take into account the higher costs of an approved workshop. The short-lived “mushroom workshops” were also mentioned as a major problem. A firm told us they had been unable to collect receivables from such a workshop. They prefer working with reliable export firms, and said they would change firms for a 30-40 cent price difference.

3. GENERAL ASSESSMENT

The Turkish garment sector is facing difficulties as it adapts to the new circumstances created in 2005 by the lifting of quotas in the world market. An evaluation of the supply structure and an analysis of the way profit margins are distributed reveal that the degree of power and control throughout the supply chain is linked to the capital invested as well as to the accumulated experience and knowledge. On average, the difference between production and retail price is around 1/5, but this ratio can range from a minimum of 1/3 to 1/10 or 1/20 with some brands.

The brands dominate the garment sector. Below them, agencies tailor their business to the interests of the buying brands and are at the top of the supply chain. They usually take direct responsibility for the final product and coordinate the entire production process, working with export firms.

One interesting fact is that agencies, in their search for profitability, do not limit their business to Turkey. They have acquired an international status and can leave a country if it does not prove sufficiently profitable and move to others where margins are more attractive. Some agencies and export companies in Turkey have thus become subcontracting trackers of other countries in the region, such as Egypt, Jordan, Turkmenistan and Azerbaijan.

Export firms can be grouped in three different categories, based on their degree of flexibility. The most flexible firms work entirely with subcontracting workshops. No production takes place in-house. This category is the fastest growing in the sector and aims to obtain the cheapest price by making workshops compete against each other.

An emerging and fairly flexible model consists of a small group of workshops gathered under the roof of an export firm. This model is more favourable to compliance with regulations because the workshops are audited by the brands. Working in solidarity as a group, they can adapt more easily to the changing demands of the market. In view of its compliance and flexibility, this model is suitable for sector-wide expansion.

A third category consists of exporters accommodating all production units in house and therefore becoming integrated facilities. They tend to have more capital power, better technology and facilities, as well as knowledge accumulation. We discovered during our study that some of these exporters still employ unregistered workers. Although they are themselves seeking to become brands, participate in international fairs and have up to 200 employees, not all their workers are insured. Such firms are best able to achieve flexibility in an unstable market since they can strike a balance between price and cost via their unregistered, flexible workforce.

Dyeing houses, printing workshops, embroidery processors, spangle-gem decorators, sewing workshops, collar, buttonhole workshops and ironing-packaging workshops are located at different stages of the production chain. They differ from each other in terms of capital- and labour-intensiveness. Dyeing, printing and embroidery workshops are more technology- and capital-intensive production units.

Because of their technology-intensive nature, dyeing workshops are operating mostly within the formal sector. We observed that these export-oriented workshops had not been audited by brands for social compliance, but they were strictly audited for ecological compliance because of the potentially harmful impact of toxic substances on consumers. Although these workshops face no pressure from brands, the technology-intensive nature of the production and the relatively low share of labour costs in their overheads mean that working conditions are in compliance with national laws. We can therefore say that working conditions are affected first and foremost by the internal structure of the production units, and by the balance of cost/price in the sector. No

unregistered workers were found in dye houses. While skilled male workers were employed on heavy machinery, young female employees worked in the laboratories.

In printing, a dual configuration of registered and unregistered workshops emerges. Unregistered workshops cannot make export-oriented products, due to the constraints of ecological standards. Registered workshops faced no social audits, but we found no major social compliance issues, except for excess overtime during peak order periods.

A similar dual structure is found in embroidery workshops. Unregistered workshops employ unregistered workers and produce cheap goods with cheap machinery from China. In embroidery workshops that are considered registered, the labour force is mixed. Skilled male workers have insurance coverage, while young women and child workers are uninsured and paid low wages. The nature of the work varies. Some of it requires the use of computer-assisted machines. Other processes, such as yarn cleaning, tend to be done by cheap, unskilled and unregistered workers.

Spangle-gem decoration work is mainly done by home-based women workers. This is the area least covered by audits. Production is export-oriented, and includes manufacturing for renowned brands.

In the production chain, only dye houses and printing workshops are audited for ecological standards and demonstrate a sustainable ecological compliance. Embroidery workshops and spangle/gem decoration workshops, on the other hand, are not subject to either ecological or social audits.

Sewing workshops are both the most active area and also the most audited in the sector. Although physical conditions tend to improve as the workshops expand, auditing seems to be a determining factor for improvement. A small, but approved workshop that has been audited by several brands may offer better physical conditions than a workshop employing 100 workers. We can therefore conclude that brands, rather than the government or legislation, can promote sustainable progress in social conditions. However, the impact of brands does not extend to a sufficiently large area. Most production units at the lower levels of the production chain are neither subjected to social audits by the government nor by the brands, and many export-oriented workshops produce their goods without any compliance with codes.

The most important consequence of auditing and compliance with codes of conduct is that workers are insured and work within a legal labour framework. Registered employment provides workers with legal protection in such fields as job security, right to join a union, right to collective bargaining, limits on working age, working hours, acceptable wages, social security, workers' health protection and security, freedom from harassment and maltreatment.

According to our observations, the physical conditions in the workplace – doors, fire escapes, fire fighting equipment, air-conditioning, lunch rooms, toilets, lighting, cleanliness and orderliness – as well as production and management concepts and working conditions are positively affected when a workshop is audited.

The following facts emerged when we examined working conditions in workshops which were not subject to such audits and operated according to unorganised market conditions:

- Unregistered work is the most problematic social sustainability issue. In interviews with workshops of varying sizes, we found that only 10 % of workers in subcontracting production are insured. When we examine why workshops do not employ insured workers, it turns out that they may have to lay off workers because orders fluctuate and they want to avoid sanctions such as severance payments.
- High insurance premiums are the complaint most often voiced by employers. The fact that the majority of the workforce does not see long-term prospects for employment in the sector is another factor accounting for the low rate of insured employees. Conversely, it could be said that only people who perceive the sector in such a way work in it. The fact

that young women only intend to work until they get married and young men work until they are called to do military service means workers are not insisting on insured employment.

In the absence of functioning mechanisms to regulate the labour market, as is the case in Turkey, the natural rules of the market take over. The labour force most suited to the job is employed at the most suitable price. In a system where labour is a commodity and its price is determined by market conditions, labour prices emerge as follows:

- A newly recruited unskilled worker is paid around the legal minimum wage. S/e receives at least 350 YTL. This figure may increase to 450 YTL with overtime.
- When the worker gains skills on the job, s/he switches freely between workshops and will work for any workshop paying an additional 10 YTL.
- Helpers receive 500-550 YTL.
- Machine operators, for example overlock operators, receive 600-650-700 YTL.
- A worker performing a full range of functions may receive 800-900 YTL, overtime not included.
- A good supervisor may be paid 1,000-1,250 YTL.

According to the Confederation of Turkish Trade Union (Türk-İş), the hunger threshold for a four-member family is around 656 YTL, while the poverty line was set at 2,136 YTL in September 2007. The wages of the workers we studied were far below sustainable living levels.

When the wages in the garment sector are compared with other wages, we can say that the labour market has produced a labour price that is on average similar across all unregistered sectors. We did not encounter piece work, except among home-based workers. Wages were mostly set monthly, although in smaller workplaces, they were sometimes paid weekly.

According to current labour legislation, the legal work limit is 7.5 hours per day and 45 hours per week. In facilities which choose to operate only five days a week, hours of work can legally be extended to 9. Current legislation limits overtime work to 3 hours a day and 90 days (270 hours) a year. The law stipulates that overtime should be paid 50 % higher than the regular wages.

We found that a work day of 9 hours is most common across the sector. With half a day of work on Saturday, weekly work time reaches 50 hours. Three hours of overtime work on three days brings the total to 60 hours. During peak order periods, weekly hours of work can reach 70 hours.

To comply with social codes, some brands demand arrangements that exceed the provisions of Turkey's current labour legislation. One major issue is the minimum legal working age, which some brands set at 18, although according to Article 71 of the Labour Code, children who are in their 14th year and have completed their primary education can be employed in light work. Workers in the sector are above 14 and therefore in compliance with local legislation. Child workers were only encountered doing thread cleaning in one embroidery workshop. Since compulsory education was increased to 8 years in 1997, it is no longer possible to employ children between the ages of 12-14.

Workforce turnover is very high in the sector. Two years of employment is considered a good period.

Because the sector relies on employing the cheapest labour, the majority of workers are new migrants to urban areas. Most of the recent migrants come from the East and Southeast Anatolia regions, which therefore provide the cheapest workers.

We found no discrimination in the sector. Young women and men are paid according to their skills. No case was found where equal pay for equal work was denied on the basis of gender, belief, religion or language. This does not however prevent women from occupying the lowest ranks in the labour market. Young women are heavily employed in the sector precisely because they are the cheapest labour. However, young male workers doing the same job were not paid higher wages.

Labour unions are active in the registered segment of the sector. Lawsuits have been filed against lay-offs motivated by union membership. In the course of our research, however, we encountered no sign of union activity or union projects in any of the workshops we studied, audited or unregistered.

Workers have no awareness of labour legislation, limits on hours of work, the right to join a union, etc. Workers learn how the labour market operates through contacts with their peers in the sector and by comparing facilities among workshops.

The dust produced during the overlock process is the cause of most of the workers' health complaints. The workers complain they experience itching and shortness of breath. They do not wear face masks and do not know of any workshops using them.

Workers complain of diseases such as calcification and rheumatism. To allow workers to breathe despite the dust, windows are kept open to provide ventilation. Workers complain that, as a result of the draft thus created, they develop rheumatism as well as arm, neck, shoulder and back aches. Fatigue is another health and security issue.

No case of harassment emerged from our interviews with workers and managers or from our observations. In smaller workshops, jobs are found through acquaintances and fellow townsmen, and workers are entrusted to the bosses, who protect the young women. Workers usually live near their workplace and in close proximity with each other, thus reducing the risk of harassment.

Workers complained mostly about pressure from supervisors or bosses, unpaid salaries, low wages and excess overtime.

According to our observations, home-based women workers are not employed regularly and they have no stability. When there are orders, they can work up to 12-14 hours a day while at other times, they can have no work at all. During periods of regular work, they can earn 400-600 YTL for 8-10 hours daily. The most widely encountered work-related diseases are calcification, bone-cartilage problems, backache, lumbar and neck pain. Visual impairments due to bead processing, stringing, bonding, lacing, embroidery and tailoring are also an issue, as are varicose veins and herniated disks due to working long hours standing up.

It was not possible to gather enough information about working conditions in the unregistered sector. We could only get a general picture, which excludes exceptions.

Internal factors that influence the international competitiveness of a Turkish company include quality of goods produced and services, level of efficiency and information technology, organizational and management structure, efficient use of sources, innovation and creativity, physical and corporate infrastructure.

There are serious problems related to cost. Prices and profit margins have decreased, but Turkish firms still cannot reach a cost/price balance that allows them to compete in the world market. Turkey's main competitive advantage is the quality of its employees. However, taxes, input costs and exchange rates create a large price gap between Turkey and competing countries. Other Turkish advantages include short delivery times, quality, knowledge and technology, which partly compensate for the difference in price. Turkey could become more competitive if some adjustments were made. A point emphasized was that social compliance puts Turkish firms at a disadvantage and pushes prices up, but even without compliance, Turkey still cannot meet the prices demanded by international markets.

Labour costs in the Turkish sector are much higher than in competing countries. There has been an inversely proportional evolution with cost prices increasing and sales prices decreasing, leading to much smaller profit margins. Gross profit in the sector has dropped to 5-6 % whereas it was around

70-75 % ten years ago. Subcontractors stated they need a profit of at least 25-30 % to maintain existing production capacity.

There is no direct link between sustainable progress toward compliance with social codes and profit margins in the sector.

Where labour is a commodity, the market creates a labour force to match available jobs and prices labour accordingly. During periods when the sector recorded profits of 70 %, unregistered labour and child labour was widely used. In other words, profit margins alone do not determine the cost and nature of the labour used. It was however found that profit margins and the financial structure do not allow compliance with social codes, particularly in sub-group workshops.

The majority of owners of small and medium-sized workshops were former workers in the sector who had risen to become supervisors, then established their own workshops. Most of them were struggling. Many had become indebted to loan sharks when they upgraded their equipment, and they found it difficult to repay these debts with high interest rates. Also, many owed back taxes to the government. Some of them talked of shutting down their workshops, but they could not even sell the machinery for a third of its price and could not afford the severance payments of their insured workers. They complained they had to keep their businesses going. The following summarizes their problems: "We cannot see into the future. We can only see one month ahead. We don't know what will happen in the next six months."

Any social compliance activity carried out without taking into account the facts mentioned above would be meaningless. The profit margins of workshop owners, whose living standards are similar to those of their workers, are at their lowest levels.

Social compliance activities therefore cannot be addressed independently of the rationalization of the supply chain. Social compliance would become attractive in the sector if brands developed long-term relations with fewer suppliers. The sector could then adapt rapidly to standards of technology, organization, quality, speed, creativity, as well as ecological and social codes. "We cannot do anything if we cannot see the future" summarizes the views we heard. Brands have not established open, transparent, long-term relations based on trust with their suppliers. The current situation therefore does not make compliance with codes attractive for producers, especially at the lower end of the chain, since being audited does not appear to bring a competitive advantage.

The transformation of production and management systems in the world plays an important role in competitiveness. For example, the transition to a lean production system has brought improvements in the creation of product types and new products. However, to have a real impact, these systems need to be developed in tandem with workers training and an improvement of working conditions, especially in terms of wages, hours of work and job security. Labour intensive sectors are caught in a vicious circle: cost pressures and poor working conditions are an obstacle to any positive developments in the sector. The rationalization of the supply chain could pave the way to a transition toward new production management systems.

The current government policy is neither encouraging such sustainability nor promoting awareness. On the contrary, instead of elaborating a strategy and a vision, and developing the necessary institutional support at national level, the government deals with market conditions with a policy of short-term profit expectations. Ensuring the survival of the sector at the national level does not appear to be a concern.

For the sector to survive and thrive, the government would need to introduce incentives, and brands would have to guarantee a stable flow of orders, thus allowing workshops to plan for the future. Audits for social compliance can only fulfill their true purpose and produce real improvements if these two elements are first achieved.

APPENDIX I: WORKPLACE QUESTIONS

Information regarding the establishment of the firm

- Date
- Initial location
- Number of people involved at the onset

Information about the owner of the firm

- Profession
- Place of birth
- Former job
- Does s/he actually work at the firm

Characteristics of the products

- Does the type of product vary? How often?
- Unit price of the products/product (cost and sales)
- Margin of profit
- Factors affecting the increase or decrease of the margin of profit

Analysis of the production:

- Are some parts of the product produced by sub-subcontractors?
- Who organizes the activity, what products are produced?
- Machines, technology level
- Condition of existing machines when they were first used
- Condition of existing machine park
- Renewal frequency of the machine park, factors affecting renewal
- How are the machines purchased (credit, loans etc.)

Structure of the production system (how is the division of labour)

- How is the order taken?
- If the firm is engaged in export activity, which are the destination countries? What are the channels through which the firm gets in touch with these countries/brands?
- Features of the firms that give the orders
- Is the workshop in long-term or short-term relationship with these firms?
- If they change, what is the frequency?
- Is it a known brand? Which brands did the firm work for?
- What is the place of the firm in the supply chain? Is it known?
- If there is only subcontractor production, how are relations with the export firm established?
- Is there a relationship with agencies? If yes, how is it established?
- How is the margin of profit distributed in the chain?
- What is their average margin of profit?
- Which factors play an important role in determining the margin of profit?
- Can this distribution change? How?
- Which parts of the products are given to the subcontractors? Which parts are given to which firms or people? How do you find these firms or people?

Information regarding current work

- What is the work?
- How many people are involved in the work? (Women, Men)
- What are the ages of the workers? (the oldest and the youngest)
- Average age according to the work?
- Working times of the workers

- Overtime hours of the workers
- Qualification levels of the workers (wage differences)
- How often do the workers start and leave a work? (labour cycle rate)
- Number of Insured workers
- Fringe benefits beside social security (meals, service bus etc.)
- Have any studies been carried out regarding the workers' health and security?
- What kind of work accidents occur most often?

What do they look for when choosing the workers? Women, men, place of birth, religion, sect, age, education level etc.

- Did anyone launch union activities?
- Are there any problems related to the workers? What are they?
- How did the 8-year mandatory education affect you in terms of labour potential?

Opinions of the owner of the firm

- Work satisfaction
- Problems related with his own work
- His/her opinions on the problems encountered in subcontractor production in general
- His/her recommendations to solve these problems
- His/her opinions regarding the future of the sector
- His/her targets, when and how can s/he achieve them

Areas of improvement (expectations)

- On the basis of workers
- On the basis of employee
- On the basis of state
- On the basis of other NGOs

How does s/he evaluate the period after 2005?

- With regard to profit margins and the distribution of profits in the sector
- With regard to the order quantity
- With regard to the quality of the products produced
- With regard to the production capacity

APPENDIX 2: WORKER QUESTIONS

1 Factual Questions

- Place of Birth
- Age
- Education
- Profession

2. Questions related to working life

- How old was s/he when s/he started working?
- How long has s/he worked in the garment sector?
- At how many workplaces has s/he worked in this sector including the current one?
- What does s/he do at the current workplace?
- Wage?
- Is s/he insured?

3. Work-related problems

- Regarding the wages
- Regarding working hours
- Regarding overtime
- Regarding other workers at the workplace
- Regarding relations with the employer
- Regarding the worker's health and safety
- Regarding the physical conditions of the workplace
- Regarding union activity
- Regarding discrimination
- Regarding harassment and maltreatment
- Regarding holiday periods

4. General work-related questions

- (For women) Is she eager to work after marriage?
- Does s/he think his/her wages is sufficient?
- How does s/he spend his/her wages?
- Are there any issues related to work s/he wants to have corrected? What are they?
- Does s/he have any idea regarding the sector as a whole?
- What does s/he think about the future of the sector?

APPENDIX 3: TABLES

Table 1 Development of the Textile and Garment Sector and Share of Foreign Trade

Textile and Garment Sector (million dollar)									
Textile			Garment			Total			
Value \$	Share (%)	Value (%)	Value \$	Share (%)	Value (%)	Value \$	Share (%)	Value (%)	
2.592	11,2	-	4.867	21,0	-	7.459	32,1	-	1996
3.085	11,7	19,0	5.346	20,4	9,8	8.431	32,1	13,0	1997
3.249	12,0	5,3	5.783	21,4	8,2	9.032	33,5	7,1	1998
3.222	12,1	-0,8	5.368	20,2	-7,2	8.590	32,3	-4,9	1999
3.378	12,2	4,8	5.403	19,5	0,7	8.781	31,6	2,2	2000
3.633	11,6	7,5	5.535	17,7	2,4	9.168	29,3	4,4	2001
3.976	11,0	9,4	6.872	19,1	24,2	10.848	30,1	18,3	2002
5.043	10,7	26,8	8.559	18,1	24,5	13.602	28,8	25,4	2003
6.132	9,7	21,6	9.872	15,6	15,3	16.004	25,4	17,7	2004
6.761	9,2	10,3	10.601	14,4	7,4	17.362	23,6	8,5	2005
7.202	8,5	6,5	10.804	12,7	1,9	18.006	21,1	3,7	2006

Source: Under Secretariat of Foreign Trade

Table 2: Machine imports (million dollar) (Machines used for processing textile, clothing and leather)

Years	2000	2001	2002	2003	2004	2005/5	2006/5
Value	937	660	1.674	2.352	1.930	741	607

Source: Undersecretariat of State Planning Organization, Ninth Development Plan (2007-2013), Textile, Leather and Garment Industry Special Expertise Commission Report, July - 2006

Table 3: Export Volume and Wage Relation

Years	Garment exports value % change	Minimum Wage Dollar	Minimum wage Dollar % change	REAL HOURLY WAGE AS PER WPI/PPI	REAL HOURLY WAGE AS PER WPI/CPI
1999	-7.2	203.3	23.8	126.3	107.2
2000	0.7	182.4	-10.3	127.4	104.9
2001	2.4	123.6	-32.2	100.3	89.0
2002	24.2	156	26.2	94.4	85.3
2003	24.5	204	30.76	97.7	85.8
2004	15.3	303.4	48.72	103.1	89.9
2005	7.4	362.7	19.54	109.0	93.0
2006	1.9	369.3	1.81	112.2	95.5

Compiled from the data of DTM, Ministry of Labour and TISK.

Table 4: Turkey's Garment Sector Exports Record by main country groups

	January March 2006 (1000 \$)	January March 2007 (1000 \$)	Change (%)
EU total	2.581.937	2.936.336	15
Other OECD countries total	351.510	281.882	-12.3
Other European countries total	8.409	32.851	290.7
Countries within ex USSR region, total	78.683	107.493	36.6
Middle East countries total	65.934	74.575	13.1
African countries total	44.610	48.735	9.2
Other Asian countries	8.647	11.868	37.2
Other countries and regions total	198.144	193.964	-2.1
Total Garment Exports	3.307.874	3.720.704	12.5

Source: ITKIB 2007 report

Table 5: Minimum wage indicators in Turkey and EU member countries

	Minimum wage (euro)	Minimum wage (PPP) ¹	Ratio of workers on minimum wage	Ratio of minimum wage to average wage
Luxemburg	1570	1503	18.0	50
England	1361	1292	1.4	40
Netherlands	1301	1244	2.1	45
Belgium	1259	1203	16.0	46
France	1254	1150	15.6	47
Ireland	1403	1141	3.1	52
Malta	585	805	1.5	44
USA	676	779	1.4	33
Greece	668	768	-	47
Spain	666	725	0.8	33
Slovenia	522	701	2.0	44
Portugal	470	546	5.5	41
Turkey	298	499	35.6	57
Czech Rep.	288	465	2.0	37
Hungary	258	423	8.0	37
Poland	246	389	4.5	36
Estonia	230	362	5.7	40
Slovakia	217	351	1.9	41
Lithuania	174	324	12.1	34
Latvia	172	310	8.8	38
Bulgaria	92	216	5.1	40
Romania	114	204	12.0	29

¹ calculated according to the purchase power parity.

Source:

- eurostat, statistics in focus, minimum wages 2007.
- european industrial relations observatory (eiro)
- Data related with turkey were calculated based on the SSK (social security organization) data by DISK.

[Http://www.disk.org.tr/default.asp?page=content&contentid=379](http://www.disk.org.tr/default.asp?page=content&contentid=379)

Table 6: Minimum Wages in the Garment Sector

Country	Wages (US\$/day)
Bangladesh	0.4
Vietnam	0.7
China	0.9
India	1.1
Indonesia	1.3
Pakistan	1.7
Cambodia	1.7
Sri Lanka	2.7
Thailand	3.2
Romania	3.2
Mexico	4.2
Guatemala	5
Honduras	5.2
Czech Republic	9.4
Turkey	12

Source: ILO Conditions of Work and Employment / www.ilo.org/public/english/support/lib/dblist.htm, in: The Asia Floor Wage Alliance, Draft discussion paper, Towards an Asian Floor Level Wage Campaign in the Garment Export Sector – an analysis of labour and the supply chain in the garment export sector, p.6.

Table 7: TUIK Private Basic Working Indicators in Industrial Manufacturing (1997=100 Indexes)

YEAR	PRODUCTION	EMPLOYMENT	LABOR EFFICIENCY	NOMINAL HOURLY WAGE	REAL HOURLY WAGE AS PER WPI/PPI	REAL HOURLY WAGE AS PER WPI/CPI
1999	95.9	91.7	104.6	326.3	126.3	107.2
2000	105.3	90.3	116.6	494.4	127.4	104.9
2001	93.2	82.5	113.0	647.8	100.3	89.0
2002	104.8	84.4	124.2	900.9	94.4	85.3
2003	116.3	87.0	133.7	1134.9	97.7	85.8
2004	131.2	90.1	145.6	1314.7	103.1	89.9
2005	138.2	90.2	153.2	1471.4	109.0	93.0
2006	146.4	89.8	163.1	1656.5	112.2	95.5

(*) As of 2005, PPI and CPI 2003=100

Source: <http://www.tisk.org.tr/gostergeler>.

ORGANIZATION OF THE SUPPLY CHAIN

