Strategies for flexibility and labour fragmentation.  
A transnational case study in the clothing industry

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Strategies for flexibility and labour fragmentation. A transnational case study in the clothing industry

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Introduction

For almost three decades a process of continuous restructuring of companies and public organisations has been working. Above all through outsourcing and relocation of work and also by using non-standard forms of employment, such as fixed-term contracts, temporary work agency, job-on-call, freelancing bogus. In other words, value chains are becoming more elaborated; longer, having an increasing number of units and interfaces, and more complex in geographical and contractual terms. This may be motivated by considerations relating to knowledge management, management capacities or human-resource aspects, but very often the main driver is the attempt to achieve external flexibility so as to lower costs, in particular labour costs. Such tendencies seem to be general, even if their extension, intensity and form are affected by the features of the sector and of the company (above all its ownership) and by the regulations of labour, institutionalised mainly at a national level. Restructurings, and the resulting de-composition of organisations, workplaces and jobs, obviously have far-reaching effects for employment structure, working conditions, quality of work and of life. They are fragmenting labour, are spitting up the workforce engaged in the same value chain, enhancing inequalities and strengthening divide-and-rule policies in employment relations. Workforce is increasingly segmented in groups with great differences in job tenure, wage, prospects for career advancements, opportunities to learn, health and safety, protections, possibilities of collective actions. The outcome goes beyond the traditional core-peripheral workers schema, that assumes core and periphery are clearly distinguished according to levels of skills and commitment needed (Atkinson 1984). The various segments of workforce are differentiated not so much for education, skills and content of work, as for wages, protections, working time schedules, etc.; and more generally for levels of economic and social insecurity, social vulnerability, precarity. In those terms restructurings can be defined as mechanisms that construct «insecurity-and-risk transfer chains» (Frade & Darmon 2005): organisations shift uncertainty onto their suppliers, service providers, collaborators and they pass risk and insecurity to their employees. Obviously it depends also by the power relations in the value chain (Gereffi & Korzeniewicz 1994, Gereffi et al. 2005).

This is the hypothesis of the paper, that aims to analyse the impact of restructurings on work organisation and quality of work. One of the underlying assumptions is the methodological importance of the value chain concept/approach. Value chain is considered a strategic point to illuminate changes and differences of work organisation, day-to day work practices, working conditions within and between the organisations. It permits to capture the effects of restructuring by going beyond the boundaries of individual companies and sectors. More specifically, the paper will report the findings of a study on four enterprises: the main company, «source» of an outsourcing process (in Italy); one of its subsidiary (in Portugal); two companies «destination» of the outsourcing process (in Italy).

The reported case study is part of a more ambitious and more articulated programme of theoretical and empirical work funded by the European Commission under its 6th Framework Programme: Work organisation and restructuring in the knowledge society (WORKS project) (www.worksproject.be). It aimed to investigate transformation of work by looking at the relationship between changes taking place at the level of the European and global economy and changes taking place at the workplace level. The project design encompassed two streams of research approaches: quantitative and qualitative research. The former
studied transformation of work on the basis of comparative analyses of data from existing organisation and individual surveys. The second was based on occupational case studies and organisational case studies. Studies on occupational groups, closely related to those on companies, explored transformation of work at the individual level. Organisational case studies were conducted, as said, to provide windows into the restructuring of value chains and its impact on work organisation and quality of work. They covered a number of generic business functions that represent a wide variety of activities and labour process (research and development; production; logistics; customer service; information technology). These business functions were located in specific sectors, reflecting different kinds and evolutions of the value chain (clothing industry; food industry; IT industry; public sector; services of general interest). Each business function, located in a particular sector, was studied in a range of countries. Overall, 58 organisational case studies were conducted (Flecker et al. 2008). This case study is on production in the clothing industry.

The paper starts with a brief analysis of the spreading of the pressure for external flexibility and of the different strategies companies implement to achieve it, specifying the relation between, on the one hand, the evolution of production and work organization, regulations of working condition and social protection systems, and, on the other hand, the cultural changes represented by the triumph of the new-liberalistic discourse (par. 1). Then, it will successively describe the methodological aspects of the organisational case study (par. 2). Finally, the paper will illustrate the findings reached, focusing in particular on changes and differences in employment structure and conditions, content of work, organisation of working time, functional flexibility, skills and learning opportunities, forms of workers representation, information and consultation practices (par. 3)

1. Pressures and strategies to achieve external flexibility

Starting from the 80s, it can be observed in all European countries an increasing pressure for labour flexibility being exerted by the companies. It has since become a key issues in the management handbooks, in academic debates, in political discourses, in mass-media communication. Labour flexibility can be defined as the possibility for employers of a low-regulated, low-restricted use of workforce. In other words, it is the possibility to adjust the amount and the quality of labour input for production requirements or, more generally, for organizational interests. One of the most widespread definitions (Atkinson & Meager 1986, Goudswaard & De Nanteuil 2000) identifies two basic dimensions of adjustment processes. 1) Numerical-functional dimension: adjustment processes are either numerical or functional; in the first case the objective is the volume of labour input, that is the number of workers or working hours; in the second case the objective is the functions performed. 2) External-internal dimension: here the difference is whether adjustment is achieved within the boundaries of the company and its workforce or through contractual exchanges with organizations or individuals outside the company.

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1 I wish to thank all the persons interviewed and all other parties, not specifically mentioned, whose contribution facilitated the smooth execution of the project. In particular, I wish to thank Antonio Brandao Moniz and Ana Filipa Vasconcelos da Silva of the Faculdade de Ciências e Tecnologia of the Universidade Nova de Lisboa for their precious support for carrying out the case study.
In the academic literature this pressure for labour flexibility is normally linked with the crisis of Fordistic production model and with the arising of new paradigms whose guiding principle is a reduction of what is perceived as “traditional rigidities” vis-à-vis workforce, the market, the territory, etc. (Chandler 1992, Kenney & Florida 1993, Castells 1996). The company must become an elastic entity, morphologically variable. The aim is to achieve continuous movements, capable of changing rapidly the organization (in its size, components, relationships, transactions). It is widely observed that, in such a context, transformation must start and finish within a very short lapse of time. Each configuration of factors of production is intended as being transitory, transient, temporary or even instantaneous, susceptible to sudden change in order to adapt to the circumstances of markets, to the evolving interests, advantages of the companies (Accornero 2001, Revelli 2001). Against this backdrop, work – intended as purchased labour input – becomes an adjustable variable (Castel 1995): has to be easily changeable at a very short notice, it must be synchronized – “just in time” – to company needs (Gorz 1988).

Strategies to achieve labour flexibility are composite. Here we focus on those targeting external flexibility. Such strategies depend much on the features of the company (above all its ownership) and of the sector (competition on markets, demands by shareholders, public policies, use of technology, skill endowments, standardization of tasks, etc.). Nevertheless, almost everywhere they include downsizing, outsourcing, off-shoring, close-ended contracts with limited protections (Lazonick 2004). Thus, both public and private organizations become leaner. Depending on the local context and regulations, the process of downsizing has occurred through layoffs, through the transfer of personnel to other organizations or through early retirement or other forms of early exits. Outsourcing is on the rise. Functions (or even parts of them) are parcelled out and outsourced to third parties, to subcontractors, who in turn decentralize the simpler components even further, to second-tier subcontractors. Companies specialize in what they are capable of doing best or in what is more lucrative (e.g. project planning and implementation, marketing, financial management, etc.). The outcome is the creation of broad networks of enterprises and workers that are highly interconnected (Castells 1989, Butera 1990, Reich 1992).

With downsizing, outsourcing, off-shoring, there is also an increasing reliance on non-permanent works, or atypical contracts, or non-standard forms of employment. This latter expression seems the most appropriate (Regalia 2005). They include fixed-term contract, temporary agency work, job-on-call/stand-by-work, formally autonomous but economically dependent work, etc. (Reyneri 2002). All labour market surveys show that close-ended contracts represent a growing segment of the employed workforce in many European countries. Specially in this period of economic crisis, an important percentage of new hires involved close-ended contracts. For companies, non-permanent workers, hinging around a “core” group of stable workers, constitute the variable part of the organization, that must adapt to changing production requirements or, more generally, to changing company interests (Atkinson 1984, Harvey 1989, Houseman 2001). They embody the ideal work organization for most employers, that is: hiring an paying exclusively the workforce that is strictly required at that moment (Gallino 2007).

Almost all European countries are going towards an increasing slackening of obligations concerning the use of workforce (or, modifying our point of view, we can speak about a
slackening of the workers’ rights) and towards an increasing flexibilization of the labour market. Almost everywhere governments are reducing regulations concerning personnel transferring, firing and hiring (i.e. redundancy procedures, mandated pre-notice periods and severance payments, special requirements for collective dismissals and short-time work schemes, rules favouring disadvantaged groups, etc.), and are increasing non-standard forms of employment, making them cheaper. Deregulation has become the main strategy to cope with the “new challenge of globalization” (Dore 2004). In this light, it is possible to observe an important convergence of regulation models, following a typical process of «institutional isomorphism» (Powell & Di Maggio 1983).

Of course there are differences among the countries. But these concern, above all, the policy-making approach. In other words, the institutional conditions seem to affect the path and the pace of change, not its direction. Academic literature often distinguishes two approaches and two groups of countries. On one hand, there are countries (United Kingdom, Ireland, The Netherlands, Denmark, Sweden, Italy after the reform of 2003) in which flexibility has been assumed as a general functioning principle for the labour market. While, on the other hand, there are those countries (Italy before the reform of 2003, France, Germany, Greece, Spain) that have rather introduced flexibility measures as forms of controlled experiment or derogation to the general rules regarding labour market (Regini & Esping-Andersen 2000, Regini 2000). Obviously this division could vary and has varied in the years: an interesting case is Italy.

European Union has played, and continues to play, a very important role in the development of this deregulation process. Starting from 90s, its demands for a flexibilization of labour market has become more and more pressing. The guiding principle of its employment strategy is adaptability. This concept is present in a significant number of official documents, at times with a marked new-liberalistic stance. Adaptability means that companies and workers have to adapt to market and production changes. Recently, the high-pressure for adaptability/flexibility has grown intertwined with the concern for the increasing risks of social vulnerability and for social exclusion. The result is the flexicurity strategy\(^2\). At the moment it does not signify a reality, it is just an hope. It signifies the hope to render compatible what in the past was considered incompatible. The first part of this terms (flexibility) carries the messages that workers have to adapt to market fluctuations. The second part (security) promises that nevertheless some sort of stability may be possible (even if not a stability of the job but a stability in the labour market). In other words, it means less security for workers in their present job compensated by more secure expectations of a new job; of less steady employment and more frequent unemployment balanced by greater ease of re-employment through better employment services and more frequent training and retraining (Streeck 2008).

\(^2\) This concept/strategy is present in the policy discourse at EU level from 1997, in particular from the Commission’s Green paper, Partnership for a New Organisation of Work, which states: «the key issue for employees, management, the social partners and policy makers alike is to strike the right balance between flexibility and security». At a number of EU summits, specially in connection with the 2000 Lisbon Strategy, this ambition to strike a balance between flexibility and security has been voiced repeatedly. For a definition see: Wilthagen (1998), Wilthagen & Tros (2004), Wilthagen & van Velzen (2006), Seifert (2007).
In many studies the pressure for flexibility is brought in relation with: changes in the structure of market demands; the saturation in the demand for durable and standardized goods; the differentiation of consumer taste; the increased limitations of markets, which have become open spaces for competitive conflicts among producers across the globe, a space of global competition; and last, but not least, the high degree of industrial conflict. Together, all these changes removed the conditions of predictability and of stability in the control of the market; conditions that were essential for the Fordist production model and its massive investments. They have undermined the mechanisms through which such a paradigm generated profits. Great importance has also been given to financialisation of the economy, that means the even-stronger role played by shareholders (Albert 1991, Rhodes & van Apeldoorn 1997); it changed the priorities of management; the categorical imperative of managers is now «maximize shareholders’ value» (Dore 2004, 2009).

Against this backdrop, flexibilization (that implies labour market deregulation and reduction of social protections) was considered the best solution: to increasing the adaptability of companies, to coping with the high variability of the markets, to cutting costs, to meeting the demands of shareholders for increase return on investment, to weakening trade unions and to reducing industrial conflict. All the structural changes above mentioned were certainly important for such a solution, based on more flexibility for companies and less security for workers. But it would have been impossible to accomplish without the support of a degree of cultural changes, such as represented by the spreading of the new-liberalistic discourse (Streeck 2009, 2008). Starting from business schools, international organizations, and international agencies, this discourse influenced and is influencing almost all the governments, the employers associations, and still many workers and some of their organizations. It has become a «theory in use» (Weick 1995). It brings a conception of rationality that is the individual rationality, that puts in brackets all the social and economic structures and all their conditioning. It promotes a program of progressive «destruction» of all the collective contexts hindering the market rationale (Bourdieu 1999).

A consistent pressure coming from the demand for job creation favoured the spread of the new-liberalistic discourse. Since the mid-80s, in all European countries, there was a slowdown of economic growth and an increase in unemployment. In the same period the U.S. recorded a good performance (in terms of economic growth and employment). Many economists explained the «American miracle» by referring to the features of its labour market: deregulated, with low social protections, with a limited role of the state and of interests associations. And they explained the problems of European countries as being caused by their «strict» regulations, the exaggerated generosity of their social protection systems (on the matter, some scholars spoke about «Euroscerosis syndrome»). The «institutional density» of European labour markets – intended as «the system of laws,

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3 It should be recalled that between the end of the 1960s and the beginning of the 1970s, all capitalist countries witnessed years of bitter and “permanent” industrial conflict - years of all-out struggle conducted with a range of different methods and aimed at achieving a radical change in the areas of production and social organisation. While the struggle reflected a condition of strength of the working class movement in a phase of full occupation, it was also a reaction against the Taylorist organisation of work which had led to intensified exploitation in factories and to rising levels of authoritarianism and alienation.
programs, conventions, which can impinge on labour market behaviour and cause the labour market to function differently from a spot market» (Blau & Kahn 1999: 1400) – has been considered the major obstacle that prevented the free adjustment of markets to changes and thus the optimal allocation of resources and the creation of occupation (Layard et al. 1991, Nickell 1997, Saint-Paul 2004).

In sum, the wide consensus around the new-liberalistic discourse has strongly influenced and is strongly influencing the choice concerning how to cope with structural (and objective) changes in global economy. It has determined the direction of development models. The actual transition – synthesized as post-Fordism – contains a re-distribution of risks responsibilities and protections between individual and community, a de-collectivization and an individualization of risks and protections. It bears the signs of the pre-eminence of the economy, companies and their interests, of the «revenge of the market», of the «cultural triumph of the market» (Streeck 2009, Laville 2006, Mingione 1997). The actual transition contains a progressive erosion of general regulations, welfare state benefits, of the «social property» (Castel & Haroche 2002), created during that so-called Fordism-Keynesianism.

2. Methodological aspects

Value chain is a phrase that can be used to describe each step in the process required to produce a final product or service. The word “value” refers to added value. Each step in the value chain involves receiving inputs, processing them, and then passing them on to the next unit in the chain, with value being added in the process. Separate units of the value chain may be within the same company (in-house) or in different ones (outsourced). Similarly they may be on the same site, or in another location. One of the most important attempt to define value chain is due to Michael Porter (1985). In his model the basic unit is described as an activity. Products are made in a sequence of such activities with value being added at each stage, the final value of the product being the added sum of these. Using a functional approach to value chain analysis, Porter identified six basic business functions: research and development; design of products, services, or processes; production; marketing; distribution; and customer service.

Continuous restructuring of companies and public organisations thought buyout, outsourcing, relocation, take-overs, mergers and de-mergers are spitup value chain, multiplying units and locations in which a specific product/service is produced (Lazonick 2004). So we arrive at a situation where corporations can no longer be regarded as stable and homogenous. Rather, they appear as «mutually interpenetrating entities in constant flux» (Huws, Flecker & Ramioul, 2008: 25). The increasing fluidity of corporate structures questions whether the individual company is the best unit of analysis for understanding the restructuring processes and their impact on workplaces, jobs, working conditions, industrial relations. Starting from these reflections the WORKS project decided to focus the empirical research activities on value chain, trying to go beyond the boundaries of the organisations. The units of analysis were therefore business functions but, in order to ensure comparability, these were located within certain sectors.
The case study we will illustrate in this paper was carried out in clothing industry and focused on production business function. More specifically, the study concerned four companies. 1) Green S.p.a.: using the typology adopted for a study in German fashion industry based not only on the function covered in the value chain but also on the relative power position (Faust 2005), we can say it is a «branded producer», it is the brand name/reputation owner, it is one of the most important Italian groups and brands in the clothing sector and it is the «source» of the outsourcing process. At the moment of the study, it had 1,215 employees, out of whom women make up some 90%. 2) Luxe S.r.l.: it is an Italian sub-contractor of Green, it is specifically involved in the manufacturing of first sample, activity among development function and production function, but much closer to the latter. It had 105 employees, out of whom women make up some 95%. 3) New Wear S.r.l.: it is an Italian sub-contractor of Green, it is involved in the production of lingerie and swimwear lines. It had 15 employees, out of whom women make up some 90%. 4) Valdinit: it is a subsidiary of Green in Portugal, Green has the 75% of its capital, it is too involved in the production of lingerie and swimwear lines. At the moment of the study, it had 200 employees, out of whom women make up some 95%. Original names were replaced by nicknames.

In order to conduct the case study, various methods and techniques have been adopted: quantitative techniques based on data from existing data-set; qualitative techniques, in particular analysis of documents (related literature and studies, reports and other documents produced by the companies and by the trade unions, newspapers articles, etc.), observation, interviews (to human recourses manager, production manager, workers’ representatives, workers, trade unionists, experts). We have attempted to integrate – and promote interaction between – the synchronic analysis and the diachronic analysis. The most frequent situation is the execution of the inquiry at the synchronic level only, namely a study on what is happening in the organisation. The diachronic analysis allows the social context to be reconstructed as well as its history, the most significant events, the main transformations and the phases of its evolution.

The interviews were carried out between September and November 2006 and between August and October 2007 and involved 17 persons (Table 1). The interviews were semi-structured, this means that the interviewees have to covers a range of topics, having to be free to express their views more or less extensively in the fields that they find the most relevant from their own situation. The main topics of the interviews were: structure and governance of the value chain and of the business function (production); restructuring process, its advantages/disadvantages; employment structure and employment relations; representation and negotiations; labour regulation in terms of employment protection, wage, etc.; work organisation; working time; skill and knowledge. Obviously, we concentrated our attention on workers of the selected business function. The data obtained from the case study were analysed using a series of techniques in relation to the type of quantitative and qualitative data.
Table 1. Interviewees

<table>
<thead>
<tr>
<th></th>
<th>Gender</th>
<th>Position/Role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Man</td>
<td>Human Resources Manager of Green</td>
<td>Italy</td>
</tr>
<tr>
<td>2</td>
<td>Man</td>
<td>Production Manager of Green</td>
<td>Italy</td>
</tr>
<tr>
<td>3</td>
<td>Woman</td>
<td>Workers’ representative of Green</td>
<td>Italy</td>
</tr>
<tr>
<td>4</td>
<td>Woman</td>
<td>Workers’ representative of Green</td>
<td>Italy</td>
</tr>
<tr>
<td>5</td>
<td>Woman</td>
<td>Production worker of Green</td>
<td>Italy</td>
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<tr>
<td>6</td>
<td>Woman</td>
<td>Production worker of Green</td>
<td>Italy</td>
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<tr>
<td>7</td>
<td>Woman</td>
<td>Workers’ representative of Luxe</td>
<td>Italy</td>
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<tr>
<td>8</td>
<td>Man</td>
<td>Production worker of Luxe</td>
<td>Italy</td>
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<tr>
<td>9</td>
<td>Woman</td>
<td>Production worker of Luxe</td>
<td>Italy</td>
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<tr>
<td>10</td>
<td>Woman</td>
<td>Production worker of New Wear</td>
<td>Italy</td>
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<tr>
<td>11</td>
<td>Woman</td>
<td>Production worker of New Wear</td>
<td>Italy</td>
</tr>
<tr>
<td>12</td>
<td>Man</td>
<td>General Manager of Valdinit</td>
<td>Portugal</td>
</tr>
<tr>
<td>13</td>
<td>Woman</td>
<td>Production worker of Valdinit</td>
<td>Portugal</td>
</tr>
<tr>
<td>14</td>
<td>Woman</td>
<td>Production worker of Valdinit</td>
<td>Portugal</td>
</tr>
<tr>
<td>15</td>
<td>Man</td>
<td>Trade unionist (local level)</td>
<td>Italy</td>
</tr>
<tr>
<td>16</td>
<td>Man</td>
<td>Trade unionist (national level)</td>
<td>Italy</td>
</tr>
<tr>
<td>17</td>
<td>Man</td>
<td>Expert</td>
<td>Portugal</td>
</tr>
</tbody>
</table>

3. Case study findings

3.1. Company and value chain (re-)organisation

Founded in the mid’s Fifties as a manufacturer of corsets employing not more than ten employees (all women), Green is today an important multinational company, one of the key players in the undergarment industry as well as one of the most renowned brand names at an international level. Green has opted for a multibrand approach in order to meet different demand segments. Alongside the historic brand name there are today other brands in both the undergarment and swimwear segments. The larger part of the Green output is differentiated and high-quality, thereby catering for the top-bracket of the market. However, it also produces lower-quality products at a cheaper cost. And depending on the type of product, we come across a different organisation, fragmentation and distribution of the (analysed) business function.

For the higher quality products, manufacturing of first samples is often subcontracted, with the exception of those situations where the element of creativity is at its highest. But it is carried out by a small number of firms, all located in Italy, with which Green has been working since many years. Whereas, for the lower quality lines (for example for several lines of childwear and swimwear) the outsourcing process is stronger: manufacturing of first samples is always subcontracted, sometimes together with a significant part of the modelling phases. Subcontractors are located both in Italy and abroad. As regards production, this of lower-quality and cheaper products has been entirely outsourced. While the production of
higher-quality products has been partly maintained in-house, it refers to a segment of it that is hardly significant.

More in general, R&D business function mostly occurs in-house, above all the phases of conception and modelling. Stylists and pattern makers rarely are self-employed; at the moment they are all permanent employees. Green has decided to make in-house this phase of R&D business function. This decision regarding the distribution of work has become consolidated. It is an “historical” feature of Green strategy. It is explained – in the opinion of the management – by the will to detain inside and to have a better control over the R&D process. But it is explained also by the need to reduce costs. High level self-employed designers would cost more. But now this strategy is producing unexpected effects: the fall-off in innovation capacities. R&D «is a business function that had always been jealously kept in-house» explained the HR manager. Nevertheless, until the early Nineties also a part of it started to be outsourced.

As regards production function, in the early part of the Eighties more than 80% of production was carried out internally. It was in these years that the earliest cases of outsourcing and off-shoring occurred – partnerships with local handicraft workshops, for example – but they were still marginal. The more significant experiences in this light would take place in the mid-Eighties when structural reorganisation was initiated. At the beginning of the Nineties, the ratio between internal and external production was still approximately 50%. Now only 6% of production is carried out internally (data refer to 2007). A large part of it has been entrusted to other firms. 52% of these are located in Italy, in the centre-north as well as in the south; most of them do not belong to the Green group and are generally medium- or small-sized, although some of them are micro enterprises. 42% of production occurs abroad, mostly in factories located in eastern Europe (Croatia, Serbia, Slovenia, Romania, Bulgaria) as well as in Portugal, Tunisia, Mexico, Mauritius, China. A number of these enterprises are Green subsidiaries, either directly or indirectly controlled.

Outsourcing of business functions is explained with a number of factors that had emerged at that time and changed the market, namely stronger international competition, saturation of demand and the progressive diversification of consumer taste. The scenario that emerged was one of unstable and volatile demand that – according to the analysis of the management – required to increase flexibility and to lower production costs. The outsourcing process began, as said, in the mid-Eighties, and went ahead over the years, recording significant accelerations after 2000, with the consequence that ever larger chunks of the different business functions, were contracted out to suppliers. It should be observed that Green responded to the changing market scenario also by implementing a strategy aimed at multiplying lines and models.

Unlike production function, logistics is almost entirely in-house. The management of warehouses, specially those where the finished products are stocked, is considered an «important and strategic link» of the value chain. Its efficiency, in terms of timely delivery and good packing, is viewed as key factor contributing to the quality of the brand. Customer care, too, is almost entirely in-house. On the contrary, e-commerce management, several marketing and advertisement services and administrative services have been outsourced. The company is expected to outsource payroll management. Green holds interests also in the
retailing sector, as an increasingly crowded market place has obliged it to invest in the direct sales network. Green in fact owns in Italy some 20 single-brand stores plus a number of similar boutiques in several European capitals and in important cities around the world. For the remaining part, Green products are distributed through franchising agreements or in specialised stores or by multibrand retailers.

It is all too clear that Green, not unlike other industrial establishments, is gradually adopting the organisational paradigm typical of the network-enterprise, with the progressive trimming down of central structures and an increasing reliance on outsourcing as various value chain phases and functions are externalised, heralding the passage from a vertical to a horizontal integration. This process may even be further enhanced over the next years. The following is comment made by the HR Manager: «It is necessary to trim down a structure that is increasingly becoming heavy, redundant even; we must therefore get used to the idea that we will be outsourcing an ever larger number of corporate functions». This transformation is facilitated by the advent of new information and communication technology (ICT) on which Green is investing heavily. New technologies are a vital support for networking, for the integration of components that are not located in the same place, for the interactivity of machinery and equipment, etc.

An important issue of the survey is then the contractual and power relations among the companies, the model of governance of value chain. The relations between Green and the companies that make up its network is characterised by a strong asymmetry of power, by an accentuated imbalance of the contractual power among the parties concerned. But this is a power relation scenario that is also a feature in other Italian industrial realities. Regardless of the actual size of the firms, the brand name owner – therefore, a company that has a recognised position of strength in the market – tends to exercise a control/domination over the suppliers. This situation is evident in the relationship among Green, on the one hand, Luxe and New Wear, on the other hand. Not unlike many other subcontractors, they are substantially in a position of dependence vis-à-vis Green, being the latter their principal client, providing lot of months of work per year and most of their turnover. Thus, even if they work for other clients, they have gained a specialisation in Green products. In a situation of control/domination by the “headquarter” of the transnational company is also Valdinit, with some differences due to the fact that it is a subsidiary; Green has the 75% of its capital. As the management admits, there is a certain autonomy in what concerns decision making, nevertheless the main and most important decisions are taken by the headquarter and then communicated to the unit.

The asymmetry of power has lead Luxe and New Wear, as well as other subcontractors, to accept the conditions (prices, delivery times, etc.) that Green sets. It should be observed that Green often exercises its power by threatening to move the job order elsewhere. Speaking of the condition of New Wear, a trade unionist explained: «Green is really keeping these small suppliers under pressure; it is on them that it offloads all its problems, including those relating to costs. Green is, in fact, paying less and less, and has even obliged them to look around for other clients following its decision to further distribute that line of production among other suppliers». However, this power is mitigated in Luxe’s case. Luxe is an enterprise that can rely on a high degree of specialisation, delivering skills that are not easy to find in the market. Green entrusts key functions of its high-quality productive lines to Luxe, with which it has a long-standing
relationship. The transfer of job orders elsewhere would entail high costs (and some risks) for Green.

3.2 Functions and overall workflow in the value chain

3.2.1 Functions performed in the value chain

As mentioned earlier, Green’s output is vastly differentiated. Besides the historic lines (and brands), it owns a wide range of other lines in various segments (namely lingerie, swimwear and male undergarment). Green has also recently launched an undergarment, swimwear and leisure wear line for children. Since several years, the Green product range includes stockings, shoes, eyewear, cosmetics, perfumes. Luxe, New Wear and Valdinit are partners in some of these production lines. Namely the first are partner in a number of lingerie and swimwear lines; Valdinit too is involved in the production of lingerie and swimwear, but in a smaller number of lines.

While conception and design takes place at Green, once these initial phases are finalised, Luxe is entrusted with the manufacturing of first samples. Green supplies all the required materials (textiles, threading, etc.). When the samples are ready, they are delivered to Green warehouses and then sent out for initial assessment to retailers, showrooms and etc. If response is good, the go-ahead is given to serial production, which is, however, carried out by other enterprises. Some of these enterprises are just New Wear and Valdinit, that are responsible for the entire production process of some items of the Green collection. Their work starts with the arrival of orders and material from the headquarter and ends with the final products; when ready all the final products are sent to the distribution centre in Italy that is responsible for reception and for the distribution. As the general manager of Valdinit explains: «the products have a cycle and we have to respect and be very caution about that. The entire undergarment we made is part of a collection, of a series and no piece can be sold or distributed separately. They have to be uniform and we must be able to get it ready to go to the distribution centre at the same time to be distributed all together».

Green controls the work of its subcontractors and of its subsidiaries at various stages. Normally there is a preparatory phase whereby Green experts instruct subcontractor/subsidiaries staff; and they successively return to check the ongoing work. In the case of Luxe, involved in the manufacturing of first samples, the earliest samples must be approved by Green before Luxe can continue manufacturing. At the end of the cycle, the pieces produced are checked by representative sampling, if more than 30% is defective, the entire lot is controlled. In the case of Valdinit a strict work of control of the quality of the products is also made by the unit, it has people trained and specialised in this function. But according to Green employees and to their trade union representatives, controls over the years have softened: «subcontractors are hardly controlled; the management says these subcontractors are the best the market can offer, they work well and have implemented their own quality checks. Yet we receive a large amount of defective pieces that we have to send back». It is a declaration that highlights just how quality levels have gone down over the past few years, seriously impacting the quality tradition of Green and its network, and consequently its competitive edge. According to many, this is the first serous consequence of outsourcing processes.
3.2.2  Spatial division of labour

Green has four factories. The three located in the same town (in a northern Italian region) respectively host the central head office, the main warehouse and a number of production lines. The fourth factory is located in a town in the province and hosts the raw material warehouses. The restructuring of the factories and the offices started in 2004. Before restructuring each one of them was an independent company, albeit within the Green Fashion Group, with their own administrative offices and services, etc. An initial reorganisation, involving the unification of many offices and service, was carried out at the end of the Nineties. The ongoing restructuring, by far the most radical, should ultimately lead to the full unification of all services and offices. The process is principally concentrated in these units. There are no outworkers or long-distance workers with the sole exception of staff at Green-owned stores and at the Milan showroom.

Luxe, too, is located in the same province, a short distance away from the Green factories. Unlike the latter, though, some of Luxe’s employees work at home, residing either in the town where the company is based or in nearby towns. These female workers are employed on an irregular basis, during the peak demand periods that Luxe payroll staff are unable to handle. These workers are principally utilised for the simplest activities, those that require the lowest degree of skills. Also New Wear, is located in the same province of the Green factories. On the basis of available information, the firm does not hire outworkers nor does it subcontract the job orders from Green to other enterprises. Valdinit is located in the North of Portugal; on the basis of the information at our disposal, it has not employees working at home. As mentioned earlier, the work carried out for the Green brands develops along the spatial distribution of its subsidiaries and suppliers. Thus, segments of manufacturing for Green brands take place in a large number of places and markets: in other towns in the province, in other regions and also in European and non-European countries. It is very probable – as revealed by one of the trade unionists interviewed – that these first-level suppliers in turn contact other enterprises or rely on other external workers, giving out consistent segments of the job order. This is an aspect where precise information is sketchy if not altogether missing.

Over the past years the emerging trend is that of a further spatial dispersal of the value chain, especially of production. But that is not all. This strategy is in response to a range of requirements. On the one hand there is the need to multiply venues of settlement as much as possible in order to intercept additional quotas of demand in diverse markets, i.e. in emerging markets, such as in Mexico where the investments have been carried out with a view to entering the US market. On the other hand, there is the need to assure segments of lower-cost workforce (a case in point are the investments in Mauritius, China and eastern Europe). Decentralisation occurs strictly by productive line. As for the higher quality products, the trend continues to be that of privileging home-based enterprises because they are able to provide better guarantees in terms of skills and can be more easily controlled, «even if they cost more». For lower quality products, on the other hand, manufacturing has often been delocalised abroad.
3.2.3 Temporal aspect of the workflow

Time is a key factor in the new organisational paradigm at Green. Against a backdrop of unstable and volatile demand – a demand peak that both in terms of volumes and product types lasts but a few months – the efficiency of an enterprise is measured on its ability to respond to changing demand trends; on the lapse of time between the instant when a need arises in the market to the moment when the product is actually delivered in the clients’ hands. Wasting time – the Green Production Manager said – means «to have fewer days at hand to sell the products and therefore to make earnings, something that can have a strongly negative impact on the enterprise». The repercussions of this time anxiety is felt on the entire value chain and network. The same official admitted that «one of the criteria utilised for the selection of suppliers is the time they take to deliver the finished product». The other criteria are the quality of manufacturing and cost.

Like the other suppliers, Luxe, New Wear and Valdinit are therefore required to meet short or very short delivery times, that, as we shall observe, immediately impacts the quality and conditions of work. It should also be observed, in addition, that all delays that Green accumulates – i.e. all the delays accumulated by the network’s central node – spill over on the suppliers, producing additional pressure on delivery times. While this is something that occurs to all subcontractors regardless of the business function they are involved in, pressure is greater the smaller and weaker these subcontractors are; it is more evident in New Wear. A Luxe workers’ representative explained that «often the problems are within Green’s internal organisation. It can happen, for example, that materials arrive late or arrive incomplete, yet they still pretend an unchanged delivery time». And a worker of Valdinit said: «currently we have to be able to be quicker when we are producing one piece than a few years ago. The collections have much more variety and that takes more time to produce, however we are told that time is the most important factor and we have to remember that everyday».

3.3 Changes in employment

3.3.1 Employment structures

The number of employees at Green has been recording, since the beginning of the Nineties, a downward trend. Workforce is down from nearly 1,900 to 1,215. Headcount reduction is inherent in the current organisational paradigm at Green as management focuses on achieving a leaner organisation. Some workers have been placed under mobility, while those who have retired have not been replaced. Green aims to bring down staff by a further 350. And the reasons are always the same as the restructuring underway has produced excess workforce with turnover falling due to lower sales (turnover at Green has in fact gone down to € 163 million in 2006 from € 184 million in 2001). According to the Green HR Manager, the declared headcount target is 900 (the data refers to the before economic crisis period).

4 The “expulsion” of these redundant workers has taken place mainly through retirement or through forms of early exits, such as early retirement, ordinary and extraordinary temporary unemployment compensations, mobility; only a small number were actually made redundant. These early exits were negotiated with trade unions.
Starting from 2004, workers have been receiving temporary unemployment compensation on a rotational basis.

90% of employees are women. The average age is approximately 40. Staff comprises a plurality of professional figures. Besides managerial and administrative personnel, Green employs designers, model makers, tailors as well as workers specialised in the production of samples. There are very few non-qualified and productive line workers considering that a significant segment of the latter has been outsourced. Key figures are the warehousemen and workers in charge of loading and unloading goods for delivery. Stylists and pattern makers, assigned to the more creative part of the research and development, are 75. In the past they were all women; in the last few years, instead, a lot of men has been hired; anyway the greater part is still composed of women. The majority is composed of workers younger than 45 years. Male workforce is concentrated in these sectors. Trade unionists stressed that gender relations are substantially not an issue at Green: «this enterprise was originally a female-only employer. Women continue to be in every division often carrying out duties that are not strictly feminine, in the logistics division, for example, and are often division heads or officials. Thus, while women have not been prevented from making a career, the higher we go up in the decision-making hierarchy the more absent they are».

Luxe currently employs 105. Here the percentage of women is even higher, reaching nearly 95% of total workforce. A large majority of employees consists of specialised workers, while only a small part is unqualified. The few men that are in the payroll mostly work as mechanics in charge of maintenance. Luxe’s headcount has also recorded a downward trend as retiring workers have not been replaced. The reason is insufficient financial resources. Another trend that has been observed is that of replacing the open contract workers who retire with temporary workers, hired during peak demand periods with non-standard contracts. In addition to these, there are also the home-based non-specialised workers who reside in the city where the factory is located or in other nearby towns and who carry out the least specialised tasks. It should be observed, nevertheless, that trade unionists have complained of a strong shortage of human resources that has translated in increasing the pressure on workers in terms of delivery time and working rhythm.

New Wear currently employs 15. Here the percentage of women is about 73% of total workforce (11 employees). A large majority of employees consists of specialised workers, while only a small part is unqualified. The few men that are in the payroll mostly work as mechanics in charge of maintenance. Here the number of workers is stable and has remained unchanged over the years. Nor is staff expected in any way to rise. But it should be observed, to this regard, that in Italy enterprises employing a staff of under fifteen benefit from a special regulatory regime that gives them more freedom in the way they use their labour force. The 15-employee barrier is therefore a threshold over which a number of additional labour regulations apply. For example, as we will explain later, enterprises employing a workforce comprising of not more than fifteen people have fewer restrictions as far as dismissals are concerned (there is no mandatory rehiring for those workers that have been illegitimately fired). Additionally, smaller enterprises are entitled to a series of breaks in terms of taxes and compulsory social contributions. This explains why New Wear, as well as other similar sized firms, have opted to not hire new staff. It should also be observed, however, that the system – or, to be more precise, its contradictions – allows enterprises to go
past the 15-employee threshold by relying on apprenticeship contracts or by hiring staff on a temporary basis. In fact, the protections envisaged by labour laws for companies with a staff of over 15 employees do not apply to temporary workers or apprentices. Thus, considering apprentices, staff at New Wear reaches, during non-peak demand periods, is approximately 20. New Wear relies very little on temporary contracts.

Valdinit currently employs 200. As in Luxe the percentage of women reaches nearly 95% of total workforce. A large majority of employees consists of skilled and semi-skilled production workers, and above all dressmakers. The few men that are in the payroll mostly work as mechanics in charge of maintenance and in the quality control function. The number of workers has been fairly stable in the last 7 years, with a small decrease of 5 to 8 workers per year, around 3% of the workforce. The unit didn’t feel any decrease in the production in the recent years. As a manager explained: «although the crisis in Portuguese textile sector, we didn’t feel any drop in the production. This is because we are in a specific field, we only produce high-quality undergarments».

3.3.2 Employment conditions

There are glaring differences between the four enterprises in terms of employment conditions, with significant dissimilarities in both legal treatment and, especially, pay. This is an issue that deserves a more detailed treatment. Green and Luxe staff are covered by the textile and clothing industry-wide contract, which means that minimum wages are obviously similar. Differences emerge as far as the second-tier or company-level contracts are concerned. Not only are company-level terms and conditions at Luxe different but so is trade union power, which means that supplementary benefits are less advantageous. The result is that similar a job level and description is paid differently, with Luxe workers receiving some 15-20% less pay than their colleagues at Green.

While New Wear staff is covered by the contract for handicraft enterprises. Minimum wages in this type of industry-wide contract are quite different from that set in textile and clothing contract. In the latter, pay is higher, but even more significantly, different are also minimum pay rises in second-level contracts. At New Wear these are regulated by a territorial contract. It has no company level bargaining tradition. The consequence is that pay for a similar job description and rank is at New Wear some 23-28% lower than at Green (New Wear pays €800-850 per month while Green €1,110 for specialised manual workers). Finally, at Valdinit the average salary for a dressmaker is about 450 euros, about the 40% of that of the their colleagues at the headquarter. This amount is higher than the minimum wage in Portugal (that is 403 euros)\(^5\)

All enterprises, particularly the Italian ones rely on non-standard contracts, namely fixed-term and temporary work agency contracts. In Green, though, atypical workers make up but a small percentage of total workforce. Non-standard contract holders at Green mostly work

\(^5\) Portugal is one of the eighteen countries of the EU which have a national minimum wage. The government sets the national minimum wage rate. The minimum wage fixing occurs by collective agreements
in logistics and at the boutiques. At the Milan showroom, staff has been hired on a project basis (with that particular form of self-employment called *para-subordinato*, that means workers are formally autonomous but economically dependent). The main reason behind the reliance on atypical contracts is the need to meet expected and unexpected productive peaks, to replace those who are sick or on maternity leave or, especially in the boutiques, as a trial period before full-time hiring. In the past few years, Green has reduced its reliance on non-standard workers. Considering excess workforce, trade unions have demanded, and obtained, that peak demand periods be covered by utilising payroll staff.

The situation appears to be different at Luxe where the number of workers hired with non-standard contracts seems to be rising. The trend observed here is that of replacing open-ended contract employees with temporary workers. In this way the company is in a position to tackle variability of demand and meet expected or unexpected peaks without having to increase workforce in a permanent way, therefore avoiding related investments and costs. It is a strategy, however, that cannot be pushed past a certain limit (i.e. a certain percentage of workers) because it would clash head on with the need to have skilled and specialised workers in a context where time is not available for training and retraining.

The scenario appears to be different at New Wear. As a trade union representative put it: «*flexibility is savage, it is without rules*». New Wear is a small enterprise and has fewer problems about firing someone and hiring someone else for that same job, position, etc. «*Flexibility in these enterprises is truly wide: they can hire and sack as they wish*», the same respondent added. And yet despite this, New Wear also relies on non-standard contracts, mainly apprenticeship contracts. Although Italy’s recent labour market reform sets out three types of apprenticeship contracts, the one that New Wear utilises is defined “skill enhancing”. It is a fixed-term contract, with a duration from anywhere between 2 to 6 years, where emphasis is on skill enhancement. Employers must in fact ensure that apprentices receive extensive vocational training. This contract, applicable to young people who are between 18 and 19 years of age, envisages breaks in terms of compulsory social contributions. According to the enterprise, it is utilised as a “probationary” tool. In reality, though, this contract is principally utilised because it allows for a significant reduction of labour costs (an apprentice costs less thanks to the breaks in taxes and social contributions) at the same time allowing the employer to hire a more flexible temporary workforce. And, even more significantly, apprentices, as mentioned earlier, are exempted from labour laws. The employer may therefore increase the number of persons that are required in the productive cycle without needing to comply with the standard regulatory regime that provides wider protection to workers. Proof to this is the continuous inflow of apprentices and the low number of permanent hiring. New Wear also resorts to temporary workers but to a lesser degree and non recurrent way. The later are in fact utilised during peak demand periods or to replace employees who are on sick or maternity leave.

At Valdinit the majority of workers has a standard contract with the company. There is period of experience, usually 6 months, and after that period the worker has a permanent contract with no term of ending. However when the workloads increase the unit hires often 4 or 5 additional workers that stay in the company about 2 or 3 months a year. The company tries to have always the same (temporary) workers because they know already the work. They have a fixed-term contract. The management explains that the unit does not like to use
temporary workers, because the work requires a long period of training and is very specific which does not allowed the unit to use this kind of contractual flexibility.

Unfortunately, we did not have precise information about pay of non-permanent workers of the companies studies, of their collaborators and irregular workers. Nevertheless we can confirm a situation of great inequalities between workers with open ended contract and workers with close-ended contracts or without contract⁶. Many respondents stressed such a point. For instance a trade unionist noted: «the situation worsen for workers with atypical contracts and event more for home-based workers normally without any kind of contract. It is an other cleavage between stable and unstable employees. Greater disadvantages affect above all para-subordinati and irregular workers». These differences reveal the fundamental role of the employment condition, of the type of contract in defining – sometimes in strengthening sometimes in re-elaborating – social inequalities. They have many drivers: a limited seniority (determined by the discontinuity of the trajectory and of the career, by the prevailing of a cross-organizations career) that do not permit to obtain service-bonus and other forms of additional income; the absence of the thirteenth month’s salary. However, more generally, the explication has to be found in the structural features of the non-standard contracts. One of the main drivers of income inequality is the lack of regulation. Workers with atypical contract are normally in a context of weak regulation (concerning working condition and in particular wage) and in an individualized context. With important differences among the various types of contract, in these situation employers have a greater discretionary power in negotiating/deciding the price of work, the wage⁷.

3.4 Changes in work organisation

3.4.1 Content of work

Interviews as well as documentation showed that work contents at Green have improved. The restructuring in the past years of the value chain has practically led to the demise of manufacturing functions. The large majority of employees have been moved from the area of manufacturing to that of services, such as, for example, sampling. As a trade unionist put it: «The old assembly line is gone and there is little or no Taylorism». In production area, tasks have been widened, enriched, de-standardised, they have been made poly-functional. Many occupations are even developed ad hoc. This is also the consequence of the machines/technology updating. The situation is different at Luxe where jobs are less varied. A trade

⁶ The phenomenon is present in almost all the European countries (European Foundation, 2008). But Italy is at an «advanced stage». In Italy the issue of wages and above all of income inequality between permanent workers and workers with atypical contract has to be examined also considering the wage moderation policy; this policy – agreed with trade unions – has been characterizing the development of working condition of Italian workers for two decades. It has contributed to keep wages low. As confirmed also by a recent report of Oecd (2009), the wages of Italian workers are among the lowest in Europe. In Italy, during the period 1995-2006, the index regarding net incomes has increased of 4.7 per cent; this increase is lower than the growth gathered in the majority of the other European countries. And after 2000 the trend has worsen. In 2006, in Italy, the median net income per year was 16,824 euro, the variation during the period 2000-2006 was just of 0.1 per cent, largely beneath the values of the other European countries (Istat 2008).

⁷ See Carrieri et al. (2005), Altieri et al. (2007), Cutuli (2008), Berton et al. (2009), Pedaci (2010)
unionist confirmed: «work is repetitive, it is always the same; you may actually be manufacturing two or three different items but, in the long run, it is always the same».

But at New Wear and Valdinit the situation is worse. At New Wear work has undergone little or no change as work continues to have a high degree of manual contents, standardisation and repetition. A worker complained about just how tiring the work is – a fatigue partly explained by its sheer monotony: «It is a work that wears you out, that takes away all your energies; it is boring; it is always the same even when there is new job order, or when you have to make a new swim suit». Also very interesting is what a trade union representative at Green had to say about the principal differences between Green and New Wear, in particular with regard to the way work is organised and, consequently, of the different level of complexity, control and autonomy it entailed: «Over there they have brought back to life the model that existed in the Seventies: the assembly line». This remark is similar to that made by an external trade unionist: «At New Wear there is not only a massive exploitation of the workforce but exploitation of the classical kind: workers are required to produce so many pieces in a given period of time».

About Valdinit, what concern the basic organisational principles, one may say that the unit has a task orientation: each worker is in charge of a specific task in the production cycle. There is a clear separation between the conception and the execution of work and there is a strong trend to fragmentation and standardisation of the execution one. So the work is repetitive, monotonous, routinised. Furthermore in the last years there were not important changes and important changes are not forecasted. The use of machines is very low and basic; there was no introduction of more sophisticated machines. The work is very manual and is almost hold in the same way since the beginning of the factory. These differences among the four companies are reflected in the different satisfaction levels that are recorded in the enterprises. It is in fact significantly higher at Green. On the contrary, in New Wear and Valdinit there is a very low satisfaction level. For a lot of people the reason of working for these companies is the lack of job offers and opportunities in the their region.

### 3.4.2 Organisation of working time

There are glaring differences among the four enterprises also in the organisation of working hours, in their flexibility and in the possibility of work-life balance. At Green, working hours are more regulated, with eight-hour working days, from 8.00 AM to 17 PM, with a one-hour lunch break, five days a week, from Monday to Friday, for a total working week of 40 hours. There are no shifts. Green also negotiated with trade unions four hours of flexibility a week that workers may be asked to provide during peak demand periods and that they may then recoup individually. Higher flexibility is a pressing demand on the part of the management. While flexible working hours predominantly occur on Saturdays, other negotiated solutions have been attempted over the years (for example, an extra hour in some days of the week depending on necessity). Overtime hardly ever occurs, also because it has become more expensive following the latest round of agreements. These agreements have instead widened time-off and flexibility options that are much in demand by women to reconcile work with family life. A number of female workers have also opted for part-time, either six or four hours a day. Part-time work had also been a point of contention between the social partners. Workers had demanded its introduction in order to enhance work-life balance demands,
while the enterprise held a position of total closure, which it however softened under pressure from trade unions\(^8\).

Working hours at Luxe are highly variable inasmuch as they depend on the volatility of demand and orders. Here, too, standard working hours are eight hours a day for a total of 40 hours a week and no shift work is envisaged as set down in the industry-wide agreement. Flexibility, on the contrary, is much higher. In fact this is the key characteristic of working hours at Luxe: for one week the working-day is nine hours for five days plus Saturday morning, while other weeks workers stay at home receiving temporary unemployment compensation. It should also be observed that the agreed flexibility is always with the allocated hours finishing well before the end of the year. And when this occurs, the company does not resort to overtime, which is more expensive, but demands from workers “additional hours” which are paid less than overtime. As trade unions have given but some concessions, this issue continues to be highly divisive. Though information continues to be sketchy, it is likely that workers will accept working longer hours, regardless of the terms and conditions set down in the industry-wide or company-level agreements, in order to meet the employer’s demands. Also, little is known about the outworkers – which constitute the organisation’s “soft belly” – who bear the brunt of delivery delays or any other problems. At Luxe, unlike at Green, scanty attention is given to the work-life balance, notwithstanding the fact that 95% of its workforce is made up of women. Flexibility of working hours, part-time work nor any other related policy are foreseen.

At New Wear as well, the standard working day is of 8 hours, for a weekly total of 40 hours. There are no shifts. Now if these are the working hours that have been set down in the contract, effective working hours are completely different and may be as high as 48 hours per week or more. And these “additional” hours are hardly ever those that fall within the flexibility or overtime work negotiated in the industry-wide agreement. These additional hours of work are decided every time there is a demand peak. In other words, this extension of work, though agreed informally, is in all effects imposed on the workers: «How can you refuse – a workers said – at times there’s so much work that you simply have to stay on a few hours more […] The thing is that at the end of the day you are dead». Thus the salient characteristic of the working day at New Wear is the variability of its extension. One day it’s 8 hours, one day it’s 9 or even 10, and of course no notice is given. Working hours are established on a daily basis. However, another important characteristic is the saturation of working time as the pace is so high that workers have no time – no matter how brief – to rest or take a break. This work rhythm naturally has immediate repercussions in terms of fatigue and psycho-physical stress. It is a problem common to all small-sized textile firms and that which local trade unions have insistently highlighted.

Also at Valdinit working hours are highly variable. The standard working hours are eight hours a day (from 8.30 am to 17.30 pm, with a one-hour lunch break) for five days a week (from Monday to Friday) for a total of 40 hours a week. There is not shift work. But in the

\(^8\) A significant “chosen” temporal flexibility is instead enjoyed by stylists and pattern makers. Alto to them is required an eight-hour working day, but they have a good autonomy regarding the organization of their work. Sometimes their working time is very de-structured. Anyway, nobody has opted for part time, and they seem quite satisfied about work-life balance.
period in which the workloads increase substantially, for instance when the season begins with the new collections to produce, there is a strong demand of overtime. Management asks workers to stay some more time during the working day; this overtime is not paid, the company compensates it with other hours: when there is a decrease in the workloads. There is not other kind of flexibility on working hours. The majority of employees are not satisfied of this time organisation; and questions related to work-life balance are felt very strongly in the unit: the majority of employees (all the women) denounced great difficulties in balancing work and private life.

In all the three subcontractor/subsidiaries longer working time, irregular schedule, high variability have a huge impact on quality of work and job satisfaction, specially for women. As a trade union representative of Luxe puts it: «women who work here have great difficulties in coping with the other things of life. It is especially women who have families who are in trouble: those, for example, who have school- or nursery-age children, often simply do not know how to pick them up because school timings do not match our inflexible working hours». It is a situation one is forced «to go along with» - a situation that is the source of widespread discontent because it leads to a claustrophobic organisation of one’s life and to the impossibility to dedicate time to other interests. Inflexible working hours are also the single most relevant factor of job dissatisfaction. Impacting significantly in terms of quality of work are also the very heavy workloads during peak demand periods, with the subsequent increase of stress and psycho-physical fatigue.

### 3.4.3 Functional flexibility

Functional flexibility occurs frequently at Green. Trade union agreements allow employers to give to their workers more than one task or to share them between offices or departments. Of course, this is conceded only up to a certain degree, women, for example, cannot be transferred to warehouse duties where work is heavier. Several respondents consider functional flexibility an opportunity to gain new experience and skills. Functional flexibility is, on the other hand, less frequent at Luxe, New Wear and Valdinit also because there are much fewer opportunities to carry out different tasks. Anyway, in the latter there is team working, a solutions well accepted by workers; a interviewee commented: «usually we work in small teams and that is very good because allows us to have more help when we need and the work is not so boring and tireless»

### 3.5 Skills, knowledge and learning

Skill structure within Green is highly articulated. Its complexity is due to the presence of multiple and different professional profiles. Education and professional skill level among stylists and pattern makers is quite high. The workers who handle sampling and production are those with lower education, followed by those at the warehouses. There are no substantial differences between men and women. Currently, Green has set a number of required skills, namely knowledge of materials, English language and basic IT. Skill structure at Luxe is much more simple, also because tasks are very standardised. As jobs here are not carried out along an assembly line, and as segmentation of work and rigid formalisation of operational procedures do not occur, a lot is till left to the ability and skills of the women. Skill structure is still more simple at New Wear and Valdinit. The majority of
workers has the profile of manufacturing manual worker and machine operator, with the exception of the specialised mechanics. The work carried out is highly standardised. To apply to this job some experience in the textile sector and some knowledge about the machines used are preferred but not essential. According to the manager of Valdinit, the company has a substantial period of initial training, so the lack of experience is not an eliminatory factor.

In all the organisations, knowledge acquisition mainly occurs on the job; often newcomers are flanked by expert workers. Green also envisages more formal and structured training. It is something that does not, however, apply to stylists whose training occurs, in fact, on a more personal and less formal level. They have the possibility to follow individualized training paths. At Green opportunities for knowledge sharing, collective learning and professional growth are considered good, although opinions vary. According to some, the outsourcing and the off-shoring of most productive functions has cut down opportunities and led to a loss of professional skills. Newcomers apparently no longer can move around within the organisation, losing opportunities of socialising and of fully understanding the productive cycle. Consequently, opportunities for knowledge exchange between departments are increasingly fewer, as manufacturing, sampling and design no longer interact with each other as they used to. This opinion, however, was held by some respondents and definitely not shared by others, especially by the management which, on the contrary, firmly believed that exchange among workers and departments were brisk and that professional skill levels constantly on the rise.

3.6 Industrial relations & regulations

3.6.1 Forms of workers’ representation

Green and Luxe have workers’ representatives organisms (i.e. the RSU, the Italian acronym for unitary union representative body) which are recognised and endorsed by the law and by collective bargaining, and which are elected by workers every three years. Union density at both firms is very high; approximately 60% at Green, approximately 70% at Luxe. According to trade unions, workers’ participation in trade union initiatives, including assemblies and strikes, is also significant. Membership and participation are not however distinguishing traits. Age and type of contracts are instead the important variables. At both Green and Luxe – but above all at the former – membership and participation are lower among younger persons and among those workers who have non-standard contracts. As a trade union representative at Green said «Maybe younger and atypical workers find it hard to get involved, and we have little time to explain how the mechanism works. In the past, when I first joined, it was the more experienced worker who had the task of telling us newcomers how things went». Trade union membership is lower the higher one goes up the hierarchy among more qualified staff, officials and managers. That is why trade union density is lower at Green, an establishment that can, in any case, claim a long and significant tradition of workers’ struggle.

New Wear has no workers’ representative organism that is recognised and protected by law and by the industry-wide agreement. This is the principal reason why New Wear continues to be so impervious to trade union action, as we will explain shortly. Trade union density is medium-low. Only four permanent workers are trade union members (corresponding to approximately 27% of total workforce). This figure is in line with what occurs in the rest of
the Italian productive system. In smaller-sized enterprises trade union density plummets to very modest levels. Commenting the situation, a trade union member said: «to convince workers at New Wear to sign up and to take part in trade union initiatives is difficult because there is no interest and maybe because they fear retaliation». Gender and age differences do not appear to be a problem, but it should be borne in mind that there far too few male workers to give rise to gender differences. What, on the contrary, emerges very clearly are the differences between permanent (i.e. those that have an open contract) and temporary workers (i.e. those that have fixed-term contacts, such as apprentices). Among these, not one is a trade union member. The explanation in this case is that these workers fear retaliation even more. As there is no workers’ representative organism, trade union activity is nil, while participation in initiatives organised at a local level by external trade unions is at best scarce. Also Valdinit has not a workers’ representatives organism. Even so union density in high; approximately 70%.

3.6.2 Information and consultation, issues of negotiations

The true difference among the four enterprises lies in the degree and modality of trade union involvement in the corporate decision. At Green information and consultation is a consolidated and continuing practice involving many aspects, from the definition of working conditions to corporate financial policy. Besides the periodical meetings (established during collective bargaining), it is customary for the management to call trade unions to discuss issues as they arise during the year. Not a subject for consultation, however, are the issues concerning outsourcing and decentralisation. On such issues, trade unions are never called for consultation or involved in defining strategies. Trade unions receive a “communication” of what has been decided in compliance with the right workers have to be informed.

At Luxe, even if there is a workers’ representatives organism, industrial relations are more complicated, and trade union information and consultation low, if not altogether insufficient9. «It is by no means an involvement in corporate decision making, because if it is not prescribed by law, it is us who have to go to them for information», a trade union representative explained. This situation is not at all unusual, it is, in fact, typical. The further one moves away from the centre towards the companies of the network, working conditions as well as industrial relations worsen. The centre, which is traditionally the brand owner or manager, tries go keep good relations with the trade unions, if anything for reasons exclusively linked to its public image. Green’s image has always been of a company with a high social responsibility, therefore very concerned not only about the consequences of its action but also about promoting economic and social development its territory.

As mentioned earlier, industrial relations at New Wear (including information and consultation practices) do not exist. A trade unionist explains: «several attempts have been made: We have tried to draft a company-level agreement, but the enterprise has always refused, and as

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9 The right to have representative bodies as well as the right to information and consultation on many aspects concerning terms and conditions of work are endorsed by law and by collective bargaining. Therefore in this context, the issue is not about making rules but about applying them; about accepting them in daily corporate practice. And as respondents have underlined, these prescriptions are not applied and are often interpreted erroneously. At Luxe, however, this trend is still under check thanks to the strong presence of trade unions.
it is a small-sized handicraft enterprise, it can apply the territorial agreement. So that’s that. It’s really hard with New Wear». Thus to briefly summarise the situation, there is very little consolidated practice in providing information to workers or in consulting them and there is even less involvement in the corporate decision-making process. For the time being, trade unions have opted for a step-by-step approach: «we intend to take few and short steps at a time, focusing initially on the regulatory aspect and on wages, before tackling the rest». At Valdinit industrial relation are minimal, not least because, as said, there is not a formal e recognized workers’ representatives organism.

Regarding Green and Luxe, main tenets of the working terms and conditions (minimum wages) have been established in the industry-wide agreement. During company-level bargaining, recurrent issues are those concerning working hours (time-off, pause, flexibility of working hours, etc.), health and workplace safety as well as compensation (wages, production bonuses, etc.). Central in the talks currently being held at Green are the issues concerning plant and office restructuring. At Valdinit, the most frequent issues in company-level bargaining are overtime, work-life balance, and salaries; the major difficulties of concordance are always about this latter.

**Conclusion**

The case study confirms the interrelation between strategies to achieve external flexibility and fragmentation of labour. Restructurings of value chain, through outsourcing, relocation of work, recourse to non-standard forms of employment split up workforce engaged in the same productive cycle, generate different groups of workers with great dissimilarities in job tenure, working conditions, social protections, possibilities to negotiate their conditions, access information, participate to consultation practices. And more generally, with great dissimilarities in economic and social insecurity, vulnerability, precarity. Together with the permanent workers of the main company (the owner of the brand, the «branded producer») the findings of the case study outlines many other segments: temporary workers of the main company, permanent workers of the subcontractors and of the subsidiaries, their temporary workers, apprentices, home-based and irregular workers. Along this segmentation great inequalities can be observed regarding wage, working time schedule/variability, difficulties of work-life balance, workloads, paces, prospects for career advancements, opportunities to learn and grow, level of job satisfaction and of psycho-physical stress. Specifically, moving from the “centre” of such a network to the other segments there is a worsening of all these issues, a worsening of the quality of work. Within subcontractors, subsidiaries, workers with close-ended contracts there is an intensification of the pressure for flexibility and of its consequences. Restructurings are mechanisms to shift risk and uncertainty somewhere else (Crouch 2009). This is obviously facilitated by the specific power relations in the value chain. The relations between Green and the other companies are characterized by a strong asymmetry of power, by an accentuated imbalance of the contractual power. The brand name owner – i.e. the company that has a recognized position of strength in the market – tends to exercise a control/domination over the subcontractors, suppliers, collaborators.

Nevertheless this does not confirm – or not completely confirm – the traditional model of the flexible firm and the traditional view on core-peripheral workers, arguing that segmentation
of workforces serves the interest of buffering the core workers, leaving the peripheral workers with all the disadvantages. This no longer seems to apply. Also the permanent employees of the main company, source of the outsourcing and of the relocation processes, are subject to pressure for flexibility, or rather to an increasing pressure for flexibility, and have to bear more and more to its consequences in terms of insecurity and vulnerability. Outsourcing, relocation of work, recourse to non-standard forms of employment retroact on the core workers. First of all, because of such strategies may provide a benchmark against which they are evaluated. The possibility/threat of a further externalisation is a mean to keep in check the employees, like the increased/induced competition between units within the value chain and within the same organisation.

The analysis shows then the importance of labour regulations. Differentials in rules concerning work and working conditions, within and between organisations and countries, favour the above mentioned phenomena and the resulting fragmentation of labour. They influence the decisions of management concerning restructurings, that very often are aimed to circumvent labour regulations, to exit «spaces» more thoroughly regulated. Such an argument is linked to an other important issue. Outsourcing, relocation of work, recourse to non-standard forms of employment have to be examined also as strategies that change the power relations between employers and labour, weakening the latter. In fact, they may lead to concessions by all the workers – core or peripheral – engaged in a specific value chain. For workforce, more de-concentrated, distributed, de-standardised, become more and more difficult to aggregate and organise their interests, demands and conflict actions. In those terms, restructurings are efficient disciplinary devices.

The question is how are such strategies sustainable, also for the long-term competitiveness of the companies, for their capacity to generate profits? The case study findings raise many doubts on the matter. Speaking of the main company, many respondents noted a declining trend in competitiveness, due above all to a lack of innovation and of low work productivity. Two phenomena that are closely linked to the deficit of appropriate policies aimed to increase the workforce wellbeing. Some respondents noted also a deteriorating of the quality of the production lines. Green is a company that has a great potential in terms of innovation and competitive force but it, too, is tempted to compete first and foremost by cutting costs. This is how a trade union representative summed up the situation: «There is a contradiction between the potential of this company – which is almost a beacon for the Italian industry as a whole – and certain aspects of its conduct, its strategies and its projects. The fact is that they are all trying to steal perspectives by lowering costs».

References


