"Made in Europe": Plight of garment workers under scrutiny

REUTERS, *Calafat, Romania*

Outside a clothing factory in Calafat in southern Romanian early one morning, hundreds of workers crowd around makeshift stalls to stock up on snacks and drinks for their shift.

The Italian-owned knitwear factory, Maglierie Cristian Impex, is the largest employer in the area and one of the largest clothing factories in Romania, with about 1,000 staff.

It has produced clothes since 1997 for big names such as Kenzo, Escada, Marc O'Polo, Faconnable and Inditex, the Spanish-based giant whose brands include Zara and Massimo Dutti.

But some workers mutter they have not been paid while others say they received wages only once every two or three months last year.

"Work, work, work - but no pay," complains one worker, 34-year-old Cristina, who did not want her real name disclosed.

Activists have railed against the plight of garment workers in recent years but their focus has often been on Asia.

But even inside the European Union - in Romania and Bulgaria particularly - workers can endure poverty-level wages, long hours and arduous conditions to make clothes for major brands.

Campaigners are demanding that clothing brands take full responsibility for their production chains, with decent pay and conditions for all the workers involved.

Some 345,000 people work in more than 10,000 factories in the clothing, textile and leather industries in Romania and Bulgaria, according to government statistics. The sector is among the top exporters in both countries.

Factory owners say they face intense pressure from brands to keep costs low.

Workers, who are overwhelmingly women, are often hired on the legal minimum wage of less than 200 euros ($220) a month net and may earn even less, say workers and campaigners such as the Fair Wear Foundation and Clean Clothes Campaign.

From late January to mid-July last year, Cristina says she was paid twice, receiving a total of around 1500 lei (340 euros) from the factory that has received European Union funding to "enhance economical competitiveness".

"Women go and start crying in front of the chief, saying 'please give me my money, because I can't feed my children'," says Cristina, the only person in her family with a full-time job.

April 2014, more than 300 employees at the Maglierie Cristian factory staged a wildcat strike over late wages.

Cristi Deseanu, 29, a mechanic at the plant, says people were eventually paid but he and other vocal protesters were fired and he lost his job that paid 250 euros a month.

Deseanu provided documents to back up his claim that he was dismissed because he took part in the strike. But, in a telephone conversation, a senior company official said Deseanu quit his job.

"My salary there didn't offer me the chance to start a family of my own," said Deseanu.

The Calafat factory is majority-owned by Enzo Mantovani, the founder of a luxury cashmere brand, and his sons.

The Romanian business posted a turnover of more than 8.3 million euros in 2014, according to the Romanian Ministry of Finance. On its website, it boasts of "a good reputation at home and abroad" and a philosophy of "absolute customer satisfaction".

Despite numerous attempts by phone, email and visiting the factory to obtain comment from the company, including responses to the specific allegations in this story, the firm has offered nothing beyond a few words on Deseanu's departure.

Inditex said last September that its social audits had found the plant complied with its Code of Conduct. In January this year, however, Inditex said the factory was now "under a correction plan". It did not specify details of the plan.

"In the following weeks, the audit teams will carry out another social audit of this supplier. The supplier will then receive either an authorization to continue supplying Inditex or it will be definitely blocked," the company said in a statement.

The other brands mentioned in connection with the factory did not respond to email or telephone requests for comment or did not answer the questions they were asked.

Catalin Mohora, a local labour inspector, said it can be legal for an employer to pay less than the minimum wage if, for example, demand for its products was low. An employer could cut working hours and decrease pay accordingly.

If salaries are late, inspectors first ask the employer to pay up and can only impose fines if the firm does not comply.

Mohora says Maglierie Cristian is one of the better local employers. Some companies, he said, try to avoid paying wages and taxes by modifying contracts after they have been signed and get employees to work overtime without extra pay.

Calafat's deputy mayor, Dorel Mituletu, said the town of around 17,000 people on the banks of the Danube struggles to attract investors and the Maglierie Cristian factory is its "breath of life". "No one can afford to get on the wrong side of someone who, one way or another, provides jobs to 1,000 people," he said.

Reports from workers from other factories can be worse.

Romania's Labour Inspectorate said inspections between 2013 and 2015 found the Zendoo Style factory in Calarasi, about 100 km (60 miles) east of the capital Bucharest, did not respect the law on salary payments, working hours, overtime and rest time for workers.

The company, which employed about 80 people, was fined for failing to rectify these issues, the inspectorate said.

Asked via telephone about this, the factory's managing director, Vasilica Sterschi, said she would comment via email on the Labour Inspectorate's statement but has not done so.

Zendoo Style was declared bankrupt in September 2015.

A report on 10 eastern Europe countries and Turkey in 2014 by the Clean Clothes Campaign, a group that lobbies to improve conditions for workers in the sector, found poverty-level wages, dangerous working conditions and forced overtime were "endemic throughout the garment industry".

It noted that the minimum wages in some of the countries it surveyed were lower than in China and Indonesia.

"Customers have this preconception - 'Made in Europe, it must be fair'," says Corina Ajder, a researcher for the organisation. "But that's not true."

Factory owners in Romania and Bulgaria say there is little they can do to increase wages under cost pressures from brands.

"They just want to put the prices down, down, down and that's it," says Radina Bankova, president of the Bulgarian Association of Apparel and Textile Producers and Exporters.

Some employers, however, have managed to give their workers a better deal, in collaboration with fashion brands.

In 2007, workers went on strike at the Pirin-Tex factory in Gotse Delchev, the biggest clothing factory in Bulgaria, with more than 2,000 workers that is located near the Greek border. They demanded an extra 100 euros a month in wages.

Bertram Rollmann, the factory's German owner, was shocked as he felt he had worked hard to maintain good relations with his workforce since opening the factory in 1993.

Wages went up every year and the business has a creche and a training department for staff.

When the strike began, Rollmann went to clients and asked for better prices. As a result, he said, he lost his biggest customer who accounted for 25 percent of production.

Other brands, however, agreed to pay more. The strike ended after 17 days when Rollmann was able to offer an increase of around 60 euros a month. In 2015, the average salary in his factory was around 415 euros a month, he said - while the minimum salary in the country was around 180 euros.

Rollmann believes conditions and wages are slowly improving as brands respond to consumers concerned about ethical issues.

"They are reacting now," Rollmann said. "The public mind-set is changing."

BIAC

Bangladesh International Arbitration Centre's Mediator Abdul Muyeed Chowdhury and CEO Muhammad A (Rumee) Ali pose after the successful resolution of an international commercial dispute between the Japanese and Bangladeshi investors of a joint venture private limited company.

Nokia holds 91pc of Alcatel after second round of offer

REUTERS, *Helsinki*

Finnish telecoms network equipment maker Nokia on Wednesday said it holds about 91 percent of the shares in France's Alcatel-Lucent following the second round of its 15.6 billion euro ($17.6 billion) all-stock offer.

Nokia has already started to combine its operations with those of Alcatel after gaining control of it last month.

Janata Bank reaches targets for 2015

STAR BUSINESS REPORT

Janata Bank has reached all but one of the performance targets for 2015, including reducing classified loans and making a profit.

Janata surpassed 12 of the 13 performance targets set by the government, Abdus Salam, managing director of the bank, told reporters yesterday.

The Banking and Financial Institution Division last year signed performance agreements with all state owned financial institutions to improve their financial health and to hold them accountable.

The bank needed to bring down its classified loans to Tk 3,000 crore, but it was able to slash it to Tk 2,850 crore, he said. Janata's classified loans stood at Tk 3,738 crore in 2014.

Realising written-off loans is very difficult, but the bank recovered Tk 143 crore of those, against a target of Tk 130 crore, out of a total of Tk 2,609 crore, Salam said.

The only target unachieved was in cash recovery against default loans, which stood at Tk 341 crore instead of the required Tk 750 crore, he added.

Titas Gas share price battered by cuts in distribution charges

FROM PAGE B1

But if the system loss is taken into consideration, the impact would be much higher, according to a securities analysis firm.

Around two-thirds of Titas Gas's total earnings used to come from its distribution business, said IDLC Securities, a stockbroker.

Moreover, it said, Titas had transmission business on a limited scale. During the last revision of the transmission margin, it was also revised down by 48.9 percent.

"On top of that, Titas used to have a large income from its fixed deposits and cash positions. The recent decline in the interest rate has further eroded the company's earnings," it added.

The sudden fall in prices attracted the attention of many and also prompted the regulator to go for an inquiry.

Bangladesh Securities and Exchange Commission in November last year formed a two-member panel to investigate the unusual price decline of Titas Gas.

The panel, which consists of two officials of the Dhaka bourse, has already submitted its report to the stockmarket regulator.

"The issue is now under the enforcement department, which is taking the next course of action. After the legal processes, the commission will take the final decision on the issue," said Saifur Rahman, spokesperson and an executive director of the BSEC.

The Titas Gas issue has also left a negative impact on four listed state companies - Padma Oil, Desco, Jamuna Oil and Meghna Petroleum.

The four companies have lost around Tk 2,800 crore in market capitalisation since August 30 last year due to a fall in their share prices.

Last week, the DSE Brokers Association of Bangladesh urged the government to revise the net profit distribution margin, as it has affected share prices and dividend declarations.

Titas Gas has recommended only 15 percent cash dividends for fiscal 2014-15, the lowest since its listing on the stock exchanges in 2008.

Its EPS for July-September this fiscal year came down to Tk 1.57, from Tk 2.37 a year earlier.

Investors always consider the listed state-owned companies, including Titas Gas, as fundamentally strong companies, said Ahsanul Islam, president of the association, at a press briefing last Thursday.

But if the government reduces the profit margin, the companies also lose their ability to provide healthy dividends, frustrating the general investors, he said.

The government owns a 75 percent stake in Titas Gas, institutional investors 16 percent and the public 9 percent.

Raising private investment a major challenge

FROM PAGE B1

Adequate infrastructure, energy, policy continuity, skilled manpower, political stability and investment-friendly climate are the key factors for higher economic growth."

Despite the weak external impetus because of the recession in the Euro area, Bangladesh has maintained a stable economic growth rate of more than 6 percent in the last few years. "However, in order to keep the growth momentum up, the government will need to raise enough resources to meet the heavy pressure on the budget caused by the salary hike for government employees and essential spending on physical infrastructure."

The chamber said the rate of inflation may fall further in January-February because of a decline in commodity and fuel prices in global markets.

The MCCI assumed that the relatively calm political situation at present will continue in the third quarter of this fiscal year. "Therefore, export, import, and remittance will increase further.

Foreign exchange reserve can be expected to fall in January and March due to payment to the Asian Clearing Union against imports," it said.

On the capital market, the chamber said the market has passed yet another gloomy year as trading activities were dull almost throughout 2015. "Various efforts taken by the government and regulators to shore up the market in the past five years virtually failed to bring desired results."

Foreign investment in the stockmarket witnessed a 92.94 percent decline year-on-year in 2015, driven by profit booking sales by overseas investors, MCCI said.

Broad money recorded a higher growth of 13.81 percent year-on-year at the end of November, compared to 12.84 percent a year ago. Domestic credit, on the other hand, recorded 10.31 percent growth at the end of November, which was 10.85 percent a year ago.

The government achieved commendable success in short-term action for power sector crisis management, but the long-term goals remain unresolved, MCCI said. "The power supply situation, however, improved in the quarter under review, but demand for power, too, shot up."

As of December, total generation was 5,039MW during day peak hours and 6,553MW during evening peak hours; maximum generation in 2015 was 8,177MW on August 13, 2015.

The chamber said manufacturing activities showed signs of regaining momentum, thanks to a calm political situation.

Bangladesh's economy is progressing well, but below its true potential, MCCI said. "The government's efforts should be intensified to overcome the impediments."

Joint business council with EU soon

FROM PAGE B1

Currently, many green garment factories are being built, which is a good sign of the safer working environment in Bangladesh. More than 70 green garment factories are also coming into production soon, Ahmed said.

At present, the number of green garment factories is about 20.

The minister also invited business people from the EU to invest in the special economic zones, as the government has been building 100 such special zones both for domestic and foreign investors.

The EU delegation assured that they will continue the zero-duty benefit for Bangladesh even after the country's graduation from least-developed country status by the end of 2021, according to Ahmed.

The zero-duty benefit will come under the GSP Plus scheme, which is given to a developing country with some conditions like ratification of four vital international conventions, including human rights, environment, workers' right and governance.

The EU-28 is the largest trading partner for Bangladesh. In fiscal 2014-15, Bangladesh's export to the EU stood at $17.04 billion, of which 90 percent were garment items.

In fiscal 2013-14, exports to the EU raked in $16.40 billion, according to data from the commerce ministry.

Beside garment, Bangladesh also exports leather goods, jute goods and bicycle to the EU.

"We have discussed the workers' representation in trade unions at the factory level. We have discussed how to use the highest possible standards in the workplace," Jean Lambert, member of the European Parliament and the head of the delegation, said at the press briefing.

"We will discuss different trade issues like tariffs in trade regularly after formation of the EU-Bangladesh business council. We are working for formation of this very important business measure for increasing the bilateral trade."

ONE BANK

M Fakhrul Alam, managing director of One Bank, and Abu Noman Howlader, managing director of BBS Group, pose at the mandate letter execution programme for arranging a syndicated finance of Tk 510 crore. The fund will be used to expand cable production capacity of BBS Group.

PRIME GROUP

MA Awal, chairman of Prime Group, hands over the deeds of a land to Md Nazrul Hasan, managing director of Dhaka Power Distribution Company, at an event at Prime City in Fatullah on Monday. Prime Group donated a 12,752-square-foot land to DPDC to set up an electricity sub-station.

Revenue rises 13.35pc in July-January

FROM PAGE B1

Revenue growth in income tax was 9.66 percent.

The NBR in a press statement yesterday said, if the ADP implementation progress is satisfactory, the entire year's revenue target can be reached.

In the statement, NBR Chairman Nojibur Rahman said, to meet the revenue collection target in fiscal 2015-16 his organisation has been working tirelessly.

Surveys have been conducted to identify new taxpayers and 3.20 lakh of them have been found.

The NBR chairman hopes the target of increasing new taxpayers could be met. At present, there are 18 lakh taxpayers in Bangladesh, and 11.50 lakh of them submit their income tax returns, according to NBR.