

# Bulgaria: Outsourcing Exploitation to Europe's Periphery

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**This interview exploring Madlen Nikolova, Jana Tsoneva and Georgi Medarov's recent research on subcontracting, inequality and worker resistance in Bulgaria was originally published on the website of the Rosa Luxemburg Stiftung.**

Most people probably associate outsourcing and subcontracting, whereby a company pays another company (usually in a country where wages and labour standards are significantly lower) to produce its goods which it then resells for a profit, with the clothing and electronics factories of China and Southeast Asia. While "Made in Korea" and even "Made in Japan" were once synonymous with cheap, mass-produced goods in the West in the 1960s and 1970s, today "Made in China" or "Made in Bangladesh" stand for low wages, cheap goods, and hyper-exploitation along the global value chain. Whether basketball jerseys, DVD players, or laptop computers, the disposable consumer lifestyle prevalent across the industrialized world is made possible by externalizing production costs onto poorly paid workers in the global periphery.

In Europe, the eastward expansion of the European Union since 2004 has also meant the incorporation of a virtually untapped economic "periphery" in the form of new member-states like Poland, Romania, and Bulgaria, where the economy is still recovering from the devastation of 1989-90 and workers are correspondingly willing to accept lower wages than in places like Germany or France. Western European and German companies in particular have taken advantage of this situation by outsourcing massive amounts of production to the eastern states, from concrete material goods like automobile parts to more ephemeral but vital services like call centres and computer programming. This in turn has also had an effect on the composition and consciousness of the working classes of these societies, facing renewed economic growth after the stagnation of the 1990s on the one hand, and on the other continually temped by the higher wages and standards of living in their Western neighbours.

We spoke with Bulgarian sociologist Madlen Nikolova, a member of the Sofia-based Collective for Social Interventions (KOI) and co-author of the recent RLS-supported study *Exploitation & Resistance: Labour in Three Subcontracting Sectors*, to learn more about the effects of subcontracting on Bulgaria's economy and society.

**Tell us a bit about the Collective for Social Interventions and your place in the Bulgarian political landscape. What are some other projects you've done and what are your objectives? Do you work with the Rosa-Luxemburg-Stiftung often?**

KOI is a collective of left-wing activists and engaged researchers producing critical analysis of the political landscape in Bulgaria and translating and publishing critical literature. We also campaign around issues such as tax and trade justice, anti-racism, and workers' rights.

The "People" Against Welfare Payments, a study we published in 2018, focused on the reluctance of

political parties of all stripes to provide support for citizens in need, and their determination to dismantle both the public social security and the welfare systems. Flat Tax or Democracy, another 2018 KOI publication in collaboration with Solidary Bulgaria (a progressive NGO) makes the case for progressive taxation by demonstrating the flat tax's failure to live up to promises of attracting more FDI or increasing tax collection rates. Our study on Bulgarian tax policy demonstrates that the current tax system is "flat" in name only, but in practice takes from the poor and working people and redistributes wealth upward. The study featured specific policy proposals for minor progressive tax reforms in favour of low- and middle-income taxpayers. The publication and presentations of both studies were supported by the Rosa-Luxemburg-Stiftung's Belgrade Office.

Our collective has changed quite a bit since we first started working with the Stiftung back in 2012. From 2010 to 2015 we ran a social centre in Sofia called "Haspel" together with many other activists and artists now active in other social centres or progressive organizations. We shared the physical space and collaborated closely with an artistic collective called "The Fridge", and hosted art forums, lectures, seminars, conferences, and reading groups, some funded by the Stiftung. The space was also available to other political collectives for regular meetings or ad-hoc meetings of protest organizing committees.

Since 2015 we've shifted our focus to original content, campaigning for policy changes and conducting engaged research which the Rosa-Luxemburg-Stiftung also supports.

**Your recent study *Exploitation and Resistance: Labour in Three Subcontracting Industries* reveals the subject of investigation in its title. Can you tell us what industries you chose to look at, and why subcontracting is such an important phenomenon for critical sociologists and leftists to understand?**

We looked at the private security industry, the garment industry, and call centres. Each has its own specific public image, but the commonalities between them are often absent from public debates. The three industries are dominated by subcontracting companies working for larger corporations or institutions. There is very low to zero unionization in all of them. Call centres invoke a picture of a "modern", "Western" and "youthful" sector with educated professionals that occludes the severe working conditions there, while the garment industry and private security companies are associated with images of elderly and voiceless people barely making ends meet. However, our research drawing on previous studies of these sectors showed that working conditions and managerial strategies are not that different, despite the different type of company ownership (state-owned or privately owned) and the different commodities they produce. Labour organizing is lacking at call centres, where solidarities are fragile both because of the limited professional prospects at these companies and because of the volatile nature of the projects the companies land. While security jobs are more stable, they involve irregular social security payments, extreme overtime, and often no vacation.

The expansion of subcontracting in these three industries—particularly the garment industry and call centres dominated by work for transnational corporations—has made Bulgarian workers even more insecure and vulnerable to the whims of international markets. Because they also affect working conditions and wages, outsourcing and subcontracting cannot be reduced to a relationship between companies. Often a big transnational clothing brand, the principal employer hides its responsibility for working conditions by subcontracting to a local company. All labour code abuses become the legal responsibility of the direct employer. Thus, if a major brand decides to cancel an order at the last second, it is the subcontracted company that delays or fails to pay workers for months and declares bankruptcy. In addition, extreme exploitation is practically encoded into the brands' prices: as we show in our study, sometimes less than one percent of a garment's end consumer price goes to the direct producers, while profits for the direct employer are not that

substantial either.

Subcontracting is a problem for workers not only in sectors dominated by transnational high street fashion brands but also in those dominated by “national” capital. We give the example of the expansion of private security companies, which in Bulgaria were able to push for legislation forcing public institutions to use their services. The government and public institutions thus became private security services’ biggest client, but violations of labour rights are still widespread.

Comparing subcontracting in garment factories (which are part of transnational value chains) and national private security firms (which work for both public and private Bulgarian companies) helps to identify similarities between national and global capital. In Bulgaria, conservatives and liberals try to favour one over the other. Yet from the workers’ perspective there is little to no difference. The problems emerge from the subcontracting practices themselves, because they are means for the employer to escape responsibility for its de facto employees. Subcontracting creates a hierarchy between companies, especially if the supplier is dependent on their client. Conflict between the two companies does not automatically lead to the subcontracting company siding with workers—on the contrary, it requires even more aggressive techniques of surplus value extraction.

**I’d like to know a bit more the state of the Bulgarian economy and political discourse. Your study begins by noting Bulgaria’s comparatively high economic growth rates (3.5 percent of GDP in 2017, significantly above the EU average of 2.4 percent) paired with growing inequality, which you attribute to “labour exploitation” and “unfair pay”. Yet aren’t all capitalist economies based on paying workers less than they actually produce?**

Yes, clearly capitalism in general is based on extraction of surplus value and in essence unpaid labour. Nevertheless, there are historic class compromises like the welfare state that has been gradually dismantled in recent decades. There are possibilities for progressive reform within capitalism in the sense of reducing exploitation by increasing wages and redistribution through the welfare system. It is not a given that commodity prices or exploitation will increase whenever workers win gains such as shorter working hours or higher pay. What would resistance to capitalism in the abstract look like if it did not comprise a series of concrete struggles within which it is possible to find systemic transformative potential?

We try to address one more key issue with our study: namely, the widespread use of subcontracting or subcontracting-like practices is indicative of transformations in contemporary capitalism. Because subcontracting can be a very local practice, it’s not simply transnationalization of production or so-called “globalization”. Rather, it creates hierarchies between production processes and companies through which responsibility for labour is transferred down the value chain and away from the de facto employer, which becomes a client of a subcontracted supplier. We can also observe such practices in other spheres. Extreme forms of this process can be seen in the transformation of workers into “self-employed” entrepreneurs, as we addressed in previous studies.

In Bulgaria, for example, woodcutters are often employed not as workers but as independent traders with their own means of production (chainsaws) who are responsible for themselves in case of work accidents—not the “client” who employs them. We observe a similar tendency toward worker “responsibilization” through giving them ownership of some of the direct means of production in the so-called “sharing economy”. We have to understand this transformation of capitalism in order to properly formulate our political demands. Of course, this hierarchization of production processes is not entirely new. In Marx’s time artisans were employed to produce certain machines or for repairs. Marx showed how different modes of production could be articulated within and subjected to a capitalist logic. For example, agricultural labour sometimes involves employing just one patriarchal head of a family who is then forced to find his own extra-legal and patriarchal means to discipline

family members. Here, the employer is not directly legally responsible for the forms of violence and exploitation this entails.

We could argue that the rise of subcontracting is simply the return of these older forms of exploitation shrouded in the apologetic language of fancy words like “globalization”. It’s important to understand them in detail, how they affect workers, and precisely what structures of domination are articulated. This makes it easier for contemporary democratic socialist movements to find an adequate response.

**You write that European Commission reports appear “leftist” when compared to mainstream discourse in Bulgaria. What does that mean exactly? What are mainstream narratives? What do the traditional organizations of the left—the trade unions, the Bulgarian Socialist Party (BSP)—say?**

Yes, EC documents are often highly critical of extreme inequality and poverty in Bulgaria. In some cases, such as the lack of any progressive elements in the Bulgarian tax system, they are discussed as one of the main reasons for the country’s dire social situation. The social-democratic BSP does not seem to be moved by the fact that even the EC recognizes serious social problems in Bulgaria, and instead prefers to wage campaigns against women’s rights. The BSP was at the forefront of the conservative campaign against ratifying the so-called “Istanbul Convention” on preventing violence against women.

However, trade unions and new left-leaning organizations in Bulgaria have referred to the EC in their campaigning to argue that there is enough space for the Bulgarian government to manoeuvre within the European status quo, and that no international institution forces it to crack down so extremely on social and workers’ rights. But this rhetorical strategy can be a double-edged sword: EC reports tend to blame everything on the national government and never question the larger international context within which it operates. The fact that Bulgaria’s currency, the lev, is pegged to the euro makes the country a de facto Eurozone member and generates structural imbalances, as there is a common monetary but no fiscal policy.

Nevertheless, the Bulgarian government is at fault for trying to advertise its supposed “competitive advantages” such as low labour costs and low taxes for business in a race to the bottom with other Eastern European states.

**What has the effect of joining the EU been on the Bulgarian economy and Bulgarian politics? Obviously out-migration has become easier, but beyond that? How do EU labour regulations compare to Bulgarian legislation, for example?**

There is plenty of EU talk about increasing competitiveness, but in practice this translates into some countries (particularly in Eastern Europe) trying to attract FDI and bolster competitiveness through social dumping, exploiting the fact that there are no pan-EU labour regulations. An example would be the legal loopholes in the Bulgarian Labour Code enabling a radical extension of unpaid labour time. Now we see a similarly drastic increase of the “normal” rates of unpaid overtime in other countries like Hungary and Austria, meaning the problem of far-right governments pushing for decreased labour protections and social dumping is not limited to Eastern Europe. The EU is a financial and economic union and less a social one. The realization of this fact will, I think, sooner or later lead to widespread disillusionment with it.

**Your study explicitly states that it seeks to “see how victims become political actors”, and you conducted quite a few interviews with workers themselves. How did you approach them? Was it difficult to get them to open up about their experiences?**

Yes, the main sources of our study were interviews with workers. As for the difficulty of approaching people, it is very contextual. For instance, more militant or organized workers are clearly more open to such studies. Some of them have already taken part in various focus groups for “social audits” commissioned by brands, or have been interviewed by sociologists and the media. However, it is not that easy in villages where a factory is the sole employer and has strong ties with the local municipality, as here workers face much bigger risks. Whole families rely on work in that factory, they are dependent on the owners or their political backers in multiple ways and migration to other Bulgarian cities is harder due to racism, as the residents of these villages often belong to the country’s Turkish minority. So even when we managed to interview someone in such a situation, they were usually reluctant to go into detail about their wages fearing their identity could be revealed. We approached workers in call centres easily. They talked at length about their working conditions, albeit without actually being aware that what they were describing constituted labour code violations.

**A lot of the workers you interviewed noted migration into Western EU member-states as a desperate and highly individualized form of resistance but resistance nonetheless, with 45,000 Bulgarians moving to Germany in 2017 alone. What about the effects this individual resistance has on conditions at home? Could one argue that immigration, an understandable response to hyper-exploitation and local poverty, also weakens the Bulgarian labour movement by atomizing workers and weakening trade-union institutions?**

It is very clear that emigration is a response to poor working conditions and low wages. In many interviews workers said that emigration seemed easier than collective resistance. In that sense emigration could be considered a form of resistance, albeit individualized and desperate. Although conditions are often better for workers in Western Europe, they are far from perfect. They face not only exploitation but also racism and political exclusion, as most do not have the right to vote in their countries of residence.

As the sociologist Raia Apostolova points out with view to Southern and Eastern European migration to Western Europe, “freedom of movement furthers excessive exploitation of labour coming from the so-called economic periphery”. This excessive exploitation should face international resistance, as other Eastern European states have to deal with the same issues. Writing on the case of Hungary, Ágnes Gagyí and Tamás Gerőcs show that the Hungarian government tries to address labour shortages with eccentric and brutal labour reforms that harm workers. One option would be to look towards the EU for solutions, but that raises the question as to whether the EU can be reformed to serve its citizens and not big business by engendering huge inequalities between and within nation-states.

**You write that the Bulgarian state tries to compensate for the outflow of labour power into the West by importing more workers from non-EU states. What are the primary countries of in-migration into Bulgaria, and do factors like race come into play? Does Bulgaria have something like a racialized labour market, in which visual markers of identity are used to justify increased exploitation and divide workers?**

Backed by the government, Bulgarian employers’ associations impose their concerns about a perceived shortage of workers onto the policy agenda despite the fact that no official data substantiates their claims. On the other hand, poor working conditions (low wages, irregular social security payments, and unpaid overtime) offered by these same businesses are the reasons behind workers’ migration to Western Europe. This is especially true for the garment industry where the absolute number of workers has declined by half in the last 14 years. Factory owners themselves acknowledge that workers leave their hometowns to seek better working conditions in Western Europe, but ultimately blame “benefits tourism” and disability fraud practices across the EU for the

country's "unfavourable" investment climate.

The solution to this crisis suggested by employers' associations and realized by the government is to actively encourage the migration of 500,000 non-EU nationals to fill the low-paid jobs Bulgarians are running away from. Laws governing the import of third-country workers were liberalized in 2018 with the support of then-Vice-Prime Minister Valeri Simeonov, leader of the far-right "National Front for the Salvation of Bulgaria" (NFSB). As Nikolay Sirakov, an MP from its centre-right coalition partner "Citizens for European Development of Bulgaria" (GERB), acknowledged when parliament voted on the amendments to the labour migration law, "this measure was demanded by business and business is intelligent enough to estimate whether it is economically profitable to import labour from abroad".

While one can speculate whether the right-wing government together with the employers' associations have good intentions to accommodate migrant workers in Bulgaria, the current plan to import up to 500,000 people should provoke concern about their social and political status.

Employers' associations argue that liberalization will attract Christian Bulgarians from Ukraine and Moldova. At the same time, the coalition parties are campaigning against asylum seekers from non-Christian backgrounds (particularly Muslims) working in Bulgaria. A mainstream trade union confederation (KNSB) chimed in with an eccentric proposal for the government to populate desolate villages with 50,000 Bulgarians from Ukraine and Moldova who would subsequently be at the disposal of local employers, without making any radical demands to raise the minimum wage. Another trade union confederation, Podkrepa, radically opposed the amendments. Vanya Grigorova, Podkrepa's economic advisor, expressed concerns that the import of so many workers would lead to unprovoked far-right attacks and campaigns against foreign workers led by the same people who supported the relaxation of regulations on labour migration. There are also concerns that migrant workers, disappointed by the bad working conditions, would stop coming after a few years and the labour shortage in many sectors would worsen.

Ethnic and religious distinctions between workers are exploited by capital to break solidarity and ignore social rights without real resistance. However, it's important to note that it's often not a question of visual markers of identity—distinctions are also drawn along linguistic and religious lines.

**You describe how outsourcing and sub-contracting place Bulgarian capitalists in a subordinate relation to Western contractors who swallow up most of the profits, in turn raising pressure on local workers to work harder for less. What kinds of solutions do you see to this arrangement? I was surprised to read that some of the garment factories you studied were actually state-owned. Even public ownership can't protect workers from the predations of the free market?**

Only one of the garment factories we studied was state-owned, but the difference between public and private employers is pivotal (albeit not huge) in that public institutions allow unionization, which is often the only way to actually improve working conditions. Wages don't differ much between public and private enterprises, but unions give public employees an effective tool to counter blatant rights violations. We show the latter in the case of the garment and security industries by comparing conditions in unionized and non-unionized enterprises based on interviews with workers.

Our study confirms your suspicion that public ownership alone won't protect workers. Capital is ultimately a type of social relation, not a question of legal ownership—public, cooperative, and private companies can subject workers to the same disciplinary regimes and value extraction. The state-owned garment factory we surveyed operated as a subcontractor for larger brands and was

thus subjected to the same pressures. There was a big scandal several years ago when workers were not paid at all for many months. Other companies in the sector subcontract to cooperatively owned or home-based cooperative-like production units, where conditions are sometimes even worse than in larger factories.

The problem can't be reduced to producers for big international brands. We interviewed employees of companies that own their own brand and are thus not subjugated to global brands in the same way as the majority of firms in the sector, but similar problems existed. This is because multinational corporations dictate the structure of the sector.

**You looked at three different subcontracted sectors of the economy: garments, security, and call centres. What kinds of commonalities did you observe between workers' attitudes? Were workers in one sector more militant than others? Have there been any notable organizing successes to learn from?**

The level of militancy among workers depends on many factors such as company ownership, location, workers' age, and the industry they're employed in.

In the security services industry, unionization is not allowed at private companies and employees tend to be afraid to talk about work-related issues. At public institutions, on the other hand, unionization is allowed and unions can intervene in critical situations. The wages of such security workers are also low, barely above the minimum, but legal standards are generally respected and there is no forced overtime. They also get more paid leave than workers in subcontracted companies. The study documents an example where a public institution tried to illegally sack a female security guard explicitly because of her disability. The union supported her court case against her employer, and she won and managed to keep her job.

It's very hard to find unionized workers in the garment industry, where there are no public companies. However, workers in bigger cities are much more outspoken and less afraid of retaliation as they can usually find another job more easily. Unionized workers are generally well-informed about changes to the labour code and their rights. They feel empowered to argue with their employers and management directly and contest changes to the schedule, the organization of the production process, and hiring decisions.

Unlike them, call centre workers insisted on the need for further education on workers' rights and on trade unionism because of their experience with, for example, being made redundant and not knowing they were owed compensation. Some of them are not even aware they work overtime, or that they are not paid appropriately for working at night. Call centre workers said that the presence of trade unions would also help counter feelings of unworthiness and guilt among them, instead of believing management's reprimands are justified.

There are examples of successful strikes by unionized workers in the past 10-15 years. However, low levels of unionization (less than 5 percent in the garment industry) together with aggressive employer tactics relying on political protection at the local and national level mean that unions find it hard to sustain their gains. In some cases unions won collective contracts on the factory level, but employers are pushing hard to terminate them unilaterally and impose more unfavourable conditions. There is strong pressure on union organizers and worker activists, and in some cases owners bribe local media to organize smear campaigns against them, accusing them of being corrupt and implying they abuse public funding (which trade unions do not receive).

**KOI's work has provoked a degree of public response, with a long write-up in the German newspaper Die Zeit and, from what I understand, a fair amount of attention in Bulgarian**

## **media. What kind of changes, whether structural or discursive, do you hope will follow?**

Lately there was indeed renewed media interest in working conditions in Bulgaria, particularly in the garment industry. And yes, our study received decent coverage by some Bulgarian media. Unfortunately, pressing social issues often only gain attention when they are mediated by coverage in Western media (like Die Zeit and Deutsche Welle), which did some critical reporting on working conditions in the Bulgarian garment sector last year.

Importantly, this study wasn't the only thing sparking interest in subcontracting but also the work of the international activist Clean Clothes Campaign network, specifically their campaign around working conditions at H&M supplier factories. My colleague Georgi Medarov and I conducted a study on an H&M subcontracter in Bulgaria. CCC's campaign Turn Around, H&M! was based on studies of cases in Turkey, India, Cambodia, and Bulgaria, proving that H&M did not come close to achieving its goal of paying workers a living wage. Bulgarian wages covered the lowest share of the living wage—about 10%. The fact that Bulgaria is a member of the EU and not supposed to have such low living standards attracted a lot of media interest.

Bulgarian media started publishing translations of the Western reports and were thus forced to use the word “exploitation” when talking about production, which itself marked a big step. The Die Zeit article quoted the CCC study and even provoked an MP from the Socialist Party to inquire into working conditions in the sector, receiving an official response from the Ministry of Social Policy. The ministry acknowledged the problems inherent to subcontracting practices, the pressure employers put on workers to keep quiet about working conditions, and the controversial and illegal ways of calculating overtime to avoid paying it. However, the ministry did not commit to anything other than “a timely reaction” to complaints and observing the labour code, stating that their hands are tied due to “globalization”.

There has also been a stronger push towards campaigning simultaneously on issues of exploitation, sexism, and racism, but this is the effect of the efforts of many leftist organizations and progressive media. We have a long way to go in Bulgaria. The left is small, fragile, and largely disconnected from the actual labour movement. I hope, however, that studies like ours and the responses they provoke can gradually rekindle these connections, which would be the real precondition to winning major progressive reforms.

Madlen Nikolova's full study is available [here](#).

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### **Madlen Nikolova**

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