

Population (2018)

3 Mio

Garment
factories (formal
and informal,
2018)2,800¹Share of outward
processing² /
"toll manufactur-
ing" in all apparel
companies70%³Employees in the
garment sector
(formal and
informal, 2018)21,500⁴Share of export
in the Textile,
Apparel,
Footwear and
Leather goods
(TAFL) Sector80%⁵Share of garments
and footwear in
the total export
volume (2017)18.86%⁶

¹ The official data on the number of companies and employees in the garment industry differ. We have chosen as most credible source the State Register of Legal Entities in the Republic of Moldova, according to which there are 1957 garment factories in Moldova. (<http://date.gov.md/ckan/ro/dataset/11736-date-din-registrul-de-statal-unitatilor-de-drept-privind-intreprinderile-inregistrate-in-repu>). As the share of informality in the Moldovan economy is about 30 percent, we estimate the total number of formal and informal garment factories at about 2.800. (http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_457542.pdf)

² Outward processing represents customs procedures whereby goods in free circulation in a customs territory may be temporarily exported for manufacture, processing or repair and then re-imported, being totally or partially exempted from import taxes and duties.

³ Invest Moldova (2018/2019): Textile, Apparel, Footwear and Leather Goods – Republic of Moldova, page 11 (http://invest.gov.md/sites/default/files/TAFL%20sector%20overview_Edition%202018-2019.pdf)

⁴ According to the National Bureau of Statistics (http://statbank.statistica.md/pxweb/pxweb/ro/40%20Statistica%20economica/40%20Statistica%20economica__14%20IND__IND020/IND020100.px/table/tableViewLayout1?rxid=9a62a0d7-86c4-45da-b7e4-fecc26003802) there are 14 802 workers in the garment industry. If we assume a share of informal work of 30 per cent, we end up with about 21.500 employees in the garment sector. However, as the garment sector is notorious for informalization of work, this can be seen as a minimum number. In 2010, 26.000 workers in the apparel sector were registered – please see CCC's 2014 Moldova country profile (<https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-moldova/view>).

⁵ Invest Moldova (2018/2019): Textile, Apparel, Footwear and Leather Goods – Republic of Moldova, page 4 http://invest.gov.md/sites/default/files/TAFL%20sector%20overview_Edition%202018-2019.pdf

⁶ According to the OEC, in 2017 the share of garment and footwear exports accounted for 558.3 million US dollars, which accounts for 18.6% of the total exports. (<https://atlas.media.mit.edu/en/profile/country/mda/>)

Main export destinations (in percentage value terms) of textile and garments in 2017⁷

| | |
|---------|--------|
| Italy | 34 % |
| UK | 13.2 % |
| Romania | 12.8 % |
| Belarus | 8.5 % |
| Turkey | 7 % |
| Germany | 6.9 % |
| Russia | 6.4 % |



The percentage of products exported to Belarus and Romania indicates that Moldovan factories are sub-contracted by suppliers from these countries (this has also been established by empirical research).

The garment and footwear industry mainly work under the Outward Processing Trade scheme, i.e. all finished goods are exported under orders of foreign brands and retailers and the inputs for garment assembly are imported – all customs free. Mention should be made that in the case of the Moldovan footwear factories, they rather provide inputs (often sub-contracted) for shoe assembly in Romania.

Brands producing in Moldova⁸

Arena, Aspesi, Apanage, Armani, ASOS, ASDA, BASLER, Barbour, Belstaff, Bexley, Brice, Baykar, Brix, Byblos, Burberry, Bizniz, Belw, Caractere, Carinthia, Chervo, Cherokee, Champion Europe, Comtessa, Catavi, Celio, Cantex, Chevignon, Calvin Klein, C&A, Calmo, Canda, Carven, Diana Galesi, Disney Stores, Dolce&Gabbana, Devred 1902, Didi, De Berkel, Elena Miro, Europride, Extrome, Gerry Weber, Geospirit, Gap, Gruppo Arcte, Giorgio Rotti, Giovanni Botticelli, George at Asda, Holding Centre, Hasanova, Inditex/Zara, Justina, Jotex, Kiabi, Key, Kapalua, Kirsten, Luisa Spagnoli, Mervyn's, Mauro Grifoni, Miroglio, Marcona, Moncler, MAX&CO, Marks & Spencer, Max Mara, Martinelli, Nike, Navigare, New Look, Naf Naf, Nigitex, Penny Black, Patrizia Pepe, Palmers, Penteux, Pompa, Peter Hahn, Potis&Verso, Puro Lino, Primatist Marlane, Primark, Penny Black, Prada, Roly Poly, Schoffel, Selected, Steilmann, Street One, Succes, Texal, Trussardi, Teamdress, Tesco, Uniform C.S.M. Italia, Umlauf&Klein, United Colors of Benetton, Versace, Valentin Iudashkin, VF Corporation, Wool and Cashmere.



⁷ https://wits.worldbank.org/CountryProfile/en/Country/MDA/Year/2017/TradeFlow/Export/Partner/by-country/Product/50-63_TextCloth/Show/Partner%20Name;XPRT-TRD-VL;XPRT-PRDCT-SHR;/Sort/XPRT-TRD-VL/Chart/top10

⁸ Lilia Nenescu, Vitalie Sprinceana and Anastasia Nani, International brands and local workers - a mapping of the garment and footwear industry in Republic of Moldova (2017) (http://fes-moldova.org/fileadmin/user_upload/2017/publications/Mapping_Textile_Industry_Moldova.pdf, pages 37 – 44)



WAGE LADDER MOLDOVA

| | |
|--|--|
| 106 EUR/ 2 172 MDL | Legal minimum net wage (2018) ⁹ |
| 100 EUR/ 2 000 MDL | Lowest net wage in the garment sector according to the interviewed workers, including overtime (2017 - 2019) ¹⁰ |
| 174 EUR/ 3 653 MDL | Lowest wage (average net wage) in manufacturing: furniture manufacturing (2017) ¹¹ |
| 176 EUR¹⁵/ 3 690 MDL | Average net wage in the garment sector (2017) ¹² |
| 215 EUR/ 4563 MDL | National average net wage (2017) ¹⁴ |
| 208 EUR/ 4345 MDL | Average net wage in the manufacturing industry (2017) ¹⁵ |
| 297 EUR/ 6 209 MDL | Highest earnings (average net wage) in manufacturing: electronic devices and computers manufacturing (2017) ¹⁶ |
| 579 EUR/ 11 833 MDL | Estimated minimum living wage per month, family of four, take-home net wage (2018) ¹⁷ |

⁹ The minimum wage is established annually through Government Decision (<http://lex.justice.md/md/333943/>) and is calculated for the period May 1 of the current year - May 1 of the following year. In 2018, it accounted for 130 EUR gross out of which the following taxes are deducted: 12% personal income tax, 4.5% employee health insurance tax, 6% employee social security tax.

¹⁰ The exchange rate as of January 1, 2019.

¹¹ http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

¹² http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1?rxid=2345d98a-890b-4459-bb1f-9b565f99b3b9

¹³ The exchange rate as of January 1, 2017

¹⁴ http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1?rxid=2345d98a-890b-4459-bb1f-9b565f99b3b9

¹⁵ http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1?rxid=2345d98a-890b-4459-bb1f-9b565f99b3b9

¹⁶ http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1?rxid=2345d98a-890b-4459-bb1f-9b565f99b3b9

¹⁷ Lilia Nenescu, Vitalie Sprinceana: Living wage in the Republic of Moldova; 2018 (http://fes-moldova.org/fileadmin/user_upload/2018/publications/Living_Wage_Moldova_eng.pdf). The calculation is based on the Asia Floor Wage methodology and workers' food basket survey carried out in Moldova in 2018, page 18



MAIN WORKERS' RIGHTS VIOLATIONS

1. **Non-payment of legal minimum wage** (base wage without overtime and allowances).
2. **Wages far below the living wage** (15 – 20%).
3. **Forced labour:** The quota is constantly increased at a level that it is impossible to achieve in normal working hours (workers reported being able to fulfil only 40% or 50% of the quota). Workers have to work overtime to reach the quota and often only then they receive the legal minimum wage.
4. **Unpaid overtime:** The overtime work is paid according to the regular working time and is not even considered overtime.
5. **Informal work:** Workers reported not having a contract.
6. **Irregularities concerning the Occupational Health and Safety conditions:** Poor ventilation and no air conditioning during summer time. Workers reported about cases of fainting in the factories. Workers who fainted were denied health care. Workers were prohibited to call the ambulance in order not to “spread rumours” about the working conditions.
7. **Irregularities concerning leave:** The national legislation regulating the paid annual leave and work during holidays is not respected. Workers reported having only 14 days instead of 28 days of annual leave¹⁸. Also, they reported working during the national holidays.
8. **Violation of the right of freedom of association:** Workers are threatened with being fired or with not being paid if they decide to go on strike or organize stoppages.
9. **Violation of the right of freedom of speech:** Workers are threatened with being fired if they speak to journalists and media about their working conditions.

SHARE OF MINIMUM WAGE in living wage:



“They increased the quotas so much that it is impossible to fulfil them in the working hours. So, you come earlier, leave later. If you work from 8am to 5pm, you get only 2000 MDL (100 EUR). The director told us not to complain because it is possible to live on 2000 MDL.”

Angela, works in the garment sector for 40 year

¹⁸ The annual paid leave as well as the paid national holidays are regulated by the National Collective Convention Nr. 2 from July 2, 2004 (<http://lex.justice.md/viewdoc.php?id=285912&lang=1>)

GENDER DISCRIMINATION IN THE GARMENT INDUSTRY

Even the official statistics show gender pay gap between women and men employed in the sector.



Moreover, according to the wage ladder, the lowest paying sectors in manufacturing are furniture and garment industries – labour intensive industries with a high share of women. The best paying manufacturing branch is electronics / computer manufacturing with a higher share of men. This also indicates towards gender discrimination.

PAY IN MOLDOVA'S GARMENT INDUSTRY AND THE INVESTMENT POLICY PROMOTED BY THE GOVERNMENT

Although garment exports and employment in the garment industry have an important share in Moldova's economy, workers earn one of the lowest wage among all sectors and about half of the average wage in Moldova.

While the garment workers are constantly reporting that the wages are too low to cover even their basic needs and that they have to invent different subsistence schemes (bank loans, farming, labour migration etc.), the Moldovan Investment Promotion Agency – MIEPO (which is a governmental agency that works with the Ministry of Economy and the Ministry of Finances) is basically calling Moldova the heaven of foreign investors for the reason that wages are low and remain so²⁰. Apart from keeping the minimum wage low, the Moldovan Government provides a number of subsidies and benefits to the sector, such as minimum bureaucratic burden, minimum state inspection and control (including in the area of health and safety at work) etc. The most important form of state support for foreign investors are generous tax preferences. For example:

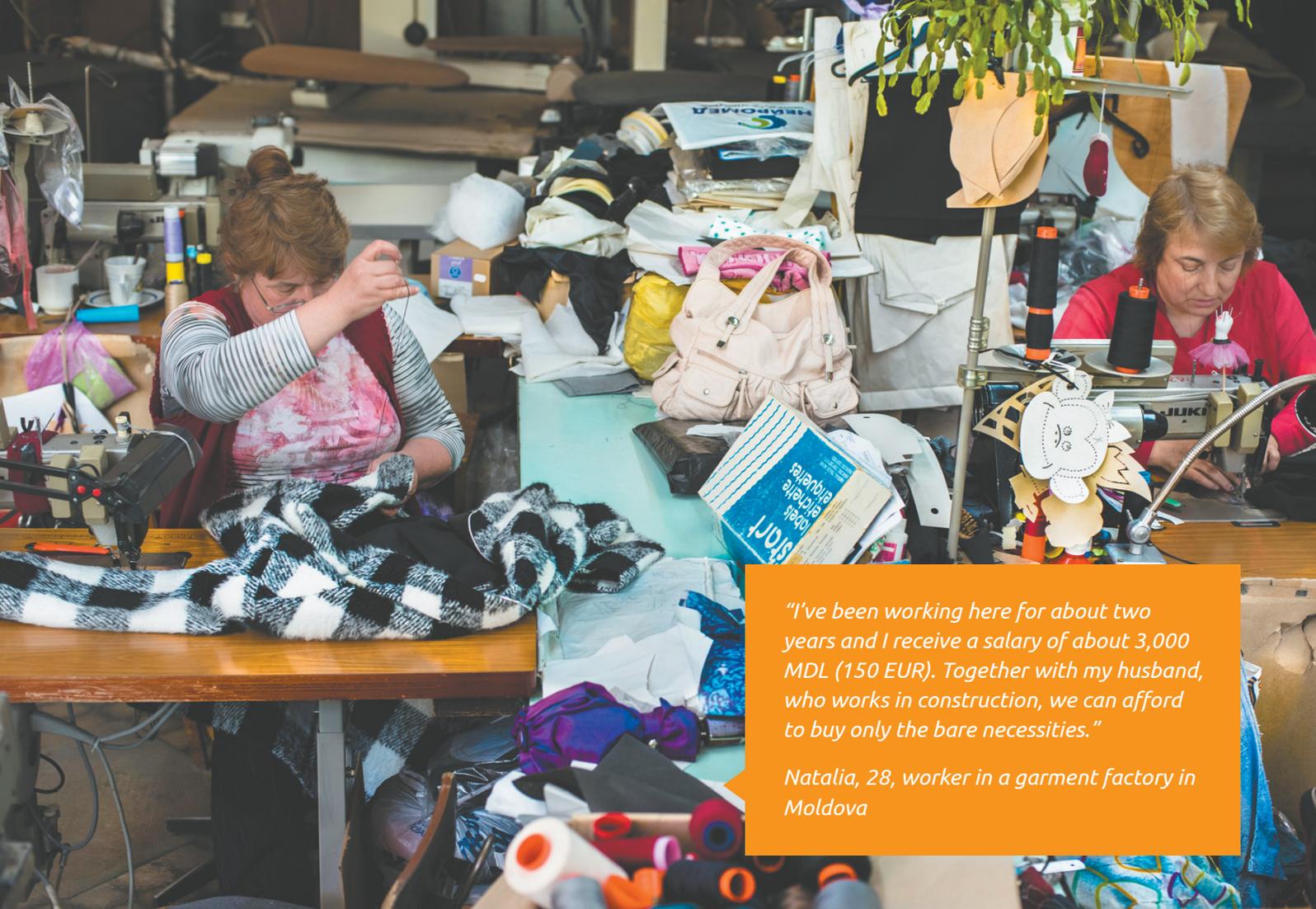


"It's impossible to live on a wage of 2000-3000 MDL / 100-150 EUR."

Maria, 30, garment worker

¹⁹ http://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala_03%20FM__SAL010__serii%20anuale/SAL010100.px/table/tableViewLayout1/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

²⁰ "Compared to other Eastern European countries, Moldova's unit labour cost is stable and slowly growing. Moldova's labour force combines low-cost with high productivity, thus reflecting the key factor for a strong business performance" - Invest Moldova (2018/2019): Textile, Apparel, Footwear and Leather Goods, page 8: (http://invest.gov.md/sites/default/files/TAF%20sector%20overview_Edition%202018-2019.pdf)

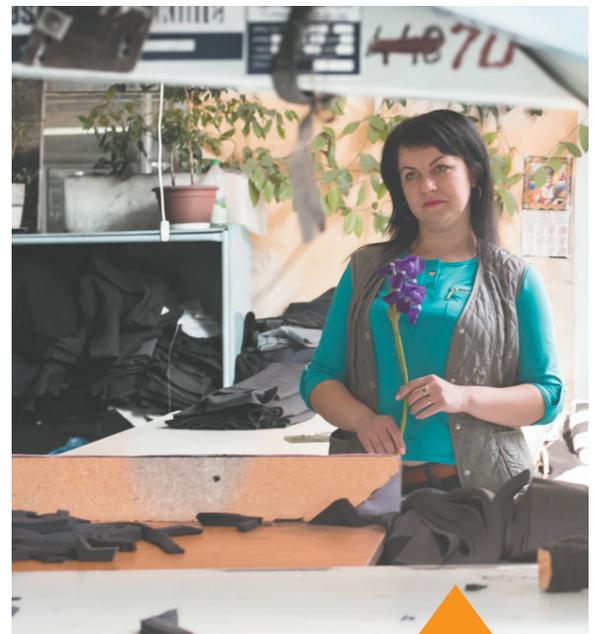


"I've been working here for about two years and I receive a salary of about 3,000 MDL (150 EUR). Together with my husband, who works in construction, we can afford to buy only the bare necessities."

Natalia, 28, worker in a garment factory in Moldova

- **Workplace Subsidies:** According to the Job Subsidy Regulation which was approved in 2017, every entrepreneur that meets the requirements set by the government²¹ is eligible to receive a subsidy of 2000 EUR for each job created. This is the equivalent of 11 average net salaries in the garment sector, or the amount of 3.5 living wages in the sector. ATU Gagauzia (an autonomous region in the Republic of Moldova) grants additional 1000 EUR per job created, and incentives for training costs.
- **Re-export subsidies:** Incentives to import raw materials used to produce export goods.
- **Exemption from VAT** and customs duties on raw materials and components supplied.
- In the **Free Trade Area and Industrial Parks**²², the government grants *minimal state inspection and control regime* as well as *10-year state guarantee on legislation changes*²³.

While investors and factory owners receive various subsidies and reliefs, workers report about steady worsening of the wage and labour conditions, reflected by the increase in quota / production targets and in the penalties for unauthorised absence from work etc.



"Almost all the workers took bank loans to make ends meet."

Viorica, 30, garment worker

²¹ Eligibility criteria: creation of at least 100 new jobs, jobs maintained for at least 3 years, salary paid is not less than 75% of the average monthly salary

²² There are 7 Free Economic Zones and 8 Industrial Parks in Moldova

²³ http://invest.gov.md/sites/default/files/TAFL%20sector%20overview_Edition%202018-2019.pdf

CASE STUDY: SUPPLIER OF PRIMARK AND NEW LOOK

OVERVIEW OF INTERVIEW RESULTS

Workers from this factory were interviewed in 2019. The factory was opened in Moldova at the beginning of 2018 by a Romanian investor. The Romanian company has already two factories opened in Romania. The factory is producing for Primark and New Look. It employs around 300 workers from two neighbouring towns and the villages around. The factory is not unionized.

The workers earn a monthly wage of 2500-4000 MDL (125-200 EUR), including the overtime. The salary is calculated on a quota basis. None of the interviewed workers reported being able to fulfil the quota during a regular working day. Even if they work 1-2 hours overtime daily, they still can meet only up to 80% of the quota.

The standard working day is from 7am to 5pm. The only break allowed is the lunch break which is 30 minutes. This means that the working day exceeds by 1 hour a standard working day.

When the factory just opened, the mayor of the town, but also some local politicians that supported the Romanian investor, were claiming that the opening of the factory was to the benefit of the local citizens as it gave them the possibility to have jobs at home without being forced to migrate abroad. In reality, even though the workers didn't migrate, the majority of the workers in the factory had someone in the family working abroad. This is one of the surviving practices used by the workers in order to cope with the low wages in the factory. Other practices are subsistence agriculture and bank loans. Some workers reported taking bank loans to be able to send their kids to school. Otherwise, they couldn't afford buying notebooks, clothes or shoes.



“When we get the salaries, we first set aside money for the basic needs - electricity, water, kindergarten, school and food – and there is nothing left. How should we feed and dress our kids?”

Ana, 40, worker in a garment factory in Moldova



ANA'S STORY

Ana is a single mother of 3 children. She lives in a village which is 15 km away from the town where the garment factory is located. Ana started working at the factory two years ago when the factory just opened.

Every morning she wakes up at 5 am, feeds the livestock she keeps around the house, cooks breakfast for the kids and at 6.30 am she is already at the bus station where together with several other women from the village is waiting for the factory bus to take them to the workplace. While she is away for work, her eldest daughter which is 12 years old is responsible to bring her siblings to the kindergarten and in the evenings to bring them back home. She is also responsible for other chores around the house, like cleaning and cooking.

Ana said she is very lucky to have a daughter as her first born because now she can rely on her daughter for the domestic work. It's impossible to not notice the sadness in her voice when she speaks about her kids. She says she works very hard to be able to give her children a better future, but at the moment, she cannot give them much.

Ana's monthly wage doesn't exceed 3000-3500 MDL (150-170 Euro). Ana refers to such months as "good months". There are less fortunate months when her salary is only 2000 MDL (100 Euro). She says one of the biggest challenges working in the factory is the quota system. "We don't have a fixed salary. You never know what your wage will be at the end of the month, so we hardly can plan our expenditures".

Ana owns a small house in the village so she manages to survive as she doesn't have to pay the rent. She says she thought about moving to the town, but her salary won't even be enough to pay the rent. However, Ana still has to buy wood to heat the house during winter time. For this she needs to spare up to 3 salaries. Also, to send the kids to school, she needs to spare again up to 2 salaries. It means that Ana works almost half of the year just to cover two basic needs: education and heating.

In summer, Ana worked overtime every day. She even worked on Saturdays. "This year, I have already two kids going to school. I worked overtime so I could ensure I have enough money to send my kids to school."

Next year Ana plans to migrate to Italy for work. "I cannot raise my children on this wage."

CREDITS

In order to protect the confidentiality and anonymity of the interviewed workers, the photos used for this report do not depict the workers from the researched factories in Moldova.

Clean Clothes Campaign



AUTHOR:

Lilia Nenescu

ACKNOWLEDGEMENTS:

Bettina Musiolek

PHOTOS:

Yevgenia Belorusets

IN PARTNERSHIP WITH FES

**FRIEDRICH
EBERT 
STIFTUNG**