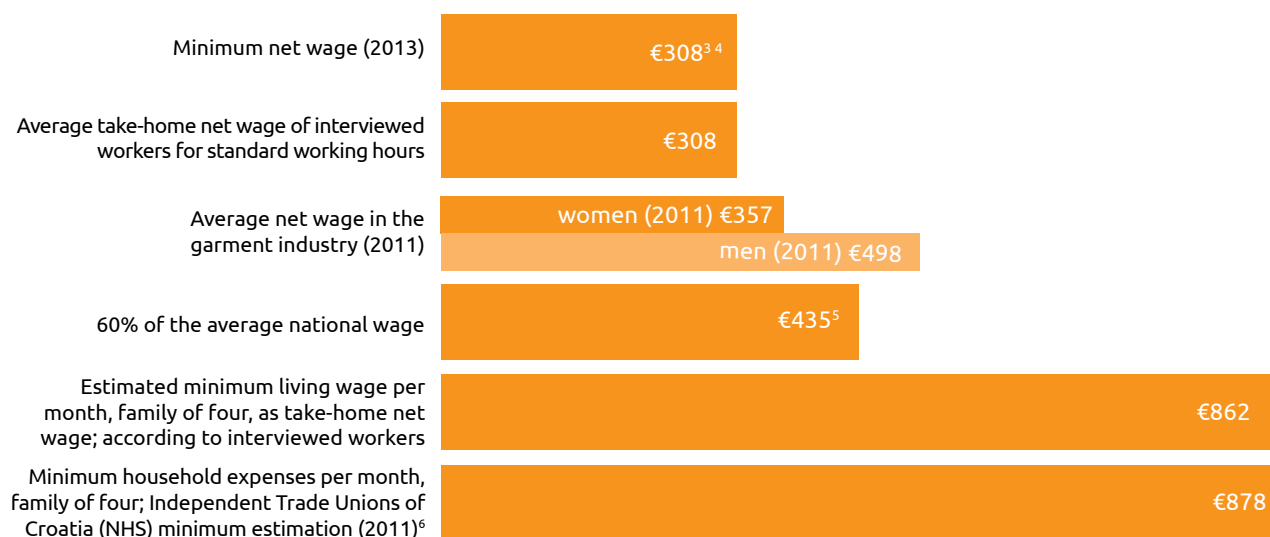


## WAGE COMPARISON



## DEMANDS TO BUYERS

- ▶ **As a first immediate step**, global buyers have to make sure that workers in Croatia receive a basic net wage (without overtime and bonuses) of at **least 435 Euro** (60% of the national average wage). As a **further step**, the basic net wages have to be **increased towards the level of the estimated minimum living wage**.
- ▶ Buyers have to **analyse and adapt their price structure** in order to make sure that the actual price they pay to the supplier allows for these wage hikes.
- ▶ Stop misuse of short-term contracts

## GARMENT AND SHOE INDUSTRY IN CROATIA – FEAR OF RELOCATION

The garment, leather and textile industry used to be a corner stone of the Yugoslav economy. It supplied both national consumers as well as German garment producers who would subcontract production under the “Lohn”-System (OPT; Outward Processing Trade scheme). OPT was introduced in the 70’s and aimed at protecting the German/Western European textile industry while labour-intensive parts like sewing were subcontracted to former socialist countries, predominantly Poland, former German Democratic Republic, and Yugoslavia. However, today the domestic production is diminishing while production for export prevails. Still, about 80% of sales originate from “Lohn” production, meaning the overwhelming majority of garment production is a) for export and b) still under the parasitic OPT system – a dead-end for the companies, for the national economy and for workers. At present, 80% of registered garment factories employ less than 10 people and 87% of garment industry employees are women.

The average net wages in the garment industry - the lowest paid manufacturing sector in the country - amount to approximately 60% of the average net wages in the overall manufacturing sector and only 35% of the highest paid manufacturing branch<sup>7</sup>. 80% of garment industry employees received net wages of below 405 Euro which is below the poverty line of 60% of the average wage.

According to the Croatian Bureau of Statistics (2013), the gender pay gap for the garment industry is 28% - in a country, where it is believed that gender pay discrimination was successfully defeated.

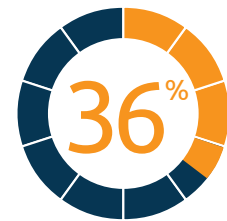
Croatian law sets out that the legal minimum wage is defined in tripartite negotiations and should consider inflation and the poverty statistics of the EU. However, looking at the actual legal minimum wage this does not seem to be the case. Novi Sindikat, the Croatian Trade Union, states that the inputs of trade unions are not taken into account.

### EXTREME FEAR OF LOSING JOBS AND FEAR TO ORGANISE

The researchers noted considerable barriers to organising. Amongst others, there are wide-spread anti-union and anti-worker sentiments in media and society. Employers also put pressure on workers not to organise and justify this by saying it will exacerbate the difficult situation of the sector regarding international competition.

Moreover, the government often interferes and takes a pro-management stand. The government’s support for workers rights is lacking and austerity policies are dominating. In 2012, new requirements for being representative were introduced in law including the provision that to be entitled to

THE AVERAGE NET WAGE of the interviewed garment workers and the legal minimum wage cover



of a minimum living wage.

An entire average net wage is needed to cover only the monthly expenditures for food for a family of four.

According to the Croatian Bureau of Statistics (2013), the gender pay gap for the garment industry is 28% - in a country, where it is believed that gender pay discrimination was successfully defeated.

Buyers of the researched factories that were mentioned in the interviews include: Benetton, Hugo Boss, Versace, Armani, Olymp<sup>9</sup>

collective bargaining a union must organise 20% of employees or must be the only union in a company. This discriminates against smaller unions and has significantly undermined the acquired collective bargaining rights.

Research also found that workers are afraid to organise. They feel their position is weak and they are replaceable. This became apparent in their hesitation and sometimes hostility when they were asked for anonymous interviews. When there is such fear, union organising becomes impossible. Researchers stress that workers do not see the union as a factor that can improve their position.

While there are very few Collective Bargaining Agreements (CBAs) in the textile and garment industry, CBAs could guarantee overtime bonus (50%), transportation and public holiday bonuses or supplements for high performance. The limited leeway for CBAs in the garment industry restricts drastically the opportunities for wage increases.

## WAGE RELATED RIGHTS VIOLATIONS

- Low wages - workers just earn the minimum wage
- Omnipresent threat to relocate production
- Wage arrears
- Unpaid overtime
- Non-payment of mandatory social security contributions
- Workers are forced to return part of the salary to the employer (under the threat of dismissal)
- Difficulties in getting legally guaranteed leave and days off
- Misuse of short-term contracts
- Gender discrimination both within the factory and compared to work of equal value in other sectors

## FIELD RESEARCH FINDINGS<sup>8</sup>

The research was carried out under the auspices of Novi Sindikat (English: New Trade Union). In the interviews workers tried to make the situation better than it is. For them, the strong threat of relocation dominates their priorities. Their main concern is keeping the job.

**The average monthly wage of interviewed workers was 308 Euro net** which is just the legal minimum wage. The workers receive a fixed quota to fulfil which is usually too high to meet within a normal working day. The workers are trapped by a quota that is too high and thus impossible to meet and a basic wage that is set too low.

### ONE WAGE IS JUST ENOUGH TO COVER FOOD FOR THE FAMILY

Workers stated that a family of four needs approximately 313 Euro just for food. With an average net wage of 308 Euro including overtime and bonuses workers can barely afford food. This wage is below the poverty level of 60% of the average wage of 435 Euro - not to mention a living wage of 862 Euro and the minimum consumer basket for a family of four which is set at 878 Euro per month.

“The union does not have the opportunity to fight for the increase in wages since it has to constantly deal with preventing illegal practices such as long-term unpaid overtime or long-term unpaid wages.”

## EVA'S STORY – A FACTORY WORKER IN CROATIA

*Eva (29) works as the quality controller for larger machines in a garment factory in Croatia. She graduated from Economic High School and before working at the factory, she had had a number of different jobs. Upon arrival at the plant, she successfully completed a one-month training. She has a fixed-term contract and has been working on that contract for almost three years. She works in shifts, six days a week for six hours. When the need for overtime arises, she gets paid for that. So far, she has been on sick leave only once, because she is afraid of losing her job. It is not easy to get leave. "We can only go on leave collectively, all of us, and only when they decide which is in August. So if I have to see the doctor for instance, I take unpaid leave. They grant it, but it is difficult. Usually, we all go at the same time, all of us, in August, Christmas and New Year."*

*Eva is a single mother of two small children. She just earns the minimum net wage of approx. 2,300 HRK (300 EUR) which is paid along with the transportation bonus of about 450 HRK (59 EUR). Because of her financial situation, she is forced to live with her brother and parents who take care of the children when she is at work. She notices a lot of single mothers in the plant, who like her have to live with aging parents. "In order to support my children, I would need at least 5,000 HRK (653 EUR). "Eva can't afford to go on holidays, therefore during summer, her children stay at home. What about unexpected expenses? "For this there is the overdraft" she says. "Or we borrow, and then we'll somehow give it back later." Like most of her colleagues from the factory, Eva and her family have a garden. Expenses for a family of six are large, so most of their income is spent on food and utilities - depending on how much they harvest in the garden. The new school year for her two school children started recently: "The textbooks were about 1,300 HRK (170 EUR) and about 200 HRK (26 EUR) for stationary."*

*Eva is a member of a union. She notes that many colleagues around her are afraid of saying that they are union members. She is generally satisfied with the work of the union, but she doesn't think it can do anything significant about the most troubling issue which is their pay. "The only thing I want from that company is higher wages. I think we deserve more for what we do, we deserve a higher salary."*

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<sup>1</sup> Own calculation based on total employment of 1.440.000

<sup>2</sup> WTO International Trade Statistics 2013 p. 131

<sup>3</sup> All data in Euro according to exchange rate of [www.oanda.com](http://www.oanda.com), 1 February 2014

<sup>4</sup> Own calculation according to gross amount: 390 Euro

<sup>5</sup> [http://www.dzs.hr/default\\_e.htm](http://www.dzs.hr/default_e.htm) ; 60% of average net wage for December 2013

<sup>6</sup> This does not contain costs for servicing debts

<sup>7</sup> 35% of the best paid sector: manufacture of petroleum products – Source: Croatian Bureau of Statistics 2013, Average Monthly Paid Off Net Earnings for 2012, According to NKD 2007

<sup>8</sup> During September 2013, the survey included 39 respondents in 3 factories with the average age of 43 years. Women made up 80% of the sample and men 20%. In the tested sample, 85% of the respondents have completed secondary education.

<sup>9</sup> German men's wear company

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