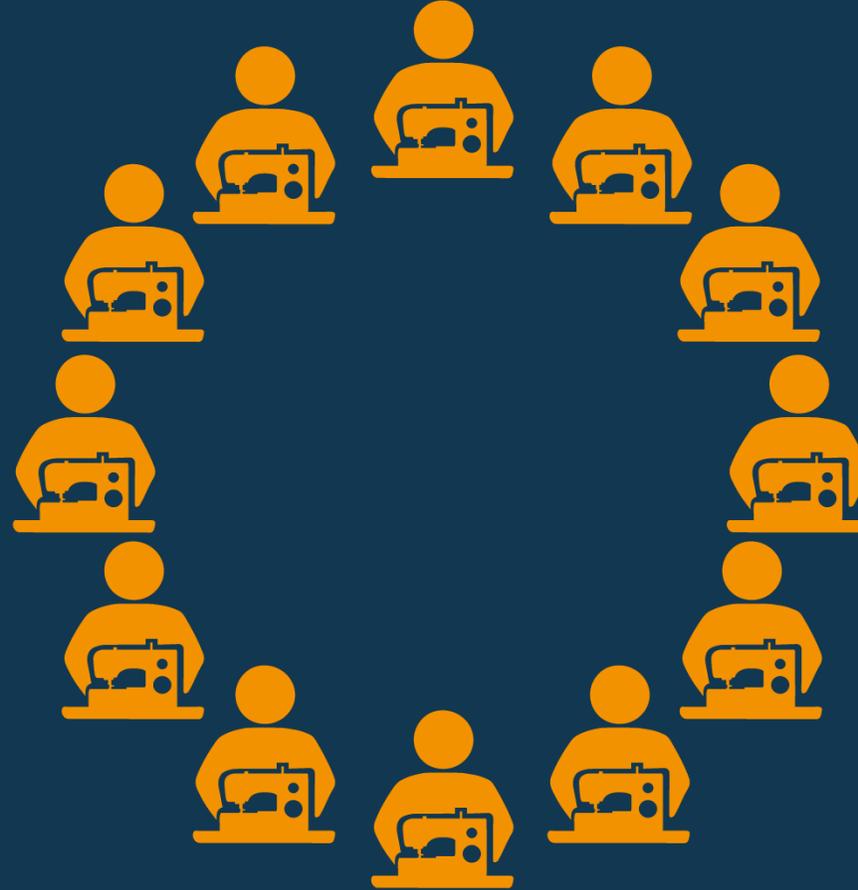


NOVEMBER 2017

Clean
Clothes
Campaign

PAY A **LIVING
WAGE**



EUROPE'S SWEATSHOPS

The Results of CCC's Most Recent Researches in Central, East and South East Europe

Summary

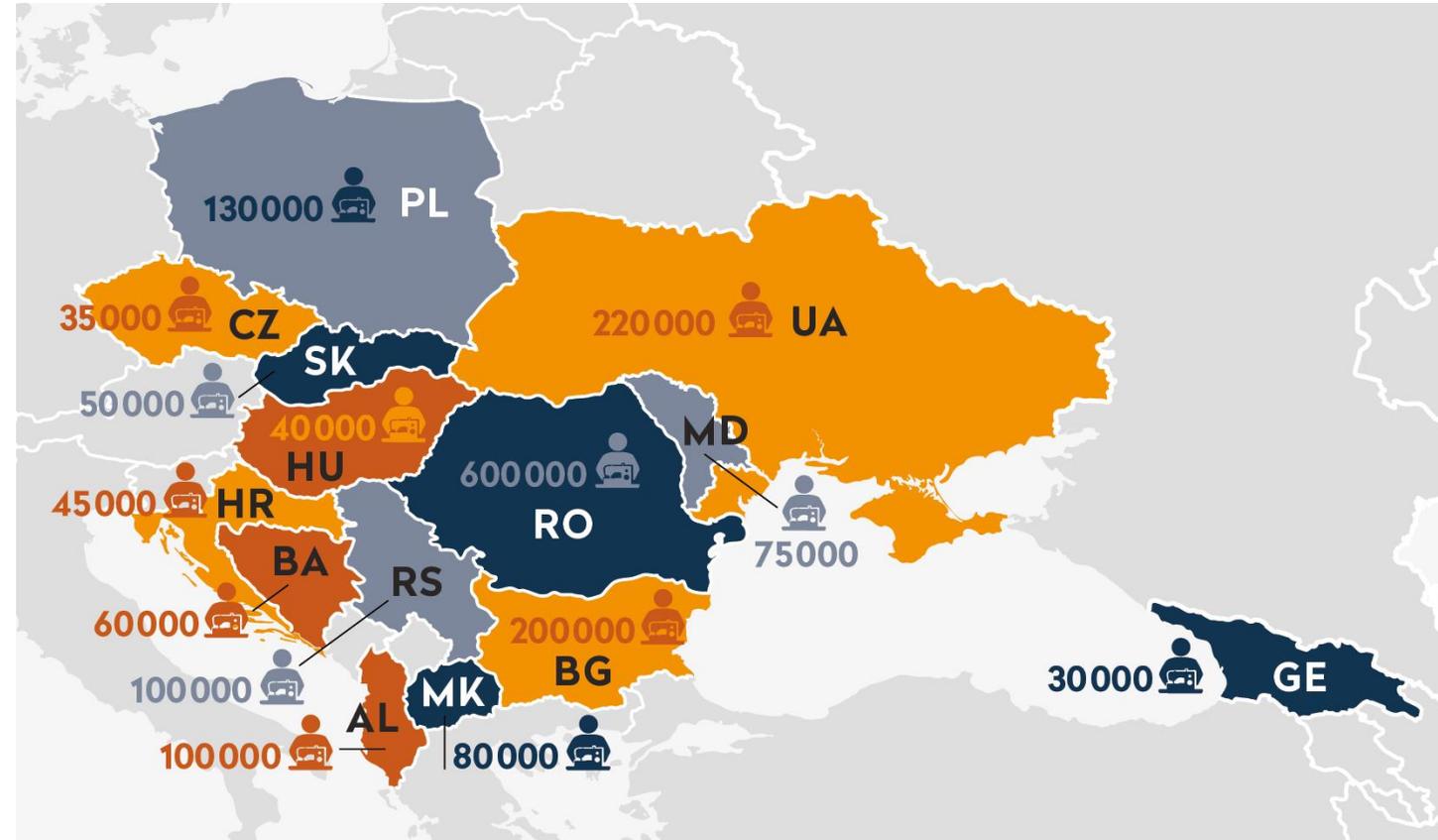
There is a dramatic gap between the actual wages garment workers receive and the cost of living in Central, East and South East Europe.

The implementation of labour laws is failing and having a detrimental impact on workers' lives.

More Than 1.7 Million Work in the Garment/Shoe Industry in Central, East and South East Europe*

In all of the region's countries, the workforce is predominantly female.

Of the formally registered workers in the apparel sector, between 79% and 92% are women.



* Total number of formal and informal workers, moderately estimated on the basis of empirical evidence and share of informality in the economy.

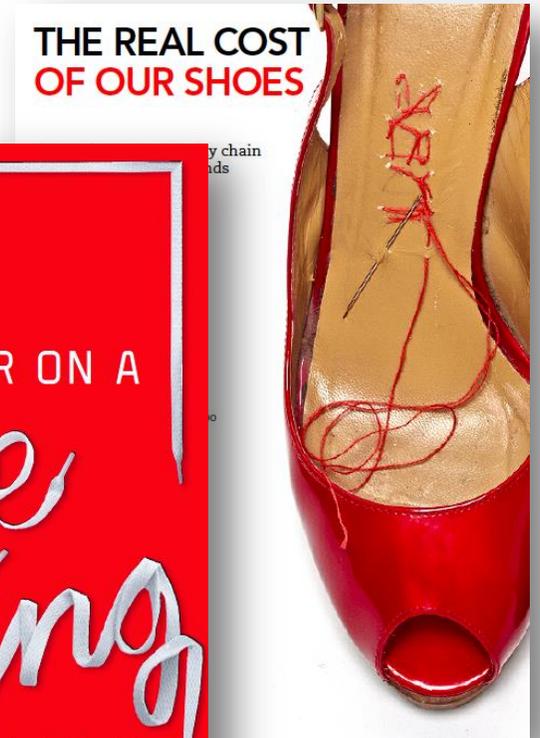
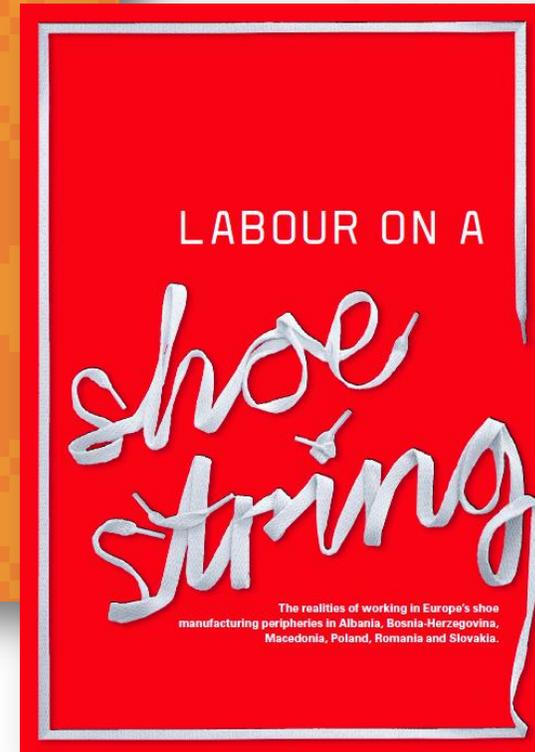
CCC's Publications on the Region: an Eye-Opener for Many

2014: [Stitched Up](#)

2016: [Labour on a Shoestring](#)

2017: [The Real Cost of Our Shoes](#)

Far from being a problem confined to garment workers in Asia, these reports have found that the idea that "Made in Europe" means better conditions for workers is a myth.



Deconstructing the “Made in Europe” Myth

In response to increased media reports on and customer awareness of the Asian garment industry, some brands started advertising clothes and shoes with “Made in Europe” or “Made in EU” labels.

Often the European origin is simply equated with fairness and social responsibility – which is sadly a myth.



Core Characteristics of the Regional Garment and Shoe Industry

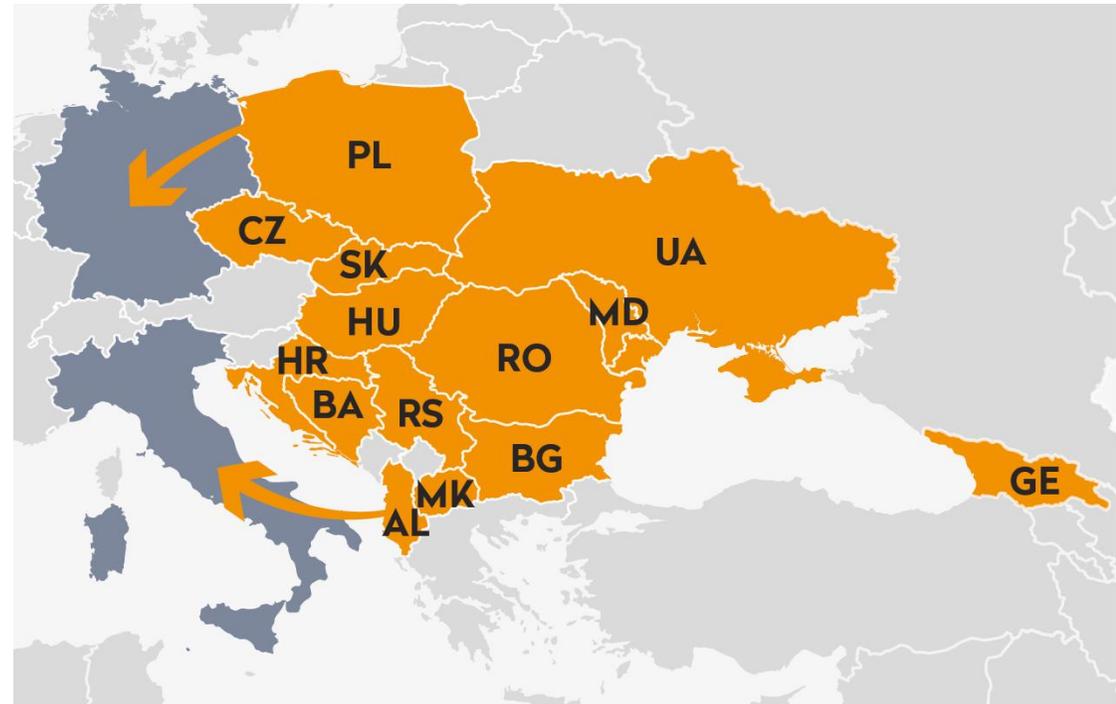
All countries have a skilled, experienced workforce.

In most countries,* the garment and shoe industry is still one of the (if not the) most important employment and export sectors.

In all countries, there is an employer-biased environment with extremely low wages and immature industrial relations.

* Albania, Bulgaria, Bosnia-Herzegovina, Croatia, Georgia, Macedonia, Moldova, Poland, Romania, Serbia, Slovakia, Ukraine

THE BIGGEST RECIPIENTS OF GARMENTS AND SHOES FROM THE REGION ARE GERMANY AND ITALY

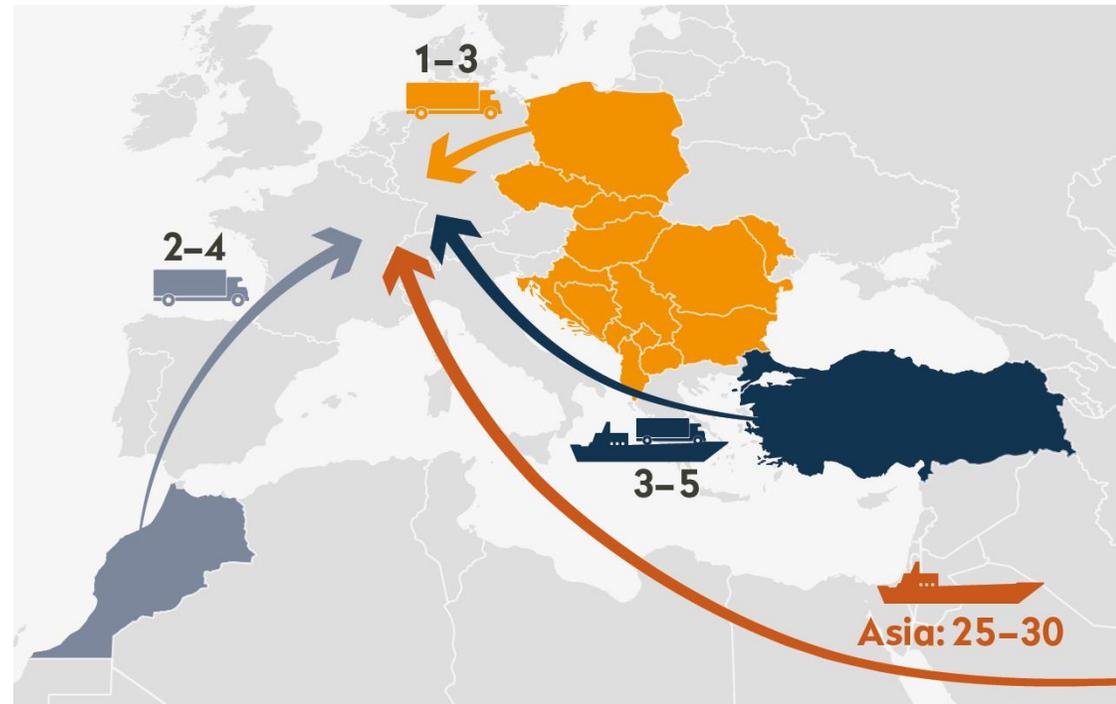


The Role of the Region in Global Supply Chains

The region has become a strategic production hub, especially for

- workwear
- fast orders (near sourcing)
- small orders, and
- high quality production for premium and luxury brands.

USUAL SHIPPING TIMES TO WESTERN EUROPE (DAYS)*



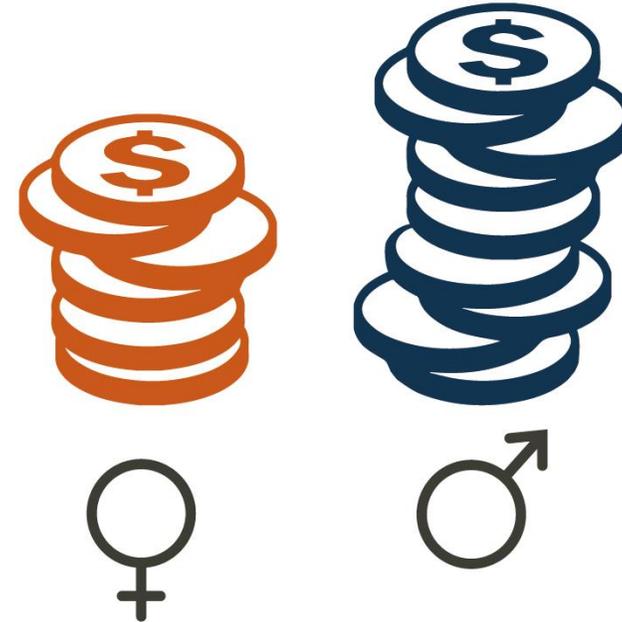
* Estimate. Transportation only, time for handling not included.

Gender Pay Gap

In all countries, the garment sector is the worst paid industry.

There is a gendered division of labour in the workplace.

It is hard to estimate how much less women earn in the garment and shoe industry. According to official statistics, the pay gap in the manufacturing industry in this region's countries varies between 18% and 27%.



IN SLOVAKIA, Women working in the leather and footwear industry earn almost 50 Percent less than men.

Source: Luginbühl, Christa/Musiolek, Bettina (2016): [LABOUR ON A SHOESTRING](#). The realities of working in Europe's shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia, Dresden/Zurich; page 18.

Triple Burden on Women Workers

Responsibility for the family by performing paid work – many women workers are the breadwinners.

Household and care work for wider family (including elders and children).

Working in subsistence economy to subsidise poverty wages.

Source: Luginbühl, Christa/Musiolek, Bettina (2014): [STITCHED UP](#). Poverty wages for garment workers in Eastern Europe and Turkey, Clean Clothes Campaign, pages 66-69.



SERBIA



Full Country Profile available at:
cleanclothes.org/livingwage/europe



> 100,000 workers (formal and informal)



Main export destination: Italy

According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Serbia: Armani, Burberry, Calzedonia, Decathlon, Dolce & Gabbana, Ermenegildo Zegna, Golden Lady, Gucci, H&M, Inditex/Zara, Louis Vuitton/LVMH, Next, Mango, Max Mara, Marks & Spender, Prada, s'Oliver, Schiesser, Schöffel, Top Shop, Tesco, Tommy Hilfiger/PVH, Versace.

Benetton, ESPRIT, GEOX and Vero Moda (Bestseller) were among the international companies sourcing from the factories researched, according to workers interviewed or factory websites.

SERBIA | Workers' Voices

“The air conditioning won't be turned on until we drop down dead in front of our machines.”

“I told the supervisor, ‘I cannot breathe at this machine. It's already over 30 degrees in the factory and much hotter when we're working at the machine.’ After I said that, she took the machine's exhaust pipe and directed it at mine and my colleague's faces and said, ‘Deal with it or else there are plenty of people waiting to replace you!’”

“We know when somebody like an inspector or a manager from Italy is going to visit the factory because beforehand management opens doors and windows and switches on the air conditioning. Normally managers tell us, ‘If you open the door, you will be fired immediately.’”

SERBIA | Wage Ladder

189 €	22,880 RSD	Legal minimum net salary, 2017 (as of 1 Jan)
218 €	27,624 RSD	Average net salary: garment industry (May 2017)
256 €	32,374 RSD	Poverty threshold, family of four, 2016 (60% of median household income)
278 €	35,094 RSD	Subsistence minimum, 2016 (minimum consumer basket for household)
372 €	47,136 RSD	Average net salary: total economy (May 2017)
652 €	77,828 RSD	Minimum living wage as estimated by interviewed workers (per month, family of four, net wage)

UKRAINE



> 220,000 workers (formal and informal)



Main export destination: Germany

According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Ukraine: Asos, Adidas, Benetton, C&A, Esprit, Hugo Boss, Inditex/Zara, Kirsten, Liz Claiborne, Mexx, Marks & Spencer, Mart Visser, Next, Oui, Peek & Cloppenburg, Steps, s.Oliver, Saint James, Topshop, Triumph, Tommy Hilfiger/PVH, Walbusch.

Full Country Profile available at:
cleanclothes.org/livingwage/europe

UKRAINE | Workers' Voices

“For electricity and water, every month my family has to pay EUR 86 [the same amount as the legal minimum net wage and the standard salary].”

“I wish I had a higher wage. Now, you see, I don't have any teeth. I would also wish to have a fridge. And that God gives me health.”

“There are times when we have nothing to eat.”

“8% of interviewees had been on holiday within the country during the previous five years. All other interviewed workers have to spend their annual leave at the ‘Green Sea’ – working on their farms, as one worker joked. They cannot imagine having vacations elsewhere.” (Researcher)

UKRAINE | Wage Ladder

89 €	2'576 UAH	Legal minimum net wage
96 €	2'778 UAH	Average net wage of interviewed workers including overtime and bonuses
135 €	3'713 UAH	Lowest average net wage: light industry (mainly garments and shoes) Dec 2016
166 €	4'800 UAH	Official subsistence (“living”) minimum 1/12/2016 – 31/4/2017: able-bodied adult, working age, per month, 3 consumption units
190 €	5'212 UAH	Average net wage in economy Dec 2016
378 €	10'356 UAH	Highest average net wage: production of main pharmaceutical products Dec 2016
477 €	13'803 UAH	Minimum living wage as estimated by interviewed workers. Per month, 3 consumption units, net wage

HUNGARY



20.213 registered garment workers (2016)

Estimate: more than 40.000 registered and informal workers in garment and shoe industry



Main export destination: Germany

According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Hungary: Bäumlér (Ingolstadt), Gucci, Next, Peter Hahn, Stella McCartney, Strenesse, Tommy Hilfiger (PVH).

Full Country Profile available at:
cleanclothes.org/livingwage/europe

HUNGARY | Workers' Voices

“We have reached the point where all an employee can earn is only enough to pay the electricity bill.”

“We get terribly little [salaries]. Get up early in the morning, bus ride, 8 hours hard work for less than 70,000 (225 EUR) a month in the 21st century. [Workers] accept whatever bosses say, do not complain or argue: they take it and say ‘OK, you are right’. And these are all women above 50. Simply miserable.”

“In 40°C heat, you already feel dizzy or sick; you cannot bear it any longer. Should I say it is inhuman? Because that is what I think.”

HUNGARY | Wage Ladder

197 €	60'000 HUF	Lowest net wage of interviewed workers incl. overtime and bonuses
243 €	73'815 HUF	Legal minimum net wage (2016)
282 €	85'785 HUF	Legal minimum net wage of skilled workers (2016)
366 €	111'150 HUF	Average net wage of textile, garment and leather manufacturing workers according to official statistics (2016)
395 €	120'000 HUF	Highest net wage of interviewed workers incl. overtime and bonuses (2016)
608 €	184'952 HUF	Average net wage in the economy (without transition employment) (2016)
845 €	256'995 HUF	Subsistence minimum for a family (2 adults, 2 children) (2016)
1'119 €	340'000 HUF	Average minimum living wage for a family, as estimated by the interviewed workers (lowest est. 987 EUR/300.000 HUF, highest est. 1316 EUR/400.000 HUF) (2016)

GEORGIA



Full Country Profile available at:
cleanclothes.org/livingwage/europe



> 30,000 workers (formal and informal)



Main export destination: Turkey

Unlike all other countries Georgia has:

- no labour law,
- no labour inspection,
- no mandatory social insurance contributions.
- A minimum wage last set in 1999.

Weak States and Immature Industrial Relations



Some of Europe's poorest states, such as Serbia, offer up a host of direct and indirect benefits to global corporations while having inadequate control over their own laws. These benefits include extremely low minimum wages, legislation in favour of business and that restricts union activity, as well as cash grants for global brands should they open production facilities in the country.

This generosity towards business comes at the expense of the population and female employees in particular.

Unions are extremely weak and collective bargaining is almost non-existent.

Global brands profit from a weak state and an intimidated and impoverished workforce, and do not exercise their human rights due diligence.

EU and Accession Countries

While the European Commission is hailing Ukraine and Georgia for their “unprecedented reforms”, it pays little to no attention to the situation facing the countries’ workers.

In Georgia, the absence of a workers’ protection system has not yet been structurally tackled by the EU despite its Association Agreement with Georgia.



Minimum Wage Set Below Subsistence Levels in All Countries

In practice, governments set minimum wages that are

- below official subsistence levels and
- poverty thresholds and
- which fall far short of covering a living wage.

In some countries, minimum wage hikes do not compensate for the rising costs of living.

* Data source: [Numbeo](#). Electricity, heating, cooling, water and garbage of a 85m² apartment.

EXAMPLE UKRAINE: RISING COSTS OF LIVING, POVERTY WAGES

Consumer prices between 2010 and 2017 rose by +134%.

For energy and utilities, prices are now more than 5 times higher (+465%).* As a consequence, many poor families are heavily indebted.

On average, monthly energy, water and garbage costs for an apartment sum up to 73 EUR.* Nearly a complete minimum wage is needed to pay only these bills. Some worker families depend from utility subsidies. So indirectly, the state is subsidizing low wages for the production for international companies.

“My family basically doesn’t eat meat. We owe electricity and water fees, which is EUR 69 every month. My family survives on two minimum wages, my disability pension of 41 EUR and our field.”

Interviewed worker, Ukraine

Minimum Wage yet to be Paid in All Countries



EXAMPLES OF VIOLATIONS OF MINIMUM WAGE LAWS

In Ukraine and Serbia, workers reports reveal that a majority of them do not receive the legal minimum wage – for instance

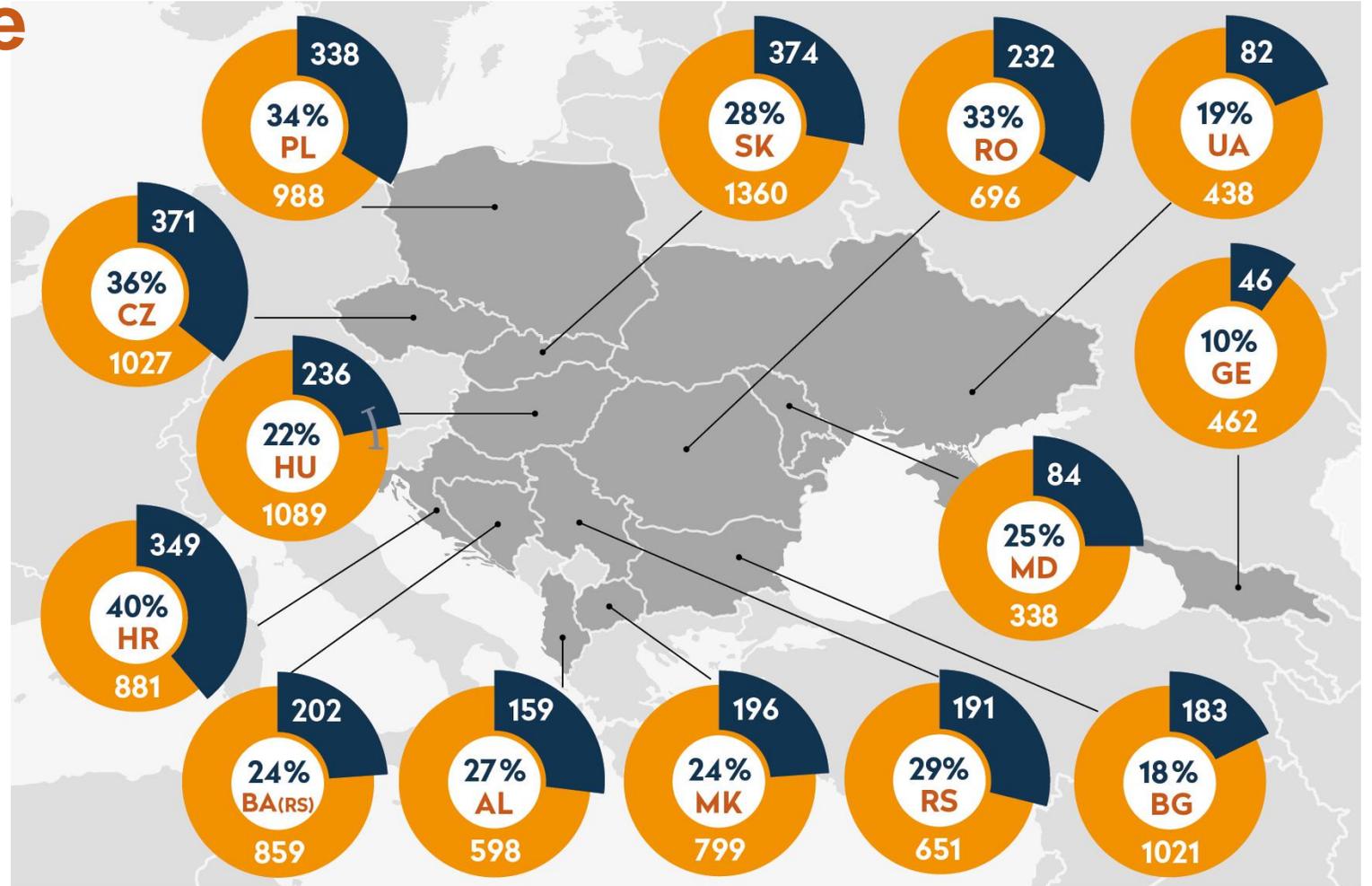
- a portion of GEOX workers in Serbia,
- the majority of Serbian workers at Benetton's, Esprit's, Bestseller's/Vero Moda, suppliers and subcontractors and of Ukrainian Triumph workers.

While non-payment of the legal minimum wage often occurs in Bosnia-Herzegovina, Macedonia, Hungary, Moldova, Bulgaria, and Romania, in Ukraine, Serbia and Albania it is the norm for the majority of workers.

The Gap Between the Legal Minimum Wage and a Living Wage

Legend

- Legal net minimum wage*
- Living wage estimate according to interviewed workers*
- % Legal net minimum wage as share of living wage estimate*



* **Notes:** Net minimum wage as of Oct 2017, except if stated otherwise below. Living wage estimates as of 2017 (AL, MK, RS, UA), 2016 (BA (RS), HU, PL, RO, SK), 2015 (CZ) or 2013 (BG, HR, GE, MD). Conversion rates as of 1st Oct 2017. **CZ:** Net wage differs according to family status and can be higher. Min net wage used here applies to a worker without children. **BA (RS):** It cannot be excluded that lower minimum wage in the garment sector apply due to a sector agreement. **GE:** There is no realistic min. wage for the sector. The figure used here is the minimum gross wage for the public sector (135 GEL). Min. wage for private sector is only 20 GEL = 7 EUR. **HU:** Minimum net wage and living wage estimate as of 2016. Living wage estimates according to workers interviewed ranges from 300.000 to 400.000 HUF. For this calculation, an average figure of 340.000 has been used.

The Gap Between the Legal Minimum Wage and a Living Wage

Legend

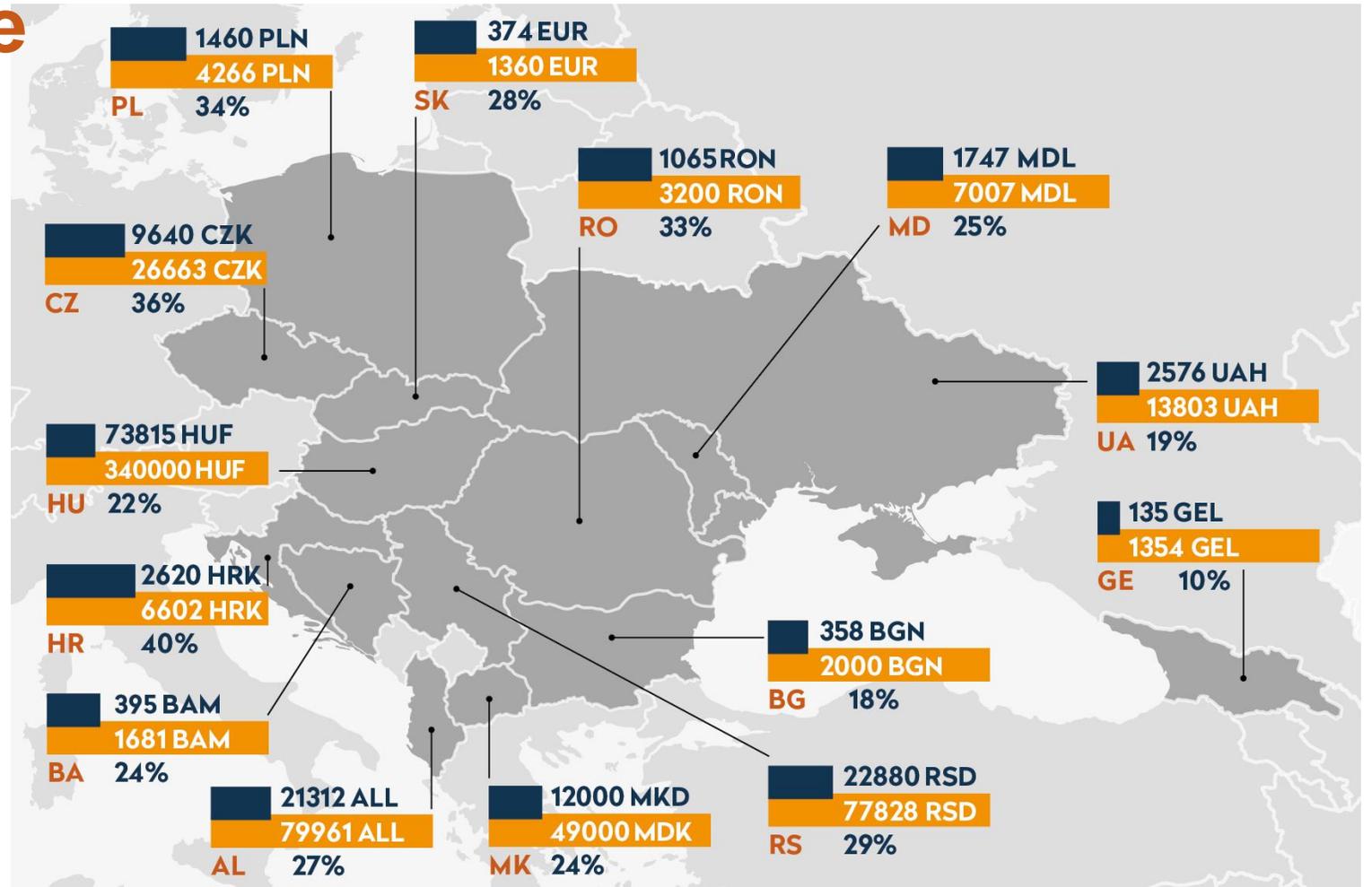
- Legal net minimum wage*
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- % Legal net minimum wage as share of living wage estimate*

* **Notes:** Net minimum wage as of Oct 2017, except if stated otherwise below. Living wage estimates as of 2017 (AL, MK, RS, UA), 2016 (BA (RS), HU, PL, RO, SK), 2015 (CZ) or 2013 (BG, HR, GE, MD).

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Faces of Poverty

Core strategies of workers to deal with their extremely low wages:

- Subsistence agriculture
- Indebtedness: constantly restructuring loans at usurious interest rates
- Labour migration to the West

LOAN OFFER NEAR A BRAND'S PRODUCTION SITE IN ROMANIA



The Responsibility of Germany, Italy and other West European Countries

In the 1970's a group led by the German and Italian governments initiated the EU's Outward Processing Trade (OPT) with Central, East and South East Europe.

The aim: outsource labour-intensive garment production and safeguard the textile industry in their own countries.

The consequence: bad working conditions and poor wages in Central, East and South East European garment factories and job losses in the Western European garment sector.

Today the OPT system, with its bad working conditions and poor wages, prevails, and German and Italian companies are still by far the biggest recipients of garments and shoes from the region.

In order to make ends meet, garment workers' family members often migrate to Germany, Italy and Western Europe to work as day labourers and in otherwise precarious and informal jobs, which adds to the burden of those relatives left behind, particularly women workers.

OPT Production of Shoes

In all countries, the dominant production and trade system in the garment and shoe industry is Outward Processing Trade OPT (“Lohn”, “Ishleme”, “Façon”).

Legend



Italian brands deliver production inputs to low-wage countries in the region



Italian brands re-import the shoes



The last steps, like packaging and labelling, are done in Italy before the shoes are sold on European markets.



OPT Production of Garments

German brands are the main companies using the Outward Processing Trade scheme (OPT) for garment production.

Legend



German brands deliver production inputs to low-wage countries in the region



German brands re-import the garments



The last steps are done in Germany before garments are sold on European markets.



Recommendations

TO BRANDS/RETAILERS:

- Pay a living wage.
- Work with your suppliers/subcontractors to remediate the reported rights violations.
- Practice Human Rights Due Diligence.

TO THE GOVERNMENTS OF PRODUCTION COUNTRIES:

- Enforce labour laws.
- Set a minimum wage level according to the real cost of living.
- Support a system of free legal advice centres in areas where the clothing/shoe industry is concentrated.

TO THE EU:

- Develop a minimum wage policy in accordance with the European Social Charter and international human rights charters.
- Sever the link between the granting of loans and restrictive wage policies in debtor countries.
- Link Association and trade agreements, as well as EuropeAID with the approved observance of labour laws and human rights at work.

Methodology

For this summary of recent research activities, extensive desk research was conducted in Serbia, Hungary and Ukraine. In order to update existing data on other countries, local partners in these locations contributed secondary research.

In Hungary, field research was carried out on three factories in June/July 2016; 30 employees were interviewed outside of the factory. In Ukraine, 35 off-site workers' interviews were conducted with labourers from four factories in February/March 2017. In Serbia, 48 off-site workers' interviews were conducted on four factories between June and September 2017. "Off-site" means outside the factory in a place where the anonymity and protection of the interviewee could be ensured. In all countries, researchers found it extremely difficult to find workers who were willing to talk. Workers were intimidated and many were terrified.

All data used are taken from country profiles: cleanclothes.org/livingwage/europe

Authors of this presentation: Bettina Musiolek, David Hachfeld

Authors of the country profiles: Bojana Tamindžija, Stefan Aleksić, Oksana Dutchak, Artem Chapeye, Bettina Musiolek, Olívia Béládi, Emese Gulyás

Quotes used in this document were not sourced from the individuals shown on the photographs. Moreover, these individuals are in no way affiliated with the people we interviewed as part of our research.

Contacts and Further Reading

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Further Reading and Country Factsheets:
cleanclothes.org/livingwage/europe

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