

Exploitation Made in Europe

Human Rights Abuses in Facilities Producing
for German Fashion Brands in:
Ukraine | Serbia | Croatia | Bulgaria



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1 EXECUTIVE SUMMARY

Germany is one of the world's largest importers and exporters of garments. Additionally, German fashion brands and retailers are the primary buyers of fashion items from Ukraine and Bulgaria, as well as the second most important buyers from Croatia and Serbia. For this study, workers from different

suppliers of German brands and retailers in Ukraine, Serbia, Croatia and Bulgaria were interviewed.

In all four countries investigated, an estimated 120,000 workers are sewing for German brands.

WHICH HUMAN RIGHTS ABUSES DID WORKERS REPORT? WHAT DOES 'MADE IN EUROPE' MEAN?

1 Across the board, the main human rights abuse is the non-payment of a living wage. To make things worse, in none of the production facilities supplying German brands were workers able to earn above the EU's own poverty threshold – not even with the addition of overtime and allowances. At the Ukrainian supplier to Esprit and Gerry Weber, workers' wages are sometimes delayed for months or not paid in full.



2 | In all countries, the garment industry – a feminised industry – is the worst paid manufacturing sector. Among the most poorly remunerated roles carried out within a garment factory is sewing, which is almost exclusively done by women. Most sewing jobs are paid on piece rate. While women are overrepresented in these workplaces, they are much less present in managerial positions. These are indications of **gender discrimination**.

3 | **Workers from all investigated factories report threats, insults, humiliation and intimidation. This repressive treatment contradicts the right to just and favourable working conditions and human dignity.** Employees' reports about management's 'propaganda strategies' are strikingly similar across the Europe-East/South region: "[the] factory is about to close", "there is the door" and other threats of job loss.

4 | Workers unanimously mention **constant exhaustion and chronic fatigue. Their human right to health is at risk.** Their most pressing wish – next to earning decent and deserved wages – is to be able to rest properly and to spend more time with their families. According to workers, protective measures against acquiring COVID-19 are insufficient; employees are often pressured into taking unpaid leave.

5 | Other human rights abuses stated by workers include **forced labour**, e.g. in the investigated suppliers to Esprit, Gerry Weber and Hugo Boss in Ukraine, Croatia and Bulgaria, as well as **repression of trade union rights**, especially at the Bulgarian Hugo Boss supplier.

6 | Further irregularities reported by workers include **blatant violations of the national laws** in all investigated factories: irregularities concerning annual leave, sick leave, dismissal, overtime, short-term labour contracts and maternity leave.



» I come home exhausted; I'm not able to do anything. «

Statement given by a Croatian worker

» I don't have any free time. I have two jobs and work on the field to get enough food. «

Statement given by a Croatian worker

According to employees' reports, working for German fashion brands in Ukraine, Serbia, Croatia and Bulgaria means being extremely poor, chronically exhausted, tired, fearful – and deprived of human dignity.



The findings of our current research show no change compared to earlier investigations.¹ There is no visible trend for improvement. For instance, it does not seem to matter if a country is an EU member state. Commonalities concerning rights abuses among the four researched countries outweigh differences. The gap between workers' wages and a living wage remains considerable.

While garment production shows a reality of human rights and labour law abuses, fashion brands and retailers like Hugo Boss, Gerry Weber and Esprit engage in multistakeholder human rights initiatives, and also use certificates for fair and sustainable production. Over the past 20 years, these voluntary initiatives have been unable to systematically change the dire situation facing garment workers. **Contrary to all the voluntary commitments made by fashion brands producing in the region, we found evidence of constant violations of labour law and human rights.**

Over time the Clean Clothes Campaign has observed that brands, if they engage in voluntary initiatives, do not take the necessary measures to effectively protect workers' rights in their supply chains.

In accordance with the UN Guiding Principles on Business and Human Rights, which were endorsed by the UN Human Rights Council in 2011, fashion brands and retailers have a responsibility to ensure that human rights are protected along supply chains. **We must conclude that German fashion brands and retailers are failing to deliver on their obligations in the textile supply chains investigated for this report.**

As the UN Guiding Principles are not legally enforceable, **binding and mandatory Human Rights Due Diligence legislation in Germany is overdue.**

¹ See CCC (2014): *Stitched Up*, CCC (2016): *Labour on a Shoestring*: cleanclothes.org/livingwage/europe
The Clean Clothes Campaign was the first to investigate working conditions and wages in the garment industry in all European countries in which it conducted research.

2 INTRODUCTION

This report focuses on German fashion brands and retailers. Bread for the World and the Clean Clothes Campaign – represented by its member Entwicklungspolitisches Netzwerk Sachsen e.V., which hosts CCC’s coordination for Europe-East/South, and by researchers in the four respective countries – investigated wage and working conditions at production facilities and suppliers for German-based fashion brands and retailers. While this has been done for many western European and North American brands in the past, our aim was to update our knowledge, particularly concerning fashion companies based in Germany.

Since the 1980s and 90s, the apparel industry has become the quintessential example of a **buyer-driven value chain**. Lead companies, like brands and retailers, control how value is distributed along the chain of production² and where and when manufacturing will take place. These companies – headquartered mostly in western EU member states – switch production between factories within and between countries all over the globe, which makes their production networks hard to trace. Relocation is easier the less value is added, i.e. the lower the wage in production is. The legal minimum wage is brands’ main indicator for allocating cut-make-trim operations globally. Tailors usually earn the legal minimum wage.

Following pressure from civil society and consumer initiatives like the Clean Clothes Campaign, global fashion brands and retailers have, since the late 1990s, **acknowledged on paper** that human rights should be respected and wages paid to workers should be enough to meet their basic needs. Yet, two decades on, workers and their families all over the world remain in stark poverty and suffer human rights violations. For all this time, the garment industry has continued to use workers’ low-cost labour to make mass profits. Their so-called ‘commitments’ to ensure human rights have made little or no real difference.

Many fatal accidents in the global apparel industry³ have left workers without legal protection, and those responsible for such accidents still face no liability: global brands and fashion retailers continue to order from these factories. The call for binding and mandatory instruments therefore became unmistakable. Presently, there is a heated discussion in Germany concerning binding and mandatory Human Rights Due Diligence legislation.⁴

MADE IN EUROPE – MADE FAIR?

The countries investigated include EU member states and non-EU states from all over the Europe-East/South region.⁵ It seems to be widely presumed that working conditions and wages in European fashion production countries are better than in Asia. The Clean Clothes Campaign has already questioned this notion in its 2014 report STITCHED UP, where we found that the **gap between the actual wage of workers and an estimated base living wage tends to be bigger in Europe than in Asia**.⁶ We now wanted to check on the prevailing wage situation with fresh data.



² Fernandez-Stark, Frederik and Gereffi (2011).

³ One of the summarising articles on such accidents written before the Rana Plaza case is CCC, SOMO (2013): Fatal Fashion: <https://cleanclothes.org/file-repository/resources-publications-fatal-fashion.pdf/view>

⁴ <https://lieferkettengesetz.de/presse/> – last accessed 15/2/2020.

⁵ Country profiles from all Europe-East/South countries where the CCC has investigated thus far can be seen here: <https://cleanclothes.org/campaigns/living-wages-in-europe> – last accessed 15/2/2020.

⁶ Stitched up – Poverty Wages in the Garment Industry in Eastern Europe and Turkey, pp. 34/35: <https://cleanclothes.org/file-repository/resources-publications-stitched-up-1/view> – last accessed 15/2/2020.

WHICH HUMAN RIGHTS NORMS DID WE BASE OUR INVESTIGATION ON?

Most codes of conduct used by brands and multistakeholder initiatives in the fashion sector agree on these standards:⁷

- 1 | ILO core conventions: 1. Freedom of Association and Right to Collective Bargaining, 2. Abolition of Forced Labour, 3. Non-Discrimination, 4. No Exploitation of Child Labour (ILO conventions C29, C87, C98, C100, C105, C111, C138, C182). The guarantees of the ILO core conventions are per se human rights.
- 2 | The human right to a living wage (on the basis of ILO C26, 99 and 131).
- 3 | The right to healthy working conditions – decent occupational health and safety conditions (on the basis of ILO C155).
- 4 | The maximum weekly working hours spent on a regular basis should not exceed 48 (ILO C1).
- 5 | A legally binding employment relationship (on the basis of the respective national regulation).

All of these refer to codified human rights. One legally binding source is the **International Covenant on Economic, Social and Cultural Rights** (ICESCR), which came into force in 1976. The covenant recognises and protects – among others – the right to just and favourable working conditions in Art. 6 and 7, the right to social security in Art. 9, the right

to an adequate standard of living, including the right to food and housing in Art. 11, the right to health in Art. 12, the right to education in Art. 13 and the right to participate in cultural life in Art. 15.⁸ While this covenant codifies economic and social rights, including human rights at work, its subjects are states, not companies.



The right to a living wage – a focus of this report due to its significant violation in the garment industry, particularly in Europe – is a human right established in the UN Universal Declaration of Human Rights: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity” (Universal Declaration of Human Rights, Article 23, para 3). As far back as 1919, the Preamble to the Constitution of the ILO referred to “the provision of an adequate living wage”.⁹ Recent ILO definitions of Decent Work reassure this notion.

⁷ For instance: Fair Wear Foundation: <https://www.fairwear.org/about-us/labour-standards>

⁸ https://treaties.un.org/doc/Treaties/1976/01/19760103%2009-57%20PM/Ch_IV_03.pdf – last accessed 15/2/2020.

⁹ Report presented to the Peace Conference by the Commission on International Labour Legislation (1920a). Available at: http://www.ilo.org/public/libdoc/ilo/1920/20B09_3_engl.pdf

In the European context, the Council of Europe's 1965 **European Social Charter** (ESC) and its revised version of 1999 codify the right to a living wage in Art. 4, No 1 "to recognise the right of workers to a remuneration such as will give them and their families a decent standard of living".¹⁰

The ESC is valid all over Europe, not only in EU member states. In 2017 the European Union set up its European Pillar of Social Rights (EPSR),¹¹ which makes reference to the "right to fair wages that provide for a decent standard of living" (EPSR).

MAIN FEATURES OF A LIVING WAGE

In the fashion and sportswear sector, the following features of a living wage are commonly agreed among experts and stakeholders:

- 1 | As a universally applicable human right, it reaches out to **all** workers independently of her/his status in the workplace, her/his productivity or personal situation (ex. marital status).
- 2 | It must always be sufficient to meet the basic needs of workers, including food, clothing, transportation/mobility, housing, utilities and communication, education and holidays, health and hygiene;
- 3 | and those of their families;
- 4 | and to provide a discretionary income for unexpected emergencies (usually an additional 10% of the cost for all basic needs).
- 5 | It must be earned during regular working hours without overtime.
- 6 | It is the lowest paid wage and no worker earns less than the defined living wage; therefore it excludes allowances as they are conditional on certain circumstances or performances.



¹⁰ European Social Charter, available at: <https://rm.coe.int/168006b642>

¹¹ EUROPEAN PILLAR OF SOCIAL RIGHTS, p. 15. https://ec.europa.eu/commission/sites/beta-political/files/social-summit-european-pillar-social-rights-booklet_en.pdf

LIVING WAGE



food



rent



healthcare



They should be able to afford:



education



clothing



transportation



savings

A living wage is a human right for ALL people, ALL over the world.

HOW DOES THE CLEAN CLOTHES CAMPAIGN ESTIMATE A BASE LIVING WAGE?

The Clean Clothes Campaign surveys basic costs for all the above-mentioned basic needs by interviewing garment employees. These workers severely underestimate the costs of all basic needs and sometimes cannot estimate household expenditures at all because they hardly ever go on vacation, visit a library or spend money on maintaining their properties. This is a systemic problem in our estimation of a living

wage. We therefore use the term **'base'** living wage. When workers cannot estimate some of their needs, for instance housing maintenance or vacation costs, we include other data, such as figures provided by the Wage Indicator Foundation or numbeo.com. Workers' estimations nevertheless remain our primary source for estimating a living wage.

METHODOLOGICAL NOTE

In the following chapters, we report on the general labour rights situation in the countries' various garment sectors, including examining the relevance of German buyers for their apparel industries, and we present the research findings on specific suppliers to fashion brands and retailers headquartered in Germany. For the summary of the general labour rights situation in the countries' relevant garment sectors, we include all earlier research conducted by CCC organisations in the respective country.

Research on specific German fashion brand suppliers located in Serbia, Ukraine, Croatia and Bulgaria was conducted by Clean Clothes Campaign organisations from the countries in question. Our investigations consisted of desk and field research in the four European nations. Field research – i.e. off-site workers' interviews – took place between September 2019 and January 2020. In Bulgaria, interviews with workers of the Hugo Boss supplier from September 2018 were assessed as well. While interviews had taken place until January 2020, researchers contacted workers and trade unions again in March and April to find out about the impact of the COVID-19 pandemic and the subsequent economic crises.

Employees were interviewed in a semi-structured way. Tailors/seamstresses – the vast majority of an apparel assembly plant's labour force – of diverse age and years of service were targeted for interviews. Field researchers faced tremendous difficulties in finding workers willing to be interviewed, with the exception of the Croatian and Bulgarian companies, as particularly the Bulgarian case has been public for years and union activity gave workers greater self-confidence.

The factories researched had been selected as cases displaying 'normal' conditions compared to other production sites in the country. This selection was made on the basis of years of experience in investigating and monitoring working conditions in the respective countries. In the case of the Hugo Boss supplier in Bulgaria, however, while the company has been seen as a rather positive example for many years, recently wage and working conditions have returned to 'normal', which unfortunately means the usual law and rights violations that the Clean Clothes Campaign has been reporting over previous years in various publications and 16 country profiles.¹²

¹² <https://cleanclothes.org/campaigns/living-wages-in-europe>

Abuses at a Factory Producing for German Retail Chains

Whenever a sought-after foreign investor is opening a production facility in Serbia, the government announces it widely – particularly when a German company opens their factory in the country, as Germany is stereotypically seen as the origin of high quality, which the government never fails to emphasise. But are ‘good quality’ human rights exercised in these factories?

Germany is Serbia’s second-largest export destination for clothes, textiles and footwear after Italy.¹³ Of the approx. 100,000 formal and informal employees in Serbia’s garment and shoe industry, roughly **11,000 are only working for German brands and fashion retailers.**¹⁴

German-based fashion brands and retailers sourcing from Serbia include:¹⁵

**Aldi | ADLER | dm | Deichmann
Esprit | Hugo Boss | Kaufland
KiK | NKD | Ulla Popken**

In fact, investors and buyers like to produce in or order from Serbia as the government creates a ‘business friendly’ environment with state grants for the allocation of brands’ production facilities,¹⁶ tax reliefs in ‘business zones’ and, recently, with easing and facilitating seasonal labour, agency employment and exemptions from mandatory social contributions.

The most severe and widespread labour and human rights violations in the garment industry reported by workers from all over Serbia are maltreatment and intimidation, as well as poverty wages.

According to state statistics, the garment industry sectoral average wage is the lowest among all industrial sectors and amounts to 62% of the average net wage in the Republic of Serbia. In other words, garment employees work and live at the poverty threshold, if we consider the poverty line to be 60% of the country’s average wage.¹⁷

If we look beyond statistics and into the reality of a factory producing for German supermarket, pharmacy and fashion chains, the picture is even grimmer. We interviewed workers, but for the protection and safety of the respondents, we cannot name the factory or the relevant German retail chains. Workers were extremely afraid and reluctant to speak out.

These employees reported that wage payment is tied to reaching a production quota, for which they usually have to work overtime consisting of two Saturdays per month. These statements suggest excessive, undocumented and unpaid overtime. Further labour and human rights violations that workers stated are unbearable temperatures in summer (38°C) and irregular practices concerning annual leave: while they could only take eight days annual leave for 2019, at least 20 days are legally prescribed. Workers reported that in the face of the current COVID-19 pandemic, they are not given masks or the opportunity to keep their distance from other workers.

At another facility producing for a German-based brand, around 30 workers were dismissed due to ‘reorganisation of the production’, but workers claim that it was in fact due to their taking ‘too much’ sick leave because most of them are single mothers or have disabilities. According to workers, the company at the same time – illegally – asked for new staff from the labour office.

The Serbian factory, as well as the German-based vendor and owner of the factory, attest to being BSCI (amfori Business Social Compliance Initiative) certified and to having an increased share of GOTS (Global Organic Textile Standard) certified products. Both – the GOTS certificate and BSCI organisation – include similar labour rights in their standards.¹⁸ The reality at production locations contradicts these claims sharply.

¹³ See <https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-serbia/view>

¹⁴ <https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-serbia/view>

Because garment, textile and footwear exports to Germany account for 11.5% of exports.

Source: Chamber of Commerce and Industry of Serbia <https://api.pks.rs/storage/assets/Tekstilna%20industrija,%20Q3%202019.pdf>

¹⁵ According to media articles, published supplier lists and own research.

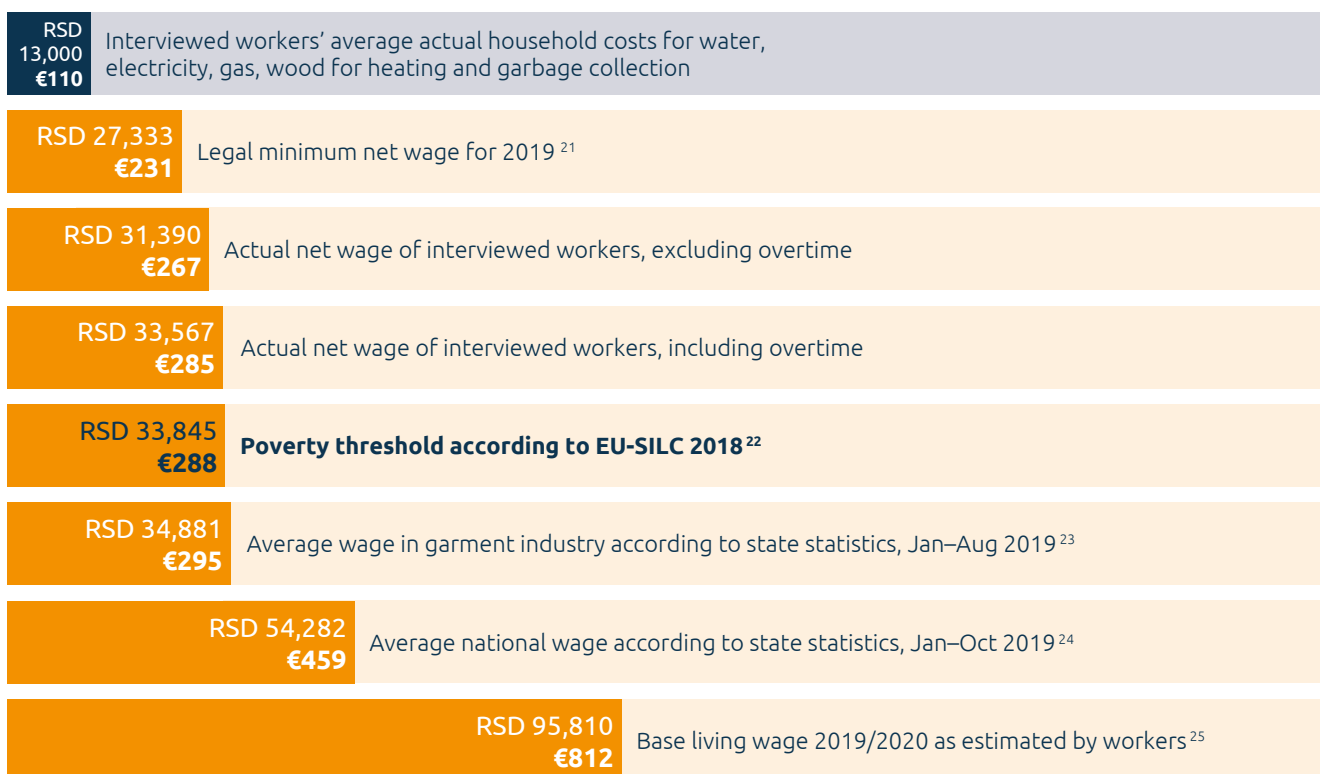
¹⁶ GEOX, for example, received €11.25 million for opening a plant where labour abuses were publicly known to have been committed. Its creation within a ‘business zone’ was additionally subsidised by the municipality.

¹⁷ 60% of the national average/median salary is the EU’s most used poverty line; it is calculated by the European Union Statistics on Income and Living Conditions (EU-SILC) as the “at-risk-of-poverty” threshold for “60 % of the national median equivalised disposable income (after social transfers)” <https://ec.europa.eu/eurostat/web/products-datasets/product?code=tessi014>

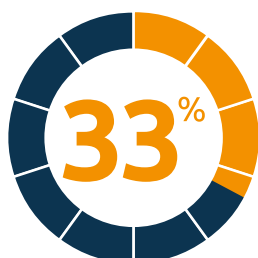
¹⁸ https://www.amfori.org/content/amfori-bsci-code-conduct-. '3. Social criteria' in https://global-standard.org/images/GOTS_Documents/GOTS_Standard_5.0_EN.pdf

WAGE LADDER ¹⁹

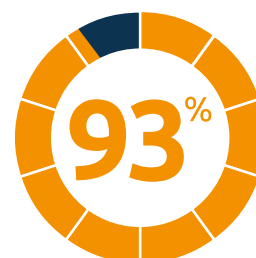
SUPPLIER FOR GERMAN RETAIL CHAINS | 2019 ²⁰



WAGE AS A PERCENTAGE OF A LIVING WAGE



WAGE AS A PERCENTAGE OF EU'S POVERTY LINE



¹⁹ A wage ladder is an instrument to show and visualise main wage categories in order to introduce milestones on the way to a living wage. It was 'invented' during the 'Joint Initiative' between CCC and the Multistakeholder Initiatives FWF, FLA, ETI and SAI in the early 2000s.

²⁰ RSD–EUR conversions are done according to Oanda (the figures are valid at the time of conversion).

²¹ For 176 monthly working hours – Paragraf.rs Minimalna zarada za 2019, minimum wage for 2019; accessed on 14/02/2020. https://www.paragraf.rs/statistika/arhiva-minimalna_zarada.html

²² For two adults and two children: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en – last accessed 15/2/2020.

²³ Chamber of Commerce and Industry of Serbia; Bilten, Udruženje za industriju tekstila, odeće, kože i obuće, Privredna komora Srbije (Bulletin of the Association of Textile, Garment, Leather and Footwear Industries), September 2019, p. 12.

²⁴ Statistical office of the Republic of Serbia, 'Statistics on Wages', Newsletter No 343, 25 Dec 2019, p. 1: <https://publikacije.stat.gov.rs/G2019/Pdf/G20191343.pdf>

²⁵ Surveying workers on their costs of living estimates showed that we had to increase the 2016 living wage estimate (RSD 77,828 / EUR 652) in the 2017 CCC country profile: <https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-serbia/view>

4 UKRAINE

Esprit and Gerry Weber Profit from Extensive Labour and Human Rights Violations

Ukrainian media praise factories working for ‘European’ companies²⁶ and their “business model” as “key to success”.²⁷ What little discourse on corporate responsibility exists in the country is almost exclusively focused on ecological issues.²⁸ It is extremely rare to find critical and balanced articles where working conditions and wages are discussed.²⁹ There is almost no discussion on human rights at work; labour rights are not framed as directly related to human rights; these are totally separate discourses in Ukraine.

German fashion companies are by far the most important buyers for Ukrainian factories (accounting for 37% of Ukraine’s apparel exports).³⁰ Of the approx. 220,000 formal and informal employees in Ukraine’s garment and footwear industry, roughly **80,000 are working for German headquartered brands and fashion retailers.**³¹

German-based fashion brands sourcing from Ukraine include:³²

**Adidas | Basler | Esprit | Gerry Weber
Hugo Boss | Kirsten | s.Oliver | Walbusch**

The most severe and widespread labour and human rights violations in the garment industry reported by employees are poverty wages as well as the intimidation and humiliation of workers.

The legal minimum net wage in Ukraine is far below the poverty threshold (see wage ladder below). The legal minimum wage amounts to EUR 126 (net) per month (figure for 2019). **In absolute terms, Ukraine’s minimum wage is one of the lowest among Asian and European garment producing countries.** Moreover, on average, the legal minimum net wage amounts to **17%** of an estimated base living wage. This situation is compounded by the fact that workers’ whole take-home pay falls below the poverty threshold (see below). While wages are just enough to pay what workers call ‘the bills’ – electricity, water, heating and garbage collection – they cannot pay for food, housing, clothing, etc. **Working in the garment industry is a guarantee for being extremely poor.**

To survive, garment workers’ families have to save on everything including food, heating, maintenance of their accommodation and clothing. They rely on subsistence agriculture, state support (utilities subsidies for poor families), support from extended families, indebtedness and labour migration. The families are often indebted; some of them have to borrow money constantly just to satisfy basic needs until their next salary. Most of them are not familiar with vacation, recreational or cultural activities because they require money and time. Accumulating savings is simply impossible. There are almost no job alternatives outside large cities, particularly for women with children, who are not very mobile and have to rely on limited working hours with no overtime.



» My husband’s parents give us meat. Without this, we wouldn’t be able to eat meat. «

Statement given by a Croatian worker

» We can buy a toaster or a mixer for the kitchen only on credit; it is impossible to save money. «

Statement given by a Croatian worker

²⁶ See, for example, <https://volynonline.com/yevropeyski-brendi-odyagu-rodom-z-ukrayini-ekskursiya-virobnitstvom/> and <https://otg.cn.ua/2019/07/17/news-vlada/fabryka-elegant-yak-i-chomu-yevropeyski-brendy-vidshyvayut-na-cherhigivskomu-pidpryemstvi/>. A rare example of a more critical publication, where the issue of cheap labour is briefly discussed, can be found here: <https://www.segodnya.ua/ua/lifestyle/style/made-in-ukraine-pochemu-odezhdu-evropeyskih-brendov-otshivayut-v-ukraine-1253794.html>

²⁷ See example on Zara here <https://rau.ua/novyni/yak-pratsuyue-biznes-zara/> or on Polish brands that “conquered the world”: <http://vsetutpl.com/made-in-poland-10-polskykh-brendiv-yaki-pidkoryly-svit>

²⁸ See the following examples: <https://vogue.ua/ua/article/fashion/brend/kak-modnye-brendy-stanovyatsya-eko-soznatelnyimi.html>, <https://vogue.ua/article/fashion/brend/yak.html>, https://24tv.ua/lifestyle/prada_vidmovlyayetsya_vid_naturalnogo_hutra_n1157490 and <https://responsiblefuture.com.ua/ukrainian-fashion-week-stalij-rozvitok-i-majbutnye-industriyi-modi/>

²⁹ <https://www.bbc.com/ukrainian/features-49264839>

³⁰ <https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-ukraine/view> – last accessed 15/2/2020.

³¹ Estimation on the basis of German exports as a share of all garment and footwear exports.

³² According to media articles, published supplier lists and own research.

OTHER CONSTANT ABUSES OF LABOUR AND HUMAN RIGHTS IN UKRAINE INCLUDE:

- ▶ **Fainting** due to exhaustion, heat and bad air quality. Normally, air conditioning equipment is absent or not working. There are also cases of work **accidents**. A worker cut her hand while she was working double shifts over a three-month period because her colleague was ill.
- ▶ Mass **law violations** concerning payment for overtime, working time, annual leave or union activity.
- ▶ Payment irregularities (less than accounted for) and wage **arrears**.
- ▶ **Workers are threatened** with job loss and 'disciplinary measures' on a daily basis. The most common 'disciplinary measure' is when those who are asking inconvenient questions are transferred to more poorly paid operations. There is no independent trade union activity in the garment industry.

WHY IS THE POLITICAL FRAMEWORK IN UKRAINE COMPARATIVELY DISASTROUS FOR RESPECTING HUMAN AND LABOUR RIGHTS?

Under pressure from international financial institutions (predominantly the International Monetary Fund) and the Ukrainian oligarchs, and under close EU surveillance, the new government is accelerating the spiral of **poverty, social inequality and degradation**. Its austerity measures include:



RESTRICTIVE MINIMUM WAGE POLICIES

Between 2010 and 2017, in order to reduce public spending, the legal minimum salary was frozen at the behest of financial institutions; at the same time, inflation rates stood at 20% and above. Since 2017, minimum wage hikes have not compensated for inflation and increases in cost of living.

RESTRICTIVE POLICIES ON SOCIAL TRANSFERS

In order to further lower social transfers and pensions – and thus public spending – the government detaches these figures further from actual household expenditures and costs of living.³³ The share of employers' and employees' mandatory social insurance contributions has decreased from 40.4% to 22% between 2016 and 2019. This is coupled with an 'optimisation' of healthcare which led to hospital closures and worsening access to medical care, all in order to reduce public spending. Higher education and healthcare have been steadily becoming less and less affordable for workers.

WEAKENING STATE INSPECTIONS

Any state inspection, including labour and ecological inspections, still fails to function, particularly as independent state control. The 'reform' of the labour inspectorate aims to inform employers rather than protect workers and the environment.³⁴

WEAKENING LABOUR LAW

The labour legislation 'reform' will – among others – make layoffs easier, enable zero-hour and disable indefinite contracts, reduce protection for working mothers, dismantle any overtime restrictions, reduce the overtime premium from 100% to 20% and practically abolish any trade union rights.³⁵ Basically, these 'labour reforms' will legalise many illegal practices undertaken by employers, such as those mentioned above, and severely damage workers' protections.

³³ Analysis can be found here: <https://commons.com.ua/uk/reforma-prozhitkovogo-minimumu/>

³⁴ Olena Fedyyuk and Victoria Volodko (2018). Is transnational labour rights protection possible? Sending country's perspective: Ukrainian Country Report. pp. 17-18 (http://www.zaporuka.org.ua/img/file/is_transnational_labour_right_protection_possible.pdf).

THE EU AND UKRAINE

The European Commission and the International Monetary Fund (IMF) are hailing the new Ukrainian president, parliament and government for their “rapid legislative activity”.³⁶ Their major focus is fiscal discipline where labour and human rights do not play a role. In its Association Implementation Report on

Ukraine of 12/12/2019, the European Commission is actually pushing for the above-mentioned austerity policy ‘reforms’, criticising a “weakened fiscal discipline, as wage and pension increases took place”, but has to acknowledge that wages in Ukraine are some of the lowest in Europe (ibid., pp. 11/12).

THE ROLE OF PURCHASING PRICES AND PRACTICES

As much as we consider the responsibility of the Ukrainian and other production country governments for legal minimum wages and ensuring the law is adhered to at work, it must be noted that employers and owners unanimously tell us that the **prices they are paid for the orders** do not allow them to afford decent working conditions and wages for workers, as this Ukrainian factory owner told a German journalist.³⁷ Owners explained to our researchers that while brands demand more from their suppliers in terms of human rights and ecological standards, their buying price and purchasing practices worsen. For example, most ‘social audits’ under amfori BSCI or SA 8000 have to be paid by the suppliers, but this is not reflected in the price suppliers are paid by the brands demanding these audits.³⁸



³⁵ https://commons.com.ua/uk/novyy-trudovyy-kodeks/?fbclid=IwAR1VAWz6WjyZapFJtw_euGgcND03GgY1KRHUSKI4Sdz_alDI-EX6Xrz7yU and <https://rev.org.ua/zakonu-pro-bespravnu-pracyu/?fbclid=IwAR1a2wNMJZQN6Anhdl603hZMBnn3-5QshjmcFhCCu-BfsacySI67NHcXak> and <http://www.fpsu.org.ua/nasha-borotba/novini-chlenskikh-organizatsij/16760-metalurgi-i-girniki-vimagayut-vidklikati-zakonoproekt-pro-pratsyu.html> and <http://yur-gazeta.com/publications/practice/trudove-pravo/proekt-zakonu-pro-pracyu-poshtovh-dlya-biznesu-chi-zalp-avrori.html>

³⁶ European Commission: Association Implementation Report on Ukraine, 12/12/2019. https://eeas.europa.eu/sites/eeas/files/swd_2019_433_f1_joint_staff_working_paper_en_v4_p1_1056243.pdf – last accessed 15/2/2020.

³⁷ See the part on Ukraine in Frontal 21: ‘Teure-Mode-aus-Billigproduktion’, available here <https://www.zdf.de/politik/frontal-21/frontal-21-vom-13-maerz-2018-100.html> Another statement of a factory owner along these lines: Feature ‘Ein deutscher Unternehmer in Bulgarien’: https://www.deutschlandfunkkultur.de/ein-deutscher-unternehmer-in-bulgarien-stich-fuer-stich.3720.de.html?dram:article_id=468744 – last accessed 26/2/2020.

³⁸ Clean Clothes Campaign (2019): Fig Leaf for Fashion. <https://cleanclothes.org/file-repository/figleaf-for-fashion-brief.pdf>/view

ESPRIT'S EFFORTS TO INTRODUCE HUMAN RIGHTS INTO ITS SUPPLY CHAIN

Esprit is a member of ACT (Action, Collaboration, Transformation)⁴⁰ – an initiative aiming to introduce sectoral collective bargaining agreements in garment production countries – and of the Multistakeholder Initiative German Partnership for Sustainable Textiles.⁴¹ The brand concluded a Global Framework Agreement with IndustriALL Global Union.

Despite these activities at the declaratory level, Esprit could show no evidence of any workers being paid a living wage according to the Clean Clothes Campaign's (CCC) extended German version of 'Tailored Wages 2019' ('Firmencheck 2019').⁴²

This report states that voluntary initiatives have not contributed to an actual wage increase beyond singular pilot projects and therefore Esprit should engage in mandatory and binding instruments, such as enforceable agreements with worker representatives that require the payment of significantly higher prices to suppliers, affording them the financial capacity to implement human rights,⁴³ and in governmental initiatives to hold German-based companies liable for human rights abuses.

CASE STUDY

SUPPLIER TO ESPRIT AND GERRY WEBER⁴³

INTERVIEWED WORKERS REPORT

- ▶ regular **wage arrears** of one to two months,
- ▶ regular **overtime performed to finish quotas but unpaid overtime premiums,**
- ▶ **forced unpaid vacation during which employees had to work and fines,** e.g. by reducing owed allowances (this might be done, for instance, in order to fulfil the quota: allowances can make up a significant part of workers' salaries).

» The brand we are sewing here sells trousers for €60, €90, €100. We laugh because this is almost what we earn in a whole month.«

Statement given by a Croatian worker



³⁹ Here we only quote buyers with headquarters in Germany. Our sources are published supplier lists and workers. For the protection and security of respondents, we cannot publish the factory name.

⁴⁰ <https://actonlivingwages.com> – last accessed 15/2/2020.

⁴¹ <https://www.textilbuendnis.com/en/uebersicht/> – last accessed 15/2/2020.

⁴² https://saubere-kleidung.de/wp-content/uploads/2019/09/PublicEye_Report-Firmencheck_D_def-high_web.pdf – p. 19, last accessed 15/2/2020.

⁴³ *Ibid.*, p. 43.

The most dramatic issue is wage payment. Since early 2019, workers have seen frequent wage arrears and only down payments of wages (i.e. wages paid in instalments). Most recently wages were not paid in full for November, and no wages were paid at all for the month of December. Before the Christmas holidays, employees received UAH 2,000 / EUR 75 ("as a pittance"). In the absence of any trade union, workers appealed collectively to the employer, with no answer and no result. **Esprit and Gerry Weber should revise their purchasing practices for their Ukrainian supplier to be able to return to lawful wage proceedings, pay outstanding wages and ensure compensation/severance (based on Article 175 of the Criminal Code of Ukraine).**

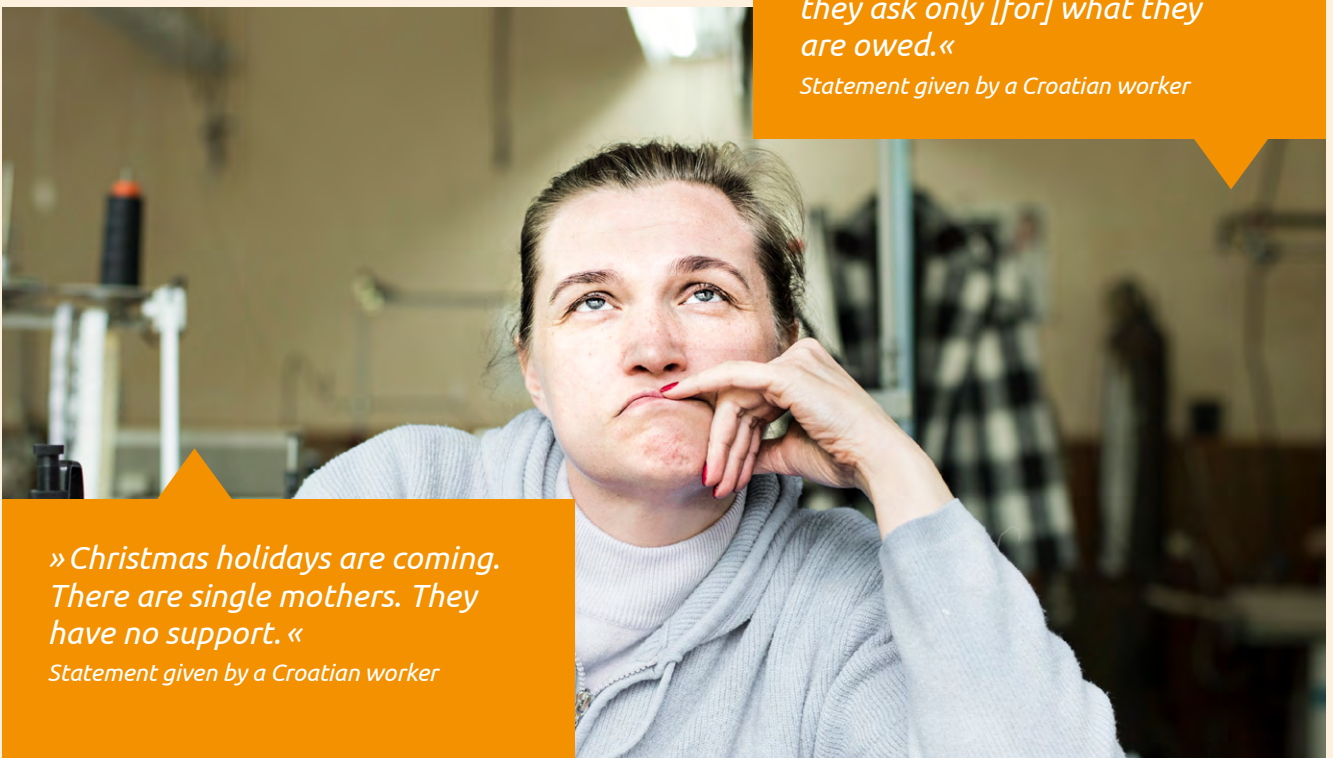
» Nobody explains anything. People are scared. «

Statement given by a Croatian worker



» People are not asking for something fancy – what is not theirs – they ask only [for] what they are owed. «

Statement given by a Croatian worker



» Christmas holidays are coming. There are single mothers. They have no support. «

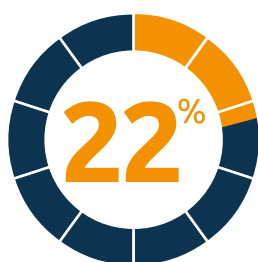
Statement given by a Croatian worker

WAGE LADDER

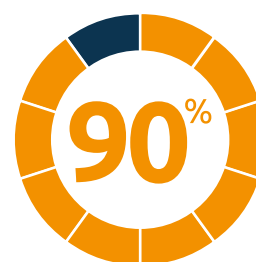
UKRAINIAN ESPRIT AND GERRY WEBER SUPPLIER | 2019

UAH 3,430 €128 ⁴⁶	Interviewed workers' average actual household costs for water, electricity, gas, wood for heating and garbage collection
UAH 3,359 €126 ⁴⁵	Legal minimum net wage, 2019 ⁴⁴
UAH 4,404 €165 ⁴⁷	Interviewed workers' average actual net salary including allowance, within regular working hours
UAH 4,845 €181 ⁴⁸	Interviewed workers' average actual net salary, including overtime, bonuses, allowances, etc. (whole take-home pay)
UAH 5,158 €184 ⁴⁹	Poverty threshold: 60% of national average net salary (see below)
UAH 8,597 €307 ⁵¹	Average net salary in the country, Nov 2019 ⁵⁰
UAH 19,944 €746 ⁵³	Base living wage as estimated by workers, Nov 2019 ⁵²

WAGE AS A PERCENTAGE OF A LIVING WAGE



WAGE AS A PERCENTAGE OF EU'S POVERTY LINE



⁴⁴ <https://index.minfin.com.ua/ua/labour/salary/min/> minus 19.5%

⁴⁵ Oanda, 01/12/2019.

⁴⁶ Oanda, 01/12/2019.

⁴⁷ Oanda, 01/12/2019.

⁴⁸ Oanda, 01/12/2019.

⁴⁹ Oanda, 01/11/2019.

⁵⁰ Average monthly wage according to types of economic activities in Nov 2019: UAH 10,679 gross. 19.5% subtracted to obtain net figure.

⁵¹ Oanda, 01/11/2019.

⁵² Oksana Dutchak, Anna Oksiutovych, (2019) (Ukrainian): The Right to a Living Wage – Results of the Research Project 'Conditions and Wages in Ukrainian Export-Oriented Garment Sector', <http://rosalux.org.ua/images/living-wage-online.pdf> – last accessed: 15/2/2020.

⁵³ Oanda, 01/12/2019.

ALLA'S STORY

Alla (not her real name) lives in an average Ukrainian town with her husband and children. She is well educated. Her monthly wage is UAH 4,600 (EUR 172), which has been regularly delayed for a month or two since the beginning of 2019. Her husband earns a bit more than the average wage in the country (UAH 8,597 / EUR 307). The family's monthly bill for electricity, gas and water eats up 65% of Alla's monthly wage.

To make ends meet, Alla also works an additional job on weekends, for which she is paid UAH 200 (EUR 7) per day. Because of this additional job, she works months on end without taking a day off, which leads to health problems. Given her meagre wage, Alla has to buy clothes and shoes for her family through informal loans from acquaintances. "For these shoes [she points at her shoes] I've paid in parts. I've bought them for UAH 800 (EUR 30) and repaid in one month. The vendor who sold them to me agreed to this, knowing I'll pay."

There are no job alternatives for mothers in her town. "And to go to another city to work in shifts – having no chance to see your children... I'll have no opportunity to check their homework – that is no good. This won't be a family. So we adapt to those conditions we have."

"You asked me where we can sit, have a coffee and talk. We have a lot of cafés like this. I've been in this café three times. The first time – before marriage. The second – for somebody's birthday party years ago. And now is the third time. Maybe it is wrong; one needs recreation. But when you think, I stand the whole week through at my various jobs, just to earn this pittance – and [that] I throw [it] all away in 5 minutes. We celebrate children's birthdays only at home, not in cafés. If godparents invite us into a café, we are happy, then we can go."

Alla and her husband also work on a small field. "That is our life – trying to plant some cucumbers, tomatoes, to pickle them for winter, to eat less of these 'chemicals' in the food".

Alla feels sad that she is not able to give her children more and to spend more time with them. "And they grow up, childhood will be gone, you cannot get this all back. I understand that they need clothes, and bread, and butter.... You buy them stuff, food, toys, pay bills. You earn something, pay for something, buy food... The money just disappears. And you go to work, and you are angry because you don't see your family. And you never have any rest. You never ever have time for yourself."

"Chronic fatigue – it accumulates, it never goes away. Sometimes you go to sleep after work, but this does not help – you need a very long period of time to get rid of it, it is very hard."

Besides health problems and a lack of time with her children, there is another thing that Alla regrets: having no possibility to go on vacation and to show something new to her children. "I talk with my ex-classmates – some go abroad for vacations or inside Ukraine – to the sea, to the mountains. And you understand that, with our income, you have no possibility to take your children even to the next big city, to the zoo there, to show them their country. You just cannot..."

5 CROATIA

Numerous Irregularities at a Hugo Boss Supplier

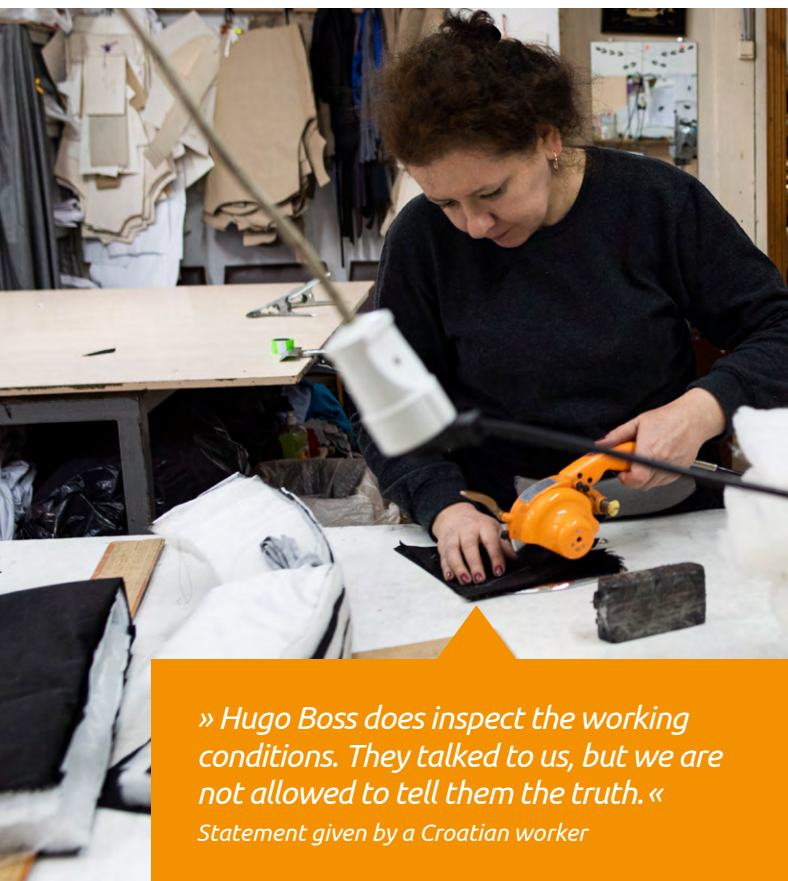
Germany is the second-largest export destination for garments made in Croatia (17% of total garment exports). There are 11,315 registered workers in the garment industry.⁵⁴ On that basis, we can assume that about **2,000 workers sew clothing for German brands and fashion retailers.**

German-based fashion brands sourcing from Croatia include these premium brands:⁵⁵

**Escada | Hugo Boss | Olymp
René Lezard**

In Croatia, the garment industry is the manufacturing sector with the lowest average salary.⁵⁶ According to state statistics, the average net wage in the garment industry is considerably below the EU-SILC poverty threshold and far below an estimated base living wage (see wage ladder below). Contrary to Hugo Boss' claims, according to the Clean Clothes Campaign's 'Tailored Wages 2019' series of reports, Hugo Boss could show no evidence of any workers being paid a living wage.⁶¹

Moreover, according to employees at Hugo Boss' suppliers in Croatia and Bulgaria, no one is paid a living wage. In fact, workers state the opposite: they are paid 20 and 32% (respectively) of a living wage.



» Hugo Boss does inspect the working conditions. They talked to us, but we are not allowed to tell them the truth. «

Statement given by a Croatian worker

HUGO BOSS AND ITS EFFORTS TO IMPLEMENT HUMAN RIGHTS IN ITS SUPPLY CHAIN

42% of its products are made in eastern Europe.⁵⁷

Hugo Boss is a member of the Multistakeholder Initiatives German Partnership for Sustainable Textiles and the US-based Fair Labour Association (FLA).⁵⁹ The brand participates in the FLA's 'Fair Compensation Program' as well as in the German Partnership for Sustainable Textiles' 'living wage initiative'.

These initiatives aim to eliminate human rights violations along the supply chains of their members, including through steps towards a living or 'fair' wage, and claim to be independently verified. Additionally, Hugo Boss states repeatedly that it audits suppliers to check that they meet social criteria. However, social audits contain obvious flaws.⁶⁰

⁵⁴ Croatian Bureau of Statistics: https://www.dzs.hr/Hrv_Eng/Pokazatelj/Zaposlenost%20i%20place/Zaposlenost%20-%20Administrativni%20izvori.xlsx – last accessed 4/10/2019.

⁵⁵ According to media articles, published supplier lists and own research.

⁵⁶ Nestić, Danijel/Babić, Zdenko/Blažević Burić, Sanja (2018)/Minimum wage in Croatia: sectoral and regional perspectives/The Institute of Economics, Zagreb, <https://www.tandfonline.com/doi/full/10.1080/1331677X.2018.1473787?scroll=top&needAccess=true> – last accessed 5/02/2020.

⁵⁷ <https://group.hugoboss.com/en/responsibility/partners/suppliers/> – last accessed 15/2/2020.

⁵⁸ <https://www.textilbuendnis.com/en/uebersicht/> – last accessed 15/2/2020.

⁵⁹ <https://www.fairlabor.org/affiliates?page=6> – last accessed 15/2/2020.

⁶⁰ See Clean Clothes Campaign (2019): Fig Leaf for Fashion. <https://cleanclothes.org/file-repository/figleaf-for-fashion-brief.pdf/view>.

⁶¹ <https://cleanclothes.org/file-repository/tailoredwages-fp.pdf/view>, p. 7 – last accessed 15/2/2020.

CASE STUDY

HUGO BOSS SUPPLIER KRATEKS D.D. KONFEKCIJA

Poverty wages that are sometimes less than the legal minimum

Tailors/seamstresses from Krateks in Croatia state that they must complete their production quota and for that they have to do overtime – at least two Saturdays (six hours each) per month or sometimes 45 additional minutes on weekdays. Saturday overtime hours are paid as an ‘allowance’ (HRK 138/EUR 19 per Saturday) and are not documented as overtime on an employee’s pay slip. Weekday overtime is not documented or paid at all. In other words, **overtime is not properly recorded and paid** – a violation of the Croatian labour law. Most of the world’s labour laws include an obligation on employers to fully document overtime worked and to pay overtime hours at a premium rate. The ILO Conventions 1 and 30 demand that overtime be paid at the rate of at least 125% of the average wage.

When workers refused to perform overtime (according to them), they were punished with a disciplinary wage deduction; workers were also given the same punishment when a coat went missing because allegedly a worker had stolen it.

The codes of Multistakeholder Initiatives forbid disciplinary wage deductions. What is more, Croatian law does not allow for such action unless workers provide written confirmation. In the case of Krateks, workers told the researcher that management pressured them into signing an agreement for deduction by threatening them with the withdrawal of public transport reimbursements.

All interviewed tailors (94% of interviewees) state that they are just paid the legal minimum wage of HRK 3,000 / EUR 405. Additionally, they receive an ‘allowance’ for Saturday work.

We must conclude that workers sometimes have to work overtime in order to reach their production quota – and only then do they earn the minimum wage. This is what the ILO calls forced labour.⁶²

STATEMENTS OF CROATIAN WORKERS:

» Saturdays are killing us; I can’t spend time with my children. «

» I pay food and bills for electricity, water, heating and garbage collection – and I am left with nothing. «

» I took a loan for buying a dress. Of my monthly salary of HRK 3,000 [EUR 405], I have to service the loan with HRK 1,000 – already a third of my whole salary. «

» Our children help us in the household, field and with the animals. This is how we survive. «

THE CONSTITUTION OF THE REPUBLIC OF CROATIA GUARANTEES THE RIGHT TO A LIVING WAGE:

“Each employee shall be entitled to remuneration enabling him/her to ensure a free and decent life for himself/herself and his/her family.”⁶³

⁶² http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_089199.pdf, pp. 71/72.

⁶³ THE CONSTITUTION OF THE REPUBLIC OF CROATIA, consolidated text, Official Gazette Nos 56/90, 135/97, 113/00, 28/01, 76/10 and 5/14. https://www.usud.hr/sites/default/files/dokumenti/The_consolidated_text_of_the_Constitution_of_the_Republic_of_Croatia_as_of_15_January_2014.pdf – last accessed 8/11/19.

ABUSES AROUND SICK AND ANNUAL LEAVE

Workers told the researcher that they were given a bonus if they did not take sick leave during a certain number of months (HRK 200–300/EUR 27–50). If workers must take sick leave, they are again punished with wage deductions (approx. HRK 500/EUR 67 for the respective month) according to workers' reports; workers therefore take annual leave if they get ill. Moreover, workers state that if they have to report in sick for a whole month, they are in fact paid below the legal minimum wage.

The employer determines that three quarters of annual leave has to be taken in three portions of one week each, which is irregular according to Croatian law. The practices concerning disciplinary wage deductions or bonuses for not being sick represent violations under Croatian regulation and the labour codes of Multistakeholder Initiatives. They regulate the documentation and payment of overtime, disciplinary wage deductions, annual leave and sick leave. It is interesting to note that workers stated that previously annual leave would increase together with the years of service in the factory. But this has been abolished.

STATEMENTS OF CROATIAN WORKERS:

»If you take sick leave, there is the possibility of losing your workplace. They will transfer you to another workplace just to make it difficult for you.«

»If you're sick, you better kill yourself. You cannot afford sick leave. If you need to take a whole month of sick leave, you are paid below the minimum wage [EUR 405] – but one dose of medicine is €80.«

»I have to beg for annual leave.«

»I didn't dare to take sick leave while I was working on a short-term contract, although I was sick.«



FACTORY WORKERS FACING TERRIBLE ATMOSPHERE AND HEALTH CONDITIONS

Workers reported **fainting** in the factory during summer when temperatures can reach 40 to 50°C in the main hall. There is no air conditioning or exhaust extraction system. Women faint as a result of heat, work pressure, malnutrition and exhaustion.

Sanitary conditions are bad: toilet paper is available only in the morning (from 6 to 7 a.m.) and there is no soap. The company apparently saves money by cutting back on hygienic supplies. Workers have to drink water from the toilet facilities because the cafeteria is closed. They reported that their work-places and cafeteria are dirty too.

STATEMENTS OF CROATIAN WORKERS:

» *It's very hot there during the summer. It's hot, you're in a hurry and you're exhausted. So it happens that women faint.* «

» *Toilet paper is available only in the morning, so we have to bring it from home.* «

» *There is no possibility for a normal meal. Our diet is monotonous, and we eat in unhygienic conditions.* «

» *We are forced to drink water that is not actually good for drinking, like slaves.* «

Workers unanimously report **insults, humiliation and intimidation** from some supervisors and the management. Respondents reported that management – as punishment for an allegedly stolen coat – restricted the times when workers could enter and leave the factory, as well as the cafeteria. Workers find this humiliating. Further humiliations include 'disobedience note', which the director leaves on the notice board visible to everybody.

While workers suffer **from health problems** with their legs, veins, back, hands, fingers and eyes, they cannot deal with these health problems due to their poverty wages and time poverty. Instead, many workers take painkillers and tranquilisers.

STATEMENTS OF CROATIAN WORKERS:

» *We feel like slaves. We wait for them to tell us when we can menstruate.* «

» *The attitude of supervisors towards workers is horrible. They yell at us. The atmosphere is 'divide and rule'.* «

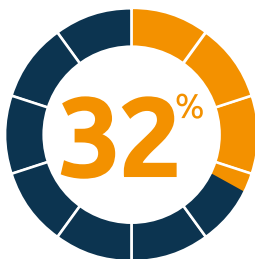
» *We suffer emotionally, our nerves suffer. There are pressures when we need to meet order deadlines, when something is wrong with the delivery. We suffer from exhaustion, because there is no time to rest.* «

WAGE LADDER

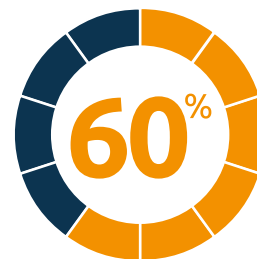
CROATIAN HUGO BOSS SUPPLIER, 2019⁶⁴ | 2019

HRK 1,700 €229	Interviewed workers' average actual household costs for water, electricity, garbage collection and heating
HRK 3,000 €405	Legal minimum net wage, 2019
HRK 3,000 €405	Average actual net salary of interviewed Krateks workers, excl. 'allowance'
HRK 3,324 €450	Average actual net salary of interviewed Krateks workers, incl. 'allowance' (whole take-home pay)
HRK 5,158 €699	Poverty threshold according to EU-SILC, 2018⁶⁵
HRK 6,439 €866	Average net salary in the country according to state statistics, Jan–Oct 2019
HRK 9,260 €1,246	Base living wage as estimated by workers, 2019

WAGE AS A PERCENTAGE
OF A LIVING WAGE



WAGE AS A PERCENTAGE
OF EU'S POVERTY LINE



⁶⁴ All HRK–EUR conversions according to OANDA for the respective time period reported.

⁶⁵ For two adults and two children: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en – last accessed 15/2/2020.

6 BULGARIA

Worker and Trade Union Repression at a Hugo Boss Supplier

German brands profit from an extensive outward processing sector in Bulgaria as well as several other countries in the Europe-East/South region: the outsourced assembly of garments in an export-oriented, subsidised Outward Processing Trade (OPT) called 'Lohn'-production. In the poorest EU country – Bulgaria – 130,000 workers sew fashion garments for western European brands and retailers, mainly for German brands (21% of total apparel exports); about **27,000 workers sew for German brands.**⁶⁶

Workers' actual wages in Bulgaria are systemically below the legal minimum wage, and forced labour is widespread in Bulgaria's fashion sector. Further irregularities include misuse of part-time contracts, unlawful wage payment, violations of working time regulations and repression against trade unions.⁶⁷

German-based fashion brands sourcing from Bulgaria include:³²

**Adidas | Esprit | Hugo Boss
OTTO | Peter Luft | s.Oliver | Tom Tailor**

CASE STUDY

PIRIN TEX EOOD – HUGO BOSS' SUPPLIERS IN BULGARIA⁶⁹

Hugo Boss in Bulgaria: a pilot project for increasing wages?

For the extended German edition of 'Tailored Wages 2019' ('Firmencheck 2019'), the Clean Clothes Campaign evaluated delayed responses from the brand. Here it mentioned a pilot project launched at a Bulgarian supplier with the aim of increasing wages⁷⁰ – although there was no mention of the specific location. As Hugo Boss is the major, if not only, buyer at Pirin Tex (according to workers) and as there is a union in the factory – one of the very few organised garment factories in Bulgaria – it would have been an appropriate location for such a pilot project.

Pirin Tex used to be the poster child of Bulgaria's fashion sector and is one of the larger suppliers of Hugo Boss in Bulgaria. After a strike in 2007, a collective bargaining agreement was signed with one of the two union confederations in Bulgaria: Podkrepa union. The strike was the only regular strike in the whole sector.⁷¹ The collective bargaining agreement provided, among other things, for higher wages, which were slightly above the minimum wage. As in 2014, the basic pay was only 14% of the base living wage in Bulgaria:⁷² a slightly higher wage is still a poverty wage.

The factory's workforce has been constantly shrinking since 2014. Employees are no longer willing to work for poverty wages and under repressive conditions. Those who are mobile go elsewhere, looking for better jobs either in Bulgaria or western Europe.

According to workers' reports, the owner's strategy to cope with their inability to attract and keep their workforce is to insult workers, repress union activity and increase labour intensity. Management spreads the rumour that the company is to close as a result of bankruptcy due to the laziness of Bulgarians and their preference for abusing welfare systems in the west⁷³ – a derogatory generalisation. The management does not even back off from checking with doctors and hospitals whether workers really are sick when they hand in sick notes; sometimes, they say, workers are pressured not to take sick leave.

⁶⁶ See CCC country profile: https://cleanclothes.org/file-repository/2019_ccc-countryprofile-bulgaria_eng.pdf/view. 21% of a workforce of 130,000.

⁶⁷ Ibid.

⁶⁸ According to media articles, published supplier lists and own research.

⁶⁹ <https://group.hugoboss.com/en/responsibility/partners/suppliers> – last accessed 03/02/2020;

for further details on the case, see: https://cleanclothes.org/file-repository/2019_ccc-countryprofile-bulgaria_eng.pdf/view

⁷⁰ https://saubere-kleidung.de/wp-content/uploads/2019/09/PublicEye_Report-Firmencheck_D_def-high_web.pdf, p. 50 – last accessed 15/2/2020.

⁷¹ Though a few wildcat strikes or stoppages happened (without union involvement).

⁷² <https://cleanclothes.org/file-repository/resources-publications-stitched-up-1/view>

⁷³ Article in the main business weekly 'capital': 'Bertram Rollman: "The labour market requires urgent intervention"; https://www.capital.bg/biznes/kompanii/2019/12/23/4002906_bertram_rolman_triabvat_spushni_merki_na_pazara_na/
Earlier articles include: <https://www.dw.com/bg/от-българия-вече-бятат-не-само-хора-бятат-и-пари/a-45331623>.

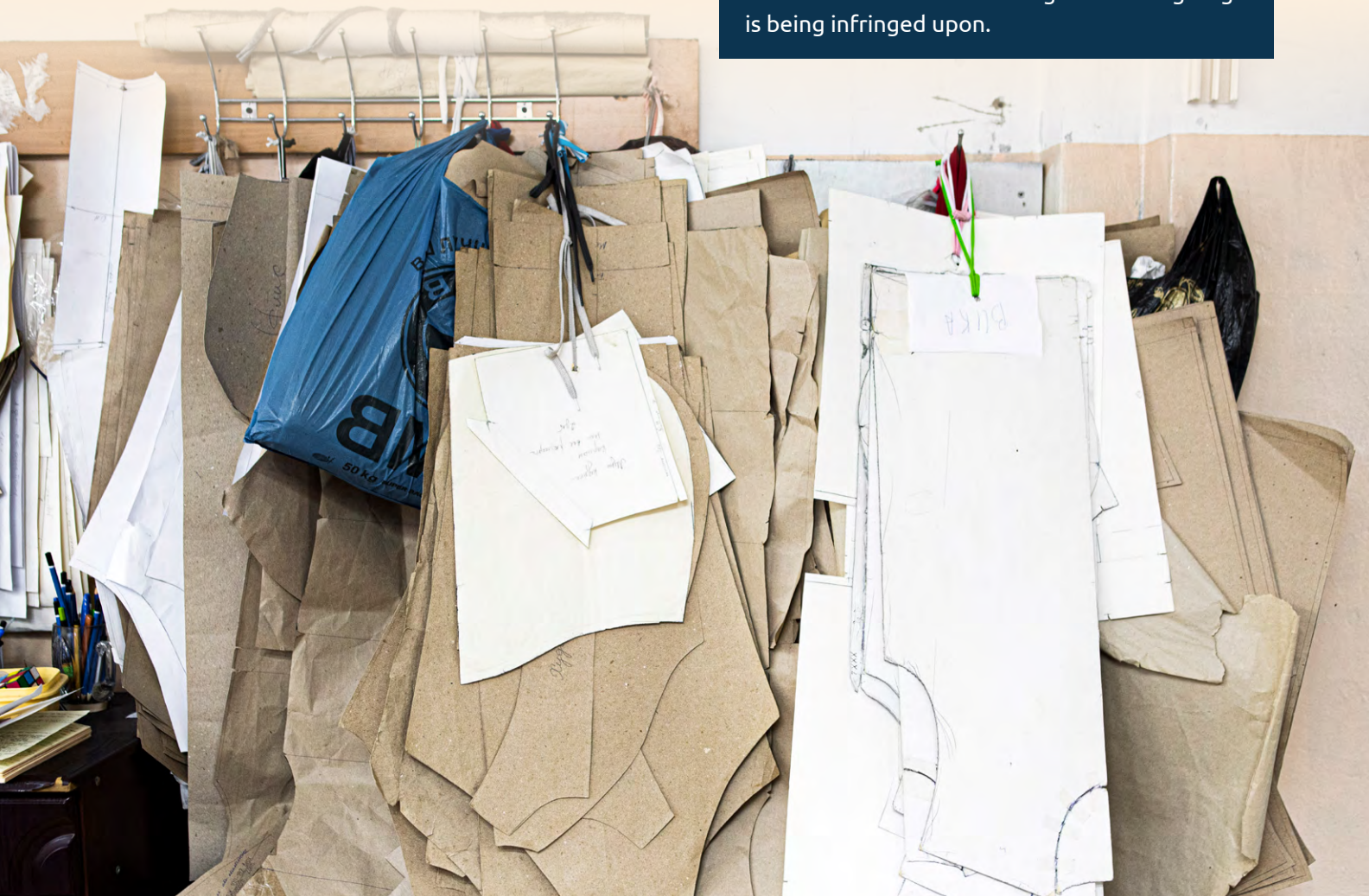
Rollmann repeated his allegation against Bulgarians abusing western welfare systems in: Feature 'Ein deutscher Unternehmer in Bulgarien': https://www.deutschlandfunkkultur.de/ein-deutscher-unternehmer-in-bulgarien-stich-fuer-stich.3720.de.html?dram:article_id=468744 – last accessed 26/2/2020.

In order to increase labour intensity, management employs the 'usual' recipe: unilaterally cancelling collective bargaining agreements to pave the way for a changed remuneration system with extremely high quotas. While management claimed to have raised wages, in fact lower wages and more working time 'flexibility' were the result according to workers. Employees state that they are made to sign new labour contracts cementing this new 'remuneration system'. Fulfilling the quota is tied to earning the legal minimum wage and performing overtime, as on average workers said that they can only meet 63% of their production quota in regular working hours. Overtime happens on a regular basis, but workers state that it is not appropriately documented and paid. If these three things occur simultaneously – having quotas as production targets, needing overtime to meet them and then only receiving the legal minimum wage – the ILO calls this **forced labour**.⁷⁴ In fact, if workers do not meet quotas, some report **not being paid the legal minimum wage as a base wage**.⁷⁵

Moreover, our more recent investigations from early 2020 reveal an **increase in repression against union members**: Pirin Tex employees reveal that union members have their wages reduced; management tried to release an active unionist but failed in court.

Age and ethnic discrimination are apparent in workers' reports and have been confirmed by the union Podkrepa: in 2019 there were a number of cases where the management sacked workers who had over 30 years' experience in the factory right before retirement in order to save the pension premium the company owes workers when they retire (equivalent to six monthly pay packets). Lower paid jobs are given to ethnic/religious minorities; no managerial position is held by workers from these groups.

To sum up, workers disclosed abuses of ILO core conventions, such as Freedom of Association and the Right to Collective Bargaining, the Elimination of Forced Labour and Elimination of Discrimination. The human right to a living wage is being infringed upon.



⁷⁴ http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_089199.pdf, pp. 71/72.

⁷⁵ For more details, see https://cleanclothes.org/file-repository/2019_ccc-countryprofile-bulgaria_eng.pdf/view.

WAGE LADDER

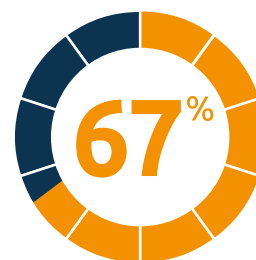
BULGARIAN HUGO BOSS SUPPLIER | 2019/2020

BGN 214 €109	Interviewed workers' average actual household costs for water, electricity and gas
BGN 435 €222	Legal minimum net wage, 2019 ⁷⁶
BGN 493 €252	Interviewed Pirin Tex workers' average actual net salary within regular working hours
BGN 539 €276	Average monthly net wage in the garment industry according to state statistics, 2018 ⁷⁷
BGN 724 €370	Interviewed Pirin Tex workers' average actual net salary, including overtime, bonuses, allowances, etc. (whole take-home pay)
BGN 737 €377	Poverty threshold according to EU-SILC, 2018⁷⁸
BGN 881 €451	Average net salary in the country according to state statistics, 2018 ⁷⁹
BGN 2,500 €1,278	Base living wage as estimated by workers, January 2020 ⁸⁰

WAGE AS A PERCENTAGE OF A LIVING WAGE



WAGE AS A PERCENTAGE OF EU'S POVERTY LINE



⁷⁶ All conversions: Oanda as of 1/11/2019.

⁷⁷ NSI. Statisticheski spravochnik 2019. p. 52.

⁷⁸ For two adults and two children, last accessed 15/2/2020.

⁷⁹ Source: Bulgarian National Statistical Institute, Statistical Reference Book 2019, Sofia: NSI.

⁸⁰ Compared with the estimated living wage from the CCC's 2019 Bulgaria country profile (BGN 2,239). We conducted additional interviews in order to reflect increased prices in food and utilities. These higher costs are also reflected in the regular KNSB/CITUB (trade union confederation) studies on costs of living: Основни резултати от наблюдението на потребителските цени и издръжка на живота на ИССИ на КНСБ, трето тримесечие, 2019 г. [Main results of the findings of the monitoring of consumer prices and living wage for the third quarter of 2019], Institute for Union and Social Research, KNSB. [https://www.knsb-bg.org/index.php/izdrajka-na-jivota/5201-издръжката-на-живот-расте,-2472-лв-необходими-за-нормален-живот-на-семейство](https://www.knsb-bg.org/index.php/izdrajka-na-jivota/5201-издръжката-на-живот-расте,-2472-лв-необходими-за-нормален-живот-на-семейство;); <https://drive.google.com/drive/folders/1DcFgVBBCnD8AYd2mDNAF6SoTOmpHecUw>

The KNSB/CITUB calculation of basic costs of living for November 2019 came to a similar result – BGN 2,472/ EUR 1,264 (Oanda 1/11/2019 – here calculations are done differently: the price of a goods basket is ascertained using national price statistics). The KNSB/CITUB's calculation includes food, clothing, rent, transportation, vacation, education and healthcare expenses. In contrast to the CCC's living wage calculation, the CITUB calculation does not include savings/discretionary income.

Esprit, Gerry Weber and Hugo Boss should take action and adjust their purchasing prices to stop the reported abuses of labour and human rights; they should enable suppliers to pay workers a living wage, which would enable them to prepare financially for emergencies like the current health and economic crisis of COVID19.

Poverty wages and weak social security systems make workers highly vulnerable in times of crisis.

While brands and retailers may be facing difficult economic situations during the current pandemic, it is the workers who are bearing the brunt.⁸¹ Social security systems and living wages – a basic right of all human beings – allow workers to alleviate hardships created by crises such as COVID-19. However, in the current climate, workers have no savings to fall back on in case of emergency because they do not earn enough to put any extra aside. The absence of social security and a living wage enables the significant human rights abuses reported here – abuses which escalate during an economic crisis.

To avoid the intensified abuse of human rights in the face of the current situation, “brands and retailers should step in and provide mitigating measures to the actual human rights impacts upon the workers making their clothes.”⁸²

The price German fashion brands and retailers pay to suppliers for their order is at the heart of the problem

In the future, clothing brands and retailers should negotiate and sign legally-binding, enforceable agreements with worker representatives that require the payment of significantly higher prices to suppliers, affording them the financial capacity to pay a living wage that covers the basic needs of a worker and her/his family, including savings.

⁸¹ <https://cleanclothes.org/news/2020/live-blog-on-how-the-coronavirus-influences-workers-in-supply-chains> – last accessed 13/4/2020.

⁸² European Center for Constitutional and Human Rights ECCHR (April 2020): Garment supply chains in intensive care? Human rights due diligence in times of (economic) crises. Policy Paper; p 8
https://www.ecchr.eu/fileadmin/Publikationen/ECCHR_PP_SUPPLYCHAINS_COVID_EN.pdf

Voluntary initiatives have not delivered – we need mandatory due diligence by law

“Obviously, neither voluntary corporate social responsibility initiatives nor human rights due diligence processes without effective enforcement mechanisms have been able to ensure that brands and retailers fully respect the human rights of workers in their supply chain. If brands and retailers had started to seriously fulfill their human rights due diligence obligations five or ten years ago, and fundamentally changed their purchasing practices, workers would be in a different position today and much less vulnerable to the current crisis.” (ibid., p 6)

We call on the governments of states where apparel and sportswear brands and retailers are based – in our case, the German government – to hold companies accountable. Governments must adopt appropriate legislation for brands and retailers to implement human rights in their global supply chains. To effectively address human rights abuses whilst enhancing remedy for victims, it is vital to introduce binding human rights due diligence and corporate liability for harm caused both on a national as well as international level. In addition, Germany should use its presidency of the Council of the European Union, starting in July 2020, and help initiate a similar legislative process at EU level.