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LABOUR ON A

shoe
string

The realities of working in Europe's shoe
manufacturing peripheries in Albania, Bosnia-Herzegovina,
Macedonia, Poland, Romania and Slovakia.

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1 EXECUTIVE SUMMARY




Often consumers in Western Europe believe that “Made in Europe” is a synonym for working conditions that are better than in production countries in Asia. This report shows that this is not always the case, and that problematic working conditions and very low wages in particular, are occurring endemically across global supply chains worldwide. In Europe’s low-wage countries, the clothing and shoe industry is notorious for poor pay and bad conditions.

We conducted research in six European low-wage production countries. We found that global shoe supply chains include low-wage countries in Europe as well as in other world regions, and that there are strong interlinkages between, for example, European and Asian shoe production and the industries’ distinctive roles in global supply chains.

We chose Albania, Bosnia-Herzegovina and the Former Yugoslav Republic of Macedonia as examples of European production countries outside the EU but with a significant share of shoe production as well as export markets in the EU. The OECD defines Albania, Bosnia-Herzegovina and Macedonia as “developing countries”. Poland, Romania and Slovakia were chosen as examples of three EU member states with significant footwear sectors. Shoe and clothing production in Albania, Bosnia-Herzegovina, Macedonia, Romania and Slovakia work mostly under the outward processing trade (OPT) scheme – an EU-initiated trade scheme created in the 70s whereby pre-cut inputs are exported to be assembled and sewn before being re-imported free of duty. Although this practice saves higher, value-added workplaces in Western Europe, it sees the labour-intensive, low value-added work outsourced to nearby low-wage countries. OPT has long been proven to be a dead-end scheme for workers, national economies and businesses. In addition to this trade and production initiative, the European Commission, the International Monetary Fund and the World Bank exert another form of leverage on Europe’s post-socialist countries: they restrict wage development through imposing policies as part of credit deals. These restrictive wage policies sustain a low-wage region within Europe.

In our field research, we conducted interviews with 179 shoe workers from 12 factories. According to interviewed workers and factory websites, all of the factories produce for well-known shoe brands and retailers that sell their products on the EU market, including **Zara, Lowa, Deichmann, Ara, Geox, Bata and Leder & Schuh AG. We also investigated the subsidiaries of CCC Shoes & Bags in Poland and of Ecco, Rieker and Gabor in Slovakia.** According to workers (and our experience backs up this claim), the problems found are of a systemic nature.

Workers in all six countries **earn extremely low wages that are insufficient to cover their basic needs** or those of their families. In those countries researched, the minimum wage far



from ensures a decent standard of living for workers and their families, and does little to tackle in-work poverty. **In all the researched European countries, the gap between an estimated living wage and the legal minimum wage is higher – sometimes considerably higher – than the equivalent gap in China.**

Low labour costs, and thus low wages, remain under high and even increasing pressure. All of the workers interviewed mentioned very low wages as their core concern. Many workers reported unpaid overtime, difficulties taking their full annual leave, which they are entitled to, **unpaid mandatory social insurance, excessively high and low temperatures in the factories as well as multiple health risks** due to toxic substances in the workplace. Workers are afraid to organise but also have nobody to talk to.

Field research suggests that the predominant piece rate system is very problematic in terms of wages, working hours and occupational safety. The piece rate system means that workers are paid according to production targets. Interviewees mentioned that trying to fulfil their quotas caused high levels of stress, which sometimes resulted in unpaid overtime. The piece rate system also often seems to pose a critical hurdle to the implementation of adequate safety measures. Workers told us that they do not use gloves to protect themselves from glue and other chemicals because this would lead to a loss in productivity and therefore an even lower wage.

In Albania, Bosnia-Herzegovina, Macedonia and Romania there are incidences of workers **not being paid the minimum wage** for regular working hours. **One in three** of our Albanian interviewees did not receive the legal minimum wage even with overtime and bonuses. In five out of the six researched countries, workers said that they sometimes, or even frequently, work on Saturdays and that they do not consider this overtime. Here Albania stands out as a country where work on Saturdays is the rule rather than the exception.

No information could be obtained on labour inspections' visits made within the shoe industry or their results in any of the researched countries. **None of the interviewed workers had been involved in a labour inspection.** While interviewees from Macedonia, Poland and Slovakia saw inspectors in the factory, they reported that these were perceived as announced visits that the factory had prepared for in advance. **Interviewees from Albania, Bosnia-Herzegovina and Romania had never attended a training session on occupational health and safety (OHS).** Given the multiple occupational health risks in the shoe industry, the labour inspection process is thus not working in the researched factories on the Balkans.

Data from field research and complementary statistics indicate **gender discrimination**, with female workers earning less for work of equal value than their male counterparts. Women predominantly find themselves unable to escape conditions of poverty with hardly any job alternatives. Poverty wages exert structural, economic violence upon workers, specifically women. Dependency is the key word here, not only for the production country as a whole and the suppliers domiciled there but mostly for the thousands of women forced to stay

at their workplace no matter how bad the labour conditions are. Poverty wages also result in poverty related coping strategies that double and triple the burden, especially on women. Workers in Macedonia told us, for instance, that in addition to their factory job, they have to engage in subsistence agriculture to survive. Romanian workers said that their husbands have to take on seasonal work in low-wage jobs in Western Europe in order to earn money for wood for heating during winter, leaving mothers to raise their children alone for several months. In order to buy a refrigerator, workers reported having to service their debts with half of their salaries.

While the governments of researched countries, particularly in the Balkans, create an **employer-friendly** environment, as well as subsidise and incentivise the shoe and clothing manufacturing industry, labour rights and minimum wages tend to be frozen or reduced. The European Commission and the International Monetary Fund (IMF) play an important role with their loan-related conditionality that aims at fiscal discipline with restrictive wage policies. These imposed policies exert pressure on salaries across the whole economy, particularly on minimum wage setting. It contributes to the gulf between minimum wage and cost of living. So far the EU has put no European minimum wage policy in place to protect workers from poverty.

Authors and researchers of this report recommend international buyers – shoes brands and retailers – to establish a comprehensive Human Rights Due Diligence process across the entire operations of a business in order to identify, prevent, mitigate and account for potential and actual adverse human rights impacts. This would include paying prices that allow as a first step for a wage hike to at least 60% of the average wage (poverty line) and from there a steady increase to a living wage, creating business relationships that allow suppliers to stop piece rate systems, and proactively welcome trade union organising. The most basic requirement of responsible business conduct, however, is the observance of national laws. Unfortunately, field research revealed regular violations. We call upon governments to enforce the labour law, mobilise their institutions, such as carrying out labour inspections, and increase the minimum wage to at least 60% of the national average wage (poverty line). We recommend that governments finance free legal advice centres for workers in the clothing and shoe industry.

With almost 300,000 workers employed in the leather and footwear industry across all 28 EU member states, the sector is a relevant driver for employment. In the six researched countries (Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia) the sector employs 120,000 (registered) people. Decent working conditions and a decent wage are core areas of a **European Pillar of Social Rights** as declared by the European Commission's President, the Vice President and the Commissioner for Employment and Social Affairs. One of the five headline targets of "EUROPE 2020, an EU strategy for smart, sustainable and inclusive growth" is to reduce poverty by lifting at least 20 million people out of the risk of poverty or social exclusion by 2020. A European minimum wage policy based on the **payment of a living wage would lift two million clothing and shoe workers and their families in East, Central East and South East Europe out of poverty and social exclusion.**

2 FOOTWEAR PRODUCTION AND SALES IN EUROPE

The footwear industry has characteristics similar to the fashion industry: it is labour-intensive, price- and time-sensitive and there is a high level of international competition between thousands of manufacturers. Instead of being an object of utility, shoes have increasingly become a consumer good that is part of the fast fashion trend and thus meant to be consumed at high turnover rates. In 2014, consumers in the EU spent 23.5 billion euros on shoes.¹ Between 2011 and 2015, the number of shoes produced worldwide increased by 16 %.² High sales and therefore even higher pressure on price and delivery times are central issues in the footwear industry across Europe and Asia.³

In 2014, 24.3 billion pairs of shoes were produced worldwide.⁴ Even though Asia plays the major role on the global market, European production remains central for European consumption. Europe accounts for approx. 3 % of global production (729 million pairs of shoes)⁵ and roughly 17 % of world consumption (3.3 billion pairs of shoes).⁶ Almost 90 % of shoes produced in Europe are destined for other European countries.⁷

We can therefore estimate that approximately 20 % of the pairs of shoes that are consumed in Europe are also produced in Europe.⁸ In value terms, this share is even higher. This is because Europe produces many luxury and

premium segment shoes: Italy exports its shoes for an average of 47 euros, Portugal and France for an average of 29 euros, while Chinese and Indian shoes cost, on average, no more than 4 euros and 12 euros respectively.⁹

The European Confederation of the Footwear Industry (CEC) estimates that within the EU there are 295,264 people employed in the leather and footwear industry, and 21,116 registered companies.¹⁰ According to an industry report by industriALL Europe, a total of 526.5 million pairs of shoes were produced by the EU's manufacturing sector in 2013,¹¹ and two thirds of them were made out of leather.¹² When it comes to high-value leather shoes, Europe plays an important role on the world market. According to the CEC, Italy, Portugal and Spain account for 23 % of global leather footwear exports.¹³ The number of pairs of shoes produced in the EU has increased by 11 % since 2009, and their value has even increased by 25 % in the same period.¹⁴ The European footwear industry is an employment-intensive sector with growth potential.



WHAT MAKES FOOTWEAR PRODUCTION IN EUROPE'S LOW-WAGE COUNTRIES ATTRACTIVE FOR THE MARKET?

The industry itself concludes that the "demand for quick deliveries and flexibility is growing"¹⁵ Here proximity comes in very handy. European production is close to consumer markets, which allows for fast delivery. A qualified workforce is available at very low labour costs; in Albania, Bosnia-Herzegovina, Macedonia and Romania for instance, legal minimum wages (in euros) are even below the legal minimum wage established in China. Various governmental incentive schemes for industry and the relatively good image of products "Made in Europe" complete the package to make a perfect match for an economically profitable shoe business.

WHAT MAKES FOOTWEAR PRODUCTION IN EUROPE ATTRACTIVE FOR CONSUMERS?

Consumers often prefer products made in Europe because they think they are produced under decent working conditions. These include: stable and direct employment schemes; payment of a living wage; regular working hours; a working environment that is not hazardous for employees; genuine freedom of association and collective bargaining; and non-discrimination, especially in terms of gender, working environment, job opportunities and wages. Based on our field research, we conclude that today's working reality is far from what we would consider "decent work".

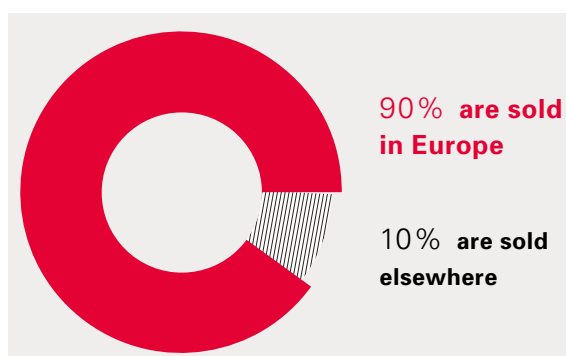
SHOE PRODUCTION 2014



SHOE CONSUMPTION 2014



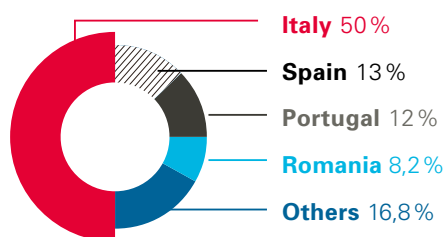
EUROPEAN SHOE PRODUCTION



1 OUT OF 5 pairs of shoes consumed in Europe is produced in Europe

3 THE SHOE INDUSTRY IN THE RESEARCHED EUROPEAN REGION

EU SHOE PRODUCTION

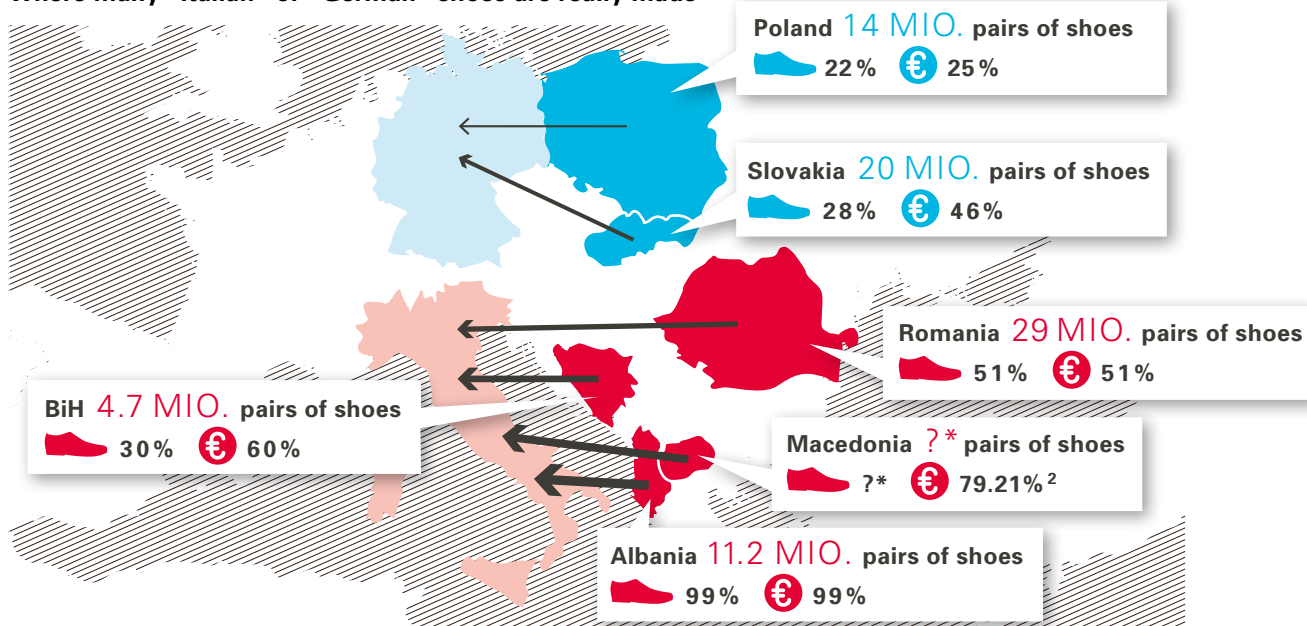


Italy is responsible for 50 % of EU shoe production, followed by Spain (13 %), Portugal (12 %) and Romania (8.2 %).¹⁶ The manufacturing of the actual shoes, however, does not always take place in those countries that ultimately introduce the product to the market. Many stages of the production process are outsourced to low-wage countries in nearby Central, Eastern and South-Eastern Europe, as well as Turkey. This report therefore looks at the labour and living situations of workers who form part of the global

ITALY: MAIN EU PRODUCER SUPPLIED BY THE CHEAP LABOUR PERIPHERY

Leather shoes “Made in Italy” are synonymous with high quality and elegance – and fairly good working conditions. However, “Made in Italy” does not always mean that the shoes are actually manufactured on Italian soil. A high percentage of the footwear and leather industry’s exports from countries working under OPT are commissioned by Western European countries, predominantly Italy. Transparency often remains a challenge. Albanian researchers, for instance, indicated that it was almost impossible to know who the Italian end-buyers were because the actual brand label would not be attached to the manufactured shoes in Albania itself but only at a later stage.

Where many “Italian” or “German” shoes are really made¹



quantity share of the total footwear export per country
 value share of the total footwear export per country

* missing data

supply chain as employees in low-wage European countries, and at the suppliers and subcontractors for well-known international shoe brands.

The myth of upgrading: the outward processing trade (OPT, or “Façon”/“Lohn”/“İşleme”)

Most of the manufacturers in the researched region work under OPT (except for Poland, where the picture is more mixed). This EU trade system means that pre-cut inputs are assembled and sewn before being re-exported to the country of origin – usually without customs duties. By outsourcing labour-intensive operations to low-wage European countries while, at the same time, keeping those production stages with high added value in the country of origin (e.g. design and marketing), western European countries hope to protect their own textile and footwear industries and increase their profit margins.

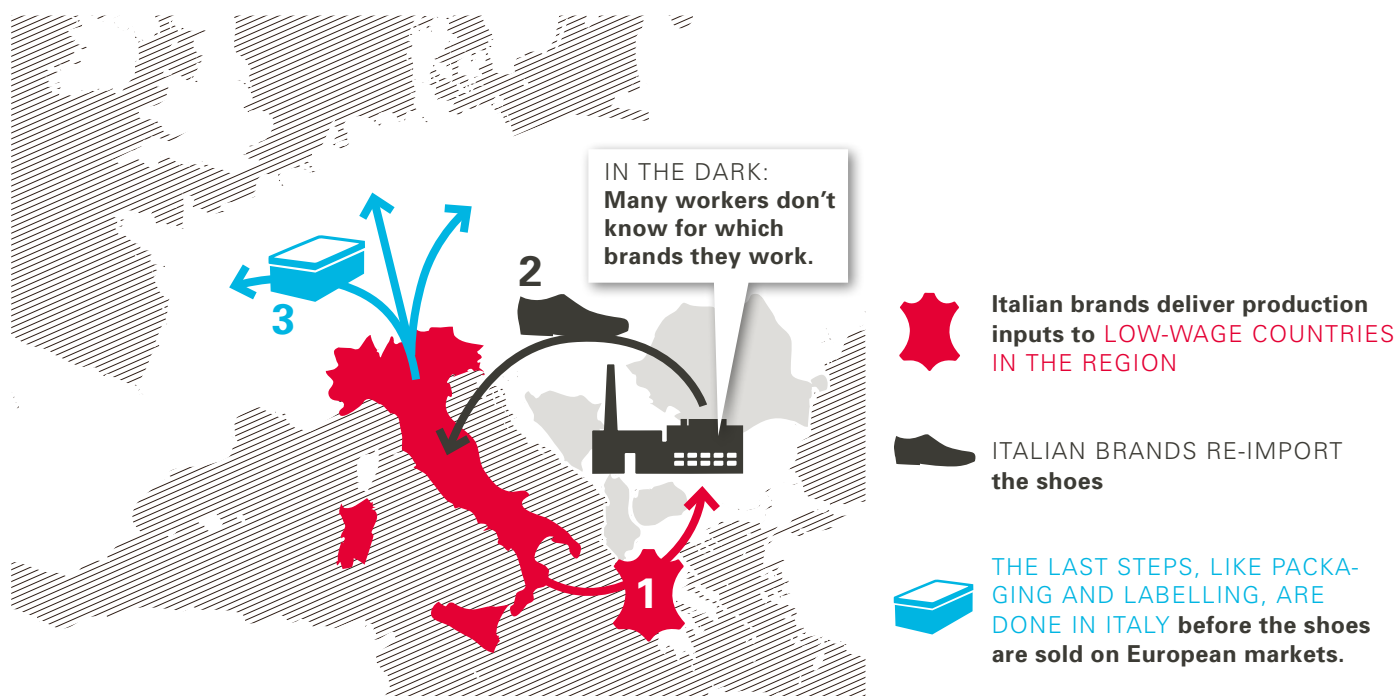
After the events of 1989/90, OPT production became practically the sole function of the footwear and clothing sector in post-socialist Europe. It still is, but with one exception: Poland. There a small part of the industry upgraded and developed its own brands, such as CCC Shoes & Bags, a Polish shoe brand investigated as part of our research. However, investigations carried out in previous years show that economic upgrading does not necessarily translate into social upgrading; clothing and shoe workers in Poland did not profit from this economic shift.

An undervalued sector in the shadows

Statistics structurally undervalue the contribution of the apparel and shoe industries to GDP and exports because it is a low value-added sector. Particularly under the OPT system, the value added is not very high as it only includes the costs of low-wage labour. For many European post-socialist countries, clothing and shoes are the main export products, e.g. in Bosnia-Herzegovina footwear is listed third after raw aluminium and furniture;¹⁷ in Albania, it takes the top spot together with minerals.¹⁸ The fact that a low value-added sector makes up such a high percentage of exports as compared to high-value-added sectors like mining shows how much this sector dominates in reality. The economic importance of the sector is much higher than reflected in value terms (GDP or export value).

Equally, the number of registered employees often does not reflect the true scope of the sector for two reasons. Sometimes statistics only count companies with a minimum number of employees; microenterprises, which are widespread in the sector, are therefore not included. Additionally, the clothing and footwear sectors are notorious for engaging in particularly high levels – higher than in the overall economy – of shadow or “illegal” economic activities and operating informal, unregistered workplaces. In Macedonia, for example, where the “shadow economy” is said to make up 30 % of the overall econ-

OPT: OUTWARD PROCESSING TRADE IN THE CASE OF ITALY



omy. The footwear industry is one of the sectors where “unregistered employments can be found the most”, next to tourism, hospitality, construction, media, craftsmanship, etc.¹⁹ It can therefore be safely estimated that the level of informal work in the clothing and shoe industry is twice as high as in the overall economy. For instance, for Albania the authors estimate that 50–70 % of the total number of workplaces in the clothing and footwear industry are informal.²⁰ However, since January 2016 the Albanian government has increased its efforts to reduce unregistered employment.

The clothing and footwear industry is also a sector where home-based work (as a form of informal work) is widespread. Interviews in Romania suggest home-based work does occur in some factories in periods when the workload is high. In such periods, workers are expected to continue sewing at home after ending their shift in the factory.

In the six researched countries, 120,000 registered employees work in the leather and footwear industry. However, the authors estimate that approximately 200,000 employees are in fact working formally and informally in the footwear sector of these countries.

The garment and shoe industries in Yugoslavia and in post-Yugoslav states

GUEST CONTRIBUTION BY DR CHIARA BONFIGLIOLI, UNIVERSITY OF PULA, CROATIA

After 1945, many textile and shoe factories were built across the Yugoslav Federation as a result of the industrialisation drive promoted by the socialist regime. Shop-floor workers in these factories were primarily female, as the garment and shoe industries were seen as suitable for women’s “nimble fingers”. In the 1970s and 1980s, Yugoslavia was among the leading producers of textiles and garments worldwide, as it produced not only collections for the internal market, but also outsourced items for Western Europe, the Soviet Union and the global South. The garment and shoe industries were undoubtedly feminised, labour-intensive, and were part of the local and global gendered division of labour. Nonetheless, during socialism female workers could count on job security, community welfare and symbolic recognition in exchange for their hard, piece-rate work. The workplace was at the centre of daily life, allowing workers to obtain a wide range of welfare services beside their wage (education, hot meals, healthcare, childcare, subsidised holidays, loans etc.).

This situation rapidly deteriorated with the economic crisis of the late 1980s and the Yugoslav wars of the 1990s, which, combined with the post-socialist privatisation process, led to the closure of many factories. In Croatia alone 100,000 jobs were lost in the garment industry. The shoe giant Borovo, whose BOROSANA shoes were worn by women in the service industry all over Yugoslavia, used to employ 22,000 workers in the 1980s; today it employs less than a thousand. In post-Yugoslav states where garment production still includes sizeable numbers of employees, such as Macedonia and Serbia, working conditions have been worsening and job security replaced with widespread precarity. Deindustrialisation and factory lay-offs went hand in hand with labour intensification in new private firms. This led to a devaluation of women’s industrial work and to a re-traditionalisation of gender relations, as women have become increasingly reliant on their husbands, their extended family networks, subsistence agriculture and the informal economy to make ends meet.



4 HOW GOVERNMENTS CREATE A FAVOURABLE BUSINESS ENVIRONMENT FOR THE FOOTWEAR SECTOR

Joining the EU is, for most countries in the region we researched, perceived and propagated as an opportunity to overcome their economic and social crises: EU membership is associated with economic and social opportunities. In this research, we looked at three EU member states (Poland, Romania and Slovakia), two EU candidate countries (Albania, the Former Yugoslav Republic of Macedonia) and one potential candidate country (Bosnia-Herzegovina). Albania, Bosnia-Herzegovina and Macedonia are defined as “developing countries” by the OECD.²¹

The European Union has specific legislation and requirements for footwear sold in the EU. These provisions focus mostly on restriction of the use of certain chemicals and potentially hazardous substances and have a strong focus on product safety for consumers and environmental protection.²² Governments and the European Commission use a variety of measures to try to create a favourable business environment for the footwear sector.

Free economic zones and other government incentives for the clothing/footwear sector

Free trade zones serve as extra-territorial areas where export-oriented companies can enjoy special rights. In all researched countries, 70–90 % of produced shoes are exported, which means these kinds of measures are very relevant for the sector. In particular, re-exporting companies working under OPT schemes can enjoy benefits, exemptions and special economic incentives, such as full VAT and customs duties exemption, lowered income and profit taxes, favourable land rent/lease, preferential loans, certificates and grants.^{23, 24, 25}

Albania stands out in this respect, as the clothing/footwear industry is its most important exporter. The Albanian Chamber of Façon (C.F.A.) as well as the Albanian Investment Development Agencies (AIDA) have successfully lobbied for free economic zones and incentive schemes. The Chamber of Façon of Albania “achieved to avoid custom taxes for the materials used by our sector in the production of orders from abroad, a VAT-free sector in regard to the import of machinery for the facon sector” and a “reform of the employment referential comparative system in relation to labour wages for the industry”.²⁶

While, to our knowledge, there are no special exemptions from paying minimum wages, ensuring union rights or overtime regulations (as they occur in Asian or Central American free trade zones), free zones often seem to be areas of impunity when it comes to labour law violations.



Trade and association agreements with the EU

Albania, Bosnia-Herzegovina, Georgia, Macedonia, Montenegro, Serbia, Turkey, and Ukraine have signed association agreements with the EU. This often also includes a Free Trade Agreement (FTA). The EU and Switzerland signed an FTA in 1972. Switzerland also signed FTAs with Albania, Bosnia-Herzegovina, Macedonia, Montenegro, Serbia and Turkey.²⁷ FTAs allow parties to profit from the absence of import duties and other trade barriers for specific goods or services. Estimations indicate that prices can be up to 12 % lower²⁸ than for countries that do not have FTAs.

These bilateral trade and association agreements include the abandoning of import restrictions for textiles from the EU and contain special trade preferences for re-importing schemes under OPT. This was the case, for instance, in the 2005 EU-Serbia agreement on trade in textiles that followed the end of the embargo. This means that although many European countries are not members of the EU, they still enjoy special trade schemes without having to pay customs duties. While most Balkan countries enjoy preferential trade with the EU, there are sometimes high trade barriers with neighbouring countries. The economic development space of Balkan countries as low-wage production areas within the supply chains of EU-based companies is thus limited.

Even years after countries such as Romania and Bulgaria joined the EU – and thus abandoned all foreign trade barriers – the clothing/footwear sector still almost exclusively produces under OPT.²⁹ This shows that even after changes are made so that the reason for this trade policy induced production scheme no longer exists, the scheme still remains – and its implications prevail. Producing under OPT schemes means high dependency and an economic and social road to ruin.³⁰ The upgrading opportunities

for clothing/footwear companies and industries that were previously specialised in OPT production are very limited. So far upgrading has only occurred in Poland, which joined the EU in 2004.

Wage Interventions: the EU's economic governance using restrictive wage policies

Europe's post-socialist countries are subjected to pressure primarily from the European Commission (EC) and international financial institutions such as the International Monetary Fund (IMF) and the World Bank (WB). During the last 25 years, the EC, the IMF and the WB have granted loans to post-socialist countries. These loans come with conditionality such as "restrictive wage policies" to keep wage levels, particularly public wages, low for the sake of fiscal balances and to attract investors. In 2009/2010, countries such as Romania, Bosnia-Herzegovina, Hungary and Serbia asked for even more loans to manage the crises they faced. A condition of these loans was that in Albania, Bosnia-Herzegovina, Bulgaria, Hungary, the Former Yugoslav Republic of Macedonia, Romania and Serbia wages and pensions in the public sector had to be frozen or reduced despite the fact that public employees, like teachers, were already low income earners and forced to hold down multiple jobs or migrate in order to sustain their families. These measures concerning public sector wages also put pressure on the setting of private sector wages and the fixing of the minimum wage.³¹

The IMF and the EC made the granting of loans conditional to "restrictive wage policies" such as major labour cost cuts, wage reductions, the reduction or cessation of some bonuses and other payments, and in Romania a 25 per cent individual gross earnings reduction for all employees. Plans for minimum wage increases had to be suspended and "the level of the gross minimum wage was frozen, despite a rapid erosion of workers' purchasing power due to inflation".³² These measures have led to a significant in-

crease in poverty and reinforced a social crisis, which in turn made Romania "unattractive" and "uncompetitive" and reduced Romania's "ability to respond to current challenges defined in the Europe 2020 Strategy"³³ such as a reduction in poverty.

The countries mentioned have yet to recover from these restrictive wage policies. In Albania, for instance, the legal monthly minimum wage of 158 euros³⁴ gross has remained unchanged since 2013. The legal minimum wage in the Republika Srpska in Bosnia-Herzegovina has not been adjusted since 2011 and has been frozen at a meagre 189 euros per month.

Within the new framework of European Economic Governance, the systematic surveillance of national wage developments and the regular "recommendations" for national wage setting became a normal feature of European policy,³⁵ which clearly contradicts the EU's aims to reduce poverty (Europe 2020 Strategy) as well as its new "European Pillar of Social Rights".³⁶ The consultation document contains this statement:

"Minimum wages with an adequate level ensure a decent standard of living for workers and their families and contribute to tackle the incidence of in-work poverty."³⁷



Interventions on wage: exemptions from legal minimum wage regulation for the clothing/shoe industry

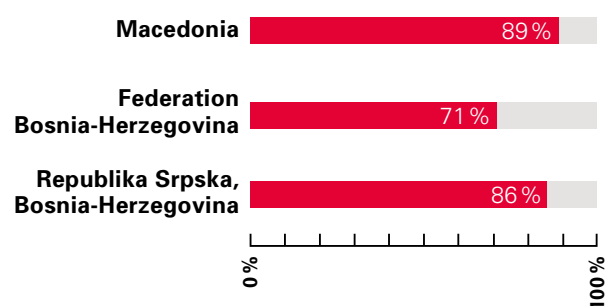
Low-wage countries face not only general "surveillance" of wage policies: governments actively make exceptions from national minimum wage laws for specific sectors – predominantly the clothing and footwear industry. Governments allow a minimum wage that is lower than the standard legal minimum wage or increased overtime. Exceptions from the labour law are sometimes justified with the "seasonal" character of the sector. Macedonia and Bosnia-Herzegovina, for instance, both allow minimum wages that are even lower than the already low official statutory minimum wage.

It is against this background that the situation of shoe workers in the researched region must be understood.

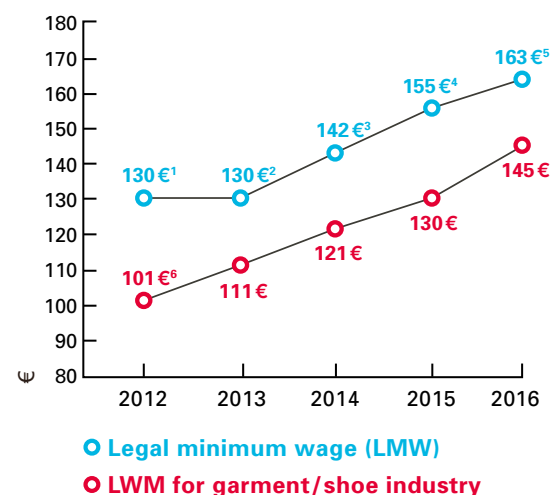
Although trade policies and governmental incentives have the potential to foster human and workers' rights, and thus generate social upgrading, in practice the opposite is the case: policies are mostly focused on creating and enabling an environment that assists business alone. We can only conclude that European low-wage countries are assigned

The tables show that the share of the minimum wage for the clothing/shoe industry is below the national legal minimum wage and amounts to only a percentage of the full legal minimum wage: 89 % in Macedonia, 86 % in Republika Srpska and only 71 % in the Federation of Bosnia-Herzegovina in 2016.

SPECIALLY LOW MINIMUM WAGES FOR GARMENT AND SHOE WORKERS



MACEDONIA



BOSNIA-HERZEGOWINA

Federation Bosnia-Herzegovina³⁸

Legal minimum net wage for the clothing/shoe industry per month:

112 €/220 BAM (0.64/1.25 BAM/hour × 8 h × 22 days)³⁹

Legal minimum net wage per month:

157 €/308 BAM (0.89/1.75 BAM/hour × 8 h × 22 days)

Republika Srpska, Bosnia-Herzegovina

Legal minimum net wage for the clothing/shoe industry per month:

164 €/320 BAM⁴⁰

Legal minimum net wage per month:

189 €/370 BAM

a specific status within global supply chains: they serve as cheap peripheries for labour-intensive production. Europe's low-wage countries have almost no room for economic and social upgrading. National and supra-national authorities are designing trade, business incentives and labour laws that lead to this scenario. Suppliers based in European low-wage countries find themselves in a highly competitive market and buyer-driven supply chains, which, in many ways, mirror the situation faced by many suppliers in Asian, Central American or African countries.

5 THE SITUATION FOR SHOE WORKERS

Together with our partners, we have conducted field research in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia. We wanted to find out about the living and income situation for footwear workers. Between October and December 2015, we conducted 179 interviews with workers from 12 factories in these countries. Workers were interviewed individually and, in a few cases, in focus groups. Researchers conducted off-site worker interviews outside the factory in places where anonymity and confidentiality could be ensured.

As brands and buyers of the footwear produced, workers quoted Zara, Lowa, Deichmann, Ara, Geox, Bata, Leder & Schuh AG. We also investigated the subsidiaries of CCC Shoes & Bags in Poland and of Ecco, Rieker and Gabor in Slovakia.

It must be noted that workers find it difficult to ascertain which brands are involved. Albanian workers reported that they often do not know which brands they are producing for because management deliberately withholds this information.

The evaluation on the following pages offers a snapshot of the situation in those shoe factories we researched. The key issues reported by workers were:

- extremely low wages and problems related to poverty
- unlawful payment of overtime and unlawful limitations of employee leave
- an absence of trade union presence in the factories

- lack of occupational health and safety
- lack of societal and media debates regarding the very poor working conditions in factories.

"I'D RATHER NOT TALK ABOUT THAT. EVERYTHING IS FINE." Slovak worker

5.1 THE GAP BETWEEN ACTUAL WAGES AND LIVING WAGES

Low wages that are not enough to cover the worker's most basic needs or those of their family were the main concern of all interviewees. When working regular hours, workers usually earn just the legal minimum wage. In the following tables we compare net wages as this corresponds to the actual budget available to the worker and their family. A living wage (LW) is defined as the basic net wage earned in a standard working week before bonuses and overtime. Note that the legal minimum wage must be earned as a basic wage in a standard working week (40 hours in all researched countries).

DIFFICULT RESEARCH

Researchers from all six researched countries found it very difficult to find workers willing to take part in an interview. Approximately 50–80% declined. Older workers were more prone to decline the interview request than younger workers. In many cases, the interview took place while the interviewees were walking to their bus stop, waiting for their bus, or waiting for a family member to pick them up. Many women were afraid to talk about their problems in the factory for fear of the negative consequences.

Most of the interviewees expressed concerns about losing their jobs when talking about their work. In one situation, a supervisor passed by in a car during an interview with the researcher and the worker being interviewed suddenly panicked.

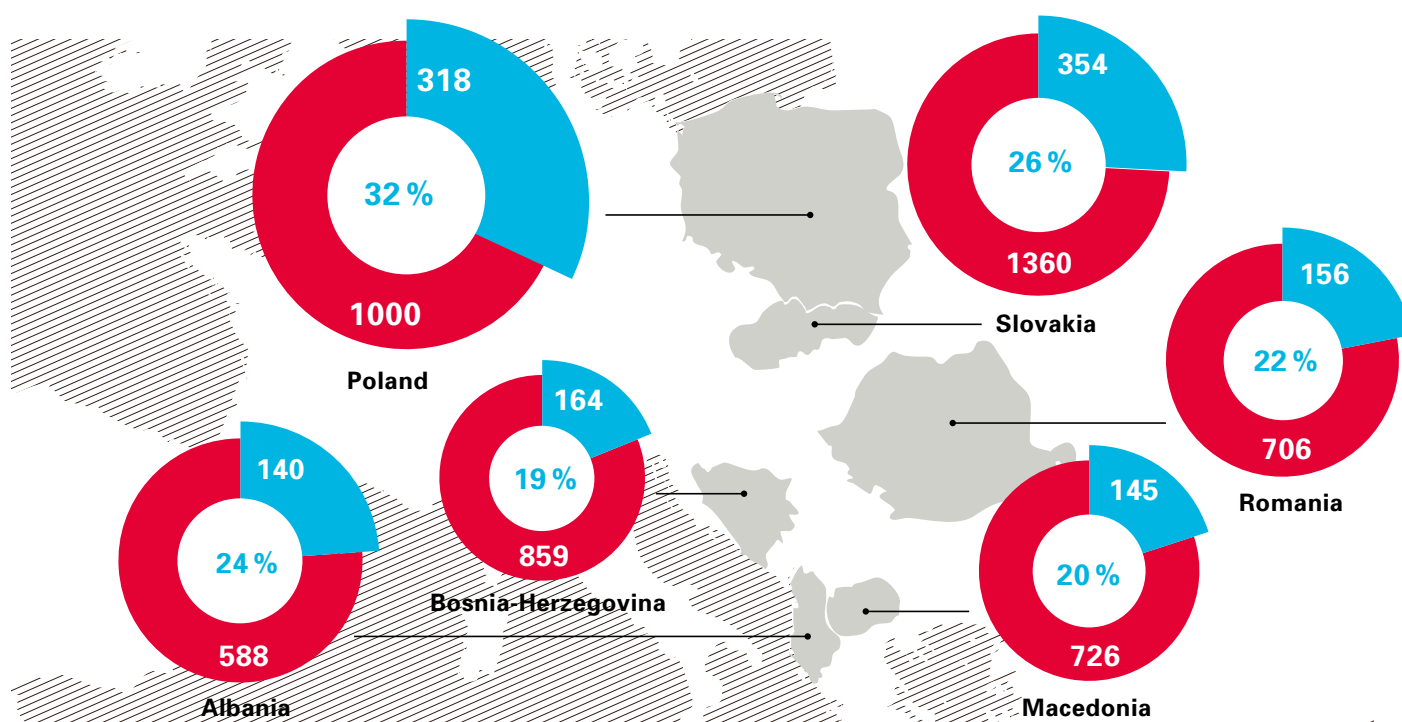
Many workers were also very short on time and it was challenging to find a moment when they could talk. Some interviews therefore had to take place late at night or during weekends.

WAGES OF INTERVIEWED WORKERS

	LEGAL MIN NET WAGE in shoe industry 1/1/2015	LOWEST NET WAGE according to interviewed workers incl. overtime and bonus	TYPICAL NET WAGE according to interviewed workers incl. overtime and bonus	HIGHEST NET WAGE according to interviewed workers incl. overtime and bonus	ESTIMATED MIN LW family of four, according to workers interviews
ALBANIA	140 €	100 €	143 €	251 €	588 €
BIH RS	164 €	169 €	204 €	256 €	859 €
MACEDONIA	130 €	137 €	161 €	194 €	726 €
POLAND	301 € ⁴⁶	164 €	492 €	586 €	1000 €
ROMANIA	145 € ⁴⁹	143 €	177 €	238 €	706 €
SLOVAKIA	339 €	350 €	500 €	600 €	1360 €
CHINA (Dongguan)	213 €				614 €

	LEGAL MIN NET WAGE in shoe industry 1/1/2016	60 % OF AVERAGE NET WAGE of researched country	OFFICIAL STATISTIC ON MINIMUM CONSUMER BASKET for a family of four (2015)	ESTIMATED MIN LW family of four, according to workers interviews
ALBANIA	140 €	169 € ⁴¹	lack of data	588 €
BIH RS	164 €	257 € ⁴²	933 € ⁴³	859 €
MACEDONIA	145 €	220 € ⁴⁴	479 € ⁴⁵	726 €
POLAND	318 € ⁴⁷	392 € ⁴⁸	799 € (2014)	1000 €
ROMANIA	156 € ⁵⁰	166 € ⁵¹	736 € ⁵²	706 €
SLOVAKIA	354 €	468 € ⁵³	517 € ⁵⁴	1360 €
CHINA (Dongguan)	213 €			614 €

GAP BETWEEN LEGAL MINIMUM WAGE AND ESTIMATED LIVING WAGE



■ Legal min net wage in shoe industry 1.1.2016

■ Estimated min LW family of four (according to workers interviews)

Legal minimum wage – enough to live in poverty

Our interviews showed that, as in Asia, most footwear workers in Europe also earn merely the statutory minimum wage within their regular working hours.

The legal minimum wages in all researched countries are set dramatically low. In **Bosnia-Herzegovina, Macedonia, Poland and Romania, two legal minimum wages are not enough to cover the minimum consumer basket as calculated by the official statistic offices.** In all six researched countries, the legal minimum wage is set far below the average 60 % wage benchmark that is often used to define the poverty line in a country. The wage comparison also shows that even with the maximum wage that can be earned when working overtime and receiving bonuses, it is impossible, especially for workers in Bosnia-Herzegovina, Macedonia and Romania, to get close to being able to afford the official minimum consumer basket.

Wage increases only occur if the legal minimum wage increases. Workers in Bosnia-Herzegovina, Romania and Slovakia told our researchers that even if they had been working for 5, 10 or 15 years, their seniority would not be rewarded and they would still only receive the legal minimum wage or an amount slightly higher.

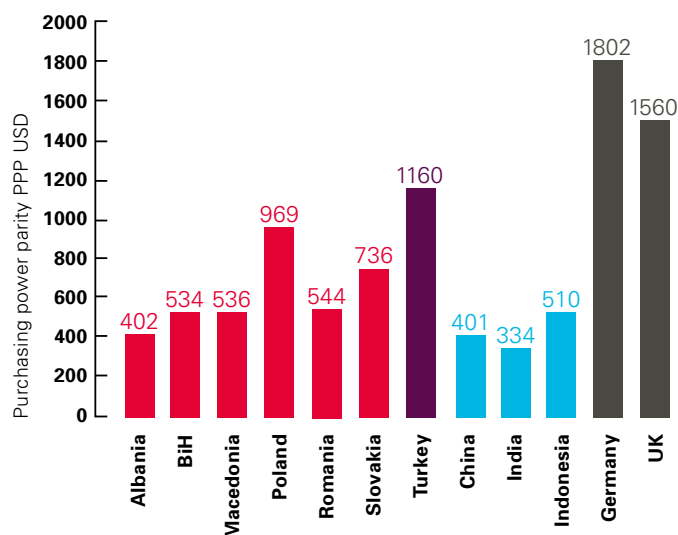
HOW MANY HOURS workers have to work to be able to afford a pair of shoes for 50 EUR¹

	€	h
ALBANIA	0.80 €/h	63 h
BIH	0.92 €/h	54 h
MACEDONIA	0.82 €/h	61 h
POLAND	1.81 €/h	28 h
ROMANIA	0.88 €/h	57 h
SLOVAKIA	2.01 €/h	25 h
GERMANY	6.25 €/h	8 h
UK	8.71 €/h ²	6 h

Legal minimum wages that are sometimes lower in Europe than in Asia – huge differences within Europe

In the following chart, we compare the gross monthly statutory minimum wages in the researched low-wage countries of Europe, Western European and key shoe producing countries in Asia in purchasing power.

LEGAL MIN WAGE FOR GARMENT/SHOE INDUSTRY gross 1.1.2016 in PPP USD¹



Two main conclusions can be drawn from the above table:

1. There are European countries where shoe workers earn (in euros) less than their colleagues in Asia, their actual purchasing power (in PPP USD) is comparably low like in Indonesia or China.
2. There are huge differences within Europe: the Albanian minimum wage is extremely low, even when the purchasing power of the currency is factored in it is as low as one fifth of the German minimum wage; the Polish minimum wage is equal to half the German equivalent.

Non-payment of legal minimum wage for a standard working week

While non-payment of the legal minimum wage occurs in Bosnia-Herzegovina, Macedonia and Romania, in Albania it seems to be the rule rather than an exception: **one in three interviewees quoted a wage (including bonus and overtime payments) which was below the minimum wage.**

Based on our field research, we observe an increasing stress on workers in terms of productivity and daily quotas, which can result in unpaid overtime to fulfil the set quota and undermines the payment of the legal minimum wage based on a standard working week.

Low labour costs, and thus low wages, remain under high pressure. In a large factory in Romania, one worker told us that the quota per work shift had been increased from 4,200 to 6,000 pairs of shoes, but the wage did not rise. She said they would “have to work much harder for the same small amount of money”. Albanian workers said they have to work on 550–600 pairs of shoes every day. Many interviewees mention that they work overtime, some-

LEGAL MINIMUM WAGE SETTING MACHINERY AND THE ROLE OF UNIONS

Finance investors rate Europe's post-socialist countries as an employer-friendly region. Although all researched countries have tripartite mechanisms on paper – in Albania it was revitalised in 2014 – in practice, industrial relations and social dialogue are extremely limited in the shoe and clothing industries. The unions sitting at the table often do not push for minimum wage hikes.

Only in Macedonia and Bosnia and Herzegovina did we find trade union federations that calculate household expenses and a socio-cultural minimum, enabling them to publicly denounce the gap between minimum wages and the cost of living.⁵⁵ However, it has to be noted that in the Macedonian Trade Union Consumer Basket⁵⁶ – 32,233 MKD (520 EUR) for December 2015 – the costs of education, holidays and emergencies are not included.

times every Saturday. Because they are unsure how the basic wage is calculated, many of them are unable to spot illegal practices, such as non-payment of overtime hours, on their payslips.

Non-payment of mandatory social insurance contributions results in an additional care burden for women

In Bosnia-Herzegovina and in Albania it became evident that there are many cases where social insurances (health, unemployment, pension) are not paid by the employer as legally required. Moreover, due to the very low wages, workers in Albania sometimes choose to work without a contract, and they relinquish mandatory contributions in their desperation to get more cash for their daily expenses. These informal workers without social insurance coverage

remain in an extremely vulnerable situation with no state security to protect them against all basic life risks (sickness, old age, unemployment). The social insurance system is eroded, which in turn results in an increased burden of unpaid care work for women. In addition to the pressure to stay in paid jobs, even if extremely underpaid as in footwear and clothing factories, women find themselves confronted with an increasing need to make up for the state's lack of investment in "social infrastructure". Combined with the tendency of the young and, in particular, better educated to emigrate, the care deficit will doubtlessly increase and pose huge challenges to these countries. The non-payment of social insurances means draining an already eroded state structure and putting the burden of more unpaid work and responsibility onto the shoulders of women.

Gender discrimination in the worst paid industry

In all researched countries, women account for 70–80 % of the workforce in the footwear industry.

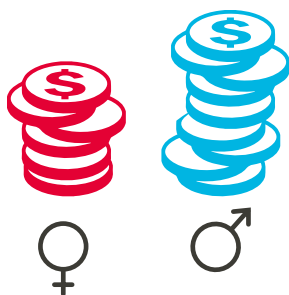
The clothing and footwear industry is the lowest paid among the manufacturing sectors, offering far below the average wage in the individual countries and even less than a better-paid and typically male-dominated sector such as mining.

As the table below shows, in Macedonia, Romania and Slovakia the manufacturing of wearing apparel and the manufacturing of leather and related products (both female-dominated industries) are, respectively, the worst-paid manufacturing sectors, while the manufacturing of petroleum coke and refined petroleum products (male-dominated industries) are the best paid by a considerable margin (the ratio stands between 1:3 and 1:4). This indicates gender discrimination.

There is also another area in remuneration within the factories where gender discrimination is present: Albanian workers told researchers that women are **paid less for the same work** – justified by the fact that men are physically stronger. Moreover, job allocation is gendered, as a Polish worker describes, "Work that is a little bit more difficult is delegated to men and they are better paid and, in my opinion, better treated."⁶³

	MACEDONIA ⁵⁷	ROMANIA ^{58, 59, 60}	SLOVAKIA ^{61, 62}
Lowest paid sector among all manufacturing sectors (average net wage) = wearing apparel and/or leather/footwear industry	170 €	241 €	468 €
Average net wage in whole economy	345 €	357 €	705 €
Highest paid sector among all manufacturing sectors (average net wage) = manufacturing of petroleum coke and refined petroleum products)	628 €	826 €	1,465 €

GENDER PAY GAP:
In Slovakia, women working in the leather and footwear industry earn almost 50 percent less than men.



“BOTH MY WIFE AND I WORK IN THIS FACTORY. WE ARE GLAD WE COULD FIND WORK BUT CANNOT IMAGINE RAISING CHILDREN ON TWO FACTORY WAGES. OUR PARENTS AND RELATIVES CANNOT SUPPORT US SO WE DEPEND ON THIS MISERABLE WAGE. WE WANTED TO MOVE FROM THE VILLAGE TO THE CITY FOR A BETTER LIFE BUT CANNOT AFFORD TO PAY THE CITY RENT FROM OUR SALARIES.” Romanian worker

The **Slovak** wage statistics illustrate this: while the average wage of all employees in the leather/footwear industry was 718 euros, the average wage of female workers, who account for 71 % of the sectoral workforce, was only 633 euros (2014).⁶⁴ In real terms, this means that, on average, a woman earns 633 euros, while her male counterpart earns 926 euros,⁶⁵ i.e. **in the same sector, men are receiving a wage that is almost 50 % higher.**

“MOST OF US BOUGHT BICYCLES TO TRAVEL TO AND FROM WORK, THOUGH IT SOMETIMES TAKES 40 MIN. IN THE WINTER IT IS VERY COLD TO COME BACK HOME BY BIKE AFTER THE EVENING SHIFT AT 11 PM. BUT WE CANNOT AFFORD A CAR AND IT IS NOT SAFE TO WALK BACK HOME AFTER WORK.” Romanian worker

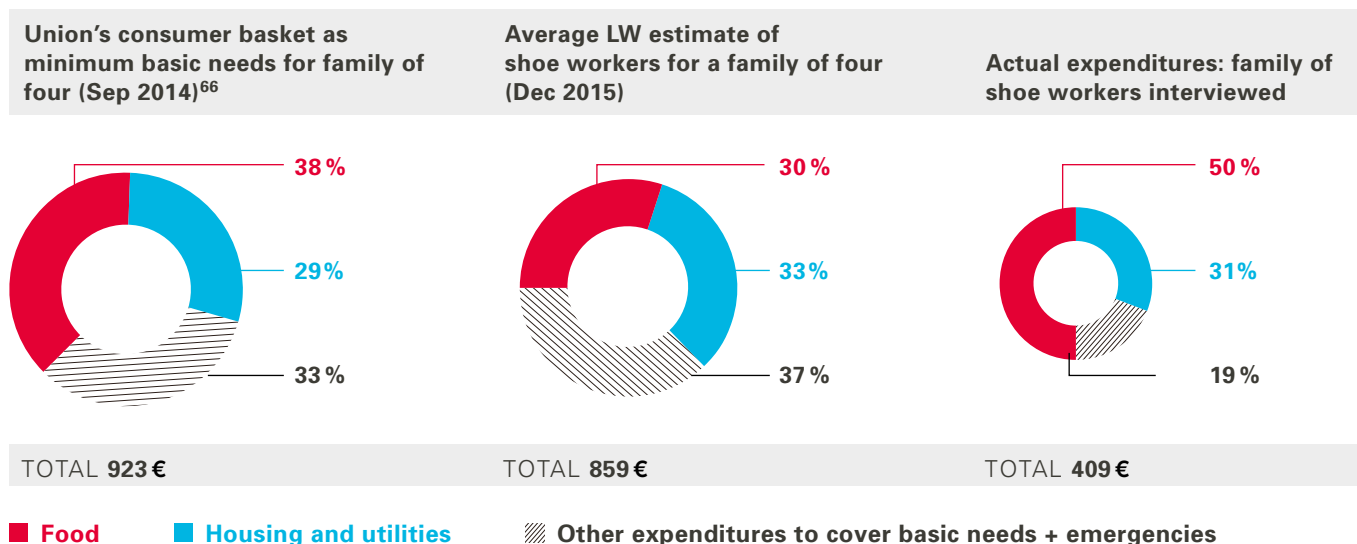
Faces of poverty

Poverty wages exert structural economic violence upon those affected, most of whom are women. To cope with the poverty they face, women are forced to work overtime or to accept unsafe conditions at work. Many workers told us that their wage was not enough to cover even their most basic needs – leave alone the needs of their family and children. Often they have to make up for this shortfall by taking on loans (at high interest rates of 10 % and more), engaging in subsistence agriculture, taking on seasonal jobs abroad, and simply by cutting back on all possible expenditures.

Food accounts for a large share of a worker's household expenditure – in fact, in countries like Bosnia-Herzegovina it covers as much as 50 % of the available household budget, which equates according to interviewed workers to 100 % of one person's typical net wage incl. overtime and bonus.

The percentage of household expenditure spent on food is a reflection of a country's living standards. “Engel's

SOCIO-CULTURAL MINIMUM – ESTIMATED LIVING WAGE FOR WORKERS – ACTUAL EXPENDITURES OF WORKERS IN BOSNIA-HERZEGOVINA/REPUBLIKA SRPSKA



law” dictates that the percentage of household expenditure on food typically falls as income and expenditure increase. The illustration shows that the actual expenditure patterns of shoe workers (50 % on food) undercut even the basic needs calculations (38 % on food), while workers themselves would wish to spend just 30 % on food. The illustration also shows a gap between the trade union calculation and the workers estimate, indicating that workers’ own calculations of a living wage tend to underestimate the real expenditures required for a minimum level of decent living, because workers are used to and trapped in their situation of poverty.



PURCHASING POWER OF EMPLOYEES’ WAGES: how long does an employee have to work to be able to buy a litre of milk in her/his country?

	1 l milk	working time
Albania	0.79 €	1 hour
Romania	0.88 €	1 hour
Macedonia	0.73 €	53 min
Bosnia-Herzegovina	0.66 €	43 min
Poland	0.59 €	19 min
Slovakia	0.64 €	17 min
Germany	0.59 €	6 min
UK	0.64 €	4 min

The **Macedonian** Office of Statistics stated that the majority of the population could not meet their basic needs:

- 38 % of the population are not able to pay their utility bills, rent, bank instalments, etc.
- for 72.2 % of the population, an annual one-week holiday is becoming a luxury
- 57 % of the total population cannot afford to eat meat or fish every other day
- 26.9 % of the population cannot afford adequate heating in their households, and
- 22.8 % of the population stated that they could not afford their own car.⁶⁷

While these percentages apply to the average Macedonian, these issues will surely affect almost all shoe workers because of their poor incomes.

Low-income households in **Slovakia** save on vegetables, fruits, meat, recreational activities and vacations.⁶⁸ This evaluation was confirmed by the workers, who said

that they have to make compromises on the quality of the food they eat, that they do not have the ability to afford occasional leisure time activities (cinema, vacation) and that they rarely have the ability to save (at least 50 euros/month) while having dependents at home.

In **Poland**, some workers told us that they had multiple jobs and worked, e.g. as cleaners, in addition to their factory job because overtime is not available.

Most interviewed workers in **Romania** said that they had never been able to afford a family holiday within the country. In a majority of cases, a holiday means a weekend barbeque or a family gathering in nearby green space. Other poverty indicators in Romania are: a heavy reliance on family and friends for agricultural products; the inability



An ad for a moneylender at usurious interest rates on the wall of a Romanian factory.

ANNA’S STORY FROM ROMANIA

Anna, a Romanian worker, started her factory job 12 years ago and only earns the legal minimum wage (145 EUR). “Both myself and my husband work in the shoe industry and bring home two minimum wages every month. We have two school-age children, 8 and 14 years old. Life is very difficult for us,” she said. Despite working many years in the factory, she says her earnings have not risen beyond the yearly legal increases in the minimum wage. A colleague adds, “Everywhere in the industry they pay the minimum wage, including here. At least we can do overtime and come to work on Saturdays and top-up our income.” Another colleague said, “I have been working here for 11 years and never had a raise. We are always getting the minimum wage and the prices keep on growing, so the yearly increase in the minimum wage does not help us buy more things.”

to regularly pay for utility bills; extended rent payment due to the inability to afford housing loans; indebtedness to relatives and friends; irregular or non-existent medical check-ups (especially dentist check-ups); poor hygiene; the inability to pay for school uniforms and school supplies every year; a lack of recreation/cultural agenda; and the inability to travel outside the town.

Women predominantly find themselves trapped in a situation of poverty with hardly any job alternative. Dependency is the key word here for the thousands of women forced to stay at their workplace no matter how bad the labour conditions are. Poverty has a knock-on effect that can lead to desperate circumstances: low wages that are insufficient to meet basic needs force workers to search for alternative income, which can, for instance, result in workers relinquishing social benefits, being forced to take on low-wage jobs in Western Europe or to enter into debt bondage. Researchers found advertisements for loans close to factories.

Poverty wages double and triple the burden, especially on women, if, for instance, in addition to their job at the factory they have to engage in subsistence agriculture to survive, or if their husbands have to take on seasonal work in low-wage jobs in Western Europe, therefore leaving mothers to raise their children alone for several months. On the other hand, other (mostly Western) European countries are able to reap a dual benefit at the expense of these

footwear workers: brands can keep their profit margin high because of low labour costs, and other sectors can profit from cheap seasonal workers from low-wage European countries.

“WE ARE RENTING A FLAT IN THE CITY AND THE MOST DIFFICULT THING IS TO PAY FOR HEATING IN WINTER. I AM AFRAID TO LOOK AT THE HEATING BILL THIS MONTH. IF WE FAIL TO PAY FOR LONGER THAN TWO MONTHS, THEY CUT US OFF. THE PRICES KEEP ON GROWING. OUR PARENTS, WHO WORK IN SPAIN, ARE SENDING US MONEY EVERY FEW MONTHS AND THAT’S HOW WE GET BY.”

“SAVINGS? WE CANNOT SAVE ANYTHING FROM OUR SALARY. MY HUSBAND HAD TO GO TO GERMANY FOR A FEW MONTHS TO WORK IN CONSTRUCTION IN ORDER TO MAKE SOME MONEY FOR WINTER HEATING. THOSE ARE OUR SAVINGS.”

“EVERYONE IN THE FACTORY HAS TO BORROW MONEY TO MAKE IT THROUGH THE MONTH.”

Romanian workers

MARTA’S AND KRISZTINA’S STORIES FROM ROMANIA

The salary earned in the industry is not enough to cover Marta and her children’s living expenses. “We have a mortgage to pay back which costs 88 euros a month. We pay 66–88 euros for electricity every month and 221 euros for heating for the entire winter. Every September we must buy books and clothing for the children. We are trying to live as simply as possible and buy the cheapest hygiene products on the market. I cannot afford to buy body lotion or other things besides soap and shampoo.”

Saving money while earning a minimum wage is proving impossible for Krisztina and her family. “We have to spend everything we have on daily needs and sometimes run out of money before the end of the month. Luckily, the local shop owners know us well and let us get products for free if we run out of money, allowing us to pay them later. We don’t want to borrow money, and my husband had to take 5 months’ leave from his factory job to work in construction in Germany

to top-up our family income. It was very hard work for him. But without this, we would not be able to cover our living expenses.” In order to cover the family’s monthly needs, Krisztina has to also work in agriculture to provide her family with food. “We have a garden and some animals. If I had to buy meat, like chicken breast from the shop, I would not be able to afford it. So we must also take care of our animals every day because they are some of the only food we can afford.”

The time she has to take care of the land and animals is, however, limited, because she regularly works on Saturdays. “Sometimes my sister comes in to feed the animals when both my husband and I are away for work.” Krisztina says her dream is to go on a family holiday. “We never had a family holiday except for a picnic near the village. We cannot afford to go to the sea or the mountains or to another country. I hope one day I can give my children a vacation.”

One worker told our researchers: “In the fourteen years since I have been working at the factory, there was only one year where we had no bank loans to pay. Because we have a stable income, we can take out a loan to buy a fridge. Without loans we could never afford such things from our salary, but we are also scared to lose our jobs and get into trouble with the bank.”

The rest of the time this worker was in debt and continues to pay about $\frac{1}{3}$ of her salary to the bank, which she must continue to do for the next 3 years. Another worker told us he pays around half of his salary to service his 3-year bank loan. Many loans are for buying household equipment like refrigerators or TV sets which workers cannot afford from their salaries.

5.2 OVERTIME AND LEAVE

Unlawful overtime and overtime payment

While in all researched countries, the regular working time is 40 hours over 5 days a week, in Albania, Macedonia, Bosnia-Herzegovina and Romania workers reported that Saturdays are normal working days with overtime either incorrectly remunerated or not remunerated at all. This practice is particularly common in Albania. It is hard for workers to refuse Saturday work; they need, for example, to present a doctor's certificate to testify that

they are sick. Furthermore, many workers' statements reveal that the legal minimum wage can only be obtained by working overtime on Saturdays. In the factory researched in Bosnia-Herzegovina, workers said that they receive a small lump sum as compensation for overtime, but that this sum bears no resemblance to the overtime hours actually worked. Researchers in Bosnia-Herzegovina conclude: “Workers told us they don't do overtime, but when questioned about how many Saturdays they work in a month, they said every Saturday or 2–3 Saturdays per month. Although the labour law of Republika Srpska (Bosnia-Herzegovina) says that every hour above 40 hours per week is overtime, and should be paid at a higher rate, this was not the case with any of the workers interviewed. They simply see this Saturday work as something that they must do.” Many workers in the researched countries reported that they are paid a piece rate, but that they do not know how their wage is calculated or how their overtime hours are reflected in their salary.

Reasons for overtime vary from factory to factory and can have different root causes, such as poor production management, short delivery times, seasonal peak times or unrealistic quotas for workers. In all cases, overtime adds to the multiple burdens that workers, especially female workers, face, and many interviewees said that they felt exhausted.

SUZANA'S STORY FROM BOSNIA-HERZEGOVINA

Suzana is 37 years old. Since 2012, she has been working in a shoe factory in Bosnia-Herzegovina supplying renowned international brands. Suzana is married and a mother of two children. While she works, her husband and mother-in-law take care of the kids. Her husband is unemployed and only works occasionally as a painter. They live in an urban area in a two-floor house with her father and mother-in-law. Suzana gets up at 6 am to prepare food for the family for the day and then she goes to work. She works 45 hours a week and, on average, every other Saturday to reach the planned production limits. She does not receive any bonus for the work she does that exceeds the normal amount, but pay is reduced if this norm is not reached, so pressure to reach the quota is high. When urgent orders have to be finished, she even has to work more than two Saturdays per month. Workers are expected to come and work overtime; the employer never asks. Vacation and sick leave is difficult to obtain. However, her respiratory

problems forced her to use her sick leave and because of that, her salary was reduced by 51 euros. The monthly wage is, on average, only around 215 euros. She says that her working conditions are very tough due to a large number of machines operating and emitting heat constantly, which exacerbates her breathing problems.

Suzana's family spends almost all her salary, about 204 euros per month, on food. For the monthly cost of electricity and water, she has to pay roughly 51 euros, while the telephone and internet costs amount to approx. 41 euros. The house is heated with wood, which is costly (around 358 euros for the winter). Clothing and footwear are rarely bought, although her children are usually the priority. Suzana would like to be able to do something to change the situation, but she does not see any alternative. She notes that she is most frightened for the future of her children, so every day she gets up and does this job for them.

"I HAVEN'T GOT MUCH TIME TO SPEND WITH MY CHILD. WHEN I GET HOME FROM WORK, I AM OFTEN TOO TIRED TO DO ANYTHING."

Romanian worker

"I NEVER HAVE TIME OFF. AFTER I FINISH WORK, I MUST TAKE CARE OF MY HOUSE, MY CHILDREN, MY ANIMALS. SUNDAY IS THE ONLY DAY TO TAKE A BREAK AND EVEN THEN I MUST COOK FOR THE FOLLOWING WEEK FOR MY FAMILY. I AM ALWAYS TIRED." Romanian worker

Taking leave

According to the law, workers are entitled to annual leave (usually 20 days), leave on public holidays, sick leave, parental leave and unpaid leave for personal reasons. The reality is very different. With the exception of Poland, in all countries workers stated that they have difficulties taking sick leave, leave in family emergencies or taking their full

A BONUS FOR NOT GETTING SICK AND ARBITRARY DEDUCTIONS

According to our field research, attendance bonuses together with punishments and wage deductions for being late, making errors in production or having disagreements with the supervisors are common occurrences.

In SLOVAKIA, workers report receiving some benefits if they do not go on sick leave. In a subsidiary of Rieker, they told our researcher that they could receive 4 % of their salary as an attendance bonus. A similar situation was found in a subsidiary of Gabor, where workers told us that they could get a monthly 30-euro bonus if they did not go on sick leave. In a subsidiary of Ecco an attendance bonus is also paid to workers for not going on sick leave.

In BOSNIA-HERZEGOVINA, workers reported that punishments and deductions (e.g. up to 10 % of their salary) are common when errors and some product damage occurs during production. Workers also mentioned deductions when they have fights with supervisors. There are high deductions (25 % of a worker's salary in one case) when they take sick leave.

In POLAND, workers reported receiving an annual attendance bonus at the end of the year for not taking any sick leave.

annual leave. In addition, workers also told us that they are sometimes forced to take leave – often unpaid – when there are no orders. Again, **Albania stands out: workers of one factory reported that they can only take 3–4 days of their legally required 20 days of annual leave, but unpaid**; workers said that this is common practice. Albanian workers also said that they often have to work on public holidays and receive the same pay as for a normal working day.

5.3 REPRESENTATION OF WORKERS' INTERESTS

Researchers observed that employees generally do not believe in the possibility that their working conditions can be improved. Workers often do not trust trade unions. At the same time, they are afraid to organise in trade unions because they assume this might not be well received by management. Furthermore, there is nobody for them to talk to. There are only a few active unions in the clothing and shoe industry and hardly any organisations working on labour and human rights in the workplace.

Field research in the region suggests that there is a lack of a culture of collective organisation both on the part of employees and on the part of traditional trade unions. It is, however, precisely this role of genuine trade unions that would have to be strengthened in order to improve the workers' situation. Regional and international co-operation is a key factor for success given the huge wage and cost pressure, as well as relocation threats. Younger trade unions like "Novi Sindikat" in Croatia and their close co-operation with the Clean Clothes Campaign highlight interesting new paths the region could take towards helping trade unions and global campaign networks work together and mutually benefit from each other's experience in order to bring progress for the footwear and clothing industry workers in low-wage countries in Europe.

"A UNION WOULD BE USEFUL. WE ARE TREATED BADLY, WE HAVE NO VOICE, WE HAVE NOTHING TO SAY. THERE ARE PEOPLE HERE WHO HAVE BEEN WORKING FOR 12–13 YEARS AND NOBODY LISTENS TO THEM." Polish workers

"THE BOSSES ARE FROM GERMANY OR AUSTRIA; YOU WON'T ACHIEVE CHANGE WITH THEM. THE MASTER DICTATES." Slovak worker

In the following paragraphs, we list some observations that caught our attention.

Labour conflict

Across all the countries researched, the only labour conflict occurring in the shoe industry that was publicly reported and mentioned by researchers was the “silent protest” of workers at the ECCO factory in Martin (Slovakia) in 2011, which was organised by the union IOZ. This protest aimed at changing working conditions, particularly bullying practices in the factory.⁶⁹ “The management is a priori declining the demands [of the union], but the trade unions are pushing. [...] There was a strike last year: they have demanded higher salaries, better working conditions, for something to be done about the dust and noise, but it’s all about the willingness to change something. I think the strike was meawningful”, said a Slovak ECCO worker. Throughout the 12 factories we researched, this factory is where we found the sole trade union unit that workers perceived as active and supportive.

Sectoral collective bargaining in the shoe industry

In Slovakia and Bosnia-Herzegovina, we found that Collective Bargaining Agreements (CBAs) sometimes lower key standards, such as wages and overtime, for the clothing and shoe industry below those stipulated by labour law. In Slovakia, the factory CBAs can allow 250 hours of overtime per year, while the law demands that this figure not exceed 150 hours. According to a trade unionist, it is unfortunately the case that in CBAs unions actually negotiate lower standards than those of labour laws. This again reflects the employer-friendly environment in the sector in this region.

Increased legal hurdles for collective bargaining in Romania

In 2011, the Romanian Labour Code was substantially amended and a new law on Social Dialogue was adopted. The system of collective bargaining has been fundamentally changed by legislation passed in 2011. Collective bargaining at national level, which previously set minimum pay and basic conditions for the whole economy, has been abolished. This decentralisation in collective bargaining has brought with it uncertainties and collective bargaining has come to a standstill.⁷⁰ A cumulative membership of at least 5 % of the labour force and territorial structures in more than half of the national municipalities is required for a union to be considered representative for collective bargaining at the national level. Membership of at least 50 %, plus one of the workers of the company, is required to be recognised for collective bargaining. A lawful strike can only be called in defence of workers’ economic interests, and compulsory arbitration can be imposed where a strike lasts more than 20 days. Should a court declare a strike illegal, the trade union has to pay damages and its leaders may be dismissed.⁷¹

Unions – projecting a better image?

Workers in Romania and Albania told our researchers that trade union representatives are sometimes put in place in

order to improve the image of the company, though they have done little to effectively advance workers’ interests. For example, despite the presence of a trade union, wages in a researched Romanian factory have not increased beyond the legal minimum wage for the last decade. An interviewee said, “A few workers are involved in a union but they are only there to improve the company’s image. I don’t recall any action started by these union members.”

Albanian workers from several factories told our researchers that trade unions have good relations with management. All workers said they assume that there are deals between management and unionists, bribes or embezzlement of union fees. None of the Albanian workers knew whether there was a union in their factory or how to approach a union.

TRIANGULAR EMPLOYMENT SCHEMES USING “CIVIL LAW CONTRACTS” – A WAY TO CIRCUMVENT WORKERS’ RIGHTS

According to workers, the factory researched in Poland hires staff not only directly but also through temporary work agencies under “civil law contracts”. Under a “civil law contract”, persons are assigned specific tasks within a certain timeframe. It is not a labour contract. The labour contracting agency pays tax and mandatory social contributions but at lower shares. The labour law, including minimum wage, sick, maternity and annual leave regulations, does not apply to this type of contract, which means that the temporary work agency’s use of “civil law contracts” results in the employer (e.g. a factory) actually hiring employees who are not fully protected by the labour law. Although legal under Polish law, Poles call such “civil law contracts” “trash contracts”. This kind of triangular employment scheme makes it more difficult for workers to defend their labour rights, including organising to form a trade union in case of any infringements. Talks between our researchers and civil law contract workers indicated that their wage was below the legal minimum wage and, during sick leave, far below the minimum wage. Since 2016, the law has been changed to restrict misuse of the “civil law contract” and bring the share of mandatory contributions in line with those of normal employees, but the provisions of the labour code still do not fully apply to workers in civil-law contracts.

Labour shortage – migrant workers

For years, employers and foreign buyers have bemoaned the shortage of qualified workers in the clothing and shoe industries. Such discussions are also taking place in countries in the region.⁷² Some employers are currently trying to solve the problem of labour shortage (without having to improve wage and working conditions) by attracting migrant workers, for instance, from Mongolia and Ukraine to the Czech Republic⁷³. While this labour migration is sometimes organised by labour offices, migrant workers are still exposed to abuses and sometimes forced to agree to sub-standard and precarious forms of employment. This trend abuses the vulnerability and dependency of migrant workers and fuels the downward pressure on labour conditions.

Freedom of expression or silencing workers?

Field research confirms that workers in the region are afraid of losing their jobs if they complain about their working conditions. This fear often turns into a general fatalistic feeling of being unable to change the situation for the better.

“THE MANAGEMENT KNOWS THAT PEOPLE HAVE NO BETTER OPPORTUNITIES AND THEY HAVE NO DESIRE TO RAISE OUR WAGES.” Romanian worker

Case study ROMANIAN SHOE FACTORY

Workers told us that the salary is the official minimum wage of 232 euros gross with the possibility to earn more by working overtime. Workers hope to receive a net wage of 177–221 euros after working overtime. Within standard working hours, they said it is possible to make only approx. 154 euros as a net wage. Work on Saturdays from 6.00 am to 2.00 pm is organised at least twice every month. Due to a high volume of orders, workers said that in 2015 they had to work almost every Saturday. Overtime is imposed and hard to refuse.

“Refusing overtime can be a problem. Even the transportation from the factory is not available before overtime is finished.” “If you have a medical problem, maybe then you can ask the manager about skipping overtime. Those who want maintain a good relationship with the managers have to stay at work”, one worker said. Another added, “We must write a request to the management if we want to skip work on Saturdays and explain why we cannot do it. We need a solid reason, like having to take care of a sick child, or a doctor’s certificate if it’s for ourselves. Otherwise we can get into trouble.”

In Poland, some workers reported to researchers that there was a clause in their employment contract prohibiting disclosure of wage information. In Albania, interviewees indicate that workers do not even talk among each other because they fear that co-workers could pass on information to the management. There workers do not organise because they are afraid of each other.

The threat of job loss works effectively throughout the region: “When we complain to management, we are told to leave if we are not happy with the work in the factory. They know we have no better place to go and that we will continue to work for them. Compared to other factories, which give nothing, at least this one gives a daily lunch ticket and pays on time. So what can we do? We stay here,” a Romanian worker stated. Slovak and Polish workers also said they were sure they would be fired if they complained. Researchers in Bosnia-Herzegovina reported that workers told them that the factory director used aggressive behaviour, intimidation and shouted at workers and that as he had links to the government, he therefore enjoys impunity.

5.4 HEALTH AND SAFETY IN THE WORKPLACE AND LABOUR INSPECTION

The International Labour Organisation ILO sets forth in its constitution that “workers should be protected from sickness, disease and injury arising from their employment”. There are several International Labour Standards on occupational health and safety (OHS).⁷⁴ Shoe production requires a lot of chemicals and potentially harmful substances. Occupational health and safety is therefore a key issue in this sector. In our research, we could only rely on workers’ reports. Sector-specific information on occupational diseases and health hazards, as well as inspection results from the labour inspection, were not available or accessible in any of the six countries.

In interviews workers stated that they all too often felt that management showed no or only very little concern for ensuring a healthy, non-hazardous working environment. Workers reported excessively hot or cold temperatures at their workplaces, poor sanitary conditions, a lack of fresh air, a lot of noise and dust, multiple health problems caused by their work, and hardly any health-promoting measures (e.g. training in prevention measures, use of protective equipment, additional holidays or regular medical check-ups). The authors are concerned to see that widely spread payment schemes, such as piece rate remuneration, contributes to workers’ health risks because they would, under the pressure to complete high daily quotas, often relinquish the use of personal protective equipment such as gloves. These are severe hurdles to achieving OHS and they are tied to the piece-rate system.

On the following pages, we list the most striking observations from our field research:

Labour inspection

According to the ILO convention 81, which all researched countries have ratified, inspectors are entitled to enter freely and without previous notice at any hour, complaints must be treated as absolutely confidential, and reports must be submitted no less than once a year to the central Labour Inspectorate, which shall publish an annual general report containing information on the staff, visits executed, etc. **No information could be obtained on visits made within the shoe industry or their results in any of the researched countries.** In Macedonia, for example, the reports on visits carried out by labour inspectors in the shoe industry were not available despite a legal obligation to publish them.

None of the interviewed workers had been involved in a labour inspection. While interviewees from Macedonia, Poland and Slovakia saw inspectors in the factory, they reported that these were perceived as announced visits that the factory had prepared for in advance. Polish workers reported factory “preparations” being made for labour inspection visits: “the plant is informed about visits; there are guidelines on how to act during the visit. They take the aprons out and ‘the painting of lawns’ starts. (...) Everything is ready for the visit. When the inspection comes, everyone knows what to say. It is not possible to have a casual talk with the inspector.” The new Polish government has reduced the resources available for the labour inspectorate effective from 2016. Unions also have a right to see the post inspection protocols, but since there is no union active in the clothing/shoe branch, no one checks the protocols.

Interviewees from Albania, Bosnia-Herzegovina and Romania had never attended a training session on occupational health and safety (OHS) or any other health preventive measure. A Macedonian worker reported that when one of his co-workers lost his finger, the legally prescribed compensation for occupational accidents was not granted. Albanian workers reported that inspectors are seen to be bribed in order not to reveal the real situation; unregistered workers were hidden in a separate room.

Fainting and heat stroke

In our field research, we came across a whole series of issues that workers raised. One issue that dominated in several countries were problems with very hot temperatures in summer and freezing temperatures in winter.

A Slovak worker said: “In the summer, the heat is unbearable so we have had the ambulance here six times this year because co-workers had heat stroke.” This statement was confirmed by workers all across the region.

“The poor things drop like flies,” explained Calafat deputy mayor Dorel Mituletu when discussing how Ro-

manian factory workers struggle with hot conditions in summer. Mituletu admits that working in the factory is “an exhausting job for the factory workers”, particularly in summer when it gets hot inside, causing some workers to faint. In July last year, Cristina, a Romanian worker, says she saw three women in her section become unwell or collapse due to the heat. She remembers an Italian supervisor laughing at them and saying he would have to improvise a cemetery in the backyard if the women continued to faint. “He just felt like joking,” says Cristina with resignation.⁷⁵

In July 2015, the media reported the death of a textile worker from “Jaja Mezler” textile factory in Macedonia, Stip. This report highlighted the tragic death of a 58-year-old worker, who died from a heart attack as a consequence of the hot temperatures inside the factory.⁷⁶

Sanitary conditions inside the factory of a researched Romanian outdoor shoe producer were poor. The toilets have latrines and workers complained in the interviews that the smell was unbearable.

“THE TOILET IS ABSOLUTELY STINKING. WE STILL USE LATRINES IN OUR FACTORY. IMAGINE WHAT IT’S LIKE WHEN 200 WOMEN USE ONE TOILET. THE SMELL IS SO STRONG THAT IT TRANSFERS ONTO OUR CLOTHES AFTER SPENDING THE DAY AT WORK.” ANOTHER WORKER ADDED, “IN THE SUMMER, I ONLY WEAR MY WORKING SHIRT BECAUSE IT IS VERY HOT INSIDE THE FACTORY AND WE ARE ALL SWEATING. THERE IS NO DRINKING WATER AVAILABLE AND WE HAVE TO DRINK TAP WATER, WHICH IS NOT POTABLE. THE DUST IS VERY HEAVY INSIDE THE WORKING HALL AND WE ARE ALSO THE ONES WHO MUST CLEAN THE WORKPLACE. THE TOILETS INCLUDE LATRINES AND WE HAVE COMPLAINED MANY TIMES TO THE MANAGEMENT ABOUT THE UNBEARABLE SMELL BUT NOTHING HAS BEEN DONE.” Romanian worker



Protective wear, productivity loss and piece-rate system

Wearing personal protective equipment (PPE) should be made available free of charge by the factory. The management should play a role in making sure that workers actually use PPE. Workers in several researched factories – e.g. Gabor workers in Slovakia – however told us that it is up to the worker to decide whether to



use PPE. Workers at a Romanian factory said they would have to buy their work clothes and needles themselves. In just one of the researched factories – the Slovak ECCO production company – management and supervisors actively made the use of PPE compulsory.

Interviews with workers suggest that **piece-rate payment and high expectations regarding productivity pose crucial hurdles to the use of PPE**. One Albanian shoe worker, who uses glue in the shoemaking process said that wearing gloves reduces the precision and speed of her work and decreases the quality of the shoes, which is why she could not afford to use them if she wanted to meet the quantity and quality quota. A Slovak worker at a subsidiary of Rieker said, “I can ask for gloves and a face mask, but I am slower with the gloves and thus cannot meet the normal production levels. The face mask also makes breathing more difficult, so I just wear perfume and a scarf and breathe through that.”

Toxic substances

Footwear production requires the use of a whole range of chemicals. It is therefore key that workers receive training

on how to use toxic substances and that the factory has effective measures in place to protect the health of workers. From our field research, however, we conclude that such preventive measures do not receive the attention required.

Albanian workers, for instance, reported suffering painful headaches, stomach-ache, allergies, neck problems and skin problems. Romanian workers said, “The smell in the factory is so toxic. In the beginning, I felt like I was suffocating. But now we are all used to it; we already don’t feel it.”

From our field research, we deduce that due to a lack of preventive measures, expectations of high productivity and pressure to keep labour costs low, workplaces in footwear factories cause, in the short, medium and long-term, serious negative health impacts on workers. We also conclude that workers often have little or no help to receive the treatments necessary to cure work-related medical problems.



Case study MACEDONIAN SHOE FACTORY

The researched factory employs around 1,000 workers, mostly women. Interviewed workers mentioned GEOX, Deichmann and Bata as brands they produce for.

Workers complained of suffering from rheumatism, back pain, allergies, bronchitis and other respiratory problems. Workers, particularly those working with glue, stressed that they have been working with very strong chemical substances, which negatively affected their health. The workers also said that protective wear was not regularly supplied. “I have been working in this factory for 15 years, and during that time we have been supplied with protective wear only twice, but the work is awful. We should receive it twice a year.” The air conditioning and heating is said to be insufficient. “My hands are freezing, I’m shivering all over and the door to the hall is open all the time,” one worker explained, and another added, “Today we had heating until 10.30 am and after that it was turned off and inside it was very cold.” When some workers fainted, they said they were not provided with medical assistance, but were instead left on their own or were helped by their co-workers. “If I get sick at work and if I have a car, somebody will

take me to the hospital. But if I don’t have a car, then I will be taken in a wheelbarrow.”

Workers reported extremely high work pressure when orders had to be finished: “If the employer needs to complete, let’s say, an order of 9,000 pairs of shoes, he will put 90 pairs on the belt and even if you want to die, you have to finish it,” one worker told the researcher. Interviewees said that in summer they worked from 5 am to 5 pm, as well as on Saturdays and public holidays, and that overtime rates and bonuses were not paid. In times of low or no orders, workers said they had to stay at home and suffered high wage cuts. The net wage of the interviewed workers ranged from 131–226 euros including overtime and bonus payments. The legal minimum wage for 2015 was 130 euros. This means that some workers did not receive the legal minimum wage within their regular working hours, which is a clear violation of the law. Moreover, workers say, “If you go to ask somebody, for instance, what is written on the pay-slip, no one will explain it to you, they can only tell you that you did not fulfil the quota.”

6 THE LACK OF PUBLIC DEBATE ON GENDER AND LABOUR

Conditions in clothing and shoe factories in most post-socialist countries are bad and everybody knows it. The sector is notorious and has become synonymous with poor working conditions. However, researchers did not expect it to be so bad. One of them told us: “It is like going into another universe. I would never have thought that such miserable working and living conditions exist in my city.”

Still, talking about labour conditions and rights seems to be a taboo. Moreover, discussions about women’s labour rights are virtually non-existent. Researchers noted that some workers appreciated being able to talk about the realities of their working lives and that someone would take time and listen to them. It eased their sense of helplessness. There were Albanian workers who even agreed to reveal their real names because they felt their situation was so dire, they had nothing to lose. “Please help us,” one Albanian worker entreated the researchers.

The perspective of workers, female workers in particular, is rarely included in the media. Until 2014, when the report “STITCHED UP – Poverty wages for garment workers in Eastern Europe and Turkey”⁷⁷ was published, there was almost no mention of working conditions in the media. Since then a few articles have been published such as “The dark side of the Macedonian textile paradise” by Georgi Pulevski⁷⁸ and “Fashion Victims: Even in EU, Garment Workers Face Tough Conditions” by Laura Ștefănuț.⁷⁹

Production countries’ fear of losing their competitive edge, workers’ fear of losing their jobs and repression and threats against those who are willing to publicly condemn bad working conditions often prevents the real living and working situations faced by clothing and footwear employees in Europe and within the EU being stated publicly. Indeed, Laura Ștefănuț notes in her blog: “Not long after publication of an article I wrote exposing dire working

**“FASHION VICTIMS:
Even in EU, Garment Workers
Face Tough Conditions”**

conditions in the Romanian and Bulgarian garment industry, I began receiving anonymous phone calls from people mumbling or heavy-breathing.” She goes on to write: “Workers at the Calafat garment factory were told by the factory’s management that my article had scared away their clients, some of them among the biggest names in the European clothing industry, and that job losses would inevitably follow.”⁸⁰

The business duty to respect human and labour rights throughout the global supply chain is internationally agreed upon in the framework of the UN Guiding Principles on Business and Human Rights. As a first step to fulfilling that duty, it is imperative to acknowledge existing problems and show political will to overcome human rights infringements instead of turning a blind eye to those challenges lying right on our door steps.

There is a clear need for greater public focus on working conditions in the European footwear industry. In a democratic society, societal values are debated in public. The media plays an important role in bringing topics to light and holding governments, policy makers and the industry to account.

“

STILL, TALKING ABOUT LABOUR CONDITIONS AND RIGHTS SEEMS TO BE A TABOO. MOREOVER, DISCUSSIONS ABOUT WOMEN’S LABOUR RIGHTS ARE VIRTUALLY NON-EXISTENT.

”

7 RECOMMENDATIONS

All national governments

- I. Enforce the labour law, particularly the legal minimum wage, overtime regulation, regulations on leave and occupational health and safety. Strengthen enforcement institutions, such as labour inspections, according to ILO convention 81 and national labour laws.
- II. Set a minimum wage level according to the cost of living; as a first step, increase the minimum wage to at least 60 % of the national average wage.
- III. Support a system of free legal advice centres in areas where the clothing/shoe industry is concentrated. These centres must be run by labour and human rights organisations.
- IV. Support a campaign and national action plans for labour rights, women's rights and human rights.
- V. Legally oblige and hold to account shoe brands domiciled in the national jurisdiction to respect labour and human rights throughout the global supply chains.

EU

- I. Develop a minimum wage policy in accordance with the European Social Charter and the EU Charter of Fundamental Rights; set a basic level in line with at least 60 % of national average wages.
- II. De-link the granting of loans from restrictive wage policies in the debtor countries.
- III. Association and trade agreements, EuropeAID grants (for example, for clothing/shoe companies' air conditioning equipment) should be conditional on the approved observance of labour law and human rights at work.

Brands

The UN Guiding Principles on Business and Human Rights (UNGP) establish that every company, regardless of size or geographic context, respect human rights through its entire supply chain. One important part is to establish a comprehensive Human Rights Due Diligence (HRDD) process across the entire operations of a business in order to identify, prevent, mitigate and account for potential and actual adverse human rights impacts. HRDD has to happen in a comprehensive, ongoing and transparent manner. HRDD clearly goes beyond auditing and it means buyers taking their share of responsibility for the working conditions at production sites instead of just passing responsibility on along the contractual business links. HRDD has to be centred on affected right holders (the workers) and include

publicly accounting for the work done.⁸¹ Based on this concept, the authors highlighted, in a non-exhaustive list, issues that we consider of particular importance for the researched region:

Identify negative impacts on human rights, for instance make sure there is no gender pay gap and no gendered division of labour; make sure that equal career opportunities exist and there is no sexual harassment.

Adapt business practices to prevent and mitigate human rights violations:

- Living wage: pay prices that allow for a wage hike to 60 % of the average wage as a first and immediate step (ring-fence the living wage top-up, adhere to open costing, centrally involve workers to make sure that the living wage top-up reaches workers; make sure that the living wage top-up is part of the total wage sum on which mandatory social insurance payments are made; work on long-term plans with the supplier to pay a living wage).
- Wage systems: seek ways to create business relationships that allow suppliers to stop piece rate systems (check lead time, production planning, pricing structure and price escalation of products; trustful and long-term trade relations).
- Freedom of association: proactively work towards guaranteeing trade unions' access to the factory and workers, and convey to workers your openness towards union organising.
- Transparency: make sure that all goods are fully traceable; publish supplier lists, including subcontractors working on OPT.

Publicly account for how negative impacts on human rights have been addressed.

Report publicly on

- how the company identifies, mitigates and remediates labour and human rights violations, how it prioritises work and how it measures impact
- living wage implementation and impact at factory level
- supplier lists (upstream suppliers such as leather tanneries, as well as manufacturing suppliers at tier 1 and beyond).

GLOSSARY

Average wage

The average salary of all employees in a certain country, sector, or factory (total sum of salaries divided by number of salary earners).

Bonuses

Additional wage component on top of the basic salary. Bonuses could be paid, e.g. for productivity or attendance at the workplace. Typically, bonuses are not always available for all employees and cannot therefore be considered as part of the basic salary. Bonuses can sometimes be abused, e.g. through use as a disciplinary measure, as a means of posing concrete hurdles to taking sick leave, if needed, or as a way to impose impossibly high production targets and “justify” unpaid overtime.

Collective Bargaining Agreements (CBAs)

An agreement between one or more employer(s) and one or more trade union(s) that covers issues such as wages, benefits, FoA and worker representation, working conditions and other rights and responsibilities. The CBA could be local for a certain employer or cover a whole region/country in a certain industry. The CBA is to be considered as the bottom line for an industry or an employer. The CBA is renegotiated on a regular basis.

Gross wage

The wage before mandatory deductions. It includes the basic wage plus the employee’s share of mandatory social insurance contributions as well as their share of taxes. The gross wage is, therefore, not fully available to the worker as disposable income.

Living wage

A living wage, by definition, means that a working person must be able to support themselves and their family. The notion of a living wage is well embedded in the international human right discourse. The United Nations Universal Declaration of Human Rights, Article 23(3) states: “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.” In addition, the right to a living wage is established in several ILO declarations and conventions: the Constitution of the ILO, 1919; Preamble of the Charter, the Declaration of Philadel-

phia, International Labour Conference, 1944; the ILO Declaration on Social Justice for a Fair Globalization, 2008; as well as the Convention numbers 131 and 156 (indirectly) and Recommendations Numbers 131 and 135 (indirectly). The Clean Clothes Campaign defines a living wage as follows: “Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.”

More specifically, a living wage:

- applies to all workers, which means that there is no salary below the living wage level
- must be earned in a standard working week (40 hrs in the researched countries)
- is the basic net salary, after taxes and (where applicable) before bonuses, allowances or overtime
- covers the basic needs of a family of four (two adults, two children)
- includes an additional 10 % of the costs for basic needs as discretionary income.

Legal minimum wage / statutory minimum wage

The wage that has to be paid as a minimum to all employees of a certain country or specific sector. The legal minimum wage is based on regular working hours, which means employees have to be able to earn this level without overtime or bonuses.

Legal minimum net wage

The legal minimum wage available to the worker as disposable income after legally mandatory deductions (social insurance payments and taxes). Since legal minimum wages have to be earnable within regular working hours, the legal minimum net wage does not include additional payments such as overtime or bonuses.

Net wage

The wage that the worker has available as disposable income after legally mandatory deductions (social insurance payments and taxes). It may be earned in a standard work week as basic remuneration or may include overtime payments and bonuses.

FOOTNOTES

- 1 CBI Market Intelligence, Ministry of Foreign Affairs 2015: <https://www.cbi.eu/sites/default/files/trade-statistics-europe-footwear-2015.pdf>, p. 12
- 2 2011: 21 billion pairs of shoes; 2015: 24.3 billion pairs of shoes (World Footwear 2011; 2015)
- 3 Please note: different sources quote different estimations concerning the production, consumption and import/export shares. We did our best to be consistent in this report; however, certain discrepancies may remain.
- 4 Footwear Yearbook (WFY, 2015), www.worldfootwear.com/store.asp?link=Store, p. 5
- 5 Footwear Yearbook (WFY, 2015), www.worldfootwear.com/store.asp?link=Store, p. 5
- 6 Footwear Yearbook (WFY, 2015), www.worldfootwear.com/store.asp?link=Store, p. 7; estimated total world consumption: 19.39 billion pairs of shoes
- 7 Footwear Yearbook (WFY, 2015), www.worldfootwear.com/store.asp?link=Store, p. 15
- 8 Total consumption: 3.3 billion pairs of shoes; total production in Europe: 729 million pairs of shoes = 22%; approx. 90% of produced shoes are consumed in Europe = 19.88%
- 9 Footwear Yearbook (WFY, 2015), www.worldfootwear.com/store.asp?link=Store, p. 19
- 10 <http://cec-footwearindustry.eu/en/sector/key-facts>, data for 2014, last accessed on 12/4/2016
- 11 www.industriall-europe.eu/SocDial/Foot/2015/AnnualReportFutureFootwear2015-en.pdf, p. 39
- 12 www.industriall-europe.eu/SocDial/Foot/2015/AnnualReportFutureFootwear2015-en.pdf, p. 41
- 13 European Confederation of the Footwear Industry, <http://cec-footwearindustry.eu/en/sector/key-facts>, 12/4/2016
- 14 www.industriall-europe.eu/SocDial/Foot/2015/AnnualReportFutureFootwear2015-en.pdf, p. 39
- 15 CBI Market Intelligence, Ministry of Foreign Affairs: <https://www.cbi.eu/market-information/footwear/com> petition, "step up your speed", 6/3/2016
- 16 CBI Market Intelligence, Ministry of Foreign Affairs: <https://www.cbi.eu/sites/default/files/trade-statistics-europe-footwear-2015.pdf>, p. 10
- 17 Ministry of foreign affairs and economic relations of Bosnia and Herzegovina, publication: Analysis of foreign trade of Bosnia and Herzegovina 2014
- 18 <http://aida.gov.al/pages/clothing-and-shoes>, accessed on 15/03/2016
- 19 www.independent.mk/articles/16981/Macedonian+Grey+Economy+Reduced+But+Number+of+Unregistered+Young+Workers+still+High, accessed on 04/11/2015
- 20 Estimations based on previous investigations and experience in the region, see also: Charmes, J. co-author Measuring Informality: A statistical manual on the informal sector and informal employment, (Geneva, 323p, 2013). Musiolek, B.: Decent Work in the Informal economy – Central and Eastern Europe / Commonwealth of Independent States region, background paper for ILO, informal sector unit, (Geneva 2002)
- 21 OECD DAC list of ODA recipients
- 22 CBI Market Intelligence, Ministry of Foreign Affairs: <https://www.cbi.eu/market-information/footwear/buyer-requirements/>
- 23 Law 84/1992 on Free Trade Zones, www.cdep.ro/pls/legis/legis_pck.act_text?id=13151
- 24 Romanian Government Urgency Ordinance no. 31/1997 (foreign investment regime) and Law no. 332/2001 on the promotion of FDI "with significant impact on the economy", www.romana.nask.org/eng/about/sub_8/5.htm
- 25 <http://ec.europa.eu/DocsRoom/documents/6752/attachments/1/translations/en/renditions/native>
- 26 www.albania-textile.com/Materiale/Nentor2012/Presentation%20Gjergji%20Gjika_Prodh%20dhe%20vishu%20shqip.pdf The Chamber of Façon aims to encourage improvements in laws and legislation for the façon sector.
- 27 https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/Liste_der_Freihandelsabkommen_der_Schweiz.html, accessed on 14/4/2016
- 28 www.cbi.eu/market-information/footwear/competition, "Market entry", accessed on 6/3/2016
- 29 Adriana Girneata: The Evolution of the textile and clothing industry – Romania: From Lohn to Loss: "lohn production is not a long-term advantage for subcontracting companies": <http://economice.ulbsibiu.ro/revista.economica/archive/67412girneata.pdf>
- 30 "Stitched up – Poverty wages for garment workers in Eastern Europe and Turkey", Christa Luginbühl and Bettina Musiolek, 2014: www.cleanclothes.org/livingwage/stitched-up, pp. 19-20
- 31 Schmidt, Verena, Vaughan-Whitehead, Daniel (2011): The Impact of the Crisis on Wages in South-East Europe. ILO Geneva: www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_172434.pdf
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- 35 Schulten, Thorsten (2012): European Minimum Wage Policy: A concept for wage-led growth and fair wages in Europe. In: Social justice and growth: The role of the minimum wage. ILO, 2012
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- 37 First preliminary outline of a European Pillar of Social Rights – Accompanying to the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the committee of the regions, Launching a consultation on a European Pillar of Social Rights; chapter II, 8. Wages
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- 39 www.kuipkt.ba/index.php/inspektorat-za-obrazovanje-nauku-kulturu-i-sport/107-odgovori/403-place.html: "lowest hourly wage at the amount of 1.95 KM" – "lowest hourly wage cannot be less than 1.75 KM" – "Exceptionally, ...hourly rate, which cannot be lower than 1.25 KM net"
- 40 www.savezsindikats.org/files/dokumenti/opsti_kolektivni Ugovor.pdf
- 41 Average monthly gross wage for 2015 is ALL 46.829 while net ALL 39.396. 60% = ALL 23.637 (INSTAT)
- 42 60% of 837 BAM net average wage as of March 2016

- 43 RS Union Confederation: www.savezsindikat.org/sindikalna_potrosacka_korpa.php. Last accessed on 23/10/2015.
- 44 60% of 22,715 MKD, December 2015, www.stat.gov.mk/PrikaziSooptenie_en.aspx?id=40&rbr=1921, 13/3/2016
- 45 Average household expenditures 2014, www.stat.gov.mk/OblastOpsto_en.aspx?id=13, 13/3/2016
- 46 <http://ekonsument.pl/materialy/pobierz/613>, p. 18; gross: 1,750 PLN
- 47 Net calculation: <http://wynagrodzenia.pl/kalkulator-wynagrodzen/wynik>
- 48 <http://ekonsument.pl/materialy/pobierz/613>, p. 18: Average wage in Poland in 2015: 3,899.78 PLN gross = 2,783.26 PLN net, 60% net = 1,669.95 PLN
- 49 Minimum wage of 975 RON minus total taxes and contributions of 32.5%
- 50 www.wageindicator.org/main/salary/minimum-wage/romania, Based on 1,050 RON minimum wage on 1 January 2016, after deductions as follows: income tax: 16%; social contributions: 10.5%; medical contributions: 5.5%; and unemployment fund: 0.5%; total taxes and contributions: 32.5%, 13/3/2016
- 51 Average gross wage in 2015 was 1,758, average net wage was 1,257 (minus 32.5%), 60% of average net wage is 754 RON average wage.
- 52 In the absence of an official subsistence minimum, we have taken the average expenses per person in 2014 as a comparison: 834 RON; household of four: 3,336 RON: www.insse.ro/cms/files/statistici/comunicate/abf/ABF_I_r14.pdf
- 53 Average nominal wage 2014: 858 EUR gross, <http://udaje.statistics.sk/statdat/Average%20monthly%20wages%20in%20economy%20of%20the%20SR%20%5Bpr0204qs%5D-en.xlsx>; 515 gross is 467.86 net for a person with two children
- 54 <https://www.employment.gov.sk/en/family-social-assistance/material-need-assistance/>
- 55 www.makdenes.org/content/article/26654502.html
- 56 www.ssm.org.mk/index.php?option=com_content&view=article&id=609:sindikalna-minimalna-kosnica&catid=136&Itemid=1&lang=en Accessed on 15/11/2015
- 57 State Statistic office of R. Macedonia, News Release No:4.1.15.15 from 26/02/2015, p. 3
- 58 Calculations based on exchange rate as of July 2014, 1 EUR = 4.47 RON www.xe.com/currencytables/?from=RON&date=2016-02-10
- 59 www.insse.ro/cms/files/statistici/comunicate/castiguri/a14/cs07r14.pdf
- 60 Calculations made based on official gross salary statistics for July 2014
- 61 https://slovak.statistics.sk/wps/wcm/connect/f7f86183-bdcd-4df6-96f4-1bfb86799ea3/Rocenka_priemyslu_SR_2015.pdf?MOD=AJPERES&CACHEID=f7f86183-bdcd-4df6-96f4-1bfb86799ea3
- 62 <http://udaje.statistics.sk/statdat/Average%20monthly%20wages%20in%20economy%20of%20the%20SR%20%5Bpr0204qs%5D-en.xlsx>; 704.90 EUR net in case of a person with two children calculated for 2015
- 63 In addition to gender discrimination in job allocation, the different pay scales for different jobs were very intransparent in most factories. Take, for example, Slovakia: while at ECCO the different pay scales were transparently defined, at Rieker the supervisors decided who would and who wouldn't be paid a higher wage.
- 64 www.sustavapovolani.sk/vz_domov, personally requested statistics
- 65 100 workers earn 100 × 718 = 71.800 ÷ 71 women earn 71 × 633 = 44.943 ÷ 71.800 – 44.943 = 26.857 (wage share for men) ÷ 26.857 / 29 = 926
- 66 Trade Union RS, www.savezsindikatars.org/sindikalna_potrosacka_korpa.php
- 67 www.criticatac.ro/lesteast/workers-rights-and-trade-unions-in-macedonia/, Accessed on 17/11/2015
- 68 www.sberbank.sk/servlet/sberbank?MT=/Apps/Sberbank/WEB/main.nsf/vw_ByID/ID_C27E54B74FEB70B0C1257AFD004B20D4_SK&OpenDocument=Y&LANG=SK&menu=tlacove_spravy_sberbank_slovensko&TG=BlankMaster&URL=/Apps/Sberbank/WEB/webnews.nsf/vw_ByID/ID_558B1C87381830F0C1257D5F002A0B5B
- 69 <http://ioz.sk/problemu-v-zo-iz-ecco-martin/>
- 70 International Trade Union Confederation, 2012 Annual Survey of Violations of Trade Union Rights – Romania, 6 June 2012, available at: www.refworld.org/docid/4fd8892a2d.html
- 71 International Trade Union Confederation, 2012 Annual Survey of Violations of Trade Union Rights – Romania, 6 June 2012, available at: www.refworld.org/docid/4fd8892a2d.html
- 72 www.etrend.sk/firmy/po-danovych-prazdninach-ocakava-ecco-slovakia-aj-podporu-tvorby-pracovnych-miest.html
- 73 www.nazemi.cz/sites/default/files/stitched_up_czech_republic_nazemi_ccc_2015.pdf
- 74 www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/occupational-safety-and-health/lang-en/index.htm, 16/4/2016
- 75 www.balkaninsight.com/en/article/fashion-victims-even-in-eu-garment-workers-face-tough-conditions-01-12-2016
- 76 <http://daily.mk/hronika/pochina-zhena-shtip>, accessed on 26/11/2015
- 77 www.cleanclothes.org/livingwage/stitched-up
- 78 <http://okno.mk/node/39689>
- 79 www.balkaninsight.com/en/article/fashion-victims-even-in-eu-garment-workers-face-tough-conditions-01-12-2016
- 80 <http://laura.casajurnalistului.ro/the-eus-dirty-linen/>, 16/4/2016
- 81 For more on Human Rights Due Diligence, see the Clean Clothes Campaign position paper, March 2016: <https://www.cleanclothes.org/resources/publications/position-paper-on-human-rights-due-diligence/view>

ADDITIONAL FOOTNOTES FOR INFOGRAPHS

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- 1 According to the World-Footwear Book 2015: Main trading partners, pp.32, 41, 91, 94 and 99
- 2 http://wits.worldbank.org/CountryProfile/Country/MKD/Year/2014/TradeFlow/Export/Partner/all/Product/64-67_Footwear Accessed on 19/10/2015

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- 1 Law for Minimum Wage in R. Macedonia Official Gazette No. 11 from 24/01/2012, p.3
- 2 Ibid
- 3–5 Law for Minimum Wage in R. Macedonia Official Gazette No.: 100 from 03/07/2014, p. 4
- 6 Clean Clothes Campaign, 2012: “Made in Europe. Swiss, Austrian and German suppliers profit from Macedonian workers’ poverty and fear”

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- 1 Hourly net rate: legal minimum net wage as of 1/1/2016, divided by 176 hrs per month (22 days, 8 hrs/day);
- 2 <https://www.gov.uk/national-minimum-wage-rates>, legal minimum wage mid-range, last accessed on 14/5/2016

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- 1 <http://data.worldbank.org/indicator/PA.NUS.PRVT.PP>, latest available conversion rate (2014), last accessed on 14/5/2016

Sources Legal min. wage for clothing/shoe industry gross 1/1/2016

- **China:** 213 Euro; Donggaun/Guangdong, lower level of main production regions – see p. 26/27 in: www.suedwind-institut.de/aktuelles-hauptspalte-details/datum/2016/04/18/tricky-footwork-the-struggle-for-labour-rights-in-the-chinese-footwear-industry/?tx_ttnews%5BbackPid%5D=3&cHash=c080cef8fed3d6b4a8c57e70bd7a573
- **India:** 85 Euro; Minimum net wage for an unskilled worker in a B area: Rs. 236 for 8 hours of work a day, 26 working days a month
- **Indonesia,** 154 Euro; 2,340,000 IDR/154 EUR net monthly for Bangka Belitung province (middle level) according to: Trade Union Rights Centre: Indonesia minimum wage 2015/2016; standard work week: 40 hrs (chapter 8.1.1.: <http://betterwork.org/indonesia/wp-content/uploads/Better-Work-Indonesia-E-Book-with-Audio-ENGLISH.pdf>, last accessed on 14/5/2016)
- **Turkey:** 517 Euro; www.wageindicator.org/main/salary/minimum-wage/turkey, last accessed on 14/5/2016
- **Germany:** 1496 Euro; www.wageindicator.org/main/salary/minimum-wage/germany, last accessed on 14/5/2016
- **UK:** 1649 Euro; <http://www.minimum-wage.co.uk>, 7,2 £/hour; 176 h



CHANGE YOUR SHOES is a project that was developed through a partnership between 15 European and three Asian organisations. A number of these organisations are also members or partners of the Clean Clothes Campaign. CHANGE YOUR SHOES and the Clean Clothes Campaign co-operated for this report as they recognised the considerable overlap between labour and human rights abuses witnessed in the clothing industry as well as in the footwear/leather industry in this region.



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