



# Labour on a Shoestring

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

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.

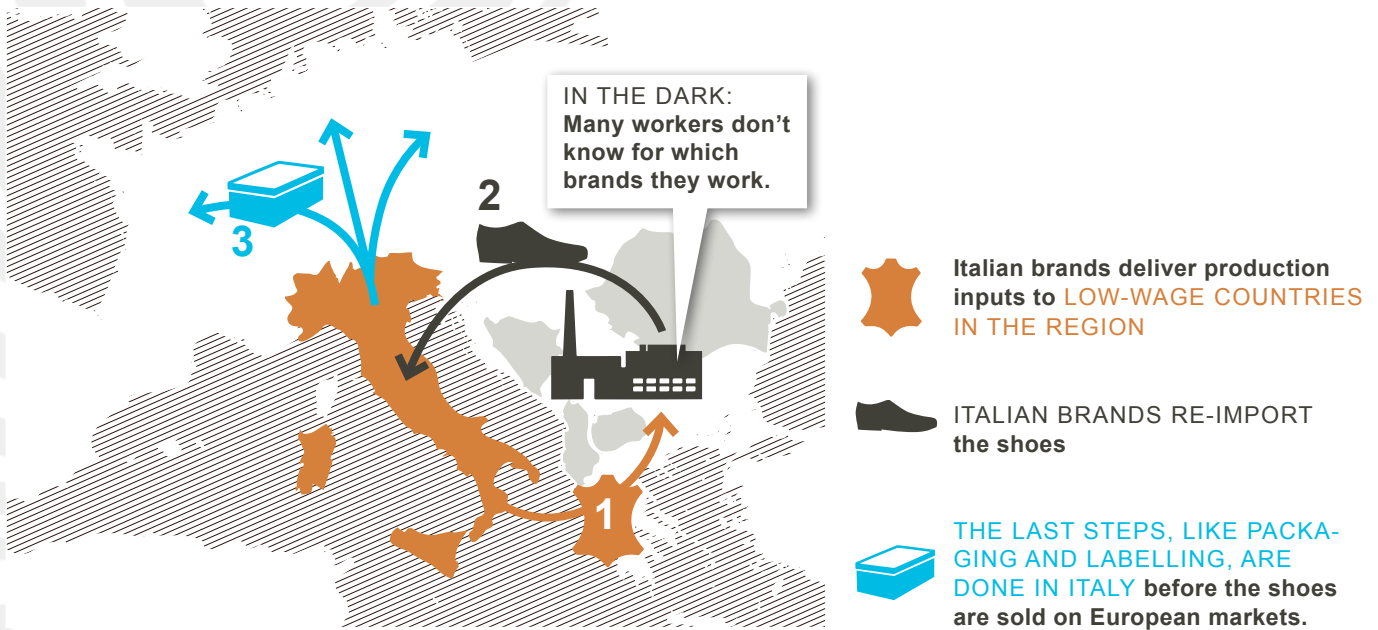
We conducted research in six European low-wage production countries. We found that global shoe supply chains include low-wage countries in Europe as well as in other world regions, and that there are strong interlinkages between, for example, European and Asian shoe production and the industries' distinctive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

## OPT: OUTWARD PROCESSING TRADE IN THE CASE OF ITALY



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

“**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



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.

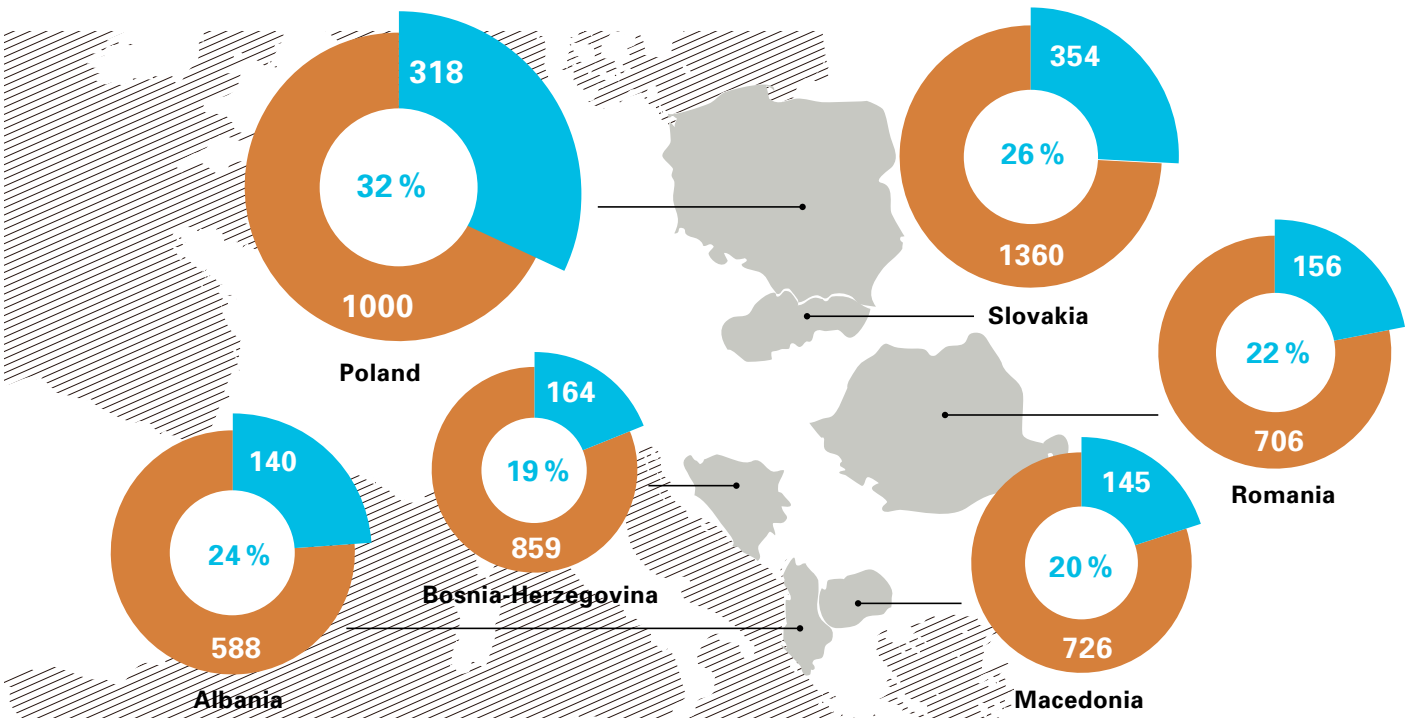
Data from field research and complementary statistics indicate **gender discrimination**, with female workers earning less for work of equal value than their male counterparts. Women predominantly find themselves unable to escape conditions of poverty with hardly any job alternatives. Poverty wages exert 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

“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” Romanian worker

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

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)

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.

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.**

#### SHOE PRODUCTION 2014



#### SHOE CONSUMPTION 2014



#### EUROPEAN SHOE PRODUCTION



SOURCE: Footnotes 1–7

#### GAP BETWEEN LEGAL MINIMUM WAGE AND ESTIMATED LIVING WAGE

|                  | 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€ <sup>8</sup>                             | lack of data  | 588€   |
| BIH RS           | 164€   | 257€ <sup>9</sup>                             | 933€ <sup>10</sup>  | 859€   |
| MACEDONIA        | 145€   | 220€ <sup>11</sup>                            | 479€ <sup>12</sup>  | 726€   |
| POLAND           | 318€ <sup>13</sup>                           | 392€ <sup>14</sup>                            | 799€ (2014)   | 1000€  |
| ROMANIA          | 156€ <sup>15</sup>                           | 166€ <sup>16</sup>                            | 736€ <sup>17</sup>  | 706€   |
| SLOVAKIA         | 354€   | 468€ <sup>18</sup>                            | 517€ <sup>19</sup>  | 1360€  |
| CHINA (Dongguan) | 213€   |   |   | 614€   |



## 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 (UNGPR) 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.<sup>21</sup> Based on this concept, the authors have 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).



“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.” Romanian worker

## IMPRESSUM

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**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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- 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 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.
- 3 Footwear Yearbook (WFY, 2015), [www.worldfootwear.com/store.asp?link=Store](http://www.worldfootwear.com/store.asp?link=Store), p. 5
- 4 Footwear Yearbook (WFY, 2015), [www.worldfootwear.com/store.asp?link=Store](http://www.worldfootwear.com/store.asp?link=Store), p. 5
- 5 Footwear Yearbook (WFY, 2015), [www.worldfootwear.com/store.asp?link=Store](http://www.worldfootwear.com/store.asp?link=Store), p. 7; estimated total world consumption: 19.39 billion pairs of shoes
- 6 Footwear Yearbook (WFY, 2015), [www.worldfootwear.com/store.asp?link=Store](http://www.worldfootwear.com/store.asp?link=Store), p. 15
- 7 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%
- 8 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>
- 9 Average monthly gross wage for 2015 is ALL 46.829 while net ALL 39.396. 60% = ALL 23.637 (INSTAT)
- 10 60% of 837 BAM net average wage as of March 2016
- 11 RS Union Confederation: [www.savezsindikatar.org/sindikalna\\_potrosacka\\_korpa.php](http://www.savezsindikatar.org/sindikalna_potrosacka_korpa.php). Last accessed on 23/10/2015.
- 12 60% of 22,715 MKD, December 2015, [www.stat.gov.mk/PrikaziSooostenie\\_en.aspx?id=40&rbr=1921,13/3/2016](http://www.stat.gov.mk/PrikaziSooostenie_en.aspx?id=40&rbr=1921,13/3/2016)
- 13 Average household expenditures 2014, [www.stat.gov.mk/OblastOpsto\\_en.aspx?id=13,13/3/2016](http://www.stat.gov.mk/OblastOpsto_en.aspx?id=13,13/3/2016)
- 14 Net calculation: <http://wynagrodzenia.pl/kalkulator-wynagrodzen/wynik>
- 15 <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
- 16 [www.wageindicator.org/main/salary/minimum-wage/romania](http://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
- 17 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.
- 18 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](http://www.insse.ro/cms/files/statistici/comunicate/abf/ABF_I_r14.pdf)
- 19 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
- 20 <https://www.employment.gov.sk/en/family-social-assistance/material-need-assistance/>