

MADE IN

SWISS, AUSTRIAN AND GERMAN WORKWEAR SUPPLIERS
PROFIT FROM MACEDONIAN WORKERS' POVERTY AND FEAR

EUROPE



A project implemented by:

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The study, which this report is based on, was commissioned by Berne Declaration and the Clean Clothes Campaign (CC). The Republic of Macedonia was selected because a survey among Swiss workwear companies showed that this country is an important sourcing country for workwear. Additionally similar studies in Germany and the Netherlands have confirmed these findings¹.

The research is based on three main sources:

- A.** Off-site interviews with 47 workers from 5 factories and with labour-related stakeholders conducted in the Republic of Macedonia in February-March 2012²,
- B.** Previous investigations and exchanges, the results of which were included in the 2005 report "WORKERS VOICES, The situation of women in the Eastern European and Turkish clothing industries" and
- C.** FAIR WEAR FOUNDATION's Country study Republic of Macedonia 2010.



Impressum:

Workers interviews were carried out by a local team of researchers.

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¹ Christliche Initiative Romero/Clean Clothes Campaign 2011: Company profiles – workwear and home textile companies; SOMO 2005:
Work in progress: Labour policies of workwear companies supplying public authorities in Europe.

² Researchers and authors of this report are aware that this research is not representative of the whole clothing industry in the Republic of Macedonia. It provides an insight into working conditions in major workwear suppliers for Switzerland.

EXECUTIVE SUMMARY

Clothing exported from the Former Yugoslav Republic of Macedonia (RoM) is of high quality. Workers feel responsible for their work, its quality and timely delivery.

However, we found numerous violations of human rights, ILO¹ core working standards and other conventions of the ILO and Macedonian labour law. These are the most disturbing issues found in the factories investigated:

- Poverty wages were found across the board. The workers interviewed receive on average 19% of a living wage. Their wages are often even below the legal minimum wage. These low wage levels are reflected in the living conditions of workers who subsidize their wages with their own subsistence agriculture.
- Overtime was found to be regular and not on a voluntary basis.
- Short-term labour contracts of 3-6 months are used excessively; workers are therefore denied benefits and future perspectives.
- There was no union or workers' representatives in any of the factories investigated.
- The health of workers is sometimes affected extremely negatively.

Workers in the clothing industry toil under inhuman conditions. Seamstresses' work is hard and extremely exhausting. Many of them are the breadwinner in their families. The 2008 production crisis was used to exert even more pressure on workers with the result that workers now accept any working conditions.

The overwhelming majority of Macedonian people literally struggle for survival on a daily basis. Working in the clothing industry does not offer an escape from this struggle. Poverty and the fear of losing their work and hence their existence deter people from raising their voice and standing up for their rights.

In the Republic of Macedonia there is also extreme exploitation of seamstresses for maximum profits. The legal minimum wage is even lower than in China and Indonesia. The wages actually paid out and a basic living wage are as far apart as they are in Bangladesh.

The clothing industry in the Republic of Macedonia is one of the most important pillars of the economy regarding employment, exports and GDP. However, the sector does not offer future prospects and a decent life, but firmly embeds poverty and fear.



THE CLOTHING INDUSTRY IN THE REPUBLIC OF MACEDONIA

The Republic of Macedonia (RM) lies in the south west of the Balkans, has around 2 million inhabitants and is almost the size of Belgium. It borders Serbia, Kosovo, Albania, Bulgaria and Greece. 535 clothing companies with around 42.000 employees are registered. A large part of the industry is situated in the Eastern part of the country. The centre of the clothing industry is in the town of Shtip. Many factories are also located in Bitola (south), Delcevo and Gevgelija (east), Tetovo (west) and Skopje, the capital in the north of the country.



Macedonia, and particularly the city of Shtip, had been developed as a clothing and textile production centre while they were still part of Yugoslavia as part of an economic policy for economically underdeveloped regions.

After the collapse of Yugoslavia and its own brand of self-governed socialism, only sewing – of the textile and clothing industries – survived. The textile sector, as other sectors, collapsed

following widespread de-industrialization. Orders came increasingly from Western Europe. The highly qualified workforce, availability of large production capacities, infrastructure, and very low wages as well as the geographical and cultural proximity proved attractive. In addition, East European currencies, following the dramatic devaluation at the beginning of the 1990s, were cheap against the Euro and US dollar.



¹ International Labour Organisation: oldest UN organisation; tripartite structure with representatives for employees, employers and governments.

TOLL MANUFACTURING ...A ONE SIDED EUROPEAN TRADE AND PRODUCTION SCHEME

And Macedonia had something else to offer: around 90% of seamstresses clothing work in toll manufacturing. Even before the collapse of socialism and the Republic of Yugoslavia, a production system was practiced in many factories throughout Eastern Europe known as “Lohn”, toll manufacturing³, whereby material and accessories are delivered by the client and the finished garments are then re-imported.

As early as the 1970s the “Outward Processing Trade” – as it is called euphemistically– was developed by Western European countries, especially Germany, as a strategy to protect their own textile and clothing industries. The strategy is to outsource the labour-intensive parts of the textile chain to nearby low-wage countries while the more lucrative processes of the value chain are kept in their own country. This system was widely practiced in Yugoslavia, East-Germany, as well as in other Eastern European countries. Every child knew what contract manufacturing meant.

This production and trade system is beneficial for clients, but is not sustainable, economically or socially, for the sewing factories. Buyers have

control over the whole textile chain, outsource labour-intensive sewing without having to invest in the sewing factories and profit from exemption from customs duties, extremely low wages and very low labour standards. The high flexibility for buyers makes the sewing factories very vulnerable. They are dependent on toll processing orders, have very low profit margins and so live ‘from hand to mouth’.

Sewing factories that live off toll processing are a dead-end in terms of business, the economy and society – a precarious form of production at the expense of the workers.

The share of garments (in terms of value) in all exports from the Republic of Macedonia is around 20%. 60% of production is exported to Germany, followed by Greece with about 15% (many companies are subcontracted by Greek manufacturers), the Netherlands, Italy, Austria, the UK and Switzerland.⁵

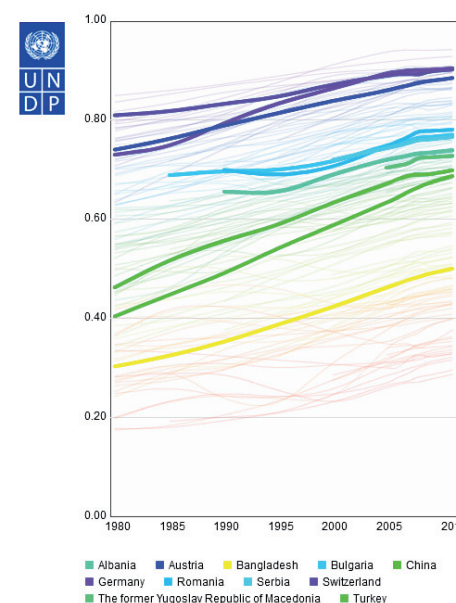
3 Barendt, Regina/ Musiolek, Bettina and others (2005): Workers' Voices. The situation of women in the Eastern European and Turkish clothing industries. Clean Clothes Campaign und Evangelische Akademie Meißen. Meißen/ Amsterdam, p. 6

4 Exporting and re-importing are exempted from duties. While the statistics on imports and exports of countries include clothing produced in toll manufacturing, the value added is so low that it scarcely counts. Textiles produced under toll manufacturing are therefore undervalued.

5 Sippon, ch (2012): New markets, new opportunities. The textile industry in the Republic of Macedonia. www.sippo.ch/internet/osec/.../pub_nonfood_alpaca1109.pdf, page 27.

POVERTY, INFORMAL WORK AND UNEMPLOYMENT

In order to evaluate the environment of clothing production in the R-M it is important to consider the socio-economic conditions in the country. Throughout the previous decade the official unemployment rate published by the government has ranged between 30 and 45 per cent. The percentage of the long term unemployed (unemployed for more than 3 years) has remained stable at over 50%.



The share of informal employment of total employment has settled at between 30 and 40⁶ per cent. By way of comparison: the share of informal employment in Romania and Albania is similar, in Germany it is 15 to 20 %, Switzerland 5 to 10%.

Even the state Statistics Office gives a figure of 31% of relative poverty for 2010⁷. This rate has changed little in recent years.

The following table shows the Human Development Index of European countries and other important clothing production countries⁸:

RM's HDI is considerably lower than the one of Germany or Switzerland and even somewhat lower than Bulgaria or Albania. Only the Republic of Moldova and Turkey are behind RM.

Work migration and money transfers from family members abroad are two of the survival strategies of people in the Republic of Macedonia. In addition, subsistence agriculture and living in extended families are an absolute necessity. Many people save on heating costs in winter; holidays are unknown.

Liljana⁹: “You ask us how we survive? What can we do? How we will survive without this job? At least we receive our wages on time every month.”

6 34.9% in 2007 - The World Bank and European and Central Asia region-HDEU. Policy research work paper 5356: Shadow economies all over the world, July 2010. Page 23.

7 http://www.stat.gov.mk/PrikaziSooptenie_en.aspx?rbtxt=37
Official statistics in the RM use the EUROSTAT definition of relative poverty: 70% of median expenses. Full report: <http://www.stat.gov.mk/pdf/2011/4.1.11.48.pdf>

8 UNDP (2011): Human Development Report 2011. Sustainability and Equity: A Better Future for All.

9 First names are changed to protect workers.

METHODOLOGY AND DATA COLLECTION

The research results presented here are findings from interviews with workers held outside the factory. In factories with up to 100 employees, at least 5 interviews were conducted per factory. In factories with more than 100 employees, at least 10 interviews were conducted per factory. In total, 47 workers were interviewed. These are qualitative interviews with part of the workforce. The results allow inferences to be made regarding existing problems in the pertinent factories. However, it cannot be concluded that the working conditions described affect all workers in these factories investigated.

In addition to these interviews, players (stakeholders) in the field of labour relations were interviewed in order to provide some general insights in the industry.

The results are presented according to labour standards. The selected labour standards are human rights contained in ILO core labour standards, i.e. by human right as defined in the ILO core conventions, the Universal Declaration of Human Rights and relevant codes of labour practices for the clothing industry. The “CCC Code of Labour Practices” as well as the “FWF Code of Labour Practices”, the “FLA Workplace Code of Conduct” and the “ETI Base Code” as well as the “Jo-In Draft Code”¹⁰ all include these standards. The formulation of standards has been derived from the most recent and most advanced labour code – the Jo-In Draft Code. Its provisions are compared with labour law in the Republic of Macedonia and legal requirements are contrasted with reality.

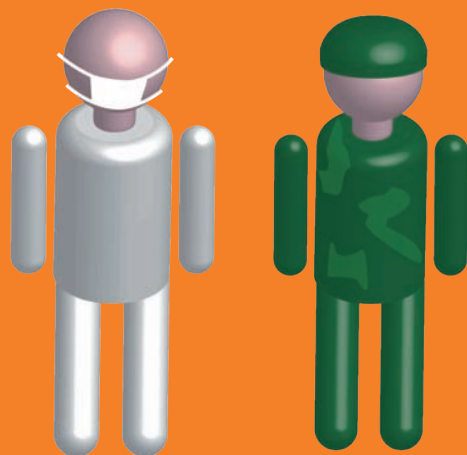
¹⁰ Quotations are taken from Jo-In Draft Code - Joint Initiative on Corporate Accountability and Workers' Rights Draft Code of Labour Practice, 2002-2010. Jo-In brings together the following organisations: CCC – Clean Clothes Campaign, FWF – Fair Wear Foundation, NL, ETI – Ethical Trading Initiative, UK, FLA – Fair Labour Association, USA, WRC – Workers Rights Consortium, USA

THE FACTORIES INVESTIGATED AND THEIR CLIENTS

Interviews were held almost exclusively with workers from factories producing workwear for medical staff, cooks, soldiers, policemen and airline companies. Workers report that they were sewing for, among others:

Swiss International Airlines,
Cantonal Police of Switzerland,
Swisscom, Swiss Army (armasuisse),
Air Berlin and the German Army.

The factories investigated export primarily to Switzerland, Austria and Germany above all.

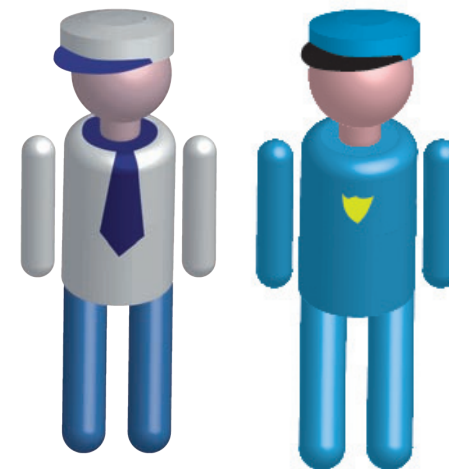


FORCED OVERTIME

Forced labour, that is any work or service exacted under the threat of penalty or for which the person concerned has not offered himself or herself voluntarily including prison and bonded labour, shall not be used. Workers shall not be required to lodge 'deposits' or identity papers with their employer and shall be free to terminate their employment after reasonable notice. Workers shall be free to leave the factory at all times and the freedom of movement of those who live in employer controlled residences shall not be restricted.

(Relevant ILO conventions are: No. 29 and 105 - Relevant ILO Recommendation: No. 35)

These conventions have been ratified by the Republic of Macedonia and transformed into national law. The normal working days are Monday to Friday.



In 4 out of 5 factories, the workers stated that they regularly work overtime on Saturdays. In the fifth factory workers stated that the 40 hour working week is spread over 6 working days including Saturdays. Production quotas are set so that they cannot be met in normal working hours in 4 out of 5 factories.

In 2 of the 5 factories, interviewees stated that even with overtime, not all workers can reach the legal minimum wages. In 2 of the 5 factories workers stated that they are afraid they would lose their 'attendance bonus' (bonus for not being absent from work for a whole month) should they refuse to work overtime.

When these elements of force are combined, they amount to forced overtime, especially if the legal minimum wage and the daily quota cannot be reached during regular working hours or if overtime exceeds the legal limit. This happens occasionally when orders have to be completed, according to the workers interviewed.

Liljana says: "When the boss says that the order must be finished, I dream of going home after work because otherwise I won't get a day off when I need one."



UNEQUAL PAY

The company shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, discipline, termination of employment, retirement or any other terms of employment based on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, pregnancy, family responsibilities, trade union activities or membership, disability or age. The company shall not interfere with the exercise of the rights of workers to observe tenets or practices, or to meet needs relating to on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, trade union membership, disability or age. Women and men shall receive equal remuneration for work of equal value, equal evaluation of the quality of their work and equal opportunities to fill all positions open. No behaviour that is sexually coercive, threatening, abusive or exploitative, including gestures, language and physical contact, shall be allowed. (...) (Relevant ILO conventions are: No. 100, 111 and 183 - Relevant ILO Recommendation: No. 90 and 111)

ILO convention 100 establishes the “principle of equal remuneration for men and women workers for work of equal value”.

Conventions 100 and C 111 have been ratified by the Republic of Macedonia. Non-discrimination as a principle has been established in Macedonian labour law and in Art. 9 of its constitution.

The following table¹¹ gives the average net wages in various sectors, including the clothing and footwear industries, for all employees according to official statistics which are based on information provided by factory managers.

Item	Nov 2011 (MKD)	EUR ¹²
Manufacture of motor vehicles and trailers	28,108	454
Average wage	20,834	336
Average wage in manufacturing	15,313	247
Ready-made clothes (85% of workers are women)	10,794	174
Shoes production	9,275	150



According to state statistics, workers in the clothing and shoe sector



receive the lowest net wages of all manufacturing sectors and



receive one third of the wage in the automotive industry.

Combined with the obvious gender segregated character of these sectors, this comparison of sectors clearly indicates structurally unequal pay for equal work (in terms of professional training and job requirements).

The Human Development Report 2009 estimates the ratio of female to male earned income as 49% in Macedonia. In Serbia women earn 59% of the male earned income and in Croatia women earn approximately 68% of the male earned income.¹³

So women do not earn even half of a man's income. Is it because there are less women gainfully employed? However, statistics show almost equal employment of women and men. It can therefore be concluded that women are overrepresented in low-paid, precarious and unprotected occupations. The clothing industry is a significant part of this.

If we look at the distribution of labour within a factory, the workers interviewed and the labour law stakeholders stated that the various activities are assigned to men and women in such a way that women are employed almost exclusively for piece-work (sewing), while men have jobs where piece rates and piece-work are not relevant (e.g. cutting). Therefore men earn a legal minimum wage within the regular working time much more frequently, while women are paid per piece and have to work unpaid overtime to reach their daily quotas and the legal minimum wage.

¹¹ State Statistical report No: 4.1.12.06 from 27/01/2012, page 3 and 4.

¹² 1 EUR = 62 MKD (4 May 2012)

¹³ B. Apostolova (2010) Gender gap in western Balkan countries, paper prepared for presentation at the World Bank Int. Conference, 14-15 December 2010, Brussels. page 5.

RIGHT TO STRIKE RESTRICTED BY LAW; NO WORKERS' REPRESENTATION

The right of all workers to form or join trade unions of their choice and to bargain collectively shall be recognised and respected. The company shall recognise the trade union(s) of the workers' choice. The company shall adopt a positive approach towards the activities of trade unions and an open attitude towards the organisational activities of workers. No worker, or prospective worker, shall be subject to dismissal, discrimination, harassment, intimidation or retaliation for reason of union membership or participation in trade union activities. The company shall ensure that workers' representatives have free access to all workplaces to carry out their representation functions and shall not, without justification, impede access for union organisers to employees. (Relevant ILO conventions are: No. 87, 98, 135 and 154 - Relevant ILO Recommendation 143)

These conventions have been integrated into labour law and the constitution. Trade unions can operate freely, collective bargaining is possible; however, the right to strike is limited¹⁴.

There are two unions active in the clothing industry:

- Trade Union for the Textile, Leather and Shoe industry - affiliated to SSM (Trade Union Federation)
- Union of Independent Autonomous Trade Unions of Macedonia (UNASM) – affiliated to the International Trade Union Confederation (ITUC).

There was no workers' representation in any of the 5 factories investigated. Workers generally abstain from organizing in unions because they wouldn't trust unions nor expect them to be able to improve

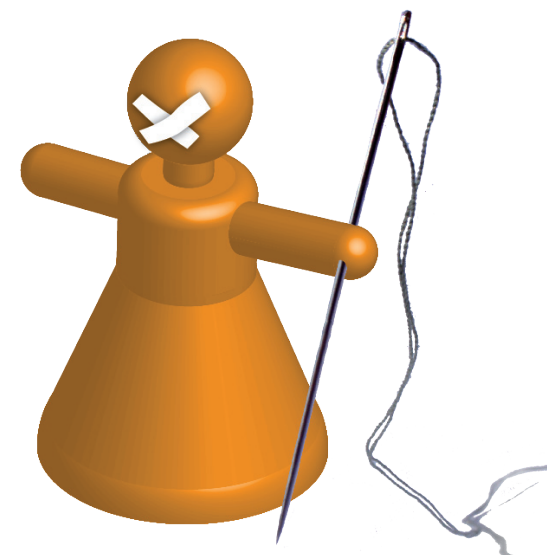
their conditions. Workers believe they have no protection, no one is bothered about their rights. Workers in the clothing industry tend to accept bad conditions as immutable attributes of capitalism. In their understanding, trade unions belong more to the old socialist system. The workers made a general statement that they did not trust trade unions and would not trust them to be capable of changing their situation.

In one of the 5 factories interviewees stated that employers would not welcome it if trade unions were to become active in their factories.

Women in particular avoid anything that could jeopardize their job because their families depend on their income to survive. Many women (an estimated 60 %) are the main breadwinners in their family.



Emilija: "My husband is unemployed. My son is at a vocational training college in another town. My daughter is at primary school. You probably ask yourself how we survive on 8,000 MKD (129 EUR)? Out of the 8,000MKD, I give 3,000 MKD (48 EUR) to my son for his room in shared accommodation and an additional 2,000 MKD (32 EUR) as pocket money for a whole month. When he comes home, I prepare a food for him for whole week so he doesn't have to spend money on food. I have 3,000 MKD left. What can I do with it? Should I pay the electricity bill or buy clothes for my children or spend it on something else? We are lucky because we have small piece of land where we grow food for ourselves. And my mother in law contributes her pension of 7,000 MKD (113 EUR). ... and I am earning a relatively good wage. Most earn much less."



14 ITUC's 2009 Annual Survey of Violations of Trade Union Rights.
<http://survey09.ituc-csi.org/survey.php?IDContinent=4&IDCountry=MKD&Lang=EN> (18.4.2012)

POVERTY WAGES

Workers shall have the right to a living wage. Wages and benefits paid for a standard working week shall, as a floor, always comply with all applicable laws, regulations and industry minimum standards and shall be sufficient to meet basic needs of workers and their families and provide some discretionary income. The level of wages and benefits will be reviewed on a regular basis. Freedom of collective bargaining will be respected. Deductions from wages shall not be made for disciplinary purposes, nor shall any deductions not provided for by national law be permitted without the express written permission of the worker concerned. All workers shall be provided with written and understandable information about their employment conditions, including wages and benefits, before entering employment. The particulars of their wages shall be provided to the workers concerned for the whole pay period each time they are paid. Remuneration shall be rendered either in cash or check form, in a manner convenient to workers. Wages and other benefits shall be paid on a regular and timely basis. (Relevant ILO conventions are: No. 95 and No. 131. Relevant ILO Recommendations are: No. 131 and 135)

Article 32 of the Constitution states:

Every employee has the right to adequate wages. Following the recent amendment to labour law, it must be possible to earn the legal minimum wage within regular working hours of 40 hours per week; wages must be calculated on an hourly basis. In 2011 the government, the employers' association and trade unions negotiated a legal minimum wage of 8050 MKD (130 EUR), effective from 2012. However, the clothing and shoe industry was exempted¹⁵. A "transition period" was agreed for these sectors. Until 2011 the negotiated minimum wage

was set at 5500 MKD (89 Euros). The law on the minimum wage does not stipulate indexing wages to inflation. If 8 hours of overtime (as is frequently worked in the RM) are paid with the mandatory bonus of 35%, that would result in a minimum wage of 7830 MKD / 127 EUR for 2012; if overtime is paid with a 50% bonus, as stipulated in the Jo-In Draft Code, the minimum wage for a 48 hour week should be 8020 MKD / 129 EUR. The legal minimum net wage according to the law on the minimum wage for the clothing industry until 2015 is shown in the following table:

Year	Minimum wage (MKD)	EUR ¹⁶	CHF ¹⁷
2011 (collective agreement)	5,500	89	107
2012 (legal min. wage)	6,263	101	122
2013 (legal min. wage)	6,859	110	134
2014 (legal min. wage)	7,454	120	146
2015 (legal min. wage)	8,050 = 100 % of legal min. wage	130	157

In 2 of the 5 factories investigated, interviewees stated that even with overtime, not all employees earn the legal minimum wage. According to the workers interviewed, actual wages, including overtime and bonuses, in 2 of the 5 factories are sometimes below the legal minimum wage of 6263 MKD / 101 EUR for 2012 and even below the minimum negotiated wage of 5,500 MKD / 89 EUR. In these two factories employees with the lowest net wage work 75 or 150 hours respectively per month for free¹⁸.

In one factory, workers stated that in a few cases the wages are as low as 4,000 MKD / 64 EUR a month: all interviewees in this factory receive a wage below the legal minimum wage for 2012 or just the legal minimum wage. All workers who earn the average paid wage of 6,000 MKD / 97 EUR (including overtime), work 41 hours for free every month¹⁹! For 30 seamstresses, this would mean 1,230 working hours are "stolen" each month.

Liljana says: "I pray to stay healthy and always be able to work, because otherwise who knows what I would earn."

Disciplinary deductions in 3 of the 5 factories

Workers get an 'attendance bonus' for not being absent, i.e. for not being on sick leave or on leave for personal reasons or for not being late. Workers stated that they lose this bonus when they refuse to work overtime.

This 'attendance bonus' works de facto like a disciplinary wage cut, which is contrary to national labour law and the Jo-In draft code.

Wages are calculated on a piece rate system

According to the interviewees, workers, in particular seamstresses, are actually paid on piece-rate basis - their wages are not calculated on an hourly basis as stipulated by the law. They only know the production targets they have to reach. That is why payment of overtime is completely obscure. Sometimes the workers lack any information on how their wages are calculated (basic salary, overtime, bonus etc.). Labour-related stakeholders consider it to be common practice that the mandatory calculation based on working hours is faked. Late registration of workers with the social insurance system is also widespread, in the estimate of these stakeholders.

15 All sectors where the average wage before tax is lower than 15,600 MKD were given a transition period of 3 years. Essentially these are the clothing and shoe industries.

16 1 EUR = 62 MKD (4 May 2012)
17 1 CHF = 51 MKD (4 May 2012)
18 = legal min wages (6263 MKD) for 40 working hours per week divided by the hourly wage actually paid [= actual monthly wage divided by hours actually worked as average monthly working hours] - 176 hrs.

19 = legal min wages (6263 MKD) for 40 working hours per week divided by the hourly wage actually paid / [= actual monthly wage divided by hours actually worked as average monthly working hours] - 176 hrs.

Actual wages and the legal minimum wage are far from a living wage!

Stakeholders' calculations for the necessary expenses of a family of four in the RM are given in the following table.

Monthly expenses	Local NGO (MKD) Living wage 2010		SSM Minimum household budget 2012	Statistics Office Average household expenditures 2010
	MKD	EUR		
Food	12,000	193	13,166 MKD (211 EUR)	12,822 MKD 205EUR (42,7%)
Utilities (electricity and water)	5,000	80	10,020 MKD (161 EUR)	4,955 MKD 79 EUR (16,5%)
Health and hygiene products	3,000	48	2,684 MKD (43 EUR)	1,021 MKD 16EUR (3,4%)
Transport (Local NGO + SSM: bus ticket for pupil and worker)	2,000	32	2,340 MKD (37 EUR)	1,772 MKD 28,5 EUR (5,9%)
Education (Local NGO: primary school) + cultural activities (theatre, concert, cinema, restaurant once a month)	5,000	80	1,070 MKD (17 EUR)	270 MKD 4EUR (0,9%)
Heating (Local NGO: with wood for one room)	2,000	32	included in electricity/ water	No figures given
Clothing (one garment per month)	1,500	24	1,850 MKD (30 EUR)	1,772 MKD 28,5 EUR (5,9%)
Housing: rent, mortgage, maintenance	3,000	48	included in electricity/ water	2,102 MKD 34 EUR (7%)
Annual holiday	2,500	40	No figures given	600 MKD 10 EUR (2%)
Communication (telephone, internet)	3,000	48	1,200 MKD (19 EUR)	1,111 MKD 18 EUR (3,7%)
Miscellaneous (e.g. tax, services, membership fees, gifts, donations, etc.)				3,604 MKD 58EUR (12%)
Total	39,000	625²⁰	32,330 MKD (518 EUR)	30,029 MKD (481 EUR)²¹

²⁰ Exchange rate as of 4 May 2012 - www.oanda.com/lang/de/currency/converter

²¹ Household consumption in the Republic of Macedonia, 2010, <http://www.stat.gov.mk/publikacii/4.4.11.01.pdf>

Note that expenses for heating are not included and the expenses groups have been adapted slightly to enable comparisons to be made.

Calculations by the trade union SSM and the Statistics Office do not give any figures for important household expenses such as heating and education.

However, combined with findings from the interviews with stakeholders and workers, we arrive at a figure of 39,000 MKD / 625 EUR / 750 CHF as a living wage for the RM. Hence, the legal minimum wage for 2012 amounts to 16% of a living wage in the RM and 21% of average household expenses.

Most workers in the 5 factories earn between 5,000 and 12,000 MKD / 80 and 193 EUR with overtime and bonuses, i.e. 4,400 – 10,154 MKD / 71 – 163 EUR calculated for a 40 hour week. The (weighted) average wage paid including overtime and bonuses amounts to approx. 9,000 MKD / 145 EUR in the factories investigated, i.e. approx. **7,266 MKD / 117 EUR as average pay for a standard working week²².**

This income covers

- 24% of the average household expenses (according to the Statistics Office and without heating costs) or

- 19% of a living wage.

According to official statistics for the Republic of Macedonia 40 to 45% of wages are spent on food. Since seamstresses earn significantly less on average, this percentage is much higher for them. Many live in extended families and practise subsistence agriculture. Working your own piece of land is a crucial survival strategy to cope with poverty wages. Workers are forced to subsidize their wages with subsistence agriculture. This means the women are working two full-time jobs, which can mean an 80 hour working week. One reason for the huge dependency of workers on their job is fact that this is the only way they

have health insurance. Losing their job therefore not only means loss of income but also loss of access to medical treatment for workers and their families. There is no free basic medical care in the Republic of Macedonia.

Biljana: I'm 26 and have three children between 3 and 7 years old. I live with my husband, my parents in law and my husband's grandmother. We keep animals - cows, pigs, goats and chickens. I also work a field, growing peppers, tomatoes, potatoes and beans. While there was no factory in the village, I had to care for the whole household, cook, iron, clean, feed the chickens and pigs and work the field. When the clothing factory opened in the village, I started to work there and I'm glad I can earn money for my family and that we have health and pension insurance.

Liljana says: "I work as a seamstress. I get up at 6o' clock so I can prepare breakfast for my family. My husband doesn't work. He gets a pension for the disabled. We have a son and daughter. My son is unemployed; his wife works in the clothing factory too. They have one child. My daughter trained as a teacher but apparently there is no need for her profession. 6 of us live in this house, with two salaries of 6,000 MKD and my husband's pension. It is hard, but what can we do? We manage to survive somehow."

Lidija: "I forget what holidays are. We need money to buy firewood for the winter and my washing machine is broken. I will have to buy a new one on credit."

²² calculated with an overtime premium of 50%

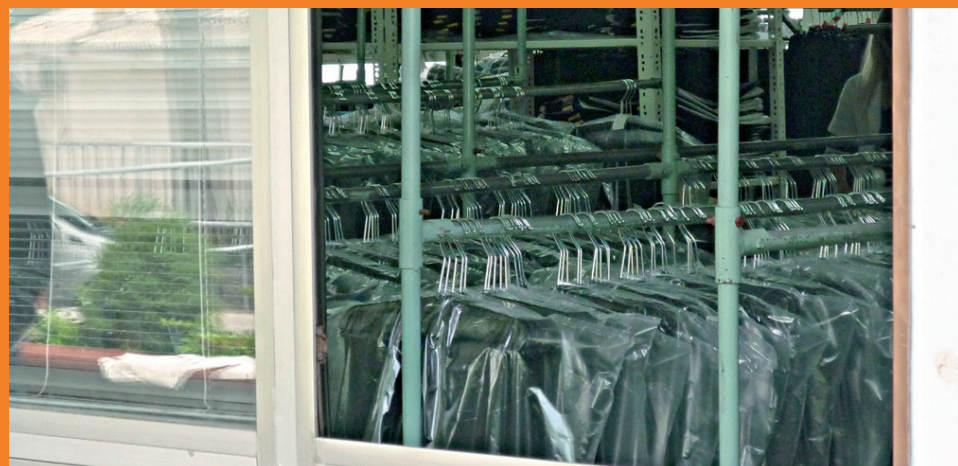
LEGAL ACTUAL AND LIVING WAGES IN THE REPUBLIC OF MACEDONIA²³

1. Labour law: minimum wage for the clothing industry
until 2011 acc. to Collective Bargaining Agreement: 5,500 MKD / 89 EUR / 107 CHF
Legal min wage for 2012: 6,263 MKD / 101 EUR / 122 CHF

2. Average household expenses:
30,029 MKD / 481 Euro / 577 CHF

3. Floor living wage:
39,000 MKD / 625 EUR / 750 CHF

4. Net wages for regular working week in the factories investigated:
4,400 – 10,154 MKD / 71 – 163 EUR / 85-195 CHF



EXCESSIVE OVERTIME

The company shall comply with applicable laws and industry standards on working hours, whichever offers greater protection. The regular workweek shall be as defined by law but shall not exceed 48 hours. Workers shall be provided with at least one day off after each six consecutive days of work, as well as public and annual holidays. All overtime work shall be voluntary, shall not be demanded on a regular basis, shall be reimbursed at least at such a premium rate as required by law and under no circumstances shall exceed 12 hours per employee per week. In those countries where a premium rate for overtime is not legally required, workers shall be compensated for overtime at a premium rate at least one and one half of their regular hourly compensation rate. (Relevant ILO conventions are: No. 1)

Macedonian law stipulates that the standard working week is 40 hours on 5 days a week and a maximum of 8 hours overtime per week.

Overtime should be paid with a bonus of 35% - i.e. less than the Jo-In Draft Code requires.

Workers are entitled to annual leave of 20 working days.

Annual leave not granted fully or not granted at all

In 3 of the 5 factories investigated workers reported that on average they are given only 10 days as annual leave. Furthermore, workers use their annual leave days to get Saturdays or public holidays off, for sick leave or for other personal reasons because they are afraid of applying for leave.

Saturdays: a “normal” working day, no bonus of 35%

In 4 out of 5 factories workers say they work between 46 and 48 hours per week. In all factories investigated they have to work Mondays to Saturdays. Saturdays are “normal” working days; according to the workers interviewed this is not treated as overtime and not paid as such. The quotas or standards are set so high that they have to work Saturdays in order to reach them. Occasionally workers have to work on Sundays and public holidays.

There are indications that overtime is sometimes not paid at all and generally is not paid with a bonus, due to the quota and piece rate system.

Emilija: “It’s good that we don’t have to work on Sundays, so I can do the housework, clean, do the laundry, prepare food for my son and get his clothes ready. On working days I’m exhausted after work and only do things that are really necessary.”

Lidija: “I work six days, but also at home on Sundays. Then I have to clean the house, do the laundry, iron, maybe sew some clothes for my children. Sometimes we have to do overtime in the evenings so we complete the quota.”

SERIOUS RISKS TO HEALTH

The company, bearing in mind the prevailing knowledge of the industry and of any specific hazards, shall provide a safe, hygienic and healthy working environment and shall take adequate steps to prevent accidents and injury to health arising out of, associated with or occurring in the course of work, by minimising the causes of hazards inherent in the working environment. Men and woman workers shall not be exposed to hazards, including glues and solvents, which may endanger their reproductive health. The company shall appoint a senior management representative who will be responsible for the health and safety of all workers, and be accountable for the implementation of the Health and Safety elements of this code. The company shall establish a safety and health cooperation committee with worker representative participation. All workers shall receive regular and recorded health and safety training, and such training shall be repeated for new and reassigned workers. A worker shall have the right to remove herself or himself from imminent serious danger.

The company shall establish systems to detect, avoid or respond to potential threats to the health and safety of all workers.

The company shall provide, for use by all workers, access to potable water and clean toilet facilities, and, when necessary, suitable facilities for food storage.

The company shall ensure that accommodation, where provided, is clean, safe, and meets the basic needs of the workers.

(Relevant ILO conventions are: No. 155 - Relevant ILO Recommendation 164)

The labour law integrates these provisions and, for example, requires the election of a “representative for health & safety at work” if the company has more than 10 employees.

Health & safety at work was not part of the investigation. However, workers reported of regular problems, such as no adjustable chairs for sewing, no needle protection, insufficient lightning and – extremely common – insufficient air conditioning in summer and heating in winter.

Workers feel extremely exhausted by their work and therefore get sick and stay home even though this means they lose their attendance bonus.

These findings were particularly shocking for the researchers because they had expected at least these simple basic requirements would be satisfied after all the declarations of companies about their responsibilities.

Asbestos

In one factory, workers reported that asbestos has been found in the roof. At the time of this research project, it was not clear whether this dangerous substance was safely embedded. The factory building is located next to the school. It was therefore a matter of urgency to check whether renovation work was needed.

The Swiss company involved has commissioned an expert's report in the meantime which states that there is no immediate risk to workers.

No OHS representative

In none of the factories investigated was anyone responsible for health & safety, according to the workers.

Use of development aid subsidies

According to workers and stakeholders, equipment had been installed in some of the factories with the

aid of financial assistance from state or quasi-state development aid agencies from Norway, Germany and Austria. There was no indication that such equipment was supplied conditional to compliance with due diligence concerning human rights.

Liljana says: “It is cold outside, but it is even colder in the factory. I have to wear 4-5 tops and put a belt around. You cannot heat a factory hall with two heaters. The working conditions are like that, we are on the sewing machines all the time, we do not move, and you can feel the cold air coming in through the windows. Our hands are blocks of ice and we work with special material, a stiff part-linen canvas which is heavy. You have to be very careful sewing. If these conditions continue, we will be sick and disabled in three years’ time. At home we heat one room during the winter and I can’t wait to get home to warm up.”



SHORT TERM CONTRACTS

Work performed must be on the basis of a recognised employment relationship established through national law and/or practice. The obligations to workers under labour or social security laws, and regulations arising from the regular employment relationship, shall not be avoided through the use of labour-only contracting, subcontracting or homeworking arrangements or through apprenticeship schemes where there is no real intent to impart skills or to provide regular employment. Nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

A written work contract checked by the authorities and proof of registration for the mandatory social insurance are required by law.

The maximum permitted period for which short-term contracts can be renewed is limited to 5 years.

In all 5 factories, workers report that work contracts are fixed-term. In 4 factories according to the interviewees contracts are concluded for 3 to 6 months. Short-term contracts give owners and clients flexibility but deny workers any chance to plan a future for themselves and their families.

Lidija: “I sign a labour contract every six months. No one knows what will happen in six months’ time.”

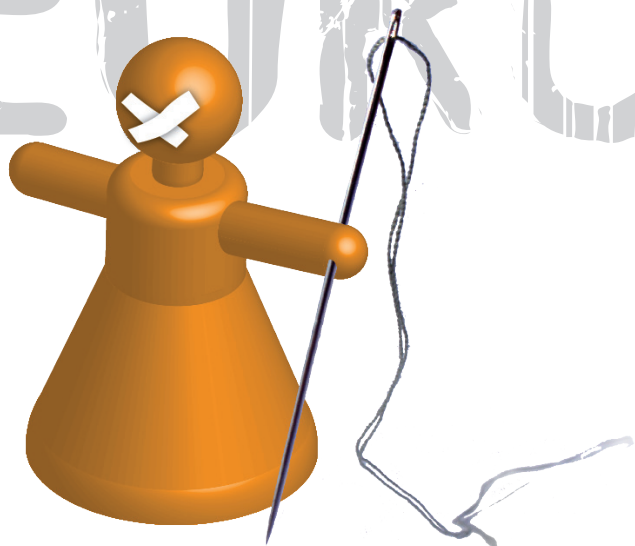
	Factory A ²⁴	Factory B
Standard working week. Overtime issues	46 No overtime premium	48 or more to finish quota No overtime bonus
Legal min. wage (6263 MKD) applied to actual hours worked with 35% bonus	7,416 MKD	7,800 MKD
Legal min. wage (6263 MKD) applied to actual hours worked with 50% bonus (Jo-In Code)	7,544 MKD	7,971 MKD
Actual wages paid incl. overtime and bonuses	5,000 - 10,000 MKD 80 - 161 EUR	10,000 - 12,000 MKD 161 - 193 EUR
Actual wages paid applied to a working week of 40 hrs ²⁵	4,400 - 8,800 MKD 71 - 142 EUR	8,462 - 10,154 MKD 136 - 163 EUR
Employment relationship	Fixed-term contracts	Fixed-term contracts Of 6 months
Right to physical inviolability	No information	Inadequate air conditioning
Prohibition of forced labour	Indications towards involuntary overtime	Pressure on workers to accept all working conditions (e.g. overtime); disciplinary measures (e.g. loss of bonus or days of work not granted)
No discrimination	Gender discrimination and unequal pay between sectors and within factories	Gender discrimination and unequal pay between sectors and within factories
Prohibition of exploitative child labour	No indications	No indications
Freedom of association and the right to collective bargaining	No representation of workers	No representation of workers
Right to a living wage	- Wages below the living wage - Unclear calculation of wages - wages below the legal minimum wage	- Wages below the living wage - Unclear calculation of wages

24 Name of the factory and Swiss buyers known, but omitted to protect the workers

Factory C	Factory D	Factory E
47 or more to finish orders, No overtime bonus	48 or more to finish orders, No overtime bonus	40 Incl. every Saturday or more to finish orders
7,608 MKD	7,800 MKD	6263 MKD
7,758 MKD	7,971 MKD	6263 MKD
8,700 - 10,000 MKD 140 - 161 EUR	4,000 - 8,000 MK 64 - 129 EUR	6,500 - 20,000 MKD 105 - 322 EUR
7,506 - 8,627 MKD 121 - 139 EUR	3,385 - 6,769 MKD 54 - 109 EUR	6,500 - 20,000 MKD 105 - 322 EUR
Fixed-term contracts of 3 months	Fixed-term contracts of 6 months	Fixed-term contracts of 6 months
Inadequate heating and air conditioning	Inadequate heating and air conditioning	Clarification whether renovation of canteen and roof needed (asbestos)
Pressure on workers to accept all working conditions (e.g. overtime); disciplinary measures (e.g. loss of bonus or days of work not granted)	Indications towards involuntary overtime	Pressure on workers to accept all working conditions (e.g. overtime); disciplinary measures (e.g. loss of bonus or days of work not granted)
Gender discrimination and unequal pay between sectors and within factories	Gender discrimination and unequal pay between sectors and within factories	Gender discrimination and unequal pay between sectors and within factories
No indications	No indications	No indications
No representation of workers Union activities are suppressed	No representation of workers	No representation of workers
- Wages below the living wage - Unclear calculation of wages	- Wages below the living wage - Unclear calculation of wages - wages below the legal minimum wage	- Wages below the living wage - Unclear calculation of wages

25 Wage paid incl. overtime and bonuses / total hours worked per month x standard monthly hours Mo - Fri (176 hrs.). Note: This calculation does not consider the overtime bonus which would make it even less

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