

Population



Registered and unregistered garment/shoe factories



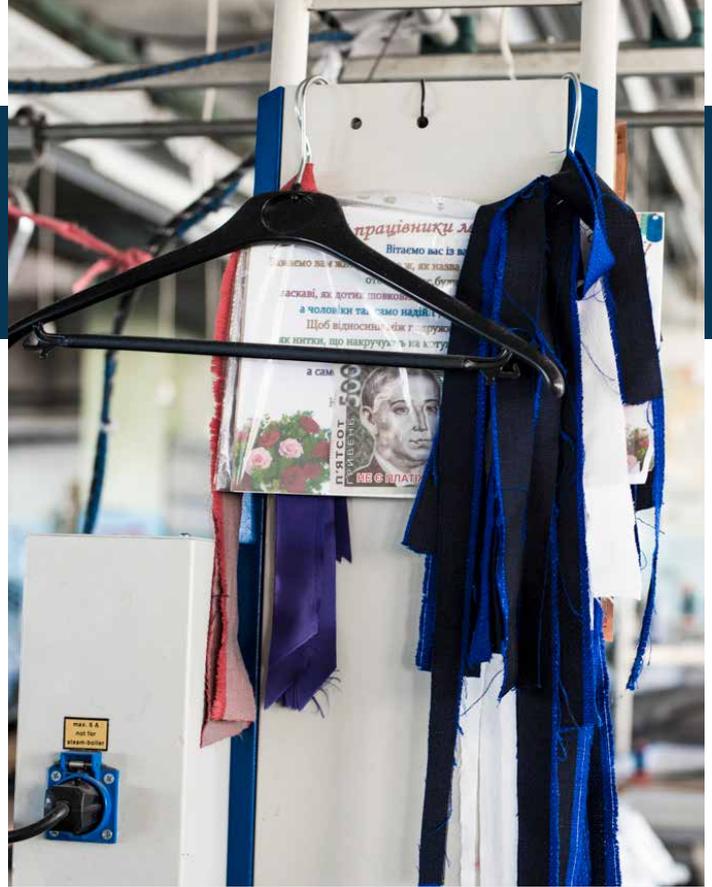
Registered and unregistered workers in the garment/shoe industry (2016)



Share of export in produced garments



Garments and shoes as share of total exports (2015)



#### Main export destinations (in value terms)<sup>1B</sup> of garments in 2016

Germany (37%)  
Hungary (7%)  
Poland (7%)  
Romania (6%)  
France (6%)  
Denmark (6%)



#### footwear

Romania (32%)  
Poland (19%)  
Italy (14%)  
Russia (13%)  
Hungary (8%)



The percentages of products destined for Hungary, Poland and Romania suggest that Ukrainian factories are subcontracted by suppliers from these countries; this has also been established by empirical research.

<sup>1</sup> Authors' moderate estimate considering the share of informality in the Ukrainian economy of 66%. Acc. to "Activity of business entities 2014", pp. 98-99 ([https://ukrstat.org/uk/druk/publicat/kat\\_u/2015/zb/11/zb\\_dsg\\_14w.zip](https://ukrstat.org/uk/druk/publicat/kat_u/2015/zb/11/zb_dsg_14w.zip)) there are 1,825 garment and 280 shoe factories registered.

<sup>1B</sup> <https://comtrade.un.org>

<sup>2</sup> Authors' moderate estimate on the basis of number of registered employees

in "light industry" (72.000) and share of informality in the Ukrainian economy (66%).

<sup>3</sup> [http://www.ukrstat.gov.ua/operativ/operativ2015/zd/tsztt/tsztt\\_u/tsztt1315\\_u.htm](http://www.ukrstat.gov.ua/operativ/operativ2015/zd/tsztt/tsztt_u/tsztt1315_u.htm)



*“On paper, we receive the legal minimum wage, but in fact, we receive less.”*

## WAGE LADDER UKRAINE



<sup>4</sup> 2,576 UAH – Oanda 1/1/2017

<sup>5</sup> 2,778 UAH – Oanda 1/3/2017 - In February/March 2017, 33 workers from four factories were interviewed outside of the respective factory.

<sup>6</sup> 3,713 UAH = 4,613 – 19.5% tax; Socio-economic development of Ukraine during 2016, p. 22 ([http://www.ukrstat.gov.ua/operativ/operativ2016/so\\_ek\\_r\\_u/soekru\\_u/soekru2016\\_u.zip](http://www.ukrstat.gov.ua/operativ/operativ2016/so_ek_r_u/soekru_u/soekru2016_u.zip)) – Oanda 1/12/2016

<sup>7</sup> 5,212 UAH = 6475 – 19.5% tax; Socio-economic development of Ukraine during 2016, p. 21 ([http://www.ukrstat.gov.ua/operativ/operativ2016/so\\_ek\\_r\\_u/soekru\\_u/soekru2016\\_u.zip](http://www.ukrstat.gov.ua/operativ/operativ2016/so_ek_r_u/soekru_u/soekru2016_u.zip)) – Oanda 1/12/2016

<sup>8</sup> 5,265 UAH = 6540 – 19.5% tax; Socio-economic development of Ukraine during 2016, p. 22 ([http://www.ukrstat.gov.ua/operativ/operativ2016/so\\_ek\\_r\\_u/soekru\\_u/soekru2016\\_u.zip](http://www.ukrstat.gov.ua/operativ/operativ2016/so_ek_r_u/soekru_u/soekru2016_u.zip)) – Oanda 1/12/2016

<sup>9</sup> 10,356 UAH = 12865 – 19.5 tax; Socio-economic development of Ukraine during 2016, p. 22 ([http://www.ukrstat.gov.ua/operativ/operativ2016/so\\_ek\\_r\\_u/soekru\\_u/soekru2016\\_u.zip](http://www.ukrstat.gov.ua/operativ/operativ2016/so_ek_r_u/soekru_u/soekru2016_u.zip)) – Oanda 1/12/2016

<sup>10</sup> 4,800 UAH = 1600 x 3 consumption unit; Subsistence minimum for able-bodied adult. – Oanda 1/3/2017

<sup>11</sup> 13,803 UAH - Oanda 1/3/2017 - An average from all off-site workers' interviews was calculated based on their responses and is displayed here. It must be noted, that in 2013 workers estimated 6,500 UAH / 574 EUR as minimum living wage. The reason for this drastic drop of workers' estimation is not reduced costs of living – the contrary would be the case particularly for utilities, but also all other costs of living. The reason is, that workers can just not imagine to have enough money to make ends meet and therefore grossly underestimate costs for a decent life

## MAIN WORKERS' RIGHTS VIOLATIONS

- Unrealistically high quotas, which can only be achieved through overtime.
- Forced overtime: workers have to work overtime in order to be paid the legal minimum wage.
- Problems in refusing overtime.
- Extreme temperatures in summer and winter.

### Clear violations of labour law:

- Non-payment of the legal minimum wage within regular working hours (40). One third of the workers interviewed earned the legal minimum wage only by working overtime, i.e. they do not receive the legal minimum wage during regular working hours.
- Non-payment and unlawful payment of overtime.
- Excessive overtime in violation of the law.
- Forced leave when there are no orders as well as extreme levels of overtime during high season.
- Not granting the statutory number of days of annual leave.
- Repressive management and union busting.

## RECOMMENDATIONS TO THE BRANDS

- ! Pay a living wage. Start with the estimated minimum living wage of 13,803 UAH/477 EUR monthly basic net wage.
- ! Act on the above-mentioned rights violations.

## RECOMMENDATIONS TO THE GOVERNMENT

- ! Increase the legal minimum wage to a level in line with the ILO's "ultimate goal to ensure to workers a minimum wage that will provide a satisfactory standard of living to them and their families".
- ! Increase pensions to a level that offers people an adequate standard of living.
- ! Monitor the implementation of the law.

## WAGES FAR BELOW A LIVING WAGE:

The legal minimum wage is



of a worker's estimated minimum living wage. The actual average wages of interviewed workers including overtime and boni is



of the estimated minimum living wage. The purchasing power of wages has decreased with rising utility and food prices despite minimum wage increases. Moreover, the legal minimum wage is about

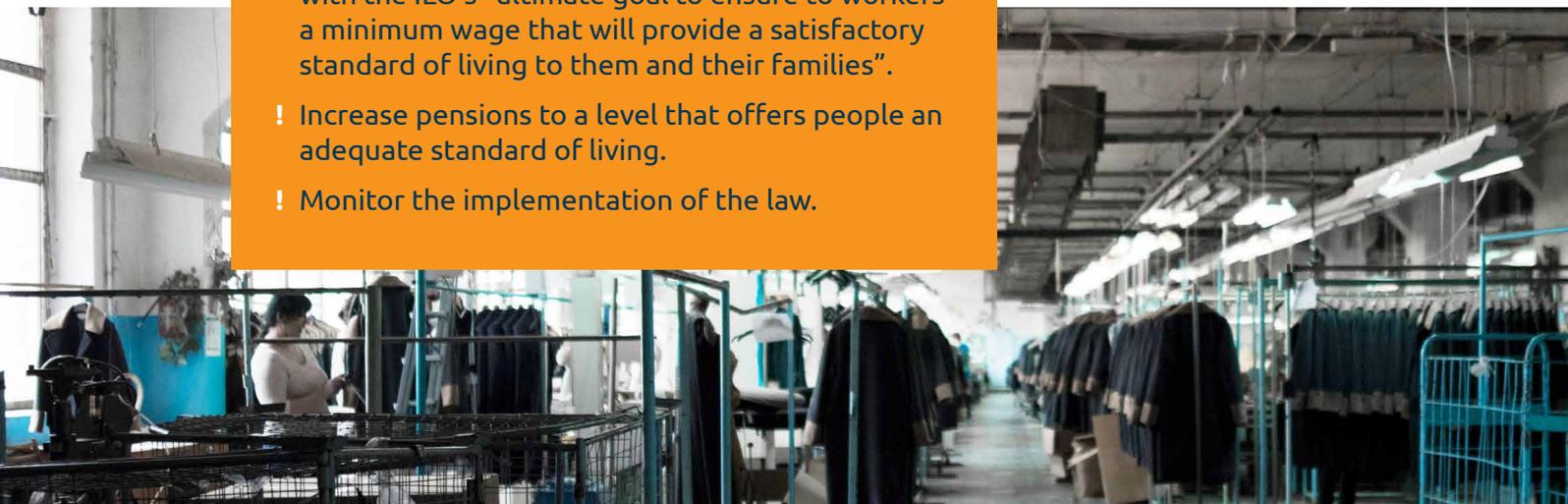
**HALF**

of the official subsistence minimum!

And yet



do not receive even the minimum wage in their regular working hours.





## THE UKRAINIAN GARMENT AND SHOE INDUSTRY

Following a process of deindustrialisation that took place in the 1990s, when a large part of the market for Ukrainian clothing and shoes collapsed, the garment industry experienced growth again, which lasted until 2007, under the EU's Outward Processing Trade (OPT) system. The growth of OPT production came to a standstill due to the worldwide production and financial crises of 2008/2009 as well as Ukraine's economic crisis which resulted from the country's military conflict started in 2014/2015. In the first half of 2009 alone, the garment sector shrunk by 38%<sup>12</sup>.

In 2014/15 a similar contraction took place due to war and military conflict. However, in the garment and shoe industry, employment remained more stable compared to other industrial sectors: while employment in the "light" industry (which is mainly garments) fell by about 25% between 2010 and 2015, in the same period employment in the extractive industry decreased by 40%<sup>13</sup>. Over time, a process of continuous deindustrialisation has been observed, not least due to the fact that the Eastern part of Ukraine, where military conflict has been heavily concentrated, was the most industrialised region and also engaged in high levels of trade with Russia.

*"4 euros for a whole Saturday's work"*

*Three out of 35 interviewees had been on holiday within the country during the previous five years. All other interviewed workers have to spend their annual leave at the "Green Sea" – working in their fields, as one worker joked. They cannot imagine having vacations elsewhere. (Researcher)*

*"We now sew jackets, which cost 199 euros in the shop. You know how much they pay me for one? 38 coins [one euro cent]! To meet my quota, I must reverse 350 jackets per day, and I manage to do nearly 200. I have no idea how they calculate that quota. Even with overtime every day and working on Saturdays, I cannot manage to do the 350 jackets. With these 5–10 overtime hours, I earn UAH 1,000 to 1,500 [EUR 35–52] a month. And for the rest [up until the legal minimum wage of EUR 89], the manager tells me she will 'take care' and 'pay more'. She says, 'I've added you,' as if I've done nothing and it's a big favour that I get the legal minimum wage with 10 hours overtime per week."*

<sup>12</sup> Export Marketing Survey – Ukrainian Apparel Market, EU Tacis programme for Moldova, 2010 [http://www.ukrexporth.gov.ua/i/imgsupload/file/Ukrainian\\_Apparel\\_Market\\_Survey\\_en%282%29.pdf](http://www.ukrexporth.gov.ua/i/imgsupload/file/Ukrainian_Apparel_Market_Survey_en%282%29.pdf)

<sup>13</sup> Industry of Ukraine 2011–2015, p. 55 ([http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2016/zb/12/zb\\_pu2015pdf.zip](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2016/zb/12/zb_pu2015pdf.zip))



## A KEY UKRAINIAN INDUSTRY

In 2015, about 72,000 employees were registered in the garment, textile, leather and shoe industries in Ukraine. However, due to the prevalence of unregistered labour, it can be estimated that approx. 220,000 workers are employed in the garment and shoe industry (this includes both registered and unregistered employees). Geographically, the core elements of the garment industry are situated closer to the export markets in western Ukraine. Shoes are mainly made in the north and south of the country.<sup>14</sup>

In 2016, the main export destinations (in value terms)<sup>15</sup> of garments were: Germany (37%), Hungary (7%), Poland (7%), Romania (6%), Denmark (6%) and France (6%). Romania (32%), Poland (19%), Italy (14%), Russia (13%) and Hungary (8%) were the main importers of footwear. The percentages of products destined for Hungary, Poland and Romania suggest that Ukrainian factories are subcontracted by suppliers from these countries; this has also been established by empirical research.

*“Already in March it is 30°C in the factory.”*

### THE INDUSTRY IS CHARACTERISED BY:

- ▶ a skilled workforce, many of whom were trained during the Soviet era
- ▶ a developed infrastructure with many buildings originating from the 1980s (and earlier) and new machinery often rented from buyers
- ▶ extremely low wages and the absence of active worker representation
- ▶ the effects of war, military conflict and high inflation that began in 2014
- ▶ measures implemented by the government to promote a “good investment climate”
- ▶ oligarchic structures, including bribery and corruption, which enable violations of laws and regulations to take place with impunity

*“My husband works as a watchman in Kyiv, 2.5 hours away. He also earns EUR 97, which is slightly more than the minimum wage. The money is not sufficient for anything, although we grow our own potatoes and our parents from the village help us with food. We are borrowing money all the time and pay it back from our wages.”*

<sup>14</sup> Industry of Ukraine 2011–2015, p. 232  
([http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2016/zb/12/zb\\_pu2015pdf.zip](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2016/zb/12/zb_pu2015pdf.zip))

<sup>15</sup> <https://comtrade.un.org>

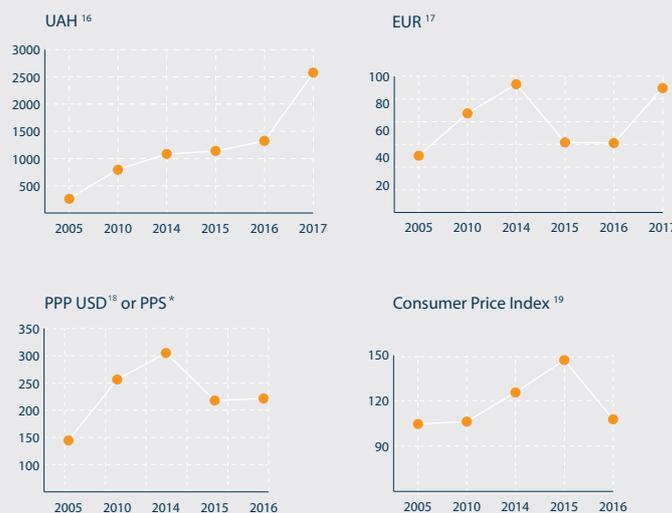


## THE LEGAL MINIMUM WAGE: EXTREMELY LOW AND YET STILL UNPAID

Just as in many of the world's garment-producing nations, in Ukraine the legal minimum wage is usually the amount earned by garment workers during regular working hours – frequently, they earn even less. The statutory minimum wage is, therefore, a very important benchmark to examine.

The minimum wage increases have not compensated for inflation and for hikes in costs of living. On top of this, the minimum wage fails to secure a basic standard of living. A considerable part of the workforce does not even receive this minimum level of pay.

THE DEVELOPMENT OF THE LEGAL MINIMUM NET WAGE AND INFLATION:



\* conversion rates for private consumption

### THE TABLE SHOWS:

- ▶ Despite an inflation rate of **209%** between 2010 and 2016,
- ▶ during the same period, the minimum net wage expressed in PPP USD, a virtual currency which considers an actual currency's purchasing power, **shrunk to 89%**.

Between 2010 and 2017, the minimum net wage expressed in EUR (to make up for currency depreciations) rose only to **124%** instead of **209%**, which would be the minimum increase needed to compensate just for inflation, let alone living costs. For instance, during the same time period, utility costs (electricity, water, garbage, heating) increased to 226%<sup>20</sup>.

<sup>16</sup> In 2005 = gross minimum wage (GMW) – 3.6% of General Social Tax (GST)\*(GMW) – 13% of PIT\*(GMW – UAH 131 of tax benefit – GST); In 2010 = GMW – 3.6% of GST\*(GMW) – 15% of PIT\*(GMW – UAH 434.5 of tax benefits – GST); In 2015 = GMW – 3.6% of GST\*(GMW) – 15% of PIT\*(GMW – UAH 609 of tax benefit – GST) – 1.5% of Military Tax\*(GMW); In 2016 = GMW – 18% of PIT\*(GMW – UAH 689 of tax benefit) – 1.5% of Military Tax\*(GMW). 2017 = GMW – 18% of PIT\*(GMW) – 1.5% of Military Tax\*(GMW).

<sup>17</sup> Currency exchange rates taken on 1 January for minimum wages at the beginning of the year and on 1 December for minimum wages at the end of the year.

<sup>18</sup> The World Bank (<http://data.worldbank.org/indicator/PA.NUS.PRVT.PP?locations=UA>)

<sup>19</sup> Regional Consumer Price Index in 2001–2015 (December to December of the previous year) [https://ukrstat.org/uk/operativ/operativ2006/ct/cn\\_rik/icsR/iscR\\_u/icsR\\_u\\_rik.htm](https://ukrstat.org/uk/operativ/operativ2006/ct/cn_rik/icsR/iscR_u/icsR_u_rik.htm)

<sup>20</sup> From 404 UAH (EUR 35) to 2,277 UAH (EUR 79) <https://www.numbeo.com/cost-of-living/historical-prices-by-country?displayCurrency=UAH&year=2010&itemId=30> and [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Ukraine](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Ukraine) - accessed 18 Sep 2017

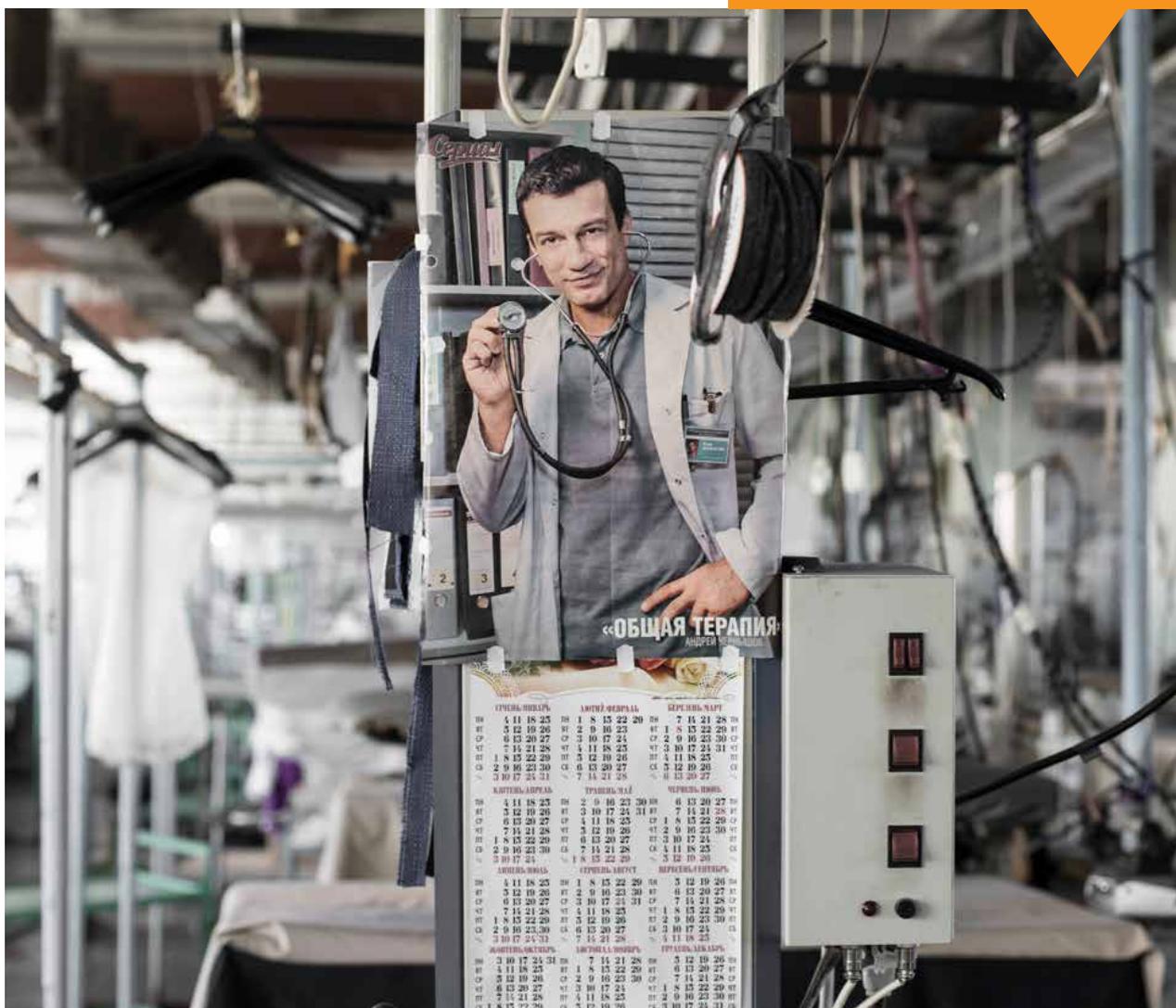
By law, the legal minimum wage must be adjusted annually and based on tripartite negotiations. But, in reality, the latest increase was imposed by the Cabinet of Ministers. While the legal minimum net wage stands at EUR 89 in 2017, the average net wage earned by the garment workers we interviewed was EUR 96 including overtime and bonuses. However, the minimum wage must be earned during regular working hours (regardless of the number of pieces produced) and must be a worker's basic wage. **This means that the net wage for at least on third of employees, who are working overtime and receiving bonuses in addition to the regular 40-hour week, must be below the legal minimum.**

Researchers also gathered reports from workers, who were paid the minimum wage on paper only – not in reality. While the minimum wage was stated on payslips, the actual amount received was in fact lower. The factory owner is said to have links to the local authorities and, according to workers, owns a substantial amount of property in the town. It was in this factory case that, as field research was being conducted, our researcher was threatened by management, who then also called the police. The researcher decided to leave the city immediately, as well as suspend all research on this case in order to protect interviewees and the interviewer. During a later call with one of the interviewed workers, it turned out that one of the interviewees had informed management of the investigation. Management urged all interviews to write an explanatory note and they were strictly forbidden from talking about factory issues elsewhere. Additionally, management called a factory assembly, where they again demanded workers' silence on factory matters and showed a photo of the researcher in question.



According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Ukraine:

**Asos, Adidas, Benetton, C&A, Esprit, Hugo Boss, Inditex/Zara, Kirsten, Liz Claiborne, Mexx, Marks & Spencer, Mart Visser, Next, Oui, Peek & Cloppenburg, Steps, s.Oliver, Saint James, Topshop, Triumph, Tommy Hilfiger/PVH, Walbusch**



# WAGES AND EMPLOYMENT IN THE GARMENT/SHOE INDUSTRY

## WHERE FOLLOWING THE LAW IS THE EXCEPTION RATHER THAN THE RULE

Experts and researchers estimate that two thirds of employment relationships in the garment and shoe industry are informal. According to information from the field, research and reports from labour inspections, **informal and precarious labour relations** include wage arrears, non-payment of mandatory social contributions, absence of labour contracts, illegally excessive overtime which is not paid according to the law, payment of wages below the legal minimum (if overtime is taken into account), non-payment of severance packages, illegal working conditions for underage workers and non-observance of occupational health and safety rules.

According to secondary sources, in 2011 the average wage for a woman working in light industry was equal to 84.6% of that of her male counterparts. Due to the prevalence of informal work, the gender pay gap will, in reality, be considerably higher because women are usually allocated jobs paid on a piece rate (e.g. seamstresses), while men are usually paid by the hour and given fixed terms of employment, which means they are less exposed to informalisation.

Unions have criticised that the “living minimum” has not been increased in line with the legal minimum wage. The “living minimum” includes minimal expenditure for food, clothes and shoes, sanitary products, medicines, household items, furniture, utilities, personal services, public transportation, cultural life (books and visits to cultural places) for one person; it does not include expenditure for housing/rent, education or the internet/a computer – inevitable basic needs that should be met through a living wage. The items included in the “living minimum” are “adjusted” in a way to allow it to decrease in real terms. It is designed to serve as a benchmark for pension and welfare payments so that these payments must not be increased when the “living minimum” stays the same. By not adjusting the “living minimum” to meet real costs and a realistic socio-economic minimum, the government is avoiding increasing minimum pension and welfare payments. For comparison, as of the beginning of 2017, the minimum pension received by the vast majority of women stands at **UAH 1,247/EUR 43 – an amount wholly insufficient to cover basic needs.**

As the “living minimum” is also used as a benchmark to calculate absolute poverty, the official poverty level is unrealistically low (12–15%). In 2015, 43% of Ukrainians stated that their income was just enough to buy food.<sup>24</sup> The same government statistical source<sup>25</sup> says that 5% of Ukrainians feel that they do not have enough even to feed themselves. The self-evaluation survey, which was conducted by the Kyiv International Institute for Sociology in December 2016, concluded that 18.5% of Ukrainians



*“In summer, during high season, we work every Saturday and 10–12 hours during weekdays. Sometimes we stay till the morning. We take this extreme overtime because it is the only period during the year when we can earn more. As much as EUR 138!”*

## POVERTY AND THE COLLAPSE OF SOCIAL PROTECTION

While the legal minimum wage has been increased nominally, the “living minimum” – a subsistence threshold parameter for the government to adjust social subsidies and pensions – has remained the same:

### LIVING MINIMUM (FOR AN ABLE-BODIED ADULT) IN UKRAINE

	In UAH <sup>21</sup>	In EUR <sup>22</sup>	In PPP USD <sup>23</sup>
<b>2005</b>	453	61	251
<b>2010</b>	869–922	74–87	275–291
<b>2014</b>	1,218	106	344
<b>2015</b>	1,218–1,378	54–62	232–262
<b>2016</b>	1,378–1,600	52–58	233–271
<b>2017</b>	1,600–1,762	55–n.a.	n.a.

\* private consumption

<sup>21</sup> Living minimum (Ukraine) (<http://index.minfin.com.ua/index/wage/>)

<sup>22</sup> Currency rates taken on 1 January for the beginning of the year and on 1 December for the end of the year.

<sup>23</sup> World Bank Database (<http://data.worldbank.org/indicator/PA.NUS.PRVT.PP?locations=UA>)

<sup>24/25</sup> Self-evaluation of income level by households in 2015 ([http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2016/dop/07/dop\\_sdrsd2015pdf.zip](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2016/dop/07/dop_sdrsd2015pdf.zip))

do not have enough resources to even buy food.<sup>26</sup> In fact, utility costs alone (water, electricity, heating, waste collection) can be higher than the “living minimum”. State subsidies for utility costs exist, but they certainly are not high enough for some members of the population, e.g. pensioners.

Internally displaced people (from war zones within Ukraine) – the majority of them women – must often contend with even harsher financial circumstances than the average Ukrainian, leading them to search desperately for work. Some of them find jobs in the garment and shoe industry. We did not find empirical evidence to suggest that they are discriminated against in the workplace. However, this group is a targeted section of the labour force and is structurally exposed to the risk of overexploitation.

*Every day Valia (name changed) walks 40 minutes to the factory and 40 minutes to return home to save the 50 euro cents she would have to spend on the bus.*



*“I’ve changed my job to this because of the full social benefits offered here [mandatory social insurance including health, unemployment and pension benefits], 24 days of paid annual leave and I have a proper employment contract. Before I worked at a factory, and there only a quarter of the time was under contract with paid social benefits. Here it’s full, and all the time is recorded with full social benefits.”*

*“My family basically doesn’t eat meat. We owe electricity and water fees, which is EUR 69 every month. My family survives on two minimum wages, my disability pension of UAH 1,200 [EUR 41] and our field.”*

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

*“I wish I had a higher wage to save at least a little bit. And now, you see, I don’t have any teeth. I would also wish to have two new windows and a fridge. And that God gives me health.”*

<sup>26</sup> “Almost 20% of Ukrainians don’t have enough money even to buy food”, survey (<https://www.unian.ua/society/1702561-mayje-20-ukrajintsiv-ne-vistachae-groshey-navit-na-jiju-opituvannya.html>)



*"In factories producing for the local market there are regular wage arrears. Here, at this factory, at least they pay wages regularly. That is why nobody protests. There is a trade union at the factory. All workers are members. But they do not do anything about direct violations of the law. And workers feel powerless. They are afraid and do nothing."*

## HOW THE GOVERNMENT CREATES POVERTY, SOCIAL INEQUALITY AND DEGRADATION

Under pressure from international financial institutions and the Ukrainian oligarchs, as well with EU accession in its sights, the government has introduced the following "austerity" measures:

► *Freezing the legal minimum wage (as of 2014) and not adjusting it to the actual costs of living.*

► *Reducing social payments and pensions by decoupling minimum social welfare transfers from real household expenditures and costs of living.*

► *Attempts to weakening workers' legal protections guaranteed by the country's employment law and restricting union access to workplaces. For example, while the existing labour code strictly limits the use of fixed-term contracts, the new draft law<sup>27</sup> contains no such limitations. The new labour law stipulates that disclosure of "commercial secrets" is grounds for dismissal. This clause is not present in the existing law. According to the current labour law, trade unions have to agree to overtime. In addition, overtime is limited to four hours over two consecutive days. These limits have been dropped: no union approval will be needed and, although overtime should be no more than 120 hours per annum with an overtime premium of 100%, the draft law<sup>26</sup> also states that a 200% overtime premium must be applied to overtime which exceeds 120 hours per annum. Overtime above 120 hours annually is thus no longer illegal. The new labour law also makes it possible to monitor workers in a factory using cameras and other technologies. And while in the old law a trade union had to give its consent to the dismissal of a union member, this consent is now no longer needed.*

► *Drastic increases in fees for utilities (electricity, water, heating, waste collection).*

► *Between 2014 and 2016, a moratorium was declared for any inspection of small businesses (i.e. those with a revenue below UAH 20 million), including regular labour inspections. While in 2015 just 377 checks were carried out, finding 7,537 violations, 10,191 checks carried out in 2013 found 117,443 violations.<sup>28</sup> The Federation of Trade Unions of Ukraine also claimed that because of the moratorium, wage arrears grew from UAH 1.3 million in 2015 to UAH 1.9 million in September 2016.<sup>29</sup>*

► *Drastically decreasing employers' and employees' mandatory social insurance contributions. They decreased from 40.4% up until 2015 to 22% since 2016.*

► *Cutting the number of public sector employees.*

► *Cancelling social transfers, for example, for childbirth, childcare and schools. Closure of hospitals. Higher education and health care have been steadily becoming unaffordable for workers. For Ukrainians, access to higher education is increasingly limited because the number of state scholarships is decreasing and the amount offered is as low as the living minimum – even for top-performing university students (it is even lower for other students). Culture and social activities remain fully out of reach for at least half of Ukrainians.*

Thus, the state and its welfare system have been stripped back, but this impoverished state still has to pay subsidies for the working poor, including for utilities and transportation. Because of low wages, workers' pensions will be very low, which forces them to continue to perform manual labour, for instance, in garment factories, even beyond pension age (the minimum pension most women receive amounts to UAH 1,247/EUR 43).

<sup>27</sup> Preliminarily approved (in the "first reading") in November 2015.

<sup>28/29</sup> Moratorium on checks by departments of the State Service on Labour Issues is prolonged until 31 December 2017 (<http://www.fpsu.org.ua/napryamki-diyalnosti/pravovij-zakhist/11187-moratorij-na-zdijsnennya-perevirok-organami-derzhpratsi-prodovzhenno-do-31-grudnya-2017-roku>)



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

## IT IS TIME TO ASK THE RIGHT QUESTIONS

### DO THE MEDIA AND THE PUBLIC CARE ABOUT THE HARDSHIP FACED BY WORKERS AND SEAMSTRESSES?

The garment sector and, in particular, its terrible working conditions are almost never mentioned in published research and the media. However, it is widely known that the sector is notorious for low wages.

### HOW DO UKRAINIAN GARMENT AND SHOE WORKERS MAKE ENDS MEET?

They have to cut down on all expenditure. Poor quality food and impacts on their health are the consequences. Many employees and their families have to work in their fields to subsidise their salary. Many workers receive state subsidies for water and electricity costs, as well as retirement and disability pensions. Another strategy to cope with poverty wages is to work additional jobs, such as cleaning. Fortunately, many people own their own homes thanks to the legacy of the Soviet era. Since they do not have the resources to maintain them, they just use them up.

### THE EU AND UKRAINE

While the European Commission is hailing Ukraine for its “unprecedented reforms”<sup>30</sup>, it hardly pays any attention to the situation facing the workers described in this report.

In its final chapter, the Association Implementation Report on Ukraine published on 9/12/2016 gives this sole reference to the dire working conditions that persist in the country: “Wage arrears and widespread informal employment remain largely unaddressed.”<sup>31</sup>

*“Before the war and subsequent high inflation started in 2014, I received nearly EUR 150. Now my salary is nearly EUR 83. In other words, I do not even get the legal minimum wage. For the owner of the factory, it does not matter – buyers pay in euro. To me, everything is very clear: one suit jacket costs 160 euros in the shop. But even if brands would give more to the owner, he would not pay us more.”*

<sup>30</sup> [https://eeas.europa.eu/delegations/ecuador/17066/eu-report-ukraine-carrying-out-unprecedented-reforms\\_en](https://eeas.europa.eu/delegations/ecuador/17066/eu-report-ukraine-carrying-out-unprecedented-reforms_en), accessed 14 September 2017

<sup>31</sup> [https://eeas.europa.eu/sites/eeas/files/ukraine\\_v2\\_0.pdf](https://eeas.europa.eu/sites/eeas/files/ukraine_v2_0.pdf), accessed 15 September 2017



## THE CASE OF A TRIUMPH SUPPLIER

The company employs approx. 200 workers. It has worked for Triumph for several years. Additionally, they receive small subcontracted orders from Poland and Hungary. Workers state that they have to work, on average, one hour of overtime 2–3 days a week (2.5 hours a week). If workers manage to produce more than their quota, they are paid 150% of the normal rate. If the production quota is not reached within regular working hours, workers report they are expected to stay longer until the target is met – without additional payment. According to the law, overtime should be on an hourly basis and not counted by piece. It must also be approved by the trade union or a workers' representative and be paid at 200% of the normal rate per hour. Worker reports do not suggest that any of these requirements were met.

Interviewed workers earn between UAH 2,576/EUR 89 and UAH 5,400/EUR 187 – on average UAH 3,107/EUR 107 – all including overtime. If 2.5 hours of overtime are worked in a week (i.e. 10 hours per month) and paid at a rate of 200%, workers should not earn below UAH 2,870 net in order to, at least, earn the legal minimum. Among the interviewed seamstresses on piece-rate wages, 55% were regularly working overtime and did not earn more than UAH 2,870<sup>32</sup> net. It can be concluded that about **55% of seamstresses do not earn the legal minimum wage** within regular working hours.

There is a trade union in the factory where workers become members automatically when they start working there. But workers state that unions do not attempt to make any improvements. Workers state that they work in “good conditions” when their wage is paid regularly; the toilets are also new and clean.

<sup>32</sup> UAH 2,576 minimum net wage/176 monthly regular working hours \* (176 + 10\*2 because of 200% pay rate for overtime)



## THE STORY OF A WORKER

Svitlana<sup>33</sup> is 40. She has been working as a sewer at this factory for 20 years. Svitlana did not want to become a seamstress, she wanted to go to university and receive higher education, but it didn't work out for her. She does not like many of the things that are happening at the factory. The production quotas are too high and she is only able to meet her targets during low season. During high season, she has to work 1–2 hours of overtime each day, and often has to come in on Saturdays too when there is an urgent order. In return for this intensive work, she receives only the legal minimum wage: EUR 89. "No matter how long you work – they give you minimum wage. We just have to finish orders."

In summer, it can be very hot at the factory. This is usually the time when everyone goes on vacation, but Svitlana can hardly get any respite from her job because summer is the factory's high season. She has no choice: Svitlana and other workers from the factory have to take some of their legally entitled vacation days when there are no orders. Svitlana does not like this practice, but she cannot do anything about it.

"What vacation do we have? Just when we want to go on vacation, in summer, such a mess happens [with urgent orders] that we have to spend whole days here. And when we don't want to, they 'send' us on vacation. Yes, it is paid – they pay the same minimum wage – but not when we want, but when there are no orders. They send us on vacation when they need. We don't like it, but what can we do? Complain? You don't like it – you leave. There are always many people who would be happy to be in your place."

While Svitlana does not like the practices of the factory owner, which are often illegal, nobody is able to punish the owner because of a two-year moratorium on labour inspections in Ukraine. The moratorium has ended now, but will it make a difference? It seems like nobody cares about the working conditions – neither the Ukrainian authorities nor buyers who purchase products from the factory.

There is no trade union at the factory and people are afraid to lose their jobs, so they never try to press the owner to improve their working conditions and to increase payment. "I beg you, what conflicts? Everybody needs money, but everybody stays where they are. I tell you, you don't like something – they can always take another person in your place."

Svitlana lives with her husband, who works as a guard, and it is very hard for them to live on their two salaries, each earning just the statutory minimum. Though they receive state subsidies to cover utility costs, they still have to pay EUR 52 because the subsidy does not cover the whole sum. Svitlana says that just to buy good quality food they would need more than their two salaries per month. One pair of shoes costs more than her whole salary.

<sup>33</sup> Name has been changed

# CREDITS

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This country profile is based on desk and field research carried out in February/March 2017.  
For the field research 33 off-site workers' interviews from 4 factories were conducted.

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



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