

Population



7 Mio

Registered
garment/shoe
factories (2016)¹

1,800

Number of
workers formally
and informally
employed in the
garment/shoe
industry (2016)²

100,000

Garments/shoes
as a share of total
exports (2016)³

7.25 %

Employment in
the garment/
shoe industry as
a share of indus-
trial employment
(2016)⁴

8 %

Share of export
in produced
garments/
shoes⁵

80 %



Most important export destinations of Serbian garments and footwear (the first 9 months of 2016⁶):

Italy (37.4%)

Germany (13%)

Russia (9.7%)

Bosnia-
Herzegovina: 7.9%

RECOMMENDATIONS TO THE BRANDS

- ! Pay a living wage. Start with the estimated minimum living wage of RSD 72,828/EUR 652 as a basic monthly net wage.
- ! Respect the law as well as the dignity of workers. Exercise your human rights due diligence.

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'.
- ! Monitor impartially and adequately the implementation of the law and contractual obligations of global brands vis-à-vis the government.

¹ This refers to the garment/shoe industry, although statistics also include the textile industry. However, this industry is almost non-existent and therefore negligible. - Serbia Textile Industry, RAS, 2016. Available at <http://ras.gov.rs/uploads/2016/06/textile-sector.pdf> Accessed on 16/04/2017.⁴ Serbia Textile Industry, RAS, 2016. Page 17; Accessed on 16/04/2017.

² Data on the number of registered employees (and registered companies) in the textile, garment and shoe industries vary. Researchers and experts from the Chamber of Commerce and Industry widely agree that there are between 45,000 and 50,000 employees registered and about the same number working in the informal, unregistered part of the sector. Novi Pazar is one example. Here there is an extended jeans production sector employing its workforce to a big extent informally. One reliable source on the extent of informality is the Fondacija Centar za demokratiju

(Centre for Democracy Foundation): in agriculture, the figure stands at 57%; in industry, 14% (Statistika i Dignified Work, Statistika i dostojanstven rad, Kričička analiza političkog tumačenja statistike rada, Fondacija Centar za demokratiju, Belgrade 2017).

³ <http://atlas.media.mit.edu/en/profile/country/srb/> Accessed on 24/06/2017.

⁴ Textile industry, Why invest in Serbia? RAS 2016

⁵ Available at <http://serbianmonitor.com/en/investing-in-serbia/24829/the-revival-of-the-textile-industry-nis/> Accessed on 16/06/2016.

⁶ Source: Chamber of Commerce and Industry of Serbia. Analysis of textile and leather industry for first nine months of 2016. Available to download here <http://www.pks.rs/PrivredaSrbije.aspx?id=16&p=2&>



WAGE LADDER SERBIA

| | |
|------|---|
| €169 | Legal minimum net salary, 2016 (as of 1 Jan) ⁷ |
| €189 | Legal minimum net salary, 2017 (as of 1 Jan) ⁸ |
| €218 | Average net salary: garment industry (May 2017) ⁹ |
| €227 | Average net salary: leather and shoe industry (May 2017) ¹⁰ |
| €256 | Poverty threshold, Family of four, 2016 (60% of median household income) ¹¹ |
| €278 | Subsistence minimum, 2016 (minimum consumer basket for household) ¹² |
| €351 | Average net salary: manufacturing (May 2017) ¹³ |
| €372 | Average net salary: total economy (May 2017) ¹⁴ |
| €477 | Average household expenditure, 2nd quarter (2016) ¹⁵ |
| €652 | Minimum living wage as estimated by interviewed workers (per month, family of four, net wage) ¹⁶ |

⁷ RSD 21,296 - Oanda, as of 1 July 2016. The legal minimum wage varies according to the number of hours worked in a month. The data given here refer to a month with 176 hours worked, which represents the average earned wage.

⁸ RSD 22,880 - Oanda, as of 1 July 2017. Given data are for a month with 176 hours worked.

⁹ RSD 27,624 - Oanda, as of 1/5/2017. Source: Chamber of Commerce and Industry of Serbia (provided following a request)

¹⁰ RSD 28,740 - Oanda, as of 1/5/2017. Source: Chamber of Commerce and Industry of Serbia (provided following a request)

¹¹ RSD 32,373.63 - Oanda, as of 1 July 2016. Statistical Office of the Republic of Serbia, Saopštenje broj 087 dated 03/04/2017. Available at http://webzrzs.stat.gov.rs/WebSite/repository/documents/00/02/45/24/PD10_087_srb_2016.pdf, page 2

¹² RSD 35,093.95 - Oanda, as of 1 July 2016. Ministry of Trade, Tourism and Telecommunication, available at <http://mtt.gov.rs/download/KUPOVNA%20MO%4%86-MAJ%202017.pdf>, page 5

¹³ RSD 44,493 - Oanda, as of 1/5/2017. Statistical Office of the Republic of Serbia, Monthly Statistical Bulletin 2017, Available at <http://www.stat.gov.rs/WebSite/>

[repository/documents/00/02/56/07/MSB-05-2017.pdf](http://www.stat.gov.rs/WebSite/repository/documents/00/02/56/07/MSB-05-2017.pdf), page 30

¹⁴ RSD 47,136 - Oanda, as of 1/5/2017. Statistical Office of the Republic of Serbia, Monthly Statistical Bulletin 2017, Available at <http://www.stat.gov.rs/WebSite/repository/documents/00/02/56/07/MSB-05-2017.pdf>, page 25

¹⁵ RSD 60,158 - Oanda, as of 1 Sep 2016, <http://pod2.stat.gov.rs/ObjavljenePublikacije/G2016/pdfE/G20161250.pdf> Accessed 24 August 2017

¹⁶ RSD 77,828 - Oanda, 1/9/2017. The estimation is calculated on the basis of workers' estimates. It must be noted that when asked to estimate how much money would be needed to lead a decent life, workers tend to state a lower than expected amount. For instance, in interviews workers said that decent food for their families would cost, on average, RSD 18,628. The actual average cost of food for one person needing 2,400 cal/day is RSD 13,092 (https://www.numbeo.com/food-prices/country_result.jsp?country=Serbia - accessed 31/8/17). For three consumption units, approx. RSD 40,000 – more than twice the amount estimated by workers – would be required. For other items, please see: https://www.numbeo.com/cost-of-living/country_result.jsp?country=Serbia Workers grossly underestimate costs required for a decent life because they just cannot imagine having enough money to live in dignity.



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

Guest contribution by Dr Chiara Bonfiglioli, University of Pula, Croatia¹⁷

After 1945, many textile and shoe factories were built across the Yugoslav Federation as a result of the industrialisation drive promoted by the socialist regime. In these factories, shop-floor workers were primarily female as the garment and shoe industries were seen as suitable for women's 'nimble fingers'. In the 1970s and 1980s, Yugoslavia was among the leading producers of textiles and garments worldwide as it produced not only collections for the internal market, but also outsourced items for Western Europe, the Soviet Union and the Global South. The garment and shoe industries were undoubtedly feminised, labour-intensive, and were part of the local and global gendered division of labour. Nonetheless, during socialism female workers could count on job security, community welfare and symbolic recognition in exchange for their hard, piece-rate work. The workplace was at the centre of daily life, allowing workers to obtain a wide range of welfare services beside their wage (education, hot meals, healthcare, childcare, subsidised holidays, loans, etc.). This situation rapidly deteriorated with the economic crisis of the late 1980s and the Yugoslav wars of the 1990s, which, combined with the post-socialist privatisation process, led to the closure of many factories. (...) In post-Yugoslav states where garment production still includes sizeable numbers of employees, such as Macedonia and Serbia, working conditions have been worsening and job security replaced with widespread precarity. Deindustrialisation and factory lay-offs went hand in hand with labour intensification in new private firms. This led to a devaluation of women's industrial work and to a re-traditionalisation of gender relations as women have become increasingly reliant on their husbands, their extended family networks, subsistence agriculture and the informal economy to make ends meet.

THE GARMENT AND SHOE INDUSTRY IN SERBIA

DRAMATIC DEINDUSTRIALISATION

During the 1990s and 2000s, Serbia was hit hard by a dramatic deindustrialisation of the whole economy. The collapse of Yugoslavia, privatisation, wars and a subsequent EU embargo had a devastating impact on the economy and population; the economy has yet to recover the size and productivity levels it reached during the 80s. A typical example is the textile, garment and footwear industry. While roughly 100,000 women and men currently work in the sector (this includes both formal and informal labourers), in the eighties the industry formally employed about 250,000 workers. In addition to the huge loss of jobs, the deindustrialisation had another devastating impact on the future of the garment and textile industry in Serbia: while 90% of production inputs for the garment industry are now imported, in the 80s they were produced in Yugoslavia's own textile sector. The country's textile industry is now almost non-existent, and the garment/shoe industry mainly works with the OPT system, a customs free reimport trade system from EU member countries, such as Italy and Germany, to Serbia and back. OPT, Outward Processing Trade, also called 'lohn' production, is the EU's method of customs free outsourcing for labour-intensive fashion manufacturing while saving its own textile industries. Due to its high dependency on 'lohn' orders, high vulnerability and low profitability, it ultimately leads to a dead end for the national sector, for the enterprises and – most importantly – for the workers, who pay the price. What remains of the once flourishing textile/garment/shoe sector in Yugoslavia is now a downgraded, outsourced, highly dependent garment/shoe assembly line. As a result, Serbia has regressed from a established economy and society to a 'developing', dependent economy with the majority of the population struggling to make ends meet.

Despite undergoing massive de-industrialisation, the garment/footwear industry is still one of the leading export sectors. This is because the country has hardly any other export sector of significant value. Particularly since it signed a trade agreement with the EU¹⁸, Serbia mainly relies on exports under 'lohn' production/OPT for fashion.

¹⁷ Luginbühl, Christa/Musiolek, Bettina (2016): LABOUR ON A SHOESTRING. The realities of working in Europe's shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia, Dresden/Zurich; page 10 (<https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>)

¹⁸ The agreement between the European Community and the Republic of Serbia on trade in textile products was ratified in 2005 (Official Gazette of EU, 2005)

According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Serbia: Armani, Burberry, Calzedonia, Decathlon, Dolce & Gabbana, Ermenegildo Zegna, Golden Lady, Gucci, H&M, Inditex/Zara, Louis Vuitton/LVMH, Next, Mango, Max Mara, Marks & Spender, Prada, s'Oliver, Schiesser, Schöffel, Top Shop, Tesco, Tommy Hilfiger/PVH, Versace

Benetton, ESPRIT, GEOX and Vero Moda (Bestseller) were among the international companies sourcing from the factories researched, according to workers interviewed or factory websites.

HOW THE GOVERNMENT TRIES TO ATTRACT INVESTMENT: 'INVEST IN SERBIA – A COUNTRY WITH QUALIFIED. YET CHEAP LABOUR'¹⁹

Serbia not only offers a cheap labour force due to its low minimum wage, it is also a country whose government provides generous financial benefits for foreign investors. Perks provided by the government include: high cash grants; allowing the municipality to sell land at prices lower than those offered by the market or even for free; declaring Free Trade Zones with various benefits, such as offering construction materials, energy, transport and fuel costs without VAT and omitting custom duties for raw materials, equipment and construction materials. Additionally, there is a 10-year corporate-profit tax holiday for investments involving over 100 employees and more than €8.5 million. Moreover, the government offers subsidised employment for the unemployed.²⁰ Municipalities often additionally provide facilities and utilities free of charge.

A GOVERNMENT DESPERATE TO CREATE JOBS BY SUBSIDISING GLOBAL BRANDS

In their desire to fight high unemployment, and given the state of their devastated economies, the Balkan states are desperately competing for foreign investment with ever higher direct and indirect subsidies for investors. Serbia has been successful at this: the Development Agency of Serbia lists the following brands as beneficiaries of subsidies for production facilities in Serbia: GEOX, Benetton, Calzedonia, Pompea, Golden Lady (all headquartered in Italy) and Falke (headquartered in Germany), as well as the Turkish company Aster.²¹

Additionally, the brands' production factories have suppliers in Serbia or suppliers have subcontractors nearby. For instance, experts estimate that about five subcontractors produce for the GEOX factory in Vranje, about 20 for Falce East in Knjazevac and Benetton's suppliers in Niš rely on subcontractors located sometimes on the same premises.

Another indirect subsidy is a minimum wage set at a very low level. The law provides for an annual adjustment according to the 'existential and social needs of the employee and his family' and in line with inflation. Despite this legal obligation, high inflation rates and increases in costs of living, particularly in utilities, have not been compensated with adequate increases in legal minimum salaries. This was the case in 2011 and 2012 when inflation rates stood at 15% and 10% respectively, and minimum wages were in fact frozen between 2012 and 2014. This minimum wage freeze follows restrictive wage policies as imposed by the European Commission (EC) and international financial institutions such as the International Monetary Fund (IMF).²²

"In the free zone foreign investors are exempt from utilities costs while workers struggle with drastically rising electricity and water bills. And yet throughout the hot summer, workers had to contend with inaccessible water taps, and when they complained, management said that the water bill was too high." (researcher)

¹⁹ Advert by Serbian Chamber of Commerce. Controversial campaign 'pitching Serbia as third world country', B92 news; 15 December 2014. http://www.b92.net/eng/news/business.php?yyyy=2014&mm=12&dd=15&nav_id=92572 Accessed on 14/04/2017.

²⁰ Serbia Textile Industry, RAS, 2016. Page 17; Accessed on 16/04/2017.

²¹ Available at <http://ras.gov.rs/textile-industry> Accessed on 24/06/2017.

²² Luginbühl, Christa/Musiolek, Bettina (2016): LABOUR ON A SHOESTRING. The realities of working in Europe's shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia, Dresden/

Zurich; page 12 (<https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>) However, Serbian unions are also very moderate in their minimum wage demands: 'The unions are asking that the minimum hourly wage be increased from 130 dinars (€1.07) to 154 (€1.3), whereas the Association of Employers is offering a raise of about 8% – to roughly 140 dinars (€1.2) – which the government agrees with. Today, more than 350,000 labourers are working for a minimum monthly salary of 22,800 dinars, i.e. less than €200. <https://www.euractiv.com/section/enlargement/news/serbian-labour-debate-focuses-on-minimum-wage/>

FIELD RESEARCH

In order to assess the working conditions in the Serbian textile and shoe industry, field research was conducted between June and September 2017 for this report. This involved carrying out 48 interviews with workers outside the factory in a place where their anonymity is secured. The workers interviewed were employees of various production sites: one subsidiary of a global brand, two 1st tier suppliers and two subcontractors.

It was extremely difficult to find workers who were willing to talk to the researchers as they feared losing their jobs. It was, therefore, essential not

only to ensure the anonymity of workers, but also not to disclose the identity of two of the factories in question. GEOX workers agreed to the name of their factory being published as conditions at the site had already been widely reported in Serbian media, and national and international support made workers feel more comfortable about talking openly.

The following sections describe the key findings of the factories we investigated, as well as offer a brief summary.





"We know when somebody like an inspector or a manager from Italy is going to visit the factory because beforehand management opens doors and windows and switches on the air conditioning. Normally managers tell us, 'If you open the door, you will be fired immediately.'"

CASE STUDY: TECHNIC DEVELOPMENT D.O.O., OWNED BY GEOX SPA

Reports of management instructing workers to use diapers in order to avoid having to go to the toilet provoked widespread outrage in the Serbian media back in July 2016.²³ In April 2017, the situation facing workers at the Serbian GEOX production plant, which has approx. 1,400 employees, was brought to light for the first time outside Serbia by the Campagna Abiti Puliti (the Italian section of the Clean Clothes Campaign) and the Change Your Shoes initiative in a research report, as well as in a short documentary.²⁴

Interviewed workers reported net wages (including overtime and allowances) ranging from **RSD 25,000 to 36,000, on average RSD 30,000/EUR 248** (Oanda 1/7/2017). Workers interviews suggest a monthly overtime around 32 hours (the legal maximum per week is 8 hrs + a 26% overtime premium). When calculated on the basis of 32 hours of overtime per month, which is an average amount of overtime according to workers, not taking meal or transport allowances into consideration, the net base salary within regular working hours without overtime would be approx. **RSD 24,408²⁵/EUR 202**. In other words, with an average salary of interviewed workers of around RSD 30,000 including 32 hours of overtime, workers earn approx. RSD 24,408 within regular working hours. This leads to these conclusions:

1. 120% of the minimum net wage (the contractual obligation with the Serbian government in return for a cash grant of EUR 11.25m²⁶) would amount to RSD 27,456/EUR 227 (basic net monthly wage). But according to the calculation above (which does not consider allowances) average interviewed workers are earning approx. RSD 24,408. This means that **average interviewed workers earn approx. 89% of what the company is contractually obliged to pay.**

2. Average interviewed workers' basic wages (RSD 24,408/EUR 202) are just in line with the minimum net wage (RSD 22,880/EUR 189). However, workers who earn a mere RSD 25,000/EUR 207, incl. overtime and allowances, would receive approx. RSD 20,340²⁷/EUR 168 within their regular 40 working hours, that means they earn below the legal minimum. **A portion of workers are thus earning less than the legal minimum net salary.**

3. Average workers, who earn RSD 30,000 including overtime and allowances, still earn just **39% of the minimum living wage estimated by workers and 85% of the official subsistence minimum.**

²³ First published by Radoman Iric, Gordana Krstic o svom radu i otkazu u kompaniji Geoks, in Vranjske Novine 14 July 2016. G. Krstic was dismissed after the publication and is still jobless, despite her long-standing experience in the industry and the fact that she is highly qualified. She has been subjected to intimidation from various sides and for a long time retreated from public life. Later publications among others: <http://jugmedia.rs/ispovest-radnice-geox-sefica-nas-maltretira-naziva-retardima-ciganima/>; N1 Television, 2016, <http://www.masina.rs/eng/real-price-geox-shoes/>; R. Iric had continued to report on the dire situation of GEOX workers in Vranjske Novini, the local newspaper, until it was forced to close down due to insufficient support from the municipality.

²⁴ <http://www.abitipuliti.org/changeyourshoes/2017/04/12/2017-report-il-vero-costo-delle-nostre-scarpe/>; Full report: <http://www.abitipuliti.org/changeyourshoes/wp-content/uploads/sites/3/2017/04/The-real-cost-of-our-shoes-REPORT-ENG-LOW.pdf>; A case study on the GEOX production facility in Vranje: pages 49–55 Documentary: Serbian/English subtitles:

<https://www.youtube.com/watch?v=rSCZYjsISN0> or <https://vimeo.com/214035927>; German subtitles: <http://lohnzumleben.de/real-cost-of-our-shoes/>²⁵ World Bank Database (<http://data.worldbank.org/indicator/PA.NUS.PRVT.PP?locations=UA>)

²⁵ $30,000 = [176 + (32 \times 1.26 = 40.32)] \times a$; a = hourly wages = RSD 138.68; $138.68 \times 176 = \text{RSD } 24,408^{10}$ Self-evaluation of income level by households in 2015 (http://www.ukrstat.gov.ua/druk/publicat/kat_u/2016/dop/07/dop_sdrsd2015pdf.zip)

²⁶ Awarding a cash grant of EUR 11.25m on the condition that 1,250 workplaces are created for an undetermined period until 8 Oct 2015 – all paid at a rate of 20% above the minimum net wage, Agreement on Awarding of Funds for Direct Investment between the Ministry of Finance and Economy and Technic Development Ltd, a direct subsidiary of GEOX S.P.A. Italy, 25/9/2012

²⁷ $25,000 = [176 + (32 \times 1.26 = 40.32)] \times a$; a = hourly wages = RSD 115.57; $115.57 \times 176 = \text{RSD } 20,340$

Furthermore, workers interviewed reported **disrespectful treatment, intimidation and pressure from supervisors and managers**. Some workers reported that the use of toilets remained a matter of dispute.²⁸ In general, there is an **atmosphere of fear**, of 'divide and rule', as well as pressure and the constant threat of dismissal and relocation. Workers again reported that air conditioning and fume extraction systems were still not working. During two weeks in June/July 2017, workers reported that more than 20 **workers collapsed**; sometimes employees were also forbidden from calling the emergency services when fellow workers fainted. Due to pressure from national and international labour-rights actors, air conditioning was operational by the end of July, but as of September 2017, fume extraction systems are still not working. In contrast to 2016, when many workers complained of a lack of employment contracts, all workers now seem to have written contracts. But **precarious working arrangements** remain a problem: one fifth of interviewed workers had short-term contracts at the time of the interview. Consecutive short-term contracts may last for a maximum of two years. Moreover, workers' interviews reveal further irregularities in terms of **overtime, annual leave**, sick leave and work during public holidays. Saturdays are still considered 'normal' working days.

Geox S.p.A. Earnings before income and taxes:

12,834 Mio³⁰



Serbian government's cash grant of EUR

11,25 Mio



to TECHNIC DEVELOPMENT / GEOX

"I told the supervisor, 'I cannot breathe at this machine. It's already over 30 degrees in the factory and much hotter when we're working at the machine.' After I said that, she took the machine's exhaust pipe and directed it at mine and my colleague's faces and said, 'Deal with it or else there are plenty of people waiting to replace you! The gate is over there!'"

"Management asked us to collect money for a blood pressure monitor for them to be able to play doctors at us when we faint and not call emergency doctor."

When asked about Europe's future, GEOX's president Mario Moretti Polegato said, "I believe that there is a political problem because it is necessary to invest more in information, in education." ²⁹ As workers' testimonies show, GEOX's managerial staff need information and education on how to respect employment law and human rights in a European country like Serbia.

²⁸ Additionally, workers report that the toilet is dirty and toilet paper is often missing.

²⁹ <https://www.euractiv.com/section/economy-jobs/interview/geox-founder-invest-more-in-education-thats-the-real-problem/> Last accessed 22 August 2017

³⁰ Earnings before income and taxes (EBIT) amounted to EUR 12.834m. The huge difference between gross profit and EBIT is mainly due to high general and administrative expenses. GEOX S.p.a. Annual Report 2016 http://www.geox.biz/static/upload/201/201540_geox_bilancio_2016_eng_lr.pdf Last accessed: 5 August 2017.



THE SITUATION AT SUBCONTRACTORS OF GEOX'S PRODUCTION FACILITY IN VRANJE

According to interviewed workers, the situation at GEOX's subcontractors is even more problematic. However, as employees are more frightened to risk their anonymity, and thus their job, it was extremely difficult to find workers willing to talk. The subcontractor produces semi-manufactured products for GEOX and other well-known (luxury) brands. Workers reported that they were constantly under pressure to work harder and were penalised with cuts to wages, even to the extent that they were left with pay that falls far below the minimum. Workers reported that they were threatened that annual leave will not be given unless the firm finishes Geox' orders. Under this threat, they had to work up to 16 hours per day for at least one week in August. Workers also reported that sometimes they continue working at home.

Furthermore, payslips are not given regularly. It is almost impossible to obtain sick leave and when workers do, they are constantly called to return to work. One interviewee's medical documents had been written as though the person was unemployed; irregularities in the payment of mandatory social contributions are thus obvious. Managers refuse to switch on the air conditioning or heating, and the heavy use of chemicals leaves the air polluted. Interviewed workers had no employment contracts. Management justifies excessive overtime on weekdays and almost every Saturday by saying they need to "fix workers' mistakes" and thus will not pay the additional hours worked. Workers take some of their work home to finish it there. Union organisation is obstructed.

The net wages of interviewees ranged between RSD 18,000 and RSD 25,000 (EUR 149–207), thus

1. even with overtime and allowances often below the minimum wage (RSD 22,880/EUR 189).

2. If a normal overtime of 32 hours is deducted from the highest salary of interviewed workers (RSD 25,000/EUR 207), they would remain with approx. RSD 20,340³¹/EUR 168 within their regular 40 working hours. Thus, no interviewed worker received the statutory minimum (base wage within regular working hours).

³¹ $25,000 = [176 + (32 \times 1.26 = 40.32)] \times a$; a = hourly wages = RSD 115.57; $115.57 \times 176 = \text{RSD } 20,340$ – not considering allowances



"Whatever you say, the answer is, 'the door is over there'."

CASE STUDY: A BENETTON SUPPLIER

Net wages according to interviewed workers range from RSD 25,900–29,000/EUR 214–240 (Oanda: 1/7/2017) including 22 monthly overtime hours in average plus transport allowances and meal tickets. If overtime is deducted from the lowest and the highest net wage, this is the result:

1. If overtime is deducted, the highest reported net salary of RSD 29,000 translates into a wage of approx. RSD 25,056³²/ EUR 207, which is above the statutory minimum.

2. If overtime is deducted again from the lowest reported wage of RSD 25,900, workers earn approx. RSD 22,378³³/ EUR 185. Therefore, workers who only earn 25.900 could in fact receive a wage below the statutory minimum (RSD 22.880/EUR 189).

It can be concluded that a considerable number of workers do not receive the minimum net wage (base wage within regular working hours). Moreover, workers reported high transportation costs of approx. RSD 4,000/EUR 33 per month or up to a third of their wages when there is no public transport as many of them come from rural areas around the city. Transport allowances are not paid according to actual expenses as stated by law. Occupational accidents often occur. Air conditioning is not operational or insufficient to ensure a appropriate temperature at the factory in summer and winter. No union supports workers at the factory. 18% of interviewed workers report that they are working additional cleaning jobs to sustain their families.

Conditions at subcontractors are even worse: interviewed workers report that it is prohibited to use the toilets after 11 am, wages are below the legal minimum, overtime is unpaid, and workers are yelled at and pressured to work harder.

"The air conditioning won't be turned on until we drop down dead in front of our machines."



³² $176 + 22 \times 1,26 = 203,7$; $29,000 / 203,7 = 142,37$; $142,37 \times 176 = 25,056,46$ – not considering allowances¹⁷ https://eeas.europa.eu/sites/eeas/files/ukraine_v2_0.pdf, accessed 15 September 2017

³³ $176 + 22 \times 1,26 = 203,7$; $25,900 / 203,7 = 127,15$; $127,15 \times 176 = 22,378,01$ – not considering allowances

CASE STUDY: A SUPPLIER FOR ESPRIT, VERO MODA AND OTHER INTERNATIONAL BRANDS³⁴

First and foremost, workers reported significant and mounting pressure from management to work harder. Workers are treated badly and the situation is deteriorating. Management constantly threatens employees with dismissal due to their “unprofitability”, yells at workers and locks toilets at certain times.

Overtime often has to be worked on a Saturday. Those refusing to work overtime are met with pressure and blackmail. Some time ago, many workers spontaneously refused to work overtime, but management quashed this protest with pressure and threats. According to interviewees illegal amounts of overtime are worked – up to 60 hours per month. Management makes workers sign papers, where they agree with this amount of overtime – and workers sign, because they need the money. Net wages range from RSD 22,800–29,800/EUR 189–247 including overtime and bonuses, which again means:

1. that those workers who get the lowest earnings, do not receive the statutory minimum (RSD 22,880/EUR 189) even with overtime and allowances.
2. If 35 overtime hours (the maximum legally possible in a 176 hours working month) are deducted from the highest reported wages (RSD 29.800/EUR 247) – again not considering the allowances -, workers earn RSD 23,829 / EUR 197.³⁵ Consequently, interviewed workers with the highest salary just receive the statutory minimum.

It can be concluded that interviewed workers in their majority receive less than the legal minimum wage (base wage within regular working hours). While seamstresses receive the lowest earnings in the factory and are treated as unskilled workers, in reality they are in their majority experienced and skilled employees. Workers said that both air conditioning and heating was wholly insufficient or not working at all. Toilets are locked at times. Workplaces are very dusty and dirty; clothes are covered in fleas and chemicals. When female workers demanded sick leave due to their children being ill, they had to certify that their husbands were working. The company receives a grant from the government just like GEOX.

“All our complaints are answered with one sentence: ‘The gate is over there.’”



“The fleas are literally jumping from the newly arrived cloth – I had tens of bites in a single day.”

³⁴ According to workers and the company website.

³⁵ 176 hrs/month + 35 hrs x 1,26 (overtime premium) = 220.1; 29,800 / 220.1 = 135 (hourly wage); 135 x 176 = 23,829.17



SUMMARY: WAGES AND WORKING CONDITIONS

Wages present an existential problem for workers. The insufficiency of their incomes is manifested, among other things, in a reliance upon subsistence farming to subsidise their own wages as well as in their inability to have adequate heating in winter, to take at least five days of leave per year or to cope with an unexpected cost of 80 EUR/10,000 RSD, and in the constant delays in workers' payments to cover rent, utilities and interest. Interviewed workers also stated that they had not been able to go on vacation for the last couple of years and with the cost of renting an apartment in the towns where researched factories were situated amounting to EUR 100–120, 40–60% of their salaries is spent on accommodation alone. Labourers in factories where relatively less overtime is worked sometimes have additional jobs, such as cleaning.

OTHER MAJOR RIGHTS VIOLATIONS INCLUDE

- disrespectful treatment of workers, intimidation, pressure from supervisors; an atmosphere of fear is created and there is the constant threat of dismissal and relocation
- restricted or banned toilet use
- illegally excessive overtime, sometimes legitimised through 'agreements' with workers
- unpaid or inadequately paid overtime (according to law, overtime premium should be 26%)
- polluted air and dusty workplaces, generally poor air quality at work
- excessive heat in summer, often leading to workers fainting (max. temperature by law: 28°C), freezing temperatures in winter
- illegally prolonged use of short-term contracts beyond two years
- no full annual leave granted (20 days by law)
- reported cases of women having to sign contracts declaring that they will not become pregnant during the subsequent two or more years.

WAGES FAR BELOW A LIVING WAGE:

The legal minimum wage is



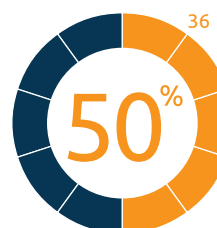
of a worker's estimated minimum living wage. The purchasing power of wages has decreased with rising utility costs, food prices and inflation, despite small minimum wage increases.

Moreover, the legal minimum salary in Serbia is about

TWO THIRDS

of the official minimum consumer basket (the government's subsistence minimum) and the poverty threshold.

Despite the country's low minimum wage, approx



of workers do not receive the statutory minimum.

³⁶ Case studies suggest, that a portion of workers in suppliers and a majority of workers in subcontractors are not paid the statutory minimum. Additionally, since the share of informality in the garment/shoe industry is approx. 50%, it can safely be estimated that 50% of the workers do not receive the statutory minimum.

One reason for the current strikes taking place at Falc East (brands: FALCOTTO, NATURINO) in Knjazevac³⁷ and at Fori Textile in Kragujevac³⁸ is that overtime was not paid properly – or was not paid at all. When poverty wages are the reality, workers rely heavily on overtime payments as it is one way to supplement their income.

All the above-mentioned irregularities are direct violations of the country's labour and international human rights laws. However, the lack of any repercussions for companies suggests that authorities, such as the labour inspection office, turn a blind eye to these violations. For instance, despite the labour inspection office visiting a GEOX facility in Vranje in 2016, it took until the end of July 2017 for the company to fully fix the factory's air conditioning, and this only took place following intense pressure from national and international actors, i.e. the Clean Clothes Campaign and the Serbian union Nezavisnost (see case study above).

There is no valid collective bargaining agreement in the garment/shoe industry.³⁹

- One of the poorest states in Europe offers up a host of benefits to global corporations while having inadequate control over its own laws and the contractual obligations of brands. This generosity towards business comes at the expense of its population and female employees in particular.
- Global brands profit from a weak state and an intimidated and impoverished population, and do not exercise their human rights due diligence.



³⁷ Available here <http://knjazevacinfo.rs/arhiva-vesti/privreda/12956-radnici-falc-east-a-obustavili-rad.html> Accessed on 17/07/2017.

³⁸ Available here <http://www.kurir.rs/vesti/biznis/2757635/dosta-im-zlostavljanja-pobuna-radnica-u-slovenackoj-firmi-fori-tekstil-u-kragujevcu> Accessed on 17/07/2017.

³⁹ For more details on the union situation in Serbia see Ladjevac, Bojan (2017): Trade unions in Serbia on the move? <http://library.fes.de/pdf-files/id-moe/13087.pdf>



THE STORY OF A WORKER

Mara (name has been changed) started working in the factory some years ago to make ends meet for her son and herself. Since separating from her husband, she has been left alone to take care of her son. It is a situation she finds extremely difficult as she only has her family to support her. Her monthly net salary is usually between RSD 21,000 and RSD 23,000 (EUR 174–191) – her net wage has been even lower in the past. Even when overtime is included, her salary constantly falls below the minimum wage. At a cost of RSD 7,000 (EUR 58), she rents a tiny inadequate flat which, although it isn't big enough, is the only accommodation she can afford. She suffered a workplace injury when her arm and finger were pulled under a machine. Management claimed it was her fault but she says it wasn't. Also, due to another serious illness, she has had to undergo major surgery. While she was on sick leave, management summoned her back to work. Mara walks half an hour to the factory in order to cut transportation costs. It is her dream to visit the seaside with her son – something she will never be able to afford.

IT'S TIME TO SPEAK OUT

In academia and public discourse, the labour issues of workers in the garment/shoe industry are underrepresented and underresearched. Recent labour unrest and dramatic cases of labour rights violations, such as the use of diapers at GEOX, made national headlines – but are never reported in international media despite the involvement of major (Western) European brands. This dossier is the first comprehensive publication on the matter.

CREDITS

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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