

Population (2013)



Registered garment factories (2013)



Registered employees in the garment industry (2010)

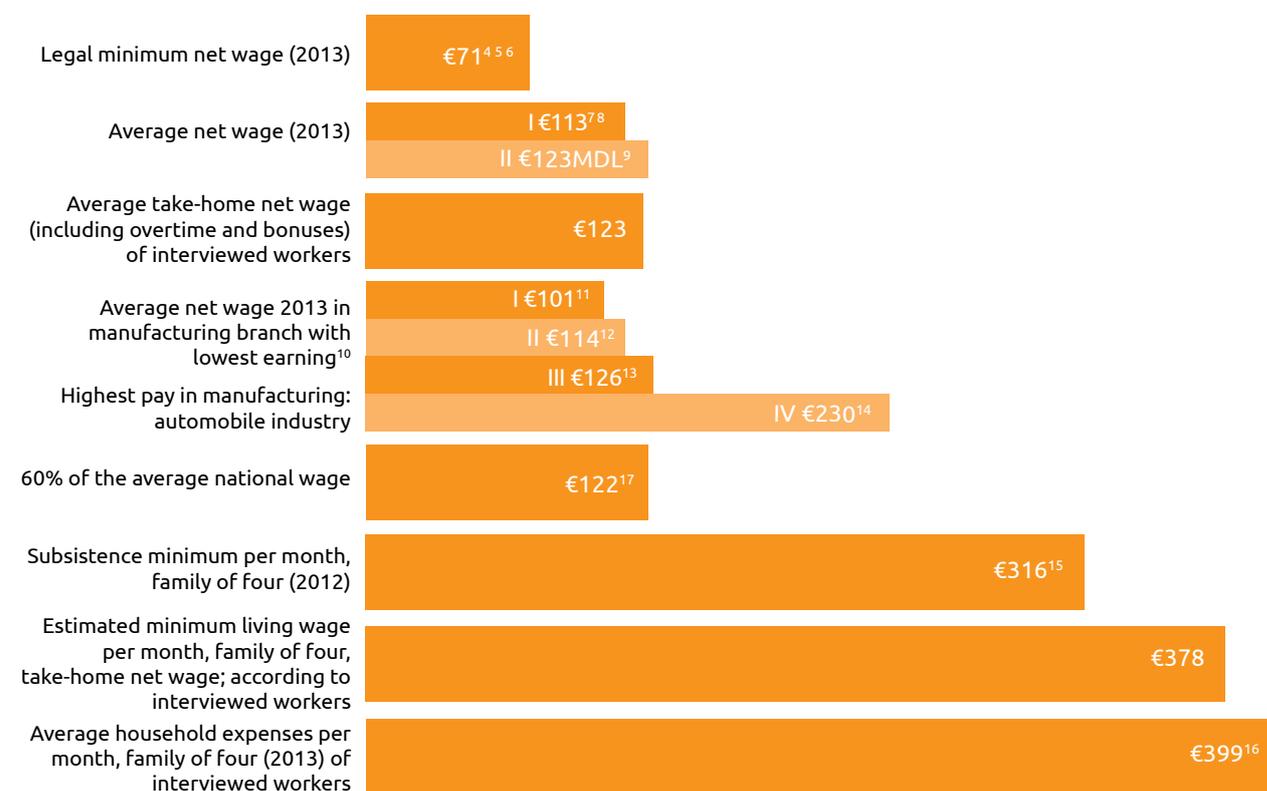


Share of garments/shoes in total GDP (2011)

Share of clothing in merchandise exports (2012)<sup>3</sup>

"If you work overtime every day, sometimes you can make 2800 MDL (151 Euro). Last month, my child was sick I had to spend time with my family. I made 1800 MDL (97 Euro). From this money, I spend 600 MDL (32 Euro) a month only for transportation. I can't always stay late because I need to catch the bus back to my village."

## WAGE COMPARISON



I wood carving industry II garment industry III shoe industry IV automobile industry

## DEMANDS TO BUYERS

- ▶ As a **first immediate step**, global buyers have to make sure that workers in Moldova receive a basic net wage (without overtime and bonuses) of at least **122 Euro** (60% of the national average wage). As a **further step**, the basic net wages have to be **increased towards the level of the estimated minimum living wage**.
- ▶ Buyers have to **analyse and adapt their price structure** in order to make sure that the actual price they pay to the supplier allows for these wage hikes.
- ▶ Immediately pay workers the legal minimum wage within the standard working week.
- ▶ Immediately obey the law concerning labour contracts as well as leave and overtime (+50% for the first 2 hours of overtime; and double rate for the remaining hours, work on a Saturday and on official holidays; max 120 hours/year)
- ▶ Pay wage according to the law as well as social contributions.
- ▶ Stop unpaid overtime, payment by piece-rate, misuses of fixed-term contracts and stealing paid leave from workers.
- ▶ Immediately repay all overtime work left unpaid within the last year to all workers who provided it, and pay according to the rates prescribed in the Labour Code.

## THE MOLDOVAN GARMENT INDUSTRY AND REMUNERATION SITUATION

The garment industry is a major employer and exporter of the Moldovan economy. From 2001 to 2008, garment exports more than tripled; around 80% of the textile and garment sector just manufactures apparel (cut make and trim (CMT)).<sup>18</sup> About 80-90% of garments are produced under the "Outward Processing Trade" (OPT/Lohn-System) scheme which means the Moldovan factories basically just supply cheap labour. Most garment factories are owned by Moldovans; about 16% are foreign owned (Italian, Romanian, and Turkish). The garment exports increased drastically throughout the previous decade; however, in 2009 the exports stagnated. Trade measures – VAT exemptions for garment exports and EU exemptions from import duties (OPT) – play an important role. Main export destinations are Italy (35%), Romania (12%), UK (11%), Germany (10%), Russia (6%) and Poland (5%).<sup>19</sup> Workers work in the garment sector due to lack of opportunity in other jobs.

"The payment for overtime work is always the same as for regular hours."

Buyers of the researched factories that were mentioned on company websites include: Naf Naf, Primark, Tesco, Benetton, Versace, Dolce & Gabbana, Armani, Max Mara.

## FIELD RESEARCH FINDINGS<sup>20</sup>

Workers are assigned a monthly quota and paid by piece. In some cases, women working only regular hours (40 hours/week) can meet about 60% of the quota and are normally paid below or just the minimum wage of 71 Euro per month. Some workers maintained they would make as little as **70 Euro per month** without working overtime **or even below**. Other workers reported that when they only work regular hours, the salary ranges between

# WAGE RELATED RIGHTS VIOLATIONS

- Wages far below a living wage
- Big fear among workers about speaking out.
- Working without a contract or with a contract that stipulates the minimum salary while the rest of the money is paid “under the table” directly to the employee.
- Fixed-term contracts for six months or one year are widely practiced. The majority of the workers have a fixed-term contract, the extension Gender discrimination both within the factory and compared to work of equal value in other sectors of which often depends on the amount of overtime work performed.
- Overtime not recorded and paid according to law.
- Working overtime is the standard norm in the factories.
- Public holidays not recognized: One worker reported that she was allowed to take off only 2 of the 15 public holidays in 2013.

118-128 Euro per month, all benefits included. Daily transportation costs to and from the factory site make up 25-30% of the wage. Thus, the remaining amount of the wage that is available for personal needs is between 38-43 Euro at most for a working week of 40 hours. Possible benefits include occasional unofficial bonuses of about 70 Euro.

Many workers must rely on support in food and money from relatives to meet their monthly needs, and others take up additional jobs like farming to cover their food necessities. However some workers do not own any land and are forced to live on the wage alone and help from relatives and neighbours. Due to the insufficient salaries from full-time work, most people have to rely on relatives for support in money or food.

Short-term contracts are wide-spread, varying between 6 months to 1 year in duration. A small minority of workers have permanent contracts. A 3-month trial period is always enacted. Short-term contracts are often a hidden way to push workers to work overtime. Interviewees say that during the trial period, workers are expected to work overtime and consistently meet a good part of their quota to be considered for a permanent contract.

Signs of poverty for garment workers include the inability to pay for utilities, particularly the costs of heating during wintertime.<sup>21</sup> This often leads to the heating being cut off in the cold season for entire blocks of flats. Restaurant dining is impossible, as well as participation in social or cultural events.

There is one active labour union in the garment industry that was founded in 1956. It has 5,163 members which is almost 20% of all the registered garment workers in Moldova. However, workers are generally reluctant to organise. This is mainly due to fear of jeopardising their position and mistrust in the effectiveness of labour unions to bring about positive change. There have not been any major collective bargaining agreements in the sector.

“With our salary it is impossible to live a normal life. Everyone here has some relatives who support him or her. We are lucky we grow our own vegetables in the village and in the summer that is what we eat. But in the winter life is very hard.”

“No one is forcing us to stay overtime, but if we want to make the monthly quota and earn a little bit more money we have to.”

## MARIANA'S STORY – FACTORY WORKER IN MOLDOVA

*Mariana lives in a village near the city where the factory is located and travels for 2 hours every day to work and back. "It is the only job I could find close to my village. We don't own any land and I raise my two children on my meagre 1500 MDL (81 Euro) from the factory. It is the starting salary here. I am lucky if I get some work on a Saturday to make a little more money. We need to buy products like everyone else and everything is very expensive."*

*As a single mother of two school children, she says the salary is impossible to live on. "I buy the biggest and cheapest bottles of shampoo, cook rice and potatoes for my children and maybe once a week we get a piece of chicken to cook. It's very hard if you don't have any land. This is our only income. Since my transportation is not covered by the factory, I need to spend 200 MDL (11 Euro) per month only for the minibus every day. This year I borrowed 1,000 MDL (54 Euro) to buy the cheapest school supplies for my two children and I pray I don't need to pay the school any other common fees in the next 3 months while I pay it all back."*

*Mariana is lucky to own her own house. "Even though we don't pay rent, we still need to pay utilities of about 80 Euro a month. In the winter season, these costs are much higher. I need at least 10 Euro only for food for the family. I can't imagine living from this salary alone. With the money I make I can barely buy a little bit more food for the family or a toy for the two children."*

*With a salary of 90 Euro all benefits included, she says workers see overtime as great news, albeit paid 'under the table'. "If I have to come on Saturdays, I will. At least I get the money in my hand. I know it will not be included in my pension but I need it right now, we don't have time to think about the pension." She says that many women at the factory are in the same situation. "With our salary it is impossible to live a normal life. Everyone here has some relatives who support him or her. We would need at least 7.170-8.070 (400-450 Euro) for a decent life."*

If the supervisor tells us we need to come and work on a Saturday or during a holiday, we must come. Sometimes, workers ask permission to stay at home during holidays but in such a case we must prove for a very good reason – like a health problem or so."

"Last month I got 2500 MDL (135 Euro). No one can make more than this, even the fastest workers. I cannot imagine supporting myself from this money alone. Our parents, who live at the countryside, must send us food and money every month. Everyone is asking us when we will have children, but we simply cannot afford it in our situation."

THE AVERAGE NET WAGE of the interviewed garment worker covers



of a minimum living wage.

An average net wage of the interviewed garment worker covers



of the official subsistence minimum.

The legal minimum wage covers



of a minimum living wage.

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- <sup>1</sup> Moldovan Investment and Export Promotion Organisation, Investment and Export Promotion, Clothing and Textiles, updates in June 2010, p.4 available at [www.miepo.md/public/files/Clothing\\_\\_\\_Textiles.pdf](http://www.miepo.md/public/files/Clothing___Textiles.pdf)
- <sup>2</sup> *ibid*
- <sup>3</sup> WTO International Trade Statistics 2013 p.131
- <sup>4</sup> All data in Euro according to exchange rate of [www.oanda.com](http://www.oanda.com), 1.2.2014
- <sup>5</sup> 76 Euro gross - 6% (mandatory social contributions, non-taxable)
- <sup>6</sup> Government of Moldova, Decision no. 165 regarding the minimum wage guaranteed by the state in the real sector of the economy, 9.03.2010, amended on 30.04.2013, available at <http://lex.justice.md/md/333943/>
- <sup>7</sup> 149 Euro - 24%
- <sup>8</sup> National Bureau on Statistics, Average wage by types of industries in 2013, last accessed on 09.09.2013, available at <http://statbank.statistica.md/pxweb/Dialog/view.asp?ma=SAL0150&ti=Castigul+salarial+mediu+dupa+Activitati+economice%2C+Ani%2C+Sector+si+Luni&path=../quicktables/RO/03%20SAL/SAL01/serii%20lunare/&lang=1>
- <sup>9</sup> 162 Euro - 24%
- <sup>10</sup> National Bureau on Statistics, Average wage by types of industries in 2013, last accessed on 09.09.2013, available at <http://statbank.statistica.md/pxweb/Dialog/view.asp?ma=SAL0150&ti=Castigul+salarial+mediu+dupa+Activitati+economice%2C+Ani%2C+Sector+si+Luni&path=../quicktables/RO/03%20SAL/SAL01/serii%20lunare/&lang=1>
- <sup>11</sup> 133 Euro - 24%
- <sup>12</sup> 149 Euro - 24%
- <sup>13</sup> 165 Euro - 24%
- <sup>14</sup> 303 Euro - 24%
- <sup>15</sup> National Bureau of Statistics, Subsistence minimum in the IV-th semester of 2012, 29.03.2013, available at <http://www.statistica.md/newsview.php?l=ro&id=4020&idc=168> - without rent, travel by car, travel outside city/country, leisure, cultural activities, social activities
- <sup>16</sup> Stepanov Gheorghe, The population of Moldova reduced expenses for food and clothing, 18 June 2013, available at <http://m.noi.md/md/news/23693>
- <sup>17</sup> <http://www.statistica.md/category.php?l=en&idc=452&>
- <sup>18</sup> Moldovan Investment and Export Promotion Organisation, Investment and Export Promotion, Clothing and Textiles, updates in June 2010, available at [www.miepo.md/public/files/Clothing\\_\\_\\_Textiles.pdf](http://www.miepo.md/public/files/Clothing___Textiles.pdf)
- <sup>19</sup> Moldovan Investment and Export Promotion Organisation, Investment and Export Promotion, Clothing and Textiles, updates in June 2010, available at [www.miepo.md/public/files/Clothing\\_\\_\\_Textiles.pdf](http://www.miepo.md/public/files/Clothing___Textiles.pdf)
- <sup>20</sup> During August and December 2013, 19 qualitative interviews with workers from 2 different factories were conducted.
- <sup>21</sup> Recently, about 1.000 pensioners created a flea market in the train station area, selling old clothes and souvenirs in an attempt to make money for covering utilities.
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