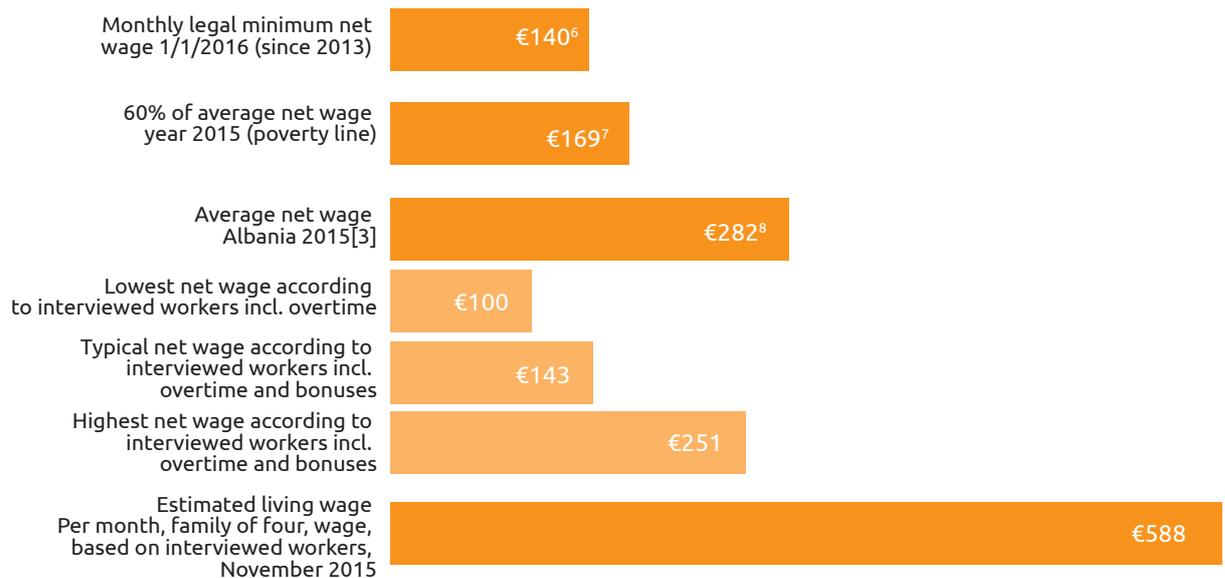


## WAGE COMPARISON



## MAIN VIOLATIONS OF WORKERS' RIGHTS

- Non-payment of statutory minimum wage for ca. 50% of workers.
- Non-compliance with overtime hours and overtime payment regulations.
- Non-compliance with regulations on annual and sick-leave.
- Considerable gap between actual wages and living wages.
- Mistreatment of workers (yelling, intimidation, sexual violence).
- Non-compliance with health and safety rules and regulations.

### EUROPE'S MOST RAPIDLY GROWING ECONOMY WITH ONE OF EUROPE'S WORST LABOUR CONDITIONS AND HIGHEST POVERTY

The Albanian clothing and shoe industry is characterised by a dominant position within the economy in terms of exports (ca. 35%) and employment, and, at the same time, by considerable concerns related to working and remuneration conditions. Violations of labour law are the rule not the exception. There is wide-spread impunity concerning legal and human rights violations. Despite an extremely low monthly net legal minimum wage of 140 EUR, one in two interviewees did not earn this minimum amount during regular working hours. State labour inspections are not functioning effectively in the sector. Moreover, relations between factory owners and government officials as well as between factory owners and trade unionists are, at times, corrupt. Although Albania is being hailed by the World Bank as Europe's fastest-growing economy, the Ombudsman's office, while performing a wide array of duties in protecting citizens' rights, is being provided with insufficient public funds, which means it has to rely in part on official development aid from abroad. Albania has some of the highest poverty rates in Europe.<sup>9</sup> Clothing and shoe industry workers have not profited from the boom in the industry; the wages they earn do not help alleviate poverty nor do they prevent dependency.

## ALBANIA'S, CLOTHING AND FOOTWEAR INDUSTRIES

Albania's footwear and clothing industries have been its main export sectors for more than 15 years, and they continue to grow at a fast pace. Shoe and footwear exports have doubled over the past 5 years and apparel exports have doubled over the last 10 years.

The Albanian clothing and shoe sector works under the OPT system (the Outward Processing Trade and production scheme, created by Germany and the EU in the 1970s to protect their own textile industries). In Albania this export-oriented, cut-make-trim subcontracting approach is called Façon. More than 80% of clothing and shoes are exported to Italy, followed by Germany and Greece with just 7% and 8% respectively. Italian owners also dominate foreign investment in the sector. In 2015 Albania exported 11.2 million pairs of shoes to Italy (World Footwear Book 2015).

In one shoe factory, workers said they have to finish 550-600 pairs of shoes every day.

Clothing and shoe manufacturing under OPT is a low wage and low value-added industry and thus does not feature high in GDP or export statistics. However, the sector is Albania's most important employer, accounting for 45% of the manufacturing industry's workforce.<sup>10</sup> The country's clothing and footwear production is centred around the Tiranë and Durrës regions. The workforce in the industry is relatively young (31 years old on average according to the Chamber of Façon of Albania), whereas in other low-wage countries in Europe seamstresses are usually 40 to 55 years old.

The state investment board, AIDA, quotes this as the sector's competitive edge: flexibility and reliability in production, short delivery times to EU countries, "competitive labour costs" due to lower wages than in other countries in the region and excellent language skills of most employees, together with "supportive" government policy for the sector. Indeed, the sector enjoys a great package of incentives and subsidies. Export-oriented investors are highly promoted and incentivised.<sup>11</sup> The Albanian Chamber of Façon (C.F.A.) as well as the Albanian Investment Development Agencies (AIDA) have successfully lobbied for free economic zones and incentive schemes. Among them are: a symbolic €1 leasing contract for government properties for the first time; fast VAT refunds; VAT exemption on machinery and equipment; simplification of procedures for customs, investments and employment and social security; subsidies for social security and health insurance for new employees for a certain period; and privileged representation of sector reps in the National Economic Council (national tripartite body without decision making power). The C.F.A. adds that it has achieved a "reform of the employment referential comparative system in relations to labour wages for the industry".<sup>12</sup>

## DO WORKERS PROFIT FROM FAVOURABLE CONDITIONS FOR CLOTHING AND FOOTWEAR EMPLOYERS?

These incentives and subsidies are indicative of a policy whereby investors' rights are privileged over workers' rights, and of the fact that AIDA and C.F.A. use their influence to restrict progress in labour rights and wages. These incentives and subsidies have been granted to the employers in the industry without consulting any other stakeholders such as the governmental ombudsperson,<sup>13</sup> unions or human rights organisations. Thus the situation for workers is among the worst in Europe, and indeed the world, as the following findings show.

**One in three interviewees** did not receive the legal minimum wage – even with overtime and bonuses. Due to the prevalence of overtime, one can safely conclude that at least 50% of the workforce in the sector does not receive the legal minimum wage during regular working hours. Compared to all other researched European countries, Albania stands out as a country where work on Saturdays is the rule rather than the exception. Workers do not consider this overtime. This means that normal working hours exceed the 40 legally permitted hours per week, that overtime is not paid at the legally required premium rate (25% and 50% respectively), and that salaries are not transparent to workers.

The legal minimum wage in Albania has remained unchanged since 2013 (22,000 ALL gross – 158 EUR). No adjustments have been made. The National Labour Council – theoretically, the tripartite advisory body to the Ministry of Labour – used to be very weak,<sup>14</sup> but it was just recently revitalised in 2015

LEGAL MIN  
NET WAGE



as share of  
estimated min  
living wage

after interventions by the ILO. Until this year, Albania was the only country in the region where there had not been any tripartite negotiations for national level labour or social dialogues, particularly concerning minimum wages. Before, the government had unilaterally decided where the legal minimum wage would be set. However, tripartite negotiations do not work as intended if the voice of organised labour is not raised in favour of workers. On the contrary, desk research yielded no recommendations made by unions on the minimum wage or calculations carried out by unions on costs of living. Interviewed workers associated unions with management.

Another barrier to adjusting the legal minimum wage to meet real expenditure is the absence of any official statistics on costs of living or a socio-cultural minimum to cover basic needs. The lack of political will to adjust the legal minimum wage to actual expenditure led to a substantial number of complaints from citizens to the people's Ombudsperson, along with criticism from the ILO, and since then Albania has witnessed a growing public discussion on the matter.<sup>15</sup>

## REGULAR LABOUR LAW AND HUMAN RIGHTS VIOLATIONS INCLUDE:

- not paying the legal min. wage within the regular 40-hour working week (in one factory, only 10% of workers reported receiving the LMW, all others earned less; in another factory no interviewed worker received the LMW)
- men being paid more than women for the same work and performance – with the justification that “they are stronger”
- penalising workers through wage deductions (an hour's or a day's pay) when products are damaged or the worker is late for work
- unpaid mandatory social contributions
- not paying overtime or not paying the premium rate
- all workers reported doing hardly any overtime and, at the same time, regularly working on Saturdays; working on Saturdays is thus not seen or paid as overtime
- taking 3-15 days of annual leave, but never the legally prescribed 20 days
- annual leave is, in many cases, determined by management and not paid
- work on public holidays being paid like normal working days
- unpaid leave on public holidays (excl. January 1st)
- no explanation of how wages are calculated, particularly for overtime
- forced leave without pay when there are no orders
- workers do not have a copy of their labour contract and are sometimes not even allowed to read it
- complaints are punished with dismissal
- taking sick leave or leave for family matters is extremely difficult
- extreme temperatures (sometimes existing air conditioning/heating is not switched on)
- polluted air from toxic substances
- no drinking water provided and no running water present.

Finally, the European Commission hinders minimum wage hikes. Particularly after the financial crises of 2008/2009, like most other countries in the region, Albania had to take loans from the International Monetary Fund (IMF), the World Bank and the European Commission (collectively dubbed the ‘Troika’). A condition of these loans was that wages and pensions in the public sector had to be frozen or reduced – despite the fact that public employees, like teachers, were already low income earners and forced to



of the workforce in the sector does not receive the legal minimum wage during regular working hours

Desk and field research took place in the second half of 2015.

Three shoe factories and one clothing factory were researched with 57 workers aged 16 to 58, among them one man, interviewed off-site.

According to workers and online research, the brands/buyers supplied by the factories were: **Bata, Zara, Liu Jo.**

Researchers indicated that it was almost impossible to find out which specific brands and buyers were involved because the actual brand label would not be attached to the manufactured shoes in Albania.

hold down multiple jobs or migrate in order to sustain their families. These measures concerning public sector earnings also put pressure on the setting of private sector wages and the fixing of the minimum wage.<sup>17</sup>

Many cases of sickness, fainting, poisoning and allergies, as well as various accidents, are reported in shoe factories. One shoe worker, who uses glue in the shoemaking process, said that wearing gloves reduces the precision and speed of her work and decreases the quality of the shoes, which is why she could not afford to use them if she wanted to meet the quantity and quality quota. Thus the piece-rate payment and high expectations regarding productivity pose crucial hurdles to the use of protective equipment.

There is ethnicity- and gender-based **discrimination**: in one shoe factory, 65% of employees were from Roma and Egyptian minorities; men are paid more than women for the same work and performance; it is predominantly men who work as ‘machinists’, a job paid on an hourly basis and which, consequently, results in a higher wage. Their wages were reported to be 35,000 ALL/251 EUR, while women’s wages were reported to be around 20,000 ALL/143 EUR including overtime and bonuses. Women sometimes even ask employers not to pay mandatory social contributions because they perceive it as a way to gain “more cash”. Researchers expressed concern about regularly occurring gender violence, but it was hard to detect because workers would not speak out about it.

The informal sector of the economy accounted, on average, for about 36.2% of GDP over the period 1996-2012 (INSTAT, 2013) with an increase during the previous years. This share is usually higher for the clothing/shoe industry than for the whole economy; the authors estimate that 50-70% of the total number of workplaces in the clothing and footwear industries are informal, without legal rights and protection through a labour contract or mandatory social contributions. Unregistered workers (especially younger ones and those who have just started working) receive between 14,000 ALL/100 EUR per month and 18,000 ALL/129 EUR per month. Desk and field research indicates that lower tiers of the supply chains include home-based work and child labourers. However, since September 2015 the Albanian government has increased its efforts to reduce unregistered employment. Still, it is perceived as ‘normal’ to work without a contract or mandatory contributions. Due to very low wages, workers sometimes choose to eschew a contract, and they relinquish mandatory contributions in their desperation to acquire more cash for their daily expenses. These informal workers without social insurance coverage remain in an extremely vulnerable position with no state security to protect them against all major life risks (sickness, old age, unemployment). The social insurance system is being eroded, which in turn results in an increased burden of unpaid care work for women. In addition to the pressure to stay in paid jobs (even if extremely underpaid, as in footwear and clothing factories), women find themselves confronted with an increasing need to make up for the state’s lack of investment in ‘social infrastructure’. Combined with the tendency of the young and, in particular, better educated to emigrate, the care deficit will doubtlessly increase and pose huge challenges. The non-payment of social insurances means draining an already eroded state structure and putting the burden of more unpaid work and responsibility onto the shoulders of women.

Can trade unions change this situation and use the industry upswing to achieve better working conditions? Workers from several factories reported that trade unions have good relations with management and might receive ‘gifts’ in exchange for not creating problems; none of the workers

If workers earn the legal minimum wage, they receive 24% of an estimated minimum living wage. Because of high unemployment, most workers (the majority of them women) are the sole breadwinners of the family. This means that women have to sustain their families on an extremely low income. The Albanian gross minimum wage in euros is far below that of China or Indonesia, and around 10% of the German minimum.

While an Albanian worker has to work one hour in order to afford one litre of milk, a German worker can afford the purchase after six min.

interviewed was part of any trade union or even knew how to approach a union; researchers were told about incidences of corrupt financial relations between factory owners and unionists. Interviewees also indicated that workers do not even talk among each other because they fear that co-workers could pass on information to management. In Albania workers do not organise because they are afraid of each other.

No information could be obtained on labour inspection visits made within the shoe industry or their results. None of the interviewed workers had been involved in a labour inspection. The interviewees from one factory had attended a training session on fire safety. The interviewees from the shoe factory had not been involved in any training on occupational health and safety issues. Labour inspectors are seen to be bribed in order not to check on the reality of working conditions; unregistered workers are hidden in a separate room. Given the multiple occupational health risks in the shoe industry, the labour inspection process can thus be deemed ineffective.

There were Albanian workers who even agreed to reveal their real names because they felt their situation was so dire, they had nothing to lose. "Please help us," one Albanian worker entreated researchers.

## **ANA (NAME CHANGED): "ALL WE ASK FOR IS A LITTLE DIGNITY IN OUR WORK".**

*There are four people in Ana's family: Ana, her husband and their two children, a 10-year-old boy and another boy still in kindergarten. In this family of four, Ana is the only one who works (she is employed at a shoe factory and earns a meagre salary of less than 150 euros per month) and is thus the only source of income for the family. She has been working in the factory for the last eight months. Before it was her husband who provided for the family by working in construction. When his employment started to become less stable, moving from one company to another and frequently being on short-term contracts, she had no choice but to start looking for employment herself. Ana operates a heavy machine that stitches the front part of the shoe. She has to stand for eight hours a day, six days a week in order to meet her quota. Even though she is not paid extra, they ask her to perform other duties as well. She stated two factors that she considers the most dreadful aspects of her job:*

*She laments that managers do not treat their employees as human beings. They often abuse them verbally and psychologically (by calling the women names: "whore", "stupid", "I hope you get cancer" to name just a few). This demeans them, making them feel less than human and their work uncomfortable, with staff having to endure harsh criticism and cursing throughout the day. Secondly, the salary is not enough for one person to get by on, let alone a family of four with children that have needs and often desires as they grow up. She would never voluntarily choose to work in an environment that is filled with hostility, lack of respect and that pays ridiculous salaries. But this is her only chance of survival. She hates the job she does but feels compelled to do it. Equally, she has to walk for more than an hour and stand for an additional eight hours only to be completely spent at the end of the day.*

*Although the minimum wage in Albania is 22,000 ALL/158 EUR per month, she never receives more than 20,000 ALL/143 EUR per month. At the same time, she is burdened with debts she cannot repay. Her oldest son needed a heart operation, which she paid for with borrowed money that they have not been able to repay. Due to their inability to pay their electricity bills, she has signed an 8-year contract with an electricity company to pay 2,500 ALL/18 EUR every month in addition to the monthly sum. Once the electricity bill is paid, little is left for food and other needs. When she was younger, she dreamt of becoming a nurse, but her very patriarchal father did not allow her to go to high school (he thought girls should not leave the house to go to school). She has passed this passion to learn on to her youngest child who wants to become a dentist when he grows up to help other people.*

## MARIA (NAME CHANGED) (23): "IF I WASN'T DEPENDENT ON THE WAGE, I WOULD GO OUT THERE AND STAND WITH THOSE PROTESTING FOR BETTER LIVING CONDITIONS"

*There are six people in Maria's family, three of whom work. It was harder when the family had nine members (her parents and seven brothers and sisters) and only Maria's father was working for a salary of less than 300 euros to support a family of nine. Needless to say, it was extremely difficult to pay for even their basic needs.*

*Maria and her family immigrated from Kukes in 1994 and settled in Dürres. They followed the same pattern as many other people from northern Albania, who mainly come to Tirana and Dürres in search of better living conditions and job opportunities. A common trait of most of the women who settled in the city was a lack of formal education due either to a patriarchal family or simply a lack of opportunities, e.g. higher education was prohibited by other male members of the family.*

*When Maria was 14 years old, she had a problem with a gland in her mouth which made it difficult for her to eat and speak. As the gland had to be removed, she underwent surgery which cost her family 5,000 euros. For this reason, her mother's salary is used to pay back the loan, while her salary goes towards the utilities and her father's salary pays for health, transport, clothing and education. Luckily her younger sister was eligible for a state scholarship of 9,000 ALL/64 EUR per month.*

*Despite the difficulties and hardships she faced while growing up, Maria and her sisters worked in the clothing factory during high school and later on during university in order to cover at least their tuition fees so they would not become a burden on the family. As a result, they used to accumulate debt and borrow money to pay bills and buy food: a scenario familiar to almost every Albanian family. Maria is studying Public Administration (BA) while working at the same time. The friendships she has built through her voluntary community work are part of her life. In a way they help her feel less bad about her work.*

*On a positive note, she is optimistic about the future because she still believes that her studies will open new doors for her, which is not the case for some of the other women who work there. Most of them are stuck there thinking that there is no other option. A normal day in Maria's life sees her wake up at 5:00 am, have coffee and help her mother. She then works until 5:30 pm before taking care of her younger sisters.*

# RECOMMENDATIONS

## To employers and brands/buyers:

- Obey the labour law and respect human rights at work.
- Increase wages immediately to a net wage of at least 169 EUR/23,637 ALL, which is equal to the 60% poverty line of the average net wage.

## To the Albanian government:

- Enforce the labour law and ensure human rights at work.
- Calculate a socio-cultural minimum and set a minimum wage level that is above this threshold.
- Set up a tripartite body with decision-making powers (particularly on minimum wage).
- Support a system of free legal advice centres in areas where the clothing/shoe industry is concentrated. These centres must be run by labour and human rights organisations.
- Support a campaign and national action plans for labour rights, women's rights and human rights.

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1. Estimate produced by INSTAT (Republic of Albania Institute of Statistics)
  2. Figures differ sharply. However, we chose to use INSTAT (Government authority for statistics) data: 748 clothing; 190 footwear. - There are no consistent data for the number of employees in clothing and footwear industries. Albanian Chamber of Façon (C.F.A.) estimates: textile/clothing: 36,947; footwear: 29,688 employees. Other sources range from 26,000 to 87,000 employees in both sectors.
  3. <http://aida.gov.al/pages/clothing-and-shoes>, accessed 15 March 2016
  4. INSTAT labour force survey, 2015.
  5. Institute of Statistics of Albania, (INSTAT, 2015). Labour market, 2014. Institute of Statistics of Albania, (INSTAT, 2015). Foreign trade in goods 2010-2014.
  6. All conversions: Oanda, 1/1/2016
  7. Labour Market, INSTAT\_2015: Average monthly gross wage for 2015 is 46,829 ALL while net wage is 39,396 ALL. 60% = 23,637 ALL, <http://www.instat.gov.al/publications/librat/2016/tregu-i-pun%C3%ABs,-2015.aspx>
  8. Consistent data on average monthly wages in manufacturing or individual sectors are not available. For minimum household expenses and subsistence minimum there are no reliable data available.
  9. Filloreta Kodra: Albania: Urgent need for wage reforms 27, in: Schmidt, Verena, Vaughan-Whitehead, Daniel (2011): The Impact of the Crisis on Wages in South-East Europe. ILO Geneva, page 40
  10. Albanian Investment Development Agency, AIDA, retrieved on March 15, 2016 from <http://aida.gov.al/pages/clothing-and-shoes>
  11. Albanian Business and Development Investment Strategy 2014-2020
  12. [http://www.albania-textile.com/Materiale/Nentor2012/Presentation%20Gjergji%20Gjika\\_Prodho%20dhe%20vishu%20shqip.pdf](http://www.albania-textile.com/Materiale/Nentor2012/Presentation%20Gjergji%20Gjika_Prodho%20dhe%20vishu%20shqip.pdf): The Chamber of Façon aims to encourage improvements in laws and legislation for the façon sector.
  13. The Ombudsman protects the rights, freedoms and lawful interests of any person from unlawful or improper public administration. Any individual or group of individuals (including minors) can turn to this person. They are supposed to be above the government. In Albania there is one Ombudsperson nominated by the Parliament every five years and an Antidiscrimination commissioner chosen every five years by the Parliament. The ombudsperson in charge received grants from the Danish government.
  14. Filloreta Kodra: Albania: Urgent need for wage reforms 27, in: Schmidt, Verena, Vaughan-Whitehead, Daniel (2011): The Impact of the Crisis on Wages in South-East Europe. ILO Geneva, page 36
  15. [http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms\\_250834.pdf](http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_250834.pdf)
  16. Schmidt, Verena, Vaughan-Whitehead, Daniel (2011): The Impact of the Crisis on Wages in South-East Europe. ILO Geneva: [http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms\\_172434.pdf](http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_172434.pdf)
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