

ATTACHMENT



Feedback on the EU commission's proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on adequate minimum wages in the European Union

This feedback has been written and endorsed by members and allies of the Clean Clothes Campaign in 21 European countries (see list of endorsements at the end of this paper). The **Clean Clothes Campaign (CCC)** is a global network composed of trade unions and civil society organisations dedicated to improving working conditions and empowering workers in the global apparel and sportswear industries.



This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of Clean Clothes Campaign and do not necessarily reflect the views of the European Union.

The apparel industry in seven EU member states does not create decent jobs: Almost 1 Million workers and their families are impoverished and socially excluded

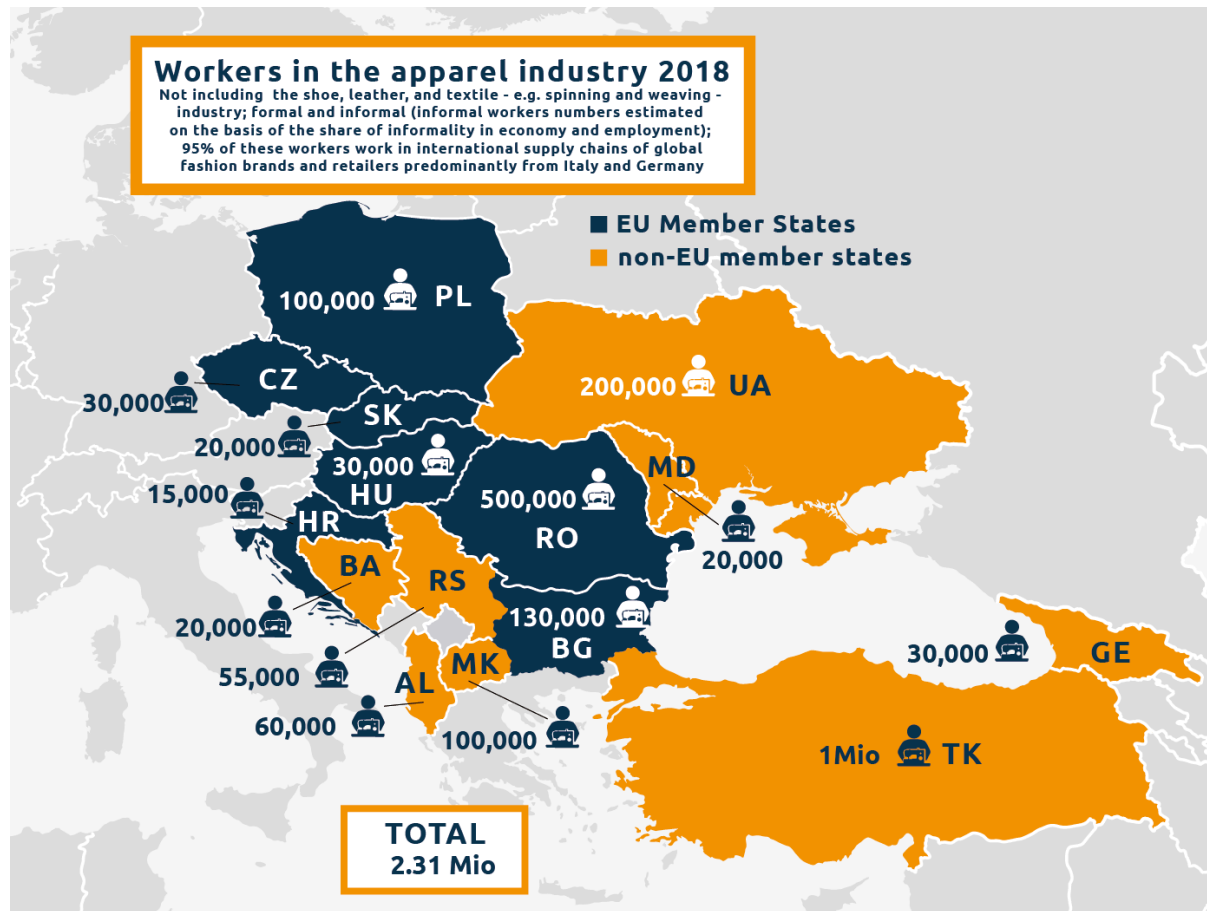
The European Commission rightfully identified the need for a fair minimum wage that would “*ensure decent living for workers when set*” in “*adequacy with the aim to achieve decent working and living conditions, social cohesion and upward convergence*”.¹ The situation in 15 European low-wage countries including seven EU Member States, where apparel is manufactured, shows the dire need for setting the minimum wage at such a level. The situation in these countries has been investigated by the Clean Clothes Campaign for the last 20 years². The results of these investigations are summarized in the following 10 theses.

- I. In seven EU Member States – Bulgaria, Czechia, Croatia, Hungary, Poland, Romania and Slovakia – 825.000 labourers (2018³) work formally and informally in the apparel industry – 90% of them are women.

¹ Proposal for a Directive – COM(2020)682: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12721-Initiative-on-adequate-minimum-wages>

² [Cleanclothes.org/livingwage/europe](https://cleanclothes.org/livingwage/europe)

³ The year 2018 is the latest year for numbers to be consistent and available. There is indication that the Coronas crisis has worsened the reported situation and escalated the issues.



Why do we include informal work? The apparel industry is notorious for informalising wage and working conditions. In the seven EU member countries listed above, the share of informality in employment relations is usually estimated at 10 to 30%⁴. The phenomenon is also true in a Western EU country like Italy, the home of the luxury fashion⁵. In the apparel industry, formal and informal work occurs throughout the supply chain. Alongside formally employed labourers, their colleagues might work without a contract, without mandatory social security insurance, without wage documentation or without other signs of formality. **The CCC therefore welcomes the Commission’s effort to include informal, i.e. non-standard forms of employment in the scope of the proposed Directive (Article 2).**

In the **aftermath of the Corona crisis**, evidence from European clothing producing countries show that the number of workers is decreasing

because brands’ and fashion retailers’ orders have been cancelled or reduced or re-negotiated or the payment rescheduled / prolonged. Very often, workers are being sent on unpaid leave or are illegally fired.

⁴ For instance Romania: <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/trade-union-study-on-the-informal-economy-romania>

⁵ Fair Wear Foundation (2019): Italy Risk Assessment 2019 <https://api.fairwear.org/wp-content/uploads/2019/12/Italy-Risk-Assessment-2019.pdf>

Why do we include European non-EU members? Through its Neighborhood Policy including the Eastern Partnership, the Turkey policy and the Western Balkans policy, the EU is a prominent actor with high leverage in its neighboring countries . Some of the countries are candidates or potential candidates for EU membership. So any EU minimum wage policy will strongly influence these countries' minimum wage setting.

There are strong interdependencies and chains of responsibility. Western EU Member States receive the overwhelming majority of apparel exports from the 15 Central, East and South East European countries.

Moreover, the EU Commission as part of TROIKA (together with the European Central Bank and the International Monetary Fund IMF) influenced the economies and financial systems of both EU members and non-EU neighbours in the years at the financial crisis 2008/9 through conditionalities attached to their loans. A condition of these loans was that for instance in Albania, Bosnia-Herzegovina, Bulgaria, Hungary, North Macedonia, Romania, Serbia and Ukraine 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 hold down multiple jobs or migrate in order to sustain their families⁶. Until now, statutory minimum wages are under high pressure from these institutions for the sake of fiscal discipline. The losses in minimum wages in real and absolute terms after the financial crisis have still never been compensated.

II. The overwhelming majority of workers in the apparel sector only earn the statutory minimum wage. What is its current purchasing power?

We evaluate income and poverty statistics from 15 European countries, including seven EU Member States.

⁶ Clean Clothes Campaign (2016): Labour on a shoestring. The realities of working in Europe's shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia; pages 11/12

TABLE: Statutory minimum wage, poverty lines, base living wage, 2018⁷.

		Statutory minimum net wage 2018 (EUR)	poverty lines		Share of statutory min wage in 60% median or average wage	Cross-border base living wage (EUROPE FLOOR WAGE) 2018 (EUR)	Share of respective poverty lines in Europe Floor Wage 2018 (EUR)	Share of statutory minimum net wage in EUROPE FLOOR WAGE
			60% of median equivalised income (= EU-SILC at risk of poverty threshold for two adults with two children younger than 14) 2018 (EUR)	60% of average net wage for countries where EU SILC poverty threshold is not calculated (EUR)				
EU Member States	Bulgaria	202	377		54%	1026	37%	20%
	Croatia	371	699		53%	1377	51%	27%
	Czech Republic	521	954		55%	1435	66%	36%
	Hungary	398	570		70%	1260	45%	32%
	Poland	359	690		52%	1165	59%	31%
	Romania	257	345		75%	1061	33%	24%
	Slovakia	397	784		51%	1558	50%	25%
	Albania	167		205	81%	796	26%	21%
	Bosnia-Herzegovina	203		263	77%	800	33%	25%
	Georgia	6		174	3%	639	27%	1%
	Moldova	70		138	51%	640	22%	11%
	North Macedonia	198	276		72%	734	38%	27%
	Serbia	210	288		73%	819	35%	26%
	Turkey	281	367		76%	897	41%	31%
	Ukraine	93		133	70%	468	28%	20%
Average EU Member States					58%		49%	28%
Average all countries					65%		40%	24%

⁷ Sources: Wage conversions from gross to net for a family of four according to CCC researchers from the respective countries; conversion LCU – EUR according to Eurostat reference courses; for Bosnia-Herzegovina, the minimum wage is a simple average of the two entities; EU-SILC = European Union Statistics on Income and Living Conditions: “at-risk-of-poverty” threshold = 60% of the national median equivalised disposable income for two adults and two children, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en
See also: Clean Clothes Campaign 2020: The Europe Floor Wage Benchmark – a Living Wage in Central, East and South-East Europe. https://cleanclothes.org/file-repository/cleanclothescampaign_europefloorwage_report_web.pdf/view

The table shows:

III. The statutory minimum wage in the seven EU Member States amounts to 58% of EU's poverty line for a family (EU-SILC⁸).

For all 15 countries investigated, this share is less than two thirds: 65%⁹.

IV. The EU's poverty line (calculated in EU-SILC = 60% of the median income) is not an adequate indicator for measuring a decent standard of living in countries where average wages are themselves poverty wages.

60% of the median income for a family of four in Romania is for instance calculated by Eurostat at €345 per month, in Bulgaria €377 per month – no family can make ends meet with such an income, to speak nothing of a decent living. The Clean Clothes Campaign (CCC) has calculated a base living wage for the 15 European countries in question – the EUROPE FLOOR WAGE¹⁰. “Wages and benefits paid for a standard working week should meet at least legal or industry minimum wage standards and always be sufficient to meet basic needs of workers and their families and to provide discretionary income.” (ILO Conventions 95 and 131, ILO Recommendations 131 and 135).

In the seven investigated EU Member States, 60% of the median/average net wage (the poverty line) is less than half (49%) of this base living wage. In other words: **the EU Commission's best scenario for a statutory minimum wage benchmark (60% of median wage/50% average wage) would only cover half of the necessary means for a decent living of a standard household and therefore needs to be complemented by other criteria for establishing decent minimum wage levels.**

⁸ European Union Statistics on Income and Living Conditions (EU-SILC): “at-risk-of-poverty” threshold = 60% of the national median equivalised disposable income for two adults and two children, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en

⁹ Without Georgia, because Georgia's valid minimum net wage is 6 EUR, which originates from the early 90ies and is not relevant.

¹⁰ Clean Clothes Campaign 2020: The Europe Floor Wage Benchmark – a Living Wage in Central, East and South-East Europe. https://cleanclothes.org/file-repository/cleanclothescampaign_europefloorwage_report_web.pdf/view; page 12

In addition, interviews with hundreds of workers in the apparel industry in the 15 European countries including seven EU Member States reveal:

V. How do families of apparel industry workers survive with poverty wages at 28% of a base living wage in the seven EU Member States?

Workers in Europe’s apparel industry report that their wages are just enough to pay for food and basic utilities (electricity, water, telecom), not to mention clothing, health services, leisure and culture activities or savings. Heating in winter is a problem. Workers have to rely on extended families and friends who provide agricultural products and support for utility bills. Very often they cannot pay rent on time. Income poverty leads women to work more overtime, engage in additional jobs or search for the cheapest food. **Multiple job-holding, subsistence agriculture, indebtedness and labour migration westwards are the main survival strategies of workers’ families** in the 15 European countries investigated – including the seven EU Member States.



PURCHASING POWER OF EMPLOYEES’ WAGES: how long does an employee have to work to be able to buy a litre of milk in her/his country?

	1l milk	working time
Albania	0.79 €	1 hour
Romania	0.88 €	1 hour
Macedonia	0.73 €	53 min
Bosnia-Herzegovina	0.66 €	43 min
Poland	0.59 €	19 min
Slovakia	0.64 €	17 min
Germany	0.59 €	6 min
UK	0.64 €	4 min

Source infographic: ENS / Public Eye (2016): Labour on a shoestring. The realities of working in Europe’s shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia

The majority of apparel industry workers are single earners, in other words, the breadwinners of their families. An estimated one third of employees are single mothers¹¹. Moreover, apparel industry workers lack the support of care facilities. It is very often their responsibility to care for elders and children. Apparel industry workers suffer not only from poverty in financial means, but also from **time poverty**. The Commission claims that the minimum wage must be sufficient to lift a single worker out of the risk of poverty,¹² but it forgets that caring for economically inactive household members is a reality¹³ for many European women. The tailors’ husbands very often are jobless, engage in informal activities – or migrate to Western European countries in search of work. Women with children very often work in the apparel industry, because they are less

¹¹ Romania Factsheet 2019, p. 10. https://cleanclothes.org/file-repository/2019-romania-country-profile_web-clarif.pdf/view

¹² First phase consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages. C(2020) 83 final

¹³ Fabo, B. and Guzi, M. (2019) *The cost of living in the EU: how much do you need?*, European Trade Union Institute ETUI Policy Brief, No 4.

mobile. These are the main reasons why the CCC emphasizes the importance of the **living wage as a family concept**. The Human Right to a Living Wage is defined in various international legal norms as a right for the worker and his/her family. Therefore, if a worker receives above the risk of poverty threshold counted for a single wage earner as the documents related to the proposed Directive (ex. Impact Assessment¹⁴) suggest, it does not mean that this person is not poor. **Only when costs of living for a family are factored in, poverty can be prevented.** The described income situation of workers in the apparel industries and their families has been exacerbated by the Corona crisis¹⁵. According to various estimations, **workers in the apparel industry globally lost about a third of their already very low wages**¹⁶. Anecdotal evidence from Central, East and South East Europe confirm this is true for the sector in this region.

VI. Systemic non-payment of the statutory minimum wage and weak enforcement of statutory minimum wage.

In the largest apparel manufacturing country in the EU, Romania,¹⁷ or in Bulgaria,¹⁸ statutory minimum wages are systematically not paid to workers in the apparel sector. Although, according to ILO conventions and national labour laws the statutory minimum wage has to be earned within regular working hours, many only earn the statutory minimum after working overtime. Thus in regular working hours, they earn less than minimum wage. In a case of drastic abuse of minimum wage payment in a Romanian factory, only after public pressure did the labour inspectorate detect this irregularity; before, an inspection had not revealed it¹⁹. Apparel industry employees regularly report that, in the rare cases of inspections, labour inspectors never talk with them, only with the management.

VII. Systemic abuses of ILO core convention on forced labour.

According to the ILO, workers who need to work overtime to complete the workload assigned to them and only than earn the legal minimum wage, are forced labourers²⁰. As for example **in Romania about half of all interviewed tailors** reported about such practices. Workers are expected to complete impossibly high quotas and there is very little chance production quotas will be met within regular working hours. Workers

¹⁴ Impact Assessment, table A.11.1., p. 178.

¹⁵ The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific, ILO Research brief, Oct. 2020

¹⁶ Clean Clothes Campaign (2020): Underpaid in the Pandemic. <https://cleanclothes.org/file-repository/underpaid-in-the-pandemic.pdf/view>

¹⁷ https://cleanclothes.org/file-repository/2019-romania-country-profile_web-clarif.pdf/view

¹⁸ https://cleanclothes.org/file-repository/2019_ccc-countryprofile-bulgaria_eng.pdf/view

¹⁹ <https://cleanclothes.org/news/2020/first-time-victory-romanian-workers-stitching-european-brands-win-withheld-wages-during-covid-19>

²⁰ http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_089199.pdf

are even instructed that they will receive the minimum wage only when they meet their quota. Often, increases in the national statutory minimum wages are accompanied by higher quotas set by management. Overtime hours are in most cases, either not documented adequately nor registered on the payslips. Finally, refusal to perform overtime can lead to repercussions and unlawful fines, such as deductions from salaries.

VIII. Gender Based Violence in the workplace

In all 15 countries, the national statistical offices report that the average sectoral wages in the clothing industry ranks lowest²¹ among the manufacturing branches. With 85 to 90% women working in this sector, it is also one of the sectors with the highest share of women in the workforce. Furthermore, within factories there is a strongly segregated distribution of labour²². Detailed factory profiles reveal that at the factory level, women workers are concentrated in subordinate roles, such as machine operator and checkers. Women are routinely employed in low skill level roles and rarely reach leadership positions in their factories or unions. Thus, the apparel sector is characterized by **gender pay discrimination**. Women workers are additionally exposed to various forms of **harassment and Gender Based Violence in the workplace**, by virtue of the structural economic exploitation ruling global value chains²³.

IX. In complex global supply chains of apparel with weak or non-existent collective bargaining, the legal minimum wage is the only form of wage regulation²⁴.

A major reason for poverty wages in the apparel sector is the extremely low level of unionisation and collective bargaining. Union busting and retaliation against union members are regular management strategies. Even when unions exist in factories, most are afraid of negotiating higher wages. Furthermore, given the buyer-driven nature of the garment and sportswear business model, it is brands and retailers that control orders and define the prices they pay. Fashion brands and retailers easily shift orders around the globe. Therefore, the negotiation space of social partners and the leverage of traditional labour conflict strategies in producing countries are limited. Even in the rare cases when collective bargaining agreements exist on factory level, we have found evidence of subversion of collective bargaining in a case in Bulgaria²⁵. Country

²¹ See country profiles: <https://cleanclothes.org/resources/country-profile>

²² See chapter 7: “The Situation of Female Garment Workers” in Clean Clothes Campaign (2014): *Stitched up. Poverty Wages for Garment Workers in Eastern Europe and Turkey*. <https://cleanclothes.org/file-repository/resources-publications-stitched-up-1/view>

²³ Clean Clothes Campaign (2020): *Wages and gender based violence*. https://cleanclothes.org/file-repository/wages_and_gbv_femnet_position_paper.pdf/view

²⁴ The current situation in Republika Srpska, Bosnia-Herzegovina, shows how dependent employees are on minimum wage laws. There Collective Bargaining Agreements are supposed to set minimum wages and most other labour regulation. But in the Republika Srpska social partners could not agree on the Collective Agreement, and therefore there is an absurd lack of labour law – a law-free space.

²⁵ As for example in the case of Pirin Tex in Bulgaria. See: https://cleanclothes.org/file-repository/2019_ccc-countryprofile-bulgaria_eng.pdf/view

delegations of the EU parliament, the EU's Eastern Partnership and its Western Balkans policies pay little attention to in-work poverty, material deprivation and social exclusion of large parts of the populations. Thus, the imbalance in power and influence between social partners is reflected in imbalances of EU's institutions' perspectives on these countries. Reports of EU institutions about these countries or the countries' reports to the EU hardly ever speak about the harsh social problems big parts of the population have to endure, nor do they speak about labour and human rights at work.

X. Legal minimum wages are politically negotiated benchmarks which reflect current imbalances. Costs of living and a decent living for workers and their families now play a minor role – if at all.

In most of the Central, Eastern European and South-Eastern European countries, the **mechanism of setting the minimum wage** is supposed to be negotiated in a tripartite way (involving the government, employers' associations and trade unions) and adjusted annually. These tripartite bodies often do not have decision-making power. In case of non-agreement between the parties, the government decides. In practice, for instance, in Bulgaria, Croatia, Czechia, Poland and Slovakia, social partners failed to agree on a minimum wage level following consultations and negotiations in their national tripartite bodies. The government then sets the level unilaterally²⁶ with the main aim of sheltering and attracting investors, both domestic and foreign. While the EU Commission acknowledges how inept the tripartite bodies are, it disregards the reasons for their deficiencies: There is a substantial imbalance of power and influence between employers' associations and trade unions. Governments position themselves unilaterally in favour of employers. **It is therefore not surprising that governments accept the dire poverty of their minimum wage earners.**

²⁶ Eurofound (2019) *Minimum wages in 2019: Annual review*, Publications Office of the European Union, Luxembourg, p. 15

Recommendations

- A. The proposed Directive in Article 5.1. and 5.2. does not set **binding** criteria and adequacy indicators for statutory minimum wages to be adequate. It indicates elements to be taken as a reference without defining how they should be used for the minimum wage to be adequate. Without **guaranteeing** instead of “*promoting*” adequacy of statutory minimum wages, the Directive will not be achieving the stated goal.
- B. The proposed Directive in Article 5.2. sets out criteria with weak reference to costs of living and thus cannot deliver on its aims of “*improving working conditions and reducing in-work poverty*”. **Actual costs of living for a worker’s family must be strengthened as a crucial criterion for setting and adjusting statutory minimum wages.** Costs of living for basic needs plus a discretionary income constitute a living wage. In line with the definition by the United Nations and the relevant Conventions of the ILO **the human right to a living wage needs to be connected with statutory minimum wage setting, in a way that minimum wages are set with a view to enable a living wage.**
- C. The adequacy indicators suggested by the proposed Directive in Article 5.3. (such as the Kaitz index) are all related to average or median wages. This works for some of the European countries. As shown above, others – like the 15 countries including seven EU Member States analysed here – the average or median wage itself is a poverty wage. Their purchasing power is just too low. Therefore these indicators fail to be reliable reference values for adequacy of a minimum wage if not complemented with additional reference values. **In Bulgaria, Czechia, Croatia, Hungary, Poland, Romania, Slovakia and 8 additional Eastern and South Eastern European countries, a decent standard of living cannot be measured in relation to average or median wages only.**²⁷ Reference values and adequacy indicators must include benchmarks which are calculated exclusively on the basis of costs of decent living – such as the EUROPE FLOOR WAGE benchmark²⁸, a cross-border base living wage estimate in Europe. While the Impact Assessment report did not retain a living wage as benchmark because of the necessary common, but lacking methodology²⁹, the Clean Clothes Campaign has done exactly this: Developing a unified methodology for a cross-border calculation of a base living wage in Europe.

²⁷ See Fabo, B. and Guzi, M. (2019) *The cost of living in the EU: how much do you need?*, European Trade Union Institute ETUI Policy Brief, No 4.

²⁸ https://cleanclothes.org/file-repository/cleanclothescampaign_europefloorwage_report_web.pdf/view

²⁹ Impact Assessment, pages 38/39

D. National enforcement institutions must be strengthened.

Article 8 of the proposed Directive includes the protection of the statutory minimum wage. In the 15 countries in question, labour inspections are supposed to monitor and enforce payment of the statutory minimum wage. Given the above mentioned widespread abuses of human rights and violations of national regulation on minimum wage, the rules foreseen in ILO convention 81 on labour inspectorates must be included in the proposed Directive. The independency of Labour Inspectorates must be strengthened – for instance through adequate remuneration of inspectors and adequate resources to increase the scale and the quality of state enforcement of wage regulations.

E. The proposed Directive “*requires Member States to involve social partners*” in minimum wage setting. As seen above, **social partners often cannot reach agreement**. As a result minimum wage stagnates for years. The Directive must foresee a procedure for such cases which still ensures the implementation of the Directive. Although the proposed Directive emphasizes the role of collective bargaining, it does not include strategies to **counter unbalanced social dialogue** or – more importantly – **enforce Freedom of Association** - both are part of the 1998 ILO Declaration on Fundamental Principles and Rights at Work. Workers must be able to join unions without fearing for their workplace and subsistence, and to bargain for collective agreements that would reflect their needs, not just the needs of the employers. Only then a meaningful social dialogue can take place. And only on the basis of legal minimum wages, which establishes a floor for a decent living, unions can successfully bargain standards higher than the minimum provided by law and the full set of rights as foreseen by the existing international labour law regime and especially by ILO conventions. Also minimum wages determined in collective agreements need defined minimum criteria.

F. The proposed Directive in Article 6 does not set concrete indicators to assess if and when statutory minimum wage **deductions** are “necessary, objectively justified and proportionate” and does not clearly include the criteria that such deductions should be temporary.

Endorsements

- **Clean Clothes Campaign-coalition Croatia - Bosnia-Herzegovina** including Novi Sindikat trade union, trade union RIS, Helsinki Committee for Human Rights in Bosnia-Herzegovina
- **Clean Clothes Campaign Turkey**
- Center for Politics of Emancipation CPE – **Clean Clothes Campaign Serbia**
- Setem - Campaña Ropa Limpia / **Clean Clothes Campaign Spain**
- Center for Policies, Initiatives and Research Platform – **Clean Clothes Campaign Moldova**
- Asociația Mai Bine – **Clean Clothes Campaign Romania**
- Association of Conscious Consumers/Tudatos Vásárlók Egyesülete – **Clean Clothes Campaign Hungary**
- Open Gate – La Strada Macedonia – **Clean Clothes Campaign North Macedonia**
- Buy Responsibly Foundation – **Clean Clothes Campaign Poland**
- Collective for Social Interventions KOI, **Bulgaria**
- **Italian Clean Clothes Campaign-coalition** – Campagna Abiti Puliti
- **Slovak** Centre for Communication and Development
- **Dutch Clean Clothes Campaign** – Schone Kleren Campagne
- **Albania**: Gender Alliance for Development Center – Albania, ICSE Institute for Critique and Social Emancipation, Centre For Labor Rights (CLR)
- NaZemi (**Clean Clothes Campaign Czech Republic**)
- Future In Our Hands – **Clean Clothes Campaign Norway**
- **Austrian Clean Clothes Campaign-coalition** including Südwind Agentur; trade union PRO-GE; Weltumspannend Arbeiten; ARGE Weltläden; EZA Fairer Handel; Frauensolidarität; Global 2000; Horizont3000; Informationsgruppe Lateinamerika; Jugend Eine Welt; Katholische Frauenbewegung; SOL - Menschen für Solidarität; Ökologie und Lebensstil; Wiener Institut für Internationalen Dialog und Zusammenarbeit
- Entwicklungspolitisches Netzwerk Sachsen e.V. ENS, Vereinte Evangelische Mission VEM, 3WF Hannover - Forum für eine andere Welt e.V., Zentrum für Mission und Ökumene- Nordkirche weltweit from **Clean Clothes Campaign Germany**
- Public Eye (Clean Clothes Campaign **Switzerland**)
- Labour Behind the Label - **Clean Clothes Campaign UK**