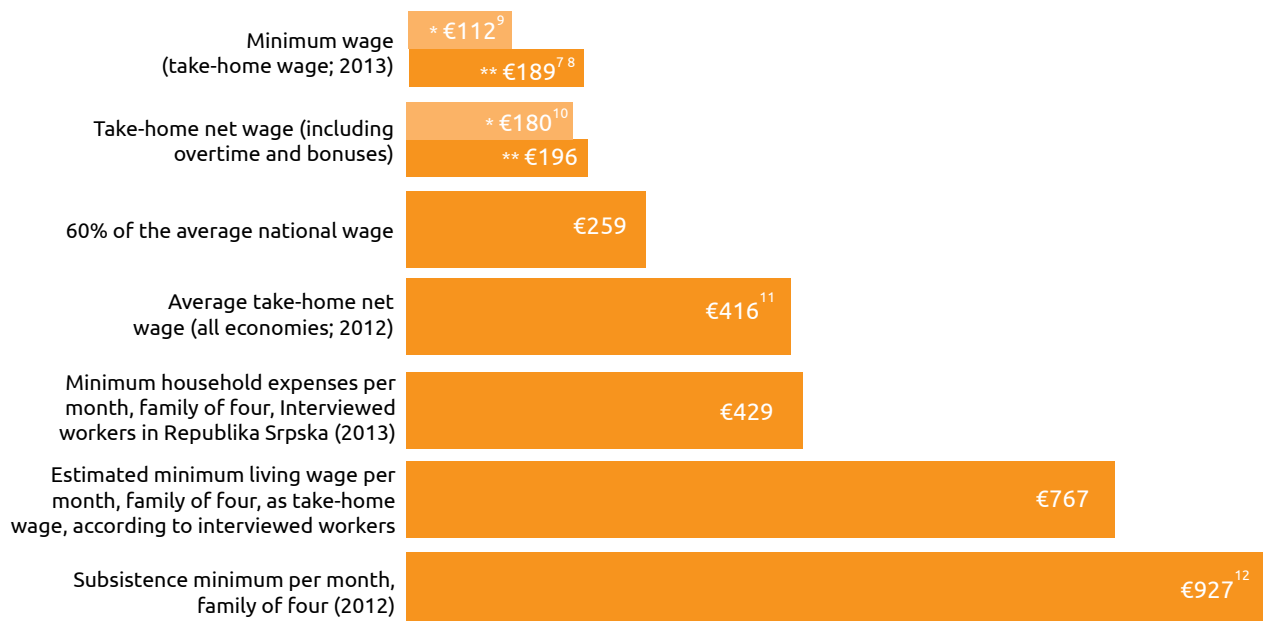


WAGE COMPARISON



* Federation of B&H (2011)

** Republic Srpska (interviewed workers; 2013)

DEMANDS TO BUYERS

- ▶ **As a first immediate step, global buyers** have to make sure that workers in Bosnia and Herzegovina receive a basic net wage (without overtime and bonuses) of at **least 259 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.
- ▶ **Central and local governments** should ensure the enforcement of labour law, **strengthen labour inspectors** and equip them with the necessary resources, as well as consider the **special needs of women** when enforcing the law, e.g. monitor granting of maternity leave
- ▶ **Trade unions and labour/human rights organisations** should carry out awareness raising campaigns and **empowerment of female workers** to know and enjoy their labour and human rights and **provide free legal aid** to workers

THE GARMENT INDUSTRY AND REMUNERATION SITUATION IN BOSNIA AND HERZEGOVINA

During the war from 1992 to 1995, the economy and infrastructure in BiH was largely destroyed and the production fell by 80%. Only in 2013, did the GDP of BiH reach the GDP of 1991 again. Before the war started in 1992, the leather, rubber and footwear industries were key industries and employed approximately 100,000 employees. Today, the leather, rubber and footwear industry is still one of the important export pillars of BiH. In June 2013, BiH signed a free-trade-agreement with the EFTA in order to increase the trade with the European buyers. 90% of the factories work under the OPT scheme (Outward Processing Trade). This outsourcing-model allows only tiny margins and has hardly any potential for development or upgrades, neither for workers, nor for the factory owners or the production country.

"I am happy that my salary is not late, because even though it is small, at least it comes on time."

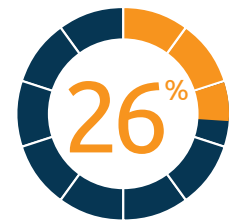
"If I do not meet the quota, my salary will be reduced."

"The most important thing is that my child has the resources to study, so at least he could get a better job."

"I was never asked by anyone if I can work overtime because it is considered that I always can. I am often tired of such overtime work, but I cannot refuse it because otherwise I will be fired."

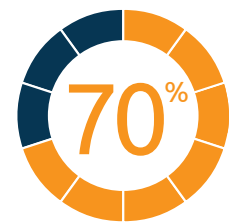
"Not counting the products we produce, our family spends about 450 BAM (230 Euro) on food per month."

THE AVERAGE NET WAGE of the interviewed garment workers covers



of a minimum living wage.

One legal minimum wage covers only



of the food expenses of a family

WAGE RELATED RIGHTS VIOLATIONS

- Wage far below poverty line: the interviewed workers need 130% of their average monthly salary only to buy food for their families
- Workers are forced to stay for unpaid overtime hours in order to fulfill their quota
- Employers often do not pay compulsory contributions for health insurance and pension and therefore prevent workers from getting medical assistance or from retiring
- Wage payments are delayed
- Sometimes workers have to pay back part of their wages
- Short term contracts can be renewed for a period of two years and are often not turned into permanent contracts

FIELD RESEARCH FINDINGS¹³

Generally, workers were reluctant to speak to the researchers. They feared negative consequences and losing their job. 80% of the interviewed workers had secondary education. They moved into the garment sector due to lack of opportunities in other sectors.

The average take-home wage of the interviewed workers including overtime was 196 Euro while the minimum wage in the Republika Srpska is 189 Euro. The workers receive a fixed quota that they have to fulfill. If they fail to fulfill the quota, they risk a deduction from their basic salary. Workers therefore regularly work for unpaid overtime. They usually do not see this extra work as overtime, but as work-load that they did not manage to complete during normal working hours. On average, the workers face an extra work-load of approximately 10% which is not paid according to the legal stipulations on overtime. Without this regular overtime, workers would not be able to make legal minimum wage. Workers say they do not dare to refuse overtime because they are afraid of losing their job.

Buyers of the researched factory mentioned by workers include: Adidas, Meindl, Decathlon, Think Schuhwerk

ONE WAGE IS NOT ENOUGH FOR A FAMILY

The wage they can earn – including overtime – is far from the subsistence level and covers less than half of their daily expenses. The legal minimum wage does not even cover the monthly expenditures for food. Workers stated that on average, they have to pay 429 Euro monthly for a family of four. This includes 256 Euro for food, 50 Euro for hygiene and health, 72 Euro for electricity, water, garbage and other household expenses, 15 Euro for communication costs, 26 Euro for public transport of the children to the school, and 10 Euro for clothing and footwear. The average consumer basket for a family of four is 927 Euro per month. All interviewed workers stated that they have no savings for exceptional situations, such as medical emergencies. Workers have to borrow money from their neighbours or rely on micro-credits with very high interest rates. More than 60% of the

“The employee’s agony is prolonged every three months because staying on the job depends on the employer’s will alone.”

“Pressure is increasing every day, and the strength is diminishing. I think my only escape is going abroad, that is my only dream. But until something else happens, something better and more humane, I have to keep quiet and go on, whatever the situation is like.”

interviewed workers said that they grow their own vegetables and fruit in order to economize on expenses and cope with poverty.

Generally, short term contracts for three months are very common. Mostly, they are not turned into permanent contracts as is required by law after 24 consecutive months of work. The interviewed workers say that they do have a contract but do not know whether it was in line with legal requirements. The interviewees say that whether they keep their jobs or not often solely depends on the will of their employer. Unions were present in the researched factories, but workers do not trust them. Workers do not dare to speak up and they do not feel they have anybody to turn to if problems occur.

“Not counting the products we produce, our family spends about 450 BAM (230 Euro) on food per month.”

ZORANA'S STORY – FACTORY WORKER FROM BOSNIA AND HERZEGOVINA

Zorana has been employed in the factory since 2010. Due to her lack of special qualification, she could not get a job anywhere else. When she started working, she had a one month training which was unpaid.

Zorana is married and is a mother of two young children. While she works, her husband and mother in law take care of the children. Her husband is unemployed and only occasionally gets a paid job in the construction sector, where he is paid a daily wage.

Zorana gets up at 5:45 to prepare her children's school meals and then she goes to work. Because she lives in the city, not far from the factory, she can walk to her workplace. She gets back from work at 15.45. She works 40 hours a week. Sometimes, she also works on Saturday. This work is counted as overtime. She was never asked if she could work overtime, she is just told to come to work. She has two weeks of vacation a year, but at that time, she stays at home because there is no opportunity to travel. Days off and sick leave are difficult to obtain. Even when the doctor prescribes sick leave, the company does not approve it. For these reasons, she did not start working until after she had children because parental leave is also difficult to secure.

In the last three months Zorana earned approximately 1,000 BAM (511 Euro). She does not know how her salary is calculated because she has never received a pay slip. Overtime is not paid at a higher rate. She is happy that her wage is not late and is paid on time. However, her performance affects her salary; if she doesn't meet the quota, her wage will be lower. Zorana says that for eight hours of work, she must work solidly and she does not use the breaks so as to avoid having to stay to do overtime. If she manages to exceed the quota, she does not receive any additional benefits. The quota must be achieved, because in her family no one else is employed.

Zorana's family spends about 550 BAM (281 Euro) on food per month. The family manages to produce a substantial part of the food themselves in their small garden where they grow vegetables. In addition to that, for monthly costs of electricity and water, they set aside around 60 BAM (31 Euro), while for phone and internet they set aside around 30 BAM (15 Euro). The house is heated with wood and the family has to spend around 600 BAM (307 Euro) for the purchase of wood. Clothing is bought when it is really necessary, but even then priority is given to children and adults in the house take what remains. In such circumstances, it is impossible to save any money. If something is urgent, they usually borrow money from relatives. Zorana would like to go on vacation, to visit relatives, to afford extra-curricular activities and a variety of courses for her children. But in order to afford all that, her salary needs to be at least 1,200 BAM (613 Euro), which at this point seems unattainable.

Even if she wanted to complain about working conditions, the pay, or the working hours, she can't, because there is no one to turn to. Often, she can't share the discomfort even with work colleagues out of fear that it reaches the manager of the factory. Pressure is increasing every day, and her strength is diminishing. She thinks her only chance is to go abroad and that is her only dream. But until something else happens, something better and more humane, she has to keep quiet and accept the situation no matter what it is like.

“There is barely money for food and education of children. 62% of interviewees subsidize own wages with subsistence agriculture.”

“There are many things I want, e.g. go for medical examinations or go on vacation, but because of low income, I can only dream about this.”

¹ Bosnia and Herzegovina is divided into two entities, the Republika Srpska and the Federation of Bosnia and Herzegovina. The entities were formally established after the war by the Dayton peace agreement in 1995.

² Estimation by Agency for Statistics as of 30th June 2011. BiH lacks current and reliable data. The last census was conducted before the war that lasted from 1992-1995.

³ According to the Association of textile, clothing and leather product manufacturers (UTOK)

⁴ 21'500 workers in FB&H and 8'560 in RS: Foreign Investment Promotion Agency, www.fipa.gov.ba/publikacije_materijali/brosure/TEXTILE.INDUSTRY.24.05.2013.pdf, p.8, visited 28.10.2013

⁵ Foreign Investment Promotion Agency, www.fipa.gov.ba/publikacije_materijali/brosure/TEXTILE.INDUSTRY.24.05.2013.pdf, p.8, visited 28.10.2013

⁶ Foreign Investment Promotion Agency, www.fipa.gov.ba/publikacije_materijali/brosure/TEXTILE.INDUSTRY.24.05.2013.pdf, p.9, visited 28.10.2013

⁷ All data in Euro according to exchange rate of www.oanda.com, 1 February 2014

⁸ All industries, valid since 2011

⁹ Minimum wage varies from canton to canton. Lowest possible legal wage according to the CBA is 220 BAM with an hourly rate of 1.25 BAM.

¹⁰ Information of local union, statement in newspaper article (daily newspaper „Dnevni list“, www.dnevni-list.ba, last accessed 1 July 2013

¹¹ According to the State statistic

¹² According to the State statistic, average consumer basket for Republika Srpska

¹³ During August and September 2013, a total of 34 qualitative interviews with workers from three different factories were conducted.

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