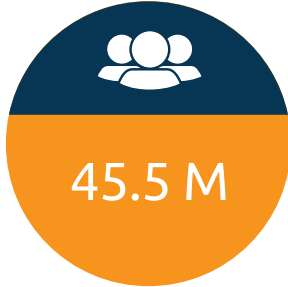


Population (2013)



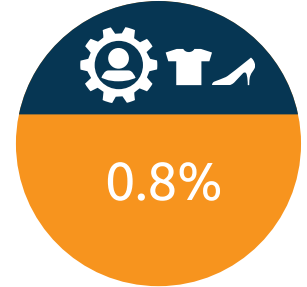
Garment production entities (2010)



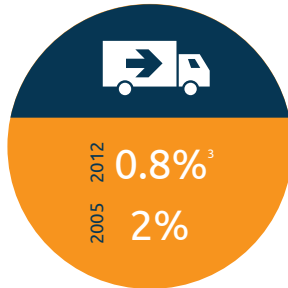
Registered employees in the garment industry (2010)



Share of garments/shoes in total GDP

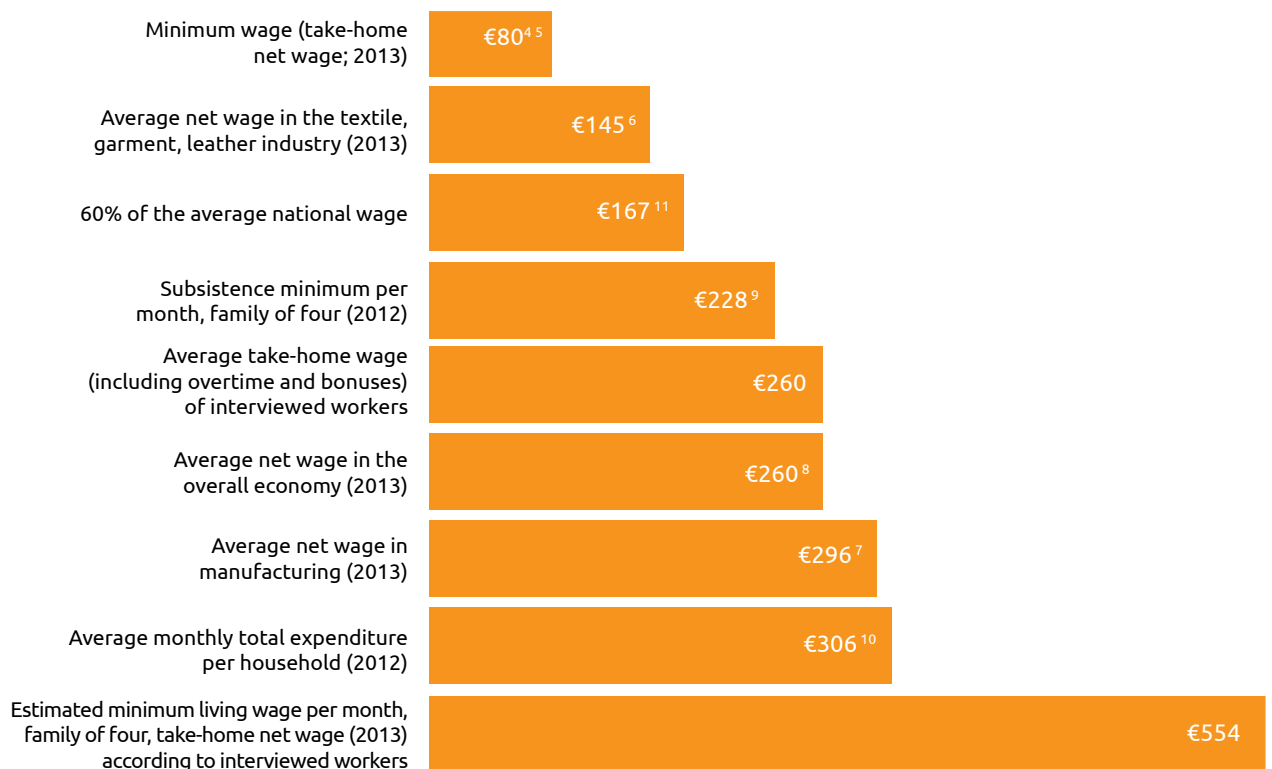


Share of garments in total merchandise exports



Up to 90% of the Ukrainian apparel sector is operating in the shadows. This shadow economy has continued to grow, in order to survive in a crisis. In addition some big and medium sized producers have to apply "grey" schemes to "optimize" the cost structure.

## WAGE COMPARISON



## DEMANDS

- ▶ As a first immediate step, global buyers have to make sure that workers in the Ukraine receive a basic net wage (without overtime and bonuses) of at least 167 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 a living wage to be paid.
- ▶ Stop using the piece rate system and introduce payment by the hour.

## UKRAINIAN GARMENT INDUSTRY - SUFFERING FROM THE 2008/09 ECONOMIC CRISIS

In 1990, the garment sector employed 750,000 workers in the Ukraine. Today, there are around 90,000 employees. Since 2007, the industry has continued to shrink after a period of growth during the previous decade. The economic crisis exacerbated the already downward trend in the apparel sector, resulting in a reduction of 38% in overall apparel production during the first 6 months in 2009.<sup>12</sup> The Ukrainian Association of Light Industry (Associatsia Legprom) estimates that the annual apparel market value is about €7.5 billion, while official figures indicate only €365 million.

Up to 90% of the Ukrainian apparel sector is operating in the shadows. This shadow economy has continued to grow, in order to survive in a crisis. In addition some big and medium sized producers have to apply “grey” schemes to “optimize” the cost structure.<sup>13</sup> “Grey” schemes include cash payments, false labour contracts or no contracts, overtime exceeding legal limits, or unlawful wage deductions.

90% of garments are produced under the OPT/“Lohn” scheme and for export.<sup>14</sup>

The garment and textile sector is the worst paid manufacturing branch and together with postal and courier activities the worst paid sector of the entire economy. In the garment and textile sector, workers make about half the average manufacturing wage. Since the informal and semi-informal activities make up about half of the sector, it can be assumed that the actual average net wage in the sector is considerably lower than the officially stated 1,707 UAH (145 Euro). Moreover, the official wage statistics only include companies with at least 10 employees – thus excluding many micro enterprises in the garment industry where employment conditions are assumed to be worse.

While women usually earn 70% of men’s salaries across all manufacturing sectors<sup>15</sup>, it is assumed that this gap is bigger for the garment industry.

Buyers of the researched factory mentioned by workers include Steilmann, Benetton, Sisley, Next, TopShop, Mexx, Esprit, Betty Barclay, John Lewis, Laura Ashley.

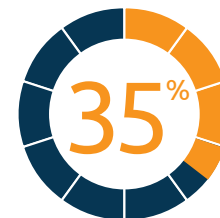
THE LEGAL MINIMUM NET WAGE

€ 80

covers just



of a minimum living wage (554 EUR) and

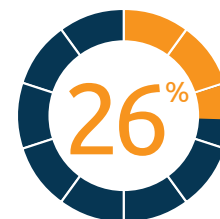


of the official subsistence minimum (228 EUR).

The official average net wages in the sector

€ 145

cover



of a minimum living wage and not even two thirds of the subsistence minimum.

## FIELD RESEARCH FINDINGS<sup>16</sup>

The average take home wage of the interviewed workers was 260 EUR while the minimum wage in 2013 was 80 EUR net. The workers receive a fixed quota they have to meet. There is no overtime. Workers' salaries reach more than the minimum wage working legal, standard working hours. This is assessed by the researcher as an exception and not representative compared to the overall situation in the sector in the Ukraine. All interviewed workers stated that they have no savings for exceptional situations such as medical emergencies. Two of the seven interviewed workers said that they grow their own vegetable and fruit in order to economize on expenses and cope with poverty.

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<sup>1</sup> Including self-employed „entrepreneurs“. It should be noted that official statistics do not cover all private entrepreneurs applying the simplified tax system. Export Marketing Survey – Ukrainian Apparel Market, 2010 , p. 3-4: [www.ukrexport.gov.ua/i/imgsupload/file/Ukrainian\\_Apparel\\_Market\\_Survey\\_en%282%29.pdf](http://www.ukrexport.gov.ua/i/imgsupload/file/Ukrainian_Apparel_Market_Survey_en%282%29.pdf)

<sup>2</sup> Ibid, p. 4

<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 February 2014

<sup>5</sup> = 98 Euro gross – (15% income tax + 3.6% social security)

<sup>6</sup> = 172 Euro – 18.6% - State Statistics Service of Ukraine. Average wages and salaries by types of industrial activity (monthly information), 2013. [www.ukrstat.gov.ua/](http://www.ukrstat.gov.ua/)

<sup>7</sup> = 351 Euro – 18.6% - State Statistics Service of Ukraine. Average wages and salaries by types of economic activity (monthly information), 2013. [www.ukrstat.gov.ua/](http://www.ukrstat.gov.ua/)

<sup>8</sup> = 308 Euro gross – 18.6%; State Statistics Service of Ukraine. Average wages and salaries by types of economic activity (monthly information), 2013. [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)

<sup>9</sup> 76 Euro x 3 consumption units; Official Bulletin of the Cabinet of Ministers of Ukraine, available at: <http://en.info-kmu.com.ua/2013-12-03-000000pm/article/4994876.html>

<sup>10</sup> State Statistics Service of Ukraine. Structure of total expenditure. [www.ukrstat.gov.ua/](http://www.ukrstat.gov.ua/) - last visited: 25 Feb 2014

<sup>11</sup> <http://www.ukrstat.gov.ua/>

<sup>12</sup> Export Marketing Survey – Ukrainian Apparel Market, 2010 [www.ukrexport.gov.ua/i/imgsupload/file/Ukrainian\\_Apparel\\_Market\\_Survey\\_en%282%29.pdf](http://www.ukrexport.gov.ua/i/imgsupload/file/Ukrainian_Apparel_Market_Survey_en%282%29.pdf)

<sup>13</sup> Ibid, p. 4, last visited: 25 Feb 2014

<sup>14</sup> Ibid. Also referred to as “tolling schemes/export oriented”

<sup>15</sup> State Statistics Service of Ukraine. Average monthly wages and salaries of women and men by type of economic activity in 2013: [www.ukrstat.gov.ua/](http://www.ukrstat.gov.ua/)

<sup>16</sup> In December 2013, seven qualitative interviews with workers from one factory were conducted. For the Ukraine, out of capacity reasons only one factory was researched and the full desk research could not be carried out.

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