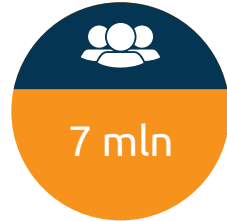
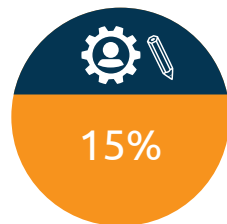
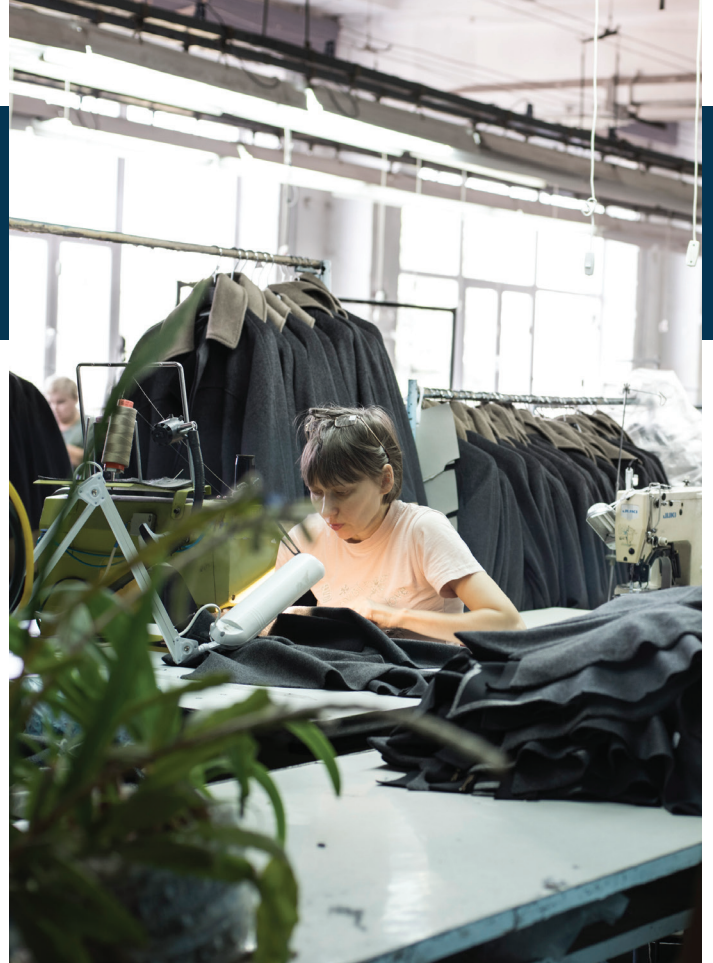
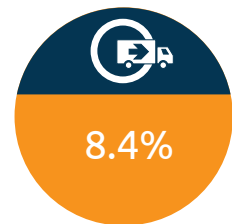


Population

Registered and non-registered employees in the garment and textile industries, 2018¹Share of registered employment in the garment industry in the total employment in manufacturing, 2018²Share of garments and textiles in total export, 2016³

¹ 78,118 people were registered as employees in the garment industry (in the IV quarter of 2018). NSI. *Employees under labour contract at the end of the month by economic activities in 2018*. Available at: www.nsi.bg/en/content/6426/employment-total. According to the trade union Podkrepa, 50,000 more garment workers worked without any contract in 2016. BNT. 2017. *Exploitation in the Textile Industry?*. Available at: <http://news.bnt.bg/bg/a/eksplotitsiya-v-shivashkata-industriya>.

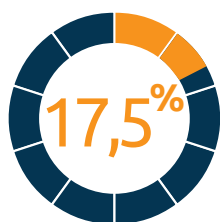
² NSI. *Employees under labour contract at the end of the quarter by economic activities in 2018*. Available at: <http://www.nsi.bg/en/content/6426/employment-%E2%80%93-total>.

³ World Bank. *Bulgaria Textiles and Clothing Exports By Country and Region 2016*. Available at: https://wits.worldbank.org/CountryProfile/en/Country/BGR/Year/2016/TradeFlow/Export/Partner/all/Product/50-63_TextCloth.

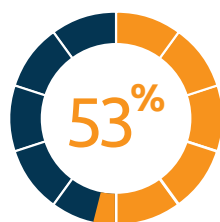
WAGE LADDER BULGARIA 2019

393 BGN / 201 EUR	Average actual net wage within regular working hours (without overtime and bonuses) of interviewees, 2018 ⁴
395 BGN / 202 EUR	Statutory minimum net wage , valid from 1/1/2018 to 31/12/2018 ⁵
506 BGN / 258 EUR	Lowest sectoral average wage according to National Statistical Institute: garment and textile industries, 2017 ⁶
735 BGN / 377 EUR	At risk of poverty threshold EU-SILC, 2018 ⁷
775 BGN / 396 EUR	Demand for an increase of the minimum net wage by the trade union KT Podkrepa, 2017 ⁸
871 BGN / 445 EUR	National average net wage, 2017 ⁹
1,076 BGN / 550 EUR	Average household expenditures per month, 2018 ¹⁰
2,239 BGN / 1,145 EUR	Estimated minimum living wage per month, family of four, as net take-home wage, according to interviewed workers, 2018 ¹¹
2,307 BGN / 1,180 EUR	Highest sectoral average wage according to National Statistical Institute: Information and Communication sector, 2017 ¹²
2,400 BGN / 1,227 EUR	Living wage per month, family of four, according to the trade union federation CITUB, December 2018 ¹³

Share of workers' actual wages in living wage:



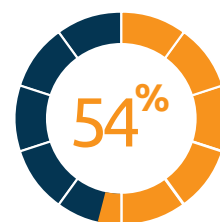
Share of workers' actual wages in the poverty line income



Share of minimum wage in living wage:



Share of minimum wage in the at-risk of poverty threshold:



⁴ The Bulgarian Lev is pegged to the euro, so the conversion rates remains the same.

⁵ The gross amount is 510 BGN (261 EUR) gross of which 10.6% goes towards social security payments and 3.2% towards health insurance, leaving a taxable income of 440 BGN, of which 10% income tax is paid. 10% is a flat tax, i.e. paid independently of the income.

⁶ NSI. n/a. *Statisticheski spravozhnik* 2018, p. 52. Net wage figures are calculated according to the methodology described in footnote 5.

⁷ OANDA, December 26, 2017. Eurostat. n/a. *At-risk-of-poverty threshold for two adults and their two 0-14 y. children - EU-SILC survey; European Union Statistics On Income And Living Conditions (EU-SILC)*. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en

⁸ OANDA, December 26, 2017. Antova, D. 2017. *1000 leva minimalna rabotna zaplata iskat ot KT "Podkrepa" [1000 BGN minimum wage, demands the trade union Podkrepa]*. *news.bg*. Available at: <https://news.bg/finance/1000-leva-minimalna-rabotna-zaplata-iskat-ot-kt-podkrepa.html>.

⁹ NSI. n/a. *Statisticheski spravozhnik* 2018, p. 52. Both net wage figures are calculated according to the methodology described in footnote 5.

¹⁰ NSI. *Total Expenditure of Households by Expenditure Groups*. Available at: <http://www.nsi.bg/en/content/5696/annual-data>.

¹¹ 60 workers were interviewed from March to October 2018 for the purposes of this report. Workers were asked about the sum they would need to cover food (all food, meat once a week), hygiene products and medications, utilities, telephone and internet bills, transport, and clothing for a household of four. Some workers were unable to estimate holiday costs, for instance, as they never go on holiday. In these cases data from numbeo.com were used.

¹² NSI. n/a. *Statisticheski spravozhnik* 2018, p. 53. The net wage is calculated according to the methodology described in footnote 5.

¹³ The sum includes food, clothing, rent, transportation, vacation, education, health care expenses. In contrast to CCC's living wage calculation, the CITUB one does not include savings / discretionary income. Available at: https://tribune.bg/bg/parite/590_lv_na_mesec_sa_nuzhni_na_chovek_za_normalen_zhivot_v_bylgariq_izchisliha_knsb/. BNT. 2019. *KNSB: 2400 leva sa neobhodimi za normalen zivot na chetirichlenno semeystvo [CITUB: A family of four needs 2400 leva for a normal life]*. Available at: <http://news.bnt.bg/bg/a/knsb-2400-lv-na-mesets-sa-neobkhodimi-za-normalen-zhivot-na-chetirichlenno-semeystvo>.



MAJOR IRREGULARITIES IN THE GARMENT SECTOR

Systemic non-payment of legal minimum wage within regular working hours and without allowances.

Forced labour: minimum wage only achievable through overtime work in order to meet excessively high norms.

Wage theft practices and violations of labour law:

- Non-payment of social security contributions
- Misuse of part-time employment
- Unpaid overtime
- Unlawfully high overtime
- Annual leave not fully granted and unlawful restrictions to taking sick leave
- Non-payment of compensation workers are owed after closures and redundancies
- Cases where employers force their employees to take loans from them

Actual and minimum wages create poverty. They are about half of EU-SILC poverty line and far below a living wage. In Bulgaria, the garment industry is the sector with the lowest wages.

Employers introduce **bans on unionisation** and refuse to engage in collective bargaining, hence, the low rates of unionisation (ca 5%¹⁴).

Management by stress: intimidation, pressure, psychological harassment of workers.

RECOMMENDATIONS TO BRANDS

Respect the human right to a living wage.

Act on the above-mentioned violations.

RECOMMENDATIONS TO THE BULGARIAN GOVERNMENT

Strict monitoring of law implementation through labour inspection – appropriate staffing and qualification of labour inspections.

Reintroduction of progressive income taxation and introduction of tax exemption for minimum income earners.

Increase the legal minimum wage to the level of the living wage.

¹⁴ According to interviews with trade unionists from both federations CITUB and Podkrepa.

THE BULGARIAN GARMENT INDUSTRY

After the dramatic de-industrialization and lack of employment opportunities in the early 1990s, garment assembling was one of the few remaining manufacturing industries in Bulgaria. The main industries in the post-socialist Bulgarian economy are labour-intensive and sectors with low added value. They are situated in lower tiers of global value chains, and they attract foreign investors by relying on low wages and the absence of trade unions.

Bulgarian fashion production and exports were growing by the mid-2000s. In 2003 it made up 23% of the total exports and in 2004 10% of all employees worked in this sector. 80% of the produced garments were exported to the EU. The number of registered companies also grew from 3,892 in 2000 to 5,500 in 2002.¹⁵ After the financial crises of 2008/9, the sector started to shrink. While in 2012 95,400 workers were registered employees in this sector,¹⁶ in the 3rd quarter of 2018 the figure dropped to 79,014.¹⁷

Garment factories in Bulgaria predominantly work with materials provided by their clients (most often international brands) – a trade system called Outward Processing Trade (“Ishleme” in Bulgarian). The buyer-driven commodity chain makes the garment sector very volatile and insecure for suppliers. Economic vulnerability and the dependence on buyers translates into low wages and social insecurity for workers.²⁵

ASOS,¹⁸ Armani, Benetton, C&A,¹⁹ ESPRIT,²⁰ Givenchy, Intimissimi, H&M,²¹ Hugo Boss, Kenzo, Marks & Spencer,²² Nike,²³ Next,²⁴ Strellson, Versace, are among the brands/ buyers operating in Bulgaria. Data on those were found during field research, in published supplier lists of brands and retailers, as well as in media publications.

In 2017 Bulgaria's garment and textile export destinations were

Germany (21%)
Italy (19%)
Greece (10%)
France (9%)²⁶



POOREST EU MEMBER STATE – HIGH RATES OF OUTWARD LABOUR MIGRATION

The Council of the EU in its Joint Employment Report 2019 stated that every third person in Bulgaria faces “severe material deprivation” (30%). This is by far the highest rate in the EU – followed by Greece and Romania with around 20%. Every third Bulgarian citizen and every second woman aged 65 or above is poor (31% / over 50%). Again, these are by far the highest rates among member states. Furthermore, income inequality and child poverty are almost twice higher than the EU average; 30% of households’ healthcare expenditures are out-of-pocket payments, which are not reimbursed by any healthcare scheme – again the highest rate among member states. Therefore, the Joint Employment Report 2019 declared a “critical situation” in Bulgaria because of the high risk of poverty and social exclusion as well as income inequality.²⁷

¹⁵ See Evgeniev, E. *Problemi i perspektivi pred malkite i srednite predpriatia v bulgarskata tekstilna promishlenost [Challenges and perspectives to SMEs in the Bulgarian textile industry]*. Available at: https://www.researchgate.net/publication/292025153_Problemi_i_perspektivi_pred_malkite_i_srednite_predpriatia_v_blgarskata_tekstilna_promishlenost; Marinova, Y. 2008. *Tekstilnata i shivashkata promishlenost v Bulgaria - predi i sled prisaediniavane to na stranata kam Evropeiskiq Sayuz [Textile and garment industry in Bulgaria - before and after EU accession]*. In *Economic Alternatives* 4.

¹⁶ Clean Clothes Campaign. 2012. *Bulgaria: Country Profile*. Available at: <https://cleanclothes.org/livingwage/europe/country-profiles/bulgaria>.

¹⁷ NSI. *Employees under labour contract at the end of the month by economic activity in 2018*. Available at: www.nsi.bg/en/content/6426/employment---total.

¹⁸ ASOS. n/a. *Our Factory List*. Available at: <https://www.asosplc.com/corporate-responsibility/our-products/our-supply-chain#/BG>.

¹⁹ C&A. n/a. *Our Suppliers' Factory List*. Available at: <http://sustainability.c-and-a.com/supplier-list/>.

²⁰ Esprit. n/a. *Esprit Supplier List*. Available at: https://www.esprit.com/_Resources/Persistent/8/3/2/8/8328c5fa66b445ad36da34cfbf95262ba453391c/Esprit_Supplier_List_02_2019.xlsx.

²¹ H&M Group. n/a. *Our supplier factory list*. Available at: <https://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>.

²² Marks & Spencer. n/a. *M&S Interactive Map*. Available at: <https://interactivemap.marksandspencer.com/?sectionPID=56c359428b0c1e3d3ccdf022®ionPID=56c35b6572529b0698191dd2>.

²³ Nike. n/a. *Nike Manufacturing Map*. Available at: <http://manufacturingmap.nikeinc.com/>.

²⁴ Next. n/a. *MANUFACTURING SITES - Produced January 2019*. Available at: https://www.nextplc.co.uk/~/_media/Files/N/Next-PLC-V2/documents/corporate-responsibility/factory-list-jan19.pdf.

²⁵ See Evgeniev, E. 2007. ‘Before and After Eastern Enlargement and Its Impact on the European Textile and Clothing Industry and Trade.’ In David Lane, et al. *Restructuring of the Economic Elites After State Socialism*. Stuttgart: ibidem-Verlag.

²⁶ World Bank. *Bulgaria Textiles and Clothing Exports By Country and Region 2016*. Available at: https://wits.worldbank.org/CountryProfile/en/Country/BGR/Year/2016/TradeFlow/Export/Partner/all/Product/50-63_TextCloth.

²⁷ Council of the European Union. 2019. *Joint Employment Report 2019*. Page 177, 179, 181, 183, 195, 196, 202, available at: <https://data.consilium.europa.eu/doc/document/ST-7619-2019-INIT/en/pdf>. Money.bg. 2018. *Inequality rates in Bulgaria the highest in the EU and continues rising*. Available at: <https://money.bg/economics/neravenstvoto-v-balgariya-e-nay-visoko-v-es-i-prodalzhava-da-se-uvlechava.html>.

"For a few months we only ate the potatoes that we produce to save enough to send our child to school." (worker)

"I dream of having enough money to shop only at the neighborhood supermarket for a month, without having to walk to the [cheaper] hypermarket at the other end of town." (worker)

"We have to buy second hand clothes, second hand car, second hand books, second hand computers, we might be buying second hand food soon." (worker)



Another EU report, the European Commission's *Country Report: Bulgaria* concedes that there has been "limited progress (...) in establishing a **transparent mechanism for setting the minimum wage**" and that the severe social situation is the "result of the low spending on social protection, which is partly due to the low level of tax revenue, and the lack of progressivity in the tax system"²⁸.

The **flat income tax of 10%** was introduced in 2007 following other Eastern European countries which have already introduced this personal and corporate income tax system in order to attract foreign investment.²⁹ Wherever there is flat taxation workers earning only minimum wage and millionaires alike have to pay the same tax rate: 10 percent – an extremely socially unbalanced taxation system. Progressive taxation, which is in place in most Western European countries, is a more balanced way of redistributing wealth. In 2017 both confederations of trade unions – CITUB and KT Podkrepa – insisted that the legal minimum is not taxed. This measure would affect workers in the garment industry the most, as their income is close to minimum wage. Such demands were raised by a campaign for the introduction of progressive taxation in Bulgaria in 2017. Trade unions, media, political parties and civil society organisations took part in the campaign.³⁰

The EU Council's report and European Commission's *Country Report Bulgaria* do not shed light on other grave issues – endemic working poor, repression of unions, non-observance of the law, as well as widespread violations of human rights. The 2018 CCC country profile shows that the latter are widespread in the garment sector which has 130.000 employees. As a direct impact of this **social crisis in Bulgaria**, family members of tailors and many other citizens emigrate in search of means for survival – and all too often end up doing other precarious jobs in Western Europe.

²⁸ EC. Commission Staff Working Document. *Country Report Bulgaria. Including an In-Depth Review on the prevention and correction of macroeconomic imbalances*. 2018. Page 2, 36. Available at: https://ec.europa.eu/info/files/2018-european-semester-country-report-bulgaria_en.

²⁹ Kassabov, O., Grigorova, V. and I. Atanasov. 2018. *Plosuk danak ili demokratsiya? [Flat tax or democracy?]*. Sofia: KOI.

³⁰ *Da sprem mashinata za neravenstvo*. Available at: <https://spravedliva.bg/petitsia>.

SYSTEMIC NON-PAYMENT OF LEGAL MINIMUM WAGE FOR REGULAR WORKING HOURS

The wage ladder shows that the minimum wage is far from securing the human right to a living wage, and far from the wages prescribed in the European Pillar of Social Rights, Chapter II, 6: *“Workers have the right to fair wages that provide for a decent standard of living. (...) In-work poverty shall be prevented.”*

But even this low wage is not paid within regular working hours. The minimum wage must be earned within the regular working hours and it must be a base wage, which is earned by everyone, without allowances or bonus. But this is what fieldwork revealed: The average net wage (including overtime and bonuses) of interviewed workers amounted to 592 BGN / 302 EUR. The minimum overtime interviewed workers had to do was 16 hours per month (2 Saturdays per month). If we deduct the 16 hours of overtime (according to the law, overtime should be paid at a rate of 150%) from 592 BGN / 302 EUR, the resulting net wage for regular working hours is 521 BGN / 266 EUR. This wage includes allowances for attendance and experience. Interviewed workers reported that they receive between 100 BGN / 51 EUR and 150 BGN / 77 EUR as attendance bonus per month, i.e. an average of 125 BGN. Also, most interviewees had over ten years of experience, which translates to at least 40 BGN / 20 EUR experience bonus. Thus, the average bonuses amount to 165 BGN / 85 EUR gross and 128 BGN / 65 EUR net (after taxation, etc.). Average net base wage of interviewed workers within regular working hours is in average 393 BGN / 201 EUR – practically less than the statutory minimum net wage of 395 BGN / 202 EUR in 2018. Workers receive below the minimum wage if remuneration for overtime and allowances are deducted. The fact that the minimum overtime (16 hours per month) that the interviewed workers do and minimum allowances are used for the calculation of their wages shows that the reality for many is even grimmer.



*“You walk in at 8 in the morning, and you do not know when you go out.”
“Our men are mad at us for working so late. Sometimes we go back home at 4 AM.”*

National Social Security Institute data confirm Clean Clothes Campaign’s field research findings: Most factory floor workers do not receive the statutory minimum wage. According to these data, the average declared net income for “machine operators” (e.g. tailors) in 2017 was about 367 BGN / 188 EUR net. Importantly, these figures include overtime and allowances (such as attendance bonus). After deducting allowances and overtime payments, even **according to official statistics, garment workers frequently do not earn the legal minimum wage** (net in 2017: 359 BGN / 184 EUR).

In addition to the fact that even the legal minimum wage is systematically unpaid, it is below the poverty line and far below an estimated living wage (see wage ladder above). Despite the increase of the legal minimum wage during the past 5 years (from 310 BGN/158 EUR in 2013 to 510 BGN / 260 EUR in 2018), the minimum salary cannot catch up with the increasing productivity levels³¹ and with the rising living costs of workers. In the years following the financial crisis of 2008/2009 the minimum wage in some Eastern European countries was frozen as a conditionality for loans lent by European Commission, European Central Bank and IMF.³²

Frequent wage theft practices include also **arbitrary disciplinary deductions**. Part of the wage is paid in the form of allowances (for experience or attendance). A full month's attendance bonus can be lost if a worker takes a sick day and sometimes even if she is late for work once.

Previous CCC investigations found widespread poverty and misery among Bulgarian workers in the fashion industry.³³ This is still the case. **The increases in minimum wages seem to be accompanied by its endemic non-payment.**

FORCED LABOUR

Fieldwork found that the minimum wage is often tied to fulfilling a norm, which is set unilaterally by the employer. The norm increases with the minimum wage. At one of the studied factories, hardly any worker was able to reach the norm within regular working hours. The legal minimum wage can only be earned with overtime and by fulfilling a norm. This is the ILO's definition of forced labour.

IMPACT OF FACTORY CLOSURES

Already back in 2014, CCC found that closures are often accompanied by non-payment of several months' worth of wages. There is a national public fund (Guaranteed Employee Benefits Fund), which is supposed to pay workers the wages they are owed in such cases. Nevertheless, it had not been utilised properly,³⁴ not

only in cases of garment factory closures, but also in cases of retail store closures, despite workers' protests.³⁵ However, in 2018 the Labour Inspection acquired the right to start insolvency procedures against companies if they fail to pay the wages they owe for two or more months to a third of their employees. This reform was to remedy the effects of closures, which are a chronic issue in the garment industry.

MISUSE OF PART-TIME CONTRACTS AND UNLAWFUL WAGE PAYMENTS

A common problem in the sector, especially visible since the 2008 crisis, is that workers are pressured to sign part-time contracts (say 4 hours per day), while in reality, they work for 8 or more hours. The difference between contractual and actual wages is paid informally in cash. Thus, employers and workers do not pay the full amount of statutory social contributions. This practice often affects even companies who otherwise operate according to the laws.

WORKING TIME

Working hours vary greatly throughout the year, depending on the deadlines for brands' orders. This forces workers to do sometimes excessive overtime and take unpaid leave later on. This unlawful practice can be covered up because of recent legal amendments to the working time laws (Art. 142 of the Labour Code on "summed calculation of labour time"). They allow working days lasting more than 8 hours without considering and paying accordingly the overtime, as long as workers are compensated with unpaid leave within a six months period. Nevertheless, working hours must not exceed 12 hours per day and 56 hours within a week. Employers are allowed to transfer working hours within six months periods from one day to another. In practice, this regulation is frequently abused, because there is no firm political will to monitor it, especially in cases where there is accumulation of many transfers of working hours. Workers reported cases in which the paperwork abides by legislative requirements, but it does not reflect the actual working hours.

³¹ Grigorova, V. 2018. *Kriza na kadrite: Deficit na rabotna raka ili na dostojno zaplashatane?* [The Personnel Crisis: Labour Shortage or Shortage of Decent Pay], p. 28.

³² Luginbühl, Christa and Musiolek, Bettina. 2016. *Clean Clothes Campaign: Labour on a shoestring. The realities of working in Europe's shoe manufacturing peripheries in Albania, Bosnia-Herzegovina, Macedonia, Poland, Romania and Slovakia*. Entwicklungspolitisches Netzwerk Sachsen e.V. & Public Eye, p. 12. Available at: <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>.

³³ Luginbühl, Christa and Musiolek, Bettina. 2014. *Clean Clothes Campaign: Stitched up: Poverty Wages for Garment Workers in Eastern Europe and Turkey*. <https://cleanclothes.org/resources/publications/stitched-up-1>.

³⁴ Baricada. 2017. *Sled dulga bitka: Parlamentat pomogna na oshteteni rabotnitsi da poluchat parite si* [After a long struggle: Parliament helped wronged workers to receive their money]. Available at: <https://baricada.org/2017/12/13/obezshetenia-rabotnici/>.

³⁵ Brandiyski, G.. 2017. *Nov sindikat izleze na protest pred parlamenta* [New union protests in front of Parliament]. Dir.bg. Available at: olddnes.dir.bg/temite/news/protest-rabotnitsi-26342141?tag_id=45311.

LABOUR INSPECTION

Latest Labour Inspection data on the garment and textile industries for 2018 shows that the health and safety violations constitute the majority of irregularities found by the inspectorate. 1,278 checks in 911 garment factories found 5,442 violations in total. Those related to health and safety were 2,869 and the violations related to wages and contracts (work without contract, violations of labour time or in calculation of wages) were 2,570.³⁶ Most violations detected by the inspectorate are related to miscalculation of overtime and irregular contracts.³⁷

REPRESSION AGAINST UNIONS

The low unionization rates in the sector (5% according to unions' own estimates) are one of the major reasons for the low wages. Workers do not join unions because management prevents them from doing so. Employers initiate smear campaigns against union activists. Managers claim that wages cannot be increased, as this will lead to them losing orders and to buyers looking for new contractors elsewhere. What is more, the government does not consider the poverty wages of garment workers a problem and does not insist on the introduction of any policies, which encourage collective bargaining.

There are only 15 collective bargaining agreements on factory level in the whole garment sector.³⁸ What is more, collective bargaining is sometimes suspended unilaterally by employers, such as in the case of the large factory Pirin Tex in Southwest Bulgaria. Unions push for a sectoral collective agreement, but there is no explicit and visible support for that process on behalf of the government, international brands or the sectoral employers' associations. Employers are divided and sometimes make contradictory statements, which precludes potential sectoral collective agreement negotiations that could improve conditions and wages.

"We complain about working conditions all the time, but only to each other." (worker)

Unionists have been trying to use Global Framework Agreements, signed by some of the big brands such as H&M, Inditex/Zara and Esprit with IndustriALL Global Union, in order to push for the unionization of workers. But in practice workers and unionists did not report on new organizing or collective bargaining.

Fieldwork showed that wages, working conditions and respect for the labour code are largely dependent on whether there is an active union at the factory. Active unions are a guarantee for significantly fewer violations of the labour code, particularly in terms of unpaid overtime. There are also no registered cases of irregular cash payments and the contractual conditions generally reflected actual arrangements.

LACK OF WORKFORCE

Garment industry employers claim that the main reason for the shrinking of the sector is the lack of qualified labour force. However, it is clear that the actual reasons are low wages and bad working conditions.³⁹ The fieldwork conducted for this study confirmed this. Interviewed workers held that poverty wages are the major reason why companies in the sector struggle to find young workers.

Public attention to working conditions in the garment industry in Bulgaria

Despite the fact that working conditions in the garment industry in Bulgaria are notoriously dire, there has been only sporadic reporting on the difficulties workers face at their workplaces. However, in September 2018 Clean Clothes Campaign published the report *"H&M: fair living wages were promised, poverty wages are the reality. Research findings on wages at H&M's strategic suppliers, five years after the brand's living wage promise"*. This report was accompanied by the campaign #TurnAroundHM!.⁴⁰ The initiative reminded H&M of the company's 2013 commitment to pay a "fair living wage" to workers producing clothes for the giant. For the report, workers at H&M's strategic suppliers in Bulgaria, Turkey, Cambodia and India were interviewed. None of the H&M suppliers in these countries paid a living wage. The gap between the actual and living wages was the widest in Bulgaria.

³⁶ Ministry of Labor and Social Policy. *On the Working Conditions and Remuneration in the Sector of Textile Industry in Bulgaria*. 2018 (Bulgarian). Available at: <https://www.parliament.bg/pub/PK/327600854-06-1361.pdf>.

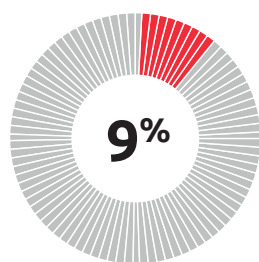
³⁷ Ministry of Labor and Social Policy. *On the Working Conditions and Remuneration in the Sector of Textile Industry in Bulgaria*. 2018 (Bulgarian). Available at: <https://www.parliament.bg/pub/PK/327600854-06-1361.pdf>.

³⁸ Ministry of Labor and Social Policy. *On the Working Conditions and Remuneration in the Sector of Textile Industry in Bulgaria*. 2018. Available at: <https://www.parliament.bg/pub/PK/327600854-06-1361.pdf>.

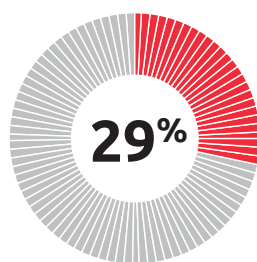
³⁹ Vanya Grigorova. 2018. *Kriza na kadrite: Deficit na rabotna raka ili na dostojno zaplashtane? [Personnel Crisis: Labour Shortage or Shortage of Decent Pay]*. Sofia: FES/Solidary Bulgaria. Available at: <http://solidbul.eu/?p=7783>.

⁴⁰ Information on #TurnAroundHM! is available at: www.turnaroundhm.org. The report on wages at strategic suppliers of H&M in Bulgaria, Turkey, Cambodia and India is available here: <https://turnaroundhm.org/static/hm-wages-september2018-full-107815e8a7b-c3bd4ffbfeca3426f1dcd.pdf>.

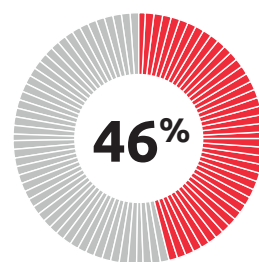
WORKERS' WAGE AS A SHARE OF A LIVING WAGE



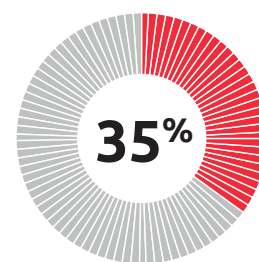
BULGARIA



TURKEY



CAMBODIA



INDIA

The publication of the report received tremendous local and international media attention, particularly focusing on conditions in Bulgaria.⁴¹ Such reports challenge mainstream assertions that the shrinking of the sector is due to lack of qualified workers, and point to the effects of poverty wages and poor working conditions. Yet, a stronger civil society and trade unions are needed to achieve real change.

METHODOLOGY

The fieldwork was conducted from March to September 2018 and it consisted of talks, interviews and surveys with 60 workers from 8 garment factories throughout Bulgaria. The interviews tackled issues of wages, working time, intensity of production, safety, unionisation and industrial relations. Five trade unionists and an expert from the Labour Inspection were interviewed.

THE CASE OF KOUSH MODA, BULGARIA – AN H&M 'GOLD SUPPLIER'

"You enter the factory at 8 in the morning, but you never know when you will be able to leave. Sometimes we go home at 4 AM."
(worker in Bulgaria)

Workers are pressured to work 12 hours per day, 7 days a week, but they still do not receive the statutory minimum wage within standard working hours.

Workers reported that they have to work overtime just to earn the statutory minimum wage, but even doing overtime does not necessarily mean they will receive the minimum wage. Workers reported that they have to work 12 hours per day, 7 days a week. Sometimes they work 16 hours in a row, plus the next day's shift. At the time of research,

this amounted to 44 hours of overtime per week (4 hours per weekday + 2 x 12 hours during weekends). This is far beyond any legal limits for overtime and for consecutive working hours.

Respondents reported that on some days in April 2018 they worked from 8AM till 1AM on the next day, as they were behind schedule with an H&M order. They were expected to also show up on time for work - at 8AM on the same day, just a few hours after their previous shift had ended. Employees are forced to work overtime because of their reliance on company buses to transport them to their home villages. Buses leave whenever the management decides, and workers cannot easily access alternative means of transportation. In winter, when access by bus to villages in the mountain is difficult, workers are brought to the factory in the morning by company cars but are forced to walk in the deep snow a few kilometres in the night via the steep mountain road back home.

There was a reported case of fainting due to overwork.

Bulgarian labour law determines that the overtime premium must be 50% on regular working days, 75% on weekends, and 100% on official holidays. The workers with the highest salary in the factory are said to receive about 900 BGN net (459 EUR). For a Bulgarian garment worker, this is unusually high, but this includes payment for 44 overtime hours per week. Within the regular working hours it translates to net earnings of only 341 BGN/174 EUR/208 USD, which is still below the statutory minimum wage (400 BGN/204 EUR/244 USD net).⁴² For the average reported net salary of 507 BGN (259 EUR/309 USD), the wage earned **within regular working hours is 192 BGN/98 EUR/117 USD per month on average**⁴³ with an **hourly wage of 1 BGN /0,51 EUR/0,61 USD.**

⁴¹ EuroNews. 2019. *Fashion victims: Bulgaria's textile workers on the poverty line*. Available at: <https://www.euronews.com/2019/02/12/bulgarian-textile-workers-in-bulgaria-demand-eu-wide-minimum-wage>.
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Henrichmann, Julia. 2018. High pressure, low wages. Available at: <https://www.dw.com/en/high-pressure-low-wages/av-45641393>.

⁴² $900 / (176 + 4 \text{ weeks} \times (5 \times 4 \times 1,5 + 24 \times 1,75 \text{ overtime premium})) = 1,94 \text{ BGN per hour}; 1,94 \times 176 = 341 \text{ BGN earned wages within regular working hours of } 176 \text{ per month.}$

⁴³ $507 / (176 + 4 \text{ weeks} \times (5 \times 4 \times 1,5 + 24 \times 1,75 \text{ overtime premium})) = 1,09 \text{ BGN hourly wages}; 1,09 \times 176 = 192 \text{ BGN net monthly wages within regular working hours.}$

*"To save money, we buy second hand clothes – sometimes H&M clothes!"
(worker in Bulgaria)*

Interviewed workers shared that their wage cannot cover only the basics in terms of food, clothes, heating, education.

Most interviewed workers had a regular contract, but some worked without any contract and were paid in cash on a daily basis (between 10 and 20 EUR) in a direct violation of the law. The factory also employs home based workers, who are paid piece rates for unseaming defective garments.

Workers in the factory reported that labour inspection visits were preceded by the management instructing workers how to respond.

Regional union activists have tried to organize workers, but this attempt was blocked by the owners of the factory. Workers fear that if they try to unionize, they will be fired or otherwise punished.

What happened in Bulgaria after CCC's report was published?

When a Bulgarian weekly asked H&M to comment on CCC's report⁴⁴ in September 2018, H&M confirmed that overtime was an issue at the Koush Moda factory and that the company has taken measures to decrease it. H&M denied that there were wages lower than the minimum wage at the factory, but they do not subtract the bonuses and overtime payments which are included in the wages they pay. In 2018 in a statement for the German weekly *Die Zeit*, Koush Group claimed that the gross wage they pay is 260 EUR per month which equals the minimum wage. However, any statutory minimum wage has to be paid within regular working hours and must be the base wage without allowances, so that all workers receive it. Following the start of the campaign #TurnAroundHM!, Koush Group took down their website.

The CCC H&M report led to an MP from the Bulgarian Socialist Party to inquire into working conditions in the sector,⁴⁵ and received an official response from the Ministry of Social Policy.⁴⁶ The ministry acknowledged the detrimental effect that contracting practices have on working conditions, workers' legitimate fears of repercussions after speaking out, and the non-payment of overtime work.

CASE STUDY PIRIN-TEX

Pirin-Tex is one of Bulgaria's biggest garment factories. Gotse Delchev, South Western Bulgaria, where the factory is situated, is a centre of the industry. The company has its own brand "Rollmann" sold mainly in Bulgaria. Bertram Rollmann is the name of the owner. Its biggest and long-standing client is Hugo Boss. Pirin-Tex was established in 1993 and started production in 1994. Actually, Pirin-Tex is split into different legal entities – one which owns the machines, one which employs workers and one for trade, and another which is responsible for commerce. It now employs less than 1,500 workers.

Mr. Rollmann is well-known in Bulgaria. He often appears in media to debate economic policies and is also regularly quoted in international media outlets. Mr. Rollmann used to enjoy positive media coverage as a major employer in Bulgaria with allegedly better conditions.⁴⁷ But this perception started to change in 2018 when some media published critical reports on the working conditions in his factory.⁴⁸

The collective bargaining contract in Pirin-Tex was the result of a strike in 2007 which lasted a month. It was one of the few regular strikes ever happened in this sector. After the strike the Podkrepa union and the owner signed a collective agreement which saw the substantial increase of wages and of vaca-

⁴⁴ CCC. 2018. *Workers reveal poverty wages and labour law violations in H&M's supply chain*. Available at: <https://cleanclothes.org/news/2018/09/26/workers-reveal-poverty-wages-and-labour-law-violations-in-h-ms-supply-chain>.

⁴⁵ Gyokov, Georgi. 2018. *On the Working Conditions and Remuneration in the Sector of Textile Industry in Bulgaria*. Available at: <https://www.parliament.bg/pub/PK/325907854-06-1361.pdf>.

⁴⁶ Ministry of Labor and Social Policy. *On the Working Conditions and Remuneration in the Sector of Textile Industry in Bulgaria*. 2018. Available at: <https://www.parliament.bg/pub/PK/327600854-06-1361.pdf>.

⁴⁷ Taslakova, Roumiana. 2007. Mode aus Bulgarien für Europa. In: *Deutsche Welle*. Available at: <https://www.dw.com/de/mode-aus-bulgarien-für-europa/a-2732436>.

Tsekov, N. 2018. Not Only People Run away from Bulgaria. Money does, too. In: *Deutsche Welle*. Available at: <https://www.dw.com/bg/от-българия-вече-бягат-не-само-хора-бягат-и-пари/a-45331623>.

⁴⁸ Heinrichmann, Julia. 2018. High Pressure, Low Wages. In: *Deutsche Welle*. Available at: <https://www.dw.com/en/high-pressure-low-wages/av-45641393>

tion time, and the limit of overtime work to two days per month. The factory's production capacities were growing, together with the number of employed workers. In 2007 2,300 were employed and in 2014 the figure grew to 3,400. But stagnating wages and rising consumer prices led to difficulties in attracting and retaining workers, and employed workers fell to 2000 in 2016. With termination of collective bargaining and new labour contracts, Pirin-Tex management was striving to have higher flexibility and productivity. He claimed to have terminated collective bargaining in order to attract new employees. However, after its termination the number of workers has dropped to 1500 in 2019, according to interviewed workers and unionists.

All interviewed workers have stated that after the 2007 strike conditions improved substantially, but that they deteriorated after termination of the collective agreement at the end of 2017. Workers mainly complain about impossibly high norms and management insulting workers.

New labour contracts – wages below minimum wage, degrading treatment

After Rollmann ended the collective bargaining process, workers were pressed to sign new labour contracts. Some workers were not allowed to enter the factory if they had not signed the new contract. Workers who resisted got their wages reduced. Another 'technique' to pressure workers to sign

the contract was for their direct supervisor to frequently change their assigned operations; workers need to adapt and as a result, their performance and norm fall.

Another common grievance among workers was the mounting pressure by management and supervisors: they are constantly insulted, yelled at and dehumanized. The strong anti-union policies of the management have reduced union membership by half in 2017 alone. According to workers and unionists, management has been intimidating union activists and has been trying to fire them.

The new contracts reduce the overtime and loyalty premiums but increase the productivity premium. Loyalty premiums would be particularly important for workers who in their majority have been working for more than 10 years in the factory. While management promised to increase wages, the opposite is in fact the case: The basic (relatively high) wage of 941 BGN / 481 EUR gross can only be received if the norm is reached by at least 70%. On average, workers reach 60% of the norm and earn 564 BGN / 288 EUR gross, which is slightly higher than minimum wage (510 BGN gross in 2018). Since 60% is the average, this means that workers get paid below minimum wage when overtime premiums and allowances are deducted.

Respondents also reported rejection of sick leaves. Management has pressed local doctors to abstain from issuing medical certificates.



Clean Clothes Campaign



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**In order to protect the privacy and
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