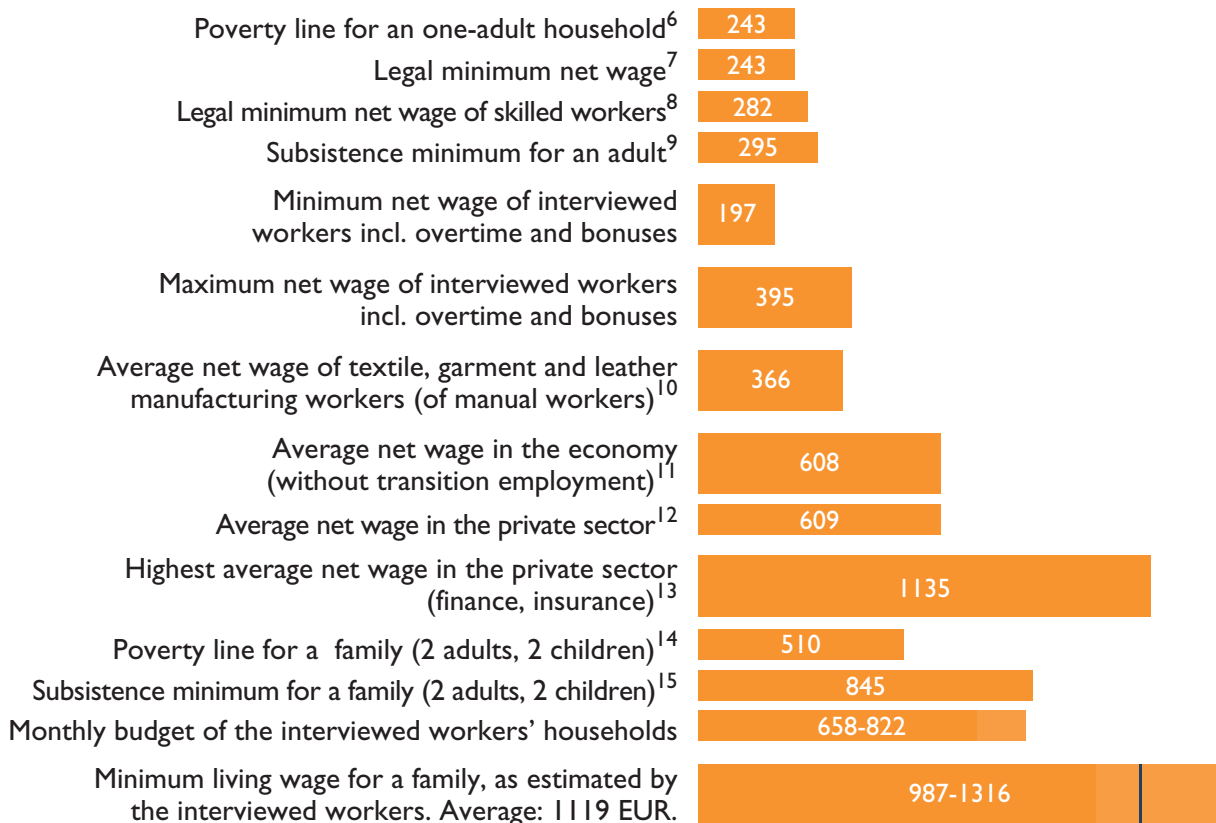


**Wage Ladder Hungary (monthly figures) 2016 (EUR)<sup>5</sup>**



# WAGES, LABOUR RIGHTS AND WORKING CONDITIONS

- Many times the legal minimum wage is only paid to the employee who meets 100% of the norm established by the employer, thus the actual payments may be lower than the mandatory minimum wage. There are “ways to avoid the payment of minimum wages on a normative basis”.<sup>16</sup>
- The wage of many garment workers is under or just around the subsistence level, which means that if we define poverty only by the income, many garment workers would be close to being categorized as poor.
- Many of the workers in the sector live in material deprivation despite working full time or even more than 8 hours a day due to frequent overtime.
- Many of the interviewed workers need to juggle with the payment of accommodation expenses, which causes them to fall behind temporarily.
- Workers cannot afford to buy quality food nor go to vacation, and there are strong indications that they lack funds for unexpected expenses as well.
- Employees work overtime in all surveyed factories both during the week days and on weekends. Excessive overtime is seasonal, usually due to temporary close downs or over-capacity commitments. People work on Saturdays and longer hours because this increases their overall income.
- The lack of air-conditioning is a major problem in all the researched factories. People work in 35-42 °C on a typical warm summer day.
- The legal environment does not favour unions. To have a full-time union representative in a factory would require approximately 320 registered union members<sup>17</sup>. This is possible only with a large company size and a high organization rate. There are only 4 companies in Hungary, where the total number of employees is higher than 320.

## RECOMMENDATIONS TO BRANDS AND FACTORIES

Brands and factories should not abuse their dominant influence, take advantage of weak labour law or the low unionisation of workers. They should ensure that workers are not exploited. Brands are responsible for respecting human and labour rights along their whole supply chains.

### **Brands and factories should ensure that:**

- ▶ Workers are paid a living wage which is above the legal minimum wage and does not include overtime payment or bonuses.
- ▶ Production norms are realistic, do not undermine the payment of the minimum wage or skilled workers' wage minimum, but allow the payment of a living wage.
- ▶ They do not manipulate job categories to avoid the payment of the higher skilled workers' wage minimum and to pay the lower minimum wage.
- ▶ They provide safe, healthy and decent working conditions.

### **The government should:**

- ▶ Determine the minimum wage and the skilled workers' wage minimum to allow payment of the living wage and decent living of workers.
- ▶ Calculate and publish the subsistence living standards and income, and ensure that workers receive at least the amount sufficient to meet these without overtime and bonuses.
- ▶ Monitor and enforce labour law, and not tolerate the manipulation of production norms or of the job categories thereby driving down of wages.

According to media articles, supplier list, websites or other local sources, the following brands and retailers are among the international companies sourcing from Hungary: Bäumler (Ingolstadt), Gucci, Next, Peter Hahn, Stella McCartney, Strenesse, Tommy Hilfiger (PVH).

# THE HUNGARIAN GARMENT INDUSTRY

The Hungarian garment industry supplies Western-European fashion brands and companies among others. Many luxury brands are being produced in the country. Hungary is an ideal place for production: it is within the European Union and companies producing here enjoy the advantages of geographical proximity and of the single market, while production costs are significantly lower than in Western-Europe and quality is relatively good.

The industry mainly produces for export. According to estimates, the export is generally around 80%. In 2016 the export share was around 63% of garment manufacturing<sup>18</sup>. The Association of Hungarian Light Industry (AHLI) estimates that 90% of the export is Outward Processing Trade (OPT) and the typical target countries are the EU member states.<sup>19</sup> Textile and garment industry is concentrated in the most deprived regions of the country.

In 2016 the garment industry employed about 20,213 people, 43% of them in outerware production<sup>20</sup>. Employment has been decreasing in the past 5 years. People employed are about 0.4% of all employees and 2% of manufacturing employees.<sup>21</sup> Close to 90% of the garment workers are women. According to experts, grey or black employment is more typical for smaller manufacturers, and not for bigger factories. Some experts estimate that as much as 30% of all production is not visible, owing to the fact that the manufacturing units are too small and thus unnoticeable by the official statistics.

## LACK OF WORKFORCE

The lack of workforce is the most dominant problem of the industry, which already threatens the existence of the industry itself. This is the result of the poor prestige of the profession, due to extreme low wages, the complexity of work and its physically demanding nature. Additionally, public employment became a serious demand-side competitor on the labour market<sup>22</sup>. Recruitment is challenging in the sector and the current workforce is ageing.

## WAGES

The gross hourly wages were between 600-700 HUF (1.9-2.3 EUR)<sup>23</sup>, the net monthly wages were between 60,000 and 120,000 HUF (197-395 EUR) in the researched factories. If the base wage is topped up with overtime payment, the net monthly earning can be around 100,000 HUF (329 EUR), if the worker is not entitled to other benefits. If someone is very productive, achieves more than the assembly line or individual target, the net monthly wage can be 110,000-115,000 HUF (362-378 EUR).

This means that the wage of many garment workers is under or just around the subsistence level. This amount was around 295 EUR (88,619 HUF) in 2016<sup>24</sup>. Moreover, wages are sometimes close to the poverty line, which was 73,900 HUF in 2016 (243 EUR)<sup>25</sup>. This means that if we define poverty only by the income, many garment workers are close to being categorized as poor.

The households, whose members we interviewed, have in general a monthly budget of 200,000-250,000 HUF (658-822 EUR). Their impression is that a monthly household budget of 300,000 (987 EUR), or 400,000 HUF (1,316 EUR) would be necessary for decent living. They would like to earn between 50,000-150,000 HUF (164-493 EUR) more per month. Living costs depend on the number of children too, and in general, the interviewees consider 100,000 HUF (329 EUR) more for each month per capita to be a reasonable amount.

There is a high probability that many of the workers in the sector live in material deprivation despite working full time or even more than 8 hours a day due to frequent overtime<sup>26</sup>. The need to juggle with the payment of accommodation expenses and thus falling behind temporarily are highly typical; workers cannot afford to buy quality food nor go to vacation, and there are strong indications that workers lack funds for unexpected expenses as well. According to the Association of Hungarian Light Industry, "based on wages in manufacturing as a whole, the average net income in the »garment« sectors is between 60-62%, representing a decline compared to previous years (e.g., in 2008 it was around 65%)."

## OVERTIME, WORKING HOURS

Employees work overtime in all surveyed factories both during the week days and on weekends. In general, during the weekdays employees stay two hours longer after their shift until 4 p.m. (as a result, the actual working day increases to 10 hours) and work 7 hours at weekends, on Saturdays, from 6-6:30 a.m. until 1:30-2 p.m. Excessive overtime is seasonal, usually due to temporary close downs, large orders, over-capacity commitments, short deadlines and perhaps when working on difficult models that demands more effort. Overtime is not mandatory, but workers are happy to work on Saturdays and to work longer hours, because this increases their overall income.

## HEALTH AND SAFETY, WORKING CONDITIONS AND LEGALITY

We inquired about labour conditions and legality with workers as well as with the state authorities, and we got mixed impressions. Authorized by the “access to information” Act<sup>27</sup>, in August 2016 we requested information on 59 enterprises manufacturing, among others, textiles and outerwear; more specifically, about the number, the time, the focus and the outcome of labour and labour-inspection procedures carried out in these enterprises in the period between 2010-2016.

All health and safety inspections identified deficiencies. In most of the known cases the deficiencies were related to accident prevention, to different labour safety procedures, like the revision of labour safety processes and in many cases the problems were caused by a lack of proper information, e.g., warning signs or labour safety information. The interviewed experts had the impression that the garment sector had less inspection than the other ones due to the recent restructuring of the labour inspection system. Workers themselves evaluated the situation more optimistically: according to their narratives they got the necessary protective wear and medical surveillance.

The lack of air-conditioning is a major problem in all the three researched places. Moreover, the factory buildings are not very advanced: the glass-metal constructions, built during the socialist period, absorb heat very quickly. Workers report that on a warm summer day the temperature inside rises between 35-42 °C. All three factories have been planning to install air-conditioning for years, however, this would involve a large investment without sufficient returns for the owners.

Almost 90% of the labour inspections found some deficiencies. We found employment in the researched factories lawful. All employees interviewed in the three factories had a written work contract and in all cases for an indefinite period.

## TRADE UNIONS

Union representation of garment workers shows a rather mixed picture. The Garment Workers Union (GWU) and the Textile Workers Union (TWU) merged with the Mining and Energy Workers Union (MEWU) in 2009; the Textile and Garment Section of Workers' Councils ceased to exist. The Textile-Garment-Leather Section of the Mining and Energy Workers Union represents workers' interest at the sectoral level.

Two of the three researched companies are among the largest factories: these are organized but they do not have a full-time union representative. This is explained in part by the low membership rate: only 17-40% of the workers are union members. It is, on the one hand, the reflection of the problem of low wages; union representatives mentioned that 1% of the gross wage counts as the union fee (defined by the law), amounting annually to 10-15,000 forints (33-49 EUR), which is something that many employees cannot afford. Other union representatives say that this is just an excuse or simple ignorance; they made calculations and showed that if the members make use of the services that MEWU offers, they would get a lot more back in return for the 1% that they have to pay. Neither low membership rates, nor the legal environment favours unions when they demand a full-time union representative, which would require approximately 320 registered union members<sup>28</sup>. This is possible only with a large company size and a high organization rate. An organization rate of 50-55% would be necessary in the researched factories with union to have a full-time trade union representative. In the case of the third factory it is impossible due to the size of the company.

Employers, unions and sometimes even workers perceive the increase of wages as a risk: *“We are attractive only as long as we keep the wages low, the moment we increase them, they will leave. They are interested to stay only as long as they can take advantage of government investments and tax benefits, etc. With low wages they can exact these benefits.”*<sup>29</sup> Workers cannot judge if the perceived risk of loosing the workplaces is real, as they never get close to test the situation with strikes for example. All this leads to a trap. Low membership, low wages and fear from global capital migration undermines union work.

The Hungarian garment sector is entrapped: due to extremely low wages the number of workers declines steadily, while an adequate increase in wages would jeopardize production capacities and result in factory closings. People no longer want to work in garment factories because of low wages, which further leads to a labour shortage in the industry. Furthermore, the perceived risk of divestment from the garment industry threatens the unions themselves: they cannot (at least not on the local level) and do not dare to demand higher wages, since they fear to lose their still existing workplaces.

## WORKERS' QUOTES

*“We receive awfully little. Getting up at dawn, busing, working eight hours in the 21<sup>st</sup> century, and sometimes not even earning 70,000 [230 EUR]. This is so deplorable, that every so often even I ask myself: ‘This is why I get up in the morning?’ [Workers] accept that he is the boss, no dispute, no talking back, OK it is all right, you are right, and they work eight hard hours and they don’t even earn 70,000... And these are 50-year-old old women. This is tragic.”*

*“We have reached the point where all an employee can earn is only enough to pay the electricity bill, and if you pay all your bills, you will not have too much left for food. There are some workers who are left with nothing by the middle of the month and cannot even buy food. And then they have to borrow money or ask an advance on their salary simply because they cannot feed the family. [...] It is becoming more and more difficult to make both ends meet. People are tense and stressed when they come to work because they see no way out of their condition.”*

*“If we do not make the required percentages, wages will be reduced: my hourly wage is 850 (2.8 EUR) if I make 100%, but if I make only 90%, the hourly wage drops to solely 700 (2.3 EUR). With Tommy Hilfiger you have to work a lot, but the time norm is the same as for a much easier product, there are no specific norms set for the different products.”*

*“If I do not have 100%, my wages will be proportionately lower; but I simply do not get 100% coming down from the production line.”*

*“The company does not want to pay for overtime and pays simply in days off for the Saturdays we work. At the beginning of the year they paid it at a rate of 100%. Due to reductions in the budget, as they say, they have to withdraw [the payments] and if we stay longer or go to work on Saturdays, they pay for it by another day off. This has changed in March. We have to work for a day off in advance or compensate for the overtime n time, but we do not know why we have to work in advance. When they promise to pay, they would normally do it. It also happened that they paid for one Saturday out of three at a rate of 100% and for two at 50%.”*

*“If there is no overtime, I get 80,000 HUF (263 EUR). With overtime or if I come to work on a Saturday, or stay in the afternoon, then I have 100,000 HUF (329 EUR). This is the pay for 130% performance.”*

*“I save here as well, I cook cheaper meals. For example, with less meat.”*

*“I juggle the checks, I do not pay them on time. I manage just one by one and do not pay on time.”*

*“We normally complain because of the overtime, but we hope that it will be paid and it will not be a major problem, and the pay would not get lost. We never had so much overtime before, and that is why we are so much concerned whether it is going to be paid or not.”*

*“With these wages it's impossible to set aside money. Perhaps once in a while for a new dress.”*

*“In the heat of 40 °C, you already feel dizzy, or sick, you cannot bear it any longer. They should let us go outside to get some fresh air more often, at least for 10 minutes every hour, instead of watching how many pieces it would cost them if they let us go out 10 minutes every hour. But we are only allowed a 10-minutes break if somebody is already collapsing and cannot bear it any longer. Should I say it is inhuman? Because that is what I think.”*

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- 1 Registered under the NACE code 14.13 - manufacture of outerwear, except: work clothing.
  - 2 [http://mksz.org/sites/default/files/a\\_magyar\\_konnyuipar\\_a\\_statisztikai\\_szamok\\_tukreben\\_2016.pdf](http://mksz.org/sites/default/files/a_magyar_konnyuipar_a_statisztikai_szamok_tukreben_2016.pdf)
  - 3 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_oia018a.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_oia018a.html)
  - 4 [http://mksz.org/sites/default/files/a\\_magyar\\_konnyuipar\\_a\\_statisztikai\\_szamok\\_tukreben\\_2016.pdf](http://mksz.org/sites/default/files/a_magyar_konnyuipar_a_statisztikai_szamok_tukreben_2016.pdf)
  - 5 EUR = 304 HUF, 10/10/2016 currency exchange rate of the Hungarian National Bank
  - 6 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_zaa007.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zaa007.html). Annual amount: 886,803 HUF (2,861 EUR)
  - 7 Gross 111,000 HUF (365 EUR). The estimation of the net wages is based on the relevant legal framework and made with online calculators. Net wage = gross wage – ca. 15% tax – 10% pension fund – 7% social security – 1,5% labour market contribution.
  - 8 Gross 129,000 HUF (424 EUR). The estimation of the net wages is based on the relevant legal framework and made with online calculators.
  - 9 In 2015 the Hungarian Central Statistical Office announced the revision of the subsistence level calculation method, and did not published indicators since 2015. The 2015 and 2016 data is published by the Policy Agenda think tank, who used the same methods as the Statistical Office used previously. [www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf](http://www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf)
  - 10 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qli018c.html?down=200](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli018c.html?down=200)
  - 11 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qli018d.html?down=200](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli018d.html?down=200)
  - 12 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qli018d.html?down=200](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli018d.html?down=200)
  - 13 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qli018b.html?down=200](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli018b.html?down=200)
  - 14 HUF and EUR as published by the Hungarian Central Statistical Office, [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_zaa007.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zaa007.html)
  - 15 [www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf](http://www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf)
  - 16 The Association of Hungarian Light Industry Proposals on how to resolve the problems of vocational training in textile cleaning.
  - 17 Under Section 274 (2) of the LC: “The total amount of working time reduction available shall be one hour monthly for every 2 trade union members”
  - 18 [http://mksz.org/sites/default/files/a\\_magyar\\_konnyuipar\\_a\\_statisztikai\\_szamok\\_tukreben\\_2016.pdf](http://mksz.org/sites/default/files/a_magyar_konnyuipar_a_statisztikai_szamok_tukreben_2016.pdf)
  - 19 AHLI: Proposals on how to resolve the problems of vocational training in textile cleaning
  - 20 [http://mksz.org/sites/default/files/a\\_magyar\\_konnyuipar\\_a\\_statisztikai\\_szamok\\_tukreben\\_2016.pdf](http://mksz.org/sites/default/files/a_magyar_konnyuipar_a_statisztikai_szamok_tukreben_2016.pdf)
  - 21 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qlf005a.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qlf005a.html) and [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_qlf003.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qlf003.html)
  - 22 Public employment is a form of “transit employment” subsidized by the government. Public employers can be subsidized if they provide temporary employment opportunities for those whose individual job seeking had been unsuccessful for a long period of time. Wages in public employment are regulated by law: in 2016, the gross amount was 79,155 HUF (1EUR = ca. 304 HUF) (260 EUR) while the minimum wage in the same period came to 111,000 HUF (363 EUR) and the guaranteed wage minimum was 129,000 HUF (424 EUR)
  - 23 1 EUR = 304 HUF
  - 24 In 2015 the Hungarian Central Statistical Office announced the revision of the subsistence level calculation method, and did not published indicators since 2015. The 2015 and 2016 data is published by the Policy Agenda think tank, who used the same methods as the Statistical Office used previously. [www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf](http://www.policyagenda.hu/uploads/files/L%C3%A9tminimum%202016.pdf)
  - 25 [www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_zaa007.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zaa007.html)
  - 26 Methodologically, material deprivation relates to persons who face at least three of the following nine problems: 1) are in arrears in the payment of their credits or accommodation expenses; 2) lack appropriate heating in their homes; 3) lack funds for unexpected expenses; 4) do not consume meat, fish or equivalent nutrients every second day; 4) lack one-week vacation spent outside their homes once in a year; 6) have no car due to financial reasons; 7) have no washing machine due to financial reasons; 8) have no television-set due to financial reasons; 9) have no telephone due to financial reasons.
  - 27 [http://net.jogtar.hu/jr/gen/hjegy\\_doc.cgi?docid=A1100112.TV](http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1100112.TV)
  - 28 Under Section 274 (2) of the LC: “The total amount of working time reduction available shall be one hour monthly for every 2 trade union members”
  - 29 Stakeholder interview

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The research was conducted by the Association of Conscious Consumers (Tudatos Vásárlók Egyesülete) with the support of the Friedrich-Ebert-Stiftung Budapest Büro.

This country profile is based on desk research, stakeholders and expert interviews and field research which took place between February and October 2016. Thirty interviews with workers took place in June and July in three big factories in West and East Hungary.

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