



A brief on labour conditions in the garment industry in Lithuania

-- report of stakeholders consultation in May 2010ⁱ

Lithuania entered as a member to the European Union in 2004. Among the three Baltic states, Lithuania has the biggest economy. It was also the first to break away from the Soviet Union and become an independent economy in 1990. The country was able to maintain a positive GDP growth 9 years in a row till the financial crisis hit the EU in 2009. Lithuania is now going through a very unstable period, laws and regulations are being amended frequently to adopt to the changes.

Lithuania has a long history and tradition of textile production. The industry is good at producing linen apparel. The textile and clothing industry accounts for about 16 % of the country's total export.¹ 76% of the textile production is for the export market.² Over 85% of the production is exported to Western Europe, especially to the Scandinavian countries. There are about one thousand garment manufacturers in Lithuania, 40% of which are located in Kaunas. At least 60-70% of these manufacturers employ around 100-200 workers each , while 4% are bigger plants that hire more than a thousand workers. In 2010, it is estimated that 40,000 workers, mostly women at the age of 50 or more, are working in the industry. The majority of these women workers are locally hired while some of them commute daily from a nearby town. There are cases of foreign migrant workers but it is not a common practice.

The unemployment rate is about 17-18% according to the government.¹ The rate has been rising the last two years, partly due to the financial crisis, but also because more people registered themselves as unemployed in order to be covered by the social insurance. There is a shortage of labour supply in general, which is especially the case in the garment industry. Many Lithuanians, especially the younger generation, are not willing to work in this sector as the wage is too low. Minimum wage is not higher than the unemployed benefit.

There are migrant workers in the garment sector at the border to Belarus, who are mostly from Belarus. There are also some migrant workers from Bangladesh. LPSK have contact with some Bangladesh women workers in a big factory in Siauliai and worked with them closely on a complaint case.

ⁱ *Statistics and facts given in this report are based on interviews with stakeholders conducted by FWF's international verification coordinator in May 2010. FWF does not have the means to verify their validity first hand. A country study has been conducted and the report will be available on our website in 2011.*



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Industrial relations

There are three main trade unions in Lithuania: the Lithuanian Trade Union Confederation (Lietuvos profesiniu sajungu konfederacija, LPSK), the Lithuanian Trade Union 'Solidarumas' (Lietuvos profesine sajunga Solidarumas, Solidarumas) and the Lithuanian Labour Federation (Lietuvos darbo federacija, LDF).³ In the textile and garment sector, Solidarumas and Lithuanian Trade Union of Textile Workers are members of ITGLWF (International Textile, Garment and Leather Workers' Federation). The Lithuanian Trade Union Confederation (LPSK) is a member of International Trade Union Confederation (ITUC), European Trade Union Confederation (ETUC).

There is regular communication and meetings between the confederation of trade unions, the business associations and the government. A tripartite council provides a platform to discuss minimum wage legislation. Solidarumas in September 2009 entered into a one-year agreement with the central government, in which they agreed not to organise strikes while the government promised to take no action to liberalise the labour law. The two parties will start a new negotiation round in 2010.

Lithuania Apparel and Textile Industry Association (LATIA) is the main business association in the textile and apparel sector. It has about 150 members who employ about 90% of the whole garment workforce in Lithuania. LPSK and LATIA communicate on regular basis and cooperate in some projects. They are now in negotiation on a Collective Bargaining Agreement. According to LPSK and LATIA there are good industrial relationships at factory level in several bigger garment factories.

Labour inspection

The labour inspectorate's focus lies on construction and food processing sectors. The garment sector is considered "low risk" in Lithuania. There are over 150 labour inspectors working in 10 geographic divisions. More than 80% of the human resource is allocated to the district of Vilnius and Kaunas. 11% to 14% of all factories in Lithuania produce textiles and garments. Stakeholders are generally satisfied with the work of labour inspection. The labour inspectorate visits are both announced and un-announced. The frequency of visits to the garment industry seems to be sufficient, according to both LPSK and LATIA. When a violation is found, the company will receive an improvement notice explaining what interventions need to be done. They may also be given a fine of 500 to 5,000 Lt. Sever cases are exposed to the public through various media channels. The Inspectorate operates a grievance handling system. Only when a complaint is filed by post, it will be handled officially by the Inspectorate. Urgent case will be accepted by phone. The Labour Inspectorate published annual report on its work which can be obtained at its website: www.vdi.lt.



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Labour condition

Trade unions and state labour inspectorate believe that working conditions in big factories are better than the smaller ones, as they have more resources and workers are usually more educated and organised. The problem for the bigger factories is sub-contracting. Factories with more than 100 workers, considered to be big and medium-size, are likely to subcontract some of their orders. The monitoring of working conditions at subcontractors is difficult and is not often done.

Employment is freely chosen

Forced labour and bonded labour are rare in the garment industry in Lithuania. However, salaries are often paid late. In some instances, workers have reported not being paid for several months thus it became difficult to resign from the factory.

Freedom of association and the right to collective bargaining

Garment workers are among the least unionised groups. It is estimated that only 10% of the garment workers have registered trade union membership. There are local trade unions but they do not actively work with confederations, thus it is hard to estimate the actual amount of organised workers. LPSK has a membership of 1800 in 2009, decreased largely from the number of approximately 3000 five years ago. One of the main reasons is the decrease in the number of factories. About 16 factories went bankrupt in the last two years. As labour cost is rising in Lithuania, more and more factories are moving to cheaper countries such as Moldova, Belarus and even Asia. Workers are allowed to join trade unions in general but some employers try preventing it. Awareness of trade union rights is low among workers. According to labour inspectorate, many workers do not believe trade unions will help to change their situation. Some workers would rather contact the state labour inspectorate, who has the power to investigate and demand major changes, if they have any problems.

At least three out of twenty factories that FWF affiliates source from are unionised. Workers there are members of the Lithuania Trade Union of Light Industry.

No discrimination in employment

Women are still facing discrimination at a certain level in Lithuania. Women's labour participation rate is 51.3%, according to the World Bank (2008).⁴ 45.4% manufacturing workers are women. Half of those who work as employees are women, while only 33.6% employers or self-employed are women. Men still earned 15% more than women in average.⁵ In the garment sector, women also work as supervisors in most garment factories and generally receive the same

salary as men. The Labour Code of the Republic of Lithuania provides for childcare leave which can be used, depending on a family decision, by the mother (or foster mother), the father (or foster father), the grandmother, grandfather or other relatives that take care of the child until he/she reaches the age of three. The Lithuanian legislation on Sickness and Maternity Social Insurance grants the mother between 126 and 140 calendar days before and after the birth on 100 % salary compensation. After this period, any of the abovementioned family members is granted a maternity/paternity benefit until the child reaches the first year of age. As from March 1, 2004, parental benefit amounts to 70 % of the caretaker's salary.⁶ However, according to Center for Equality Advancement, women are still traditionally caretakers of their children. There is a shortage of childcare facilities in the country, especially in Vilnius. Many women could not come back to work after their maternity leave.

Minority ethnic groups, including Russians, Poles, Belarusians, Ukrainians, Tatars, and Karaites, constitute 10-20 percent of the population. Reports of discrimination and intolerance based on ethnicity persist, but some stakeholders believe that employment discrimination in the sector is not a major problem due to the serious labour shortage.

No exploitation of child labour

Education is compulsory and is free of charge after the age of six in Lithuania. Child labour has not been reported in recent years. Juvenile workers are not common in the garment sector as young people are not interested in such low paid jobs.

Payment of a living wage

The most common problem in the garment sector is related to wage payment. Minimum wage is 800 Lt per month or 4.85 Lt per hour.⁷ Employees in the garment sector are usually paid at this rate or slightly more. Workers are not likely to accept the job if payment is lower than minimum wage. Since the financial crisis in 2008-2009, a number of workers were required by the employer to sign an agreement to decrease their working hours by half, thus only receiving 50% of their regular wage. However, workers are still required to finish a certain target, which in fact takes a full day (8 hours) of work.

Wage in the garment sector is calculated either by piece rate, or according to whether or not the worker reaches a certain production target, or a quota. In both instances, workers commonly have to work overtime without getting extra overtime compensation. According to the State labour inspectorate, complaints from garment workers usually concerned wage issues. For example, a worker reported that she did not receive the same salary written in her contract as the factory had intentionally set a work target that was too high for any worker to reach.



The minimum wage is about half of the average net wage in Lithuania, which is 1647.5 Lt in 2010. According to management of the two Lithuanian factories visited by FWF in 2010, most workers are paid 1000 to 1400 Lt. Although well above minimum wage, the rate is very low considering the high cost of living in the country. Stakeholders' estimates of what a living wage should be has not been collected in this research. Stakeholders have given an estimation of monthly expenses for garment workers. See table below:

Item	Estimated amount (Lt. per month)
House rental (small apartment)	400-500
Heating (for 6 months)	700-800, at least 500
Transportation	100-200, depends on the distance
Food	200-300
Total	1200 - 1800

In many factories, salary is paid in two parts every month. In the middle of the month, a fixed amount – usually about half of the total wage - is paid as an “advanced payment”. In the end of the month, the rest will be calculated and paid.

Reasonable hours of work

Over time work (OT) is common in this sector, but it is usually not documented or recognised. The law allows employees to work 48 hours per week. In peak seasons some factories operate 60-80 hours per week occasionally. The labour code has given some flexibility to seasonal work. As long as average working time per week does not exceed 48 hours in a period of four months, it is tolerant by law. Most overtime work is voluntary due to low wage level in the industry, but workers often do not receive OT premium rate prescribed by law.

Safe and healthy working conditions

Occupational Safety and Health condition varies from factory to factory. One can expect better condition in bigger factories. Observation in two suppliers of FWF members showed good results.

Maternity leave is usually two years with full payment of salary in the first year and 70%-80% for the second year. It applies both to women and men, while traditionally women are expected to stay home and take care of children. One of the parents can apply for the third year maternity leave but it will be unpaid. The government is responsible for the payment while the company should reserve the position. Maternity leave is granted in most cases. In one of the factories visited, 7 out of 150 women were on maternity leave.

A legally binding employment relationship

Workers often sign a legal contract with their employer when they enter a job. It is however not rare that workers accept informal contracts or oral contracts. The highest percentage of labour violations found in workplace is violations concerning different issues in the labour contract. Trade unions and NGOs believe that the current law gives too much space to employers to fire workers, while the business association consulted disagree with that. LATIA is currently negotiating with trade unions on liberalising work contracts to allow short term employment. LATIA believes that this will encourage factories to hire more people during peak seasons and thus create more job opportunities. State labour inspectorate claims that the law has given enough flexibility to business and further liberalisation is not necessary. Moreover, the labour code has prescribed a comprehensive list of reasons that employer needs to provide when they lay off workers.

Annex: ⁸

1. Economic indicators

Name of indicator	COUNTRY	How to interpret value / information	Source of indicator / information
Human development index (HDI) rank	46	A composite index of life expectancy at birth, knowledge (adult literacy rate and combined enrolment ratio), and decent standard of living (the adjusted per capita income in PPP US\$). Comparison: Germany 22 China 99	Human development report, 2009
GDP per capita	\$	Comparison: Germany \$ 40 875 China \$ 6 546	IMF estimate, World Economic Outlook Database, 2009
GDP per capita (PPP)	\$ 17 575	GDP calculated by purchasing power parity (PPP) to make comparisons between countries more fair. Comparison: Germany \$ 34 401 China \$ 5 383	IMF estimate, World Economic Outlook Database, 2009

GPD rank minus HDI rank	3	A positive figure indicates that resources in a country are effectively used to meet the needs of the population. Comparison: Germany 2 China 10	Human development report, 2009 (data from 2007)
Industry percentage of GDP	33%	Gives indications of industrial development in country. Comparison: China 49 %	World Development Indicators database, 2008
Strength of auditing and reporting standards rank	46	Gives measurement of institutions based on opinion polls amongst business people. Ranking countries from 1 to 134. Comparison: Germany 15 China 72	Global Competitiveness Report (World Economic Forum), 2009
Ethical behaviour of firms rank	60	It gives measurement of institutions based on opinion polls amongst business people ranking. Ranking countries from 1 to 134. Comparison: Germany 14 China 54	Global Competitiveness Report (World Economic Forum), 2009

2. Social, political & governance indicators

Name of indicator	COUNTRY	How to interpret value/ information	Source of indicator / information
Rule of law	65.7	The quality of contract enforcement, the police, and the courts and likelihood of crime and violence. Percentile rank 0-100. Comparison: Germany 93.3 China 45.0	World Banks governance indicators, 2008
Democracy index, rank	-	The state of democracy in 167 countries focusing on: electoral process and pluralism, civil liberties, functioning of government, political participation and political culture.	The Economist, 2009

		Comparison: Germany 20 China 136	
Control of corruption	63.3	Measuring the exercise of public power for private gain, including both petty and grand corruption and state capture. Percentile rank 0-100. Comparison: Germany 93.2 China 41.1	World Banks governance indicators, 2009
Control of corruption, rank	52	The annual Corruption Perceptions Index (CPI) ranks 180 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. Comparison: Germany 14 China 79	Transparency International, 2009
Government effectiveness	71.6	Measuring the competence of the bureaucracy and the quality of public service delivery. Percentile rank 0-100. Comparison: Germany 93.4 China 63.5	World Banks governance indicators, 2009

3. Income and poverty

Name of indicator	COUNTRY	How to interpret value/ information	Source of indicator / information
Gini index	35.8	The Gini index is a way to measure Income Equality. A value of 0 represents absolute equality and 100 absolute inequality. According to the global labour survey less income inequality correlates with effective pro-labour institutions. Comparison: China 2.8	Human Development Report, 2009
Population in poverty defined as 2\$	<2%	Comparison: China 36.3%	Human Development Report 2009, 2000 - 2007



per day (%)			
Population living below the national poverty line (%)	-	Comparison: China 2.8%	Human Development Report 2009 and World Bank Country data 2000 -2006

References:

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³ Eurofound, European Industrial Relations Observatory Online, <http://www.eurofound.europa.eu/eiro/2004/12/feature/lt0412102f.htm>

⁴ World bank, <http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>

⁵ Lithuania Statistic Department, Labour statistics, <http://www.stat.gov.lt/en/pages/view/?id=1398>

⁶ Center for Equality Advancement, Fathers on Parental Leave, <http://www.jafnretti.is/d10/files/fathers%20parental%20leave.pdf>

⁷ Lithuania Statistic Department, Labour statistics, <http://db1.stat.gov.lt/statbank/selectvarval/saveselections.asp?MainTable=M3060102&PLanguage=1&TableStyle=&Buttons=&PXSID=3610&IQY=&TC=&ST=ST&rvar0=&rvar1=&rvar2=&rvar3=&rvar4=&rvar5=&rvar6=&rvar7=&rvar8=&rvar9=&rvar10=&rvar11=&rvar12=&rvar13=&rvar14>

⁸ World Development Indicators, The World Bank, <http://data.worldbank.org/data-catalog/world-development-indicators>