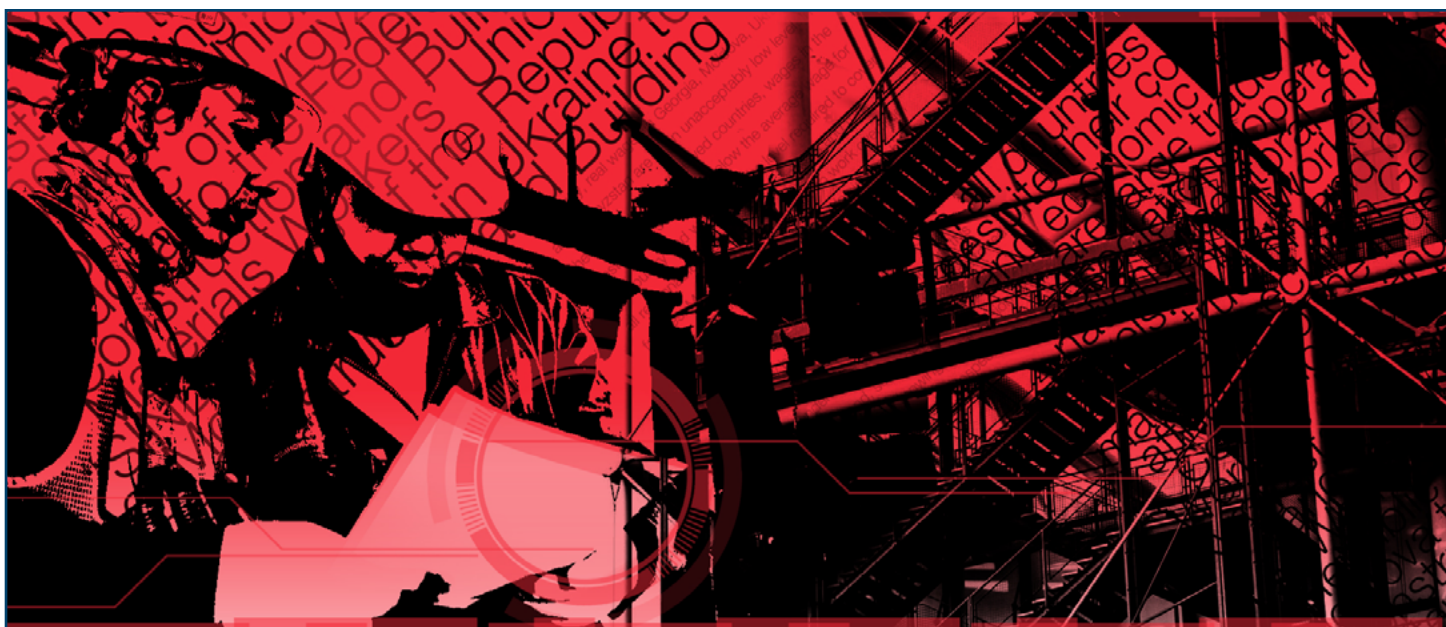


# Mapping Effectiveness of Wage Policies in the Construction and Building Materials Sectors

In Georgia, Moldova, Ukraine, and Kyrgyzstan



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# Introduction

This research provides a review of wage policies in the construction and building materials sectors of Georgia, Moldova, Ukraine and Kyrgyzstan. Despite the fact that these four countries share a common past, their contemporary political and economic ties have evolved in different ways. Georgia, Moldova, and Ukraine have opted for the European vector of development while Kyrgyzstan is a member-state of the Eurasian Economic Union.

Currently, real wages in Georgia, Moldova, Ukraine, and Kyrgyzstan are at an unacceptably low level. In the majority of the reviewed countries, wages in the construction sector are below the average wage for the country and well below the level required to cover all reasonable needs of sector workers and their families. Many workers are forced to work overtime, hold two jobs, or leave their countries in search of more decent wages. In all four countries low wages are seen as the main cause of massive workforce outflow, low birth rates, and the threat of a demographic catastrophe. In the long run, this situation undermines workers' health, leads to reduced consumer demand, social degradation and impoverishment, and growing social tension while taking away each country's prospects for development.

In this strained economic situation, the role of organisations working to ensure decent wages comes to the forefront as a vehicle for increasing the citizens' wellbeing. Traditionally, such functions would be assumed by trade unions as formal workers' associations. And the overall economic development of a country comes to rely on how clearly the unions' wage policies are formulated, how well union actions are coordinated across various sectors and to what extent unions are able to implement the workers' potential for mobilization. Many economists agree that fighting for higher wages has a macroeconomic significance as a contributing factor to higher performance and overall economic growth.

In all countries under review, despite their complex political and economic history, there are large trade union associations operating at national, sectoral and local levels. Thus, workers of the construction and building materials sectors in Georgia are affiliated to the Independent Construction and Forestry Workers' Union of Georgia; in Kyrgyzstan to the Construction and Building Materials Workers' Union of the Republic of Kyrgyzstan; in Moldova to the Federation of Construction and Building Materials Workers' Unions "SINDICONS" of the Republic of Moldova; and in Ukraine to the Construction and Building Materials Workers' Union of Ukraine. In each of the countries, the unions organise around one third of all workers who are formally employed in this sector.

This research is an attempt to analyse the effectiveness of trade unions' wage policies in the construction and building materials sectors. A prerequisite for such an analysis is a review of the overall social and economic development of the countries in question during the past five years and the effect of its main indicators on wage levels across these industries.

Based on social and economic development data and data on wage levels in the construction and building materials sectors, a comprehensive evaluation of these sector-based unions' wage policies was undertaken with the view of: a) identifying the major issues faced by the unions with relation to wages; b) determine the effectiveness of measures taken by the unions to address wage issues; c) develop recommendations for the unions to improve their wage policy and its effectiveness.

The research makes use of mass media materials and specialist publications, open official data of the national statistical agencies, publications and information produced by the World Bank, the International Labour Organisation, and the International Monetary Fund, materials of international human rights organisations, the national legislation of the countries under review and publications of their state authorities. Identifying the unions' wage policies involved in-depth interviews with the sectoral unions' leaders.

Based on this analysis, the concluding part of the paper contains recommendations to construction and materials workers' unions concerning prospective areas of activity and joint campaigns for higher wages and guarantees for a decent quality of life.

# The Social and Economic Development of Georgia, Moldova, Ukraine, and Kyrgyzstan in 2014-2018

This section of the research looks at the main social and economic indicators by country, setting the overall social and economic context for the development of the construction and building materials sectors.

**Ukraine, Georgia, and Moldova** have chosen to pursue the path of political association and economic integration with the European Union (EU) outlined in their Association Agreements or Deep and Comprehensive Free Trade Areas (DCFTAs). The Association Agreements envisage cooperation in the area of economic development, trade, security, energy, modernisation and diversification, as well as in the area of migration and youth policies.

As a result of the Association Agreements, liberalisation of the visa regime has taken place for the citizens of Ukraine, Georgia, and Moldova, allowing them visa-free entry to the Schengen countries. Also, as a part of the Association Agreement, the EU provides financial assistance packages to these countries in the form of loans and grants (Vdovenko 2017).

By signing the Association Agreements, these countries committed themselves to carrying out profound reforms in the area of employment and social services. The State is expected to boost policy development covering employment, occupational health and safety, social dialogue, inclusive social policy, gender equality, non-discrimination and poverty reduction (Civil Society Forum of Eastern Partnership 2016).

Along with the positive aspects of the Association Agreements, the negative impact of the resulting political and economic developments should be equally noted.

The visa-free regime has opened up the European labour market for workers from Georgia, Moldova and Ukraine, thus making their domestic labour markets vulnerable. Since the Association Agreement provisions do not stipulate any specific commitments for the signatories in terms of wage levels, wages in Georgia, Moldova, and Ukraine remain persistently low. This forces millions of workers to seek employment in the EU countries. Besides, significant price hikes for energy and utility services have been observed in the three countries, which reduces their citizens' income even further (Rizhankov 2019) (Oragvelidze 2017).

All in all, despite the positive economic growth dynamics in Georgia, Ukraine and Moldova following the signing of the Association Agreements, the quality of life for citizens remains low.

In the past five years, the **Georgian** economy has been showing positive growth dynamics. And although in 2015 and 2016 the GDP growth rate dropped to 2.9% and 2.8%, respectively, the 2017 results show a return to 4.8%. According to experts, the country has not yet recovered from the slump of 2015-2016 and certain revitalisation of the national economy has had practically no positive effect on the wellbeing of the country's population. Economists agree that any visible improvement of the citizens quality of life would require a double-digit growth rate. Otherwise, Georgia will continue to rank among the poorest European countries in GDP terms (Oragvelidze 2017).

**Table No. 1: The Main Social and Economic Indicators of Georgia, 2014-2018**

	2014	2015	2016	2017	2018 ***
GDP growth rate (%)	4.6	2.9	2.8	4.8	4.7
GDP per capita (GEL)	7 837.4	8 524.3	9 129.0	10 152.0	11 013.9
Unemployment rate (%)	14.6	14.1	14.0	13.9	12.7
Inflation (%)	3.1	4.0	2.1	6.0	2.6
Minimum wages (private/public sectors) (GEL)	20/130	20/130	20/130	20/130	20/130
Average nominal wages (GEL)	818.0	900.4	940.0	999.1	-
Subsistence level (GEL) for a working male as of December last year	159.4	162.4	161.6	173.5	175.0
Gini coefficient	37.60	36.50	36.60	37.90	-
People living below poverty line (%)	23.5	21.6	22.0	21.9	20.1
Informal employment (%), excluding agriculture	-	-	-	33.9	36.2

Source: GeoStat 2019

The national currency Lari (GEL) exchange rate: 1 USD = 2.64 GEL (01.12.2018)

\*\*\*Provisional data

The Table above convincingly shows that the life quality growth rate in the country is insignificant. The lack of income growth for the population is due to: high unemployment and a large informal sector; falling prices for certain Georgian export goods coupled with inflation; and a 30% devaluation of the Georgian currency since December 2014 (Stronski and Vriman 2018).

It should be specifically noted that in the ILO annual report on global employment trends for 2017 Georgia was ranked among the group of countries where the population's income is below the world average. For instance, in 2017 average monthly wages reached the level of 999 GEL (around 370 \$US) (ILO 2018).

The economy of **Moldova** faced major economic challenges in 2014 related to the numerous trade embargoes imposed by Russia on Moldovan goods, the uncertainties associated with the situation in Ukraine and the subsequent recession in the region in 2015 and 2016.

According to the National Bureau of Statistics, this situation had been preceded by a period of impressive economic growth when in 2013 the GDP growth rate stood at 9%. Yet as early as 2015 it had slumped into the red: -0.4%. In the following years growth was restored to an annual average of 4.6%. These indicators may look optimistic; however, they have practically no bearing on the persistently low levels of the population's real income and sustainable employment. The national economy is in dire need of specialists against the backdrop of massive labour migration out of the country (World Bank Group 2019).

**Table No. 2: The Main Social and Economic Indicators of Moldova, 2014-2018**

	2014	2015	2016	2017	2018
GDP growth rate (%)	4.8	-0.4	4.5	4.5	4.8
GDP per capita (MDL)	37 533	41 010	45 275	50 400	54 327
Unemployment rate (%)	3.9	4.9	4.2	4.1	3.4
Inflation (%)	5.1	9.7	6.4	6.6	3.0
Minimum wages in the private sector (MDL)	1 000	1 900	2 100	2 380	2 610
Average nominal wage (MDL)	4 089.7	4 538.4	4 997.8	5 587.4	-
Men	4 374.9	4 881.3	5 414.4	6 017.0	-
Women	3 831.7	4 235.2	4 631.4	5 204.0	-
Subsistence level (MDL)	1 627.1	1 734.1	1 799.2	1 862.4	-
Gini coefficient	26.8	27	26.3	-	-
People living below poverty line (%)	11.4	9.6	-	-	-
Informal employment (thous.)	385.5	418.4	443.3	418.9	482.3

Source: National Bureau of Statistics of the Republic of Moldova 2019

The national currency Lei (MDL) exchange rate: 1 USD = 17 MDL (01.12.2018)



It is quite revealing that since 2016 poverty as an indicator of the quality of life has dropped out of all official reports: the government stopped calculating the poverty line. At the same time, according to the International Monetary Fund (IMF), Moldova has remained among the poorest European nations in the past few years (IMF 2018).

The Moldovan economy is further weakened by the high level of informal employment. Another major challenge is a widely-spread practice of “grey” wages when employers officially pay only the minimum wage while all other payments arrive “in envelopes” in order to reduce the mandatory allocations to the social security funds (Kolesnik 2017).

Despite the steady growth of the minimum wage and the average nominal monthly wages (5,587.4 MDL / 325 \$US in 2017), the term “working poor” can be applied to the majority of the working population. And although the average monthly wage in 2017 was three times the official subsistence level, it could still be insufficient to supply the needs of all members of a worker’s family; moreover, the official income of households is almost fully spent on food and utility bills (National Bureau of Statistics of the Republic of Moldova 2019).

It would not be an exaggeration to assert that the past five years have turned out to be for Ukraine a period of the gravest economic crisis and the struggle to overcome it. The global financial crisis of 2008-2009 led to dramatic aggravation of the economic situation with all the main indicators tumbling down. The national economy found it rather difficult dealing with its ramifications, yet by 2013 it had gradually grown back to the pre-crisis indicators. The political crisis of 2013-2014, the subsequent annexation of the Crimea by Russia and the beginning of the armed conflict in the east of the country dealt a heavy blow to the national economy: Ukraine lost control over 7% of its territory, and over the industrial, transport and social infrastructure in the Crimea and in parts of the Donetsk and Lugansk regions (Gricaenko 2014).

**Table No. 3: The Main Social and Economic Indicators of Ukraine, 2014-2018**

	2014	2015	2016	2017	2018
GDP growth rate (%)	- 6.6	-9.8	2.4	2.5	3.3
GDP per capita (UAH)	35 834.0	46 210.2	55 853.5	70 224.3	84 192.0
Unemployment rate (%)	9.7	9.5	9.7	9.9	9.0
Inflation (%)	-	48.7	13.9	14.4	10.9
Minimum wage (UAH)	2 218	1 218	1 450	3 200	3 723
Average nominal wages (UAH)	3 480	4 195	5 183	7 104	8 866
Men	3 979	4 848	6 001	8 879	10 966
Women	3 037	3 631	4 480	7 020	8 525
Subsistence level (UAH)	1 218	1 378	1 600	1 762	1 921
Gini coefficient	24.10	25.50	-	-	-
Wage arrears (mln UAH)	1 320.1	1 880.8	2 004	2 368.4	2 645.1
People living below poverty line (%)	8.60	6.40	3.80	2.40	-
Informal employment (thou. people)	-	-	3 961.2	3 695.6	3 541.3

Source: State Statistics Service of Ukraine 2019

The national currency Grivna (UAH) exchange rate: 1 USD = 28 UAH (01.12.2018)

The years 2014 and 2015 were a time of profound slump when the GDP growth rates went into red: -6.6% and -9.8% respectively. According to the State Statistical Service (Ukrstat), in the course of 2016 the Ukrainian economy managed to overcome the most difficult phase of the economic crisis and achieve positive growth dynamics (around 2.4%). By 2018 the GDP growth rate stood at 3.3%. Yet, if this figure is seen in the context of the vast crisis that the country had gone through with the aggregate drop in growth rate of 16.4%, it becomes evident that the recovery progresses rather slowly and the signs of a growing economy have had no significant effect on employment statistics and the citizens’ wellbeing (State Statistics Service of Ukraine 2019).

According to IMF data for 2017, Ukraine had changed places with Moldova and found itself in the 134<sup>th</sup> place in the world in terms of per capita GDP, which made it the poorest country in Europe (Tiravskiy 2018). The unemployment rate in 2017, which even the official statistics put at 9.9%, turned out to be higher than the same indicator for 2014 and 2015 (9.7% and 9.5%) (State Statistics Service of Ukraine 2019).

In 2018, the minimum wage amounted to 3,723 UAH (around 133 US\$), and starting from January 1, 2019, it was increased to 4,173 UAH (149 US\$). However, this increase was counterbalanced by the growing utility rates, taxes and food prices (despite the fact that inflation had peaked three years before in 2015 (48.7%) and in 2018 stood at 10.9% per annum).

Since December 1, 2018, Ukraine saw another of the planned increases of the official subsistence level (the second for that year) to 1,921 UAH (around 69 US\$). Many social benefits whose calculation is linked to this indicator increased accordingly. (State Statistics Service of Ukraine 2019).

And, while the increases in the minimum wage and the official subsistence level were actually “eaten away” by inflation, the average wage growth dynamics look much more optimistic: according to the Ukrstat, the average wage in 2018 grew by 24% and amounted to 8,866 UAH compared to the 7,104 UAH in 2017. This means that the wage increase was way above the inflation rate. However, some experts claim that the statistical indicator of average wage growth can be explained, predominantly, by the low initial base: mathematically speaking, the smaller the numerator, the larger the quotient (Tkachenko 2018).

Ukraine is the only country among those under review that provides open access to official wage arrears data. And here it can be said that wage increases were accompanied by growing wage arrears. For instance, in 2018, the amount owed to workers stood at 2,645.1 mln UAH (which is 11.6% higher than the arrears in 2017). In the spring of 2019, coal miners of Western Ukraine downed tools in all the mines in the region and blocked highways to Poland, demanding the repayment of three months' wages (State Statistics Service of Ukraine 2019).

**Kyrgyzstan**, unlike the other three countries, does not follow the European vector of development. In 2015, the country became a member of the Customs Union of the Eurasian Economic Union (EAEU CU). When the EAEU was created, the common Customs Union (unlike it was under its predecessor, the EAEC) became an integral part thereof, with all member-states automatically joining it the moment of joining the EAEU. Apart from Kyrgyzstan, the EAEU includes Russia, Kazakhstan, Belarus and Armenia. According to Article 4 of the EAEU Treaty signed on May 29, 2014, the Union ensures free movement of goods, services, capital and workforce - the “four freedoms” - as well as the implementation of a coordinated, agreed, or common policies in branches of economy (Euroasian Economic Mission 2019).

The majority of experts share an opinion that this economic union is, largely, a political superstructure rather than a common economic space. At the same time, the fact that Kyrgyz workers do not require a work permit to be able to work in Russia contributes to the massive migration of labour to Russia, which leaves the national labour market weakened. Also, the EAEU Treaty does not regulate migration processes and does not cover the issues of wages and working conditions. A substantial part of the Kyrgyz economy has come to rely on remittances from Kyrgyz migrants working in Russia (Vorobyov 2019).

Kyrgyzstan found itself in a rather difficult economic situation even before the inception of the economic crisis in Russia, which led to economic recession in many countries of the region in 2015 and 2016. The consequences of the global economic crisis of 2009 and the political unrest in 2010 dealt the national economy a powerful blow. For instance, while in 2007 and 2008 the GDP was growing by more than 8%, in 2009 the growth rate had already dropped to 2.9%. In recent years, the GDP growth rate declined from 4.6% in 2017 to 3.1% in 2018 (National Statistics Committee of the Republic of Kyrgyzstan 2019).



**Table No. 4: The Main Social and Economic Indicators of Kyrgyzstan, 2014-2018**

	2014	2015	2016	2017	2018
GDP growth rate (%)	4.0	3.9	4.3	4.6	3.1
GDP per capita (thou. KGS)	71.8	75.5	81.8	89.3	91.8
Unemployment (%)	8	7.6	7.2	6.9	7.2
Inflation (%)	7.5	6.5	0.4	3.2	-
Minimum wage (KGS)	900	970	1060	1200	1 600
Average nominal monthly wage (KGS)	12 285	13 483	14 847	15 670	16 219
Subsistence level (KGS)	5 563.16	5 799. 84	5 352.00	5 479.05	5 357.92
Gini coefficient	26.8	29	26.8	-	-
People living below poverty line (%)	30.6	32.1	25.4	25.6	-
Informal economy as a percentage of GDP (%)	23.2	23.8	24.5	23.6	-

Source: National Statistics Committee of the Republic of Kyrgyzstan 2019

The national currency Som (KGS) exchange rate: 1 USD = 69.8 KGS (01.12.2018)

The drop in inflation observed in 2016 was linked to the drop in food prices which was a direct effect of the economic recession of 2015 and 2016: Kyrgyzstan exports its agricultural produce mainly to Russia and other neighboring countries whose markets experienced a drop in demand due to the decreasing income of their populations.

According to official data, unemployment averaged 7.4% in 2014 through 2018. However, these statistics clearly ignored hidden unemployment and part-time employment. Unemployment among women is higher, while the percentage of women in the labour market is significantly below that of men. Youth unemployment is high, particularly in rural areas. This marks the issue of unemployment as a socially significant challenge for the whole society fraught not only with further impoverishment of its rural population but also with potential radicalisation of young people (World Bank Group 2018).

One of the key challenges for Kyrgyzstan, along with the lack of decent employment prospects, is a high level of poverty among its population. According to official data, in 2017, around 25.6% of the country's population lived below the poverty line. That said, the experts point out the clearly seasonal nature of fluctuations in the poverty levels. The 2018 World Bank Report "The Kyrgyz Republic. From vulnerability to prosperity: the country's comprehensive diagnosis" paints an even more dismal picture, stating that "the majority of the population live either slightly above the poverty line or below it" (World Bank Group 2018).

In 2017, the minimum wage was established at 1200 KGS (around 17 US\$). So, the minimum wage is 4.5 times lower than the official subsistence level. The average wages for the whole country stood at 15,670 KGS (around 220 US\$) in 2017 (National Statistics Committee of the Republic of Kyrgyzstan 2019).

The lack of decent employment prospects and the high level of poverty among the population are the most significant "push-out" factors forcing people to seek employment abroad. Today, the national economy profoundly depends on remittances from labour migrants (National Statistics Committee of the Republic of Kyrgyzstan 2019).

According to the World Bank, Kyrgyzstan ranks first among 214 countries in terms of the share of remittances in the GDP of the receiving country. Migrants' money account for one third of the national GDP. In this sense, Kyrgyzstan has taken over Tajikistan, where the share of labour migrants' remittances in the national GDP is 31% (World Bank Group 2018).

In conclusion, we should point out a number of factors having a direct effect on wage levels that are common to all countries under review. For instance, the subsistence level is officially established in all four countries as an important social and economic indicator used to determine the poverty line. The subsistence level is calculated on the basis of the consumer basket and mandatory payments, levies and dues. The consumer basket includes a minimum set of goods and services; in real terms, its size is grossly inadequate to cover basic human needs and dooms people to struggle for survival. For that reason, in each of the four countries the issue of increasing the official subsistence level should be raised. In particular, when recalculating the subsistence level, the authorities could adopt a concept suggested by the Wage Indicator platform which, using the prices for goods and services in 60 countries, calculates

a “living” wage intended to cover a household’s expenditures for essential goods and services including food, housing, transport services, healthcare and education costs and other needs. For instance, in 2018, the official subsistence level in Ukraine amounted to 1,921 UAH, while, following the Wage Indicator calculations, the “living” wage for a single worker with no family should be between 2,640 and 3,825 UAH. It also has to be born in mind that, according to Wage Indicator calculations, the “living” wage varies depending on the number of family members and income earners (WageIndicator 2018).

In all the countries, the minimum wage is too low to function as workers’ safeguard against unreasonably low levels of labour remuneration. In Georgia and Kyrgyzstan, the minimum wage is significantly lower than the official subsistence level. In Ukraine, despite the fact that the minimum wage in 2018 amounted to 42% of the average nominal wage in the country, the universally low level of wages does not allow us to conclude that the minimum wage is at a decent level. Thus, in 2018, the average nominal wage amounted to 8,866 UAH or 336 US\$, and the minimum wage was established at the level of 3,723 UAH or 133 US\$. A similar situation is observed in Moldova where the minimum wage in 2017 stood at 42% of the average wage, yet the generally low level of wages worked to decrease the functional significance of the minimum wage: the average nominal wage amounted to 5,584,4 MLD or 328 US\$, with the minimum wage of 2,380 MDL or 140 US\$.

Common to all the four countries is a high level of informal employment, which adversely affects both the citizens’ wellbeing and the capacity of the social funds to provide proper support to them. Besides, the four economies experience a dependence on remittances from their citizens working abroad.

It should be noted separately that in **Kyrgyzstan** the State statistics reflect the share of informal economy as a percentage of GDP rather than the level of informal employment. The informal economy includes hidden economic activities and informal economic activities. Hidden economic activities, in most cases, mean legally-registered economic activities whose actual volume is hidden or understated with the view of dodging taxes, social security allocations, or circumventing legally established norms and standards. Informal economic activities are mainly carried out on a legitimate basis by individual producers or enterprises owned by individuals or households. These activities are based on informal relationships among the participants of production who could (in full or in part) produce goods or services for their own consumption as end users. Informal economic activities are often based on secondary employment and performed by non-professionals. In 2017, the informal economy volume amounted to 23.6% of the Kyrgyz GDP. If one adds to this indicator the fact that one third of the GDP comes from remittances of Kyrgyz migrant workers, one can conclude that the formal sector of economy generates just over one third of the national GDP (National Statistics Committee of the Republic of Kyrgyzstan 2019).

This situation makes the assessment of labour productivity levels significantly harder in all four countries. Nevertheless, the argument of low labour productivity is very often used to economically substantiate the low wage levels in Georgia, Moldova, Ukraine, and Kyrgyzstan. Indeed, the data of the national statistical agencies show that in 2015, a worker in Kyrgyzstan would produce, on average, 1.6 US\$ worth of products during one hour, while in Ukraine it was 2.9 US\$. For comparison, in 2015, the average hourly productivity of labour in the EU countries was 55.9 US\$ (Malikhin 2015).

Unfortunately, in most cases, the statistical services of the countries under review do not produce a whole picture of the national labour productivity level. The most complete set of data was contained in the report of the Ministry of Economic Development and Trade of **Ukraine** on labour and capital productivity in the years 2001 through 2016. Based on this report, we will attempt to figure out the reasons behind the low overall level of labour productivity in the country. While average labour productivity in Ukraine stands at US\$ 3 per hour, the same indicator in the information and telecom sector is US\$ 22, in the financial and insurance sector it is US\$ 13, and around US\$ 12 in the arts sector. Yet the above mentioned sectors employ only a small number of people (Ministry of Economic Development and Trade of Ukraine 2018). For instance, according to the Ukrstat data for 2016, the information and communication sector employed 2.6% of Ukrainians, finance and insurance 3.4%, and the arts 0.5%. While the majority of people work in industry (36.7%), in agriculture, forestry and fisheries (10.3%), in automotive sales and maintenance (15.6%), in transport, warehouses and postal services (13%). Notably, labour productivity in these sectors ranges between US\$ 1 to 2 per hour or even less (State Statistics Service of Ukraine 2019).

At the same time, as external sources would demonstrate, it is the human potential that is seen as one of Ukraine’s strengths. According to the Report “Readiness for the Future of Production” presented at the 2018 International Economic Forum in Davos, Ukraine ranks 34<sup>th</sup> among 100 countries in terms of

the human capital development level. However, it only ranks 74<sup>th</sup> in terms of technology and innovation development and 59<sup>th</sup> in terms of its global trade involvement. In terms of higher education and VET levels, Ukrainians hold 35<sup>th</sup> place (among 137 countries), yet only the 86<sup>th</sup> in terms of labour market efficiency, and the 81<sup>st</sup> in terms of technologies (Vikhrov 2018).

The issue of low labour productivity in Ukraine is real, yet its main causes have to do with the specificities of the national economic mix and the overall structure of its state institutes rather than deficiencies of its labour resources. A substantive factor for the lagging economy is the fact that the bulk of national labour resources are utilised in sectors that have not seen proper modernisation for a very long time and are oriented towards the export of raw materials. In such circumstances, even the most selfless and dedicated attitude to work cannot be converted to high profits and, consequently, it is doomed to remain low-productive.

In this regard, significant growth of labour productivity could be ensured through earnest investments into the modernisation of production and processes in the sectors employing the majority of workers. Currently, the general statistical data allow us to conclude that in all the four countries we observe only slow labour productivity growth rates which tumble down during certain periods. In **Ukraine**, the crisis years of 2013 through 2015 saw a steady decline in labour productivity at the level of 1.1% to 1.3%. In 2016, the labour productivity level showed positive growth by 3.4% (Ministry of economic development and trade of Ukraine 2018).

According to the CEIC agency, the slow growth of labour productivity was observed in **Georgia** as well. In 2017 and 2018, the labour productivity growth rate in Georgia stood at 5.49%; this indicator showed the lowest values in 2014 and 2015 (1.47% and 0.5%, respectively). In **Moldova**, after a serious drop in the labour productivity growth rate to -8.9% in 2016, a small improvement ranging from 4.5% to 5% was observed in 2017 and 2018 (CEIC 2019).

According to the report of the National Statistical Committee of the Kyrgyz Republic on the analysis of the current state of the labour market and labour productivity during the period 2013-2017, labour productivity in Kyrgyzstan grew by 1.5 times. Despite the fact that a number of sectors show a positive growth in labour productivity, the sectors employing the largest numbers of workers show negative growth dynamics: manufacturing (-12.1%); water supply, purification, waste management and recycling (-4.5%); real estate transactions (-6.9%); state governance and defense, mandatory social security (-21.4%); arts, entertainment, and recreation (-26.8%); other services (-26.8%). These indicators speak of the need for serious investments which have seen significant curtailment in Kyrgyzstan: between 2013 and 2018, this indicator was almost halved, dropping from 964,507.1 to 569,790.5 thousand US\$ (National Statistics Committee of the Republic of Kyrgyzstan 2019).

In the opinion of the ILO, low labour productivity is one of the underlying causes of the phenomenon of “working poor”. Such people work long hours, quite often in the informal economy or in their own homestead, and still fail to earn enough to feed their families. For this reason, poverty cannot be reduced without improving labour productivity - and making sure that the results of this improvement are shared fairly between company owners and investors (in the form of higher profits and share prices) and workers (in the form of higher wages and better working conditions). As the main source for improving the quality of life, a most rational way to overcome the poverty of the working population, and the main factor (and measure) of competitiveness in the global market, labour productivity growth benefits all: the State, the employers, and the workers.

However, increased labour productivity can reduce employment, causing the disappearance of whole areas of labour activity. This effect is one of the key topics of the discussion on the Future of Work as innovative technologies and automation of production processes can cause profound transformation in this domain. Yet, experience tells us that, in the long run, the growth in labour productivity, on the whole, does not necessarily undermine the growth in employment in a country. Its benefits can be manifested at the macroeconomic level in such a manner where the dismantling of jobs in one sector will be compensated by their creation in a different sector or sectors.

The ILO stands for the “fair” way of increasing labour productivity when it grows through better working conditions and full respect for labour rights. The ILO contributes to labour productivity growth through its occupational training programmes, the strengthening of the labour market institutes and the social dialogue mechanisms, as well as its special projects and programmes (ILO 2019).

The influence of international financial institutions on wage levels and the economic development in all four countries merits specific mentioning. In particular, the International Monetary Fund is known for the hard conditionality on the loans it provides. These conditions concern macroeconomic stabilisation and include monetary and fiscal policies, transition stages with restrictions, demands to reduce inflation and budgetary gaps or deficits (including civil service redundancies, reduced payroll fund of the public sector, and the curtailment of social protection programmes).

These conditions have no immediate effect on the construction and building materials sectors where the share of state-owned companies is negligibly small. Yet, the implementation of such measures may have grave implications for workers in the sector as they:

- restrict the budgetary capacity of governments to invest in the construction and maintenance of governmental institutions, healthcare and education facilities, pre-school childcare facilities, cultural facilities and cultural heritage sites, social housing facilities, as well as road infrastructure development;
- lead to layoffs of public service workers and employees of state institutions, which frees labour resources and boosts the number of unemployed, which, in its turn, has a serious and direct impact on wage negotiations' potential and outcomes. When there is a large pool of job seekers, it is easier to make those who do have a job accept lower wages;
- force former public sector workers into the shadow economy and informal employment;
- lead to reduced social benefits, which may over-saturate the labour markets; for instance, the reduction of utility subsidies and child care allowances in Ukraine forced large numbers of women to seek additional sources of income for their families (CEDAW Committee, 66th Session 2017));
- contribute to the growing labour emigration and skills drain as workers are forced to seek employment in the neighbouring countries where they work in unprotected conditions.

The IMF recommendations concerning economic reforms deemed to be necessary to overcome structural obstacles for economic development are also quite interesting. One such recommendation refers to the minimum wage and is based on the argument that limiting its growth creates new jobs and leads to reduced unemployment. When calculating the minimum wage, the IMF recommends not to reduce the gap between the minimum wage and the average wage (Lagard and Bludorn 2018).

## Wages in the construction and building materials sectors in Georgia, Moldova, Ukraine and Kyrgyzstan

In accordance with the International Organisation for Standardization's (ISO) Standards catalogue by ICS, the construction industry is treated jointly with the building materials industry. In the structure of economic activities in Ukraine, Georgia, Moldova, and Kyrgyzstan, the construction industry covers the construction of residential and non-residential buildings and structures, as well as civil engineering structures; the building materials industry is classified as a production industry. As a rule, the national statistics agencies of the countries under review do not provide information specifically for the building materials industry. The only exception is Kyrgyzstan, where the National Committee for Industry, Energy, and Mineral Resources Management does provide some data on this type of economic activity.

In this connection, the basis for describing the building materials industry came from mass media and specialist publications and the data provided by the trade unions. The available open official data of the national statistics agencies, informational materials of the World Bank, the International Labour Organisation, and international human rights organisations were used as the main sources of statistical data on the construction industry. When identifying the unions' wage policies, as well as the existing mechanisms of wage setting, an analysis of the national legislations was carried out along with in-depth interviews with the leaders of the sectoral unions organising construction and building materials workers in Georgia, Moldova, Ukraine, and Kyrgyzstan. The interviews were based on a previously developed questionnaire (See Appendix 1). The questionnaire contained several thematic blocks covering, mainly, the legal framework for wage setting and the unions' right to collective wage bargaining, wage data collection and analysis.



## Main features of the construction and building materials sectors

According to Transparency International Georgia, during the period of 2014-2017, the construction sector was the fastest growing business sector in Georgia. With its 9.3% share in the structure of the national GDP, the sector as the fourth largest contributor after trade (17.0%), industry (17.0%), and transport and communications (10.2%). However, the provisional data for 2018 suggest that the sector's growth is slowing down (Transparency International 2018).

The construction sector is also one of the biggest employers in the country. According to GeoStat, in 2017 it employed 8.7% of the whole hired workforce. In the past years, the largest number of workers in the construction sector was observed in 2017 (76.2 thousand). The overwhelming majority of workers are employed by private construction companies (available estimates put it around 98.8%), with only 1.2% of the sector's workforce working in the State-owned construction companies. Large construction firms account for 24% of the workforce, while small enterprises employ around 56% of all workers in the sector (GeoStat 2019).

According to official 2018 statistics, the share of the construction sector in the structure of Moldovan GDP stood at 7.9%. The year 2019 saw signs of a decline in the sector's activities. The data published by Moldova's National Bureau of Statistics, show that only 573 authorisations to erect residential and non-residential buildings were issued in the country during the first quarter. Compared to January-March 2018, this indicator has dropped by 12.9%. It should be noted, that during the past few years the amount of loans provided to the sector has also been going down (National Bureau of Statistics of the Republic of Moldova 2019).

According to the National Bureau of Statistics of Moldova, in 2017, the construction sector had 56,6 thousand workers, with only 22.6 thousand who were employed formally. This amounts to around 3.6% of the total workforce in the country. Officially employed workers work in 1650 construction companies, the overwhelming majority of which are private. The State owned only 12 construction companies; there is also a small percentage of companies with the mixed type of ownership, as well as enterprises with foreign capital.

According to the official statistics, the construction sector in Ukraine accounts for around 3% of the national GDP (2017 r.) and contributes to the development of a whole range of related sectors, in particular metallurgy and manufacturing. The construction sector began plunging into recession in 2012 because of the uncertainties on the Ukrainian export markets and was further affected by the inception of the armed conflict in the east of the country in 2014. In 2012-2015, the production output in the construction industry dropped by more than three times from 7.6 to 2.3 billion US\$. After the four-year slump, the sector started recovering in 2016 and grew by 13.1% (up to 2.6 billion US\$). From 2017 on, a steady growth trend has been observed, although it still has a long way to go to reach the pre-crisis levels (State Statistics Service of Ukraine 2019).

Since 2000, the largest number of workers in the construction sector of Ukraine, 1,043.4 thousand, was recorded in 2008. By the pre-crisis year 2013, employment in the sector stood at 841.1 thousand which is the largest number in the past six years: in 2015, the number of workers decreased by 199 thousand (or 23.6%). Looking at the official statistics, we can conclude that after this major drop the situation leveled off and, from 2015 on, the number of workers employed in the sector has remained largely stable (around 644 thousand). Evidently, apart from the slump in the sector itself, those serious losses in numbers also reflect the territorial losses suffered by the country. Another major factor contributing to the dwindling of the sector's workforce was the outflow of skilled construction workers seeking employment abroad (Tkalič 2019) (State Statistics Service of Ukraine 2019).

In **Kyrgyzstan**, the status and development prospects of the construction sector are seen as a major factor of the country's economic development. The construction sector's share in the national GDP structure has been gradually increasing from 7.4% in 2014 to 8.8% in 2018. In terms of its contribution to the GDP, the sector ranks fifth after services (46%), industry (18.6%), net taxes on produce (14.2%), and agriculture (11.6%) (National Statistics Committee of the Republic of Kyrgyzstan 2019). It is in the steady

growth of the agricultural and construction sectors that the World Bank sees the potential for prospective reduction of poverty in Kyrgyzstan in 2017-2018 (World Bank Group 2018).

The construction sector is a major employer in the country, second only to agriculture. According to the National Statistical Committee, in the past five years the largest number of workers in this sector (283.3 thousand) was recorded in 2016. In 2017, the sector employed around 255.7 thousand workers or 11% of the country's entire workforce.

Table 5 contains summarized data on the number of workers in the construction sector in 2014 through 2018 in Georgia, Moldova, Ukraine, and Kyrgyzstan.

**Table No. 5: The number of workers employed in the construction sector of Georgia, Moldova, Ukraine, and Kyrgyzstan**

Number of workers employed in construction sector (thou.)	2014	2015	2016	2017	2018 ***
Georgia	68.9	71.1	75.0	76.2	67.2
Moldova	66.4	65.4	60.9	56.6	59.5
Ukraine	746.4	642.1	644.5	644.3	-
Kyrgyzstan	253.8	265.5	283.3	255.7	-

Sources: GeoStat 2019; State Statistics Service of Ukraine 2019; National Bureau of Statistics of the Republic of Moldova 2019; National Statistics Committee of the Republic of Kyrgyzstan 2019

\*\*\* Provisional data

It should be noted that in all countries under review determining the number of people employed in the construction sector is a difficult task. The difficulty mostly has to do with high levels of precarious work and self-employment in the sector, as well as the unsteady operation of recruitment systems at the construction sites. As a rule, the statistical data on the number of workers in the construction sector include self-employed, temporary and seasonal workers, day workers and informally employed workers, as well as builders hired as independent contractors.

For instance, in Ukraine the total number of workers in the construction sector is determined using surveys of construction companies and selective household surveys. Such surveys disregard whether a worker has an open-term direct employment contract or is hired on a daily basis or as an independent contractor under civil rather than labour law. To receive information on the number of workers with permanent employment contracts in the construction sector, the union has to send a corresponding request directly to the statistical agency - it is the only way. According to the union, in 2017, the number of workers with standard labour contracts in the construction sector was 150 thousand out of the total number of 644.3 thousand (Andreyev 2018).

in Kyrgyzstan, the National Statistical Committee keeps records of the total number of workers in the construction sector, as well as the number of workers employed by enterprises, organisations, and institutions. The former data show that in 2017 the sector employed 255.7 thousand workers, while the latter quote the figure of only 18,930 workers as officially employed by construction companies (National Statistics Committee of the Republic of Kyrgyzstan 2019).

In Moldova, the number of workers employed in the informal sector is also significantly larger than the number of workers holding formal contracts. The National Statistical Service of Moldova provides information on the number of workers in the construction sector having formal and informal employment. From 2014 on, the number of workers in the construction sector has been steadily declining. In 2018, the total number of workers slightly increased due to the growing informal employment. Table 6 explicitly shows the number of workers with formal and informal employment in the construction sector of Moldova.



**Table No. 6: The number of workers in the construction sector of Moldova**

Number of workers employed in construction sector (thou. people)	2014	2015	2016	2017	2018
Total number	66.4	65.4	60.9	56.6	59.5
Formal employment	26.4	24.3	25.0	22.6	22.3
Informal employment	40.0	41.1	35.9	34.0	37.2

Source: National Bureau of Statistics of the Republic of Moldova 2019

The National Statistical Service of Georgia provides data on the share of informally employed workers in their total number, except for agricultural workers. In 2017, informally employed workers [in the sector] amounted to 33.9 thousand, and in 2018 their number grew to 36.2 thousand (GeoStat 2019).

We can conclude that despite the significant number of workers employed in the construction sector in Georgia, Moldova, Ukraine, and Kyrgyzstan, the majority of them have informal employment and, consequently, have only limited access to mechanisms of their labour rights protection. Also, the large number of workers in the informal part of the construction sector is a serious challenge for the unions as the unions in the countries under review traditionally operate in workplaces providing formal employment to their workers.

In all four countries, the statistical agencies provide data on migrant workers employed in the construction sector. In the unions' opinion, this situation reflects the fact the countries under review are themselves sending countries. For instance, Kyrgyz citizens annually go to work abroad, predominantly to Russia and Kazakhstan, while citizens of Georgia, Moldova, Ukraine are more and more geared towards seeking employment in the European Union. So, all four countries experience shortages of workers. For example, in Ukraine, the construction sector is an unchallenged leader in terms of the number of its workers leaving the country to work abroad: it sends out four times more workers than the next sector in line. According to the union, in the past three years, around 800 thousand construction workers emigrated to the EU countries alone (Tkalič 2019) (Andreyev 2018). In Moldova, where labour migration has evidently become a massive phenomenon, the construction sector ranks second after agriculture in terms of its workers who chose to leave. The chief motivating factor is purely economic: low wages in the country of origin and higher wages in destination countries (Talmach 2018).

If we are to draw a gender and age "portrait" of the sector, then, according to the unions, the bulk of the workforce is formed by young and middle-aged men. As a rule, women can perform painting and plastering work at a construction site and also work as crane operators (Kurtanidze 2018) (Sultakeyev 2018) (Andreyev 2018) (Talmach 2018).

The employers in the construction sector are mainly national private businesses, while transnational companies (TNCs) operate in the building materials industry.

In **Georgia**, large TNC like HeidelbergCement and Lafarge Holcim have stable leading positions in the production of construction mixes. Thus, the HeidelbergCement Georgia company managing plants in Kaspi, in the Poti Region, in Rustavi and a cement terminal in Supse positions itself as the largest cement and clinker producer in Georgia; the Heidelberg Beton Georgia branch is currently managing thirteen concrete batch plants and supplying virtually all major construction sites in various regions of Georgia (HeidelbergCement Georgia 2019). Compared to Heidelberg Cement, that entered the Georgian market long ago, the Lafarge Holcim company only appeared in Georgia at the end of 2017, rising to second place in terms of the throughput capacity and sales in the cement market in two years (Lafarge Holcim 2019).

In **Moldova**, the building materials sector has been historically using its own inputs, combining enterprises that specialise in the production of cement, glass, ferroconcrete and load-bearing structures. In 1995, the Knauf company decided to enter the construction sector of Moldova when it took the decision to modernise the plant in Bălți. Since 1996, the Bălți integrated building materials plant was named "CMC-KNAUF", and since 2008 the "KNAUF-GIPS" JSC. The Bălți plant directly produces gypsum, gypsum mixes, cement products, plasterboard, perlite, and limestone. Currently, the Bălți KNAUF-GIPS plant has leading positions in the Moldovan building materials market (KNAUF 2019). The Lafarge Moldova Group which currently manages the Rezina cement plant, the Chișinău concrete batch testing centre, and the

railway terminal in Comrat entered the Moldovan market in 1999 and now holds a leading position among cement producers.

Large TNC producers of building materials started penetrating the Ukrainian market since middle 1990s. As early as 1996, the German company Knauf set up its subsidiary in Ukraine, “KNAUF Marketing”. Currently, the company controls two production sites in the central and eastern parts of the country: the OOO “KNAUF GIPS Kyiv”, and the OOO “KNAUF GIPS Donbass” (in the town of Soledar) (KNAUF Ukraine 2019).

The cement market has proven to be the most lucrative one for foreign investors and in the past 20 years a significant part of it has been controlled (in various proportions) by major TNCs, including Heidelberg Cement, Cement Roadstone Holdings (CRH), Dyckerhoff, and Lafarge.

The German company Heidelberg Cement came to Ukraine in 2001. The company managed three cement plants — “Krivorozhskiy”, “Kamenskiy”, and “Amvrosievskiy”. With the inception of the armed conflict in the east of the country, the company lost the “Amvrosievskiy” plant (around 15% of the company’s total output in Ukraine) located in the part of the Donetsk Region that was not controlled by the Ukrainian government. In the spring of 2019, the company decided to sell its Ukrainian assets (HeidelbergCement Ukraine 2019).

The Ukrainian assets of the French company Lafarge included four cement plants - Koschievskiy, Klesovskiy, Maidan-Hispanskiy and “MykolayivCement”, a plant producing sterile gypsum and plaster board (3AO “Stromgips”), and has three ballast quarries (in the Kyivskaya, Rovenskaya, and Chernigovskaya regions). In 2013, the company sold the largest of the assets, the “MykolayivCement” plant, to the Irish company CRH, and subsequently sold out the rest of its assets. Currently, Lafarge has left the Ukrainian market (LafargeHolcim 2019).

The CRH company came to Ukraine in 1999, buying out the “Podilskiy Cement” company. In 2011, CRH purchased the Odessa Cement Plant from the Cimentos de Portugal Group; “Mykolayivcement” became the company’s third cement plant in Ukraine. The advantageous geographical location of the plants allows CRH to sell its products virtually in every part of Ukraine. Apart from the cement plants, the CRH assets in Ukraine include concrete mixing stations and precast ferroconcrete production facilities (the “Polybeton” Group, the PrJSC “Bilotserkivskiy Plant of Reinforced Concrete Structures”), as well as a ballast quarry (the PrJSC “Bechivskiy Specialised Quarry”) (CRH Ukraine 2019).

The Dyckerhoff company owns cement plants in the south of the country, PrJSC “YUGcement”, PrJSC “Volyn-Cement”, and PrJSC “Kyivcement”, and operates cement terminals, sales and packaging facilities. Dyckerhoff AG is a part of the Buzzi Unicem Group (Italy) (Dyckerhoff Ukraine 2019).

As for **Kyrgyzstan**, this is the only state among the countries under review where the share of TNCs in the building materials sector is relatively small. The main segments of the building materials sector are the production of cement and glass. The flagmen of the building materials sector are four large plants: “Interglass” (a plate glass plant owned by a private German company Heinrich Glaeser), “Kant Cement Plant” (a part of the United Cement Group holding, the largest cement producer in Central Asia), “Kant Asbestos-Cement Pipe Manufacturing Facility”, and “South Kyrgyz Cement” (UNIDO 2018).

According to the data published by the State Committee for Industry, Energy and Mineral Resources Management of the Kyrgyz Republic, in 2017, the share of building materials production in the country’s total industrial output amounted to 6.9%.

One of the specificities of the building materials sector in Kyrgyzstan is that all issues pertaining to the required technical equipment, its modernisation, etc. are dealt with by private company owners, as all the production facilities are privately owned. Outside of insignificant amounts of cement exported to Tajikistan and Uzbekistan, the sector’s companies are currently producing mainly for the domestic market whose volume does not allow for operating the cement plants, for instance, at their full capacity. Also, the range of products is rather limited, hence the market has a large share of imported building materials. Possibly, this explains the absence of large building materials TNCs in the Kyrgyz market (State Committee for Industry, Energy and Mineral Resources of the Republic of Kyrgyzstan 2019).

## Wage levels in the construction and building materials sectors

This section presents the data from the national statistical agencies of Georgia, Moldova, Ukraine, and Kyrgyzstan on wage levels in the construction sector and also defines the unions' positions on the issue of wages. It should be noted that the national statistical agencies only provide statistical data on wages for the construction sector, so we can only assess the situation in the building materials sector based on the information provided by the unions.

In **Georgia**, in 2017, the monthly average wage in the construction sector was 1,461.3 GEL, which is 46% higher than the national monthly average wage. We can also point out the rather high wage growth rate in the sector. For instance, in 2017 the wages in the sector grew by 14% compared to 2016.

The larger companies pay their workers considerably more than medium and small businesses. The average monthly wage of a worker employed by a large company is around 2,017 GEL, which is 1.2 and 1.9 times higher than the wages offered by medium and small companies, respectively.

In Georgia, there is a substantial gender pay gap in the construction sector. According to 2017 data, women's wages amounted to only 60.2% of men's wages.

Particular attention should be given to the situation in Georgia around the minimum wage. There is no truly operative concept of a "minimum level of labour remuneration" in Georgia, as all the norms and standards that are currently enshrined in the national legislation have long grown obsolete. For instance, the minimum wage of 20 GEL in the private sector has remained unchanged since 1999, while the minimum wage for civil service is 130 GEL. These figures are substantially lower than the official subsistence level which was set at 170 GEL for a working man in 2017. In Georgia, the subsistence level is calculated monthly for a working man and for a household. Georgian trade unions do not conclude sectoral collective bargaining agreements (CBAs) in the construction and building materials sectors, there is no negotiated minimum wage in this sector either (GeoStat 2019).

**Table No. 7: Wages in the Georgian construction sector, 2014-2018.**

National minimum wage in private sector/civil service (GEL)	2014	2015	2016	2017	2018***
	20/130	20/130	20/130	20/130	20/130
National average nominal wage (GEL)	818.0	900.4	940.0	999.1	1124.1
Men	980.0	1,074.3	1,116.6	1,197.4	1,360.5
Women	617.9	692.5	731.2	770.2	856.2
Minimum wage in construction sector (GEL)	Not established	Not established	Not established	Not established	Not established
Average nominal wage in construction sector (GEL)	942.8	1,182.0	1,266.9	1,461.3	1,744.5
Men	961.0	1,207.2	1,297.8	1,520.2	1,793.7
Women	725.3	887.7	921.1	915.5	1,249.7
Average nominal wage in construction to national average nominal wage ratio (%)	115.3%	131.3%	135%	146.3%	155.2%

Source: GeoStat 2019

The national currency Lari (GEL) exchange rate: 1 USD = 2.64 GEL (01.12.2018)

\*\*\* provisional data

In Moldova, in 2017, the average monthly nominal wage in the construction sector was 5,544.2 MDL (around 323 US\$), which is 14% higher compared to 2016. On average, the annual wage growth rate from 2014 to 2017 was around 9.6%. Still, despite the steady growth of wages in the sector, they lag behind the national average wage by 1%. The union promotes the establishment of the minimum wage in the sector at the level of 5,000 GEL (Talmach 2018). The available statistics allow us to determine the gender pay gap in the sector. At the end of 2017, it was 11%, which is 3% lower than the gender pay gap at the national level (14%) (National Bureau of Statistics of the Republic of Moldova 2019).

A sectoral CBA was concluded for 2018-2022, setting the minimum wage for the construction and building materials sector at 3,100 MDL (178 US\$), which is 16% higher than the national minimum wage. Despite the fact that the current CBA has increased the workers' minimum wage in 2018 by 23%, the union believes that today this indicator should be augmented to 5,000 GEL (Talmach 2018).

**Table No. 8: Wages in the construction sector of Moldova, 2014-2018**

	2014	2015	2016	2017	2018
National minimum wage Private sector (MDL)	1,000	1,900	2,100	2,380	2,610
National average nominal monthly wage (MDL)	4,089.7	4,538.4	4,997.8	5,587.4	-
Men	4,374.9	4,881.3	5,414.4	6,017.0	-
Women	3,831.7	4,235.2	4,631.4	5,204.0	-
Minimum wage in construction (MDL)		2,300	2,300	2,300	3,100
Average nominal wage in construction (MDL)	4,165.7	4,378.1	4,843.2	5,544.2	-
Men	4,230.0	4,443.6	4,946.4	5,627.9	-
Women	3,826.1	4,003.0	4,269.5	5,019.8	-
Average nominal wage in construction to national average nominal wage ratio (%)	101.8%	96.5%	97%	99%	-

Source: National Bureau of Statistics of the Republic of Moldova 2019  
The national currency Lei (MDL) exchange rate: 1 USD = 17 MDL (01.12.2018)

During the past four years, in **Ukraine** the average wages in the sector have been gradually growing to reach 7,845 (UAH) (281 US\$) by 2018, which amounts to about 88.5% of the national average wage. If we look at the dynamics of this ratio between 2014 and 2018, it turns out that construction workers' wages were, on average, 15% less than the national average wage (State Statistics Service of Ukraine 2019).

In 2017, the minimum wage in Ukraine was doubled. That same year, after five years of struggle, the Construction and Building Materials Workers' Union of Ukraine managed to conclude a Sectoral Collective Bargaining Agreement setting the minimum (base) pay rate for an unskilled construction worker at 2,836.82 UAH (the subsistence level multiplied by the coefficient of 1.61). The base pay rate for a skilled construction worker (1 grade) was set at 3,631.13 UAH (subsistence level multiplied the coefficients of 1.61 and 1.28 (construction workers' sectoral coefficient). These pay rates were below the official minimum wage in 2018, for this reason the minimum wage was guaranteed by supplementary payments. At the end of 2018, the union concluded a new Sectoral CBA for 2019-2020 containing higher base pay rates for the sector's workers: the base pay rate for an unskilled construction worker was set at 4,437 UAH (subsistence level multiplied by the coefficient of 2.31); the base pay rate for a skilled construction worker (1 grade) was set at 5,679.36 UAH (subsistence level multiplied by the coefficients 2.31 and 1.28 (construction workers' sectoral coefficient). These pay rates apply to both the construction sector and the building materials sector (Andreyev 2018).

As for the gender pay gap, in 2018 women's wages in the construction sector averaged 89.9% of men's wages, while nationally they amounted to 77.7% of men's wages (State Statistics Service of Ukraine 2019).

**Table No. 9: Wages in the construction sector of Ukraine, 2014-2019**

	2014	2015	2016	2017	2018	2019
<b>National minimum wage (UAH)</b>	1,218	1,450	1,600	3,200	3,723	4,173
<b>National average nominal wage (UAH)</b>	3,480	4,195	5,183	7,104	8,865	-
Men	3,979	4,848	6,001	8,879	10,966	
Women	3,037	3,631	4,480	7,020	8,525	
<b>Minimum wage in construction Unskilled occupations / skilled workers (UAH)</b>	-	-	-	-	2,836.8/ 3,631.13	4,437/ 5,679.36
<b>Average nominal wage in construction (UAH)</b>	2,860	3,551	4,731	6,251	7,845	-
Men	2,915	3,630	4,811	6,960	8,983	-
Women	2,638	3,231	4,402	6,483	8,072	-
<b>Average nominal wage in construction to national average nominal wage ratio (%)</b>	74.5%	84.6%	91.2%	88%	88.5%	-

Source: State Statistics Service of Ukraine 2019

The national currency Hryvna (UAH) exchange rate: 1 USD = 28 UAH (01.12.2018)

The situation around the growth of labour productivity in the construction sector in 2016 merits some special attention. According to the report of the Ministry of Economic Development and Trade of Ukraine on labour and capital productivity between 2001 and 2016, in 2016, the construction sector showed the greatest labour productivity growth rate among all other sectors of economy - 14.6%. In absolute values, labor productivity of a worker employed in the construction sector was 452,244 UAH or 17,718 US\$ per year (~9 US\$ per hour). In 2016, the annual average wage in the construction sector was 56,772 UAH or 2,202 US\$ (~1 US\$ per hour). So, construction workers receive only 12.5% of the value of the product they create (Ministry of economic development and trade of Ukraine 2018).

In Kyrgyzstan, according to the official statistics, in 2017 the monthly average wage in the sector was 13,024 KGS (around 187 US\$). Compared to the national average monthly wage (15,670 KGS or around 229 US\$ in 2017), we see that the construction sector workers' wages are less by 2,646 KGS or 16%. In 2018, this gap became somewhat smaller, yet construction workers' wages still lag behind the national average wage (National Statistics Committee of the Republic of Kyrgyzstan 2019).

The majority of the sector's workers are employed by small and medium businesses. It is the large companies that pay the workers the highest wages, where the average monthly wage is around 19,475 KGS (2017), which is two times more than what small enterprises pay (9,329 KGS) and 1.3 times more than wages offered by medium businesses (National Statistics Committee of the Republic of Kyrgyzstan 2019).

The National Statistical Committee does not provide wage statistics with a breakdown by gender.

**Table No. 10: Wages in the construction sector of Kyrgyzstan, 2014-2018**

	2014	2015	2016	2017	2018
<b>Minimum wage in the private sector (KGS)</b>	900	970	1,060	1,140	1,220
<b>National average nominal wage (KGS)</b>	12,285	13,483	14,847	15,670	16,427
<b>Minimum wage in construction (KGS)</b>	Not established	Not established	Not established	Not established	Not established
<b>Average nominal wage in construction (KGS)</b>	10,007	11,959	12,384	13,156	14,549
<b>Average nominal wage in construction to national average nominal wage ratio (%)</b>	81.5%	88.7%	83.4%	84.0%	88.5%

Source: (National Statistics Committee of the Republic of Kyrgyzstan 2019)

The national currency Som (KGS) exchange rate: 1 USD = 69.8 KGS (01.12.2018)

According to the National Statistical Committee of the Kyrgyz Republic, during the period of 2010-2017 labour productivity in the construction sector grew by 154%, which has put the sector in second place in terms of labour productivity after the mining industry.



So, we can conclude that only in **Georgia** were construction workers' wages higher than the national average wage. In **Moldova, Ukraine, and Kyrgyzstan**, despite the steady growth of wages in the sector, the average wage level in the sector is below the average wage level in the country. In the unions' opinion, the low level of wages in the construction sector is a key determining factor of the labour migration processes in all four countries. In this regard, the unions see their struggle for higher wages in the sector not just as a fight for better living standards for workers but also as a fight for the development of the construction sector and the preservation of jobs (Andreyev 2018) (Kurtanidze 2018) (Talmach 2018) (Sultakeyev 2018).

In those countries that track the gender pay gap statistics, a persistent wage gap between men and women is observed. The majority of sector-based labour unions recognise the gender pay gap and are aware of the issue. It should be noted that all four countries have ratified the core ILO Convention No. 100 on equal remuneration of men and women for work of equal value. To date, an analysis of wages in the construction and building materials industries from this aspect has been undertaken only in **Ukraine**. It was determined that the gender pay gap in the two sectors is around 26%. The union developed the recommendation to include a provision on ensuring equal rights and opportunities for women in men and closing the gender pay gap in collective agreements; it has also launched a public campaign for wage equality between men and women (Andreyev 2018).

The unions' attitude towards the issue of minimum wage in the context of collective bargaining should be given special attention. Despite the fact that there is a certain general theoretical understanding of the minimum wage's potential as an effective policy tool in the area of labour remuneration, in practice, the minimum wage turns out to be the kind of indicator that is "best not to even mention", "shameful to speak of", and "best to be silent about". The explanation is that the level of the minimum wage is too low and never on a par with the official subsistence level (for instance, in Kyrgyzstan, the minimum wage is around 20 US\$, while the official subsistence level is close to 70 US\$). The Georgian and Kyrgyz unions share a common outlook that the national minimum wage should be brought up to at least the official subsistence level, then it could have an influence over the wage structure. Yet, today, the level of wages that these unions bring to the negotiation table is always significantly higher than the national minimum wage (Sultakeyev 2018) (Kurtanidze 2018).

It is only in Ukraine that the union considers the minimum wage to be a sort of a "meaningful backbone" that facilitates increases of the base pay rates in the sector and contributes to higher wages. Despite the fact that the law prohibits the linking of sectoral base pay rates to the national minimum wage, each time the government takes a decision to increase the national minimum wage, the social partners in various sectors of economy see that as a signal to improve wages in their sectors (Andreyev 2018). That said, as we have mentioned earlier, the national average level of labour remuneration in the country remains low: in 2018, it was 8,866 UAH or 336 US\$, while the national minimum wage was set at 3,723 UAH or 133 US\$. Only in 2019 the union managed to stipulate in the Sectoral CBA the minimum wage in the construction and building materials sector at a level that was higher than the national minimum wage: 4,437 UAH (173 US\$) for unskilled workers and 5,679.36 (221.5 US\$) for skilled ones, with the national minimum wage of 4173 UAH (163 US\$).

The Moldova union believes that the level of the national minimum wage does not ensure the meeting of essential needs of workers and their families; the union is convinced that it should be substantially increased (Talmach 2018).

In the context of the unions' attitude to the national minimum wage, it is necessary to outline the existing national minimum wage-setting mechanisms and criteria and the role of the unions in this process. Today, none of the countries under review has established any criteria for setting and increasing the national minimum wage. Similarly, none of the countries envisages the fully-fledged involvement of the social partners in the processes of the minimum wage setting and the leading role is reserved for the governments. Only in Moldova and Ukraine the national legislation states that the [national] minimum wage is set by the government in consultation with the social partners. In practice, such consultations are often a mere formality and the government is not obliged to follow any agreements that may have been reached (Andreyev 2018) (Talmach 2018).



If we turn to the international standards in the area of the minimum wage setting, the ILO Convention No. 131 on minimum wage fixing with special reference to the developing countries says that when fixing the minimum wage, the needs of workers and their families, as well as economic factors should be taken into consideration. As for the mechanism to fix the minimum wage level, the ILO calls for the creation of such machinery that would involve, on equal footing, representatives of workers and employers, as well as independent experts who have recognised competences for representing the general interests of the country (ILO 1970). All the countries (except for Georgia) have ratified ILO Convention No. 131, however it is evident that in its current form the minimum wage fixing machinery in Georgia, Moldova, Ukraine, and Kyrgyzstan does not comply with the international standards and significantly restricts the role of trade unions (ILO 2019).

One of the specificities of the construction sector is the seasonality of construction work. And although the law does not explicitly define construction as seasonal work, idling for technical reasons during the winter time has a significant impact on the working conditions in the sector. As a rule, the seasonal decline in production or downtime lasts for at least three months and often result in an outflow of workers from the sites, increasing worker turnover and even informal employment. This is typical for both the construction sector and the building materials sector where cement plants, for instance, are often shut down during the winter period to carry out preventive maintenance work.

The seasonality of construction work entails a task of securing workers' income during the downtime that is forced on them. This task is most keenly felt by the union in **Kyrgyzstan** that sees it as one of the most difficult issues to regulate through collective bargaining. During the winter time, construction workers' wages in the country could drop, on average, by 3-4 times. Many enterprises mothball their production facilities, sending workers away on unpaid leaves. According to the union leader, "winter is the time of struggle for survival" (Sultakeyev 2018).

For the winter period, the union tries to secure workers' pay at least at the level of the minimum wage to make sure that allocations to social security funds continue, otherwise, a worker's overall length of service would be interrupted. Because of the winter downtime, many workers opt to take their regular annual leaves in winter; it has become a common practice. For this reason, the union tries to include in the CBAs a provision committing the employer to provide workers with financial assistance in the amount of approximately half of their monthly wages, on top of their holiday money. This financial assistance along with the annual leave allowance give workers a chance to take home some extra money during the winter downtime, quite simply allowing them to survive till spring (Sultakeyev 2018).

The situation in **Ukraine and Moldova** does not look so dramatic. The unions there, while acknowledging the impact of seasonality on wages in the sector, do not single it out as a significant problem. Many enterprises pay their workers for forced downtime, although there are some that send workers away on unpaid leaves (**Moldova**). In **Ukraine**, where the construction market experiences tangible growth, there is no question of wages going down, although a large part of monthly bonuses is lost during the downtime. During the warmer seasons, the bonuses tend to grow, sometimes doubling the monthly wages. Yet this system is established at a rather limited number of workplaces. On the whole, during the winter season wages are different from the standard ones without bonuses only when the workplace is idling; then the employer is obliged to pay workers 2/3 of their pay rate (Talmach 2018) (Andreyev 2018).

## Wage structure and wage arrears in the construction and building materials sectors

Wages in the countries under review are composed of two parts, the main or fixed one (a salary or a pay rate) and the bonus or variable one (compensatory and incentive payments). Both parts of wages are taxable and subject to mandatory allocations to social security funds. While the main part of wages must be paid by all means, the bonus part as a rule is determined based on the financial situation of the employer and is not explicitly stipulated in the employment contract. In these circumstances, employers in the countries under review frequently practice so-called “grey wages”, when a worker is officially paid only the fixed part of his/her wages, while the variable part arrives privately in the form of cash in an envelope. Without doubt, this situation puts workers in a very vulnerable position where, ultimately, their wage amounts depend exclusively on the employers good will (or lack thereof) and the workers have no legal leg to stand on if they want to claim the bonus part of their wages due to them but which they may not receive. Besides, the practice of “grey wages” has an adverse effect on the whole economy, reducing tax income and payments to social funds.

The issue of “grey” and “black” wages was clearly pointed out by the unions of **Moldova** and **Ukraine**, just like the huge damage coming from the practice of “cash in an envelope” wages’. Moreover, many employers pay entire wages in this shadowy manner. One can assess the scale of the problem using the data provided by the Ukrainian union. So, if you compare the total number of workers in the sector, which is over 640 thousand people, to the number of workers for whom the social taxes are paid, which is around 150 thousand people, then it turns out that more than three fourths of the construction sector operates on “black” wages. So it will not be an exaggeration to say that “grey” and “black” wages are destroying the labour market (Andreyev 2018) (Talmach 2018).

“Grey” wages deal a powerful blow to the unions as well, restricting their capacity to protect their members and undermining their position in the collective bargaining process. Nevertheless, collective bargaining at its various levels can be an effective tool in the fight against the “shadow economy”. The fight for higher pay rates stipulated in the sectoral and workplace CBAs that the unions are engaged in can gradually “take all sense out of the employers’ plans to set wages at such a low level that additional payments “in envelopes” are required”. The unions can initiate campaigns against the “shadow” labour markets or join such campaigns launched by other NGOs. In the opinion of the unions, fighting for higher minimum wage with the view of bringing it closer to the actual subsistence level is, in fact, the real fight against the “shadow” economy (Andreyev 2018) (Talmach 2018).

Wage arrears is another challenge that should be listed among the issues related to labour remuneration in the construction and building materials sector. For instance, in Georgia, according to the union, wage arrears in some workplace go back as long as seven or eight months. Ukraine is the only country under review that provides open access to official data on wage arrears. In 2018, Ukrainian workers were owed 2,645.1 million UAH (which is 11.6% higher than the 2017 figure). According to the union, wage arrears in the construction sector amount to 64.511 million UAH (State Statistics Service of Ukraine 2019) (Andreyev 2018).

## Wage setting mechanisms in the construction and building materials sectors. The role of trade unions and collective bargaining

**Georgia, Moldova, Ukraine, and Kyrgyzstan** have a number of laws and regulations in place governing wage setting issues, including regulation through collective bargaining and pay rates.

We should make a special note of the fact that all countries under review (except for Georgia) have ratified the ILO Convention No. 95 on protection of wages and the ILO Convention No. 131 on minimum wage fixing with a special reference to developing countries (ILO 2019).

In **Kyrgyzstan, Ukraine, and Moldova** trade unions have a legal right to be involved in wage setting. The right to wage bargaining is enshrined in the national legislation. Thus, according to the collective bargaining law, trade unions are recognised as a party to the collective bargaining process and the contents of collective bargaining agreements include provisions regulating such issues as labour rate setting and labour remuneration, setting the form, the system, and the size of wages and other types of labour remuneration (additional payments, increments, bonuses, etc.); as well as the size of pay rates, wage indexation, and the payment of benefits and compensations. The national legislation stipulates that collective bargaining on issues related to regulation of labour remuneration can take place at the national, sectoral and local levels of social dialogue.

Georgia had not seen virtually any activity in the area of collective bargaining and social dialogue before 2008. The fact that the government adopted a new Labour Code in 2006 without any prior consultations with trade unions speaks for itself.

The year 2013 saw some signs of positive change. Amendments to the Labour Code made the collective bargaining process somewhat more specific and concrete, yet they did not explicitly identify trade unions as a party to collective bargaining, rather limiting the language to the phrase “worker associations”. Also, the amended Labour Code was more precise in defining the functions of the Tripartite Commission, although it did not give the Commission the mandate to hold nation-wide collective bargaining. Trade unions were involved in drafting amendments to the Labour Code, yet many of their initiatives were rejected by the time of the third hearing (Labour Code of Georgia 2013).

The **Georgian** union believes that the current legislation should be further reformed to explicitly establish the trade unions’ right to collective bargaining and wage bargaining. As a result of the complete liberalisation of labour relations that has taken place in Georgia, the opportunities for legislative regulation of wage remuneration issues are, upon the whole, very limited. According to the union’s leader, “market conditions have given employers a completely free hand”. Despite the deficiencies of the law, the Independent Construction and Forestry Workers’ Union is engaged in collective bargaining, including wage bargaining, since it believes that “the issue of higher wages is the most important one for workers” (Kurtanidze 2018).

**Table No. 11: The legal framework for wage setting**

<b>Georgia</b>	<ul style="list-style-type: none"> <li>• Labour Code of Georgia of 17.12.2010 as amended on 12.06.2013</li> <li>• The Law of Georgia On Trade Unions of 02.04.1997</li> <li>• Law of Georgia On Labour Remuneration in a Public Institution of 22.12.2017</li> </ul>
<b>Kyrgyzstan</b>	<ul style="list-style-type: none"> <li>• Labour Code of the Kyrgyz Republic of 04.08.2004.</li> <li>• KR Government Regulation On Performance Assessment and Labour Remuneration Conditions for State Civil Servants and Municipal Workers of the Kyrgyz Republic</li> <li>• KR Government Regulation on the Introduction of New Labour Remuneration Conditions for Employees of Educational Institutions</li> <li>• KR Government Regulation On Labour Remuneration for Employees of the State Forestry Service of the Kyrgyz Republic</li> <li>• Law of KR No. 154 On Social Partnership in the Area of Labour Relations in the Kyrgyz Republic of 25.07.2003</li> <li>• Law of KR No. 164 On Collective Bargaining of 21.08.2004</li> <li>• Law of KR No. 113 On Introduction of Amendments to the Law of KR On Ensuring Timely Payment of Wages, Pensions, Benefits, and Other Social Transfers of 19.07.2011</li> </ul>
<b>Moldova</b>	<ul style="list-style-type: none"> <li>• Labour Code of the Republic of Moldova of 28.03.2003</li> <li>• Law of RM On Labour Remuneration of 14.02.2002</li> <li>• RM Government Regulation No. 743 On Labour Remuneration for Employees of Business Enterprises of 11.06.2002</li> <li>• Law of RM No. 355 On Labour Remuneration System in the Public Sector of 23.12.2005</li> <li>• Law of RM No. 245 On Creation and Operation of the National Consultations and Collective Bargaining Commission and Sector-Based and Territorial Consultations and Collective Bargaining Commissions of 21.07.2006</li> </ul>
<b>Ukraine</b>	<ul style="list-style-type: none"> <li>• Law of Ukraine On Labour Remuneration of 24.03.1995</li> <li>• Labour Code of Ukraine (LC) of 10.12.1971</li> <li>• Law of Ukraine On Collective Bargaining Agreements of 01.07.1993</li> <li>• Law of Ukraine On Trade Unions, Their Rights, and Guarantees of Their Operation of 15.09. 1999 (a number of provisions)</li> <li>• Law of Ukraine On Social Dialogue in Ukraine of 23.12.2010</li> <li>• Council of Ministers' Regulations on the procedure for minimum wage setting</li> <li>• Law of Ukraine On State Budget of Ukraine</li> <li>• The list of legislative acts related to the ratification of ILO Convention No. 95</li> </ul>

The aim of collective bargaining at the sector level is the conclusion of a Sectoral CBA. The significance of this document to workers is difficult to overestimate: it is the Sectoral Collective Agreement that provides a tool to regulate wages, affecting, directly or indirectly, the social and labour guarantees in the workplace, while the pay rates set therein (where a pay rate system of labour remuneration is in place) serve as the basis for determining the level of wages. A Sectoral CBA is concluded by the tripartite partners: the relevant Ministry, the sectoral trade union, and the sectoral employers' association. This is the picture in its classical form. This is the picture the unions would like to see.

In reality, though, the trade unions operating in the construction and building materials sectors in Georgia, Kyrgyzstan, Moldova and Ukraine face a whole range of objective challenges which are beyond their control and which could become obstacles to the conclusion of the Sectoral CBA.

One of the major obstacles is either insufficient representativeness or complete absence of one or even two social partners.

The leaders of the construction and materials workers' unions in Georgia, Moldova, Ukraine, and Kyrgyzstan said they were interested in seeing their social partners a) organised and having sufficient numbers to be authorised as participants of the collective bargaining process, and b) possessing sufficient capacity and the will to assume responsibility for implementing the agreements on wage regulation reached at the level of the sector.

**Georgia** currently has no special ministry for the sector; the sector is supervised by a department within the structure of the Ministry of Economy. But due to the general political instability in the country, the Cabinet of Ministers is frequently reshuffled, and the union simply does not have the time to establish proper working relations with it. The union sees this situation as the main reason why the Sectoral CBA has never been concluded in the past seven years. And employers still do not have a professional association of their own (Kurtanidze 2018).

**Kyrgyzstan** does not have a dedicated ministry for the sector either. There is only the State Agency for Architecture, Construction, and Housing under the Government of the Kyrgyz Republic (Gosstroï) which cannot be a signatory of the Sectoral CBA because its authority is limited exclusively to supervision. For this reason, the union de facto has no opportunity to either set pay rates or agree to industry-specific coefficients. The Construction Employers' Union is weak and non-representative – “not at all your union's dream partner!” Hence, there is no sector level wage regulation today (Sultakeyev 2018).

In **Moldova** the Ministry of Construction was disbanded in 2017 and currently the sector is supervised by the Ministry of Economy and Infrastructure. As far as the employers' side is concerned, in 2018, the SINDICONS Federation faced a choice as two different employer federations simultaneously claimed the right to be a signatory of the Sectoral CBA. In October 2018, for the first time in the past 25 years, the union recognised the second of the two employers' structures, a more constructive-minded and representative one, having signed the Social Partner Recognition Protocol in the sector with the Federation of Employers in Construction and Building Materials Production. The other social partner on the employers' side is the Federation of Employers in Construction, Road Building, and Building Materials Production.

The issue of a wage increase played a role in the union's decision to recognise and work with the new social partner: it is the negotiations between the union and the employer federation that led to a wage increase of 16% from the minimum wage guaranteed by the State (the national level) and by 24% from the pay rate previously established in the sector. The union and the employers' associations signed the Sectoral CBA and sent it to the Ministry of Economy which, in its turn, began to procrastinate, postponing the signing of the tripartite agreement (also because of the disagreement with the union on the issue of increasing the base pay rate).

In order to put pressure on the Ministry of Economy, the Executive Committee of the “SINDICONS” union decided to carry out a protest action. On the eve of the announced date of the action, the ministry convened the Tripartite Commission on Consultations and Collective Bargaining where the new Sectoral Collective Agreement for 2018-2022 was signed. It should be noted that the practice of signing the agreement dates back to 1993 and has seen no interruptions. And the union has always pursued the same approach to the negotiations: ensure that the base pay rate for grade 1 workers in the sector was higher than the national minimum wage guaranteed by the state. The Sectoral CBA covers all workers employed in the construction and building materials sector (Talmach 2018).

**Ukraine** does have a dedicated ministry for the sector and, until recently, the employers have participated in the sector-wide negotiations as a fully-fledged partner. However, in 2017, the Association of Employers in Construction, Architecture, and Design failed to demonstrate that the businesses they organised employed at least 10% of the sector's workforce and lost its status of a representative organisation. In this situation, the ministry undertook to represent the employers in the negotiations with the union, which allowed the parties to conclude a Sectoral CBA for 2017-2018 in August 2017 and a new Sectoral CBA for 2019-2020 in September 2018. Taking into account the multitude of occupations in the construction and building materials sector, the Sectoral CBA sets 107 occupational pay rates. And in the 2019-2020 Agreement the union managed to secure a right to increase the pay rates by 30.1%.

The pay rate schedule is an integral part of the Sectoral CBA. And, according to the construction workers' union leader, this pay rate schedule is not just a formality which is detached from reality but constitutes a guaranty for “a substantial part of the remuneration that workers [in the sector] receive for their work”. According to Ukrainian law, labour remuneration standards stipulated in the Sectoral CBA are applicable to all workers in the construction and building materials sector, while the other norms and standards contained in the Agreement apply only to the union members (Andreyev 2018).



**Table No. 12: Sectoral CBAs and their signatories**

Sectoral Union	Signatories / Social Partners		Sectoral CBA
	Sectoral Ministry	Employers	
<b>Georgia</b>	Absent. the sector is supervised by the Ministry of Economy	Unorganised	Absent
<b>Kyrgyzstan</b>	Absent. The sector is supervised by the Gosstro Agency	Builders' Union (Non-representative)	Absent
<b>Moldova</b>	Absent. The sector is supervised by the Ministry of Economy and Infrastructure	Federation of Employers in Construction and Building materials Production	Concluded
<b>Ukraine</b>	Ministry of Regional Development, Construction, and Housing	Association of Employers in Construction, Architecture, and Design (in 2017 lost its right to sign the Agreement. Non-representative.)	Concluded

At the local (or workplace) level, the unions as a rule face no problems having a counterpart in the collective bargaining process; it is the employer or the workplace owner. Yet, it is at the local level where the unions face an incredible number of challenges and complexities when they put forward their demands for higher wages.

In Georgia the union cannot take part in pay rate regulation in state-owned enterprises where wages are set by the government in consultation with the Ministry of Finance. Being unable to take part in wage negotiations, the union can only provide recommendations.

As we have already pointed out, the union in Georgia has no legally defined right to conduct wage negotiations. Nevertheless, the union is regularly engaged in wage bargaining in the private sector workplaces. Here, the union has developed its own unique tactic of drawing minutes of the negotiations which are signed by both sides, the employer and the union. Such minutes can subsequently be used even in court in cases of an employer's infringement of the CBA. (Kurtanidze 2018).

In contrast to this, wage bargaining in Kyrgyzstan proves to be more successful in the public sector, while "everything is more difficult in the private sector". Given the total absence of social partners at the sector level, the union has developed a rather unique system of workplace collective bargaining. The union is actively practicing the conclusion of "tripartite" CBAs with each individual enterprise in the sector, the three parties to the agreement being the National Committee of the Union, its workplace affiliate, and the employer. Obviously, in essence, these are bilateral agreements, but by joining a local CBA the National Committee of the Union raises the agreement's status and is in a position to provide support to the workplace union committee. Around 60% of all enterprises in the sector are covered with such CBAs. According to the National Committee of the Union, they, as a rule, manage to secure wages that are 9-10% higher than the national average. (Sultakeyev 2018).

The practices of wage regulation in building materials facilities owned by TNCs merit special attention. As has been mentioned before, large transnationals operating mainly in the building materials sector appeared on the markets of Moldova, Georgia, and Ukraine quite a long time ago and today the unions have accumulated substantial experience in dealing with them. The only exception is Kyrgyzstan, where the union does not have a single affiliate organising TNC workers; and the industry giants like Knauf, LafargeHolcim, and HeidelbergCement that the unions engage with in other countries have no productions sites in Kyrgyzstan at this time.

Quite often, the "starting point" in any negotiations is the statement of a TNC workplace manager that he/she has no authority to bargain locally as everything is decided on the headquarters level. In this situation, the union has to explain that, according to the national legislation, all workplaces are subject to regulation through collective bargaining (Andreyev 2018).

In general, MNCs are more transparent than domestic companies. This does not mean, though, that the unions are readily provided with all the necessary information on the economic situation and profitability of an enterprise whenever they require it; a certain level of openness is only achieved after working together for a long time. An agreement reached between the Georgian union and Heidelberg Cement on providing the union's economists with access to the plant's financial statements can be quoted as a positive example in this regard. (Kurtanidze 2018). Yet, the same company, Heidelberg Cement, in Ukraine, after a rather long presence in the country's market and a long history of interaction with the



union, announced the sale of all its Ukrainian assets without any prior discussions with the union on the issue of securing the protection of the workers' labour rights.

When talking about the specificities of interacting with Knauf and Lafarge Holcim workplaces, the leader of the construction and materials workers' union in Moldova stressed that they are engaged in "real negotiations which lead to setting the rules that could be seen as exemplary for the whole country" (Talmach 2018).

TNCs are major employers in the sector and the CBAs concluded with these companies have an effect on the working conditions of thousands of workers in other workplaces. In general, the unions believe that wages at the plants and factories owned by TNCs are acceptable and even above the wage indicators in the construction sector. Yet when one compares these wage levels to the wages in the same company's plants in Western Europe, one cannot but question the fairness of labour remuneration. For instance, when comparing wages at Heidelberg Cement plants, it turned out that the workers in Georgia are paid 10-20 times less than workers in Germany. And the wages at Lafarge Holcim plants in Moldova are the lowest across the company. (Talmach 2018) (Kurtanidze 2018).

The unions in **Georgia, Moldova, and Ukraine** see a lot of value in having the opportunity to cooperate with trade unions in other countries within the same TNC. Their affiliation to the BWI global union federation allows them to have coordination meetings with unions from all parts of the world, share experiences, identify common issues and strategies to deal with them. The key topics in this work are occupational health and safety and recognition of trade union rights. At the same time, discussions on wage issues always prove to be difficult as the substantial difference in wages between Western and Eastern Europe does not allow trade unions to develop a common position on labour remuneration issues (Kurtanidze 2018) (Andreyev 2018) (Talmach 2018).

In reality, a concluded CBA does not all that often becomes a document whose provisions are implemented in good faith by the signatories. The unions note numerous violations of the signed CBAs by the employers, including in the area of wages (Kurtanidze 2018) (Andreyev 2018) (Talmach 2018) (Sultakeyev 2018).

The most common violations include:

- wage arrears,
- "black" and "grey" wages,
- non-payment or insufficient payments for overtime or night work,
- workplace pay rates falling behind the nationally guaranteed ones in the Sectoral CBA,
- failure to pay wages in full.

What can unions do to fight against these violations and what tools are available to them to put pressure on employers?

Unions in all four countries have a legal right to strike. Yet the legal strike announcement procedure turns out to be either insufficiently regulated or complicated to the extent that turns the real right to strike to a purely nominal one, mere words on paper. There are no ongoing active efforts to establish strike funds in the interviewed unions. Probably, this explains the fact that in recent years the sector has seen only four strikes: one in Ukraine, one in Moldova, and two in Kyrgyzstan - all in building materials workplaces (Andreyev 2018) (Kurtanidze 2018). In Kyrgyzstan, they were wildcat strikes associated directly with the workers' demands to be paid for overtime work and to eliminate pay gaps between shops performing similar work. In both cases, the National Committee of the Union intervened, helping to avoid dismissals and ensure that the strikers' demands were met (Sultakeyev 2018).

The unions' ability to show their potential for mobilisation in the course of collective bargaining or in a situation where a collective labour dispute emerges, plays an important role in strengthening their negotiating position. The threat of a work stoppage and a strike sometimes serves as a convincing "argument" when dealing with employers. Bearing in mind all the challenges of organising a legal strike, the unions choose the path of carrying out protest actions broadly covered by mass media. For instance, the Construction and Materials Workers' Union of **Ukraine** repeatedly ran protest actions against procrastination in the bargaining for the Sectoral CBA which contributed to the conclusion of the Sectoral Agreement for 2019-2020. (Andreyev 2018).

Another possible leverage for unions in dealing with employers is filing a complaint with the State Labour Inspectorate. However, in **Moldova**, the procedure for arranging a workplace inspection is becoming more complex: for instance, the new rules stipulate that the employer has to be notified five days in advance of a scheduled inspection (Talmach 2018). While in Georgia the situation now is quite the opposite, with positive changes taking place in this area. In March 2018 a new Law on Occupational Safety was passed which gives labour inspectors the authority to enter and inspect, without advance notice, any facility or workplace for compliance with occupational safety rules (News Georgia 2018)

Going to court over violations that concern wages is another effective way of ensuring the employers' accountability for their actions. Yet, there were examples when, following litigation, the employer would start persecuting its workers and engage in purposeful union busting that led to the disintegration of the workplace union (**Moldova**). For this reason, litigation usually follows a situation where the employer has already put hard pressure on the union (Talmach 2018).

## Wage policies of the construction and building materials workers' unions. Challenges in the implementation of wage policies

None of the sectoral unions organising construction and building materials workers in Georgia, Moldova, Ukraine, and Kyrgyzstan has a specific wage policy that has been formally agreed and approved. However, all these unions have their own established systems of principles and methods that form the basis for all activities related to the preparation and conduct of collective bargaining, including wage negotiations. In any case, the starting point in such negotiations remains the formulation and presentation of pay rise demands. (Andreyev 2018) (Kurtanidze 2018) (Sultakeyev 2018) (Talmach 2018).

Putting the demands for higher wages on the collective bargaining agenda is preceded by several stages of preparatory activities: formation of the negotiating team, collection and analysis of information on the financial and economic situation of the companies and/or workplace wages in the sector.

The formation of the negotiating team (the working group) during the preparations for the conclusion of a CBA is of paramount importance: the outcome of the negotiations will largely depend on their competence, persuasive skills and their use of solid arguments, and their ability to demonstrate the power of the union and its strength (Kurtanidze 2018) (Sultakeyev 2018).

If the union is bargaining for the Sectoral CBA, the composition of the working group is usually approved at the plenary meeting of the Unions' Central Committee. As a rule, the working group includes representatives of the Union's Central Committee, Chairpersons of the Union's Regional organisations, and labour remuneration experts from the workplace level. The union can also invite external experts – figures of authority from academia whose competence cannot be questioned by the employer (Andreyev 2018) (Talmach 2018).

At the workplace level, the negotiating team for collective bargaining, or the working group, is formed by the decision of the workplace union committee. It is important to have legal experts and economists in the group.

The National Secretariats of the sectoral unions are always ready to provide support to their workplace affiliates during the preparations and in the course of negotiations themselves, as well as respond to any queries coming from them. In the first place, the support can mean professional assistance during the negotiations. The union can send its specialists to reinforce the workplace negotiating team. Also, there is a gradually emerging practice of involving external experts to help substantiate pay rise claims: people of authority from professional associations or academia. Due to the limited resources of the unions, this practice is used in the more controversial, conflict situations (Andreyev 2018) (Kurtanidze 2018) (Sultakeyev 2018) (Talmach 2018).

Model CBAs/structured CBA outlines developed by the sectoral unions are also used to facilitate the work of local unions. This practice has long proved useful and all the sectoral unions regularly prepare

and update their model agreements. The model CBAs can be industry-specific (Georgia: construction, building materials industry, forestry) (Kurtanidze 2018), or tailored to fit specific groups of enterprises (Kyrgyzstan) (Sultakeyev 2018). Pay rate schedules, whenever feasible, are made an integral part of model CBAs (Georgia, Moldova) (Talmach 2018) (Kurtanidze 2018), while in Ukraine where the sector has 107 different pay rates (reflecting the broad occupational diversity in construction) there is no need to include pay rate schedules in the model CBAs (Andreyev 2018).

Another form of support provided by the sectoral unions is its methods development and education and training activities aimed to strengthen their workplace unions' bargaining positions and negotiating skills. The sectoral unions develop and publish methodological guidelines for running collective bargaining campaigns and concluding CBAs; they make these available to all their affiliated workplace unions. For instance, the Construction and Building Materials Workers' Union of Kyrgyzstan recommends its workplace affiliates to ensure annual wage increases and make it a matter of principle to include a special provision on wage indexation for inflation in their CBAs, stressing that indexation is not a pay rise, it only serves to maintain the wages' purchasing power at the same level (Sultakeyev 2018).

The sectoral unions in all four countries organise workshops on collective bargaining with a mandatory thematic block on wages. Unfortunately, to date no special thematic workshops or trainings on the elaboration of wage increase demands and the conduct of wage negotiations have taken place in any of the countries, nor have there been any special training courses developed. At the same time, we should point out that workplace unions are interested in receiving methodological assistance on this topic: the leader of the **Ukrainian** union spoke of their affiliates showing interest in a scientific substantiation of the labour remuneration system (Andreyev 2018) while the **Georgian** union leader points out that the topic of wages and wage setting methods is "the essential request received by the union" (Kurtanidze 2018).

Also, all the sectoral unions carry out legal and economic verification of the concluded CBAs checking them for their conformity to the effective legislation and the base pay rate (where applicable), or the minimum wage fixed for the sector.

When setting the sector-wide wages in Ukraine and Moldova, the relevant unions are guided by the national minimum wage level, the average wages in the country, the subsistence level, and the economic situation of the sector (Andreyev 2018) (Talmach 2018).

The concluded Sectoral CBA establishes the labour remuneration system, as well as the base pay rates in the construction sector and the building materials industry in Ukraine and Moldova, but how exactly these rules actually work at the workplace level largely depends on the workplace unions. Besides, as the [wage] standards of the Sectoral CBAs are applicable to all workplaces, regardless of whether they are organised or not, the workplace unions face the task of signing workplace CBAs which would further improve the minimum standards stipulated in the Sectoral Agreements.

So, rather than developing a special policy on wages and establishing common criteria for wage fixing, the construction and materials workers' unions of Georgia, Moldova, Ukraine and Kyrgyzstan determine their position with relation to the size of wages and the labour remuneration system. This exercise is carried out before every round of collective bargaining, based on the assessment of the social and economic situation in the country, the state of relations between the collective bargaining counterparts in the sector, analysis of any available statistical data, and the financial and economic information obtained from the employers. This process is made more difficult by the fact that the unions sometimes find it hard to access the required information.

When preparing for collective wage bargaining, the unions use both internal and external sources of information.

As external sources, they, as a rule, use the official (State) statistical data which can provide essential social and economic indicators for the country, the regions, and the sector. The statistics help them draw a general picture of the wages level and their correlation to the subsistence level, the living standards, consumer prices, etc. Yet, the accurateness of this information is not always beyond doubt. For instance, the union in **Georgia** believes that these data cannot be fully relied upon, since in a situation of political instability and power struggle it cannot be ruled out that the statistics do not become a subject of manipulations and tampering. The important thing, though, is that proper statistics require serious financial support which the state has failed to fully ensure in recent years (Kurtanidze 2018). Another problem is

that the statistical services do not provide full information on indicators that are crucially important for wage bargaining. Besides, the state, and this is true for all four countries, does not collect statistics on the number of CBAs signed in the country or breaks the wage data down between workplaces that are covered by CBA and those that are not.

As a rule, the collection and analysis of the available statistical information is the task of the specialists in the national secretariats of the sectoral unions. Also, data from the tax authorities can serve as an indirect indicator of the economic situation of this or that enterprise. This source of information was quoted by the representatives of **Kyrgyzstan** union who probably face the greatest difficulties accessing information at the workplace level (Sultakeyev 2018).

The internal sources of information are, first and foremost, the workplace wage data coming from the workplace affiliates. These could be both wage data with a breakdown by the main occupations (this information is most valuable for collective bargaining) and the average wage figures. Chairpersons of workplace union committees collect these data and send them to the sectoral union for subsequent summarising and analysis.

Collection of information on the economic situation of an enterprise is organised in a similar manner. In reality, the unions regularly face employers' attempts to obstruct or limit their access to information that would allow them to paint a full picture of the economic situation of a workplace – and this is one of the main obstacles in wage negotiations.

The problem of accessing information has been mentioned by all the interviewed unions. And here they mainly talk about the completeness or fullness of information rather than an employer's stark refusal to provide any information at all. Quite often, the information received proves to be "disparate" and "incomplete". There are companies that show certain openness; otherwise, whenever the employers are trying to block the unions' access to information they invariably speak of the "confidentiality of personal data" or "commercial secrets".

The union from **Kyrgyzstan** reports that they can only monitor labour remuneration on the level of average wages, as "the more detailed information is claimed to be a commercial secret and never disclosed" (Sultakeyev 2018).

In **Georgia**, where all issues pertaining to wages are regulated exclusively in the text of an individual employment contract, many employers, abusing the fact that rampant unemployment makes workers hold tight to their jobs, may openly state, "I pay them as much as I like, those who are not happy are free to go!" (Kurtanidze 2018).

In **Ukraine**, the law says that information on wages does not constitute a commercial secret and the employer is obliged to provide data on the economic situation of the enterprise. Yet, according to the union's leader, the issue of the completeness of the provided information invariably becomes a subject of controversy (Andreyev 2018).

The leader of the **Moldovan Union** sees the problem in the opaqueness of the information on wages rather than in accessing it. This is particularly true for those workplaces which use labour remuneration systems that are not based on pay rate schedules (Talmach 2018).

Apart from the difficulties related to obtaining reliable information for wage negotiations, the unions of all four countries reported that their unions often face the employers' unwillingness to engage in earnest negotiations that would lead to the signing of a CBA. Some of the union leaders link this reluctance to the existing legislation which obliges employers to negotiate but does not oblige them to sign collective agreements. That said, even the effective legislation is considered by employers to be excessive and burdensome. There is also another problem raised by the Moldovan union leader; it has to do with a situation when the unions may not know who is the workplace owner. The management representing the company owner during negotiations tend to procrastinate, claiming that they do not have the authority to take decisions on collective bargaining and wage issues.

Yet another problem has to do with employers' deliberate attempts to avoid including the wage increase issue in the collective bargaining agenda at the workplace level. Many employers painstakingly avoid any discussions of the pay rise issue, while attempting to replace it with discussions of the social package, wage indexation, benefits, etc. (Andreyev 2018) (Kurtanidze 2018) (Sultakeyev 2018) (Talmach 2018).



## General conclusions of the research

The economic growth in Georgia, Moldova, Ukraine, and Kyrgyzstan during the crisis years of 2014 and 2015 saw a considerable decline. In 2016, there appeared tentative trends of economic growth in Moldova, Ukraine, and Kyrgyzstan, while in Georgia the recovery began a year later, in 2017. Nevertheless, all countries under review belong among the poorest countries in Europe and Central Asia. Thus, the lowest per capita GDP is observed in Kyrgyzstan where it stood at 1,331.90 US\$ in 2018. The highest per capita GDP among the four countries was recorded in Georgia where it amounted to 4,325.50 US\$. Moldova and Ukraine are approximately at the same level of economic development, with their per capita GDP being 3,218.00 US\$ and 3,095.20 US\$, respectively.

This level of economic development in all countries under review speaks of millions of people living below the poverty line and low wage levels. In Georgia, in 2017, the national average wage was 999 GEL/370 US\$, and in Moldova 5,587.4 MDL/325 US\$. Regarding those countries where the statistical data of average wages in 2017 and 2018 are already available, we can conclude that despite wage hikes they still remain very low. For instance, in Ukraine the national average wage grew from 7,104 UAH/276 US\$ to 8,866 UAH/336 US\$, and in Kyrgyzstan from 15,670 KGS/229 US\$ to 16,219 KGS/235 US\$.

All four countries have an officially established minimum wage. In Ukraine, despite the fact that the 2018 minimum wage amounted to 42% of the national average wage, the generally low level of wages rules out any talk of a decent minimum wage: in 2018, the minimum wage was fixed at the level of 3,723 UAH or 133 US\$. We see a similar situation in Moldova where in 2017 the minimum wage was 42% of the average wage in the country, yet the generally low level of wages decreased the functional significance of the minimum wage which was fixed at the level of 140 US\$. In Georgia and Kyrgyzstan the minimum wages are fixed at an extremely low level, namely, 8 US\$ for the private sector and 49 US\$ for civil servant in Georgia, and 23 US\$ in Kyrgyzstan. It should be noted that the minimum wage in Georgia has not been reviewed since 1999. Another important specificity of minimum wage fixing in the four countries is that trade unions are not involved in this process as equal partners and the decision is unilaterally made by the government. In Ukraine and Moldova, the government does hold consultations with trade unions before taking a decision to increase the national minimum wage in the frame of national tripartite committee; however, trade unions' recommendations or position in this area are not obligatory for the government.

One of the arguments used to justify the low wages in Georgia, Moldova, Ukraine, and Kyrgyzstan is the contention that the productivity of labour is low. Yet, an analysis of the causes of the low labour productivity shows that the main reasons behind it have to do with the specificities of the economic structure and the state institutes as a whole rather than deficiencies of human resources. A major factor of the lagging economy [in the countries under review] is that the national labour resources are employed in sectors that have seen no proper modernisation for a long time and are geared towards the export of raw materials and low tech production. Under such circumstances even the most selfless and dedicated attitude to work cannot be converted into high profits added value and, consequently, it is doomed to remain low-productive.

In those countries that provide statistics on wages of men and women, a persistent gender pay gap is observed; it stood at 14% in Moldova in 2017 and at 23% in Ukraine in 2018.

Many countries face a serious outflow of labour because of intense migration. Here, workers of Georgia, Moldova and Ukraine are largely oriented towards the EU labour market, while Kyrgyz workers seek employment mainly in Russia. Kyrgyzstan is a stark example of the national economy's dependence on migrant workers' remittances from abroad, which account for over one third of the national GDP. The low wages in the countries of origin are the key "push-out" factor motivating workers to seek employment abroad.

A high level of informal employment, or informal economy, makes the task of obtaining a full picture of the wage situation in a country significantly more difficult. As a rule, the national statistical services keep records of informally employed workers, including the self-employed, when determining the total number of employed population, yet there are no records of their wage levels. The unions have no information on wages of informally employed workers either.

As for labour remuneration in the construction and building materials sector of the countries under review, we can conclude that, in general, it follows the national trends, with some exceptions.

In Moldova, Ukraine, and Kyrgyzstan the average wages in the construction sector are higher than the national minimum wage but lower than the average wage for the country. In Moldova the average monthly nominal wage in the sector was 5,544.2 MDL (around 323 US\$) in 2017, which was 14% higher than the 2016 figure. Despite this increase, the average wage in construction remain 1% lower than the national average wage. In Ukraine, in the past four years, the average wage in the sector was steadily growing to reach 7,845 UAH (281 US\$) by 2018, which amount to about 88.5% of the national average wage. In Kyrgyzstan, in 2017, the average monthly wage in the sector was 13,024 KGS/187 US\$ or 16% less than the national average wage.

Georgia is the only country of the four where the average nominal monthly wage in construction is higher than the national average one. In 2017, it stood at 1,461.3 GEL/604 US\$, which is 46 % higher than the national average wage.

As for the minimum wage in the construction and building materials sector, it is set through the Sectoral CBAs in two countries of the four, Ukraine and Moldova. In Ukraine, the minimum wage in construction in 2019 was 4,437 UAH (173 US\$) for unskilled workers and 5,679.36 UAH (221.50 US\$) for skilled ones, while the national minimum wage is 4,173 UAH (163 US\$). In Moldova, the minimum wage in the construction and building materials sector was fixed at the level of 3,100 MDL (178 US\$), which is 16% higher than the national one. In Georgia and Kyrgyzstan there is no sector-wide collective wage bargaining.

Despite the low level of wages in construction, the available statistical information on labour productivity levels in Kyrgyzstan and Ukraine speaks of a substantial growth of this indicator. For instance, in Kyrgyzstan, labour productivity in the construction sector during 2010-2017 grew by 154%, which put the sector in second place after mining in terms of labour productivity growth. In Ukraine, in 2016, the construction sector showed the greatest labour productivity growth among all sectors of economy - 14.6%. In absolute values, labour productivity for one worker employed in the construction sector was 17,718 US\$ per annum (~9 US\$ per hour), while the average annual wage in the sector amounted to only 2,202 US\$ (~1 US\$ per hour). So, Ukrainian construction workers receive 12.5% of the value they generate and their wage level remains low.

In all countries under review, the level of informal employment proves to be higher than the level of formal employment; in Ukraine and Kyrgyzstan the difference is several times higher. The situation is exacerbated by the widely-spread practice of “grey” wages when the formally employed workers are formally paid only the fixed part of their wages (the salary or the pay rate), while all bonuses and additional payments are delivered to them “in envelopes” in cash. In all countries under review, the interviewed unions almost do not organise informal workers and focus their efforts on fighting the payment of wages “in envelopes”.

Georgia has a substantial gender pay gap in the construction sector: the 2017 data show that women’s wages amounted to only 60.2% of men’s. In Moldova, at the end of 2017, the gender pay gap in the sector was 11% or 3% percent points lower than the national gender pay gap of 14%. In Ukraine, according to the 2018 statistics, the average wage of women in the construction sector amounted to 89.9% of the men’s wages, while at the national level the gap was 77%. According to the calculations of the Construction and Building Materials Workers’ Union of Ukraine, the gender pay gap is as large as nearly 26%. The union has launched an active campaign to raise awareness of this issue and made recommendations to its workplace affiliates to include special provisions on equal pay for work of equal value in their CBAs. In Kyrgyzstan, there is no gender breakdown of wage statistics.

In all four countries, the construction sector faces a grave problem of labour drain and labour migration is becoming a massive phenomenon. For example, in Moldova, the construction sector ranks second to agriculture in terms of the number of its workers who leave the country. The key motivating factor is purely economic: the low wage level in the country of origin and higher wages in the destination countries. In Ukraine, the union has launched a public campaign involving state authorities and mass media for higher wages in the sector as a way to preserve the national labour market.



Despite the low wages, high informal employment and labour migration levels, the construction sector's development prospects are seen as a major factor of economic development for Georgia, Moldova, Ukraine, and Kyrgyzstan.

As for the building materials sector, since no statistics are officially collected specifically for this sector in any of the countries under review, the wage situation could only be assessed using the information provided by the sectoral unions. The unions' activities in the building materials sector have mainly to do with the engagement of transnational companies like Knauf, Lafarge Holcim and Heidelberg Cement, Cement Roadstone Holdings (CRH), and Dyckerhoff. The only exception is Kyrgyzstan where the union has no workplace affiliates in TNCs in the sector and the larger global companies have not yet come to the country's market.

In general, the unions believe that wages paid by TNCs are acceptable and can be even higher than elsewhere in the sector. However, comparing wages paid by a TNC in their countries and in Western Europe raises a question about the fairness of labour remuneration. For instance, comparing wages at Heidelberg Cement plants showed that Georgian workers are paid 10-20 times less than workers in Germany. And the Lafarge Holcim plants in Moldova pay the lowest wages within the company.

The unions in Georgia, Moldova, and Ukraine highly value the opportunity to cooperate with trade unions in other countries within the same TNC. Their affiliation to the BWI global union federation allows them to have coordination meetings with unions from all parts of the world, to share experiences, identify common issues and strategies to deal with them. The key topics in this work are occupational health and safety and recognition of trade union rights. At the same time, discussions on wage issues always prove to be difficult as the substantial difference in wages between Western and Eastern Europe does not allow trade unions to develop a common position on labour remuneration issues.

In general, it should be noted that none of the sectoral unions organising construction and building materials workers in Georgia, Moldova, Ukraine and Kyrgyzstan has a specific wage policy that has been formally agreed and approved. However, all these unions have their own established systems of principles and methods that form the basis for all activities related to the preparation and conduct of collective bargaining, including wage negotiations. In Ukraine and Moldova the unions negotiate wages at the sectoral level, while in Georgia and Kyrgyzstan wage bargaining is only done at the workplace level.

The unions determine their position in relation to the level of wages and the labour remuneration system. This exercise is carried out before every round of collective bargaining, based on the assessment of the social and economic situation in the country, the state of relations between the collective bargaining counterparts in the sector, analysis of the available statistical data, and the financial and economic information obtained from the employers. This process is made more difficult by the fact that the unions sometimes find it hard to access the required information.

The unions use the state statistics to formulate their position during wage negotiations. Here the problem is that the statistical services do not provide full information on indicators that are crucially important for wage bargaining. Besides, the state, and this is true for all four countries, does not collect comprehensive statistics on the CBAs signed in the country or breaks the wage data down between workplaces that are covered by CBA and those that are not. The unions do not have such statistics either. They can only obtain wage information for workplaces they organise.

It should be specially noted that the construction and materials workers' unions in the countries under review organise around one third of formally employed workers in the sector. This significantly weakens the unions' ability to influence wage levels in the sector, particularly in those countries where there is no practice of concluding Sectoral CBAs.

All in all, it should be pointed out that in all countries under review the unions when they put forward their pay rise demands come to face a whole range of problems. The main challenges can be divided into four groups:

1. Wage arrears which result from incompetence of workplace and company management with the indulgence of the state authorities who refuse to introduce meaningful penalties for such arrears;
2. The Labour Code makes collective wage bargaining difficult, gives no opportunity for running effective strike actions;
3. Employers refuse to negotiate wages and remuneration systems, replace such negotiations at the workplace level with “consultations”, refuse to provide information required for wage negotiations, make information on wage size and remuneration system secret, shirk membership in employers’ associations to undermine meaningful collective bargaining at the sectoral and national levels, put pressure on trade union activists;
4. Social inertia of workers and their lack of experience in fighting collectively for their interests, indifferent attitude to the situation that has evolved in society, the notion that low wages for workers is a socially acceptable standard.

The conclusions of this research allow us to formulate recommendations to trade unions on possible actions at the interregional, national, sectoral, and local level with the view of increasing wages, reducing poverty and building trade union power.

## Recommendations

This research has convincingly shown that the wage levels in Georgia, Moldova, Ukraine, and Kyrgyzstan are very low. In the construction sector, despite the fast-growing productivity of labour, wages remain below the national average wage in three out of the four countries under review. This situation is further aggravated by high levels of informal employment and labour migration, and the practice of paying wages “in envelopes”. Moreover, women’s wages are even lower than those of men. Even at the production and construction sites of transnational companies with the same requirements to be met in terms of quality and intensiveness of work, Eastern European and Central Asian workers earn 10-20 times less than their Western European colleagues performing similar tasks in the same companies.

The only way to change this situation as a whole, to ensure the growth of wages and the real economy is for workers to organise in trade unions that can and must become their main tool in collective and proactive struggle for higher wages.

At the same time, it is impossible to fight for higher wages at an individual workplace, a separate sector or even a country. The research has shown that the problem of low wages is common for all countries under review. In order to change the situation, trade unions require a strategic action plan to be simultaneously implemented at the workplace, sector, and country level. This plan can contain the following recommendations:

### At the country level

- Fight for the increase of the minimum wage as the essential guarantee protecting workers from unjustifiably low wages; ensure the involvement of trade unions as equal partners in the work of tripartite commissions and expert groups on wage issues;
- Demand modernisation and technological upgrade of the core industries and areas of economic activity with the view of boosting labour productivity; make sure that all modernised production retain employment guarantees for workers, ensure timely training and retraining of workers; take an active part in the national discussions on the Future of Work;
- Together with other sectoral unions, run a nationwide campaign for higher wages with the view of preserving the national labour market and reducing labour emigration levels (the experience of the Construction and Materials Workers’ Union of Ukraine in this area can serve as a basis);
- Actively draw attention of society and the state to the issue of informal employment and wages “in envelopes”; demand the introduction of meaningful sanctions against employers who hire workers informally and pay their wages “in envelopes”;
- Organise public actions whose main theme should be a demand for higher wages;

**At the sector level**

- Interact with the state authorities and the sectoral ministry to ensure broader bargaining opportunities for the unions, work towards the conclusion of a Sectoral Pay Rates Agreement with specific provisions on wage issues and the right to wage bargaining;
- In those countries where the conclusion of the Sectoral CBAs is impossible, in order to eliminate any wage competition among companies and wage dumping, formulate the trade union wage policy in the sector and pursue it when bargaining collectively at the workplace level; organise and promote exchange of information among workplace unions and coordinate their campaigns for wage improvement; publicly promote the trade union wage policy in the sector;
- Carry out legal and economic expert assessment of workplace CBAs, develop model CBAs containing model texts of agreements on pay rates and wages, provide assistance to workplace union committees in the development of easy to understand and transparent pay rate schedules;
- Make a point of including provisions on equal pay for equal value work of men and women in the sectoral collective agreements and model workplace CBAs;
- Put a special emphasis on providing support to trade union organisations in transnational and national companies who have the leading position in the construction and building materials sectors, carry out comparative analysis of working conditions and wage levels in these companies, coordinate the exchange of information and good practices among workplace unions and their actions, as well as coordinate activities with unions from other countries;
- In order to substantiate demands for higher wages, monitor the economic situation of companies and the sector, provide expert and methodological recommendations to workplace union committees;
- Compile a database on wages in companies and groups of enterprises;
- Organise training for union representatives involved in wage bargaining and timely exchange of information on best negotiating practices;
- Start the establishment of strike funds;
- Work towards increasing the number of trade union representatives in legislatures and, through them, achieve liberalisation of the right to strike and stronger guarantees for workers' rights to collective wage bargaining;

**At the workplace level**

- Fight for mandatory indexation of wages for inflation, be more active in demanding real improvement of wages beyond the indexed level;
- Ensure the implementation of the workplace union's right to bargain collectively for higher wages, conclude corresponding collective agreements and enforce strict implementation of those, including the right to information and release from work with pay for the participants of negotiations;
- When developing arguments for higher wages, survey union members on workers' real needs in terms of decent income levels and on wage component in the value of output products or in the budget for the work they perform; fight for the increase of the pay-roll fund, taking into consideration the cost of living, inflation, increases in volumes of work, profits, and labour productivity;
- Carry out educational activities in the workplaces, train union activists, develop and disseminate leaflets telling workers of their right to decent wages;
- Use campaigns for higher wages as a tool for mobilisation and organising;
- Include provisions on equal pay for equal value work of men and women in the workplace CBAs;
- Put in the workplace union's budget the costs of professional support during negotiations and trade union campaigns;
- Coordinate actions with other workplace unions in the same region, company, and sector;
- Provide solidarity support to workplace unions who have put forward demands for higher wages;
- Actively support initiatives and campaigns of the sectoral unions aimed at the conclusion of tripartite and other agreements and the improvement of labour legislation.

It should be noted that a trade union campaign for higher wages would be much more effective, should unions from different countries start it together, at the same time and provide solidarity support to each other. Naturally, each union will substantiate their pay rise demands based on the actual situation in their country and sector. That said, the key message of such a campaign should refer to the unacceptable low level of wages and the need to raise them. Also, trade unions can start an interregional campaign for higher wages in a specific sector. For instance, the unions in all countries under review pointed out that cement companies are the leaders in the building materials sector, yet wage levels in them are considerably lower than in Europe. Many cement company workplaces are organised. An interregional campaign for higher

wages in cement production could become an engine for organising workers at cement plants that have no workplace unions and help them win fair wages.

## Appendix I

### Questions for the interviews

1. Which laws, standards and provisions regulate wages in the country/region/sector/workplace? Does the union have a legally established right to wage negotiations?
2. Does the union have a legal right to strike? How is the implementation of this right regulated in the legislation?
3. Does the union engage in collective wage bargaining (resulting in a signed agreement/document)? Is the agreed pay rate schedule a part of such an agreement?
4. Who is the partner/counterpart in the conclusion of such agreements?
5. Does the union have a specially adopted/formulated wage policy?
6. What kind of activities does the union carry out preparing for wage negotiations?
7. Who/what department is responsible for this work?
8. How does the union organise the collection and analysis of wage information (country/sector/workplace levels?)
9. Does the union monitor the economic situation of enterprises in the sector/monitor wages/ over time/by occupations? Based on what sources of information?
10. Do you experience difficulties accessing the information? Which information is lacking?
11. Do you carry out legal and economic expert assessment of the signed CBAs?
12. Do you have a practice of developing model CBAs for workplace unions in the sector? Do you include wage provisions/ pay rate schedules in the model texts?
13. Do you provide methodological support for wage negotiations to your workplace affiliates?
14. Do you have special training programmes? Do you organise exchanges of experiences? In what forms?
15. What major challenges does the union face during wage negotiations/consultations? (at the workplace/sector level)
16. Is there a difference between discussing wages with national and transnational companies (TNCs)? What are the specific features of interacting with TNCs (if any)?
17. Does the union have any tools available to put pressure on employers in relation to wage issues?
18. Do you have experience in running trade union campaigns on wages? Strike actions for higher wages?
19. Do you have any experience that could serve as an example of good practice in wage regulation?

### Please, when summing up, share your entirely personal opinion on:

- ▶ the level of satisfaction that workers in your sector feel about their wages
- ▶ effectiveness of the state wage policy in your sector
- ▶ effectiveness of union action for higher wages in your sector

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# **Mapping Effectiveness of Wage Policies in the Construction and Building Materials Sectors In Georgia, Moldova, Ukraine, and Kyrgyzstan**

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