

Furshet Group labour conditions research, Ukraine



CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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Background

In 2007 the European Bank for Reconstruction and Development (EBRD) approved a USD 90 million loan to the second largest supermarket operator in Ukraine, the Furshet Group, for the regional expansion of its chain in Ukraine and Moldova.¹ From 58 supermarkets in 2007 the retail network has grown to 98, with four new ones to be opened in the near future² in Ukraine, and nine in Moldova. The retail network now covers the majority of the regions in Ukraine.

Two regions were chosen for the research – Kiev and Donetsk, the latter comprising the Donetsk and Makiyivka supermarkets. The retail chain's first Ukrainian operations were in Kiev, so there are supermarkets in Kiev established in 1998 as well as new ones, while in Donetsk Furshet's expansion started only in 2007 and the supermarket chain has developed since the EBRD's loan was provided.

The regions are economically different. Kiev as the capital hosts the majority of company offices, has a variety of industries (light industries, food and beverage, construction, high-tech), and is highly advanced in services, while the Donetsk region relies mostly on coal mining, metallurgy and the chemical industry. Overall unemployment levels are much higher in Donetsk than in Kiev.

Research commissioned by Bankwatch aimed to cover issues related to working conditions at Furshet supermarkets such as labour conditions in general, employment conditions, working hours and the system of rewards, discrimination practices (including gender discrimination), labour safety and occupational health, and trade unions at the supermarkets.

The Furshet Group loan from 2007, predating the more stringent Labour and Working Conditions provisions included in the EBRD's current environmental and social policy, must comply with national legislation, as required by the EBRD's 2003 environmental and social policy. Therefore, the main focus of the research was to find out if Furshet is in compliance with national labour legislation, including gender issues.

¹ <http://ebrd.org/new/pressrel/2007/071220c.htm> and <http://ebrd.org/projects/psd/psd2006/34819.htm>

² Furshet Group official website: <http://www.furshet.ua/index.php?modules=33>

Research methodology

The study was conducted jointly by a research team comprising the Social Indicators Centre, that was responsible for conducting focus group discussions, a gender expert Tamara Martsenjuk PhD, senior professor and lecturer of the Sociology Department of the National University of Kyiv Mohyla Academy (NaUKMA) and second-year students of the Masters' programme in sociology at the NaUKMA. Vladlena Martsynkevych provided advice and coordination from the Bankwatch side.

An overview of national legislation and the situation with gender relations on the labour market in Ukraine was given. Although a number of steps have already been taken for improvements (approval of the Law of Ukraine On Equal Rights and Opportunities for Men and Women, State Programme of Gender Equality in Ukrainian Society until 2010 etc), including on the prevention of gender discrimination and on the equal participation of men and women in making socially important decisions, primarily on the labour market, the situation is still far from satisfactory.

Most of the research findings derived from focus group interviews with Furshet workers from six supermarkets in Kiev, one in Donetsk and two in Makiyivka (in the Donetsk region) during January–February 2010. It also relied on on-site observation, and verification through interviews with the supermarkets' management, trade union representatives and the labour inspectorate.

While there is no trade union in the Furshet supermarket chain, we interviewed trade union representatives who have work experience in the retail chain as well as the head of the Auchan (Auchan Ukraine) trade union, as Furshet Group is a shareholder of Auchan Ukraine (with a 19 percent shareholding).

Furshet's management, unfortunately, was not open to communication with the research team. Official information was not provided and there was an unwillingness to react to the results gleaned from focus group discussions with the employees of the supermarkets.

The labour inspectorate in Donetsk informed us that no audit has been done at the Furshet shops (called Region–Market) in the region, while in Kiev problems related to salaries in Furshet were identified by Kiev's regional labour inspectorate in November 2009.

Main findings

The main findings of our investigation differ along regional lines: Furshet's staff members in Kiev were found to be much more satisfied with their jobs (in terms of both employment conditions and salaries) than were staff in Donetsk and Makiyivka, a finding thought to be related to the company's complicated management structure and disjointed corporate policies.

In the light of the common economic crisis impacts, the supermarkets experience no lack of newcomers for positions offered. According to the focus groups, the salary is paid on a more or

less regular basis and respondents believe this to be an advantage of work at this supermarket (compared to other options).

The salary level appeared to be the main factor influencing the wish to be employed. For this reason the supermarkets, especially in Makiyivka and Donetsk, have constant job openings and quite a high personnel turnover. It is clear that there is no incentive to be employed for a wage that is lower than average in the region and in the competing chains. The current salary in the Kiev supermarkets was mentioned as 1600 UAH and 650–900 UAH (after taxes) in Donetsk/Makiyivka – , while the average level in the regions are 3022 and 2224 UAH in Kyiv and the Donetsk respectively. The salary levels are equal or have a small difference for all supermarket employees, irrespective of the position, duties, or workload (at the non-managerial level).

The issue of internal penalties (fines) was highlighted as being untransparent. According to the labour inspectorate, internal fines are not covered by the national legislation. Not having a collective labour agreement with the employer, according to trade union activists, allows for the possibility of salary manipulation.

Furshet workers pointed out the problem of not being provided full and correct information about their duties and responsibilities at work. They are also inadequately aware of their own rights protected by Ukrainian laws. The management neglects its obligation to duly inform the employees about their duties.

When taking on workers there is age discrimination related to the reluctance of the supermarkets to employ workers 2–3 years before retirement in Kiev, but less discrimination in Donetsk and Makiyivka (due to low salaries and less competition for the positions proposed).

A key discovery of the research was that there are no trade unions in Furshet supermarkets – a fairly common situation in Ukrainian supermarkets but one that certainly poses problems for Furshet workers. As an illustration of the lack of openness, in the focus group exercise carried out in one Donetsk store, management banned all but one person from participating in the group. The knock-on effects of the lack of union presence were found to be excessive workloads and restricted opportunities for employees' rights to be protected. In the last two years in the Auchan Ukraine supermarket chain a clear desire on the part of employees to join together in a bid to represent their interests met with reluctance from the company. As a result, the union was dissolved almost on the spot – the union's briefly designated head was forced to resign and other members left it "voluntarily".

Thus, the supermarket teams do not have organisation possibilities to protect employee rights, as there are no trade unions or other relevant associations. On the other hand, the formation of such unions is hampered by personnel turnover and a fear of losing one's job.

While labour rights were the central concern of the research, gender issues are highly relevant due to the fact that in Furshet the majority of employees are women, occupying low-paid and non-

prestigious jobs. Male workers are far fewer and are usually employed in special positions, such as loaders and in departments where physical effort is required. On the shopfloor, while male staff tend to be lacking, women staff are often left to lift loads that exceed the permitted weights.

Recommendations

Chief among the research team's recommendations for Furshet to address identified problem areas are:

- training for Furshet's management, including on gender issues
- improvement of information flows about duties and employee rights, including the right to collective bargaining
- a standardised corporate policy implementation across the company to eliminate regional differences in employee conditions
- revisions to the salary system.

As a shareholder of Auchan Ukraine, the Furshet Group should ensure that Auchan does not seek to foil collective bargaining initiatives.

The fulfillment of the required national labour legislative requirements, including gender issues, should be subject to in-depth monitoring from the EBRD.

For more information

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