

STITCHING A DECENT WAGE ACROSS BORDERS



Photo front page: Garment worker Nurun Nahar, 21, is married but was left by her husband because there was not enough money to pay for the dowry. Dhaka, Bangladesh, 31 August 2009.
© Taslima Akhter/ Clean Clothes Campaign.

STITCHING A DECENT WAGE ACROSS BORDERS THE ASIA FLOOR WAGE PROPOSAL

**Stitching a Decent Wage across
Borders: the Asia Floor Wage
Proposal 2009**

Written by: Jeroen Merk of the
Clean Clothes Campaign on behalf
of the Asia Floor Wage Campaign.

We would especially like to thank
the following people for their
contributions on which this booklet
is based: Anannya Bhattacharjee,
Suvechha Adhikari, Marieke
Eyskoot, Dela Feby, Stephanie
Luce, Ashim Roy, William Stafford,
Kalani Subasinghe, Surya Tjandra,
Saleena P, May Wong, Irene Xavier,
and Ineke Zeldenrust.

Sincere thanks to all the above, and
anyone else whom we may have
inadvertently missed out.

Edited by: Celia Mather
Designed by: Saar Manders

© Asia Floor Wage campaign 2009
All rights reserved. This publication is
copyright, but may be reproduced by any
method without fee for advocacy,
campaigning and teaching purposes,
but not for resale.

Contact:
Asia Floor Wage Alliance
International Secretariat
c/o Society for Labour and
Development
C-23, 1st Floor (Back Side),
Hauz Khas
New Delhi-110016,
India
+91 11 2652 5806
asiafloorwage@gmail.com

Contents



6 **Introduction / summary**

12 **1. Poverty wages in the global garment industry**

14 **Legal minimum wages set too low**

18 **Barriers to collective bargaining**

20 **Gender impact on wages**

21 **Inflation**

22 **Wage defaulting**

24 **Consequences of poverty wages**

27 **Conclusion**

28 **2. An unsustainable economic model**

30 **The threat of capital relocation**

32 **Falling prices**

33 **Declining terms of trade**

34 **A lack of global demand**

35 **Conclusion**

36 **3. The Asia Floor Wage proposal**

39 **A regional collective bargaining strategy**

41 **A wage-led growth scenario**

42 **Towards a redistributive corporate accountability agenda**

45 **Conclusion**

46 **4. The Asia Floor Wage in Six Steps**

48 **Step 1. Define a formula for the Asia Floor Wage**

52 **Step 2. Calculate floor wage in local currencies**

54 **Step 3. Compare AFW figures across countries**

56 **Step 4. Decide on a level for the AFW**

57 **Step 5. Convert the AFW back into local currencies**

59 **Step 6. Campaign for the AFW to be implemented**

62 **References**

Introduction / summary



The garment industry around the world is renowned for low wages, excessive overtime and poor working conditions. In many cases, even the legal minimum wages set for workers in the apparel industry fail to provide enough income to maintain a family of four above the nationally defined poverty level.

The consequences of poverty wages are most clearly seen in excessive working hours and disrupted family life. Poverty wages push many workers into debt, lead to malnutrition, cause health problems, and make workers and their dependents extremely vulnerable to unemployment, disability, and faster decline in old age. What is more, growing inequality within a country can reduce social cohesion and result in unrest.

Labour rights' advocates have always argued that a minimum living wage is a cornerstone of decent working conditions, because sufficient wages are essential to workers' well-being. Insufficient wages imply that individuals, families and communities who depend upon wage labour for their well-being cannot lead a dignified life.¹ This demand is in line with the United Nations Universal Declaration of Human Rights. Article 23(3) states:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”

The International Labour Organisation (ILO), which is the United Nations' body that sets labour standards, also endorses a living wage standard. The Preamble to the ILO Constitution notes that peace and harmony in the world require “the provision of an adequate living wage”. The ILO Constitution mentions the need to develop:

“policies in regard to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection.”²

The reality of working conditions in the garment industry is far removed from the international goal of ‘decent work’ for all women and

men in the world. ‘Decent work’ is the phrase used by the ILO, and it means the right of all to work in conditions of freedom, equity, security and human dignity.

In the global garment industry of today, it is the brand-named companies and giant retailers who wield most power. They have profited hugely from outsourcing production to low-wage countries, capitalising on poverty wages and benefiting from weak enforcement of laws that govern wages, working conditions, and labour rights.

What is more, workers' efforts to increase their wages often lead garment brands and retailers to relocate production elsewhere. so workers are often afraid to fight for better wages for fear of losing their jobs.

For these reasons, union leaders and labour activists in Asia have come together to explore a strategy for workers in the global garment industry. Asia is a major hub for garment production in the global economy, accounting for 60% of global garment production, and employing millions of workers across the continent, most of whom are women.

“The Asia Floor Wage is an industrial level collective bargaining strategy, targeting the garment global supply chain and combating the threat of relocation.”

Ashim Roy, Secretary General of the **New Trade Union Initiative**, India

The **Asia Floor Wage Alliance** brings together a wide range of labour organisations from India, Bangladesh, Cambodia, Indonesia, Sri Lanka, Thailand, China, and Hong Kong. Also involved are trade unions, labour NGOs, anti-sweatshop movements, solidarity groups, and scholars from Northern countries in Europe and the United States of America (see box 1).³

Together we have come up with a way of establishing a floor on the race to the bottom and preventing wage competition between Asian garment-exporting countries. We are calling it the ‘Asia Floor Wage Campaign’.

By uniting together and adopting a common Asia-wide bargaining strategy, garment workers and their representatives and supporters in

Asia and the North can campaign for improved pay and conditions without the fear of causing job losses. Instead of workers competing with each other, pressing wages down even more, we have formulated a unified, regional demand, with a global echo, for a wage which is decent and fair.

The Asia Floor Wage (AFW) is a demand for a minimum living wage, but one that can be standardised and compared between countries.

Chapter 4 gives the details of how we arrive at our AFW: it is based on the income required for a single earner to support a family of four (2 adults and 2 children) by working a legal maximum working week (but no longer than 48 hour), excluding any payment for overtime or other bonuses/allowances.

It accounts for the cost of a fair amount of food per day, plus other essential living costs such as healthcare, housing, clothing, childcare, transportation, fuel, education, etc. By then expressing it in a single convertible sum - what we are calling ‘purchasing power parity in US\$’ or **PPP\$** for short – we can achieve a wage demand that is applicable in each country and across borders.

At the Campaign’s third international planning meeting in Hong Kong in October 2008, we took into account our countries’ different economies, politics, and debates, plus wage survey data collected from various Asian countries, and set the Asia Floor Wage for 2009 at **475 PPP\$**.⁴

Box 1

////////////////////////////////////
The Asia Floor Wage Alliance brings together a wide range of labour organisations in Asia and beyond.
Partners include:

Bangladesh: SBGKSF; NGWF; BIGUF; BCWS; Karmojibi Nari; Action Aid-Bangladesh; INCIDIN; Bangladesh Institute for Development Studies; Bangladesh Institute for Labour Studies; **Canada:** Maquiladora Solidarity Network; **Europe:** Clean Clothes Campaign; Action Aid UK; **Hong Kong:** HKCIC; Globalisation Monitor; Students & Scholars Against Corporate Misbehaviour; **India:** All India Trade Union Congress; Hind Mazdoor Sabha; Indian National Trade Union Congress; New Trade Union Initiative; Garment and Textile Workers Union; Garment Workers' Union; Mazdoor Ekta Manch; Cividep; Save; Fedina; Society for Labour & Development; **Indonesia:** SPN; GSBI; Trade Union Rights Centre; **Malaysia:** TIE-Asia; **Pakistan:** All Pakistan Trade Union Federation; Pakistan National Textile Leather Garments & General Workers Federation; PILER; **Sri Lanka:** ALaRM; JSS; Dabindu Collective; **Thailand:** Committee on Asian Women; **USA:** United Food and Commercial Workers; Teamsters; Workers United; Jobs with Justice; International Labor Rights Forum.

////////////////////////////////////

“The AFW is indeed a good initiative. It gives us opportunities to negotiate wages with the manufacturer, as well as with the brands.”

Joko Hariyono from the Indonesian trade union federation Serikat Pekerja Nasional (SPN, National Industrial Workers' Union)

“Women workers in the garment industry make up almost 80 percent of the export manufacturing workforce in the developing world. Yet they lack the ability to improve their wages, working conditions or to bargain for more secure jobs. A strategy like Asia Floor Wage will be a solution in attenuating women’s unequal bargaining power, gender wage gaps and in improving their well being”

Committee for Asian Women

We believe that a common wage demand can bolster union organising, which in turn will help to achieve other gains. An Asia Floor Wage for the garment industry will help us fight poverty, develop economically with decent labour standards, and improve the lives of workers who are mostly women. The AFW proposal can contribute towards achieving a more sustainable global garment industry, and be a concrete way of implementing the ILO’s Decent Work Agenda. The AFW Alliance will target major

retailers and global brands to sign agreements committing them to incorporate the Floor Wage formula into their price negotiations with suppliers. These companies control the global garment production chain and have the capacity to deliver the Asia Floor Wage to workers.

Meanwhile, Alliance members in producer countries will apply pressure on the major manufacturers to ensure that price increases they get from the brands and retailers

with whom they have contracts are passed on to workers in the form of higher wages.

We hope you will add your voice and energy to this campaign for decent wages in the garment industry in Asia, as a contribution towards combating poverty and promoting sustainable development everywhere.
www.asiafloorwage.org

“The AFW campaign should pressure global brands and retailers to pay a fair price for the product and ensure that the workers’ right to trade unions is respected, which most codes of conduct recognise as an important right anyway”

Shamima Nasrin, President of the Bangladeshi Shadhin Bangla Garments Sramik-Karamchari Federation (SBGSKF)

Summary of each chapter

Chapter 1 outlines the key reasons why poverty wages have come to characterise the garment industry in Asia:

- > Governments fail to set a decent minimum wage level;
- > Low levels of unionisation make it difficult to raise wages through collective bargaining between workers and employers;
- > Widespread gender discrimination leads to the employment of relatively more women at lower wages than would be paid to men for the same work;
- > Legal minimum wages are not regularly adjusted to reflect the rising cost of living;
- > Weak enforcement of minimum wage and other labour regulations gives employers more opportunities to cheat workers out of their legal rights.

Chapter 2 discusses why, in a globalised industry like the garment one, the existence of poverty wages cannot be understood without understanding the role of the big garment brands and retailers in orchestrating global production and trade. On top of that, deregulation, flexibilisation and export-led policies have left many workforces around the world without protection, and widened the gap between rich and poor,

both within countries and between countries,⁵ resulting in a low road path to economic development.

Chapter 3 outlines the proposals of the Asia Floor Wage Alliance, aimed at replacing this race to the bottom with something that will lift the position of all the workers of the world at the same time.

We discuss how our proposal would not only raise the wages of workers at the bottom, but strengthen workers' bargaining power throughout the international supply chains of giant retailers and brands and across borders, thereby increasing all garment workers' capacity to raise wage levels.

We outline the three strategic pillars on which the AFW campaign is based:

- > Building a regional collective bargaining strategy against capital mobility;
- > Promoting a wage-led growth and economic development scenario;
- > Pushing for a redistributive corporate accountability agenda.

Chapter 4 provides a detailed discussion on how the AFW Alliance defines and calculates the Asia Floor Wage. As with any other living wage definition, we address: how to define

'basic needs', the number of dependents to be covered, and the length of the working day/week.

We then outline the six steps we use to define a locally appropriate living wage – one that is country specific – as well as a common Asian wage level – one that sets an Asian floor to stop the 'race to the bottom'.

We discuss how the AFW can be calculated in national terms and how, by using the formula of purchasing power parity in US\$ (**PPP\$**), wages can be compared across nations. The chapter ends with a number of strategic considerations on how to implement the AFW and briefly discusses the three main campaign targets: brands and retailers, large manufacturers, and governments.

1. Poverty wages in the global garment industry



The reality of working conditions in the garment industry is far removed from the international goal of 'decent work' for all women and men in the world. 'Decent work' is the phrase used by the International Labour Organisation (ILO), and it means the right of all to work in conditions of freedom, equity, security and human dignity. But the wages that garment workers receive today are almost never enough to guarantee a decent and dignified existence for them and their families.

Across Asia, wages of garment workers are low because:

- > Governments fail to set a decent minimum wage level;
- > Low levels of unionisation make it difficult to raise wages through collective bargaining between workers and employers;
- > Widespread gender discrimination leads to the employment of relatively more women at lower wages than would be paid to men for the same work;

- > Legal minimum wages are not regularly adjusted to reflect the rising cost of living;
- > Weak enforcement of minimum wage and other labour regulations gives employers more opportunities to cheat workers out of their legal rights.

In a globalised industry, the existence of poverty wages also cannot be understood without understanding the role of major brands and retailers in orchestrating global production and supply.



Workers in a garment factory in India, 2008.
© Clean Clothes Campaign.

There is always the threat that they will relocate when workers organise to demand higher wages, which keeps workers in fear of losing their jobs. What is more, neo-liberal inspired economic policies drive wages down. These topics are discussed more in chapter 2.

Legal minimum wages set too low

The purpose of legal minimum wages should be to provide social protection to vulnerable and unorganised categories of workers. The International Labour Organisation (ILO), which is the United Nations' body that sets labour standards, writes: "minimum wage fixing should constitute one element in a policy designed to overcome poverty and to ensure the needs of all workers and their families".⁶

These basic needs are typically defined in terms of food, housing, clothing, and public services, like education, healthcare and transport (see also chapter 4).⁷ While most Asian governments set minimum wages, these typically fail to provide enough income to maintain a family of four above the nationally defined poverty level.⁸ In order to attract investment, many governments set legal minimum wages below the subsistence level. Minimum wages that meet a living

wage standard are seen as a possible barrier to investment. In some countries the legal minimum wage even fails to meet internationally-defined poverty standards. In Bangladesh, the monthly minimum wage of 1662 Taka (16.60 Euros or US\$24.30) is even less than the absolute poverty level of US\$1 a day. A Bangladeshi worker says:

"The Government is indifferent to our plight. The low wages have been the outcome of continuous lobbying by the leaders of trade bodies and businessmen-turned-politicians in the corridors of power. Taking 2007 as a base year, it should be easily said, without any dispute, that prices of essentials have risen by up to 50%."⁹

In countries like India, Sri Lanka, Vietnam, Pakistan and Cambodia, the minimum wage is below or around the UN-defined poverty line of US\$2 a day. In China, Indonesia, and Thailand wages are marginally higher – US\$2-4 a day – but the cost of living in these countries is higher.

Siagawati, a member of the Serikat Pekerja Nasional (SPN, National Industrial Workers' Union), Indonesia, says:

"All my basic living needs are supposed to be solved with what I earn. But because my wages are always not enough, the only solution is to live very economically."¹⁰

Poverty wages always have deep individual/personal consequences, as shown in Boxes 2, 3 and 4.

Box 2

Meet Krishanthi from Sri Lanka ¹¹

I'm Krishanthi. It's been six years since I came to the Katunayake Free Trade Zone in Sri Lanka, as I soon as I finished my Ordinary Level examination. From the day I came, I was doing night shifts, trying to earn the maximum in order to give some economic stability to my family.

At present my current basic salary is Rs.7,900 (49.15 Euros or 71,8 US\$). However much I do overtime, at the end of the month I get about Rs.12.000 (74.66 Euros or 109 US\$). I have never earned any more than that.

I have to pay Rs.2.300 (14.31 Euros or 20.9 US\$) in rent. Rs.2.000 (12.44 Euros or 18.1 US\$) for groceries. Medicine each month costs about Rs.300-400 (1.86–2.40 Euros or 2.7 -3.5 US\$). I don't spend a lot on clothing, about Rs.300 (1.86 Euros or 2.7 US\$). Since it's a long distance, I travel home only twice a year. I spend my free time in my boarding room, and so I don't spend any money on entertainment. Education is only a dream. I contribute to a lottery scheme ("seettu"), and I save Rs.1.000 (6.22 Euros or 9 US\$).

There is no possibility of consuming a nutritious meal, to dress well and survive from this salary. During these six years the only thing I have done is send some money home. We work for about 12-14 hours a day. We work on Sundays and holidays. Yet, we don't get a wage that could fulfill our basic needs.

We don't earn a salary according to the sacrifices that we make. I'm now very thin. Even when I suffer from a small sickness I get really ill. I got married 2 years ago but still haven't had a baby. Many medical tests were done, but in the end the doctors just told me to eat a healthy meal and take rest. But in order to take rest, I would have to resign from my job. Now, I cannot even bear the sounds in the workplace; my head is also like spinning mill.

At times like that I feel like going back home. Yet, I don't have the economic stability to face the future.

Note: about half of the output of the factory where Krishanthi works is for Gap.



Krishanthi gives a speech at youth camp. Sri-Lanka, 2009. © Dabindu Collective.

Box 3

Meet Liuxia from China

My name is Liuxia, and I am a garment worker in the city of Guangzhou, in Guangdong province, China. I left Hubei province to become a garment worker at 17 years old after finishing junior high school. Today, I am 30 years old, married, and the mother of a 9 year old son who lives with my parents-in-law in Hubei province.

In the factory where I have been working for the past four years, there are 1000 workers.

My basic working hours are 8am to 5pm (with a 1 hour break for lunch) Monday to Saturday, for which I am paid 30 Yuan (3.14 Euros or

4.5 US\$) per day. But the factory often demands overtime, and my family needs more money, and so I work overtime from 6pm to at least 10pm, Monday to Saturday, to earn 2.6 Yuan (0.27 Euros or 0.39 US\$) per hour extra. Sometimes I have to work on Sunday if the factory has an urgent order. On average, I earn about 1200 Yuan (126.67 Euros or 185 US\$) a month. Even workers with over ten years' experience get a similar amount.

We get unpaid annual holiday of three weeks (including the three-day Chinese New Year); there is no paid sick leave, and no other benefits. So, if I want to get my 'full' monthly wage, I can't take any kind of leave, even if I am sick. Like many other workers, I have constant back pain from the repetitive work. Our employer provides

no medical support and we are not covered by health insurance. Everyone just has to get used to it.

I live together with my husband and we pay 400 Yuan (41.89 Euros or 61.2 US\$) a month to rent a small apartment. We always eat at home, spending 10 Yuan (1.04 Euros or 1.51 US\$) on food a day. I always try to buy food at discount prices. We eat 0.5kg rice a day, which costs 1.9 Yuan (0.19 Euros or 0.27 US\$), and we can only afford the cheapest fish. Sometimes on Sunday, I try to cook a little bit extra. All my monthly salary goes to our daily living costs. We use my husband's salary mainly to support our son's education and my parents-in-law in Hubei province.

Note: This interview was done at 11pm after Liuxia had finished her overtime.

Box 4

Meet Neelam from India ¹²

I am Neelam. I am 40 years old and I have worked in the garment Industry for the last 14 years. I came to the national capital Delhi in 1994, from the Bhagalpur district of Bihar state.

I am married, and I have four daughters and one son. My husband is security guard in a private security company. We live in a small room in Kapashera, a neighbourhood of industrial workers. Our family shares a toilet and bathroom with 20 other families.

I have worked in many factories over these 14 years. I started out as a thread cutter and that is what I still do. I've never had any promotion to a higher grade, even after these long 14 years! After three years working for sub-contractors, I got a job with Modelama, where I worked for 8 years. It is one of the top exporters of garments, based in Udyog Vihar, Gurgaon,

a well-known industrial centre in the country. Modelama mainly supplies to brands like GAP, Diesel, Next, and Monsoon.

For the first three years, the factory kept me as a casual worker, to deny me the facilities I should be getting. After that, they made me permanent, and started taking deductions from my wages for the Provident Fund (PF). But it was only with much difficulty that I could get my PF account number. It was the same with ESI (the social insurance scheme).

Then, in 2005, I was illegally terminated from the factory. They did this to deny me the bonus to which a worker is entitled when you have worked five years continuously in a factory. You are supposed to be paid a bonus according to the number of years you have worked there. But companies often terminate a worker a few months before the five years are up, and then ask the worker back after a week. I wasn't prepared to let management get away with this. So I filed a case with the Labour Conciliation Officer. In fact, management never

showed up before the Officer, and now the case is with the Labour Court. I have been fighting Modelama on this for the past four years.

Now I am working in another small factory in Udyog Vihar, still as a thread cutter, on a contract basis. I am earning just the minimum wage set by the Haryana State Government for 'helpers', which is Rs.3840 (56.21 Euros or 82.1 US\$) per month.

After paying out Rs.1200 (17.56 Euros or 26.6 US\$) in rent, it is nearly impossible to manage with this amount. I have to spend Rs.4000-Rs.4500 (58.55–65.87 Euros or 85.5 - 96.1 US\$) for food each month, and spending on health and the children's education comes to about another Rs.1200 (17.56 Euros or 26.6 US\$).

Note: The minimum wage rate in Haryana State came into effect from January 2009, but Neelam's factory only started paying it from May. However, so far the workers are too scared to demand the arrears due to them.

Barriers to collective bargaining

A second important reason for poverty wages in the world's clothing industry is the very low level of unionisation and the near absence of collective bargaining between workers and employers. Freedom of association and collective bargaining are two of the fundamental rights of all workers in the world, as agreed within the ILO. They are often referred to as 'enabling rights'. This means that, when workers have these rights respected, they can use them to make sure that other labour standards, including a living wage, are upheld.

The best way to set wages would be through collective bargaining between workers and employers. "The contribution of trade unions to the reduction in wage inequality is a well-established empirical finding", the ILO writes in its **Global Wage Report**.¹³ In contrast, countries in which collective bargaining is not a significant tool for wage determination – which is the case in most developing countries – the wage disparity increases, including the gender pay gap.¹⁴

A World Bank study arrived at a similar conclusion:

"Countries with highly-coordinated collective bargaining tend to be associated with lower and less persistent unemployment, lower earnings inequality, and fewer and shorter strikes than uncoordinated ones."¹⁵

However, few workplaces are covered by collective bargaining agreements. Even if unions are present, they often lack the bargaining power to negotiate adequate wages and benefits. As a result, statutory minimum wages tend to act as a ceiling rather than a floor for the majority of workers. Garment workers usually face many difficulties if they want to join or form a trade union. Many governments restrict, undermine, obstruct, or even outlaw independent trade union and collective bargaining rights.

Employers, for their part, often have a hostile attitude towards trade unions. Instead of seeing repre-

sentative trade unions as a useful mechanism for negotiating so as to keep their workforce happy and productive, they frequently use a range of tactics to prevent unions from emerging, including intimidation, discrimination, firing, blacklisting, and even physical violence. As a result, workers often fear joining trade unions. A female worker from Bangladesh comments:

"If they (management) see any activities related to any union, you can be sure that you would be terminated within few days for sure. They have their own informer that's why we do not even discuss about this."¹⁷

Long working days leave little time for union meetings. This is true especially for women workers who often have to take care of household responsibilities after returning home from a day's work. Migrant (women) workers in particular face restrictions and difficulties when they seek to assemble.

In Thailand, registered migrants theoretically have the same rights as Thai nationals. In practice, however, they are not permitted to change jobs without their current employer's written permission. This gives employers a lot of power to impede migrant workers' freedom of association. Workers who dare to protest are faced with being fired by the employer and handed over to the Immigration Department.¹⁸

Despite these barriers, workers do try to organise, in numerous and courageous ways, often involving a long struggle. The International

“The time-honoured manner of improving pay and working conditions is through collective bargaining between unions and employers. But collective bargaining cannot take place in a void. The right to organise and to bargain collectively must be respected but almost nowhere is that happening.”¹⁶

The International Textile, Garment and Leather Workers Federation (ITGLWF).

Textile Garment Leather Workers Federation (ITGLWF) has some 217 organisations from 110 countries affiliated to it, and this is not the sum total of all garment workers’ associations that exist around the world. Where freedom of association is restricted, workers often find alternative forms of organisation to protect their rights.

However, union power to win higher wages through collective bargaining with garment employers remains

very limited. With no or little collective bargaining, the statutory minimum wage becomes the dominant reference point for wage setting at the factory level, though even this as we will show, is often weakly enforced.¹⁹

Because many employers operate on very thin margins and they themselves often lack the power to negotiate a higher price from the buyers, they argue that any wage increase would be detrimental to

business and they may have to close their business or move production to another region or country. We return to these topics in chapter 2.



Union leader gives speech, India, 2009.
© Ankur Ahuja / Clean Clothes Campaign.

Box 5

Workers locked out in India²⁰

I am 43 years old, and my name is Birendra, from the Gorakhpur district in Uttar Pradesh, India. I have been working in the garment industry since 1985. For a long time I worked at a factory²¹ that produces for international brands like Himalaya, Eisenhans (Germany), Joma (Spain), and Amba (Italy).

For years, the company violated the regulations on provident payments and ESI, the social insurance scheme, that give some protection to workers (and their families) at times of sickness, maternity, physical disablement, injury or death at work. Many companies do this, and so workers started thinking there is no way they can change these violations.

However, in September 2008, after several months when our wages were not paid, we started protesting and approached Mazdoor Ekta Manch, a local labour platform of workers. We continued to work at the

factory, expecting to be paid soon, but we also filed a complaint with the Labour Office about this non-payment of wages. Eventually, after many protests, we were paid what we were owed. Soon, however, management retaliated by sacking me.

By then, however, we had gained some experience of unionisation and this made fourteen other workers in the factory protest against my illegal termination. Then they too were locked out of the factory. The lock-out case is still under consideration by the Labour Court. Factory management tried many other ways to shatter these workers’ struggle, such as filing false police cases against them. But nothing yet has discouraged them from fighting their case.

I am now working at a small garment factory, and spending part of my time to unionise workers in Gurgaon. I am now the President of a union here, the Utpadan Kaamgaar Sangathan (Manufacturing Workers’ Union). I still get threatening phone calls from the side of management even now. But I am determined to fight against exploitation of the working class!

Gender impact on wages

Wages are low also because employers take advantage of cultural stereotypes that depict women as passive, flexible, and less likely to challenge management. In an industry that is dominated by women workers, often over 80 per cent of the workforce, this can have a significant downward impact on wage levels. This is no coincidence but a result of gender discrimination prevalent in garment producing countries, as in many other places. There are a number of gender-related factors that play a role in keeping wages low.

First, women are typically paid less than men because their income is seen as complementary to those of male breadwinners. In reality, however, women workers often represent the sole income providers for the household. This form of inequality is most clearly observed in the difference between men's wages and women's wages, often

referred to as the “**gender pay gap**”.²² Women are often paid less than men in the clothing industry, even if they do the same tasks.

One ILO study on gender wage differentials in Bangladesh found that women earn an average of 23.2 per cent less per hour than men.²³

In Cambodia, “women’s incomes may be up to 40 per cent lower than those of men”.²⁴

Second, gender discrimination means that women workers – when they do have a permanent work contract – have fewer chances of promotion.

Third, women workers are over-represented in insecure jobs – casual, seasonal, subcontracted, and home-based. For employers, women workers often represent a ‘flexible’ layer and “serve as a buffer to accommodate just-in-time

ordering, fluctuations in orders and prices, and stiff competition among suppliers”.²⁵ During economic downturns and recessions, women workers are most likely to be the first to lose their jobs.²⁶

Finally, another but related reason why wages are low is that without a regular contract or any form of job security it is far more difficult for workers to participate in trade union activities to promote wage increases. And this is especially true for women workers, where cultural constraints can create obstacles for women workers to be active or have their voice heard in trade unions, or to have the confidence or opportunity to speak out against (male-dominated) management. Gender-based harassment in factories is all too often an effective tool to keep women workers afraid and submissive.

Inflation

A fourth reason why minimum wages are too low is because authorities fail to adjust the wage rate sufficiently to maintain the workers' purchasing power. "The nominal minimum wage in the context of increasing prices is," the ILO writes, "as important as the setting of the initial rate for a minimum wage."²⁷ If minimum wages are not regularly adjusted to take into account the rise in living expenses, workers' income progressively falls. A worker in Indonesia, producing clothes for Nike, Reebok and Wal-Mart, comments:

"There are increases in the minimum wage, but the cost of living goes up even more. To make it worse, recently the employer stopped giving transport and food allowances."²⁸

In Bangalore, India, researchers note that, despite there being a system of three-yearly review of wages, over the past fifteen years the statutory minimum wage has declined in real terms by around 10 per cent.²⁹ In Thailand, wages increased by only 18 Baht (0.38

Euro cents or 0.55 US\$) over the eight-year period 1997–2005.³⁰ In Vietnam and China, wages have gone up in recent years but only after being stagnant for nearly a decade.

The worst-case example, probably, is set by Bangladesh where the minimum wage structure in the garment industry remained unchanged between 1994 and 2006. Meanwhile the cost of living increased at an average rate of 4 to 5 per cent annually. Only after mass protests by garment workers in 2006, was the minimum wage raised from 900 taka per month to 1,662.50 taka per month (16.60 Euros/ US\$24.30). However, the doubling and tripling of rice prices in mid-2008 nullified the wage increase of 2006.

The impact of higher food prices can be particularly dramatic for poor workers and households because they spend more than 50 per cent of their income on buying food. Women workers and children are often hit hardest. In the Global Wage Report, the ILO writes:

"Higher food prices will not only translate into worse

diets for poor households, they will also lead to cuts in the purchasing of other goods and services that are vital for the well-being of family members. Women, especially pregnant women and nursing mothers, as well as children, are likely to be worst hit. As a coping strategy, women on low incomes may take on more paid work – often informal and casual – lengthening further their already long working days."³¹



Sri Lanka, 2009. © Ranjith Asanka.

Wage defaulting

Legal minimum wages already fail to meet living wage standards. On top of this, widespread disregard for the wage regulations that exist deprives workers of their legal entitlements and further reduces take-home pay. The ILO writes:

“Minimum wage policies, to be useful, need to be well enforced... Unfortunately, in many countries, labour inspection services are understaffed and penalties are too weak. As a result, minimum wages too often remain a ‘paper tiger’ rather than an effective policy.” ³²

The spread of informal and precarious labour practices has deepened these practices.

Sometimes, wage irregularities and underpayment occur because the employers are in financial difficulty. This can be caused by global buyers paying late or cancelling orders. All too often, though, it is simply fraudulent, manipulative or criminal conduct on the part of the employers.³³

Wage defaulting has many faces: workers are being cheated on their minimum wages; tricked on overtime pay; denied benefits like travel and food allowances; dismissed because the employer refuses to respect legal rights to maternity leave; or robbed of severance payments when plants shut down (see Box 6 and 7).

A lack of clear information about their wages makes it difficult for many workers to raise formal complaints. Employers sometimes fabricate fake pay slips and timesheets to mislead labour inspectors or social auditors sent in by global buyers.³⁴

Box 6

Wage defaulting in China a chronic problem

In China, the Guangzhou Municipal Labour and Social Security Bureau handled a total of 36,408 complaints of non-payment of wages in the first nine months of 2005.³⁵ These are only the cases in which a formal complaint was issued, and the total number is likely to be many times higher. Jingyi Ye, a Chinese professor from the Law School of Peking University, comments: **“Underpaying or not paying is the most obvious way of abuse. It is among the most common labour abuses, affecting many millions of workers.”** ³⁶

Factory management in China often uses delayed payment as a means of holding on to workers who might otherwise walk away from the factory floor. If a worker decides to leave, the employer keeps her wage.³⁷ Chinese government officials warn that the “chronic problem of wage defaulting encroaches upon the property rights of rural labourers and is prone to triggering desperate actions and social unrest”.³⁸

Box 7

Wage fraud in Indonesia ³⁹

Researchers in Indonesia found that export-oriented manufacturers increasingly use a so-called ‘all-in’ wage, also known as ‘upah mati’ which literally means ‘dead wage’. This wage includes everything: benefits, bonuses, and overtime (regardless of the hours worked). Normally the calculation of this ‘all-in’ wage is higher than the monthly average wage, but so is the burden of work carried out.

One company that uses this ‘all-in’ wage system is Manufacturer X⁴⁰ located in Gunung Putri, Bogor, about 60 km east of the capital city Jakarta. The company

produces bras and panties for global buyers like JC Penny, VS Mast, and Wal-Mart. It is a large company, with 3000 employees, of whom 1200 are permanent and 1800 are contract workers.

This factory uses the all-in wage particularly for contract workers in ‘non-skilled’ production. On their wage slip it is claimed they are ‘supervisors’, which means they are not entitled to overtime pay (which should be 1.5-2 times the normal hourly rate), or the 1400 minimum calories of food per three or more hours of overtime.

Many of these workers are not aware of these tricks that the company is playing. Indeed, many have simply no other option than to accept it if they want to keep the jobs.

“The workers’ burden of living is too much. But what stays in our mind is only how to work properly so that the company keeps on employing us. Whatever happens, even though it is disadvantage for us, we have to accept it. What is most important for us is to keep working.”

Mintarsih, a woman worker

Consequences of poverty wages



Nurun Nahar is having lunch with her family in this small room. 31 August 2009, Dhaka, Bangladesh. © Ankur Ahuja / Clean Clothes Campaign.

Current wages in the garment industry fail to provide for an income that would allow a household a comfortable and decent standard of living.

The consequences of poverty wages are most clearly seen in excessive working hours and disrupted family life. But poverty wages also push many workers into debt, lead to malnutrition, cause health problems and make workers and dependents extremely vulnerable to unemployment, disability, and faster decline in old age. Furthermore, growing inequality within a country can reduce social cohesion and result in unrest.

Long working days

Employers try to extend the working days as long as possible: many employees report a working day of 12 or 14 hours. Some manufacturers even try to make two working days out of one, for example by making workers do back-to-back shifts.

While much excessive overtime is often forced upon workers, it is also linked to poverty wages. Workers often have no choice but to endure long working hours because the basic rate of pay within a normal

working day of eight hours is insufficient to meet their basic needs and to sustain a family. Workers accept overtime work as it is the only way to survive.

But long working hours leave no time for education, for household activities, for raising children, for play or other social activities. Excessive overtime has a negative impact on health as it reduces the time available for sleep and deprives workers of fresh air and sunlight. So it prevents them from recovering after their working day.

Long working hours also affect job satisfaction, and increase the effects of stress-related problems as well as mental health problems. Years of working in hot and crowded rooms with poor ventilation and lighting; exposed to dust and toxic chemicals, overwork, and poor ergonomics inevitably take their toll in the form of “eye strain, fatigue and debilitating overuse injuries”.⁴² Workers who can no longer keep up the pace, or are forced to leave due to work-related accidents and diseases, all too often find themselves without health insurance, compensation or sick pay.

Box 8

Forced overtime in Bangladesh

In 2009, a research on twelve garment factories in Bangladesh producing for Dutch brands found forced overtime work a common characteristic. After interviewing 292 workers, of whom 209 were women, the researcher writes⁴³:

“On an average of 76.4% workers said that they were given a production target which compels them to work for extra period.

Forced overtime and excessive production targets constitute the major hurdles for the female workers to go back to home before dinner. A majority of the workers leave between 8pm -10pm. Setting excessive targets has been commonly reported by all the workers. [...]

The production target is set so high that they are forced to work overtime. Pertinent to mention that calculation of overtime starts only after the fixed production target is met. Engagement of the workers with overtime works reduces their time for child bearing and household chores. However, after reaching home around 10pm workers start cooking and taking care of their children.”



Nurun Nahar is preparing to go to work. Dhaka, Bangladesh, 2009.
© Taslima Akhter / Clean Clothes Campaign.

“We work until 2 or 3am during the peak season. We always have to work a double shift. Although we are very exhausted, we have no choice. We cannot refuse overtime work, because our standard wages are so low.” ⁴¹

A Thai woman worker

Disrupted family life

Excessive hours interfere with family life.⁴⁴ Women workers often struggle to combine long working days with household responsibilities and looking after their families. As one researcher states:

“Juggling time and money to ensure the well-being of families, especially where there are children, is physically and emotionally stressful. The breaking point is reached when due to the physical demand on their bodies they get sick and are fired”.⁴⁵ This results in dysfunctional family life.

In other cases, children are sent to relatives far away, and are only seen a few times a year. Or children are taken out of school because the parents cannot pay school fees, because the children need to work to contribute to the family income, or they are needed to take care of younger siblings.

“I leave home at six in the morning and come back home at nine in the evening. I leave when my daughter is still in her dreams and come back home to see her gone to sleep again. She sees my face only one day of the week.”⁴⁶

Amanthi, a women worker from Sri Lanka who sews clothes for Tesco

Conclusion

Garment production is an important industry for most Asian countries. However, legal minimum wages in many countries fail to meet even government set poverty benchmarks. And, when governments then also fail to adjust these minimum wages to account for inflation, this further depresses their purchasing power.

Then there is the question how well governments implement their own minimum wage regulations. Where, as is often the case, they are only weakly enforced, this gives employers the opportunity to defraud workers out of the wages they should be getting. This is very common – one could say systematic – across Asia.

At the same, workers face many hurdles when they seek to organise

trade unions and enter into collective bargaining with their employers. The very low level of unionisation and consequent absence of any form of collective bargaining are important reasons why the statutory minimum wage has become the sole norm for wage setting. Meanwhile, on-going gender discrimination also keeps wages low.

No government should accept a minimum wage policy that results in unacceptable poverty. However, local economic and political factors only provide a partial picture of why wages are low. In a globalised industry, the excesses of capitalism are increasingly difficult to tackle at a national level. The next chapter turns to questions of the global nature of garment production and its impact on wage levels.

2. An unsustainable economic model



Governments should play a crucial role in addressing poverty wages by adopting minimum wage policies. So too should trade unions through collective bargaining. But, in a globalised industry like the garment one, it is increasingly difficult for trade unions to achieve wage increases.

Global buyers, large transnational corporations mostly from Europe and the US, dominate the global garment supply chain and make it increasingly difficult to achieve wage increases at a national level. Four trends in particular play an important role:

- > the threat of capital relocation**
- > falling prices**
- > declining terms of trade**
- > a lack of global demand**

The threat of capital relocation

As already discussed, garment workers usually face many difficulties if they want to join or form a trade union. Many governments restrict, undermine, obstruct, or even outlaw independent trade union and collective bargaining rights. But when workers do succeed in setting up a trade union and seek collective bargaining, they then often face another hurdle: the threat of plant closure and capital flight. The persistent threat of relocation has become a powerful tool to prevent workers from organising unions and demanding decent wages.

It is not only workers who are afraid that insisting on higher wages will result in factory closures. Governments too fear that wage increases or stronger labour laws will result in global buyers pulling out of the country, taking thousands of jobs

with them. So, statutory minimum wages that would meet living wage standards are perceived as a possible barrier to attracting orders from global buyers.⁴⁷ As a result, governments seek to lure business by offering tax reductions, exemptions from national labour laws, or freezes in the legal minimum wage. The enormous growth in export processing zones since the 1960s is testimony to this policy.

This process, decried by critics as the ‘race to the bottom’, is exploited by global buyers who proceed to pick and choose among countries to find the most ‘favourable’ location.⁴⁸ In this way, global buyers directly and indirectly spur competition among producing countries to attract trade and investment by means of violating labour and

social protection standards. Indeed, any government considering raising legal minimum wage levels can expect to receive a warning from business associations about how this would undermine the ‘business climate’ or that the country risks ‘pricing itself out of the market’.

In 2008, a session of the regional Wage Council in Central Java, Indonesia, received ‘a special visit’ from a representative of Korean investors in the area. The representative explained that they did not wish to see a big increase in the minimum wage levels of the region; otherwise they would close down and move elsewhere.⁴⁹

Box 9

The impact of the Giant Retailers ⁵⁰

Playing an increasingly important role in the global garment industry are the giant retailers of the world – also referred to as supermarkets or big box retailers. Many will recognise their names, notably Wal-Mart, Tesco, Carrefour, Lidl, and Aldi. They are known for their low prices, large shares of the retail market, and the huge volumes in which they sell products.

In the UK, more than quarter of all clothing is bought from chain stores that also sell groceries. The French supermarket chain Carrefour is Europe's fourth-largest clothing retailer. US-based Wal-Mart, the world's largest company, is visited every week by 175 million people; the company accounts for one-third of all US retail apparel sales.

Thirty-nine retailers are found among the world's 500 largest corporations. Their combined revenues totaled US\$1.7 trillion in 2006, with Wal-Mart topping the list at US\$351 billion – fully a fifth of the total for the top thirty-nine corporations.

This huge concentration of economic power impacts negatively on working conditions and wages. The giant retailers' requirements

on cost and lead time make it impossible for suppliers to pay a living wage, send their workers home at 5 pm, and still turn a profit. The giant retailers have a reputation among suppliers for pushing harder on price than other buyers because low costs are fundamental to their business models. Because they compete on price, selling with low profit margins, the pressure to cut costs is huge, and is passed on to suppliers.

These retailers all have huge market shares and exercise enormous buying power – they are truly giants in the field of retail. Although they sell many different products from a range of sectors, they have profound and ever-increasing power in the garment retail market.

In 2009, the Clean Clothes Campaign in Europe started a Better Bargain campaign that focuses on the policies and practices of the giant retailers. Consumers should be able to do their shopping in stores where they can be sure that every effort is being made to ensure that no human rights have been violated in the production of their clothing.



Better Bargain campaign:
www.cleanclothes.org/campaigns

Falling prices

A second problem is that in the major consuming countries in Europe and the US, the retail price of garments has been falling for some twenty years now. Consumers have become used to paying unrealistically little for their clothing. Nearly all companies aiming to sell to ordinary consumers are now in a highly competitive market that is driven by the cut-rate strategies of some powerful global buyers. The enormous size and reach of these retailers gives them tremendous purchasing power over their suppliers, and they use this power to source their goods at very low prices.

This in turn lets them drive down prices in the shops – offering jeans for just US\$4, – in order to win a greater market share from their competitors. Their competitors

are then forced to pursue a similar low-cost strategy – or get out of the business. Suppliers too have to accept lower prices if they are to survive. The world's largest multi-product retailer, Wal-Mart, plays a particularly important role because its strategy is based on 'always low pricing'.

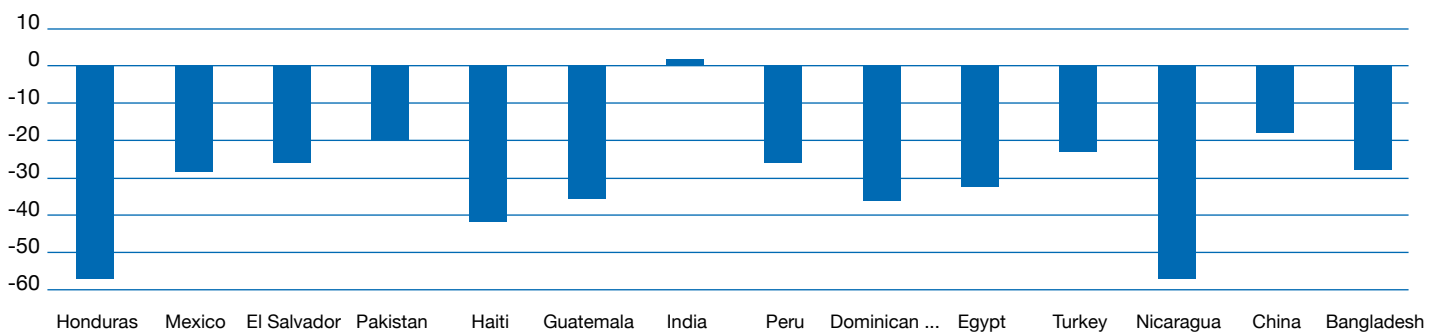
Their enormous size affords these retailers a tremendous amount of purchasing power over suppliers which they apply toward low-cost sourcing. We can summarise this dynamic as the **survival of the cheapest**.

It is not something restricted to the big 'prizefighters'; it is the global trend for the majority of retail. The large buyers from Europe and USA are consequently able to dictate trade terms, and ensure that

purchase prices for garments from Asia remain very low. Figure 1 shows that the price of cotton knit shirts has fallen dramatically for most production countries in the period 1994-2004.⁵¹

Falling prices, or deflation, make it more difficult to win wage gains even where trade unions do exist because employers will insist that any minimum wage must be put on hold and worker rights should be restricted to save costs. They argue that any possible increase in labour costs will undermine their international competitiveness.

Figure 1. Change in the factory price of cotton knit shirts, 1994-2004



Declining terms of trade

Thirdly, lower prices also mean that countries receive fewer revenues in return for exporting garments.

If the price of cotton knit shirts falls (up to 50 per cent in some cases, as Figure 1 shows), it means that, even if the national garment industry expands and more workers are being employed by it, the country as a whole gains little or even loses in terms of revenues earned.

In response to the declining terms of trade, as economists call this trend, governments can try to compensate for the loss of income by exporting more garments at a lower price. But if all garment exporting countries follow the same strategy – and they most of the

time do – this will only reinforce the existing glut of goods, which will make prices fall even further. In the end, as the economist Thomas Palley argues:

“...one country’s exports are another’s import and all cannot therefore run trade surpluses. If all try to grow on the back of demand growth in other countries, the inevitable result is a shortage of demand and global deflation.” ⁵²

This dynamic fuels the race to the bottom and puts workers’ wages under constant pressure.

A lack of global demand

The underlying problem is that the global garment industry cannot sustain itself indefinitely on the demand for garments by Northern consumers. It creates a system in which more and more goods are being produced by Southern workers who cannot themselves afford to buy them.⁵³ As Mala, a worker in Bangladesh, recognises:

“We make clothes for others. We don’t have the ability to buy clothes. Our (extended) families living in the village wait for our money.

We are in distress.

The market price is so high that we cannot afford even rice and pulses.”⁵⁴

Millions of impoverished workers – and not just in garments – lack the means to purchase the things they produce. More products are being produced, but too few people can afford to buy them simply because their wages are too low. A systematic shortage of effective demand for consumer goods explains why the price of garments has been declining so dramatically over the past twenty years.

Conclusion

The export-led growth model traps Southern garment workers in precarious, unsafe, and poorly paid jobs. It has created a low road path of economic development that delivers few developmental benefits. It has turned poverty wages into a persistent, or even systemic, characteristic of the garment industry.⁵⁵

Global buyers are not lifting workers out of poverty; instead they are cashing in on it.⁵⁶ Governments must take up their responsibility to ensure that work takes place in conditions of freedom, equity, security and human dignity. But, while crucially important, national legislation alone won't be enough to counter this 'race to the bottom' dynamic, where one country's workers are pitted against another's as corporations try to wring higher and higher profits.

The way that the global garment industry is organised doesn't raise the standard of living of developing countries; it keeps workers impoverished. The economic model itself is flawed as it is based on a fundamental contradiction of exporting more garments to already oversupplied markets (see Figure 2).

It makes countries, manufacturers, and workers dependent on export markets and vulnerable to power abuses by global buyers, who do not reinvest profits in the local economy or workforces.

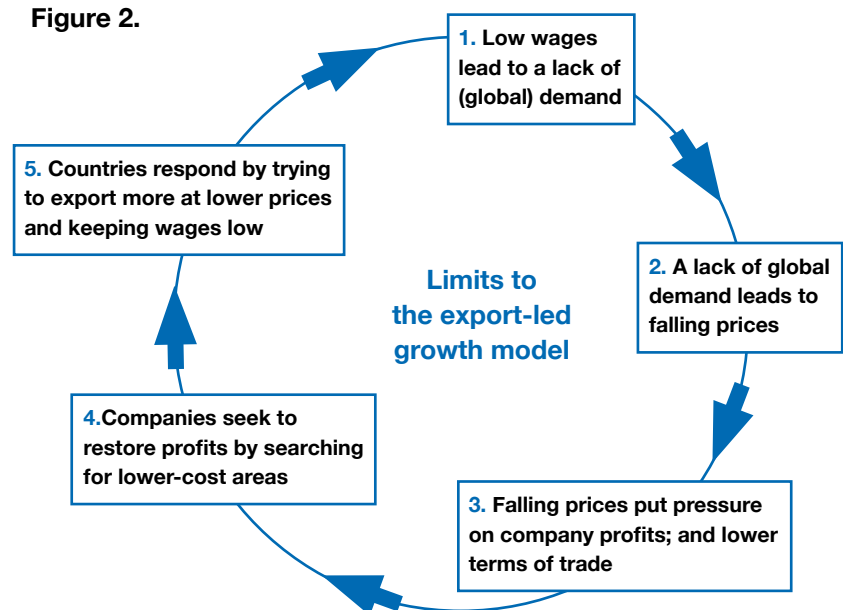
Instead they use the profits to finance their marketing and advertising efforts to expand their market reach, to buy up competitors, to pay for huge managerial salaries, or to pay bigger dividends to shareholders.

Addressing the root causes behind poverty wages therefore requires a

bold proposal; one that emphasises international solidarity among workers; combats the relocation threat by global buyers and manufacturers; stimulates a fair redistribution of benefits along the global supply chain; and promotes a high road path to development.

These challenges for organising in the garment supply chain suggest that workers need an approach that takes bargaining beyond one employer and beyond one particular country. How this can be done will be discussed in the next chapter.

Figure 2.



3. The Asia Floor Wage proposal



So far we have seen that wages are failing to meet living wage standards. We have also seen that the current economic model gives much power to global buyers but fails to distribute the benefits of global production in a fair way. This model makes workers anywhere vulnerable to capital relocation, concessionary bargaining, and a progressive ratcheting down of labour conditions and wages. Yet workers everywhere need a living wage.

Rather than continuing this race to the bottom dynamic, where one country's workers are pitted against another, we – the Asia Floor Wage (AFW) Alliance – instead propose something that will lift all the workers of the world at the same time. We argue that a minimum living wage – in combination with better working conditions – for garment workers is not only ethically the right course of action (see Box 10); it would also be economically the right one.⁵⁷

A higher wage for garment workers would help to redistribute the benefits of global production, stimulate local as well as global demand for garments, and encourage a more sustainable production process. This would help fight poverty, stimulate economic development with decent labour standards, and improve the lives of millions of garment workers and their families.

Instead of competing against each other to drive wages further down,

we have formulated a unified, regional demand, with a global echo, for a wage which is decent and fair. The AFW is different in each country, but has the power to buy the same set of goods and services in all countries. In chapter 4, we detail the six steps by which we define and calculate this common wage figure.

In this chapter, we outline the three strategic pillars on which the campaign is based:

- > **building a regional collective bargaining strategy against capital mobility;**
- > **promoting a wage-led growth and economic development scenario;**
- > **pushing for a redistributive corporate accountability agenda.**



Demonstration for a decent wage in Jakarta, 2006. Indonesia. © TURC.

Box 10

A living wage: a corner stone of decent work

The importance of setting a minimum wage is to signal that not all conditions of work, or of life, are subject to negotiation or coercion. The significance of setting a living wage is that it makes concrete the idea that work should provide for one's life – that a working person should never, despite their best efforts, be unable to support themselves and their families.

This is in line with the United Nations Universal Declaration of Human Rights. Article 23(3) states that:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”

The International Covenant on Economic, Social and Cultural Rights has two articles related to wages:

Article 7 asserts “the right of everyone to the enjoyment of just and favourable conditions of work which ensure, in particular: (a) Remuneration which provides all workers, as a minimum, with... (ii) A decent living for themselves and their families in accordance with the provisions of the present Covenant.”

Article 11(1) asserts “the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent.”

The International Labour Organisation (ILO), which is the United Nations' body that sets labour standards, also endorses a living wage standard. The Preamble to the ILO Constitution notes that peace and harmony in the world require “the provision of an adequate living wage”. The ILO Constitution mentions the need to develop:

“... policies in regard to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection.” ⁵⁸

This call for a minimum living wage was repeated in 2008 when the ILO adopted a Declaration on Social Justice for a Fair Globalisation.

In addition, the Conventions and Recommendations that the ILO has formulated concerning minimum wages are also intended to lead to wages that provide at least the minimum purchasing power required to buy a ‘basket’ of goods that meets “the needs of workers and their families”. ⁵⁹

A regional collective bargaining strategy

The Asian Floor Wage (AFW) campaign proposes a regional collective bargaining strategy in an industry dominated by global buyers. This is necessary to counter the threat of capital mobility. The basic idea is to prevent competition based on wage levels between Asian garment exporters and to make sure that gains are shared along the supply chain.

The campaign unites workers and their allies from different Asian countries on a common wage issue. The goal is to win Asia Floor Wage through negotiations between garment industry employers and workers' representative organisations, with the mediation and support of governments, inter-governmental organisations and social movement organisations. Ashim Roy, Secretary General of the Indian-based New Trade Union Initiative, puts it as follows:

“The Asia Floor Wage is an industrial level collective bargaining strategy, targeting the garment global supply chain and combating the relocation threat.”

The National Worker Congress from Sri-Lanka states that they

“... believe that the Asia Floor Wage Campaign is an innovative regional initiative for higher wages in a global industry.”

At a wage workshop in Indonesia, a worker expresses the hope

“that there is a support from the Indonesian Government for the AFW, so that our wages in Indonesia become the same as other workers in Asia.” ⁶⁰

A regional strategy makes sense because garment production in Asia already accounts for the majority of the total global trade of readymade garments. Not only do Asian workers constitute the majority of the world's garment workers; their wages are at the bottom of the global manufacturing workforce. This provides ground

for a collective strategy across Asia. But a higher wage floor in Asia would also benefit workers elsewhere, in Central America, Africa or Eastern Europe, as it reduces global competition on wage.

Finally, the AFW Alliance brings together allies in the Global North to work strategically and collaboratively with allies in the Global South on a historic initiative led by labour organisations in Asia.⁶¹ This broad coalition of unions, labour NGOs, women's organisations, consumer organisations, and students will exert pressure on the different points in the global supply chain – including the home ground of multinationals – to implement the AFW and to influence governments to regulate transnational corporations.

Box 11

Tier1 Manufacturers

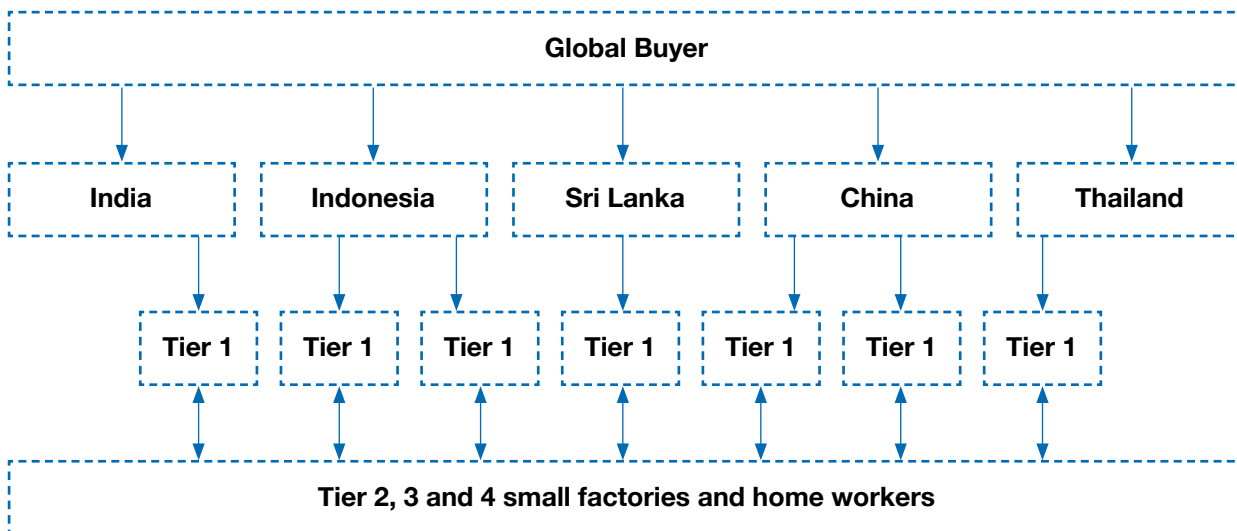
The AFW campaign will especially focus on the large Tier1 manufacturers. These are large producers who have direct supply relations with major brands and retailers. They are themselves sometimes transnational corporations and often directly employ thousands of workers in different countries. They also play a key role in distributing work to smaller production units, to labour contractors (Tier2) and to little-known subcontracted factories and workshops (Tier3), which in turn often subcontract out to hard-to-track home-based workers (Tier4).

Tier1 firms combine design, fabrication, as well as delivery to the sales point; they are the ones that hold together the supply chains for brands like Nike, Gap

or H&M, and retailers like Wal-Mart, Tesco, or Carrefour with whom they have built close relations. What is more, their own large-scale production makes it expensive for Tier1 companies to close down and relocate when confronted with a union organising drive.

The growing interconnection and more stable relationships between giant retailers/brands and Tier1 companies provide us with an opportunity to increase accountability in the global supply chain. Tier1 companies are vulnerable to pressure from their buyers on labour standards, and we can and should use this to support union organisation and collective bargaining in these factories.⁶²

Figure 3. The Global Supply Chain



A wage-led growth scenario

A living wage is a goal in itself because workers have a moral right to decent life which allows them to meet their basic needs and improve their standards of living. A living wage is also a means to wider economic and social development.

Poverty wages mean that too many workers lack the financial means to buy the commodities they need. The export-driven model is built on the idea that demand for consumer goods comes from elsewhere, mostly established consumer markets in the North.

What is more, the unequal distribution of gains from global production is now understood by many as a key factor behind the current financial and economic crisis.⁶³ Therefore, one response to the crisis is through measures that ensure a more balanced distribution of the gains from economic growth. Increasing wages for the millions of garment workers in Asia would be a start.

The introduction of a floor wage would boost global demand and hence help “to speed the world out of recession”, as George Wehrfritz argues in *Newsweek*.⁶⁴ Others have pointed out that governments in developing countries should stimulate household consumption to compensate for the loss in external demand as a result of the economic crisis.⁶⁵

The introduction of a floor wage would pave the way for a better and more sustainable pattern of development. It would make local economies less vulnerable to external economic shocks – like a fall in demand elsewhere – and stimulate local economic activity. As Oxfam formulates it in *Trading Away Our Rights*:

“When women [and men workers] are better paid and protected in their jobs, they can invest in their families, sending their

children to school rather than into the factory or fields to work. It helps to build a more productive and skilled workforce – and that does attract investors. All this could help to stimulate domestic and regional sources of consumer demand. In other words, shared prosperity is good for investment – poverty is not.” ⁶⁶

Finally, a wage-led growth strategy, or ‘trickle up’ strategy, would help to stimulate an upgrading of the production process. Instead of competing purely on low-cost wages, the incentive for companies would be to compete in areas other than substandard wages and poor working conditions. This would open up avenues to improving productivity and creating a more skilled and empowered workforce.⁶⁷

Towards a redistributive corporate accountability agenda

The AFW proposal is part of a redistributive corporate accountability agenda. We have discussed how, in a globalised industry like the garments one, wage increases are increasingly difficult to achieve within a national context. For this reason, global buyers, in collaboration with factory management or national governments, must play a role in working to improve the wages of the workers that make their merchandise.

As leading companies in complex global supply chains, brands and retailers exercise a lot of influence over the way that production is organised. They set prices and determine how production takes place. As long as these global buyers refuse to absorb the cost of increased wages by paying higher

prices to their suppliers, it will be very difficult to improve wages. A living wage is a corner stone of decent working conditions. A living wage must be an inherent and inextricable core element of any truly sustainable corporate accountability framework. So, even if a company behaves in an environmentally responsible manner or takes steps to ensure that worker rights are respected in certain areas, for example by promoting strong health and safety procedures, this is not enough to claim responsible corporate behaviour.

“A factory may be clean, well organised and monitored, but unless the workers are paid a living wage, it is still a sweatshop.” ⁶⁸

The bottom line is fairly simple: insufficient wages mean that workers, families and communities who depend upon wage labour for their well-being cannot lead a dignified life. Hence, the living wage issue is a crucial test for global buyers to effect improvements in the working conditions throughout their garment production chains.⁶⁹

Exposed to public criticism of poor working conditions, most global buyers have responded by adopting codes of conduct. These codes state minimum standards on worker rights. But while among large brands and retailers there is a growing consensus to support minimum standards on ‘decent work’ as set by the ILO, the idea of a ‘living wage’ remains one of the main stumbling blocks between



Factory in the Philippines. © Clean Clothes Campaign.

them and labour rights advocates. As Peter Utting of UNRISD (the United Nations Research Institute for Social Development) puts it:

“(P)erhaps the weakest aspect of both CSR [Corporate Social Responsibility] discourse and practice relates to redistribution”.⁷⁰

Most global buyers reject calls for a ‘living wage’ standard and insist instead that wages set at the legal minimum wage level are acceptable. Most company codes commit to paying either the minimum wage or the prevailing industry wage, not a living wage. A standard formulation goes like this:

Employers shall pay employees,

as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.

This is simply not good enough. Legal minimum wages typically fail in their objective of protecting workers and their dependents in low-pay occupations (see chapter 1). The same counts for prevailing wages which, in the garment industry, can be higher than the legal minimum level but typically still fall short of a living wage. Such standards in company codes are basically saying that suppliers should abide by the local law – which they should anyway – but they fail to recognise that minimum wages still leave workers and their families in poverty.

A much smaller group of global buyers has subscribed to a living wage standard. Most are companies that have joined a multi-stakeholder initiative. For example, the members of the UK-based Ethical Trading Initiative (ETI), which include Tesco, Asda, Gap, and Marks and Spencer, have signed up to the following in the ETI Base Code: “Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.”⁷¹

While adopting a living wage provision is an important first step, progress in terms of actually implementing a living wage in supplier factories lags well behind the rhetoric. A comprehensive study commissioned by the ETI on whether workers were actually benefiting from codes of conduct looked at the impact of eleven ETI companies, and arrived at a sobering conclusion:

“In general codes had had almost no impact in terms of ensuring workers receive a living wage, although at nine of the 25 sites they had encouraged payment of at least the national minimum wage for certain workers.” ⁷²

“What is clear is that codes have not led to a substantial increase in income, especially in terms of guaranteeing a living wage.” ⁷³

Almost two decades of debate on living wage standards in codes of conduct have had little practical result. In the absence of a yardstick for a living wage, most global buyers have taken legal minimum wages as the only benchmark for monitoring pay levels at their suppliers. Some global buyers have argued that wages should be set by local market forces or by collective bargaining. As we have seen both methods are failing precisely because of the threat of relocation, unstable buyer-supplier relations, and the many barriers that workers face when they seek to organise. This is precisely why the AFW Alliance is proposing a process of regional bargaining to complement local strategies to gain wage increases.

Others say that a living wage is difficult to define and calculate. As we show in the next chapter, the AFW has developed a clear definition and methodology that operationalises a minimum living wage demand.

Box 11

////////////////////////////////////
Shamima Nasrin, President of the Bangladeshi Shadhin Bangla Garments Sramik-Karamchari Federation (SBGSKF) states:

“The AFW campaign will pressure global brands and retailers to pay a fair price for the product and ensure that the workers’ right to trade unions is respected, which most codes of conduct recognize as an important right anyway”
////////////////////////////////////



Worker ironing fabric in large factory in India, August 2008. © Clean Clothes Campaign.

Conclusion

A common wage demand prevents divide-and-rule strategies from the side of business. It requires a collaborative approach from manufacturers, global buyers, and governments that would allow a wage increase across Asia without the danger of driving producers out of business. While collective bargaining would be the best route to establish a decent wage level, the nature of the global supply chain is a barrier to both organising and effective negotiation. This indicates

a growing need to construct an additional approach towards achieving a living wage.

The proposal for an AFW defines and calculates a living wage for a range of Asian countries. It also puts workers and their organisations in the vanguard of a global movement to demand better wages and working conditions. An Asia Floor Wage will raise the wages of workers at the bottom, but also increase workers' bargaining

power throughout the chain, allowing them to exercise that power and raise wage levels. It will reduce the power of retailers to pit workers against one another across countries. And the campaigns required to establish the AFW will stimulate workers to strengthen cross-border alliances against common employers, such as large retailers like Wal-Mart that employ tens of thousands of workers around the world.

4. The Asia Floor Wage in Six Steps



In the previous chapter, we argued that an Asia Floor Wage would be both ethically and economically the right course of action. Also by proposing and campaigning for a minimum living wage, expressed as a common sum in purchasing power parity (PPP), for garment workers across the Asian garment producing countries, we address the issue of capital relocation.

For 2009, the Asia Floor Wage Campaign agreed a PPP of 475\$. So far we have not discussed how we arrived at such a wage figure, what definition and methodology lie beneath it, how we have calculated it at both a country level and on an international level.

In this chapter, we outline step-by-step how the Asia Floor Wage (AFW) is formulated:

Step 1 discusses how the AFW is defined

Step 2 shows how to calculate the AFW in local currencies

Step 3 shows how to compare these calculations across countries

Step 4 discusses how to decide on a level for the AFW

Step 5 shows how to convert the AFW back into local currencies

Step 6 briefly discusses the strategy for the AFW campaign

Step 1. Define a formula for the Asia Floor Wage

The first step is to develop and adopt a definition of an Asian Floor Wage (AFW) based on a concept of a 'living wage' (LW). Like any other LW definition, this requires addressing the following questions:

- > How to define 'basic needs'
- > The number of dependents to be covered, and
- > The length of the working day/week involved.

How to define 'basic needs'?

What amount of food, non-food items, and discretionary income is 'adequate'? The AFW distinguishes between food costs (FC) and non-food costs (NFC).



Workers at a local food store, Delhi, India, 2009.
© Ankur Ahuja / Clean Clothes Campaign.

Food Costs

Food items to include in a 'food basket' of course vary according to the usual diet of each community. Common items in Asia include rice, wheat, pulses, meat, fish, milk, vegetables, water and fruit.

What all food items have in common is that they can be measured in calories. This means that different food baskets can be represented by their calorific content (e.g. a meal of 700 calories).

So, instead of defining the various types and quantities of food items that are to comprise the food basket, the AFW Alliance proposes a basket of items representing a particular nutritional threshold – and one that is based on a 'normal' working class diet, i.e. food items bought in street markets or local shops and prepared at home.

Some garment producing countries do already use nutritional thresholds to define their legal minimum wages:

Bangladesh has set its standard very low at 1700 calories, even though this is insufficient to produce the human energy needed for the hard work carried out in garment production. Indonesia has set – with the support of the ILO – the highest standard at 3000 calories.

The AFW Alliance has agreed to a figure of 3000 calories for the level of basic food required on a daily basis.⁷⁴ Adopting such a nutritional threshold means that local groups can then define how their own basket is filled. It is a variable food basket that takes into account differences in local food habits.

This enables us to sidestep an important difficulty associated with other Living Wage calculations – how to agree on the specific items and quantities to go in the food basket needed for a living wage. At the same time, this nutritional threshold can be standardised across countries, and this is important for reaching a common Asian Floor Wage figure.

Non-Food Costs

Besides food items, a living wage should also cover important non-food items such as housing, clothing, healthcare including maternity care, childcare, education, fuel, transportation, savings, and so on.

Like the food-basket, the bundle of non-food commodities varies across space and time. How much of the wage is spent on clothing, fuel and housing may differ according to the climate, or to the amount of non-wage subsidies provided by the State – on fuel or housing, for example. It also varies according to the habits and culture of the working class in each location, for instance relating to activities such as births, weddings, and funerals. So it is difficult to come up with a universal basket of non-food goods and services to cover the needs of garment workers in different countries.

But here too, we find a commonality: how much a worker spends on non-food items can actually be estimated as a certain percentage of how much is spent on food items.

Garment workers from Indonesia, India, Bangladesh and elsewhere spend a great deal – often around half – of their income just on food items.⁷⁵

In India the Ministry for Labour & Employment found that workers spend at average 47.8 per cent of their income on food items.

In Thailand, food consumption is assumed to account for 60% of total consumption at poverty lines.⁷⁶

This means that non-food costs can be estimated by multiplying food costs by a non-food “multiplier”. No price surveys are needed to account for expenditure on health, housing, education, transport, savings, and so on.

Instead, the food consumption standard of 3000 calories can be multiplied by a factor representing the extent to which food is related to overall living costs. In principle, the ratio between the cost of food and of other basic needs is 1:1. This method is known as the ‘extrapolated food basket approach’ (see Box 12).

How many dependents to include?

Should the AFW be calculated for the needs of just one worker or for his/her family too?

Living wage definitions normally include the notion that wages should support more people than just the individual worker. Minimum wage regulations, by contrast, often do not. The AFW Campaign has decided that a wage should cover three 'consumption units' - that is two adults and two children. As a child consumes less than an adult, each is calculated as half an (adult) consumption unit. Thus, the ratio of earner to dependents is set at 1:3.

The length of the working day/week

How many hours does a worker have to work in order to earn a living wage? This question is crucially important for garment workers because the industry is notorious for long working weeks of even 70-80 hours, with devastating consequences for workers' health and family lives.

Excessive overtime is done not only because of pressure from employers. Workers often need to do it because they cannot meet their families' basic needs out of the wages they get from regular hours of work.

This means that the struggle for a living wage cannot be separated from the struggle to limit the length of the working day. Therefore, the AFW must be earned during each country's legal maximum working week, though not above 48 hours, in line with ILO standards.

Summary: Basis for the Asia Floor Wage

- > **The cost of food is based on a standard calorific intake - 3000 calories per (adult) consumption unit.**
- > **The ratio between the cost of food and of other basic needs - such as clothing, housing and utilities, healthcare (including reproductive care), social security, education, and savings - is 1:1.**
- > **The wage should provide enough for a standard family of 2 adults and 2 children = 3 consumption units.**
- > **The wage is earned during each country's legal maximum working week, though not above 48 hours.**

Box 12

‘Extrapolated food basket’ and national level of development

Food cost forms the core of AFW formulation because food costs in the Global South are significantly higher than in the Global North, and working class families tend to struggle most with this cost.

There is a well-established empirical relationship between income and the proportion of expenditure on food. This relationship is known as Engel’s Law (after the Belgium economist Ernst Engel). This law states that as people’s income rises, they spend relatively less of the household’s budget on food. This phenomenon is found within countries, where the working class

spends a relatively larger proportion of their income on food compared to middle and upper classes. It is also found on a cross-country basis, where poor countries spend relatively much more of their GNP on food compared to wealthier countries. In the USA and many European countries, the proportion spent on food is around 20 per cent,⁷⁷ while in many garment producing countries it is well over 50 per cent.

Our method of calculating the AFW gives the various national alliances some space for negotiation on non-food items. As discussed in Step 1, the ratio of Food Cost to Non-Food Costs within the Asia Floor Wage formulation has been defined to be an average of 1:1 or 50% each. However, in order to account for different development standards in different countries, a variable of 10% (plus or minus) has also been agreed within the Campaign. This means that different countries can then define this ratio according to their own development standards.

Step 2. Calculate the floor wage in local currencies

Now that we have defined the various components on which an AFW should be based, we can use this definition to calculate floor wage levels for garment workers in different countries. This goes in four steps:

1. Collect information on a daily food basket of 3000 calories, in each country. This should be based on reasonable and average market costs. For example:

In Bangladesh, the women's rights organization Karmojibi Nari took eleven main items that workers consume daily. In May 2008, this basket cost an individual worker 52.50 taka.

2. Multiply this by three 'consumption units' (see Step 1).

In the Bangladeshi example, this would be $52.50 \times 3 = 1575$ taka.

3. Multiply this by 30 days to arrive at a monthly cost.

In the Bangladeshi example, this would be $1575 \times 30 = 4725$ taka.

4. Finally, double it to cover non-food costs.

In Bangladesh, this gives a floor wage of $4725 \times 2 = 9450$ taka.

Similar calculations in other Asian garment producing countries give the following national wage figures:

India: 7695 rupees

Indonesia: 2335200 rupiah

Sri Lanka: 15000 rupees

Now we can compare the difference between the legal minimum wage and the floor wage in each local currency (see Table 1).

Table 1. Legal minimum wages compared to AFW calculations
(2008, in local currencies)

	Currency	Legal minimum wage	Minimum wage based on the AFW definition
Bangladesh	Taka	1662.50	9450
China	Yuan	687	1158
India	Rupee	4238	7695
Indonesia	Rupiah	972604	2335200
Sri Lanka	Rupee	6750	15000
Thailand	Bath	4368	7566.75



Worker at a food market in Delhi, India, 2009.
© Ankur Ahuja / Clean Clothes Campaign.



Food market Indonesia, Jakarta, Indonesia, 2009.
© ITUC.

Time and place

Food prices are always related to a particular time and place. As most people will have experienced, over time the price of food tends to go up. It is therefore necessary to repeat this calculation annually to account for inflation. Food prices can also vary significantly between different places within a country at the same moment.

In Indonesia, a food basket of 3000 calories costs more in Jakarta than in Central Java – both important garment producing regions.

Regional differences need not be a problem, however. An AFW can be as easily calculated for different regions within a country as it can for different countries.

Step 3. Compare AFW figures across countries

Now we have defined the AFW, and collected information on the corresponding wage levels in several Asian countries. Since our aim is to formulate an Asia Floor Wage demand that will buy a similar basket of goods and services across Asian countries, we need to find a credible way to compare the results from the different country surveys. It is, after all, on the basis of this comparison that an Asia Floor Wage can be formulated.

Since wage surveys take place in local currencies, we need to address two main problems:

Fluctuating exchange rates

We can only compare the different Asian wage levels by converting them into another currency, such as the Euro or the US dollar.

For example, the Bangladeshi floor wage of 9450 taka converts into 108 Euros or 140.4 US\$ (exchange rate March 2009), while 7695 Indian rupees could be converted into 117 Euros or 152.1 US\$.

The problem is that, for various reasons, the exchange rate between currencies can strongly fluctuate in a short period of time. This movement in exchange rates could have

a distorting impact on our aim of setting an Asia Floor Wage. Another problem is that currencies can be overvalued or undervalued. This makes it difficult to use exchange rates between countries as a way of comparing wage levels.

Different price levels

Between countries, the price levels of goods and services vary. Each currency has a unique purchasing power. For example:

52 taka buys a Bangladeshi worker a 3000 calorie meal on a street market (see Step 2). But when you convert this amount into Euros – giving 59 cents – it is obvious that this would fail to buy a 3000 calorie meal in any European market.

Although the difference in price levels between Asian countries is generally much smaller, here too the amount of commodities that different currencies buy can vary significantly.

Purchasing Power Parity (PPP)

A meaningful comparison of the national wage surveys must therefore take into account the different

costs of living and, thus, equalise the spending power of different currencies.

A possible solution to these problems comes from the notion of ‘purchasing power parity’ (PPP). This is defined as:

“the number of currency units required to purchase the amount of goods and services equivalent to what can be bought with one unit of the currency of the base country, for example the US dollar.” ⁷⁹

In other words, PPP can be used to calculate how much money is needed by a person outside the USA to buy the same basket of goods that a person in the USA can buy.

Table 2 shows that 1 US dollar has a similar buying power to 22.64 taka or 3.45 yuan, for example.

Table 2. PPP\$ conversion factor

Country	PPP factor (2005)
Bangladesh	22.64
China	3.45
India	14.67
Indonesia	3934
Sri Lanka	35.17
Thailand	15.93

Table 3 also shows what happens when we convert the national wage based on the AFW definition into US dollars, and how much this would be in PPP\$. For example:

In India, US\$160.98 buys a basket of goods worth US\$524.2.

It is on the basis of the second PPP figure (the final column of Table 3) that a common Asia Floor Wage is to be formulated.

Table 3. Steps 2 and 3: Calculate and compare AFW wage levels between different countries

	Step 2 calculate AFW in local currencies			Step 3 Compare wage figures	
	Food basket for 3000 calories (one adult)	3 consumption units/ month	Food cost + non-food cost (50% each)	Converted into US\$*	Food cost + non-food cost in PPP\$
Bangladesh	1575	4725	9450	137.2	417.4
China	193	579	1158	169.6	584.7
Indonesia	389200	1167600	2335200	235.3	593.6
India	1282,50	3847,50	7695	158.7	524.2
Sri Lanka	2500	7500	15000	130.7	426.5
Thailand	1250	3750	7500	220.3	470.8

*Conversion rate at October 8, 2009.

Step 4. Decide on a level for the AFW

Now we have defined a floor wage formula – one that is based on a living wage concept – and calculated how much the monetary value is in local currencies, plus discussed ways to compare these values between different Asian countries.

The next step is to establish a common Asia wage figure, based on PPP\$, which can be used in campaigning, lobbying and negotiation.

We start with comparing the information gathered in Step 3. If the calculation takes place on the basis of a living wage formula (see Step 1), one always ends up with a range of national wage figures. Here we found a range of monetary values ranging from 417.4 PPP\$ in [Bangladesh](#) to 593.6 PPP\$ in [Indonesia](#) (see final column in Table 3).

This means that a single wage figure necessarily falls within a spectrum of ideal wage demands in the different countries. There is no magic spell with which to decide on a figure from this range to take as

the Asia Floor Wage. This can only be decided through a political process of deliberation, discussion and consensus-building between the different national alliances.

If the AFW Campaign decides on a wage level at the lower end, for example 425 PPP\$, then organisations from a number of countries may consider it too low to count as a living wage. By contrast, opting for an AFW at the higher end, for example 575 PPP\$, may mean that some trade unions will consider it too high to use in real negotiations with employers or government officials.

It is important to remember, however, that any wage figure within this band does represent a major step forward when compared to the legal minimum or prevailing wages in any of the participating countries.

AFW for 2009 = 475 PPP\$

At the third international planning meeting in Hong Kong, the AFW Steering Committee decided to

set the Asia Floor Wage for 2009 at **475 PPP\$**.⁸⁰ The participants discussed this in depth, to reflect their countries' different economies and politics, the debates already held on the AFW proposal within their countries, and wage survey data collected from various Asian countries.

This process of setting a common pan-Asian wage demand needs to be repeated annually in order to adjust for inflation.

Step 5. Convert the AFW back into local currencies

Step 5 is simple one: to convert the common Asia wage figure of 475 PPP\$ (for 2009) back into national wage figures. For example (see Table 4):

In Bangladesh, the AFW of 475 PPP\$ represents 10754 taka (475 x 22.64)

In India, it represents a monetary value of 6968.25 rupees (475 x 14.67)

Now we have formulated both a regional (Asian) and differentiated (national) wage demands. The local wage figure provides a clear benchmark, one that is based on the provision of a living wage to workers. It can be used to compare with minimum, prevailing, negotiated and best-practice wages,

as well as other possible ‘living wage’ calculations.

For example, the proposed 475 PPP\$ is actually higher than recent living wage proposals in Bangladesh, Indonesia, Sri-Lanka and India.

In 2006, the Bangladeshi Institute for Labour Studies calculated a living wage of 4800 taka.

In Sri-Lanka, a survey in 2005 conducted by ALaRM found that the minimum monthly salary of a garment worker in the Free Trade Zones should actually be 12,504 rupees to have a decent life. The study found that a worker outside the zone required a salary of 10,183 rupees. Note that an AFW of 475 PPP\$ would represent 16,705 rupees.

The Indonesian newspaper “Investor Daily” of 26 December 2005 quoted a number of investigations according to which a living wage should be raised to the level of Rp. 1,400,000 million.

In India, labour rights organisations in Bangalore estimated that a minimum living wage for a family of 4.4 should be at least 4364 rupees.

The differences found can be used in negotiations with local employers and the governments, to reinforce demands for a realistic minimum wage. The discrepancy between what is being paid to workers and what actually is a living wage can also be used in campaigns to bring more pressure on global brands and retailers about their responsibility for decent wages.

Table 4. AFW at 475 PPP\$ converted into local currencies

Country	AFW (2009)	PPP\$ conversion	AFW in local currencies
Bangladesh	475 PPP\$	x 22.64 =	10754 taka
Cambodia	475 PPP\$	x 1279 =	607525 riel
China	475 PPP\$	x 3.45 =	1638.75 yuan
India	475 PPP\$	x 14.67 =	6968,25 rupees
Indonesia	475 PPP\$	x 3934 =	1868650 rupiah
Sri Lanka	475 PPP\$	x 35.17 =	16705.75 rupees
Thailand	475 PPP\$	x 15.93 =	7566.75 baht

Box 13

What about other regions and industries?

Garment production is obviously not limited to Asian countries. In many African, Central American, Middle Eastern, and Eastern European countries, wages are appallingly low. Garment workers here face problems similar to those of workers in Asia: wages that fail to meet basic needs, employers who disrespect trade

union rights, unhealthy working conditions, and women workers who suffer the most. What is more, they are often producing for the same brands and retailers. The concept of the Asia Floor Wage campaign is replicable in these other regions. Workers there are encouraged to put their heads together to define, propose, and campaign for a regional floor wage based upon living wage standards.

Of course, the idea can also be endorsed by workers outside the garment industry. Together, this might, eventually, help to build strategies for wage bargaining at an industrial level on a global scale.

Step 6. Campaign for the AFW to be implemented

Now we have a definition of a living wage, a way of calculating it, and a common wage demand for main garment producing countries in Asia. The sixth step is therefore to develop a campaign that will mobilise, lobby and negotiate for the Asian Floor Wage to be implemented.

Since the AFW is conceived within a global industry, the campaign for AFW must also be international, as well as national and regional. This requires building a transnational movement that will use different avenues and strategies to win the demand.

The Asia Floor Wage can become a reality for workers only if it is won and then also implemented and enforced. Implementation has to involve different institutions and agencies. However, enforcement can **ONLY** be done effectively with

union and workers representatives as part of the process. Therefore, the right to organise is central to the ultimate success of the Asia Floor Wage campaign.

The demand can be integrated into on-going struggles to protect and ensure labour rights at work. It can support and enrich existing wage struggles, and be used to pressure governments to reform labour law and official policies. Above all, it can help to develop and strengthen workers' organisations, and promote solidarity and cooperation by workers and their organisations within the entire industry, and across national borders.

Involving consumers, human rights activists, and students will also be important, particularly to exert pressure on brand-named and retail corporations to start paying the Asian Floor Wage.

Alliance members in consumer countries will apply such pressure on major brands and retailers to sign agreements committing themselves to incorporate the Asia Floor Wage formula into their price negotiations with suppliers.

The AFW campaign is not the only campaign for a living wage and decent working conditions. Combining forces with other living wage campaigns and initiatives will be important to win the AFW.

Campaign Targets

Pressuring brands and retailers

It is crucial that the entire industry plays a role in raising labour standards across the board, in particular the brands and retailers that play such a dominant role in global garment production chains.

Therefore, global brands and retailers should come under pressure to factor the AFW into their price negotiations with manufacturers. This is linked to the issue of fair pricing by sourcing companies. Since wages represent only a small percentage of the retail price – normally 0.5 - 1.5 per cent – the AFW Alliance believes that the supply chain has the capacity to absorb such wage increases without too much difficulty.

The AFW alliance will campaign brands and retailers to sign a **wage agreement**. Brands and retailers will be asked to enter into **dialogue** with local alliance partners to discuss concrete steps towards implementing the AFW.

The Alliance will also ask brands and retailer to commit themselves to buying from unionised factories.

Pressuring Tier1 manufacturers

As we have seen (box 11), large manufacturers, or Tier1 companies, have emerged that often employ thousands of workers and have direct supply relations with major brands and retailers, often playing a key role to integrate the supply chain on their behalf.

These companies have made large investments not only in factories, warehouses and dormitories, but also in acquiring specific knowledge on the recruitment of labour, and in establishing relations with local authorities.

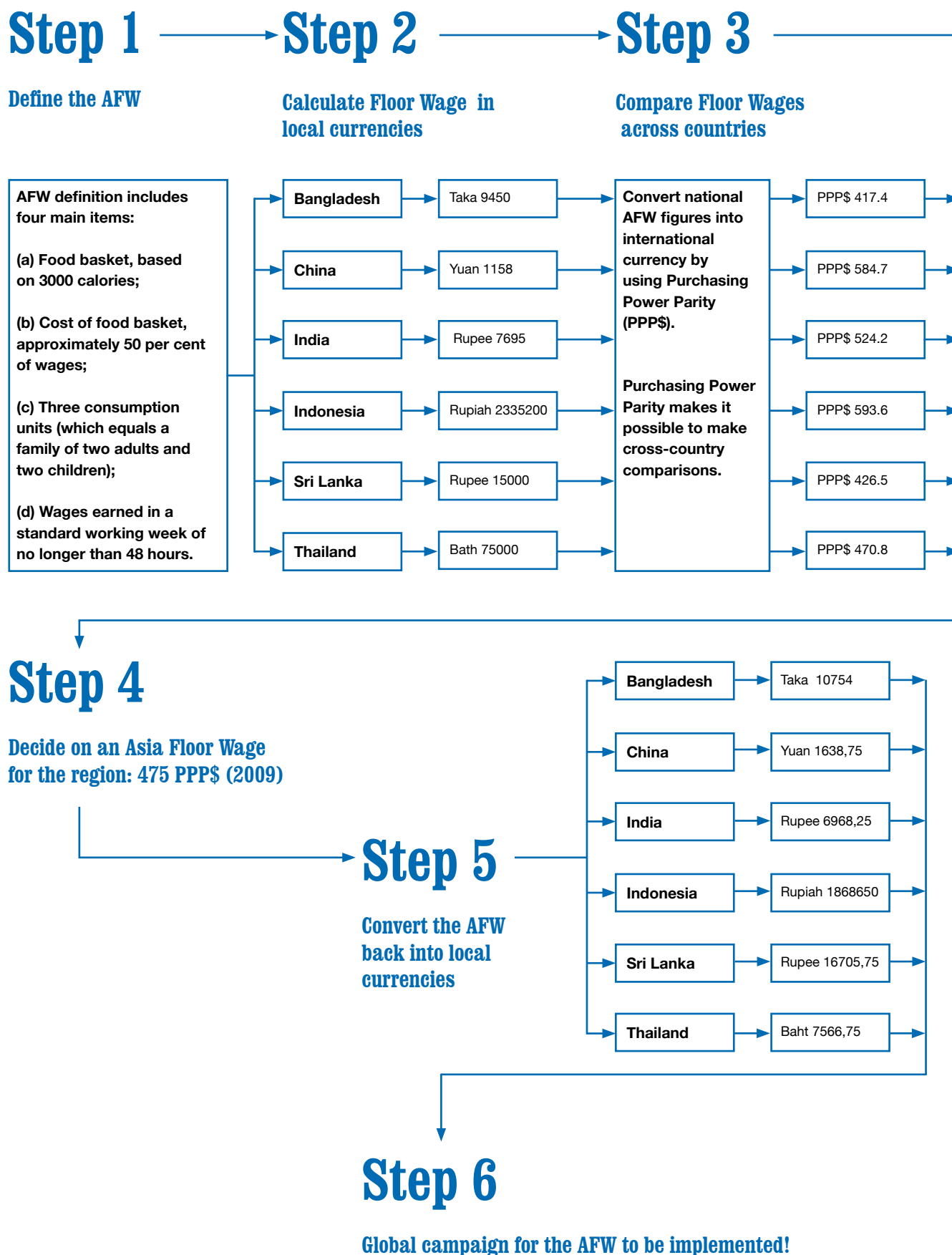
Because of their close (direct) relations with branded companies and retailers, Tier 1 companies are more vulnerable to pressure on labour standards from those buyers on labour standards, and this can further aid the process of collectivisation and union organisation in these factories.

Alliance members in producer countries will apply pressure on the major 'Tier1' supplier companies to ensure price increases are passed on to workers in the form of higher wages.

Lobbying governments

Governments should ensure that minimum wages are set at a level that provides for a living wage, and also regularly reviewed to account for inflation. Governments have a duty too to ensure that minimum wage and other labour legislation is implemented so that companies do not cheat workers out of their legal entitlements, which only contributes to the international race to the bottom. Currently, however, many governments deliberately continue to keep wages low in order to attract business, failing in their duty to foster sustainable development.

The campaign will lobby governments to **enact legislation** that gives AFW legal backing, and then that any such legislation is actually implemented.



References



- ¹ Castree, N., N. Coe, K. Ward, and M. Samers (2004), "Spaces of Work: Global Capitalism and Geographies of Labour", Sage Publications, London, p.244
- ² ILO (2008), "The Global Wage Report 2008-9: Minimum wages and collective bargaining: Towards policy coherence", p.41, document available at: http://www2.ilo.org/wcmsp5/groups/public/---dgreports/-ddcomm/documents/publication/wcms_100786.pdf
- ³ See here for a full list: www.asiafloorwage.org/asiafloorwage-Structure.htm
- ⁴ See: Asia Floor Wage Public Launch Decision Statement, Hong Kong, October 2008, http://www.asiafloorwage.org/Documents/General/AFW-HKG_DECISION_STATEMENT_8-08.pdf
- ⁵ ILO. (2009) High-level Tripartite Meeting on the Current Global Financial and Economic Crisis (Geneva, 23 March 2009) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/--relconf/documents/meetingdocument/wcms_103580.pdf
- ⁶ ILO (1996), p.439, cited in Anker, R. (2005), "A new methodology for estimating internationally comparable poverty lines and living wage rates", Working Paper No. 72, International Labour Office, Geneva, July
- ⁷ For a discussion, see: ILO (1977), "Meeting Basic Needs. Strategies for Eradicating Mass Poverty and Unemployment", Geneva
- ⁸ Setrini G., and R. Locke (2005), "Wages in the Apparel Industry: What Constitutes A Decent Standard?", conference paper: "Exploring Common Approaches to Corporate Accountability and Workers' Rights" at the Massachusetts Institute of Technology, July 10-11, 2005; see also: U.S. Department of Labor (2000), "Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Countries", Bureau of International Labor Affairs
- ⁹ CCC and AMRF (2009), "Study on a Living Wage in the Export-Oriented Garment Sector in Bangladesh, (final draft), April 5, 2009, p. 24, unpublished document on file.
- ¹⁰ Quote has been provided by TURC
- ¹¹ Case study provided by Apparel-industry Labour Rights Movement (ALaRM), July 2009
- ¹² Case study provided by the Society for Labour and Development, New Delhi, July 2009
- ¹³ ILO (2008), op cit. p.44
- ¹⁴ Ibid., p.41
- ¹⁵ World Bank (2003) "Economies Perform Better In Coordinated Labor Markets: Impact of globalization spurs interest in labor standards around the world", Press Release No:2003/211/S, available at: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20091655~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.html>
- ¹⁶ ITGLWF (October 7, 2008), "Bargaining for a Living Wage: a Trade Union Guide", Brussels.
- ¹⁷ CCC and AMRF. op.cit., p.50
- ¹⁸ See for an overview: FWF/ETI Norway (April 2007), "Background Study Thailand", available at: <http://www.fairwear.nl/images%20site/File/Bibliotheek/Background%20studies/BS%20Thailand%20ENGLISH.pdf>
- ¹⁹ ILO (2008), op.cit., p.51
- ²⁰ Case study provided by the Society for Labour and Development, New Delhi, July 2009
- ²¹ In order to protect the identity of the worker we have concealed the name of the factory.
- ²² For a more general ILO discussion on this topic see: Haspels, N. and E. Majurin (2008) "Work, Income and Gender Equality in East Asia: Action Guide", ILO. Document available at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_101719.pdf
- ²³ Kapsos, S. (2008), "The Gender Wage Gap in Bangladesh", ILO Asia-Pacific Working Paper Series, May, document available at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_098063.pdf
- ²⁴ Mahmood, M. (April 2005), "Generating Decent Work for Poverty Reduction in Cambodia", Working Paper No. 48, Policy Integration Department National Policy Group, International Labour Office, Geneva.
- ²⁵ Dejardin, Amelita King & Jessica Owens (2009) "Asia in the Global Economic Crisis: Impacts and Responses from a Gender Perspective", ILO Regional Office for Asia and the Pacific, Bangkok document available at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_101737.pdf
- ²⁶ ibid., p.4
- ²⁷ ILO (2008), op.cit., p.49
- ²⁸ Case study provided by Trade Union Rights Centre, Jakarta, June 2009.
- ²⁹ AFW (2006) "Towards an Asian Floor Level Wage Campaign in the Garment Export Sector – an analysis of labour and the supply chain in the garment export sector", draft paper on file
- ³⁰ Yimprasert, J., and P. Hveem (2005), "The Race to the Bottom: Exploitation of Workers in the Global Garment Industry", Norwegian Church Aid, Occasional Paper Series, 01/2005
- ³¹ ILO (2008), op.cit., p.19

- ³² Ibid, p.52
- ³³ See: Chan, A. (1998), "Labor Standards and Human Rights: the Case of Chinese Workers under Market Socialism", *Human Rights Quarterly*, 886, p.891-893.
- ³⁴ See, for example, CCC (2005), "Looking for a Quick Fix: How weak social auditing is keeping workers in sweatshops", Clean Clothes Campaign, Amsterdam. Document available at: http://www.cleanclothes.org/ftp/05-quick_fix.pdf
- ³⁵ China Labour Bulletin (2008), "Wages in China", document available at: <http://www.clb.org.hk/en/node/100206#6a>
- ³⁶ Ye, J., quoted in L. Li (2007), "Floor Wage Situation in China", Law School of Peking University, document on file.
- ³⁷ For example see, e.g.: SÜDWIND Institut für Ökonomie und Ökumene (2007), "Aldi's Clothing Bargains – Discount buys discounting standards? Working conditions in Aldi's suppliers in China and Indonesia: Suggestions for consumer and trade union action", document available at: http://www.suedwind-institut.de/downloads/ALDI-publ_engl_2007-08.pdf
- ³⁸ Cited in: Xinhua News Agency, March 8, 2005, available at: <http://www.china.org.cn/english/null/122105.htm>
- ³⁹ This section has been provided by TURC, who conducted a survey for the AFW campaign on wages in the area of Jakarta, Indonesia, in which 81 informants participated from 54 export companies.
- ⁴⁰ In order to protect the identity of the worker we have concealed the name of the factory.
- ⁴¹ Cited in: Labour Behind the Label (2006), "Let's Clean Up Fashion: the state of pay behind the UK high street", document available at: <http://www.labourbehindthelabel.org/images/pdf/letscleanupfashion.pdf>
- ⁴² Robbins, M., and K. Vickery (2005), "Sick and Tired: The Impact of Gender Roles on Garment Workers' Health". In CCC, ed. "Made by Women: Gender, the global garment industry and the movement for women workers' rights", Amsterdam, p.40
- ⁴³ CCC and AMRF, 2009. op. cit. p. 14
- ⁴⁴ For a wider discussion, see: Anker, R. et al., (October 2002), "Measuring Decent Work with Statistical Indicators", Working Paper No. 2, Policy Integration Department, Statistical Development and Analysis Group, International Labour Office, Geneva, p.29
- ⁴⁵ Robbins, M. and K. Vickery, op.cit., p15
- ⁴⁶ CCC (August 2008), field research report, Sri Lanka, Unpublished document on file. p.42
- ⁴⁷ Chang-Hee, L. (2002), "The Minimum Wage", Asian Labour Update, Issue No. 42, January-March 2002, document available at: <http://www.amrc.org.hk/4207.htm>
- ⁴⁸ For a discussion, see: Yimprasert and Hveem (2005), op.cit.
- ⁴⁹ TURC (2008), "Wage survey for AFW", document on file.
- ⁵⁰ This section relies heavily on Clean Clothes Campaign, (2009), *Cashing in: Giant retailers, purchasing practices, and working conditions in the garment industry*, available at: <http://www.cleanclothes.org/campaigns/1270-ccc-cashing-in-research-report-launched>
- ⁵¹ Source figure 1: Doug Miller, presentation Amsterdam, April 23, 2009
- ⁵² Palley, T. (2004), "The Economic Case for International Labour Standards", *Cambridge Journal of Economics*, 28, pp.21-36
- ⁵³ For a longer discussion, see: Palley, T. (2001), "The Economic Case for Labor Standards: A Layman's Guide", *Journal of Global Law and Business*, 2, (Fall), p.183–195
- ⁵⁴ CCC and AMRF, op.cit., p.27
- ⁵⁵ Scherrer, C. (2007), "International Workers' Rights and Competitiveness", *Labour, Capital and Society*, 40:1&2, pp.135-159
- ⁵⁶ See for an extensive discussion on how retailers profit from substandard working conditions, CCC (2009), op.cit.
- ⁵⁷ See Palley, T. (2004) op.cit.
- ⁵⁸ ILO (2008), op.cit.
- ⁵⁹ Jo-In Code Briefing, FLA Office, Geneva 10-11 April 2008, document on file.
- ⁶⁰ Worker at PT Sungin-tex, Narogong, Bekasi, participant at a Wage Advocacy Workshop, TURC, Jakarta, June 2009.
- ⁶¹ Bhattacharjee, A., S. Gupta and S. Luce (2009), "Asia Floor Wage: Labour rights are good for development", draft paper on file.
- ⁶² See: Appelbaum, R. (2008), "Giant

- Transnational Contractors in East Asia: Emergent Trends in Global Supply Chains”, *Competition & Change*, Vol.12, No.1, March, pp.69–87.
- ⁶³ ILO. (2009) High-level Tripartite Meeting on the Current Global Financial and Economic Crisis (Geneva, 23 March 2009)
- ⁶⁴ Newsweek, January 26, 2009.
- ⁶⁵ Financial Times, April 6, 2009.
- ⁶⁶ Oxfam (2005), “Trading Away Our Rights: Women Working in Global Supply Chains”, document available at: <http://www.maketrade-fair.com/en/assets/english/taor.pdf>
- ⁶⁷ Palley, T. (2004), op.cit. : See also: Sen-genberger, W., (2005), “Globalisation and Social Progress: The Role and Impact of International Labour Standards”, a report prepared for the Friedrich-Ebert-Stiftung, 2nd revised and extended revision, Bonn, July, document available at: <https://www.gtz.de/de/dokumente/en-FES-Intern-labour-standards.pdf>
- ⁶⁸ David Schilling cited in Maquila Network Update, December 1998, Vol.3, No.4
- ⁶⁹ Miller, D., and P. Williams (2009), “What Price a Living Wage? Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector”, *Global Social Policy*, Vol. 9, pp. 99-125
- ⁷⁰ Utting, P. (2007), “CSR and Equality”, *Third World Quarterly*, Vol.28, No.4, pp.697–712
- ⁷¹ The ETI Base Code can be found at: http://www.ethicaltrade.org/Z/lib/base/code_en.shtml
- ⁷² Barrientos, S., and S. Smith (2006), “The ETI Code of Labour Practice: Do workers really benefit?”, *Institute of Development Studies, University of Sussex*, p.16
- ⁷³ Ibid, p.29. See also Labour Behind the Label, (2006), “Let’s Clean Up Fashion: The State of Pay Behind the UK High Street”, accessed 28 October 2008, <http://www.labourbehindthelabel.org/content/view/126/53/> and Labour Behind the Label, (2007) “Let’s Clean up Fashion: Update September 2007”, document available at: <http://www.labourbehindthelabel.org/resources/reports/190-lcuf2007>
- ⁷⁴ The AFW Alliance has decided that the Floor Wage should not result in lowering standards in any country. In Indonesia, the standard is set at 3000 calories, and so the Alliance agreed to adopt this as its standard.
- ⁷⁵ See ILO (2008), op.cit., preface.
- ⁷⁶ Calculation by the National Economic and Social Development Board with assistance from UNDP and Thailand Development Research Institute, cited in: Workers Rights Consortium, 2005, unpublished document on file.
- ⁷⁷ This is an average, and low income households in the US may spend up to 37 per cent. Source: “Food Spending in American Households, 2003-04”, EIB-23, available at: <http://www.ers.usda.gov/publications/eib23/eib23fm.pdf>
- ⁷⁸ In Thailand, wage scales vary according to the decisions of provincial wage committees. Daily wages range from 143 Baht to 191 Baht for 2007. Here we took daily wage of 168 Baht. See, for an overview: FWF / ETI Norway (April 2007), op cit.
- ⁷⁹ Cited in: International Comparison Program (2006), ‘ICP Methodological Handbook 2003-2006’, World Bank
- ⁸⁰ See: Asia Floor Wage Public Launch Decision Statement, Hong Kong, October 2008, http://www.asiafloorwage.org/Documents/General/AFW-HKG_DECISION_STATEMENT_8-08.pdf

All garment workers in Asia need a wage increase. But often, when workers struggle to improve their wages and conditions in one country, companies relocate to another country, where wages and conditions are lower. So workers are afraid to fight for better wages, because they might lose their jobs. **The Asia Floor Wage Campaign** is a response to this problem. We propose a floor wage for garment workers in Asia. Together we have come up with a way of establishing a floor on the race to the bottom and preventing wage competition between Asian garment-exporting countries.

The first two chapters of this report discuss the causes behind poverty wages in the garment industry, including the role of the big garment brands and retailers in orchestrating global production and trade.

The final two chapters outline how the proposals from the AFW Alliance would not only raise the wages of workers at the bottom, but strengthen workers' bargaining power throughout the international garment production chains of giant retailers and brands and across borders, thereby increasing all garment workers' capacity to raise wage levels. The report ends with detailed discussion on how to define and calculate the Asia Floor Wage.

We hope you will add your voice and energy to this campaign for decent wages in the garment industry in Asia, as a contribution towards combating poverty and promoting sustainable development everywhere.

Visit www.asiafloorwage.org to learn more.

