

Asia Floor Wage and global industrial collective bargaining

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Wage in the global economy

Dominant development norms

Freer capital flows, expanding global companies and expansive trade policies have made the world a smaller place for capital. At the same time, the gap between the rich and the poor has grown and precarious jobs overshadow hard-won security gained through numerous struggles in the twentieth century. According to the ILO, “since the mid-1990s, the proportion of people on low pay – defined as less than two-thirds of median wages – has increased in more than two-thirds of countries with available data” (ILO, 2010). Furthermore, “the number of workers in vulnerable employment is estimated at 1.53 billion workers globally in 2009, more than half of all workers in the world” (ILO, 2011, p. 58).

According to the ILO, there are 555 million working poor, a significant percentage being female. It is important to note that the global labour force implicit in these discussions is often viewed as a homogenous bloc. However, in reality, this labour force is far from homogenous. It is highly segmented geographically and its characteristics depend on the poverty level of the region and the country. Asia the largest recipient of foreign investment, also holds the largest workforce and represents most of the global working poor among which women comprise an increasingly significant proportion. This is no coincidence because foreign investment seeks out the most pliant poor and undervalued working class. However, it is also this dual reality that makes Asia central to any strategy for making large-scale change – either from capital’s point of view or labour’s. In Asia, “South Asia has one-fifth of the world’s population and nearly half of its poor population. A large proportion of world’s unskilled workers live in South Asia. Given the relative scarcity of natural resources, South Asia’s comparative advantage is clearly in labor-intensive goods” (Ramaswamy, 2003, p. 5). The garment industry is of course one such labour-intensive industry that absorbs low- and high-skilled workers.

The common wisdom among governments is that the pliancy of labour force attracts foreign investment; and without foreign investment, development comes to a standstill. The architects of such globalization believe that unfettered corporate-led trade and investment, along with labour flexibility and capital market restructuring, are the tools for prosperity. The multinational companies leading this approach are based primarily in the global North. Northern governments, through their disproportionate power in international financial institutions, help in forging the road to this illusive prosperity. Governments and corporations of the global South have, for the most part, acquiesced to such policies with varying degrees of resistance.

This view of development “imposes a tremendous downward pressure on the quality of life of many societies in the developing world, for governments have bet their sustainability in power on customary centre-periphery

relationships. They put emphasis on the attraction of so-called foreign direct investment (FDI) by offering cheap labour at misery prices to global corporations. The argument is that this generates jobs and triggers other multiplying effects that benefit the overall economy” (de Regil, 2010, p. 3).

The downward pressure on wages in already low-wage countries and regions demonstrates the power relations within a geographically segmented labour market. Multinationals take advantage of low wages in production countries and high price markets in high-wage countries. They essentially pay wages in one currency and sell the goods produced in another currency, benefiting from exchange rates that are grounded in the demands of the currency market and not adjusted by the relative price levels in local currencies of two countries. One could describe this phenomenon of taking advantage of producing in one currency and selling in another as “wage arbitrage”. The split between production and consumption is demarcated by different currencies, by different price levels, thus providing additional profit that is not linked to the production process per se. The multinationals’ access to high-price markets in high-wage countries and their power to deny direct access to firms of production countries to that market allows their unchallenged power in the global supply chain to continue. This power to access labour from countries with poverty-level low wages and to control simultaneously the high-price markets introduces a structural element.

Wage share and purchasing power

Within a framework of unequal regional and national development, unequal and segmented labour market, and the power of multinationals to benefit from both these factors, labour rights have become one of the most threatened rights in the world today. According to one scholar: “There is no accurate data on the percentage engaged in global production systems, but case studies suggest that even in high value export sectors workers are not immune from vulnerability to poverty” (Barrientos, 2007, p. 18). As noted by another scholar, “[i]n the 1950s to the 1960s, there was huge and shared growth. However, now there are stark and growing inequalities. In the United States, from 1980–2000, the topmost layer (0.1 per cent) increased its growth by ten times but the median family only by 22 per cent. Average income of workers declined or stagnated. Whereas the income of the CEO of General Motors compared to the average worker used to be 1:70, today the gap between the same in Wal-Mart is 1:140. Capital can only be forced to accept social compact (between workers, state and capital) through strong working class movements.”¹

1. Address by Prakash Jha at AFW International Launch, 7 October 2009.

While the global economy grew at an average of 3.3 per cent per year between 1995 and 2007, annual wage growth was at 1.9 per cent. Wage share has been declining across the globe and, given its wide dispersion, this is a structural issue that must be attended to in order to avert further impoverishment (Vaughan-Whitehead, 2010). The ILO's *Global Wage Report 2010/11* sounded the alarm: "the overall short-term impact of the crisis on wages should be looked at within the context of a long-term decline in the share of wages in total income, a growing disconnect between productivity growth and wages, and widespread and growing wage inequality" (ILO, 2010). It is useful to note here that the practice of "wage arbitrage", as explained above, has led to this disconnect between productivity and wages, especially in the case of goods being produced in a poorer region and sold in a wealthier one.

The net result is a fall in the purchasing power of the majority of people in Asia, over production of goods for which there are not enough consumers and unemployment in the global North. People's purchasing power is falling and poverty levels are being pushed down so that few people can be listed below it (Patnaik, 2007). This has blocked out the majority of today's consumers from the consumer market. Paying decent wages is an essential measure for a stable capitalism. "It is a non-partisan belief even among those who wish to save capitalism. During the Golden Era of capitalism in the 1950s and 1960s, the United States established a floor below which the wage would not drop; this acted as a shock absorber. Ironically, as the welfare state's shock absorber prevented crisis in capitalism, it led to the false belief that capitalism had overcome the tendency for crisis."²

It is not enough to create any kind of employment; it is important to create decent jobs – that makes for sound social and economic policy. Labour standards are an indicator of what the working conditions are and what they ought to be. From basic issues of wage and hours, decent labour standards ought also to tell us about the decency of the work in terms of its ability to support families and educate children, remove social inequities, give workers a fair share of wealth, a voice in work and society, and human dignity.

Trade unions and labour organizations have learned that in today's world, enforcement of labour standards and rights can no longer take place solely within the nation-state boundaries. Global capital flows and the global structuring of corporations have taken the initiative for labour standards from the hands of any one local employer or unit. The global supply chain, which is created, is the stage on which the enforcement of labour standards and rights must take place.

2. C.P. Chandrasekhar, speech at AFW International Launch, 7 October 2009.

Global garment industry

Political economy of the global garment industry

The garment industry is perhaps the oldest, integrated international industry today. It has globalized and repeatedly restructured its production in the last two decades, moving from continent to continent in search of cheap labour and large-scale competitive advantage. The global fashion apparel industry is one of the most important sectors of the economy in terms of investment, revenue, trade and employment generation and the Asia-Pacific region is the locale of most of the production and trade in that industry. “It is estimated that there are 40 million garment workers, with a significant proportion female, globally” (Barrientos, 2007).

The global garment industry’s total revenue was estimated at US\$1,782 billion at the end of 2010. Garment sales rarely suffer; in fact, research shows that even when prices rise, sales continue. “Apparel imports of the United States witnessed an increase of 13.5 per cent in Jan-April 2011 from the corresponding period of previous year and amounted to US\$23.2 billion. For the same period, US imports of apparel from India increased by 12.7 per cent to US\$1,313 million against US\$1,165 million in Jan.-April 2010. US imports from China saw an increase of 8.3 per cent in Jan.-April 2011 over the corresponding period of last year and all the other major suppliers like Viet Nam, Indonesia, Bangladesh, Mexico also witnessed increase of 16.9 per cent, 18.2 per cent, 29.7 per cent, and 8.4 per cent, respectively. Among the top six suppliers, Bangladesh registered maximum growth from the previous year of same period.”³

Garment production is spread across the globe, primarily in the global South in regions like Latin America, Africa, Eastern Europe, and Asia. The ILO has called it the true “one world employer”. Garment manufacturing, although present on all continents, remains concentrated in Asia. Indeed, that continent manufactures 60 per cent of the world’s clothing. In terms of scale of production, size of workforce, access to raw materials, technology, diversity of skills, and labour cost, Asia offers the most competitive advantage. Within Asia, garment production takes place in many countries such as China, India, Bangladesh, Sri Lanka, Pakistan, Indonesia, Cambodia, Viet Nam, and Thailand. In the global North, multi-goods retail companies and big brands set the standard for the garment global supply chain.

An astonishing phenomenon is that even as prices of most commodities have recently shot upwards, the prices of garments have *fallen* in the global North. Moreover, the profits of garment brands have been impressive. This can be explained by the fact that the prices that brands pay to the manufacturers in Asia have decreased, reducing the profit margins of Asian

3. See Apparelresources.com.

manufacturers, which depresses the low wages production workers continue to get. American consumers, despite their own falling income, are relied upon as buyers by depressing prices and pressing down on wages at the production end. “Much of the emphasis on competitiveness has focused on production costs and, in particular, labour costs. Consumers in affluent nations benefit from low-wage imports when retail prices fall for the goods they purchase” (Heintz, 2002).

The brands have been able to do this through the monopoly use of the high wage/high price market, based on their brand power and associated legal instruments. As Gary Gereffi has described, brands and retailers are “manufacturers without factories”, with the physical production of goods separated from the design and marketing. “Unlike producer-driven chains, where profits come from scale, volume and technological advances, in buyer-driven chains profits come from combinations of high-value research, design, sales, marketing and financial services that allow the retailers, designers and marketers to act as strategic brokers in linking overseas factories and traders with product niches in their main consumer markets” (Gereffi and Memedovic, 2003). The lavish advertising budgets and promotional campaigns needed to create and sustain global brands, and the sophisticated and costly information technology employed by mega retailers to develop “quick response” programmes that increase revenues and lower risks by getting suppliers to manage inventories, have allowed retailers and marketers to displace traditional manufacturers as the leaders in many consumer-goods industries” (ibid.).

Any intervention to benefit production workers in this global garment production structure has to simultaneously consider the interrelated factors of low retail prices, brands’ huge profits, reduced profit margins for Asian manufacturers, and stagnant wages for Asian workers.

History of labour rights activism in garment industry

Labour’s poor conditions in the garment global supply chain have been a sore issue for decades now. Garment workers’ rights activists, at both production and retail ends, have been at the forefront of international accountability campaigns for over a decade, around the globe. Activists have supported organizing of workers, publicized labour rights violations, fought to hold employers and multinationals accountable to fair labour standards, and organized consumer-led anti-sweatshop campaigns. Campaigns have brought together companies, social organizations, unions, government, and international institutions in an effort to build multi-stakeholder initiatives for accountability. Garment workers’ rights activists have also extensively documented the industry, working conditions, the global supply chain, consumer attitudes, etc. In short, activism in this area has a long and committed history.

Various sophisticated mechanisms have developed for corporate monitoring and accountability in the garment industry. One example is the Code of Conduct which many multinational companies voluntarily developed under pressure from activists. In a similar vein, the Code of Labour Practices was developed through dialogue initiated by the activist community. Along with codes, various monitoring mechanisms evolved, such as the multi-stakeholder Foundation Model and the Ethical Trading Initiative. SA8000 is another mechanism for certifying and monitoring companies that are supposedly practising fair labour practices. International complaint mechanisms like the OECD mechanism have been painstakingly developed.

This work has a long history and its limitations and strengths have been documented. These mechanisms have established the need for monitoring and have played a major role in developing powerful publicity campaigns to shape public opinion. These activities also help to develop a full understanding of the range of improvements needed for ensuring livable conditions for workers. Laudable as this work has been, it has not resulted in improving the protection of workers in the two ways that matter most – economic sustainability and collective voice at the workplace. Economic gains have to be bargained; no employer will share the gains without a demand. Collective voice has to be established legally and politically; verbal recognition of such a right by the employers does not mean that the conditions exist for operationalizing it.

Workers who have developed bargaining ability in a given factory and demanded higher wages have done so under the threat of closure and job relocation. They are also often told that their employers' hands are tied by the insufficient prices that they receive from the buyer, that is, the parent multinational.

There have been attempts at ensuring fair labour standards through the use of clauses in trade agreements (such as social clause or labour-side agreements). In an industry like the garment industry, where the production is spread across the globe, such clauses or agreements do not necessarily deliver bargainable power to workers in a specific country and may actually weaken workers' collective power by dividing them nationally when in fact they operate within the global production chain in an industry.

Trade unions and labour rights organizations in Asia, after years of experience in the garment industry, came together to frame a demand that is bargainable and deliverable, and that is appropriately targeted given the structure and economics of the industry as a whole.

Global industrial bargaining

“We are made to work... machines also need maintenance... we have none... if we have fever for 4 days then too we must work... We are made to work 24 hours; it is difficult to eat and live....They do not give overtime

payment.... They keep us 2–4 months and fire us...They fire any worker who demands his/her rights.”

Garment worker in Gurgaon, India

Global garment bargaining unit

Garment workers in Asia, the majority of whom are women, currently earn around half of what they require to meet their own and their families' basic needs, such as for food, water, education and health care. Living wage has been a key demand among labour activists in the garment industry for a long time. The demand has been made to the brands over a long period with very little progress beyond rhetorical support. Three main arguments have been put forward by reluctant brands. First, that there is no common definition of a living wage and no method of calculation; therefore, it is not possible to pay something that is not defined. Second, that any attempt to demand a living wage at a national level results in relocation across the border; and therefore is punitive to national economies. Third, that demand for a living wage is often driven by Northern activists without a collective demand from the global South.

The demand for an Asia Floor Wage (AFW) first began developing in 2006 through a collective consensus-building process among Asian labour organizations. In a segmented global labour market, Asian organizations have determined that the combination of scale and wage level of the workforce have made Asian workers the largest workforce producing garments. Moreover, the wage levels of the garment workers in the major garment-producing Asian countries were not too dispersed when compared in terms of purchasing power, and were nearer to the poverty level wage. The prevalence of a legal minimum wage in these countries did not affect the poverty level wages. In fact, in some countries the minimum wage was below the universally accepted poverty level norms. This understanding provided the basis for establishing the idea of a homogenous bloc that would act as the “bargaining unit” in the global garment industrial framework.

The Asian labour organizations have developed a regional bargaining bloc. This is in response to capital which today uses itself a regional strategy as opposed to a single country strategy since it is more efficient from a management perspective. Some scholars have called these regions “region states” because of their importance as investment units (Ohmae, 1995). A regional strategy for labour is necessary in an environment where capital strategizes regionally but keeps countries within that region divided through threats and promises. The AFW regional strategy overcomes the competitive divisions among Asian countries by a formulation that delivers living wage without compromising the competitive ranking of the countries.

The AFW Alliance comprises trade unions, labour and human rights organizations, development NGOs, women's rights groups and academics

in over 15 countries across Asia, Europe and North America. Agreed after extensive discussion within the Asian labour movement, the AFW formula accounts for differing economic and political environments in each participating country, and will support garment workers' demands for a living wage.

Garment workers' wages in different countries across Asia are roughly the same when measured by their purchasing power. Furthermore, global sourcing companies pay approximately the same prices to their supplier factories in Asia: around 25 per cent of the retail price. These similarities allowed for a common floor wage formula to be developed and applied across Asian countries. Because garment workers' wages make up a very small proportion of the final retail price for clothes – around 1 to 2 per cent – substantial wage rises could be achieved without increasing retail prices. The proposed demand is an AFW for Asian garment workers in conjunction with fair pricing that would make AFW possible. The AFW process has developed into a global industrial collective bargaining framework for a wage increase for production workers within the garment global supply chain. In this regard, the AFW demand and process is historic.

Power to deliver demand

The AFW bargaining process targets the brands in order to ensure decent wages for workers in the industry. Brands and retailers' financial power is built through the garment global supply chain and their sharing a negligible fraction of their profit could dramatically lift millions of workers and families out of poverty.

Scholars have found that brands force supplier companies to operate below production costs, causing wages to be adversely affected (Vaughan-Whitehead, 2010). "Buyer-driven value chains are those in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing countries. This pattern of trade-led industrialization has become common in labour-intensive, consumer-goods industries such as garments, footwear, toys, handicrafts and consumer electronics" (Gereffi and Memedovic, 2003).

Scholars have also studied whether business expands or contracts during wage increases and have found the cost to be minimal. They have found that "most firms would not make any kind of adjustments in their business operations due to such a small cost increase" and have shown the effect to be less than 1 per cent on sales revenue. There is no evidence to show that wage increase has had negative employment effects (Pollin et al., 2008).

In the global garment industry, global buyers (or brands and retailers) exercise maximum influence over the way that production is organized. They

set prices and determine how production takes place. These practices immediately impact the capacity for suppliers to pay a living wage. Central to the demands of the AFW is, therefore, the need for a concerted effort by brands and retailers to address the issue of pricing, as an important first step towards the implementation of a living wage in the garment industry. The AFW is formulated based on the paying capacity of the global industry whereas national wage definitions arise from an analysis of prevailing wages within the country.

Right to a minimum living wage

The AFW is a practical implementation of the concept of a “minimum living wage”, the original ILO concept. Although the minimum living wage is an important qualitative concept, there exists no concrete quantitative definition. The AFW is a quantitative definition of a minimum living wage for garment workers in the global garment industry. The AFW campaign seeks to define and assert the right to a minimum living wage for garment workers and set a precedent for assertion of the right to a minimum living wage.

The AFW has several other social benefits. It will help decrease the gender pay gap by raising the floor. Worldwide, women form the vast majority of garment workers. They are over-represented among low-paid workers and their mobility to move into higher wage work is also lower. The AFW raises the value of women’s work to a dignified level, demonstrating to female workers that they are worthy. In fact, some believe that the garment industry, a modern manufacturing industry, has such low wages because it employs predominantly women (unlike, say, the more male automobile industry).

Workers work back-breaking overtime hours to earn a minimum living wage. Workers’ family lives, health, and basic humanity are lost in the race to earn a minimum living wage. A new generation of children without parental care or education will lead to more child labour. Raising workers out of poverty leads to sustainable communities where new generations can lead a better future.

The AFW affirms the principle that the only way to enforcement is through unions. AFW implementation requires the existence of a union, and is not a substitution for unionization. In so far as the AFW is a collective bargaining strategy, the right to “effective recognition of collective bargaining” is essential, and efforts must be made to secure the necessary legal and institutional framework for this. The ILO makes explicit the link between collective bargaining and wage setting in its *Global Wage Report 2008/09*. It notes that “higher coverage of collective bargaining ensures that wages are more responsive to economic growth, and also contributes to lower wage inequality”. Indeed, collective bargaining is not simply a means to various welfare-related ends for workers, but a process by which they assert and realize their rights,

and expand the scope of their rights and of justice in society. In that it includes an assertion of the right to equal participation in social life and in the project of human development, the AFW can be understood as an essential mechanism for ensuring “the continuous improvement of living conditions” as envisioned in the Universal Declaration.

Asia Floor Wage

The Asia Floor Wage was formulated after a combination of top-down and bottom-up processes. The AFW Alliance used data from need-based surveys in India, China, Bangladesh, Sri Lanka, and Indonesia as a basis for the AFW formula. It compared the purchasing power of the Asian workers to the poorest worker in the developed world – that being an American minimum wage worker. We found that an Asian garment worker has 20–25 per cent purchasing power of the American minimum wage worker.

The AFW is based on widely accepted norms that are institutionalized in existing policies, laws, and practices in Asian countries and on Asian governmental figures and international research.

Components of the Asia Floor Wage

The Asia Floor Wage is composed of two categories: food and non-food. Both categories are estimated without subtle internal differentiations, the goal being to provide a robust regional formula which can be further tailored by trade unions in different countries, based on their needs and context.

The food component of the AFW is expressed through calories rather than food items to provide a common basis. The calorie figure is based on studying calorie intake in the Asia region by governmental and intergovernmental bodies while defining poverty line, living wage and minimum wage. The two salient issues that the AFW considers are the physical nature of work (sedentary or moderate or heavy) and the caloric measures prevailing in current discourses. Garment factory work can be described as requiring moderate to heavy physical work.

In a report in June 1999, the Economic and Social Commission for Asia and the Pacific (ESCAP) published that “the per capita food intake for survival assumed for deriving the food poverty line varied across countries as well as within countries from 2100 calories to 2750 calories per capita per day.”⁴ Official Chinese statistics plus a study produced by the Food and Agriculture Organization in 2000 show that the calorie requirement of the national

4. See <http://www.unescap.org/stat/cos11/wgse11/wgse1106.asp>.

poverty line for China was 2,400 kcal/day (now revised to 2,100 kcal), while that used by the FAO is 1,920 kcal/day.

The Indian Labour Conference in 1957 made 2,700 calories the norm for minimum wage for an adult worker (performing moderate to heavy physical work). The Indonesian government most recently defined 3,000 calories as the intake figure for a living wage for a manufacturing worker (performing moderate to heavy physical work). The AFW Alliance has decided that the floor wage should not result in lowering standards in any country and therefore adopted the Indonesian norm of 3,000 calories as its standard.

Garment workers from Indonesia, India, Bangladesh and elsewhere spend a great deal – frequently around half – of their income just on food items. For example, an often-quoted figure internationally is food costs amounting to 60 per cent of costs at poverty level (e.g. Poverty Statistics in China, Rural Survey Organization of National Bureau of Statistics, China, Sep. 2004). The Ministry of Labour and Employment in India released working class data in June 2008 where the share of food items was 47.5 per cent of the income. In Thailand, food consumption is assumed to account for 60 per cent of total consumption at poverty lines. The AFW study of various countries, for working-class population, shows an average of 50 per cent of the income being spent on food. Therefore non-food costs are taken to be the other half of the income, leaving the details of what comprises non-food to be left to the trade unions in local contexts. The 1:1 ratio of food costs to non-food costs was thus calculated based on the ratio that currently exists for the working class of different garment-producing countries in Asia.

Family basis

Living wage definitions normally include the notion that wages should support more people than just the individual worker. Minimum wage regulations, by contrast, may (as in India) or may not (as in Indonesia). The AFW unions decided to base the AFW on a family. The AFW Alliance studied the family sizes in key Asian countries and came up with an approximate average figure. The ratio of earner to dependants was calculated based on the family sizes in different countries. For example, the Ministry of Labour in India calculated the average size of a working-class family to be 4.46 in 2008, and the Ministry of Commerce in China calculated the average family size in China to be 3.38 in 2003.

In order to account for childcare costs, the AFW makes it a single-income family. The AFW defines the formula to be based on three adult consumption units. As a child consumes less than an adult, a child is calculated as half of one consumption unit. The three consumption units can be configured in various ways: as a family of two adults and two children or one adult and four children or three adults.

Benefits

The AFW is a basic wage figure prior to benefits such as health care, pension and so on.

Delivery of other benefits by employers to workers is not the norm in the industry; thus, they have not been made the basis for AFW. Therefore, if an employer provides dormitory housing or canteen lunch, the AFW figure is not lowered. This is because not only are the benefits not the norm but also that workers should have the option to obtain these basic necessities from the wage. The AFW provides a minimum living wage with which a worker can support him/herself and dependents. The AFW is a minimum figure that should provide basic costs so that the worker is not at the mercy of the employer for basic needs.

Hours

The AFW Campaign defines the regular work week as a maximum of 48 hours prior to overtime. AFW definition of a work week and its independence from benefits sends a clear message that workers need to earn a minimum living wage without sacrificing other humane working conditions.

Asia Floor Wage currency

The currency through which the AFW is expressed is the imaginary currency of the World Bank, Purchasing Power Parity (PPP). The reasoning for choosing PPP as opposed to a specific national currency is that for comparative purposes and for conversion to actual wage, the exchange rate is not a good and appropriate measure. Exchange rates are determined by supply and demand for each currency globally, in other words by the currency market. They are highly volatile and fluctuate on a daily basis and are not reflective of national conditions. PPP, on the other hand, is based upon the consumption of goods and services by people within a country, reflects the standard of living and hence a more appropriate tool for comparing wages. PPP allows one to compare the standard of living between countries by comparing the price of a basket of identical goods and services in terms of the currencies of the two countries.

The PPP system does have some weaknesses. One is that in the PPP definition of a basket of goods and services based on habits of consumption in developed countries (buying countries) tend to dominate. Also, the PPP reflects overall consumption habits in a country and is not adjusted for working-class population. In short, the PPP-defined basket of goods has a bias towards developed country and middle-class habits. The second weakness is that the basket used in the PPP calculation is not the same as that of the

AFW. The AFW basket is a variable basket divided only into food and non-food (as a factor of food cost) based on actual averages of working-class food and non-food expenses. The third weakness in the PPP definition is that its calculation is done at longer intervals and is not a current reflection. Despite its weaknesses, the PPP is the only relevant and stable measure reflecting consumption. If the weaknesses and biases explained above are corrected, it will only push the value of AFW upward. The current formulation of the AFW continues to be a conservative estimate for a minimum living wage.

Asia Floor Wage formula

The AFW, based on food costs for a family where an adult consumes 3,000 calories per day, was calculated in local currency for several Asian countries. This AFW in local currency was converted to PPP\$ and the result was a comparable spectrum of values in PPP\$. The AFW Alliance unions then discussed the spectrum of values and came to a consensus on AFW in PPP\$ for the region. It was determined to be 475 PPP\$ as of 1 January 2009, based on 2008 data. The report *Stitching a decent wage across borders* explains how the AFW was defined and calculated as a minimum living wage benchmark for several Asian countries (AWF, 2009). Naturally, this benchmark figure needs to be regularly adjusted to account for the price rises in the cost of living (that is, inflation). The AFW was revised to be 540 PPP\$ for 2011.

Country	Minimum wage in local currency	PPP conversion factor for 2009	AFW 2011 in PPP	AFW 2011 in local currency
Cambodia	250 899 riels	2086.5	540	1126735 riels
China Schenzhen	1500 RMB	4.2	540	2244 RMB
India	5034 INR	19.2	540	10368 INR
Indonesia	1529150 rupiahs	5375.9	540	2902995 rupiahs
Sri Lanka	7900 SLR	58.9	540	31795 SLR

Implementation

Asian labour organizations in the AFW Alliance believe that the AFW must be implemented by the brands as they possess the political and economic power in the global supply chain. They are the primary employers in the global subcontracting chain. In fact, there is evidence to show that a structural change has occurred in the global garment market, with the emergence of networked firms that displace cross-border markets for goods following the arm's length principle, to internal markets within the networked firms for long-term supply contracts. It is a market for contracts as opposed to goods. The brands are responsible for generating the revenue through profit-sharing since they benefit immensely through wage arbitrage and through their

position as primary employers of the global subcontracting chain. One way could be for the brands to pay a fair price to Asian manufacturers and to work closely with trade unions to ensure the delivery of AFW to Asian garment workers. The FOB (freight on board) cost of production and the profits generated by buyers are reflected in the AFW formulation. A generalized pricing mechanism can be developed taking into account the unit AFW labour cost of a garment in terms of both FOB and retail costs. The AFW fixes the floor for the labour cost so that the FOB costs can be adjusted through other factors and the price agreed accordingly.

The premise of AFW implementation requires freedom of association to be respected and for unionization to occur, since enforcement can only be done effectively with union and workers representatives as part of the process. Therefore, the right to organize is central to the ultimate success of the AFW campaign. The AFW is possible only in the presence of dynamic workers' struggles. In fact, it creates a framework for the convergence of national struggles and in so doing, complements and adds to the power of bargaining at national levels.

Impact

Since the Asia Floor Wage was made public a little over two years back, on 7 October 2009, it has gained recognition as a credible benchmark for living wage in the industry, in the garment labour movement, and in scholarly discussions. The AFW has become a point of reference for scholarly living wage debates such as by Richard Anker (2011) and Daniel Vaughan-Whitehead (2010). It has been adopted as a living wage benchmark by the multi-stake holder forum, Fair Wear Foundation, and is a point of reference for brand level associations such as the Fair Labor Association. The AFW has been adopted by a few brands as a comparative benchmark for wage analysis; its credibility and feasibility continue to act as a pressure point. The Workers Rights Consortium has used the AFW in a variety of ways in its analysis and benchmarking.

The AFW has become a factor in national wage struggles and serves as a measure of the gap between living wage and national minimum wage, as seen in recent wage debates and struggles in the garment industry in Bangladesh and in India. The AFW process has opened up the possibility of a collective bargaining process for higher wages, not restricted to minimum wages, along the global supply chain. This was apparent in the recent wage struggles in Cambodia. In China and Viet Nam, the AFW has been vindicated by recent struggles that have raised wages and demonstrated the feasibility of doing so. The AFW process has opened up forums for dialogue in the producing countries that can be further strengthened for regional collective bargaining. However, much remains to be done as garment workers continue to work and live in poverty, and brands amass fortunes.

Moving forward

A Global Union Research Network report on precarious work confirms what trade unions and workers in the garment manufacturing industry experience every day. It defines “precarious work” as “work characterised by atypical employment contracts, limited or no social benefits and statutory entitlements, high degrees of job insecurity, low job tenure, low wages and high risks of occupational injury and disease. From a workers’ point of view, precarious work is related to uncertain, unpredictable and risky employment.” The report points out that “precarious work is a key factor contributing to the global pay gap between men and women” (Evans and Gibb, 2009).

The report asks the challenging question: “Precarious work shifts social risks away from employers and governments and on to individual workers and their families – those who can least bear them: [I]f the costs are too high for employers and the state, what makes us think the vulnerable workers themselves are any more capable of bearing these costs? These risks affect not only vulnerable workers, but their families and society at large” (ibid.).

Trade unions in the AFW Alliance hold brands ultimately responsible for the payment of the AFW to Asian garment workers; and trade unions are willing to work with brands to ensure and monitor its delivery.

At this time, the AFW has reached sufficient credibility and legitimacy worldwide. In common parlance, the AFW has become a stand-in for a minimum living wage since it was introduced to the public on 7 October 2009, International Day for Decent Work. It has made wages a central issue and turned wage bargaining into a source of unity and solidarity across borders.

Dr Chang Kai in China says: “The conception of Asian Floor Wage needs to be widely admitted and announced.”⁵ Dr Upendra Baxi, eminent human rights scholar, says, “I salute the AFW campaign [...] please notice what you have achieved. You have achieved a formulation of a comparative idea of economic justice and workers rights as human rights. What more do you need as a starting point?”⁶

5. Remarks made at the AFW International Launch, 7 October 2009.

6. AFW International Launch, 7 October 2009.

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