Bangladeshi garment workers deliver an open letter to the prime minister to set a fair minimum wage, May 2006.
RAISING THE FLOOR
The Movement for a Living Wage in Asia

A growing consensus believes that the neoliberal “free trade” model of development has failed to raise the standard of living for most of the world’s people. The current economic crisis has created an important opening to discuss alternative strategies for economic development and different rules for the game of international trade.

The Asia Floor Wage (AFW) Alliance argues for a new framework of growth for the global economy: one that is based on labor rights and prioritizes the demand for a living wage. Shifting to this new paradigm would not only benefit workers in the Global South, but those in the Global North as well. The idea for a global bargaining strategy emerged from discussions among unions and non-governmental organizations (NGOs) in Asia in 2005. After several years of organizing, the AFW Alliance—comprised of unions and organizations from eleven Asian countries, the U.S., the U.K., and Europe—was formed. It is now set to launch a region-wide campaign to raise wage standards in the garment industry, one of the most globalized sectors of production.

THE NEED FOR A REGIONAL WAGE STANDARD

International garment workers need an approach that takes them beyond one employer, and possibly even beyond one industry. This concept is not new. For example, U.S.-based unions established pattern bargaining in auto, rubber, steel, and garments—virtually every industry the CIO organized. The challenge is to take that approach to bargaining across borders, as some European trade union federations have tried to do in European Union countries. While capitalism has spawned international trade regimes that favor the rights of investors, workers have not managed to create many of their own cross-border campaigns. If garment workers in Asia can achieve
industry-wide standards in the region—at least around a common wage demand—this will reduce capitalism’s effect of pitting workers against one another and will certainly bolster union organizing. This, in turn, could help workers achieve other gains.

There is no commonly accepted definition of the term “living wage.” In fact, this has been a major sticking point within the anti-sweatshop movement. Corporations and universities have refused to include living wage requirements in their codes of conduct, arguing that there is no good way to define it.

Not only would a living wage differ by family type and geography within a country, but any broad definition would have to consider currency exchange rates and purchasing power issues across countries. Some have argued that any common wage standard would be arbitrary—a formula imposed by U.S. and European activists with little meaning for workers in the Global South.

The AFW campaign recognizes the challenges of defining a living wage but strongly believes in the necessity of a common wage standard for the region. Over the past two years, the campaign has worked to compare criteria governing minimum wages and methodologies for defining and measuring poverty in Asia. After much discussion and debate, the group reached a consensus on the idea of a floor wage: a wage that is higher than the current minimum wage in most countries, and that brings workers within the parameters of a living wage.1

The AFW formula is based on three core elements: the cost of food, the cost of non-food items, and family size. The chief consideration is food, as it eats up a significant portion of family budgets across the region; in fact, there is a correlation between high food costs and high poverty levels. To account for variation in diets from country to country, the AFW is based on established caloric requirements for adults and children. Adults performing strenuous physical labor should be able to consume three thousand calories per day.2

A floor wage is higher than the current minimum wage in most countries and brings workers more within the parameters of a living wage.

Non-food costs include housing, health care, clothing, utilities, and transportation. Again, as there will be variation among non-food needs and costs from country to country, the AFW assumes that non-food costs will comprise, on average, the same percentage of a family’s income as is spent on food costs (or a one-to-one ratio). This ratio was arrived at after considering current ratios in Asian countries. However, in order to account for different levels of development and costs of living within Asian countries, the AFW factors a 10 percent variance into this cost. This means that workers in one country may decide that the AFW is 40 percent food costs to 60 percent non-food costs, whereas it may be fifty-fifty in another country.

Based on surveys of unions and NGOs, the AFW coalition concluded that the floor wage should be based on a family with one earner and two dependents. This is based on an average family size and meant to consider the value and necessity of domestic work and child care. The AFW is also based on a weekly income amount based on each country’s standard mandated workweek (not to exceed forty-eight hours).
To account for the varying costs of living across countries, the AFW utilizes the Purchasing Power Parity (PPP) concept. PPP represents an effort to compare "command over real resources" country by country, netting out purely price-based differences. If two people lived in different countries, but resided in the exact same house and ate the exact same food, but doing so cost twice as much for one as it did for the other (according to market exchange rates) we wouldn’t say one is twice as well off as the other. They are exactly the same when it comes to well-being. The PPP concept utilizes price data for hundreds of comparable commodities from most countries. The data is used to create national accounts that correspond to the value of each country’s gross domestic product. This then allows for comparisons between the purchasing power in any country, in U.S. dollars.

Taking all of these considerations into account, the following factors (based on figures available as of January 1, 2008) went into formulating the AFW for Asian garment workers in the export sector: $475 PPP (in U.S. dollars) per month; the basic wage earned in a standard workweek (totaling no more than forty-eight hours), calculated for a family with one earner and two dependants; food costs, calculated on the basis of market costs, and constituting 50 percent (+/-10 percent) of the AFW at three thousand calories per adult per day; and non-food costs constituting 50 percent (+/- 10 percent) of the AFW. Table 1 provides the current minimum wage in a number of different Asian countries, and presents the proposed AFW based on the foregoing formula.

As with most efforts to raise wages, opponents will argue that the floor wage is a dangerous idea that will sacrifice jobs and raise prices. However, extensive research confirms that there is more than enough money in the supply chain to cover a wage increase of this magnitude. International Labour Organization (ILO) data shows that wages have been stagnating while profits have grown. The challenge involves redistributing available funds—from corporate profits, excessive managerial salaries, and large expenses such as advertising budgets and celebrity endorsements—into factory workers’ paychecks. Ample evidence suggests that wages can be raised without job losses or inflation. In fact, some economists argue that raising wages would improve the health of the global economy.

Table 1. Minimum wage and floor wage rates (per month) in selected countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
<th>Minimum Wage by Month (Local Currency)</th>
<th>Minimum Wage (PPP$)</th>
<th>Asia Floor Wage (Local Currency)</th>
<th>Asia Floor Wage (PPP$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Taka</td>
<td>1,662.50</td>
<td>66.5</td>
<td>10,754.00</td>
<td>475 (22.64)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Riel</td>
<td>189,000</td>
<td>117.03</td>
<td>607,311.25</td>
<td>475 (1,278.55)</td>
</tr>
<tr>
<td>China</td>
<td>Yuan</td>
<td>900</td>
<td>217.39</td>
<td>1,638.75</td>
<td>475 (3.45)</td>
</tr>
<tr>
<td>India</td>
<td>Rupee</td>
<td>3,900</td>
<td>243.75</td>
<td>6,968.25</td>
<td>475 (14.67)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Rupiah</td>
<td>880,100</td>
<td>209.9</td>
<td>1,868,773.50</td>
<td>475 (3,934.26)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Rupee</td>
<td>5046</td>
<td>143.47</td>
<td>16,705.75</td>
<td>475 (35.17)</td>
</tr>
<tr>
<td>Thailand</td>
<td>Baht</td>
<td>3,820</td>
<td>224.71</td>
<td>7,566.75</td>
<td>475 (15.93)</td>
</tr>
</tbody>
</table>

Source: Jeroen Merk
GARMENT PRODUCTION AND THE GLOBAL SUPPLY CHAIN

Asia has emerged as the dominant garment-producing region, producing more than 60 percent of apparel imports into the United States. China and India are the largest producers, but Sri Lanka, Indonesia, and Bangladesh also contribute heavily to global garment exports. In Bangladesh, Sri Lanka, Cambodia, and India, garment production has been a cornerstone of national export development efforts.

Ample evidence suggests that wages can be raised without job losses or inflation.

Asian garment producers are part of global supply chains that have been described as “buyer-driven”—large retailers and brands, primarily based in the Global North, determine the pace and terms of production. These supply chains are sometimes heralded as examples of creative corporate thinking but, as Ellen Israel Rosen argues, globalization in the garment industry was not simply the result of market forces at work—it stemmed from specific changes in trade law, economic development subsidy strategy, and political maneuvering. In some cases, these changes tied in with foreign policy needs—in the interest of undercutting independent native regimes to support pro-U.S. ones—while also benefiting U.S. manufacturers who sought more sources of lower wages.

While the U.S. pushed for changes in global trade policy—such as the creation of the Multi-Fibre Arrangement, which set global quotas for garment production—many developing countries adopted an export-led growth strategy, reforming local laws to ease firms’ entrance into export-minded garment production. However, the regulatory environment in which the supply chains developed allowed the “buyers”—the retailers and brands—to exert more power over the producers. In part, this is because the U.S. (and other Global North countries) failed to enforce antitrust regulation and allowed companies like Wal-Mart to grow large enough to dominate markets. In addition, the U.S. pressured supplier countries to adopt policy reforms in order to enter trade agreements—or the World Trade Organization (WTO)—to which the U.S.-based firms were not subject (such as those affecting the ability of governments to provide subsidies and grants to businesses). This allowed the buyers to extract more of the value created through the production process, leaving the less lucrative parts of production to companies in the Global South. For example, while 50 percent of the profits from selling a shirt goes to the retailer, only 13 percent goes to the manufacturer.

The result is that the regulatory frameworks and trade regimes that govern the garment supply chain give unequal power to certain firms. Therefore, producers in Bangladesh, Cambodia, and elsewhere are not able to move up the value-added ladder. Buyers in the Global North become more profitable at the expense of workers and firms in other parts of the supply chain. This means that although Bangladesh has succeeded in developing its garment industry over the course of the past thirty years, it has not been able to significantly raise its standard of living, and their garment worker wages are still the lowest in the world. In real terms, garment wages in Bangladesh fell from 1994 to 2006, despite an enormous growth of the industry. This isn’t just because economic development is difficult, or because Bangladeshi firms lack good managers. The structure of the supply chain itself keeps Bangladesh-based firms and workers down.
Along the same lines of Walter Rodney’s charge that Europe underdeveloped Africa, we argue that current neoliberal regulatory regimes underdevelop garment-producing countries, with grave consequences for garment workers.

workers in the global supply chain

The garment supply chain has introduced complicated employer-employee relationships at every step of the process. Workers may work at a particular factory, but the factory owner may be a supplier or subcontractor who produces for another company, usually outside the country. Factory owners insist that they do not have the money to provide wage increases, or that they are under pressure from the retailer to keep working conditions poor. For example, Wal-Mart has enough market power to dictate the terms of production to almost any of their suppliers.  

[Asia produces] more than 60 percent of apparel imports into the United States.

What can workers do? The complexity of this situation has not prevented workers from trying to organize. Garment workers have managed to unionize in a number of places, such as Bangladesh and Sri Lanka. However, unions are not legal in all places, including many export processing zones, and they often face brutal repression. Furthermore, the unions often lack power, as they are unable to negotiate directly with the retailers or brands. This has often made unionization a weak option.

Workers have also worked with NGOs and consumer groups to push corporate social responsibility programs. For example, workers in Mexico were able to work with the United Students Against Sweatshops to highlight their struggle to form an independent union at the Kukdong factory in 2001. The international pressure campaign was eventually successful and workers got their union and even had some of their demands met. However, these cases are few and far between, and often short-lived.

Garment workers’ rights activists, at both the production and retail ends, have been at the forefront of international accountability campaigns for over a decade, around the globe. They have supported worker organizing, publicized labor rights violations, fought to hold employers and multinational corporations accountable to fair labor standards, and organized consumer-led anti-sweatshop campaigns. Campaigns have brought together companies, social organizations, unions, governmental groups, and international institutions in an effort to build multi-stakeholder initiatives for accountability. Garment workers’ rights activists have also extensively documented the functioning of the industry, from working conditions and the structure of the global supply chain to consumer attitudes. 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, such as corporate codes of conduct and multi-stakeholder organizations like the Ethical Trading Initiative, which attempt to provide information about sweat-free products to consumers. Another non-profit, Social Accountability International (SAI), developed an international standard called SA8000. SAI monitors companies and certifies those that are supposedly practicing fair labor practices. International complaint mechanisms, like that developed by the Organization for Economic Cooperation and Development (OECD), have been painstakingly developed. These systems have established the need for monitoring and
have played a major role in developing powerful publicity campaigns to shape public opinion and outrage.

Laudable as this work has been, it has had limited success in building leverage for workers to express their collective interests and channel their power through bargaining—which is essential for representing workers' interests at the workplace.

The multi-pronged [Asia Floor Wage] campaign must target different points of leverage along the supply chain.

For example, the recognition of a right does not necessarily lead to workers' collective action or bargaining power, although it is important for employers to recognize the workers' right to organize. Organizing, in itself, also does not necessarily lead to bargaining power. Workers have formed unions to bargain collectively in individual factories, only to face the threat of plant closure or jobs moving elsewhere where the wages are lower. Alternatively, workers demanding higher wages from a manufacturing facility are told that their employers' hands are tied because of the insufficient prices that they receive from the buyer—that is, the parent multinational corporation. So bargaining power has to come from the framing of a demand that is bargainable, deliverable, and appropriately targeted given the structure and economics of the industry as a whole.

There have also been attempts at ensuring fair labor standards through the use of clauses in trade agreements (such as social clauses or labor side agreements). In the garment industry, where the production is spread across the globe, such clauses or agreements may weaken workers' collective power by dividing them nationally when, in fact, they operate within the industry's global production chain. For example, U.S. efforts to end child labor had some negative effects on international solidarity, as South Asian unions and activists saw the campaign as protectionist and harmful to families in places where there were no domestic programs to address poverty. Economist Naila Kabeer argues that a poorly designed social clause “will reinforce, and may exacerbate, social inequalities in the labor market.” For this reason, the AFW attempts to correct for failures of past efforts by organizing in the Global South countries first, assessing the needs of garment workers and integrating them into the campaign from the start.

There already are minimum wage laws in many Asian countries. But these laws have no connection to the global supply chain or to the capacity of the industry to pay. If the retailer controls the supply chain and dictates the prices that it will pay to producers, then producers may not have enough money to pay workers the minimum wage. This disconnect ultimately weakens the capacity for raising wages industry-wide and for unionization. In addition to wage laws, workers need strategies that help build power throughout the global supply chain. While this campaign targets one industry, it can create momentum for broader wage standards. This is how minimum wage laws began in some countries—initially aimed at particular industries or groups of workers, they ultimately spread and led to broader legislation.
HOW TO WIN AN ASIA FLOOR WAGE

Winning an Asia Floor Wage will not be easy. The multi-pronged campaign must target different points of leverage along the supply chain. The supply chain is a complex system that is not just an economic relationship, but a political one as well, as it is affected by international trade agreements and domestic policy decisions. This means that workers must be able to utilize various forms of power depending on the opening. The campaign has categorized those openings by the different locations where value is created: a) on the factory floor; b) during transit from the manufacturing country to the retail country, or “Freight on Board”; c) during entrance into the retail country (going through customs), or the “Landed Cost”; d) during transit within the retail country (from the port to the store); and e) the transitions between the aforementioned stages.

AFW Alliance members have produced a comic book in multiple languages, explaining the campaign [to garment workers in potential target areas].

NGOs, unions, consumer groups, anti-sweatshop organizations, and coalitions like Jobs with Justice can organize to pressure the retailers from the Global North side. This will include direct consumer pressure, but the campaign will also explore opportunities for indirect pressure. For example, U.S. trade law establishes rules that decree which countries can engage in trade with the U.S. The AFL-CIO has often used the threat of trade sanctions under the Generalized System of Preferences, which gives certain countries access to lower tariff rates on particular commodities. They could work with unions or NGOs in the exporting countries to pressure the exporting governments.

At the same time, the campaign will approach workers at different locations along the supply chain (not only in production) to be part of this global organizing effort. This kind of effort aims to unite workers along the supply chain around a common interest: the enormous power of retailers in the Global North who are able to drive down wages and working conditions everywhere along the chain. Because the power of the retailer crosses national borders, workers’ organizing efforts must do the same.

This approach of engaging workers along the supply chain not only increases leverage for worker organizing efforts, but it also raises the consciousness of workers and allies to better understand the global attacks on collective bargaining rights and the inter-connectedness of their struggles within a globalized industry. This is a critical element of building strong individual unions and, ultimately, a stronger worldwide labor movement. (The AFW Alliance is not the only coalition thinking along these lines—a similar initiative, led by miners, is in place in Australia and within many of the dockers’ unions around the globe.)
The employers are not the only targets of the campaign. An AFW campaign must also find points of leverage vis-à-vis the state. Every one of the firms is located in a home country that has altered its rules and regulations to develop particular segments of the garment supply chain. Workers must act in coalition with consumers, students, and other allies to exert pressure on the state to modify the rules. For example, U.S. cities and states continue to give subsidies to large retailers like Wal-Mart and Target with few, if any, strings attached. Labor-community coalitions have pushed for agreements that would require these companies to comply with requirements such as higher wages, paid sick days, and card check/neutrality agreements. They could also push for retailers to work with suppliers to pay the floor wage to the production workers. In addition, governments in most of the Asian countries have created export processing zones that exempt employers from the most basic laws, such as the freedom of association. The AFW campaign must also pressure governments to grant all workers basic labor rights, no matter where they work in the country.

**BENEFITS FOR THE U.S. WORKERS**

Why should U.S. workers care about the Asia Floor Wage? Beyond the general value of international solidarity, the AFW campaign is important to U.S. workers for other concrete reasons. One reason is that a decrease in global inequalities would lower the danger of political upheaval and even threats of war. Another reason is that such a campaign poses a challenge to the current model of corporate globalization. Neoliberal development strategies are the cause of the poor working conditions we see across the global garment industry, just as they have imposed generally negative consequences on workers around the world.

The current free trade model of economic development that governs the garment industry runs counter to all previous models of successful economic development. Korean economist Ha-Joon Chang shows how the development strategies that industrialized countries have employed are now outlawed under most current trade agreements and incompatible with international financial institution programs. For example, the U.S. and England relied heavily on governmental intervention to develop domestic industries. This included the use of high tariffs and quotas, subsidies, government-funded research and development, and assistance with infrastructure and technology development. But current trade agreements prevent the governments of developing countries from utilizing these critical tools for economic development.

While this primarily impacts Global South countries, it has also changed the framework for economic development in the Global North. The free market model has hurt U.S. workers too, undermining laws protecting labor and employment rights, environmental regulations, health and safety protections, and the rights of workers to unionize. Democracy is undermined as well, as corporations have an effective veto power on economic policymaking. The neoliberal model has forced us to give up on national goals such as full employment and equality, prioritizing instead the pursuit of higher profits.

An Asia Floor Wage would 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 wages. It would reduce the power of retailers to pit workers against one another across countries. And the campaigns required to win the AFW would force 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.

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We believe that U.S. workers will not be able to gain any leverage against their employers here unless they find ways to limit the power of large multinational corporations. As long as these large corporations are allowed to grow without restraints, they will bully their own workers, as well as the employees of their competitors. They will also be able to set the terms of business within communities. It's no surprise that U.S. corporate taxes fell dramatically and corporate subsidies increased while multinational corporations were gaining more and more leverage within their global supply chains.

CONCLUSION

The Asia Floor Wage for the global garment industry is a regional industrial strategy in a global economy. The strategy is based on factors unique to today’s global supply chain economy. Although defined within the garment industry, this regional industrial strategy can be replicated in other regions and industries, as long as the objective conditions exist.

In this moment of global economic crisis, deepening poverty, and lowered consumption, the AFW poses a strong alternative to the free market model that led to rising inequality and economic collapse. It offers a credible strategy for broad, equitable development and an alternative path to economic stability and consumer power. The AFW is not just important for workers, but also for Asian businesses, and for consumers everywhere.

The AFW provides strong support to existing struggles for higher living standards. It provides workers’ organizations in Asia with credible regional wage calculations based on legitimate criteria and a thoughtful methodology. For workers fighting for a living wage, the AFW adds credibility to their demands.

The AFW will only improve workers’ lives if it is not only won, but also implemented and enforced. Winning the AFW will require a variety of strategies to confront regional governments and international institutions. It will also mean engaging labor rights organizations like the ILO, as well as particular unions that have been reluctant to engage internationally. Meaningful implementation must involve many different institutions and agencies. However, effective enforcement will only come from workers and their self-organized representatives. Therefore, the right to organize (and freedom of association) is central to the ultimate success of the Asia Floor Wage.
There is a common perception that China's wages are too low to allow for their participation in a regional wage campaign. However, an industry study shows that garment labor costs are the lowest in Bangladesh, by a significant margin. In 2008, a study by the Jassin O'Rourke consulting group found that labor costs (wages plus benefits) in the Bangladeshi apparel industry averaged twenty-two U.S. cents per hour. Wages were also fairly low in Cambodia, Pakistan, and Vietnam. Costs in inland China were fifty-five to eighty cents an hour. The highest costs in Asia were in Thailand, which averaged $1.29 to $1.36 an hour. With a few exceptions, Asian countries dominated the low-end of the distribution in apparel labor costs. See "Global Apparel Manufacturing. Labor Cost Analysis 2008" (New York: Jassin O’Rourke Group LLC, 2008).

Some readers will note that the three thousand calorie limit is high, relative to the World Health Organization guidelines. The campaign decided to select the highest standard within the Alliance countries; Indonesia bases its minimum wage on the amount needed to purchase three thousand calories a day.

Mark Brenner, "Can We Define a Global Living Wage? The Example of Mexico" (Amherst, MA: Political Economy Research Institute, 2004).

It is difficult to provide average wages within the industry, as wages vary widely depending on specific occupation (such as operator or helper), overtime hours, region, and type of employer (multinational, domestic, or home-based work). There are few sources that provide consistent and reliable data.

Minimum wage figures are taken from a variety of sources, and are meant to be indicative of the general understanding of "minimum wage" in each country.

PPP conversion rates are taken from the 2005 global report of the International Comparison Program of the World Bank.


For example, while large U.S. retailers like Wal-Mart and Target frequently receive generous direct and indirect public subsidies, the U.S. has challenged the right of other countries to provide assistance to businesses. See Philip Mattera and Anna Purinton, “Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never-Ending Growth” (Washington, D.C.: Good Jobs First, 2004) and World Trade Organization disputes, such as DS387, against China.

One piece of evidence for the rising power of the retailers is a recent ruling in Great Britain, which found that U.K. supermarkets were abusing their power vis-à-vis their suppliers.


Furthermore, certain countries have agreed to wage freezes as a condition for receiving loans from the IMF or World Bank. That means that minimum wages can’t go up with the cost of living, even if that is part of how the country sets minimum wages.


Governmental interventions do not necessarily lead to development. However, Chang argues that no country—other than the Netherlands—has developed under neoliberalistic policies.
“Nelson Lichtenstein has written the book on Wal-Mart”*

“Raises serious doubts about whether the corporation’s influence has been positive on balance . . . offers penetrating insights into why the chain has been so phenomenally successful.”
—The New York Times Book Review

“Read it, as I did, with complete fascination.”
—Barbara Ehrenreich, author of Nickel and Dimed

Nelson Lichtenstein is one of the country’s leading experts on labor and politics and the editor of a much-cited collection of essays on Wal-Mart. A professor of history at the University of California, Santa Barbara, where he directs the Center for the Study of Work, Labor, and Democracy, he is also the author of several highly regarded books on American history, including the award-winning Walter Reuther: The Most Dangerous Man in Detroit.

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