BRIEFING PAPER

TOWARDS A WOMAN-CENTRED LIVING WAGE BEYOND BORDERS

The Asia Floor Wage Alliance's Methodology for Garment Workers

MAY 2023

Design and layout by Okky Hikmatu Fakhrian

The Asia Floor Wage Alliance (AFWA) is an Asian labor-led global labor and social alliance across garment-producing countries in Asia and consumer regions of USA and Europe. Founded in 2007, AFWA aims to build regional unity among Asian garment unions to overcome the limitations of country-based struggles in global production networks and holds global fashion brands accountable. AFWA's historic cross-border living wage formulation for Asian garment workers is also the only women-centered formulation of its kind.

For more information, please contact AFWA at contact@asia.floorwage.org.

Contents

Acknowledgements

This report was prepared by the Asia Floor Wage Alliance (AFWA) in collaboration with 27 trade unions and organisations in seven countries in Asia, including Bangladesh Garment & Sweaters Workers Trade Union Center (BGSWTUC) and Textile Garment Workers Federation (TGWF) in Bangladesh; Cambodian Alliance of Trade Unions (CATU), Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU), Coalition of Free Trade Unions of Women Textile (CFTUWT), Collective Union of Movement of Workers (CUMW), Federation of Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC), Federation Union of Free and Independent (FUFI), Independent Trade Union Federation (INTUFE), and National Independent Federation Textile Union of Cambodia (NIFTUC) in Cambodia; Garment and Allied Workers Union (GAWU), Garment Labour Union (GLU), Karnataka Garment Workers Union (KOOGU), Mill Mazdoor Panchayat (MMP), Tamil Nadu Textile and Common Labour Union (TTCU) in India; Federasi Serikat Buruh Garmen Kerajinan Tekstil Kulit dan Sentra Industri (FSB Garteks), Federasi Serikat Buruh Persatuan Indonesia (FSBPI), Konfederasi Serikat Nasional (KSN), Serikat Pekerja Nasional (SPN) in Indonesia; Yaung Chi Oo Workers Association in Myanmar; Labour Education Foundation (LEF), National Trade Union Federation (NTUF), Pakistan Institute of Labour Education and Research (PILER), Textile Power Loom and Garment Workers Federation (TPGWF) in Pakistan; Commercial and Industrial Workers Union (CIWU), Dabindu Collective, Revolutionary Existence for Human Development (RED), and the Textile Garment and Clothing Workers Union (TGCWU) in Sri Lanka.

Data collectors, researchers and advisors from across countries played a crucial role in successfully putting together a cross-country report. We extend our thanks to Abul Hossain, Akhi Akhter, Chalma Akter, Dolly Ahmed Rehana, Jagdis Barua, Kazi Ruhul Amin, Manjurul Islam, Saifullah Al Mamun,Sathi Akhter, Tapan Saha in Bangladesh; Chhorn Namchheav, Nazar Rattanakprese, Ngorn Chhunny in Cambodia; Anirudh Nair, Ashim Roy, Asika V M, Dev Nathan, Kumar Ravishankar, Nandita Shivakumar, Nivedita Jayaram, Thivyarakini, Yuvaraj S in India; Dian Septi, Hermawan, Indah Fatmasari, Ita Purnamasari, Iwan Kusmawan, Rizal, Ruhiyat, Sugianto in Indonesia; Aslam Mairaj, Jalvat Shahzadi, Owais in Pakistan; Chamila Thushari, Chandra Devanarayana, Lalitha Ranjani Dedduwakumara, Sugath Rajapaksha, Sujeewa Nelummali, Suranjaya Amarasinghe, Swasthika Arulingam, Wijepala Weerakoon in Sri Lanka.

Aabida Ali, Abiramy Sivalogananthan, Arifur Rahman, Ashley Saxby, Rizki Estrada Portier, Vishmee Warnachapa, and Vong Panha played the important role of coordinating the research in their respective countries, while Hyro Domado and Sinduri Sappanipillai assisted in proofreading the report. The report was written by Anannya Bhattacharjee, Arpan Ganguly, Ashim Roy, Rahul S and Wiranta Ginting.

CHAPTER 1

Minimum and Living Wage Debates: Methodology of the Asia Floor Wage Alliance for a Regional Living Wage

1.1. Global Garment Supply Chains & Regionalisation of Garment Labour Movement

The debate on living wages in labour-intensive industries has gained a renewed prominence in the last two decades. Global supply chains and production networks have, and continue to, spatially reorganise global production and labour relations. The globalisation of trade, investment, and capital flows, along with labour-saving technological change, lax regulatory frameworks and low-wage labour in developing countries, have positioned transnational corporations (TNCs) and multinational corporations (MNCs) as key actors in coordinating the sourcing of goods from different regions (Milberg and Winkler, 2013; Posthuma and Nathan, 2010).

The global garment industry is characterised as a buyer-driven supply chain, where the buyers (lead firms and brands in advanced countries) are described as '*manufacturers without factories*' (Barrientos et al, 2010). While integrating into such networks has increased employment opportunities (quantity of jobs) in many developing countries, the quality of jobs seems to have progressively deteriorated. Employment in this industry is characterised by informal labour contracts, long working hours, excessive overtime work, absence of social security benefits, a lack of organisation and collective action, and a gender-biased division of work.

As a result, contemporary global capitalism is increasingly characterised by high levels of poverty and wealth inequality (Edward and Sumner, 2015). Studies on global value chains (GVC) have overemphasised the prospects of upgrading (economic or social) in supplier firms as a means of economic development and poverty reduction, overlooking the developmental biases embedded in such models of development. The flexibility in sourcing and labour relations allows TNCs to exert greater control over supplier firms lower in the chain, and institutionalise a larger pool of wage-labour (Selwyn, 2016). Studies have highlighted that employment in GVC supplier firms increases precarity, vulnerability, insecurity and lack of freedom in the labour markets of developing countries (Mezzadri, 2020). Thus, global value chains are better conceptualised as global poverty chains, as lead firms capture the majority of value through their market power and produce poverty-inducing conditions that reinforce their potential for value capture (Selwyn, 2016). Capitalist development becomes reliant on maintaining a large working class, flexibility in employment relations, and systematic exploitation and disenfranchisement of labour. Consequently, this results in processes of

'immiserizing growth' where profitability increases at the expense of declining work quality and conditions.

Given this context, the enforcement of better living standards and living wages in the garment supply chains remains a pertinent challenge. The majority of garment manufacturing, although spread across all the continents, is found in Asia. In this buyer-driver supply chain, TNCs or apparel brands in the global North exercise monopolistic/monopsonistic powers due to their dual and exclusive access to the consumer market in the global North as well as low-cost production areas in the global South. This phenomenon has been extensively analysed by the Asia Floor Wage Alliance (AFWA) (Bhattacharjee, Roy, Bhardwaj, Ghosh, 2015). In this monopolistic garment global supply chain, labour cost is one of the most suppressed costs of production.

AFWA's analysis of inequality in the supply chain reveals that the node constituted by the buyer-supplier pricing mechanism is at the heart of the imbalance that contributes to an artificially suppressed labour cost in production regions. Apparel brands develop this pricing mechanism with supplier companies through multiple coercive practices. However, to understand AFWA's methodology for determining a living wage, it is important to note that brands make their sourcing and purchasing decisions and define buyer-supplier pricing mechanisms regionally – focusing on the region of Asia. Their regional perspective is driven by the fact that garment production countries in Asia share similarities in terms of economies and wages within a comparable spectrum.

The brand's regional sourcing strategy results in their ability to exert a region-wide control and create a region-wide competition among supplier companies across countries in the Asian production region for brands' purchasing orders. The brands' control is exerted through the threat of relocation -- meaning brands' coercive threat of withdrawal of sourcing from one country or supplier to another, should labour cost rise in any single country or supplier.

AFWA's challenge has been to build a living wage strategy that takes into account the regionalism in brands' sourcing practices. In the context of brands' regional perspective, which also determines their buyer-supplier pricing mechanism with embedded labour costs, it becomes important to analyse wages in Asian production countries not only nationally – but regionally. AFWA's analysis and strategy has led to a methodology for cross-border Asia-level living wage formulation. AFWA's demand strategy is based on a global garment supply chain power analysis and calls for apparel brands to transition from a coercive suppression of labour cost to a progressive realisation of a living wage by adjusting their buyer-supplier pricing mechanism.

AFWA's regional living wage formulation eliminates a key fear in production regions – brands' threat of relocation. AFWA's living wage method offers a regional solution that is carefully calibrated to national economies without disrupting the competitiveness of the countries.

While many country governments and international organisations (such as the International Labour Organization - ILO) have recognised and proposed for the establishment of living wages in the garment supply chain at local and national levels, AFWA's stands out with its unique cross-border regional formulation. This approach addresses the regional sourcing practices of apparel brands in the global garment supply chain. The purpose of the report is

to provide an explanation of AFWA's living wage methodology for a cross-border wage, which has gained international recognition and legitimacy since its public declaration in 2009.

This first chapter provides a brief overview of the evolution of the living wage debate, existing living wage methodologies, and the underlying theoretical perspectives that have influenced such methods. It briefly outlines the existing confusion in distinguishing the concepts of minimum and living wages. The chapter concludes by presenting the AFWA method as an advancement over existing methods, as it shifts the emphasis from national to regional estimation of living wages in the Asian garment industry.

Chapter 2 delves into the Asia Floor Wage (AFW) or living wage methodology in detail, discussing the outcomes of a detailed consumption survey conducted by AFWA in 2022. It presents the updated regional living wage (AFW) estimate for 2022 based on the survey results,[1] and observable trends in the countries.

Chapter 3 concludes this briefing paper, signalling new directions in AFWA's ongoing work on wages.

1.2. Historical Evolution of the ILO Debate on Living Wages

Historically, the ILO has played a central role in the debates and legislations in the global economy since its conception in 1919. It has been instrumental in proposing conventions and recommendations to both developed and developing countries regarding the establishment of minimum wage mechanisms and machinery. Wage determination has been a central agenda of the organisation since its inception.

Over the decades as the world has journeyed through colonialism, the post-colonial era of development, the neo-liberal model of globalisation, and the growing powers of transnational companies and finance, wage determination has been shaped by an inherent tension between two dimensions in the concept of wages. On one hand, wages are the primary source of livelihood for workers, and higher wages can enhance empowerment and betterment of the workforce. On the other hand, low wages have become a basis for achieving comparative advantage in international trade markets, as they serve as a source of profit for businesses. This tension has served as an undercurrent that has moderated and restricted the scope of interventions by regulatory agencies in the context of living wages. We begin with a brief discussion of how ILO's conceptualisation and application of minimum wage norms have evolved since its origin. This will help us understand an inherent confusion and contradiction in distinguishing minimum wages from living wages conceptually, a confusion that persists till today.

The importance of regulating wages was recognised during the first phase of globalisation in the world economy (only involving the large, developed nations of today) prior to WWI. The Treaty of Versailles (Part XIII, preamble, paragraph 3) in 1919, adopted in the Paris Conference, proposed the principle of living wage for all workers as "a wage sufficient to maintain, in the circumstances of each country, an adequate standard of life" (Shotwell, 1934,

[1] Since the first declaration of cross-border AFW figure for living in 2009, the Asia Floor Wage Alliance has been periodically updating the figure through its methodology.

p. 339). At that time, in Europe's industrialising societies, wages were increasingly seen as the main means to acquire an "adequate standard of life". It is clear in the statement that the concept of a legally mandated minimum wage had not yet arrived, and the delegations treated wage through the lens of a living wage as evidenced by the phrase "adequate standard of life." It followed from a broader principle that "labour should not be regarded as a commodity or article of commerce" – a principle that has animated the ILO from its inception. The implied idea is that a worker is first a human being, even when s/he is selling labour, such a conception defies labour being viewed as a commodity.

In the following decade, the ILO did not address the substantive issue of defining a minimum wage, or a wage that ensures an adequate standard of living. The Convention 26 and Recommendation 30 (June 1928) only required the creation of a Minimum Wage-fixing Machinery to determine minimum wages, in cases where collective bargaining or any other arrangements for effective regulation of wages were absent, and exceptionally low wages were prevalent. The ILO did not seek to intervene by proposing a method or convention for fixing wages to a national or international minimum, but simply aided governments in establishing machinery capable of fixing minimum wages. During this time in Europe, unions viewed the minimum wage-fixing machinery as an exception and relied on collective bargaining to determine industrial and national minimum wages.

The Declaration of Philadelphia in 1944 advanced the notion of a living wage through the articulation of a "minimum living wage". It retained a synonymity between the terms minimum wage and living wage and required "...policies in regard to wages and earnings, hours of work and other conditions of work calculated 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..."* (ILO, 1944, p. 14). The Philadelphia Declaration re-affirmed the original objective of enforcing a wage for an adequate standard of living (proposed in the Treaty of Versailles) and transformed it into a proclamation of a universal minimum wage that was synonymous with a living wage.

In the post-colonial phase, economic development continued to perpetuate poverty level wages. Emergent developing countries were encouraged by dominant paradigms supported by multilateral global institutions, led by developed countries, to view minimum wage as a part of wage policy for poverty alleviation. Built in this definition was a trade-off between the "needs" of a worker, though undefined, and national economic development; and the two as contradictory to one another. In practice, minimum wage operates in relation to a national wage dynamic. In post-colonial developing countries, low industrial development leads to a low average national wage, at times, even below the poverty level. In developed countries, minimum wage was being set by collective bargaining agreement whereas for developing countries, a separate wage-fixing machinery was required to counter the low average national wage. In essence, the concept of wage got de-linked from an adequate human "standard of life" and instead became a means for overcoming extreme poverty.

The matter of living wage determination regained explicit attention on the ILO agenda with the International Labour Conference in 1964. This renewed interest was influenced by several interrelated changes in the world economy. The entry of new member nations into the ILO, resulting from decolonisation in several global South nations, and their integration into global trade markets played a significant role in driving this renewed focus. The conference proposed that three dimensions must be incorporated into the concept of the minimum wage: (a) social security benefits, (b) periodical adjustments of the wage level (as well as social security

benefits), and (c) should be set in accordance with the level of economic development (or developmental needs) in a country. These discussions ultimately led to the adoption of Convention 131 and Recommendation 135 on Minimum Wage Fixing in 1972, which are foundational and continues to define ILO's conception of minimum wages to this day. As per Convention 131, minimum wages should be determined on the basis of the needs of workers and their families in accordance with the general level of wages in the country, cost of living, social security benefits, and the standard of living in other social groups. It also advocates the inclusion of economic factors like the level of economic development, productivity, and the need to maintain a high level of employment (ILO, 1996).

It is important to note that these conventions do not explicitly mention the concept of living wages, but rather focus on the "needs of workers". The omission of living wage as a concept, has led to a downward movement in wages – aligning "needs" away from living wages and creating a greater distinction between minimum wage and living wage. This points to the continued confusion in defining minimum and living wages.

A prominent approach has been to tie the "needs" of workers and their families to poverty levels, as employed in the dominant methodologies of ILO (2021, 1996) or Anker (2005, 2011). The ILO Convention 131 and Recommendation 135 states that "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*" (ILO, 1996, p. 439). While minimum wage could be a tool for poverty alleviation, a living wage has to be a means for providing an adequate human standard of living. However, in dominant methodologies, the concept of living wage is often confused with minimum wage and never too far from the poverty line, which is based on the cost of a minimum consumption basket. By this method, living wage is defined as the hourly wage required by a full-time worker to sustain his/her family above the poverty line (Anker, 2005).

The preceding discussion offers a brief overview of the evolution of the living wage debate. It highlights how the concept of a minimum living wage has been reduced to the minimum standard of living, which is measured by the poverty line. Using the poverty line as a yardstick sets a rather low bar for the living wage, allowing the wage rate to be determined by market forces of demand and supply of labour. The concept is unequipped to incorporate the role of social needs, customs, norms, and institutions that determine wages in different countries or regions. The difference between the two concepts can be attributed to conflicting economic perspectives on wage determination in the labour market. With this in mind, the following section provides an overview of how wage determination in terms of "needs" of workers has been theorised in popular economic discourses.

1.3. Economic Approaches to Wage Determination and the Labour Market

The conceptualisation of minimum and living wages, and the difference between them, is strongly motivated and influenced by how the labour market and wage determination is conceived in competing economic approaches. In this section, we will compare three competing economic schools or approaches to wage determination – the Neoclassical (or Neoliberal approach), Classical political economy, and Keynesian approaches. The comparative analysis will highlight how the concepts of the minimum and living wages are

influenced by entirely different and conflicting understanding of labour markets and the process of capitalist accumulation.

In contemporary research, the concept of the minimum wage is based on the neoclassical view, which adopts a market driven approach to wage determination. Accordingly, the market economy is characterised by the process of exchange, and wages are determined by the interaction between the demand and supply of labour, giving rise to a '*market wage*'.

In contrast, the concept of the living wage can be located within the political economy approach, wherein the economy is characterised by production and reproduction, and wages are socially determined based on the costs of social reproduction, that is a '*social wage*'. These theoretical constructs of the market and social wage have influenced legal conceptualisations of wage in minimum wage legislations.

1.3.1. Neoclassical Economics and the 'Market Wage'

In neoclassical theory, the market economy is conceptualised as the domain of exchange, rather than the domain of production of goods and services and distribution of national income. According to this view, markets are considered efficient as they naturally align the interests of buyers and producers, aligning demand and supply to determine an equilibrium price at which each market clears. Prices in this framework reflect the private and marginal costs of production, which is only feasible when prices are entirely decentralised, which is highly unrealistic. Neoclassical theorists extend the model of the goods market to theorise the labour market. Labour is treated just like any other factor of production, and not as a social institution in and of itself.

Wages are considered as the price of the commodity labour power, which is freely exchanged in the labour market based on competition between the demand and supply of labour. In this perspective, competition is assumed to coordinate decision-making processes, resulting in a wage rate that covers the cost of living of workers in the absence of state or civil society intervention. When wages are below the market clearing level, there emerges a shortage of labour supply relative to demand, as workers refuse to work at the low wages. As a result, the bargaining power of workers increases relative to firms, leading to a rise in wages until the market reaches the equilibrium level. However, the agency of workers to refuse work is vastly overestimated, given the climate of growing informality and unemployment across labour-intensive industries in developing countries. On the other hand, when wages are above the equilibrium level, labour demand decreases, leading to increasing competition among workers, reducing their bargaining power and allowing firms to lower wages back to the market clearing level. This self-adjustment mechanism is believed to promote efficiency in the allocation of workers in the labour market, and the equilibrium wage is seen to be sufficient to ensure a reasonable standard of living for the workers.

In this sense, the equilibrium wage in the neoclassical approach can be viewed as a "*market wage*", entirely dependent on the forces of demand and supply and largely unaffected by the social organisation of labour or labour markets. However, the price of labour power, which is determined by forces of demand and supply, does not fully cover the costs required to produce and reproduce the commodity labour power (Zoe, 2019).

In the neoclassical approach, the concept of minimum wages is discussed in a limited sense. As long as minimum wages are set to correct specific market failures (when they occur) and not set above the market clearing rate, it is permitted as a potential tool of fiscal policy. However, minimum wages simply perform a market correcting role by ensuring that demand and supply are back in equilibrium. Articulated in these terms, minimum wage is defined narrowly and serves a limited purpose, not accounting for the role of social conventions, norms, and institutions that govern the livelihoods and cost of living of the working class. As setting minimum wages above the market clearing level would disrupt the efficient allocation of resources in the labour market, setting a living wage above the equilibrium rate is inconsistent with the model. When minimum wages are conceptualised from a neoclassical standpoint, they become far removed from the notion of living wage, as it simply specifies an upper bound above which wages should not rise. This upper bound, determined by the market, is often not in sync with changes in the cost of living or social needs of workers in specific industries.

1.3.2. Classical Political Economy and the 'Social Wage'

Classical political economists (Smith, Ricardo, and Marx) adopted a much broader view of the capitalist economy, where markets are seen as institutions influenced by the social context rather than a spontaneous sphere of exchange. Besides exchange, the role of social reproduction, involving processes of production, consumption, and distribution are all integral in understanding the sustainability of the capitalist system. Unlike the neoclassical approach, for political economists, wage is not only determined by the interaction between demand and supply of labour, but through a process of bargaining between capitalists and workers (Meek, 1979). The relative bargaining power between these two groups determined the level of competition and the wage rate in the capitalist system. Political economists recognised that markets were embedded in the social context, and distinguished between intrinsic and extrinsic value of goods and services. The intrinsic value of a good, also known as 'natural' or 'social price', was determined by the actual production costs, while the extrinsic value was simply the monetary expression of the good's value, known as the 'market price'.

Applying this distinction between use and exchange value to the context of the labour market, the value of the commodity labour power can be distinguished into the '*natural*' or '*social*' wage vis-à-vis the '*market*' wage. The natural wage (or '*subsistence wage*' in Marx) was theorised as a normative standard around which the market wage would gravitate (Meek, 1979). It is determined by non-market forces such as prevailing social customs, norms or conventions, conflict between labour and capital in the past, as well as the role of politics and institutions. Deviations between the natural wage from the market wage are inherent due to the unique nature of labour power as a commodity and the process of social reproduction. Unlike other commodities, labour power cannot be separated from the labourer, as a result, labour supply (and social reproduction) is not determined by markets but by a variety of social institutions like family, norms, habits, or culture.

Hence, the inherent contradiction in the notion of the wage is that firms have no incentive to pay the natural or social wage, while workers require that level to reproduce their labour power. In capitalist economies characterised by wage labour, firms have an incentive to pay workers a wage equivalent to the value of their labour power during the working day, but have no

incentive to cover the costs of maintaining and preserving their labour power over time. This results in *an apparent gap in social costs*, which the neoclassical approach overlooks, given their emphasis on the private costs of production.

Viewed from the political economy approach of labour markets as a social institution and wages being socially determined, there is an ardent role of regulating labour markets such that wages are fixed at the natural or social rate, beyond the rate at which the market clears. The concept of the social wage considers the social needs of workers and aligns more closely with the concept of the living wage. The *social wage can be considered a living wage floor below which the market rate cannot be allowed to fall* (Zoe, 2019). In contrast, the neoclassical understanding of the minimum wage is narrowly defined, as it understands the needs of workers as determined by market forces, disregarding the social costs of reproduction.

Specifically in Marx (and formerly in Ricardo), a further distinction is made between *absolute (or nominal)* wages and *relative* (*or real*) wages. In Marx, the necessary price of labour (or the natural wage) is equivalent to the value of a given quantity of the means of subsistence that the workers consume to reproduce their labour power. However, the value of the wage does not solely depend on its absolute value (quantity of the means of subsistence needed by a worker), but also on its relative value (or the quantity of labour equivalent to the cost of the means of subsistence) (Marx, 1867). In other words, absolute wage is the total value of the product workers produce while the relative wage is that proportion of the total product that the worker receives in relation to the capitalists. Marx argues that with changes in productivity (greater use of technology in the production process), the absolute wage may increase while the relative wage decreases (move in opposite direction). Therefore, the relative or real wage is therefore a more adequate way to assess the social position of workers in the economy. The real value of average or median wages can serve as a useful yardstick for setting the living wage as it aims to redistribute wages among the working class, which has significant distributional implications.

1.3.3. Keynesian Approach: Absolute versus Relative Wages

The difference between absolute (nominal or actual money) and relative (real or adjusted for inflation) wages is explicitly elaborated in the Keynesian theory of wages and the labour market. According to Keynesian theory, wages and prices of goods respond slowly to changes in the demand and supply of labour, leading some commentators to describe prices and wages as sticky (Pencavel, 2015). In this framework, real wages and the level of employment levels are determined by aggregate (or effective) demand rather than the forces of demand and supply alone. The labour market is characterised by intermittent phases of shortage and surplus of labour (based on an increase or decrease in demand) and the economy never fully reaches the level of full employment (where there is no involuntary unemployment).

With respect to wage determination, Keynes proposed a strong theoretical and empirical relationship between changes in money (nominal) and real (adjusted for inflation) wages. According to Keynes, when nominal wages change in a specific industry, real wages tend to move in the same direction. However, when the general level of wage changes at the macro level, real wages move in the opposite direction of money wages. In such cases, higher money wages lead to lower real wages and vice versa (Keynes, 1936, pp.9-10). Keynes argued that

it was near impossible for employers to systematically decrease money wages in all industries (money wages are sticky downwards) as workers would strongly resist it. Nonetheless, it is more likely for employers to lower real wages, either intentionally or naturally, due to rising prices of wage goods, without inciting workers (Keynes, 1936, p. 264). Real wage falls as prices rise faster than money wages, suggesting that wages adjust more slowly (or are stickier and more inflexible) compared to prices.

From this perspective, a flexible wage policy would not be able to sustain full employment level for long periods of time, though it was important to maintain a stable level of money wages via policy at least in the short run (Keynes, 1936, pp. 267-270). In this sense, the remnants of a minimum wage policy can be traced back to the Keynesian idea of rigidity in the nominal (money) wage, at which the minimum wage can be legally set (Worstall, 2015). Latter Keynesians remained sceptical about the role of minimum wages, as the downward rigidity in nominal wages is seen to inevitably result in involuntary unemployment (Tobin and Buiter, 1974). In this sense, the scope of living wages in the Keynesian approach remains limited, although not entirely absent. The relationship between real wages and prices (or inflation) in Keynes can inform minimum and living wage policies in the sense that the wage rate should be periodically adjusted and indexed to changes in the rate of inflation.

1.3.4. Summarising Key Differences between Minimum and Living Wages

The below review highlights some key differences between the concepts of the minimum and living wage. These are briefly summarised in this section.

Minimum wage refers to a threshold that workers are entitled to by law while living wage refers to the threshold income necessary for workers to meet the adequate standards of living in a country or region.

While minimum wages account for basic necessities, living wages include several geographically specific expenditures on non-food items like housing, education, transportation, childcare, and healthcare. Some living wage methods include additional components such as savings, discretionary income, social security benefits, or taxes depending on the established norms and conventions surrounding wages in different countries (Parker et al, 2016; LeBaron et al, 2021).

Minimum wage is a legal concept tied to the physical needs of workers, while living wage is a political economy concept tied to the social needs of workers required for social reproduction.

This distinction is theoretically motivated by two dominant views of wage determination in the labour market. On one hand, the concept of the market wage (as per the neoclassical view) sets an upper bound beyond which minimum wages should not be set, as it obstructs the spontaneous interaction between the forces of demand and supply of labour. Needs of workers are addressed in a narrow way, focusing on the *physical needs of workers* required to sustain their labour power. On the other hand, the concept of the natural or social wage (as

per the classical political economists) sets a lower bound below which minimum wages should not be set. It is more closely linked to the concept of the living wage. It accounts for the social needs required for the social reproduction of the commodity labour power that the workers possess, which is determined by non-market institutions. Though social needs are fundamental in determining wages, there is an important difference between absolute and relative social needs.

Keynesian theory of wage determination separates nominal or money wage from the real wage, which also depends on the existing price level in a country. The money wage determined by aggregate demand is more akin to the idea of a market wage or a legally mandated minimum wage. In such a case, the needs of workers are defined at a low level, given its reliance on the poverty level as a yardstick for estimating the minimum standard of living. Real wage, on the other hand, accounts for relative changes in the cost of living of workers reflected in the prices of goods and services.

1.4. Existing Methodologies for Estimating Living Wages in the Garment Industry

The review of ILO debates in section 1.2 shows that there has been much confusion regarding the definition and method of estimating living wages. Although the ILO and the UN have proposed multiple conventions that acknowledge the '*needs of workers*' and recommended how to set up the minimum wage setting machinery, no steps have been taken to define "needs" or criteria that can determine minimum or living wage, to be implemented and enforced in individual countries. Importantly, due to lack of consensus on how minimum or living wages should be defined, the interpretation of these principles is left to non-state actors giving rise to a diverse set of definitions, criteria, and estimation methods (Coneybeer and Maguire, 2022).

Nonetheless, despite the different methods used, there is a degree of consensus that a living wage should cover the *basic needs* of a worker and their family, in relation to the level of economic development in a country (Parker et al, 2016). Basic needs should be higher than the subsistence level, and in turn be significantly different and higher than the minimum wage rate. As discussed earlier, this understanding of basic needs aligns more closely with the political economy view of natural or social wages.

In all living wage studies, basic needs consist of a range of *food* and *non-food* costs. However, the specific components included in non-food costs, such as housing, education, healthcare, clothing, childcare and transportation, varies across different methods (Anker, 2011). This is due to the very nature of the living wage concept, which is relative and context specific, as the conventions and customs surrounding living wages will differ by country, sector, or region (Parker et al, 2016). In the global North, living wage definitions may include taxes as they focus on the net wage rather than the gross wage. Conversely, in global South countries, definitions may specify a minimum number of hours per workweek (when the issue of forced overtime is widespread in an industry such as garments), or include discretionary income or savings (when exploitative labour practices are designed to cut in on workers' savings), or encompass leisure time or emergency funds in the living wage (LeBaron et al, 2021).

Food costs calculations are typically based on two considerations. Firstly, identifying a reference food basket consisting of a minimum calorie requirement that sufficiently meets the physical needs of a garment worker. Secondly, estimating the food costs for an entire family by setting a criteria for an average family unit or family size. In the Anker method, a model diet at the national level should contain approximately 2200 calories per day, with the calorie requirement being even lower at 2140 calories for Asian countries (Anker, 2005). Anker considers the poverty line as a yardstick for measuring the minimum physical needs and diet required by an adult worker, which underestimates the actual calorie requirement for a healthy diet and sets a rather low benchmark for the basic physical needs of an average worker. Calorie requirements vary across regions due to variations in the cost of a basic diet, associated with the level of economic development. The limitation here is that the share of total monthly income of garment workers spent on food tends to be higher in developing countries than in developed ones. The ILO (2021) converts the calorie needs of a household or family to that of one male adult equivalent, where a male adult between 30 and 60 years of age requires 2950 calories per day and a female of the same age requires 2400 calories per day, resulting in a total calorie requirement for a 2-member family at 5350 calories per day.

In all living wage methodologies, non-food costs are calculated based on the assumption of an inverse relationship between food expenditures and income per capita (or wage), as proposed by the Engel's curve (Anker and Anker, 2017). According to the Engel's curve, countries with higher levels of income per capita witness a decrease in food expenses and a consequent increase in non-food expenses, and vice versa for countries with lower levels of income per capita. For example, non-food expenses accounted for 30% in low-income countries, while it was 75% in high income countries (Anker, 2006). However, the components of non-food costs vary across methods. In the Anker method, non-food costs include the cost of housing, other essential needs of a family, and a small margin for unforeseen events (Anker and Anker, 2017). Alongside these costs, the ILO (2021) method additionally includes the costs of healthcare and education, which is vital when considering the needs of workers and their families in the garment sector. In South and Southeast Asian countries, poor quality and access to healthcare severely increases healthcare expenses, while low quality of public education does not enhance skills sufficiently, trapping the workers and their households in a vicious cycle of poverty and inequality.

Thus, the living wage for a garment worker is calculated as the sum of food and non-food costs, where the weight assigned to food and non-food items differs depending on the level of economic development in each country. In this sense, the living wage estimates in existing methodologies produce a national or country-specific estimate. But none provides a regional methodology or estimate, and as explained above this is a serious limitation, in the context of brand-driven garment global supply chains.

Having estimated the food and non-food costs for an individual worker, the next step is to scale up the living wage to the household level. This is usually achieved by scaling up the food and non-food costs (individually or together) to the household or family level using a measure of family size. There is much debate on what constitutes an adequate family size and there is no one dominant standard in common practice. Merely multiplying the cost for one worker by the total number of family members (or household size) is inadequate, as many studies have shown that household consumption is subject to economies of scale such that every additional family member costs less as some costs such as housing is typically shared among family members (Anker, 2005).

To capture such economies of scale in household costs, most methods make use of *adult equivalence units* or *equivalence scales.* In the Organisation for Economic Co-operation and Development (OECD) adult equivalence scale, each additional adult in the family is considered half as costly while each child is considered 30% as costly as the household head. Anker (2006) uses the Canadian equivalence scale, which is 1 + 0.4 for every additional adult and 0.3 for every child in the household. Alternatively, in the ILO's equivalence scale, the adult household head is assigned a value of 1, each additional adult a value of 0.7, and each child a value of 0.5 (ILO, 2021). For example, if a household comprises an adult male and female, the household will have 1.7 adult male equivalents. These equivalence units are treated as scalar quantities that can be used to scale up the food and non-food costs for a single adult to the total cost of a household. In other words, *the living wage (food and non-food costs) for a worker is multiplied by the average number of male adult equivalents in a country to estimate the living wage for a worker household at the national level*. A key limitation of the equivalence standards used in the above methods is that it underestimates the family size in developing countries, as the number of dependents (old age or children) or other family members (relatives) in the household of garment workers in Asia, tends to be much larger.

Particularly *with respect to the garment industry, these dominant living wage methodologies suffer from several shortcomings*. Firstly, the estimation of a living wage is independent of the number of hours worked per day or per week. Given the prevalence of overtime work in the garment industry, it is vital that the living wage is based on a minimum number of working hours or a standard working week (8 hours a day or 48 hours a week considering the 6-day workweek in the garment industry). Secondly, the cost of domestic unpaid labour and care work (pertaining to childrearing and caring for the old), typically performed by women at the household level, is entirely unaccounted for in existing living wage methodologies. It is paramount that such costs are identified, quantified, and included in the composition of non-food costs since the garment industry workforce is composed primarily of women workers. Thirdly, economic shocks like the pandemic or an economic or financial crisis, tend to negatively impact the income and cost of living of informal labourers in developing countries. Therefore, adding a 10%-20% margin (depending on the country) to the total cost of living (included in non-food costs) is important to provide a cushion or safety net for workers against such unforeseen systemic exigencies that can result in extreme humanitarian crises such as the recent Covid-19 pandemic. Finally, living wage estimates do not typically account for the role of savings, which is a serious concern given the lack of social security benefits provided by employers and the temporary nature of employment contracts in the Asian garment industry.

In 2009, AFWA, concerned with the underestimation of workers' needs and costs of living in existing methodologies, developed certain criteria for estimating living wages. For instance, AFWA defines the living wage as the wage earned in a standard working week (no more than 48 hours) that allows a garment worker to afford food for themselves and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens (Bhattacharjee and Roy, 2012). This definition is more robust than that of international regulatory agencies, addresses several of the shortcomings listed above, and recognises the unique challenges faced by workers in the garment industry.

1.5. AFWA Living Wage Methodology: Towards a Regional Floor Wage

AFWA proposes an alternative methodology for estimating living wages in the garment industry of South and Southeast Asia, that differs in important ways from Anker (2006, 2011), ILO (2008, 2021), and other commonly used methods. Most importantly, the *AFWA method shifts the paradigm from estimating living wages at the national level, as is typically done in existing methods, to generate regional or cross-country estimates*. The rationale behind developing a cross-country living wage formulation in the global garment industry has been discussed in section 1.1. This section will delve into the cross-country methodology adopted by AFWA, and the elements involved in the estimation of living wages. Throughout the following discussion, the advantages and assumptions of the AFWA methods will be contrasted with those of other methods.

Living wage in the AFWA methodology combines bottom-up and top-down processes (Bhattacharjee and Roy, 2012). On one hand, it is informed by need-based surveys conducted among garment workers in several Asian countries and relies on workers' unions and associations in these countries as the primary tool for organising labour and bargaining with global brands over the living wage. On the other hand, it relies on purchasing power indexes as a way of comparing across Asian countries and valuing the wage of a garment worker with the poorest workers in developed economies. This approach differs from the Anker or ILO methods, which predominantly adopt a top-down approach to calculating living wages based on national statistical standards. The AFWA living wage methodology combines food and non-food costs to capture the physical and social needs of a worker and their family, which is typical in all living wage methodologies.

AFWA conducts food basket surveys among garment workers to calculate the food costs required by a worker and their family. The food basket is calculated in terms of calories rather than food items (like other living wage methods), which has two distinct advantages. Firstly, it provides a common yardstick for comparing food costs across countries. The cost and composition of a healthy diet is far more consistent across countries than non-food costs which tends to vary significantly. Secondly, the calorie requirement reflects the nature of work in Asian garment factories, in which medium to high levels of physical exertion is typically required. As noted earlier, the calorie requirement deemed adequate to meet the food poverty line varies across countries and studies (ILO, 2021; Bhattacharjee and Roy, 2012). In an effort to construct a cross-country calorie standard, AFWA sets the calorie requirement at 3000 Kcal per day (using the benchmark set by the Indonesian government)[2].

The AFWA method, conceived in 2007, executed in 2008 and made public in 2009 assumed, based on multiple government data, that on average, food costs constitute 50% of a worker's income. Other studies have shown that food costs tend to be relatively high in developing countries, occupying between 50% to 60% of a garment worker's monthly income in Asian countries (Anker, 2005; ILO, 2008). In this sense, non-food costs in the AFWA method are calculated as a residual – the other half of a worker's income that is not spent on food items.

[2] Indonesia Ministry of Manpower Decree No. 81/1995 changed the term for components and type of needs to determine minimum wage from Minimum Physical Needs to Minimum Living Needs. The Decree also raised the standard of calories to determine minimum wage from 2500 calories to 3000 calories. In 2006, the term was changed again to Decent Living Needs but kept 3000 calories standard. See: Arifin, 2018.

As the composition of non-food items (clothing, housing, transport, education, healthcare, care work) varies significantly between Asian countries, the AFW has mostly used existing government data on non-food components. Until 2020, the AFWA living wage assumed a 1:1 (50%:50%) ratio between food and non-food costs.

Since 2020, AFWA began surveys that also included non-food components and actively involved the unions in deciding which components are adequate in each country. This is starkly different from other methodologies which specify the components of non-food costs and then estimate each using established statistical conventions at the country level, which further makes the living wage figure country-specific and not adequate for regional comparison. Non-food costs, derived through the surveys, are ultimately expressed as a factor of food costs. Since 2020, AFWA has observed a change in the ratio of food and non-food costs. Based on survey results which show rising non-food costs, AFWA has changed the 50%:50% ratio between food and non-food costs to 45%:55%.

Expressing non-food costs as a factor of food costs is important and restricts the application of the AFW to other developing countries and regions (in or outside Asia) where the proportion of income spent on food and non-food is significantly different. The AFWA method prescribes that nearly 45% of non-food costs should account for spending on clothing, housing, transportation, education and health, while the remaining 10% should be designated as discretionary income such as spending on entertainment, savings, or pensions.

Existing living wage methodologies have recognised that the wage should be commensurate with the needs of a worker's family, and not just the income earner. It is usually calculated using a measure for family size, such as equivalence scales or adult male equivalence units. In Asian garment manufacturing hubs, family size tends to be larger, especially in low-income households given the prevalence of non-nuclear households and large number of dependents. AFW assumes that each family has one income earner and in turn comprises of 3 adult consumption units. Each additional adult in a household is treated as 1 consumption unit and every child as half a consumption unit. Thus, 3 consumption units can include 1 worker and 2 adult dependents, 2 adults and 2 children, or 1 adult and 4 children. The equivalence scale used in other methods is lower than AFWA due to their inadequate accommodation of family sizes in Asia. Once the equivalence scale or family size is decided, the living wage for a family in the garment industry is obtained by scaling up the monthly total of food and non-food costs by 3 consumption units.

AFWA follows a particular earner-to-dependent ratio that allows for factoring in of unpaid care costs, which is an issue that the women's movement has struggled to make visible for decades, particularly in the context of a predominantly female garment workforce.

The resulting living wage is subject to two qualifications. Firstly, the living wage figure is commensurate with a working week of 48 hours. Given the excessive use of overtime in the garment sector, specifying a minimum number of hours not only ensures that basic needs are covered irrespective of overtime work but also that a minimum standard of working conditions is maintained. Secondly, the living wage does not cover social security benefits (healthcare, pension, provident funds). As employers in Asian garment factories typically do not cover these costs, the living wage should provide for basic needs irrespective of employer contribution.

The final step in estimating a regional or cross-country living wage floor is to convert the wage in local currency units (LCU) to a globally comparable currency. To this end, AFW uses PPP (Purchasing Power Parity) conversion factors from the World Bank database, rather than exchange rates which are highly subject to fluctuations in the financial markets. PPP estimates are useful for cross-country comparison, as it compares the standard of living between two countries using the price of an identical basket of goods and services, in both currencies. In this way, AFWA first converts the wage rate in LCU to PPP dollars, and then decides on the regional AFW figure based on deliberation between AFWA unions. However, it is important to remember that PPP surveys are biased towards consumers that are at a higher end than garment workers. The implication is that the AFWA estimate for a living wage is a conservative figure by that standard and an under-estimation (Bhattacharjee and Roy, 2012).

The AFWA approach proposes a cross-country or regional methodology for estimating living wages, compared to most other methods that offer country-specific or national estimates. The cross-country living wage formulation is necessary in a global production network, where global North TNCs conduct sourcing through a regional analysis and not a strictly national analysis. The methodology is based on the assumption that food and non-food costs constitute approximately an equal share of a worker's monthly income or expenditure across a similar group of countries. It is well established in the literature (Engel's law) that food costs are linearly correlated with income, while non-food costs are non-linearly correlated with income. Therefore, a regional, Asia-wide estimate for the cost of living can be calculated as long as the inverse relationship between income per capita and food expenditures described by the Engel's law holds true, given the proportion of wage spent on food expenditures by garment workers remains similar across Asian countries.

References:

Anker, R. and Anker, M. (2017). Living Wages Around the World: Manual for Measurement. Edward Elgar Publishing.

Anker, R(2011). Estimating a living wage: A methodological review. Geneva: International Labour Organization. Available from: https://www.ilo.org/public/libdoc//ilo/2011/111B09_199_engl.pdf

Anker, R. (2006). Living wages around the world: A new methodology and internationally comparable estimates. International Labour Review. Vol. 145 (2006), No. 4.

Anker, R. (2005). A new methodology for estimating internationally comparable poverty lines and living wage rates. Working Paper No. 72, ILO, Geneva.

Arifin, S. (2018). 20 Tahun Reformasi: Strategi Pemodal Menghadapi Kenaikan Upah Minimum. Majalah Perburuhan Sedane. Available from https://majalahsedane.org/20-tahun-reformasi-strategi-pemodal-menghadapi-kenaikan-upah-minimum/

Barrientos, S., Gereffi, G., & Rossi, A. (2010). Economic and social upgrading in global production networks: Developing a framework for analysis. International Labor Review, 150(3-4), 319-340.

Bhattacharjee,A., Roy, A., Bhardwaj, K., Ghosh, S. (2015). Towards an Asia Floor Wage: A Global South Labour Initiative for Garment Workers in Asia. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/Towards-an-Asia-Floor-Wage-Nov-2015.pdf

Bhattacharjee, A. and Roy, A. (2012). Asia Floor Wage and global industrial collective bargaining. International Journal of Labour Research. Vol. 4. Issue 1.

Clean Clothes Campaign (2014). Report: Living wage in Asia. Available from: https://cleanclothes.org/resources/publications/asia-wage-report

Coneybeer, J., & Maguire, R. (2022). Evading responsibility: A structural critique of living wage initiatives and methodologies. International Journal for Crime, Justice and Social Democracy, 11(2), 15-29. https://doi.org/10.5204/ijcjsd.2406

Edward, P., & Sumner, A. (2015). New estimates of global poverty and inequality: how much difference do price data make? Center for Global Development, Working Paper, 403.

Glasmeier, A. & the Massachusetts Institute of Technology (MIT). (2018). Living wage calculator. Retrieved from http://livingwage.mit.edu/

ILO (2021). A methodology to estimate the needs of workers and their families. Geneva.

ILO (2008). World of Work Report 2008: Income Inequalities in the Age of Financial Globalization. Geneva.

ILO (1996). International Labour Conventions and Recommendations. Geneva.

ILO. (1944). Future Policy, Programme and Status of the International Labour Organisation, Report I, International Labour Conference, Twenty-Sixth Session, 1944. Montreal: ILO.

Keynes, J. M. (1936). The General Theory of Employment, Interest and Money. London: Macmillan.

LeBaron, G., Edwards, R., Hunt, T., Sempéré, C., & Kyritsis, P. (2022). The ineffectiveness of CSR: Understanding garment company commitments to living wages in global supply chains. New Political Economy, 27(1), 99-115. https://doi.org/10.1080/13563467.2021.1926954

Marx, K. (1867). Capital. Vol. I. London.

Meek, L., Ronald (1979). Studies in the Labour Theory of Value. Lawrence & Wishart Ltd; New edition.

Mezzadri, A. and Majumder, S. (2020). Towards a feminist political economy of time: Labour circulation, social reproduction & the 'afterlife' of cheap labour. Review of International Political Economy.

Milberg, W. and Winkler, D. (2013). Outsourcing Economics: Global Value Chains in Capitalist Development. Cambridge University Press.

Parker, J., Arrowsmith, J., Fells, R., & Prowse, P. (2016). The living wage: concepts, contexts and future concerns. Labour & industry: a journal of the social and economic relations of work, 26(1), 1-7. DOI: 10.1080/10301763.2016.1154671

Pencavel, J. (2015). Keynesian Controversies on Wages. The Economic Journal, Volume 125, Issue 583, March, Pages 295–349. https://doi.org/10.1111/ecoj.12201

Posthuma, A. and Nathan, D. (2010). Labour in global production networks in India. Eds. International Labour Review. 150 (3-4). DOI: 10.1111/j.1564-913X.2011.00122.x

Selwyn, B. (2016). Global Value Chains or Global Poverty Chains? A new research agenda. Working Paper No. 10. Centre For Global Political Economy. University of Sussex.

Shotwell, J.T. (1934). The Origins of the International Labor Organization, vol. II, Documents. New York: Columbia University Press.

Tobin, J., & Buiter, W. H. (1974). "Long Run Effects of Fiscal and Monetary Policy on Aggregate Demand," Cowles Foundation Discussion Papers 384, Cowles Foundation for Research in Economics, Yale University.

Worstall, T. (2015). If You're A Keynesian Then You Must Believe The Minimum Wage Increases Unemployment. Forbes. Available from: https://www.forbes.com/sites/timworstall/2015/06/13/if-youre-a-keynesian-then-you-must-believe-the-minimum-wage-increases-unemployment/?sh=46cc6dd0ea3d

Zoe, A (2019). Understanding the Minimum Wage: Political Economy and Legal Form. Cambridge Law Journal, 78(1), March, pp. 42–69. doi: 10.1017/S0008197318001009

CHAPTER 2

Asia Floor Wage Alliance's Survey Results & Living Wage Formulation 2022

2.1. Introduction

The preceding chapter presented the theoretical background for the Asia Floor Wage Alliance (AFWA) concept and methodology of a living wage. As mentioned earlier, AFWA periodically updates Asia Floor Wage (AFW) (living wage figure) through food basket surveys in production countries across Asia, and more recently, comprehensive consumption surveys. This chapter primarily focuses on the findings of the consumption survey conducted in 2022 and the subsequent updated AFW figure declared by AFWA.

The AFW concept is the sole women-centred living wage concept for garment workers across borders. The theoretical significance of a cross-border living wage formulation, particularly within brand-driven garment global supply chains, has been discussed in detail in the previous chapter. Operationally, this idea was developed as a strategy in the context of garment global supply chains (AFWA, 2007) by trade unions that faced the limitation of mounting a struggle for living wage within a nation-state context that is integrated into a global supply chain. AFW was conceived by trade union leaders, labour rights and human rights activists from various countries, especially in Asia, to combat detrimental race to the bottom prevalent in the global garment industry which perpetuated poverty-level wages.

A series of meetings and communications took place since 2005 to bring labour leaders together, with living wages for garment workers at the centre of the discussion (AFWA, 2017). All these processes facilitated the development of the Asia-centred, union led, industry-wide AFW living wage concept which was inspiring and historic because "for the first time a wage consensus was being sought across national borders and posed as a demand within a global industry" (AFWA, 2008; Bhattacharjee, Roy, and Kuruvilla, 2015 p.1). From these meetings and discussions, the AFWA was founded and the year 2007 was set as its founding year.

The AFW concept was developed as a regional and differentiated wage formulation demand that would serve as a "minimum living wage" in garment industry manufacturing in Asia (AFWA, 2007). In other words, AFW would be the floor for a living wage, not the ceiling. It adopts a women-centred perspective by considering a single-earner family with specific earner-dependent ratio. This approach includes the unpaid household work, including care-work which is crucial for a family and is predominantly carried out by women (AFWA, 2009). It is calculated based on food and non-food expenditures required to support a worker's family with three consumption units (1 consumption unit is equal to 1 adult or 2 children) (AFWA, 2008). The AFW concept uses the World Bank's purchasing power parity (PPP) dollar as a common currency to express a regional or cross-country floor for living wage.

Food is the core and anchoring component in AFW formulation, and the previous chapter provides the theoretical background for this. Two elements facilitate making food the basis of calculating a living wage. First, food is globally recognised as the most effective element for measuring comparable need across countries. The Food and Agricultural Organisation (FAO) method uses caloric (Kcal) content as a measure for food requirements, helping to overcome the differences in diets across countries and regions. Second, each country usually has a government-defined specific standard food basket that provides a balanced diet and adequate protein. Both caloric measures and standard food baskets contribute to an effective calculation of food consumption.

AFW relies on Engel's Law, whose validity continues till present time. Engel's law establishes that food costs are linearly correlated with income, while non-food costs are non-linearly correlated with income. Based on this, the AFW assumes linearity between the cost of food and the earned wage of workers, and translates it into a ratio of food and non-food expenses in the wage determination. In other words, once food cost is determined, the non-food cost can be expressed as a factor of food cost. Together, these two components determine the wage or income.

The food cost is based on the caloric value of a daily food basket for an adult worker involved in physical work and is set at a standard of 3000 calories. This standard was based on the official basis for Indonesia's KHL[1] (governmental figure for living wage) which was considered the best regional standard at the time. The AFWA decision to use 3000 calories in 2008 exceeds the FAO recommendation for adequate calories and nutrients at 2330 calories per day (FAO, IFAD, UNICEF, WFP and WHO, 2022, p.181). This standard is supported by the ILO research on estimating the calorie requirement of a worker. ILO estimates a calorie requirement of 2950 calories per adult male worker (ILO, 2021, p.18). The AFW food basket differs across countries, but the total caloric amount is set at 3000 calories.

The non-food costs (e.g., housing, clothing, healthcare, reproductive health, fuel, transportation, education, etc.) have been simplified in the AFW as a factor of the food cost. In 2008, it was decided that the ratio of food to non-food to be an average of 1:1 or 50% each. In 2020, based on the government data, it was decided to adjust the ratio to 45:55. This ratio was then confirmed in the 2022 survey which is described below.

To estimate the food cost for a worker's family, AFWA surveys garment workers using food baskets. AFWA collaborates closely with its union partners not only for data collection but also to determine the composition of the food basket in the country. Unlike non-food expenses, which vary among nations, a diet's cost and composition are relatively consistent. The content of the food basket is computed based on calorie content and offers a reference point for contrasting food prices between nations.

The first food basket survey was conducted in 2008 in Bangladesh, India, Indonesia, China, and Sri Lanka. The data from this survey was used to estimate the Asia Floor Wage figure, which was published for the first time in 2009. Since then, AFWA has been periodically conducting food basket surveys and updating its figures.

[1] Indonesia Ministry of Manpower Decree No. 81/1995 changed the term for components and type of needs to determine minimum wage from Minimum Physical Needs to Minimum Living Needs. The Decree also raised the standard of calories to determine minimum wage from 2500 calories to 3000 calories. In 2006, the term was changed again to Decent Living Needs (KHL) but kept 3000 calories standard. See: Arifin, 2018.

Table 2.1: Asia Floor Wage figures by year of publication

Year	AFW Figure (PPP$)
2022	1600
2020	1420
2017	1187
2015	1021
2013	725
2012	540
2009	475

In 2021, AFWA decided to expand the food basket survey to a full consumption survey in order to understand the ratio of food and non-food expenditure. This survey aimed to document food and non-food costs of a worker's family. The following sections discusses the Household Consumption Survey which was used to estimate the AFW living wage figure for 2022.

2.2 Household Consumption Expenditure Survey

The AFW estimation for 2022 was based on an extensive Household Consumption Expenditure Survey (HCES) conducted across different garment producing countries. It was primarily conducted in the first quarter of 2022. It encompassed workers from seven garment producing countries: Bangladesh, Cambodia, Indonesia, India, Myanmar, Pakistan and Sri Lanka. The survey covered household level expenditure of food as well as non-food items. The survey covered the following aspects in each of the segments.

Table 2.2: Items covered in the Household Consumption Expenditure Survey 2022

Food Consumption			
No	Categories	Number of Items	Reference Period[2]
1	Cereals	10-12	30 days
2	Pulses	8-10	30 days
3	Milk and Milk Products	4-7	30 days
4	Meat and Eggs	4-8	30 days
5	Vegetables	8-12	7 days
6	Fruits	4-7	7 days
7	Oils	5-7	30 days
8	Beverages	3-6	30 days
9	Spices	4-7	30 days
10	Cooked Meals	2-4	30 days
11	Packed Meals	2-4	30 days

[2] Reference period refers to the period for which the information was asked from the respondents. For instance, the consumption and expenses for cereals were asked for a month so that the respondents give details for the last month of the survey.

Non-Food Consumption			
No	**Categories**	**Number of Items**	**Reference Period**
1	Footwear and Clothing	2	365 days
2	Education	6	30 days
3	Medical	6	30 days
4	Household Consumables	14	30 days
5	Services	9	30 days
6	Travel and Entertainment	6	30 days

The data was collected from the workers in the export-oriented garment factories in the seven countries. The survey covered 1686 workers from 206 factories. The selection of workers for the survey was based on specific exclusion and inclusion criteria, as follows: Worker (1) should be a worker in a garment producing factory for at least the past year, and (2) should be able to map out the household expenditure at the granularity which is required. The survey was conducted by the trade unions and other partnering organisations operating in the respective countries.

The unit of analysis of the survey is the household of the garment worker. The consumption survey primarily captures information related to household consumption. Additionally, we have also gathered some basic profile information about the workers to ensure that data is representative of those employed in the factories.

Table 2.3: No. of factories and workers surveyed across 7 countries

Countries	Number of factories	Number of workers
Bangladesh	63	304
Cambodia	18	213
India	19	212
Indonesia	46	327
Myanmar	10	100
Pakistan	40	386
Sri Lanka	10	144
Total	**206**	**1686**

The HCSE has used a structured interview schedule to collect data on consumption levels. The tool was divided into six sections: (1) Basic profile of the worker, (2) Employment profile of the workers, (3) Food consumption and expenditure, (4) Non-food consumption and expenditure, (5) Possession of assets, (6) Housing and living conditions.

2.3. Living Wage Estimation Method for HCES

The living wage estimation method adopted in the present survey is similar to the previous years and is based on caloric consumption/ nutritional requirements. The expenses required for a benchmarked caloric consumption determine the estimation of living wages for food. Furthermore, the survey aimed to verify AFWA's assumption regarding the ratio of the food and non-food expenses, which is 45:55 respectively, as well as the assumption of 3 consumption units. The detailed survey contributed to an improved level of specification and precision, and the results confirmed the previously held assumptions. The following steps explains the estimation method followed:

Step 1: The estimation is primarily based on AFWA's existing basis of *nutritional requirement of 3000 Kcal for an individual and for a family of three consumption units*. The food consumption data collects the quantity of food consumed by each family for a month, from which we derive total calories consumed. Since the survey collects the family size, it gives us the per capita calorie consumption. The caloric content of each food item is adopted from the National Nutrition Databases, utilising the updated and available information. In cases where the information is not available, we used World Health Organisation (WHO) food and nutrition standards. This further helped us calculate per capita caloric intake for a month.

Step 2: HCES also captured per capita expenditure on each of the food items. This facilitates the calculation of per capita expenditure on food consumption. Thus, per capita caloric consumption and per capita expenditure help us estimate per caloric expenditure. The per caloric expenditure leads to the estimation of food expenditure for 3000 Kcal for a family of three consumption units, which is one part of the living wages.

Step 3: HCES collected data on non-food expenditure, which facilitated the calculation of the actual ratio of food and non-food expenses.

Step 4: The sum of the estimated food and non-food expenditure gives us living wages in LCU. Respective country PPP$ conversion factors from World Bank sources are used for converting the same to PPP$. This facilitates a process of cross-border comparison and the development of a spectrum of country-wise living wages expressed in PPP$ across Asian production countries.

Step 5: The AFWA International Steering Committee, and in particular all trade union leaders, meet to discuss the country-wise spectrum of living wages in PPP$. This spectrum is always within an acceptable range of differences and can be discussed to arrive at an average regional Asia-level living wage figure based on consensus. This figure becomes the AFW (expressed in PPP$). The reverse conversion of the regional AFW living wage figure at PPP$ to the respective country's LCU gives the country-level living wage figures.

Table 2.4: Summary of key concepts and variables

Living Wage= Food Expenses for Family of 3 @3000Kcal (esti) + Non Food Expenses (esti)
Step 1 and 2:
Food Exp (esti)=Expenditure per Calories * 3000*30*3
$\text{Expenditure per calories}= \frac{Percapita\ Food\ Expenditure}{Percapita\ Calorie\ Consumption}$
Step 3:
$\text{Non Food Exp (esti)}= \frac{\text{Food Exp (esti)} - [\text{Food Exp(esti)} * \text{Ratio of Food Exp in Total Consumption}]}{\text{Ratio of Food Exp in Total Consumption}}$
$\text{Ratio of Food and Non-Food Expenditure} = \frac{\text{Food Exp(actual)} + \text{Non Food Exp (actual)}}{\text{Food Expenses (actual)}}$
Living Wage= Food Exp (esti)+ Non Food Exp (esti)
Step 4:
Living Wage @PPP$= Living Wage*PPP Conversion Factor
Regional Living Wage= Average of Living Wages at PPP$
Country wise Living Wages= Regional Living Wages at PPP$ * PPP Conversion factor of the country

Food Exp (esti) is the estimated food expenditure at Living Wages, i.e., food expenditure at 3000 Kcal consumption per day for 3 consumption units.

Expenditure per calorie is the expense incurred in consuming 1 calorie of actual food consumption of the workers. It is calculated as a ratio of per capita food expenditure to per capita calorie consumption.

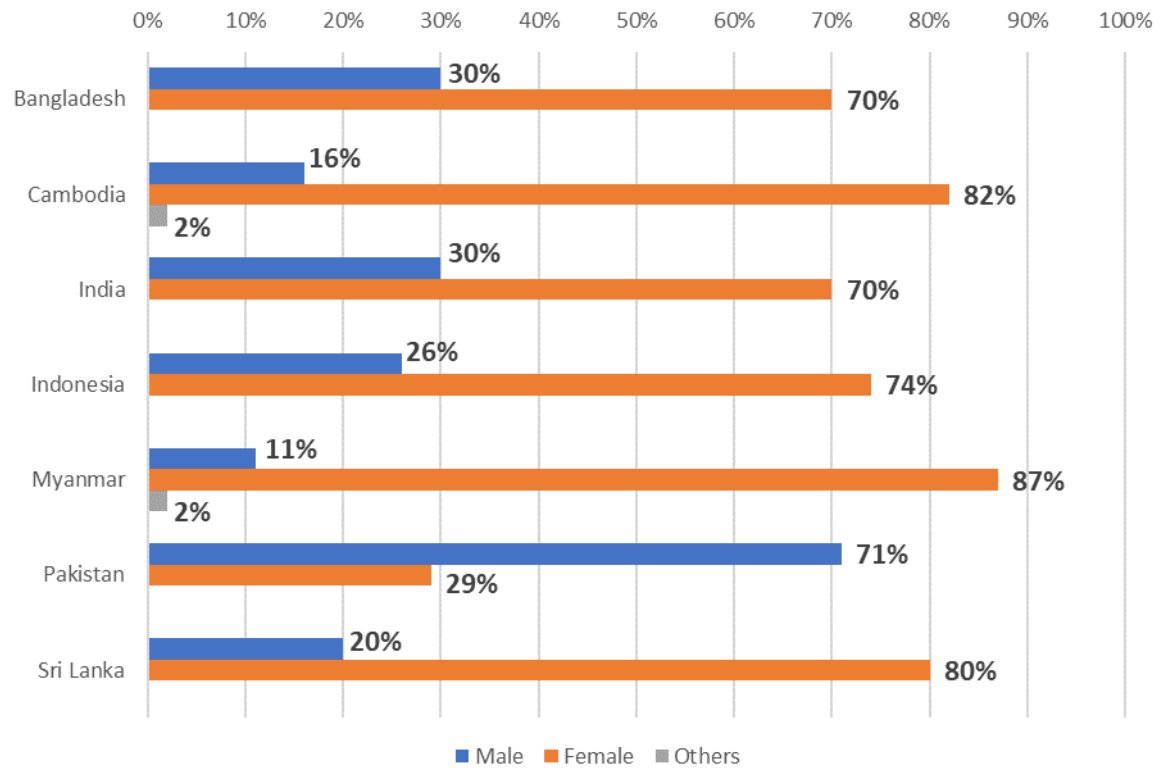
Non Food Exp (esti) refers to the estimated non-food expenses at Living Wages. This is derived from the Food Exp (esti) and the ratio of food and non-food expenditure. This ratio is derived from the actual per capita values from the HCES.

2.4. Basic Profile of Workers

Women workers constituted the majority of the survey participants, specifically those between the ages of 18 to 49 years. They work in various roles such as tailors (sewing), checkers, helpers, cutters, and in other categories. On average, these women reside in a family of 2 to 6 people, with the majority of the families having children below 6 years and between 6-18 years.

In all surveyed countries except Pakistan, women constituted the majority of the respondents: 70% in Bangladesh, 82% in Cambodia, 70% in India, 74% in Indonesia, and 80% in Sri Lanka. The only exception was Pakistan, where 71% of the respondents were men. This is in accordance with the gender distribution in the industry.

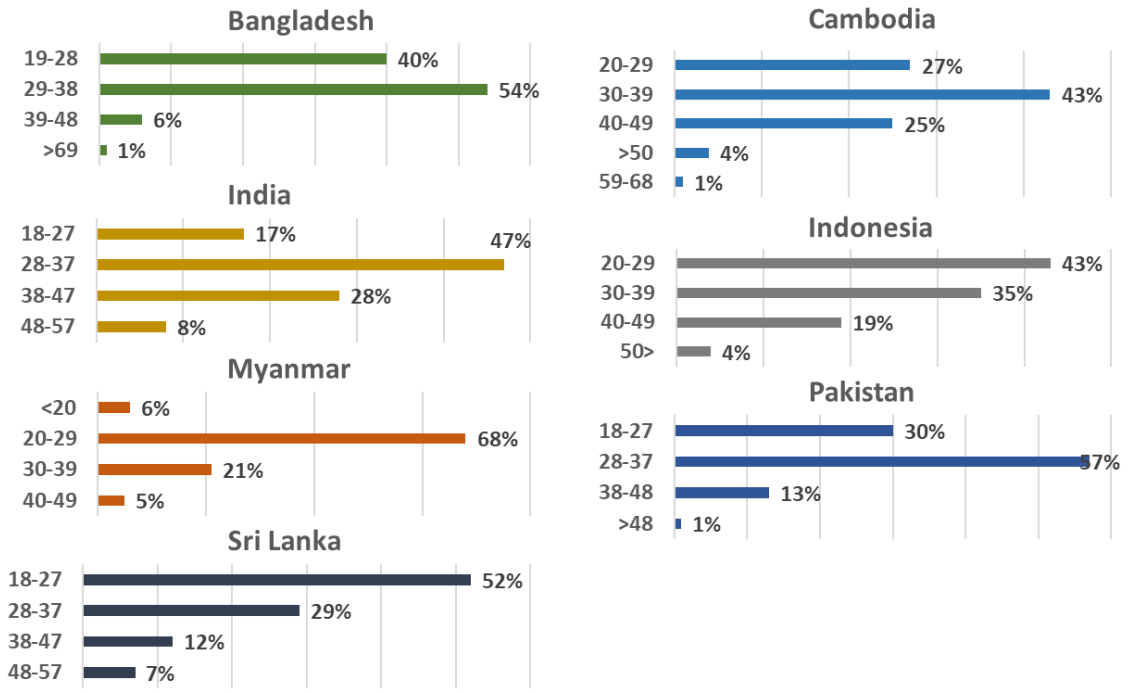
Figure 2.1: Gender



Source: Primary Data

It is noteworthy that in Bangladesh, 90% of the workers in the industry are below the age of 38 years, with the largest proportion (54%) in the age category of 29 to 34 years. In Cambodia, over two-thirds (70%) of the workers are below the age of 39 years, and only 5% of workers are above 50 years of age. In India, almost two-thirds (64%) of the workers are below the age of 38 years, with 47% of workers falling in the age category of 28 to 37 years. In Indonesia, nearly four-fifths (78%) of the workers are below the age of 39 years, and 43% of workers are below 29 years. In Myanmar, almost four-fifths (74%) of the workers are below the age of 29 years, and only 5% of workers fall above 40 years of age. In Pakistan, more than four-fifths (87%) of the workers are below the age of 37 years, and 30% of workers are below 27 years. Lastly, in Sri Lanka, over four-fifths (82%) of the workers are below the age of 37 years, with 52% of workers falling below 27 years. This implies that the industry predominantly employs young workers. This raises significant concerns regarding the future prospects of women workers after they are pushed out of the industry at middle age, often with limited social security and no savings due to having earned only poverty level minimum wages.

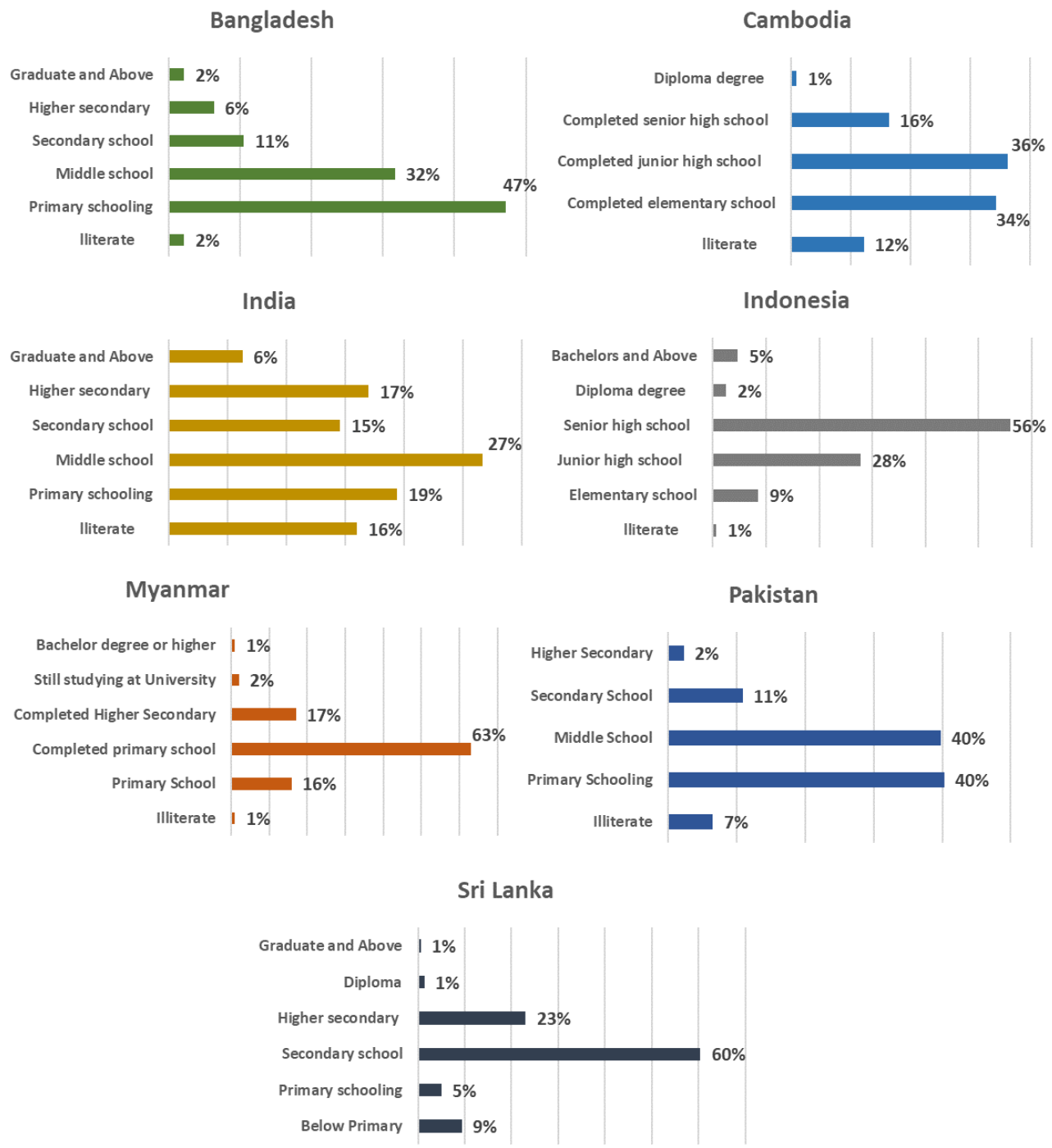
Figure 2.2: Age



Source: Primary Data

When it comes to education attainment, the data reveals the following trends. In Bangladesh, nearly half of the workers have completed primary education, and only one-tenth of the workers are educated above higher secondary. In Cambodia, approximately four-fifths of the workers have education only up to junior high school, with 12% among them being illiterate, and 34% have completed only elementary school education. In India, around one-third (35%) of the workers have primary level education, and even within this group, 16% of the workers reported being illiterate; and only 6% of the workers reported having an education beyond school. In Indonesia, more than one-third (38%) of the workers have education up to junior high school, and only 7% of the workers reported having any education beyond school. In Myanmar, four-fifths (80%) of the workers have education only up to primary school level, and even among them, 17% have not completed primary level education. In Pakistan, almost half (47%) of the workers have education only up to primary school, and 7% of the workers reported no education at all, none of the workers reported to have attained any kind of higher educational status. In Sri Lanka, the majority (60%) of the workers have completed secondary schooling, and only 2% reported having any education beyond school. These findings highlight that the labour-intensive garment industry allows for low-skill employment, and it attracts a vast labour pool with limited education and skills. However, without opportunities for upskilling and meaningful education, garment workers remain trapped in this poverty-wage industry with limited prospects for advancement towards a life of dignity.

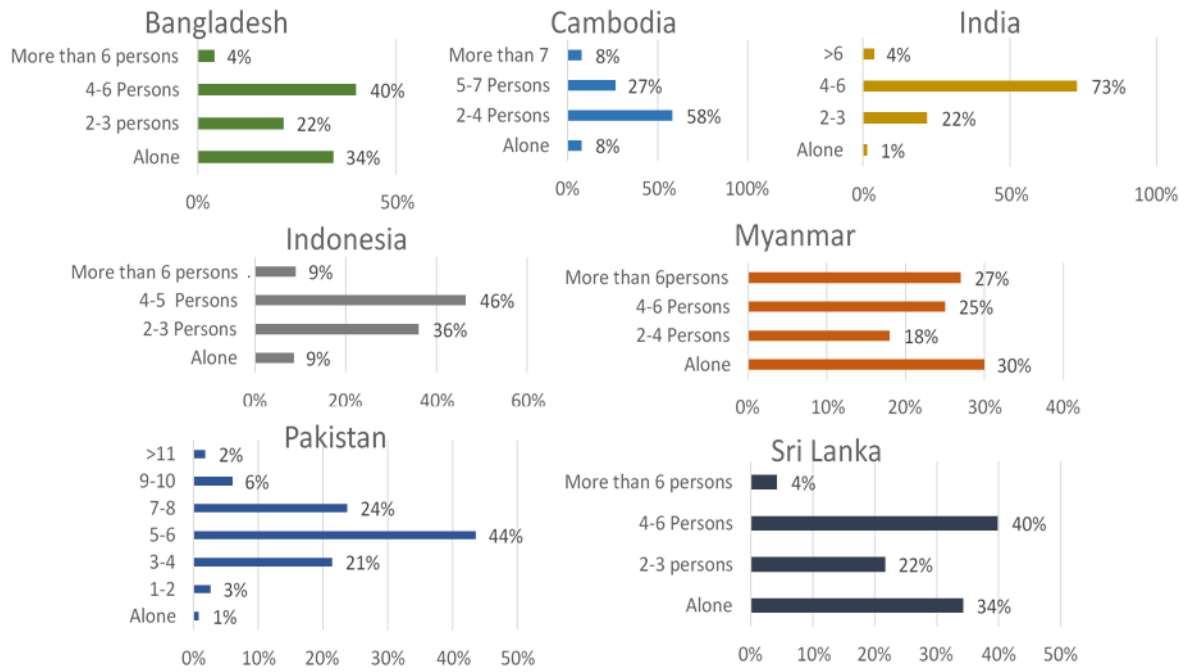
Figure 2.3: Education attainment



Source: Primary Data

The family size of the workers differs across countries. In Bangladesh, the average family size of the workers is 4.4, while in Cambodia, India, Myanmar, and Sri Lanka, the average family size of the workers is 4. In Indonesia, the average family size of the workers is 3.6. The largest family size is 5 in Pakistan. In terms of standard adult consumption units, this family size translates into 3 consumption units for all countries, except Pakistan where it is 4 consumption units. Therefore, considering 3 as an average number for consumption units in production countries in Asia, is reasonable and legitimate.

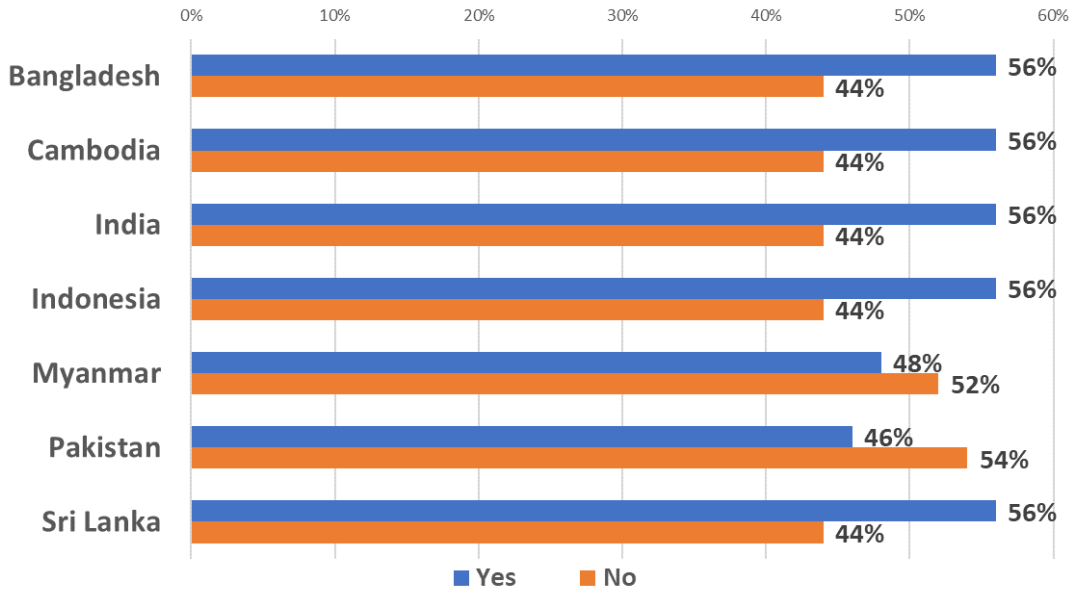
Figure 2.4: Family size



Source: Primary Data

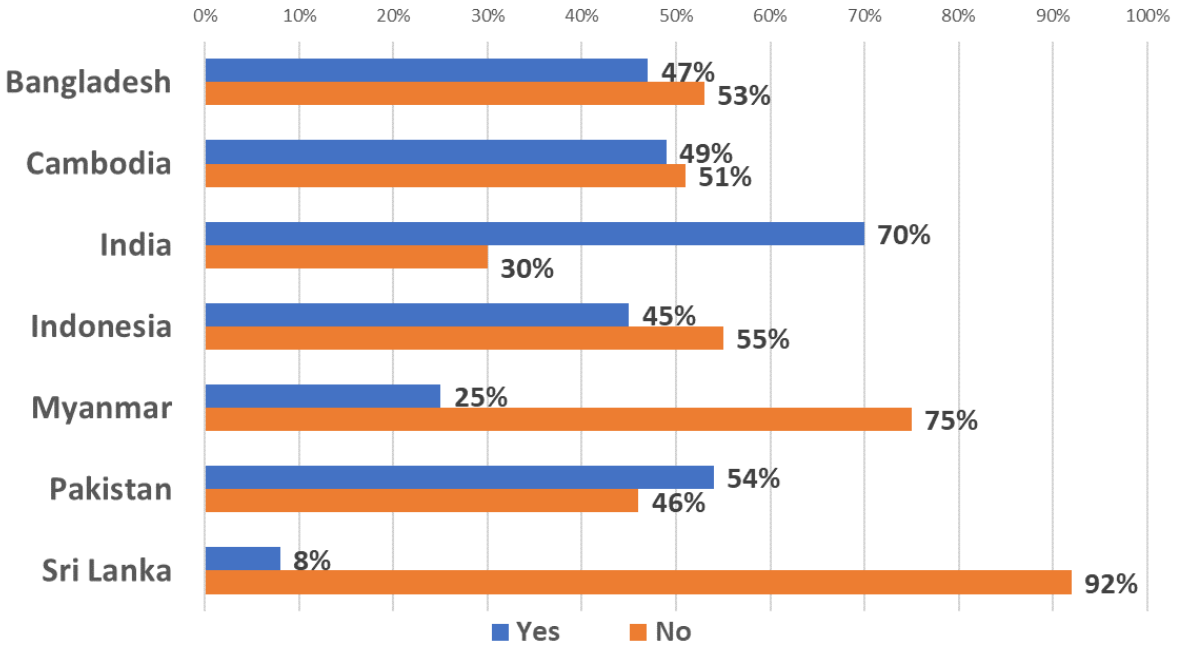
It is crucial to note that in Bangladesh, Cambodia, India, Indonesia, and Sri Lanka, 56% of workers have at least one child between 6-18 years. Similarly, this is the case for 48% of workers in Myanmar, and 46% in Pakistan. In terms of households with children below the age of 6, the figures are as follows: Bangladesh and Cambodia (49%), India (70%), Indonesia (45%), Myanmar (25%), Pakistan (54%), Sri Lanka (8%). This indicates that garment workers, who are predominantly women, bear significant childcare responsibilities, as care work remains disproportionally skewed towards women.

Figure 2.5: Children between 6-18 years



Source: Primary Data

Figure 2.6: Children below 6 years



Source: Primary Data

Table 2.5: Family size in consumption unit

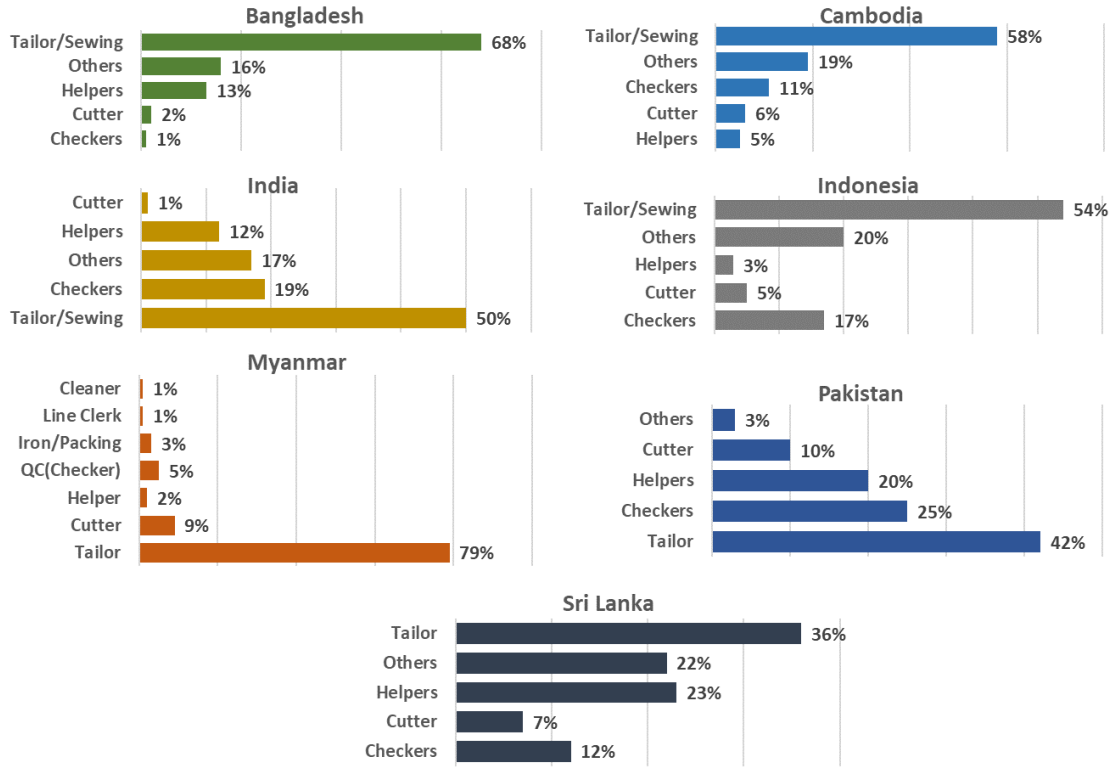
	Average Number of Adults	Average Number of Children	Family Size (person)	Consumption Unit
Bangladesh	*2*	*2*	*4*	*3*
Cambodia	2	2	4	3
India	2	2	4	3
Indonesia	2	2	4	3
Pakistan	3	2	5	4
Sri Lanka	2	2	4	3

Source: Primary Data

2.5. Employment Profile

The survey aimed to include workers from the production floors. In Bangladesh, workers employed in tailoring/sewing form the majority (68%) of the respondents, 58% in Cambodia, 50% in India, 54% in Indonesia, 79% in Myanmar, 42% in Pakistan, and 36% in Sri Lanka. Others are helpers, checkers, cutters, or in ironing.

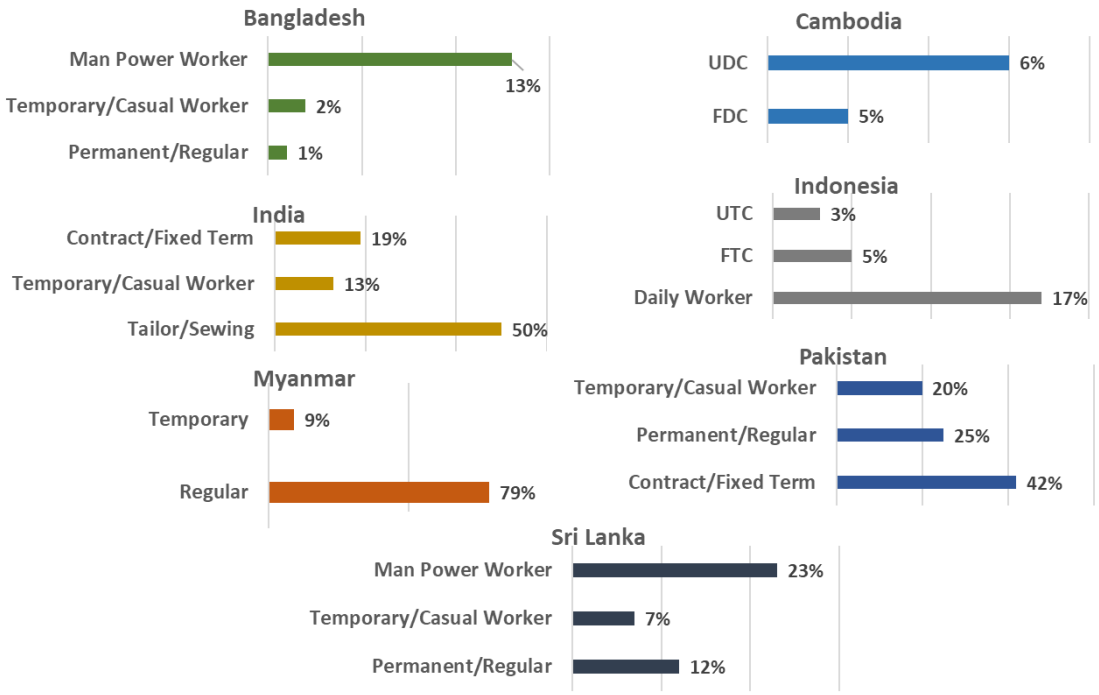
Figure 2.7: Job Role



Source: Primary Data

In Bangladesh, close to two-thirds (63%) of the workers reported being in regular or permanent employment, while the remaining workers are in temporary/casual/contract employment. In Cambodia, approximately four-fifths (74%) of the workers reported being Unspecified Duration Workers (UDC), while the rest are Fixed Duration Contracts (FDC) workers. In India, over three-fourths (74%) of the workers reported being in regular or permanent employment, with the remaining in temporary/casual/contract employment. In Indonesia, more than two-thirds (68%) of the workers reported being Unspecified Term Contract (UTC) workers, and 26% were Fixed Term Contract (FTC) workers, and the rest were in temporary/casual/contract employment. In Myanmar, almost all (96%) of the workers reported being in regular employment. In Pakistan, more than two-thirds (69%) of the workers reported being temporary or casual workers, while only 25% were regular/permanent workers, and the remaining were in contract employment. In Sri Lanka, more than two-thirds (78%) of the workers reported being regular/permanent workers, 25% were temporary/casual workers, and the rest were man-power workers (8%). It is important to note that the higher percentages of workers in regular or longer-term contracts can be attributed to the bias in the survey, as it was conducted primarily by unions. It demonstrates that union members fare better, and these results may not fully reflect the reality of the precarious nature of the industry's employment relationships.

Figure 2.8: Employment status



Source: Primary Data

2.6. Income Status of the Family

In Bangladesh, nearly three-fourth of the workers have more than one person working in the family, and around 26% of workers reported being the sole earners of the family. In Cambodia, almost half of the workers belong to a two-person family, and around 45% of workers reported being the sole earners of the family. In India, more than two-thirds (67%) of the workers have more than one person working in the family, and around 33% of workers reported being sole earners of the family. In Indonesia, more than two-thirds (64%) of the workers have more than one person working in the family, and around 36% of workers reported being the sole earners of the family. In Myanmar, close to three-fourths (71%) of workers have at least two persons working in the family, and around 29% of workers reported being the sole earners of the family. In Pakistan, more than half (57%) of the workers are the sole earners of their families. In Sri Lanka, almost more than two-thirds (61%) of the workers have more than one person working in the family, and around 39% of workers reported being the sole earners of the family.

Further, in terms of family income, the average reported in Bangladesh is BDT 24,137 while the average monthly individual wage is around BDT 10,821. In Cambodia, the average family income is reported to be KHR 156,0528, with an average individual monthly wage of around KHR 104,9072. The family income in India is reported to be INR 18,020 INR, with an average individual monthly wage of around INR 9999. In Indonesia, the family income is reported to be IDR 5,302,586, while the average individual monthly wage is around IDR 3,382,428. In Myanmar, the family income is MMK 426,520, PKR 33,213 in Pakistan, and LKR 58,897 in Sri Lanka. The average individual monthly wage in Myanmar is MMK 237,199; PKR 21,369 in Pakistan; and LKR 30,909 in Sri Lanka. This demonstrates the fact that more than one earner is required in the family, raising concerns about the lack of support for women workers' who bear the double burden of household and care work at home.

Table 2.5: Income and earning members in the family

Country	Income			Number of Earning Members in the Family (%)		
	Currency	Family	Individual	1 earning member	2 earning members	3 or more earning members
Bangladesh	BDT	24,137	10,821	26	68	6
Cambodia	USD	387	260	45	51	3
India	INR	18,020	9,999	33	57	10
Indonesia	IDR	5,302,586	3,382,428	36	55	9
Myanmar	MMK	426,520	237,100	29	68	3
Pakistan	PKR	33,213	21,369	57	35	9
Sri Lanka	LKR	58,897	30,909	39	55	6

Source: Primary Data

2.7. Food Consumption

The survey captured the pattern of food consumption by workers, focusing on both the nutritional value of the food consumed and the associated consumption expenditure. In Bangladesh, the workers reported a per capita consumption of 1950 Kcal/day at a cost of 120 BDT per day; 2521 Kcal/day at a cost of 3 USD per day in Cambodia; 2467 Kcal/day at a cost of 128 INR per day in India; 2148 Kcal/day at a cost of 28559 IDR per day in Indonesia; 1962 Kcal/day at a cost of 2213 MMK per day in Myanmar; 1921 Kcal/day at a cost of 130 PKR per day in Pakistan; 1834 Kcal/day at a cost of 271 LKR per day in Sri Lanka. The caloric figures raise extreme concerns as the consumption standards reported here are significantly below the international poverty standards. They depict a stark picture of the poverty and hunger prevailing in the industry due to the current wage structures.

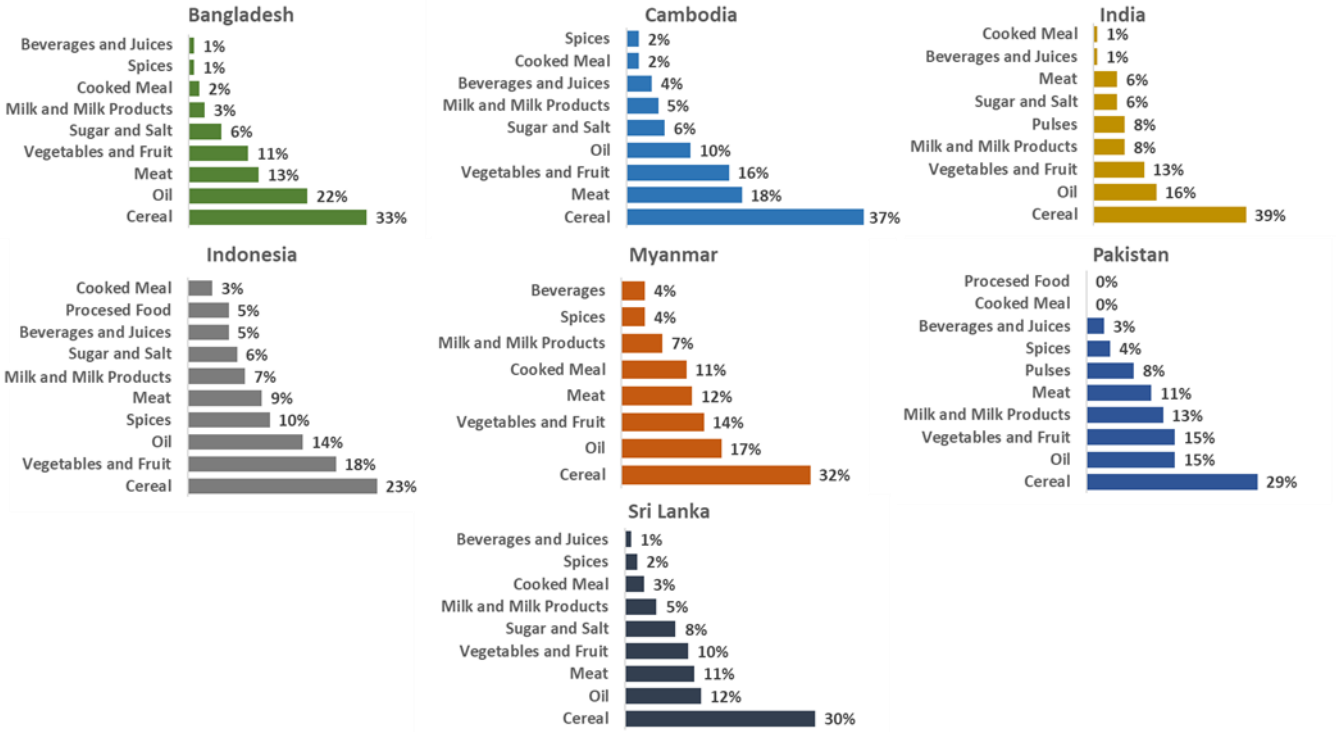
Table 2.6: Income and per capita nutrition per day

Country	Income			Per Capita Nutrition Per Day	
	Currency	Individual	Family	Kcal/day	Expenditure per day
Bangladesh	BDT	10,821	24,137	1,950	120
Cambodia	USD	260	387	2,521	3
India	INR	9,999	18,020	2,467	128
Indonesia	IDR	3,382,428	5,302,586	2,148	28,559
Myanmar	MMK	237,100	426,520	2,062	2,213
Pakistan	PKR	21,369	33,213	1,921	130
Sri Lanka	LKR	30,909	58,897	1,834	271

Source: Primary Data

The share of nutrition in different food items consumed by workers and their families varies from country to country as seen in the following figures:

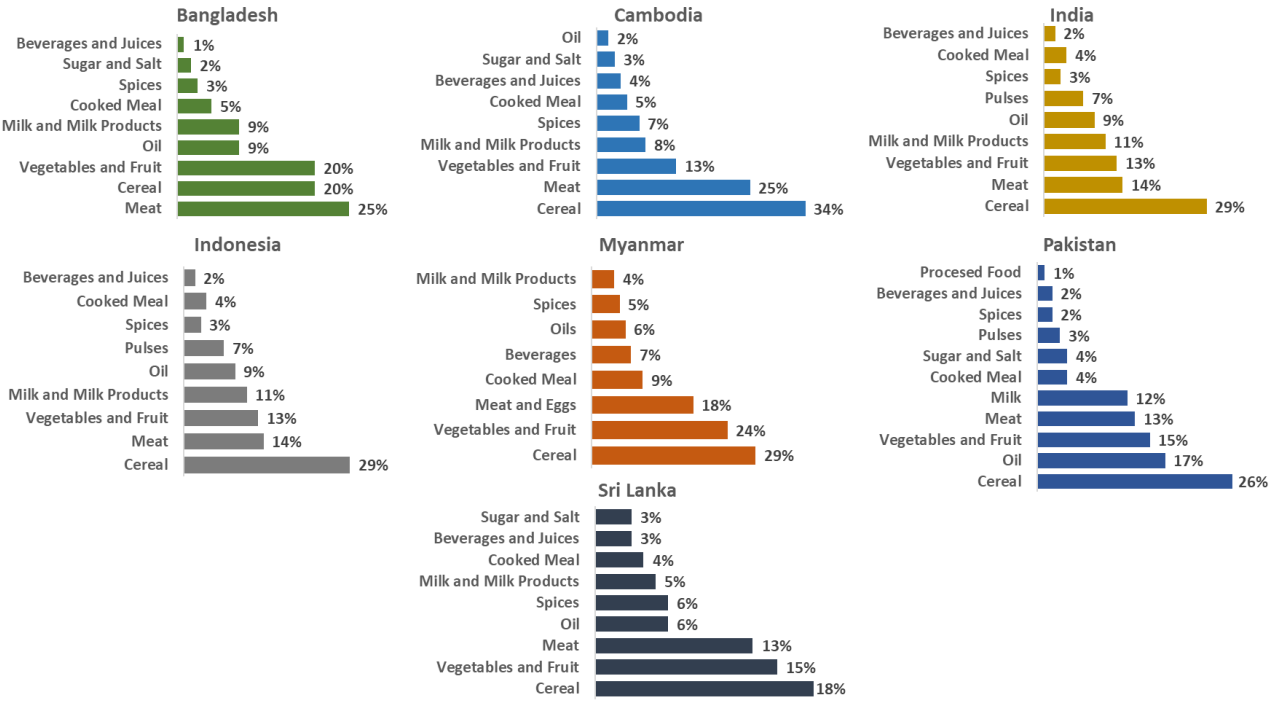
Figure 2.8: Share of food nutrition



Source: Primary Data

The below figure reports the share of expenditure in different food items which are consumed by the worker and their families:

Figure 2.9: Share of food expenditure in food items

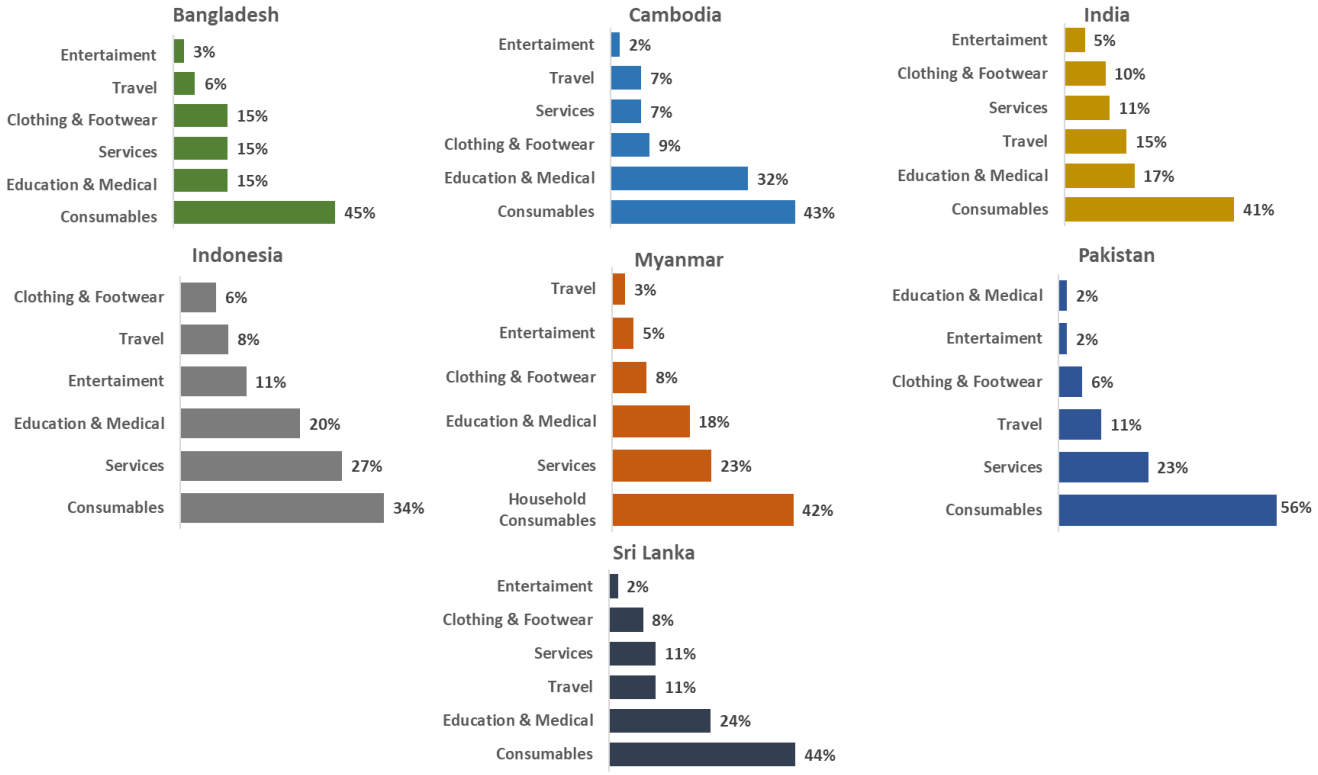


Source: Primary Data

2.8. Non-Food Consumption

The survey collected data on the pattern of non-food consumption by workers. The non-food consumption is captured across six areas of consumption: footwear and clothing, educational and medical expenses, travel expenses, entertainment, services, and expenses on household consumables. The following graphs illustrate the share of expenditure in these six areas of non-food consumption among the workers.

Figure 2.10: Share of non-food expenses



Source: Primary Data

2.9. Income, Food and Non-Food Expenditure

The following figure compares the actual non-food consumption, monthly wages, and non-food expenses estimated at living wages. It may be noted that the monthly wages of the workers are insufficient to meet even the basic non-food requirements of the families.

Table 2.7: Income, food and non-food expenditure

Country	Currency	Income		Actual Expenditure			Ratio	
		Individual	Family	Food	Non-Food	Total	Food	Non-food
Bangladesh	BDT	10,821	24,137	10,754	13,619	24,373	44	56
Cambodia	USD	260	387	212	222	434	49	51
India	INR	9,999	18,020	8,359	9,277	17,636	47	53
Indonesia	IDR	3,382,428	5,302,586	2,570,342	2,854,582	5,424,924	47	53
Myanmar	MMK	237,100	426,520	201,509	224,983	426,492	47	53
Pakistan	PKR	21,369	33,213	17,433	22,624	40,057	44	56
Sri Lanka	LKR	30,909	58,897	31,522	32,036	63,558	50	50
Average							**44**	**56**

Source: Primary Data

The data also reveals the actual average ratio of food and non-food consumption is 44:56, which is close to the decision made by AFWA in 2020 to adjust the ratio of food and non-food consumption from 50:50 (used since 2009) to 45:55.

2.10. Asia Floor Wage Estimates

Based on this data, taking into account the standards of 3000 calories, 3 consumption units, and the ratio of food and non-food at 45:55, the estimated Asia Floor Wage figures are as follows:

Table 2.8: Asia Floor Wage estimate in PPP($)

Country	Currency	Ratio		AFW Living Wages Calculation (3000 Kcal)			PPP Conversion Factor	PPP($)
		Food	Non-Food	Food	Non-Food	Total		
Bangladesh	BDT	45	55	19,412	23,726	43,139	33	1,300
Cambodia	USD	45	55	315	386	701	1,490	1,895
India	INR	45	55	14,952	18,275	33,226	21	1,567
Indonesia	IDR	45	55	3,590,028	4,387,812	7,977,841	5,067	1,574
Myanmar	MMK	45	55	337,512	427,515	765,028	435	1,760
Pakistan	PKR	45	55	23,740	29,015	52,755	42	1,256
Sri Lanka	LKR	45	55	49,085	59,992	109,077	59	1,849
					LIVING WAGE ASIA			**1,600**

Source: Primary Data

The Asia Floor Wage figure in PPP($) is 1600. This figure is then converted to local currency as follows:

Table 2.9: Asia Floor Wage estimate in local currency

Living Wage Asia 1,600				
Country	Currency	PPP Conversion Factor	Living Wage Estimates 2022	Living Wage Estimates 2020
Bangladesh	BDT	33	53,104	48,280
Cambodia	USD	1,490	701	588
India	INR	21	33,920	29,323
Indonesia	IDR	5,067	8,107,632	7,249,086
Myanmar	MMK	435	695,536	516,312
Pakistan	PKR	42	67,200	47,627
Sri Lanka	LKR	59	94,400	75,601

Source: Primary Data

2.11. Conclusion: Asian Overview

This chapter presents the methodology for estimating AFW living wages. Moreover, it offers a comprehensive overview of the status of living wages, the composition of expenditure and consumption baskets, and the working conditions in the garment manufacturing industries across Asian countries.

The table below shows a comparison between living wages, actual expenses[3], and monthly wages[4]. The figures have been converted into PPP$ to ensure comparability.

Table 2.10: Monthly Wages, Actual Expenses and Living Wages

Countries	Monthly Wages (PPP$)	Actual Expenses (PPP$)	Living Wages (PPP$)
Bangladesh	326	734	1219
Cambodia	260	434	701
India	472	840	1469
Indonesia	668	1070	1687
Myanmar	545	1010	1806
Pakistan	509	929	1276
Sri Lanka	524	1077	1733

Source: Primary Data

Bangladesh (326 PPP$) reports the lowest wage figures followed by India (472 PPP$) and Pakistan (509 PPP$). Cambodia reports the highest wages at 704 PPP$ followed by Indonesia at 668 PPP$. A similar pattern can be observed, when considering the actual expenses incurred by the households.

However, in the case of living wages, Myanmar reports the highest at 1806 PPP$ followed by Cambodia (1776 PPP$) and Sri Lanka (1733 PPP$). On the other hand, Bangladesh and Pakistan report the lowest figures at 1219 PPP$ and 1276 PPP$ respectively.

Table 2 below shows the share of the workers' current monthly wages to the actual expenses and to the living wages.

Table 2.11: Monthly wages as a share of actual expenses and living wages

	Monthly Wages Share of Actual Expenses	Monthly Wage Share of Living Wages
Bangladesh	44%	27%
Cambodia	60%	40%
India	56%	32%
Indonesia	62%	40%
Myanmar	54%	30%
Pakistan	55%	40%
Sri Lanka	49%	30%

Source: Primary Data

[3] Actual expenses refer to the expenses incurred by the workers' household as reported in the HCES survey described in this chapter

[4] Monthly Wages here refer to the total wages received by the worker. It includes overtime wages, performance allowances and other benefits.

This comparison is primarily done to understand the inadequacy of the current wages and the gap between actual wages and the estimated living wage figures. It may be noted that in none of the countries are the wages of a single worker enough to cover even existing expenses, which are at poverty standards. Indonesia reports the highest wage share of actual expenses at 62%, followed by Cambodia at 60% and then India at 56%. In the case of wages as a share of estimated living wages, none of the countries report even 50%. Pakistan, Indonesia, and Cambodia report the highest at 40%, i.e., the existing wages of the workers are 40% of the estimated living wages for the respective countries. Here also, Bangladesh reports the lowest, which was also the case in the previous aspect.

Similarly, Table 2.12 below, shows that there also exists a systematic gap between minimum and living wages across Asian countries over time. Between 2014 and 2022, except for Bangladesh and Sri Lanka where the gap fell marginally by 2%, the gap has increased by 24% in India, 7% in Cambodia, and 26% in Indonesia. The prevailing legal minimum wages often act as a ceiling rather than a bottom line, and can be described as poverty-level wages as they tend to be below the subsistence level.

Table 2.12: Minimum vs Living Wage in Asia, 2014 and 2022

	2014	2022		
Countries	**Ratio of Minimum Wage to Living Wage**	**Living Wage (LCU)**	**Minimum Wages (LCU)**	**Ratio of Minimum Wage to Living Wage**
Bangladesh	19%	53104	8000	15%
Cambodia	21%	701	194	28%
India	26%	33920	16792	50%
Sri Lanka	19%	94400	16000	17%
Pakistan	NA	67200	25000	37%
Indonesia	31%	8107632	4641854	57%
Myanmar	NA	695536	105600	15%

Source: CCC (2014) and AFWA consumption survey (2022).

The comparative analysis conducted in this chapter across Asian countries brings forth several insights. Despite the heterogeneous composition of the garment workforce in each country, a stark similarity is observed in the cost-of-living (or consumption) expenditures and the components of food and non-food items across Asia. This justifies the choice of Asia as the unit of analysis of a 45:55 ratio between food and non-food items, which allows for a regionally equivalent and consistent standard for estimating living wages.

Moreover, the composition of the garment labour force exhibits similarity across Asia, including a high share of temporary, casual, or irregular employment, a predominance of women in the workforce ranging between 70%-85%, large family sizes or number of dependents, and a lack or inadequacy of social security benefits.

Finally, similarities can be observed in terms of the lack of quality of housing and living conditions for garment workers in the region. This includes the lack of asset ownership (assets owned are limited to household consumables like TVs, mobile phones, etc.), a predominance of rented housing or the lack of ownership of house or land, and limited access to sanitation facilities (shared use of toilets or access to clean drinking water) and healthcare infrastructure in urban areas.

This report highlights the continued deprivation of garment workers in terms of sustainable wages, economic or social mobility, skill acquisition, savings, and the accumulation of modest assets or wealth to be resilient to social and economic crises.

References:

Arifin, S. (2018). 20 Tahun Reformasi: Strategi Pemodal Menghadapi Kenaikan Upah Minimum. Majalah Perburuhan Sedane. Available from https://majalahsedane.org/20-tahun-reformasi-strategi-pemodal-menghadapi-kenaikan-upah-minimum/

Asia Floor Wage Alliance (AFWA). (2007). Position Statement of Asia Floor Wage Alliance. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/AFW-Position-Statement-7-07.pdf

AFWA. (2017). Asia Floor Wage Alliance: A Short History at the Brink of Transition. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/A-Short-History-on-the-Brink-of-Transition.pdf

AFWA. (2008). Asia Floor Wage Alliance: Public Launch Decision Statement. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/AFW-HKG_DECISION_STATEMENT_8-08.pdf

AFWA. (2009). Perspective: Asia Floor Wage and Gender. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/AFW-and-Gender-Public-Launch-2009.pdf

Bhattacharjee, A., Roy, A., Bhardwaj, K. (2015). Introduction. Towards an Asia Floor Wage: A Global South Labour Initiative for Garment Workers in Asia. Available from: https://asia.floorwage.org/wp-content/uploads/2022/01/Towards-an-Asia-Floor-Wage-Nov-2015.pdf

FAO, IFAD, UNICEF, WFP and WHO. (2022). The State of Food Security and Nutrition in the World: Repurposing Food and Agricultural Policies to Make Healthy Diets More Affordable. Available from: https://www.fao.org/3/cc0639en/cc0639en.pdf

ILO. (2021). A Methodology to estimate the needs of workers and their families. Available from: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/projectdocumentation/wcms_826326.pdf

CHAPTER 3

Conclusion

Prior to Asia Floor Wage Alliance (AFWA)'s inception, brands in global garment supply chains had ready responses to demands for living wages from garment workers. They would claim that they were already paying them, taking advantage of the confusion that existed between minimum wage and living wage. They would also state that labour had no unified formulation for living wage, and without a concrete demand, paying a living wage was not feasible.

The ILO introduced the concept of a living wage through incorporating twin concepts of a minimum level of remuneration and an acceptable standard of living. As Chapter 1 points out, the first concept grew in prominence and became aligned with the World Bank's poverty alleviation program. However, the concept remained on that track and was never able to rise to an acceptable standard of living for all workers.

AFWA recovered the concept of the "minimum living wage" (described in Chapter 1), which had been sidelined amidst contestations in the ILO discourse in defining the minimum wage. It converted minimum living wage into an operational concept and initiated a regional strategy by developing a comparable benchmark for living wage across borders. AFWA was able to unveil the disparity between the living wage and the minimum wage, highlighting that the minimum wage was barely above the poverty level. AFW has now gained recognition as a credible and legitimate benchmark for the living wage in the global industry.

AFW estimates the food basket cost at 3000 calories per adult which is validated by the recent ILO recommendation of 2950 calories. Another relevant and important factor is the earner and dependent ratio, which is suited to Asian family sizes and includes unpaid care costs in an overwhelmingly women-dominated workforce. AFWA has remained steadfast on these factors, even as other local level benchmarks have been advanced, which are based on excessively low calories and oppressive earner and dependent ratios.

The minimum wage is often a trade-off between the needs of workers and national economic development. The pandemic has shown that poverty-level benchmarked minimum wage does not provide any resilience to shocks or economic crises in workers' lives. By formulating the AFW living wage benchmark, AFWA has foregrounded the distinction between minimum wage and the living wage. The minimum wage is the legislated wage that Asian suppliers are obligated to pay while the living wage (specifically, the gap between minimum wage and the living wage) is a negotiable wage which is legitimate, and brands are called to negotiate with unions for its implementation in a progressive manner in their global garment supply chains.

The concepts in defining the AFW can be adapted to defining a common criteria for convergence even on minimum wage in the region. This report reveals that in Bangladesh, workers reported a per capita consumption of 1950 Kcal/day; 2521 Kcal/day in Cambodia; 2467 Kcal/day in India; 2148 Kcal/day in Indonesia; 1962 Kcal/day in Myanmar; 1921 Kcal/day in Pakistan; and 1834 Kcal/day in Sri Lanka. The caloric figures and the variations observed across the region, raise serious concerns, as the consumption standards reported are significantly below the international poverty standards. The situation depicts a stark picture of poverty and hunger prevalent in the industry with the current wage structures. The disparities in actual caloric consumption among these countries suggest a relationship to the normative

consumption levels at which minimum wage is set in each country. This implies the potential for convergence in defining a normative consumption level for the minimum wage across countries. This, indeed, would be a step forward.

The structure of the global garment industry forces supplier companies in Asia into extreme competition, often at the expense of labour. This competition can be moderated and reduced if only Asian states intervene on behalf of supplier companies to establish an acceptable norm for minimum wage by bringing coherence and convergence to the minimum wage policies in the region. The ILO estimation of 2950 calories food basket serves the purpose for a labour sensitive potential criteria to converge the minimum wage policies and wage fixing mechanisms across countries of global South. It is in this direction that the AFWA can play a significant role in initiating an engagement among the labour movement in Asia. This report establishes the robustness of the food criteria as an effective tool for determining living wage and, this can be effortlessly used to define a converging minimum wage.