



LABOUR RIGHTS IN A CHANGING GARMENT INDUSTRY

THE ASIAN FLOOR WAGE CAMPAIGN SUMMARY

What is the Asia Floor Wage Campaign?

An alliance of 34 trade unions and labour rights NGOs in 14 Asian countries has been established to promote a regional floor wage for garment workers in Asia. The idea behind this proposal is to put a floor on the race to the bottom on wages.

Competition among garment producing countries has been keeping wages under constant pressure, with devastating effects for workers and their families.

The Asian Floor Wage Campaign is attempting to establish an acceptable floor for wages in the region in order to prevent further wage competition between Asian garment exporting countries.

The New Trade Union Initiative in India, which initiated the campaign, identifies two main reasons for poverty wages in the Asian garment industry:

- The garment sector in Asia is primarily geared to exports and foreign buyers are able to dictate the terms of trade, including the prices paid to suppliers, which have a negative impact on wages, and;
- Low levels of unionization and the absence of collective bargaining have caused wages to remain stagnant or even decline in the last decade.

Wage differences between garment producing countries in Asia are small:

Excluding Thailand, the wage differences between Asian countries are minimal. For an 8-hour work day, wages range between \$1.5 and \$2.5 US\$, for an average of 2 US\$.

This low wage level is generally around half of what is required to support a worker and her family. A decent living wage would be based on the basic needs of an average sized family in a particular country, taking into account the average number of wage earners in such a family.

Consolidation of global garment manufacturing in Asia offers opportunities

The lifting of quota restrictions after 2005 has resulted in a further consolidation of garment production in Asia. Campaigners believe that this consolidation can be used to leverage collective bargaining gains for labour in this sector among Asian countries'. While relocation might happen between Asian countries, Asia as a whole is unlikely to lose much business.

A regional wage campaign against capital mobility

The Asian Floor Wage Campaign advocates a *regional strategy* against capital mobility in order to address the problem of capital 'cut and run' strategies. While business might shift within Asia if wages were to go up significantly in one country alone, the Asian Floor Wage proposal seeks

to prevent migration of business from one country to another on the basis of negative wage competition between countries.

The use of Purchasing Power Parity (PPP)

The Asian Floor Wage Alliance defines a regional floor wage based on the purchasing power parity (PPP) method, which is a hypothetical currency in which one dollar PPP has the same spending capacity in each country as one US dollar does. In other words, PPP shows how much a local currency unit is worth within a particular country given the relative prices of goods and services. For example, in China, Bangladesh or India one US dollar has the equivalent spending power of 5 US dollars in the United States. The use of PPP would make it possible to set a common wage level among different countries.

Comparison with wages in the US

In the USA the legal minimum wage is \$5.15 per hour i.e. \$41.2 per day for an 8 hour working day. Translated into PPP, this means that an Indian garment worker would have to earn \$8.2 per day or Rs.11,000 per month to have the same standard of living as a worker earning a legal minimum wage of \$41.2 in the USA. Currently, the prevailing wage in India is only one fourth of this wage. This situation is similar for the other Asian garment exporting countries.

Proposal to double wages

Since current garment wages in Asian countries fall within 25 percent of \$9 PPP per day, the Alliance proposes a doubling of wages. This would result in a wage band from \$3.4 per day in Vietnam to \$5 per day in Indonesia, and would give the Asian worker a purchasing power parity of \$18 in the USA, or around 40 percent purchasing power of a worker in the USA at the Statutory Minimum Wage.

Since wages only represent a small percentage of the retail price, the Alliance argues that the supply chain has the capacity to absorb such wage increases without much difficulty.

Focus on first tier companies

The Asian Floor Wage Alliance will focus on large manufacturers (or Tier 1 companies) that often employ thousands of workers and have direct supply relations with major brands and retailers. It argues that a wage campaign may have more leverage if aimed at these companies because:

- Labour-cost as a proportion of the garment price is relatively low at these manufacturing facilities that specialize in a range of activities related to the production process (not just cut-make-trim);
- The large investments in these facilities makes it more difficult to relocate them in face of a campaign; and
- Large orders, strict time schedules and high penalties for late delivery or failure to meet order deadlines make them vulnerable to disruptions in production.

Further, the Alliance believes that if workers from different Asian countries working in Tier 1 companies were to come together with a common wage proposal, this would ensure that local manufacturers and foreign buyers would not be able to force wages down in the countries by threatening to shift production elsewhere. While first tier companies only represent a small percentage of all garment producers, the Alliance believes that any wage increase for worker in Tier 1 factories will have a positive effect for workers at smaller factories.

More information:

<http://www.asiafloorwage.org/>