

Global Industrial Bargaining in Garment Industry

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Introduction

The primary concern of trade unions is to improve wages and working conditions of workers in firms owned by capitalists. Wages are a key component of workers' well-being and trade unions are concerned with establishing dignified and decent wages for workers and their families. Their endeavours, through a large part of capitalist history, have been directed at establishing decent working conditions and a living wage within national boundaries. The concern for a decent wage also serves some important social functions, such as reducing gender wage gap and increasing the wage share, that go beyond the physical well-being of workers and their families. As the recent discussion on inequality points out, the fall of wage share in the 1980s and thereafter affects the stability of the international capitalist system (ILO 2013; also Nathan and Sarkar, 2014). Increasing wages and therefore, the share of wages in the wealth created from economic growth is an important part of inclusive growth.

The developing countries of Asia possess a large reserve army of labour in agriculture and the urban informal sector, on account of which establishing living wage levels, even in the organized factory sector, has been a hard-fought battle. However, the evolution of contemporary globalization, with the splitting up of production among different countries in the form of Global Value Chains (GVCs), has changed the arena within which the struggle for living wages takes place. Capital, particularly in GVCs, is mobile, while labour is relatively immobile. GVC-based capital, in particular, seeks to take advantage of the possibility of wage arbitrage that results from Global North capital having dual access to low-wage Global South production markets and to high-value Global North retail markets. With GVC-style functioning, manufacturing or cut-make-trim (CMT) functions in the apparel industry is separated from design, branding and marketing. The CMT segment of the garment industry is shifted to low wage locations, such as in the developing countries, which also have or can establish basic manufacturing capabilities. With developing country manufacturers competing for contracts with brand and retailers, the latter are able to utilise this competition to push down Freight-on-Board (FoB) prices for manufacturers. As a result brands and retailers pay increasingly low prices to Global South manufacturers for goods that they sell at high-value Global North retail markets. Manufacturers, in turn try to shift the cost pressure onto wages.

The competition among developing country capitalists for GVC-based investment or contracts has increased after the abolition of the national quota system that existed through the Multi-Fibre Arrangement (MFA). The increasing competition for GVC-based investment in the developing countries of Asia has forced trade unions in the region to rethink their strategies. On what basis then could there be an international strategy and international solidarity among trade unions of countries that were competing for GVC investment?

Furthermore, what international systems exist for regulation and monitoring of GVCs which have become the dominant mode of production?

Wage-setting in the Garment GVC Framework

Garment production occurs primarily in the Global South, in regions like Latin America, Africa, and Asia and in the periphery of the European Union in Eastern Europe. Although present on all continents, garment manufacturing remains concentrated in Asia, which accounts for 60 per cent of the world's clothing. In terms of scale of production, size of workforce, access to raw materials, technology, diversity of skills, and labour cost, Asia offers the most competitive advantage. Within Asia, garment production takes place in many countries such as China, India, Bangladesh, Sri Lanka, Pakistan, Indonesia, Cambodia, Vietnam, and Thailand. The garment GVC is the quintessential buyer driven chain, where multi-goods retail companies and big brands set the standard, both for products and wage conditions, for the garment global supply chain.

An astonishing phenomenon is that even as prices of most commodities have recently shot upwards, the prices of garments have *fallen* in the Global North. Moreover, the profits of garment brands have been impressive. This is explained by the fact that the CMT prices that brands pay to the manufacturers in Asia have decreased, possibly reducing the profit margins of Asian manufacturers, and keeping production workers' wages low. As Heintz (2002) notes, "Much of the emphasis on competitiveness has focused on production costs and, in particular, labour costs. Consumers in affluent nations benefit from low-wage imports when retail prices fall for the goods they purchase." Global sourcing companies pay approximately the same prices to their supplier factories in Asia: around 25 per cent of the retail price (Miller 2013). Because garment workers' wages make up a very small proportion of the final retail price for clothes – around 1 to 3 per cent – substantial wage rises could be achieved without a corresponding increase in retail prices.

The first step towards a corrective intervention is to examine the capital-labour relationship within the GVC, also known as the Global Production Network (GPN). At the Northern end of the GPN the competition is among commercial (retail) capital in the consumer market that takes the form of market share. At the Southern end, the competition in the newly expanded export oriented areas is among productive capital for supplying to global retailers. Lastly, the North-South vertical competition between the Global North buyers and the Global South suppliers is between the commercial and the productive capital over the distribution of profit. This vertical competition has been called 'value capture' in business literature.

It is important to understand how GPN structures the conditions of work in the chain. The low-cost production came to be synonymous with low-wage workforce. The Global North buyers compete in their home market with regard to share of access to low-cost production areas rather than by the price competition.

It is our argument that the surplus produced, through Global North TNCs' dual and exclusive access to Global North consumer market and to Global South low-cost production areas, is disproportionately distributed between local/Asian producers and the global buyers through the mechanism of price. At one end of the chain, in the consumer market dominated by brands there is rigidity of retail price to move

upwards. At the other production end, the expansion of the supplier base in the developing countries and the market for garment manufacturing becoming purely a commodity production (more as a market for tasks) create a competitive pressure among the suppliers for a race to the lowest level of production cost. These two parts of GPN operate in different competitive structures. The buyer-supplier price mechanism links these two parts and is the node at which disproportionate sharing of the surplus takes place. It also provides the possibility of a wage rise in the garment export sector in production countries if the workers could develop this node as a leverage point for a common demand and build an effective strategy and an organization structure to support this strategy.

It is at the level of the FOB (Freight-On-Board) price – essentially the transfer price from production area to consumer area -- that the unequal exchange in the GPN is hidden. The FOB price becomes the manifest market mechanism that covers the unequal-ness of the labour price for the equal labour productivity. The net result is a fall in purchasing power of the majority of people in Asia, over production of goods for which there are not enough consumers and unemployment in the Global North. Purchasing power of working class and poor people in Asia is falling and poverty levels are being pushed down so that few people can be listed below it.¹ This has blocked out the majority of today's consumers from the consumer market.

Retailers, including brands, are primarily interested in the FOB price of a garment. In arriving at a bargainable FOB price, they cost material inputs and labour. There is some elaborate calculation of labour minutes involved in various tasks (Miller 2013) and thus of total work that can be done in a working day. This calculation of total work done in a working day can be carried out at various efficiency levels. It is not unusual (Miller 2013) for the calculation to be done in a range from 50 to 75 per cent efficiency. How does this calculation of work translate into a monetary amount, i.e., into wages? This is the crucial aspect of the price-setting equation. The monetary calculation – labour minute value - could be based on a number of standards: it could be that which would provide the worker the minimum wage, or a poverty-level income, or even a living wage. What this would mean is that the piece rate used in pricing decisions should be based on the amount that would give the worker a target wage at the assumed average efficiency level. In principle, this target could be either the existing minimum wage or the living wage.

Buyers are concerned about the production cost of a consignment, while the actual wage level is the responsibility of the seller/manufacturer. Garment wage costing is based on the existing minimum wage. There are three reasons for this. Retailers and brands seek to maximise their profits from wage arbitrage and thus would push FOB prices as low as possible. On the other hand, developing country manufacturers compete to secure orders and so are willing to accept low margins in order to do so. This willingness to accept low margins is buttressed by their knowledge that under the surplus labour conditions prevailing in developing economies, there is a large reserve army of labour which would be willing to accept employment at a wage equal to or just above the existing minimum wage. Developing country governments, as part of supporting employers and employment, also keep minimum wages at a level much below the living wage level. Both suppliers and their governments see low wages as

¹ The Republic of Hunger and Other Essays, Utsa Patnaik. Three Essays Collective, 2007.

the key competitive advantage in securing investment and orders. This, of course, is the reason why unions are so crucial in securing living wages for workers. Any intervention to benefit production workers in this global garment production structure has to simultaneously consider the interrelated factors of brands' huge profits, low profit margins for Asian manufacturers, and stagnant wages for Asian workers.

The history of labour rights in the garment industry

Poor working conditions have been an historical feature of supply chains in the global garment industry. Workers' rights activists, at both production and retail ends, have been at the forefront of international accountability campaigns for over a decade, supporting the organizing of workers, publicising labour rights violations, fighting to hold employers and multinationals accountable to fair labour standards, and organising consumer-led anti-sweatshop campaigns. These campaigns have brought together companies, social organizations, unions, government, and international institutions in an effort to build multi-stakeholder initiatives focused on accountability. Activists have also extensively documented the working conditions, the global supply chain, consumer attitudes, and other aspects of the industry.

The result of this long history of activism has been the development of various sophisticated mechanisms for corporate monitoring and accountability in the garment industry. One example is the development of codes of conduct, which many multinational companies voluntarily developed under pressure from activists. In a similar vein, codes of labour practices were developed through dialogues initiated by the activist community. These codes have been supplemented by monitoring mechanisms and organizations. SA8000 is a standard developed for certifying and companies that are supposedly practising fair labour practices, including that of a living wage. International complaint mechanisms like the OECD mechanism have been painstakingly developed. These mechanisms have established the need for monitoring and have played a major role in developing powerful publicity campaigns to shape public opinion. These activities also help to develop a full understanding of the range of improvements needed for ensuring liveable conditions for workers.

Laudable as this work has been, it has not resulted in improving the protection of workers in the three ways that matter most – economic sustainability of workers and their families, collective voice at the workplace, and tripartite global mechanisms that provide for remedy and grievance involving MNCs. Economic gains have to be bargained for by workers; no employer will unilaterally share the gains without the articulation of this demand. In order to press for wage and other demands, the collective voice of workers has to be established legally and politically; mere verbal recognition of such a right by the employers does not mean that the conditions exist within which it becomes operational. Frequently, workers who have developed bargaining positions in a given factory and demanded higher wages have done so under the threat of closure and job relocation. Finally, the ILO, which is the only global tripartite body, has not yet developed any system for monitoring, regulation or grievance procedure for GPN structures. The UN Guiding Principles provide helpful guidance for MNC's due diligence, remedy and grievance; but they have not been operationalized by the ILO.

There have also been attempts at ensuring fair labour standards through the use of clauses in trade agreements (such as a social clause or labour-side agreement, as was

discussed in the context of NAFTA). In an industry like the garment industry, where production is spread out across the globe, such clauses or agreements do not necessarily deliver collective bargaining to workers in a specific country and may actually weaken workers' collective power by dividing them nationally, when in fact they operate within the global production chain of an industry.

Trade unions and labour rights organizations in Asia, after years of experience in the garment industry, came together in 2005 to frame a demand that is negotiable and deliverable, and that is appropriately formulated given the structure and economics of the industry as a whole. Starting with Bangladesh, Cambodia, China, India, Indonesia, Malaysia and Sri Lanka, the Asia Floor Wage Alliance as it is known, now comprises trade unions, labour and human rights organizations, development NGOs, women's rights groups and academics in over 15 countries across Asia, Europe and North America.

Components of the Asia Floor Wage

The Asia Floor Wage was formulated through a combination of top-down and bottom-up processes. The AFW Alliance used data from need-based surveys in India, China, Bangladesh, Sri Lanka, and Indonesia as a basis for the AFW formula. It is based on widely accepted norms that are institutionalized in existing policies, laws, and practices in Asian countries and on Asian governmental figures and international research.

The Asia Floor Wage is composed of two categories of expenditures: food and non-food. Both categories are estimated without subtle internal differentiations, the goal being to provide a robust regional formula which can be further tailored by trade unions in different countries, based on their needs and contexts. The food component of the AFW is expressed through calories rather than food items so as to provide a common basis. The calorie figure is based on studying calorie intake in the Asia region by governmental and intergovernmental bodies while defining poverty line, living wage and minimum wage levels. In addition, the two salient issues that the AFW considers are the physical nature of work (sedentary, moderate or heavy) and the calorific measures prevailing in current discourses. Garment factory work can be described as requiring moderate to heavy physical work.

In a report in June 1999, the Economic and Social Commission for Asia and the Pacific (ESCAP) published that "the per capita food intake for survival assumed for deriving the food poverty line varied across countries as well as within countries from 2100 calories to 2750 calories per capita per day." Official Chinese statistics plus a study produced by the Food and Agriculture Organization in 2000 show that the calorie requirement of those below the poverty line in China was 2,400 kcal/day (now revised to 2,100 kcal), while that used by the FAO is 1,920 kcal/day. The Indian Labour Conference in 1957 made 2,700 calories the norm for the minimum wage for an adult worker (performing moderate to heavy physical work). The Indonesian government most recently defined 3,000 calories as the intake figure for a living wage for a manufacturing worker (performing moderate to heavy physical work). The AFW Alliance has decided that the floor wage should not result in lowering standards in any country and therefore adopted the Indonesian norm of 3,000 calories as its standard.

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

Family basis

Living wage definitions normally include the notion that wages should support more people than just the individual worker. Minimum wage regulations, by contrast, may (as in India) or may not (as in Indonesia). The AFW unions decided to base the AFW on a family. The AFW Alliance studied the family sizes in key Asian countries and came up with an approximate average figure. The ratio of earner to dependants was calculated based on the family sizes in different countries. For example, the Ministry of Labour in India calculated the average size of a working-class family to be 4.46 in 2008, and the Ministry of Commerce in China calculated the average family size in China to be 3.38 in 2003. In order to account for childcare costs, the AFW posits a single-income family. The AFW defines the formula to be based on three adult consumption units. As a child consumes less than an adult, a child is calculated as half of one consumption unit. The three consumption units can then be configured in various ways: as a family of two adults and two children or one adult and four children or three adults.

Non-wage benefits

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

Hours of work

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

Asia Floor Wage currency

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

The PPP system does have some weaknesses. One is that the PPP definition of a basket of goods and services is largely based on habits of consumption in developed countries (buying countries). Also, the PPP reflects overall consumption habits in a country and is not adjusted for the working class population. In short, the PPP-defined basket of goods has a bias towards developed country and middle class habits. The second weakness is that the basket used in the PPP calculation is not the same as that of the AFW. The AFW basket is a variable basket divided only into food and non-food (as a factor of food cost) items based on actual averages of working class food and non-food expenses. The third weakness in the PPP definition is that it is calculated at longer intervals and is not a current reflection. Despite these weaknesses, however, the PPP is the only relevant and stable measure reflecting consumption. If the weaknesses and biases explained above are corrected, the value of the AFW will only be pushed upward.

Thus, the current formulation of the AFW continues to be a conservative estimate for a minimum living wage. Any calculation of living wage has an element of subjectivity, since there can be differences about what expenses should be included. Additionally, the expenses to be included differ based on culture and social situation. But the AFW being conservative meets a minimal criterion put forward more than a hundred years ago, “We can, at least, produce a limit below which it is wrong to go, while not committing ourselves to the conclusion that the limit is sufficiently high,” (John Ryan in 1906, quoted in Anker, 2011: 12).

Asia Floor Wage formula

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

Table -- Asian Floor Wage in Local Currency on the basis of PPP 2012-2013.

<i>Country name</i>	<i>PPP Conversion factor, 2011</i>	<i>Local Currency figure for 540 PPP\$, 2012</i>	<i>Local Currency figure for 725 PPP\$, 2013</i>
Bangladesh	35.43	19132	25687
Cambodia	2,182.99	1178815	1582668
China	4.32	2333	3132
India	22.4	12096	16240
Indonesia	5,583.76	3015230	4048226
Malaysia	2.16	1166	1566
Nepal	39.11	21119	28355
Pakistan	36.38	19645	26376
Sri Lanka	63.68	34387.2	46168

Source: Asian Floor Wage Alliance.

Costing with AFW

As mentioned in other parts of this chapter, wage costs account for barely 1 to 3 per cent of final retail prices, while FOB prices are around 25 per cent of retail prices. What would be the cost difference to garments based on paying living wages? Miller (2013) calculates wage costs on the basis of AFW living wages at 50 per cent efficiency.

Table: Living wage unit costs in US cents at 50 per cent efficiency using AFW wages

Bangladesh	0.50
China	0.76
India	0.48
Sri Lanka	0.48
Thailand	0.76
Indonesia	0.64

Source: Miller (2013), Table 5

Based on this data, it is possible to calculate that, in Bangladesh for example, the costs of shifting from 2012 wages to the AFW would be just between 1 and 3 per cent of the retail price (Miller 2013, 15). If the cost of implementing an AFW wage-based costing is so low, then why has securing it been so problematic? In brief, the struggle pits trade unions and their supporters against a market-based solution to the wage question. In the age of neoliberal globalization, international and national policy makers accept that wages, as the price of labour power, should be set like the price of another commodity on the market. Trade unions and other protagonists argue that labour is not a commodity like any other, and that its price should be taken out of the purview of market-based determination.

In the world of GVCs, what this means is that there is a double responsibility on both the buyer (retailer or brand) and supplier (developing country manufacturer). As the late trade unionist Neil Kearney put it, “A sustainable system would see the employer being responsible for the payment of a living wage and the buyer being responsible for making the payment of a living wage a contractual obligation, paying prices that

enable the supplier to fulfil that obligation, and supporting suppliers in bearing the risk of paying higher wages by providing greater stability in orders,” (quoted in Miller 2013, 1).

It should be noted here that fashion retailers are not engaged in any systematic costing of the labour input into garment manufacture (Miller 2013).² The imprecise clarification of ‘labour minute values’ and factory efficiency are significant factors in the chronic persistence of factory non-compliance on wages and overtime. It is possible to calculate labour minute values for any garment that also incorporate a living wage element. It is possible to determine and ring-fence the agreed labour cost and to make this an explicit part of the contractual obligation between the buyer and the supplier, in the same way that fabric is itemised in negotiations. Ring-fencing the labour cost would force brands and suppliers to address the issue of how a factory is operating, since the basic minimum wage would be the same regardless of factory efficiency. Of course, with fixed labour minute value the pressure could then shift to reducing standard allowed minute.³

The right to a minimum living wage

The AFW is the practical implementation of the original ILO concept of a “minimum living wage”, which is an important qualitative concept, without a concrete quantitative definition. The AFW is intended to function as a quantitative definition of a minimum living wage for garment workers in the global garment industry. The AFW campaign seeks to define and assert the right to a minimum living wage for garment workers and set a precedent for assertion of the right to a minimum living wage.

The AFW has several other social benefits, including that it will help decrease the gender pay gap by raising the floor. Worldwide, women form the vast majority of garment workers. They are over-represented among low-paid workers and their mobility to move into higher wage work is also lower. The AFW raises the value of women’s work to a dignified level, demonstrating to female workers that they are worthy. In fact, some believe that the garment industry has such low wages because it employs predominantly women (unlike, say, the more male automobile industry). Workers work back-breaking overtime hours to earn a minimum living wage, while their family lives, health, and basic humanity are lost in the race. In addition, a new generation of children without parental care or education will only lead to more child labour. Raising workers out of poverty leads to sustainable communities where new generations can lead a better future.

The AFW affirms the principle that the only way to enforcement is through unions. AFW implementation requires the existence of a union, and is not a substitution for unionization. In so far as the AFW is a collective bargaining strategy, the right to “effective recognition of collective bargaining” is essential, and efforts must be made to secure the necessary legal and institutional framework for this. The ILO makes explicit the link between collective bargaining and wage setting in its *Global Wage Report 2008/09*. It notes that “higher coverage of collective bargaining ensures that

² We owe this point to Doug Miller

³ We owe this point to Doug Miller, personal communication.

wages are more responsive to economic growth, and also contributes to lower wage inequality”.

Indeed, collective bargaining is not simply a means to various welfare-related ends for workers, but a process by which they assert and realize their rights, and expand the scope of their rights and of justice in society. In that it includes an assertion of the right to equal participation in social life and in the project of human development, the AFW can be understood as an essential mechanism for ensuring “the continuous improvement of living conditions” as envisioned in the Universal Declaration of Human Rights.

Campaigning for the AFW

The AFW movement carried out an International Public Launch on October 7, 2009. The AFW Alliance wrote letters to almost 60 brands demanding meetings for the delivery of AFW. From 2009 onwards, the AFW Alliance has engaged in numerous debates and dialogues with brands and multi-stakeholder initiatives (MSIs) and several meetings with the ILO and Global Union Federations (GUFs). Over two years, the AFW achieved international credibility and legitimacy and began to be used as a benchmark by some brands/MSIs and semi-government agencies just as it gained currency in ongoing discussions on labour issues world-wide.

The Asia Floor Wage bargaining process targets the brands, the principal employers of the buyer-driven global subcontracting commodity chain, in order to ensure decent wages for workers in the industry, since it is the buyers who exercise maximum influence on the way that production is organised. Central to the demands of the AFW therefore, is the need for a concerted effort by brands and retailers to address the issue of unfair pricing, as an important first step towards the implementation of a living wage in the garment industry. The AFW is formulated based on the paying capacity of the global industry whereas national wage definitions arise from an analysis of prevailing wages within the country. The proposed demand is an Asia Floor Wage for Asian garment workers in conjunction with fair pricing that would make Asia Floor Wage possible.

Labour cost is one of the most suppressed costs of production. Other factors of production include quality of infrastructure, access to raw materials, technology, energy, transportation, quality of management, legal systems, etc. Yet another factor in production costs is the purchasing practices of buyers that include lead time, quantity of order, advanced planning, etc. The AFW fixes the labour cost, which would reduce the tendency of both the industry and governments to compete solely on this human factor and make them focus their attention on other factors. This could push for more efficiency, higher productivity, and better production and sourcing systems. As Piore and Sabel (1994) pointed out, when wage competition is taken out of the picture clusters become more competitive; on the other hand, clusters where wage competition prevails tend to lose competitiveness.

An initiative involving labour costing will require a high degree of transparency and openness between sourcing companies and their suppliers. Some buyers insist unilaterally that their suppliers ‘open their books,’ during price negotiations, a practice which some observers see as naked power play in an attempt to drive prices down. In such circumstances, it is argued, suppliers have no other option but to hedge

by distorting their figures. A more cooperative 'open book costing' will require integrity measures on the part of buyers such as price increases, long term supply agreements and the offer of productivity expertise where available. Buyers will also require an assurance that the additional amount of money identified as the living or sustainable wage element in excess of the current prevailing unit labour costs is reaching the workers. The AFW Alliance has shown a willingness to participate in helping brands to develop such mechanisms.

Since the Asia Floor Wage was made public on October 7, 2009, then, it has gained recognition as a credible benchmark for a living wage in the industry, in the garment labour movement, and in scholarly discussions. The AFW has become a point of reference for scholarly living wage debates such as by Richard Anker (2011) and Daniel Vaughan-Whitehead (2010). Anker pointed out, "The Asia Floor Wage Alliance is an important recent initiative that has breathed new life into interest in living wages" (2011: 38). It has been adopted as a living wage benchmark by the multi-stakeholder forum, the Fair Wear Foundation (2014), and serves as a point of reference for brand-level associations such as the Fair Labor Association. The German development organisation GIZ has acclaimed the value of AFW. The AFW has been adopted by a few brands as a comparative benchmark for wage analysis; its credibility and feasibility continue to act as a pressure point. The Workers' Rights Consortium has used the AFW in a variety of ways in its analysis and benchmarking (e.g. analysis of Alta Gracia, Dominican Republic, 2014).

Bargaining

The AFW bargaining process targets the brands in order to ensure decent wages for workers in the industry. Brands and retailers' financial power is built through the garment global supply chain and sharing a negligible fraction of their profit could dramatically lift millions of workers and families out of poverty. The AFW Alliance has developed the Asia Brand Bargaining Group (ABBG) consisting of a number of Asian unions to enable greater coordination and regional bargaining that complements national priorities and struggles.

The ABBG has four common demands pertaining to the welfare of garment workers in Asia: living wage, freedom of association, abolition/regulation of contract labour, and an end to gender-based discrimination. The AFW Alliance has conducted four National People's Tribunals in India, Indonesia, Sri Lanka, and Cambodia on the issue of a living wage and working conditions in the garment global supply chain. Dozens of women workers have testified, and brands have been asked to testify as well to demonstrate what they have done to deliver living wage. The jury verdicts that have emerged from these point to shocking deficits in decent labour standards and dangerously low wages. In Cambodia, for example, the mass fainting of women workers in the workplace was clearly attributed to malnutrition and poverty wages. The juries in all four tribunals have unanimously recommended that a living wage needs to be paid immediately and that any other activity of the TNCs (the most popular being further research to learn what is already well known) are only delaying tactics.

The Asia Floor Wage Alliance believes that the Asia Floor Wage must be implemented by brands that possess political and economic power in the global supply chain. A generalized pricing mechanism can be developed, taking into account

the unit AFW labour cost of a garment in terms of both FOB and retail costs. AFW would fix the floor for the labour cost so that the FOB costs can be adjusted through other factors and the price agreed upon accordingly. The premise of Asia Floor Wage implementation requires freedom of association to be respected and for unionization to occur, since enforcement can only be done effectively with unions and worker representatives as part of the process. Therefore, the right to organise is central to the ultimate success of the Asia Floor Wage campaign. An AFW is possible only in the presence of dynamic workers' struggles. In fact, the AFW campaign converges national struggles into an Asian framework and so, complements and adds to the power of bargaining at national levels.

Conclusion: A Step on a Long Road

Garment workers in Asia, the majority of whom are women, currently earn less than half of what they require to meet their own and their families' basic needs, such as for food, water, education and health care. A recent calculation by the Clean Clothes Campaign gave the following percentages of prevailing minimum wages to the AFW – Bangladesh 19 percent; China 46 per cent; India 26 per cent; Cambodia 25 per cent; Indonesia 31 per cent; Malaysia 54 per cent; and Sri Lanka 19 per cent (Clean Clothes Campaign 2014). Formulating the AFW and building an AFW Alliance are steps on the way to securing decent work for Asian garment workers.

The Asia Floor Wage concept and its PPP calculation are also important to taking the living wage issue beyond national boundaries. As capital globalizes its operations, workers, even in their struggles for improvements in wage and working conditions, also need to go beyond national boundaries, not just in terms of solidarity but in moving towards common goals. The AFW is one such common goal for workers in Asia. Although formulated with reference to garment workers, it is relevant to all workers in Asia. However, in order to be extended to other regions there would have to be some adjustments to what are considered basic living standards.

A few International Framework Agreements (IFAs) that have been created by global unions, so far have been restricted to particular brands. The AFW Alliance seeks to go beyond that to secure labour rights across an industry in a region. Such a regional grouping is important to reduce wage-based competition among countries. Since Asia is the largest manufacturer of the world's garments, it is likely that a regional alliance for the AFW could have an effect on wages across the region. In this regard, the AFW demand and process is historic in that it is attempting to develop a global industrial collective bargaining framework for a wage increase for production workers within the garment global supply chain.

Finally, there is an urgent need to develop global mechanisms for monitoring and regulation of global production networks. At present, the OECD mechanism serves as the only global forum that provides guidelines for multinational companies and avenues for complaints to be made in the home countries of the TNCs. However, the world's only international tripartite body, the ILO, has only now begun to examine the global supply chain structure. ILO's decision to discuss global supply chains in the 2016 ILC is a welcome step.

The ILO, in spite of being an international body, has not adequately updated its mechanisms to address the dominant economic phenomena of the global supply chain or the GPN. It continues to view labour relationships within the framework of the nation-state which is only a partial view of the GSC. The ILO has not yet internalised the seamless business relationships that transcend national borders, such as that between buyers and suppliers, explained above. Without doing so, the ILO is unable to contribute to the progressive enhancement of labour rights and human rights as it is unable to locate the responsible partners within the borders of the nation-state. The ILO's ability to identify, monitor, and advise governments and employers is therefore crippled.

The scale and level at which the ILO operates needs to reflect the scale and level of relationships that exist in business and in employment. As this essay shows the garment global supply chain relationships are structured *regionally* and converge between Asia and the Global North (such as Europe, United States).

Along with the scale, the ILO would need to study the definition of “risk” and “adverse impacts” in the global supply chain. As this essay demonstrates, retailers and brands seek to maximise their profits from wage arbitrage and thus push FOB prices as low as possible. This in turn leads to other impacts such as wage theft and forced labour. Therefore, the GPN which is a structure that emerges out of the advantages of wage arbitrage, has an inherent risk associated – that of a hazardously low level of FOB price, associated wage violations, and forced labour. In the GPN, the wage of the worker and the FOB price paid by the brands and retailers are structurally linked.

Given the direct relationships that exist between the buyer and the supplier, the ILO would need to study the role of the governments of both parties in protecting core labour standards including suppression of unionisation. The ILO would need to examine the premise that states must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. This requires taking appropriate steps to prevent, investigate, punish and redress such abuses through effective policies, legislation, regulations and adjudication. In other words, the ILO would need to identify ways of facilitating context-informed risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts of MNC activity and effectively address such impacts when they do occur. Risk-based due diligence assessment should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve.

Given the direct relationships that exist between the buyer and the supplier, the ILO would need to study the contexts that encourage business partners, i.e. suppliers to apply principles of responsible business conduct, including through giving suppliers positive incentives for compliance and supporting long-term relationships that bring stability to the workplace.

Given the direct relationships that exist between the buyer and the supplier, the ILO would need to identify and recommend effective grievance mechanisms; and based on engagement and dialogue, draw on experiences for improving the mechanisms and preventing future grievances and harms.

Since the UN Guiding Principles provide helpful guidance for “due diligence” by MNCs in global supply chains, it is worthwhile for ILO to study how to operationalize these principles within its tripartite system. This would include defining adverse impacts, ending discrimination of unionisation, remedial mechanisms and dispute resolution in global supply chains. In other words,

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