



# Will women workers benefit from living wages?

A gender-sensitive approach to living wage benchmarking  
in global garment and footwear supply chains

Background Paper by Christa Luginbühl  
released by Clean Clothes Campaign and Public Eye  
December 2019

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### **Acknowledgements:**

- Anannya Bhattacharjee, international coordinator Asia Floor Wage Alliance, India
- Dr. Natalie Benelli, Haute école de travail social et de la santé | EESP | Lausanne - HES-SO, Switzerland
- Anne Bienias, Living Wage Coordinator CCC International Office
- Frieda De Koninck, European Coordination Clean Clothes Campaign
- David Hachfeld and Elisabeth Schenk, Public Eye/CCC Switzerland
- Artemisa Iarja, Researcher, Albania
- Oksana Dutchak, Center for Social and Labor Research, Kiev, Ukraine
- Petra Kohler, Social anthropologists, specialised in gender and sanitation, Switzerland
- Dr. Jeroen Merk, Research fellow, University of Edinburgh, Scotland
- Dominique Muller, Policy Director, Labour Behind the Label, UK
- Dr. Bettina Musiolek, Co-coordinator Europe-East/South, Clean Clothes Campaign
- Ashim Roy, India
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Photo front page: © Susanne Hörenz

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## EXECUTIVE SUMMARY

The global garment and footwear industry relies heavily on the work of women, who represent up to 80% of its global workforce. The current living wage debate presents both opportunities and risks for the millions of women workers in this industry. A living wage is a central enabling human right: as such, it is a powerful tool not only to improve the working situation of women workers but also to create an environment in which they can realize their full capabilities. However, if the benchmark for a living wage is set too low, it risks cementing their current situation, in which they face poverty related gender-specific consequences and multiple burdens of work, including care work, and the challenges arising from income poverty, such as the need to work overtime, engage in multiple jobs, or search for the cheapest food, all of which result in absolute time poverty. This paper therefore argues that it is imperative to adopt a gender-sensitive approach in the living wage discourse, and to look at the implications that such an approach has on the methodology of calculating a living wage and on the measures to implement it.

Based on a comparison of two widely used calculations, the Anker methodology and the Asia Floor formula, the paper argues that three factors need to be addressed in gender sensitive living wage calculations: First, the basic food basket should allow for budget variations and margins, rather than relying solely on the lowest possible prices. Second, specific societal expectations towards women should be reflected in a broader definition of 'family' that includes family care networks that exist beyond the immediate household. This is particularly important in countries lacking state organized social infrastructure, where it is mostly women who are engaged in caring for elderly or sick family members, not necessarily living in the same household. Third, precisely because of these societal expectations on women to perform care work, it is crucial that the living wage estimate reflects unpaid care work: the unpaid caregiver, who is required to look after children and other needy family members, still has to meet her basic needs. This means that the ratio of wage earner to wage dependent used to determine the living wage estimate must be chosen advisedly, and not merely rely on comparing average household sizes with average employment participation rates. It is essential to scrutinize and challenge the gendered division of work into paid and unpaid work, and the societal expectations and pressure that go along with it. A living wage approach that focuses on supporting the full capabilities of women workers can contribute to creating the space needed for a wider societal debate regarding the work distribution among men and women.

In terms of the operationalization of a living wage estimate, it is important to note that a technical approach alone will not lead to meaningful wage hikes. Wage discourses and cost distribution along the production chains are, by definition, highly political and dynamic issues. It is therefore necessary to also approach the question from a political perspective. Hence living wage benchmarks must not be set locally and in isolation, but using an international approach that mirrors the cross-border nature of production and trade dynamics in global production chains.

Lastly, in order to transform a living wage estimate into concrete actions, it is imperative that brands make a public commitment to a clear living wage benchmark that includes an implementation timeline and dedicated budget. The large wage hikes needed to reach a living wage that serves women workers and their families are possible, even without higher retail prices and changes to profits of brands and middle-men, but only if prices are set without mark-up pricing. To this end, it is necessary to change standard pricing models and price escalation based on fix margins in production chains.

## Garment and footwear: an industry based on female labour

The International Labour Organisation (ILO) notes that “the expansion of outsourcing through global supply chains has been a factor in rising employment, especially in developing countries, with particular evidence of increased employment opportunities for women workers in labour intensive industries such as apparel and agrifood.”<sup>1</sup> Indeed, the garment and footwear industry is a global job creator and has helped to integrate millions of women into the formal and informal labour market. An estimated 60 – 75 million workers are employed in the textile, garment and footwear industry<sup>2</sup> - a significant proportion of the estimated 453 million jobs<sup>3</sup> related to global supply chains. The female participation rate is very high; the Clean Clothes Campaign (CCC) estimates that around 80% of employees in the garment industry are women.<sup>4</sup> The garment and footwear industry is characterized by a high percentage of informal or semi-formal employment arrangements, and thus by a thriving grey and shadow economy; the real number of jobs in the global value chains of these sectors is therefore likely to be even higher. In addition, statistics structurally undervalue the contribution of the garment and shoe industries to the Gross Domestic Product (GDP) and exports. In particular, the value added by trade activities within systems such as the OPT in Europe,<sup>5</sup> and comparable trade schemes, is low as it only includes the costs of low-wage labour.<sup>6</sup>

The garment and footwear industry traditionally relies on buyer-driven global value chains, where “producers are bound by the decisions of retailers and brand-name companies”<sup>7</sup>. Buyers outsource and mostly offshore production to independent production sites in low-wage countries. Despite significant changes within the industry, including digitalization that is enabling new business models such as direct cross-continental distribution channels from production factories to consumers, the classic buyer-driven supply chains remain predominant. The impact of buyers' behavior is therefore considerable, and sourcing decisions have direct consequences for workers, as highlighted by the United Nations Conference on Trade and Development (UNCTAD) in its World Investment Report 2013: “Low prices paid to suppliers create pressure down the supply chain to reduce costs, which may lead to downward pressure on wages”.<sup>8</sup> The ILO underlines: “Wages and working time are also affected by the terms of purchasing between the buyer and its suppliers, which often reflect the asymmetrical bargaining position of the two partners and the power of the buyers to switch suppliers. Negotiated prices between the buyer and suppliers may not always cover costs. In these conditions,

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<sup>1</sup> Decent work in global supply chains, Report IV, ILO ILC 105th Session, 2016, p. 17

<sup>2</sup> Estimations vary largely by different sources. The 60-75 million jobs is a conservative estimation by the Clean Clothes Campaign, 2014 <https://cleanclothes.org/resources/publications/factsheets/general-factsheet-garment-industry-february-2015.pdf/view>

<sup>3</sup> Decent work in global supply chains, Report IV, ILO ILC 105th Session, 2016, p. 18-19, estimation for the year 2013

<sup>4</sup> <https://cleanclothes.org/issues/gender>

<sup>5</sup> Outward processing trade (OPT) is a trade scheme whereby pre-cut inputs are exported to be assembled and sewn before being re-imported free of duty. Garment and shoe production in European low-wage countries mostly works under OPT-schemes.

<sup>6</sup> “Labour on a Shoestring”, 2016, C. Luginbühl, B. Musiolek, p. 9, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>

<sup>7</sup> Decent work in global supply chains, Report IV, ILO ILC 105th Session, 2016, p. 7

<sup>8</sup> Decent work in global supply chains, Report IV, ILO ILC 105th Session, 2016, p. 21

wages become the adjustment variable at the end of the supply chain, with competitive pressures leading to lower wages and longer working hours."<sup>9</sup>

Precarious labour conditions are common in the garment and footwear industry, where jobs are characterized by vulnerable employment schemes<sup>10</sup> and extremely low wages, both in absolute terms and relative to other manufacturing sectors within respective economies. Some countries even set exceptional rules for the garment and shoe industry, as documented in the CCC-research report "Labour on a Shoestring" in 2016. In North Macedonia, for example, the minimum wage for workers employed in the garment and shoe industry was set at 89% (145 Euro/month) of the full legal minimum wage (163 Euro/month). In Republika Srpska, it was set at 86% (164 Euro/month) of the legal minimum wage of 189 Euro/month, and in the Federation of Bosnia-Herzegovina at only 71% (112 Euro/month) of the legal minimum wage of 157 Euro/month.<sup>11</sup>

The ILO underlined in 2016 that "in the textile and garment sector, statutory minimum wages are often low in supplying countries and sometimes do not fulfill the needs of workers and their families"<sup>12</sup> and that "although millions of women have benefited from access to wage employment, the industry has been also characterized by low wages and hazardous working conditions, culminating in tragic industrial accidents involving factory fires, and most notably the Rana Plaza building collapse in 2013."<sup>13</sup> In addition to hazardous work spaces, discrimination and violence is also widely present. Women frequently face gender-based violence at the workplace or on the way to work, which ranges from verbal insults to physical and sexual harassment to rape.<sup>14</sup> Although affecting women much more often, violence and discrimination also affects men employed in the industry<sup>15</sup>. Given their vulnerable residence status, migrant (women) workers are especially prone to exploitation. The CCC notes on that: "Migrant garment workers are part of a growing global industry of managed labour migration, sometimes involving long and complex labour supply chains that obscure normal relationships between employer and employee. At the same time most migrant workers exist in legal grey areas, where their status and identity as workers is subject to constant legal and economic insecurity. Government policies on migration and work are instrumental in creating a whole tier of workers whose legal status prevents them from speaking out to demand their rights and creating a pool of workers subjected to conditions akin to modern slavery."<sup>16</sup>

Over the last four decades, more and more countries have started competing in the global garment and footwear market, leading to a global oversupply. In the cut-throat market that has emerged, the prices of clothes and shoes are constantly falling. 'Survival of the cheapest' has become the leading maxim in both production countries and consumer markets. The mere threat of relocation is enough for governments of production countries to align their labour and trade policies to the expectations and demands of global buyers.

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<sup>9</sup> Decent work in global supply chains, Report IV, ILO ILC 105<sup>th</sup> Session, 2016, p. 22

<sup>10</sup> i.e. piece-rate, short-term contracts, imposed own-account-schemes, indirect employment through employment agencies and labor contractors, etc.

<sup>11</sup> "Labour on a Shoestring", 2016, C. Luginbühl, B. Musiolek, p. 13, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>

<sup>12</sup> Decent work in global supply chains, Report IV, ILO ILC 105<sup>th</sup> Session, 2016, p. 21

<sup>13</sup> Decent work in global supply chains, Report IV, ILO ILC 105<sup>th</sup> Session, 2016, p. 35

<sup>14</sup> Fair Wear Foundation, Resource Kit on gender-based violence <https://www.fairwear.org/news/resource-kit-gender-based-violence-now-online/>

<sup>15</sup> "Violence Against Women and Men in the World of Work", Asia Floor Wage Alliance, 4.6.2018 <https://asia.floorwage.org/workersvoices/reports/violence-against-women-and-men-in-the-world-of-work/view>

<sup>16</sup> <https://cleanclothes.org/issues/migrants-in-depth>

In practice, this can result in trade union rights being severely curtailed, or the legal minimum wage being set far below the subsistence minimum, sometimes without being revised in line with inflation.<sup>17</sup>

Against this background it is no wonder that living wage debates and pressure campaigns targeting multinational companies have increased over the last ten years. While working conditions in the garment and footwear industry had been precarious for decades, the global financial crisis of 2008 added immediate and visible impacts on workers, such as job losses,<sup>18</sup> as well as hidden and lasting consequences which underlined workers' economic vulnerability and lack of financial resilience: food prices rose, with dramatic consequences for low-income households that spend a big share of their income on food; workers had to compromise on the quality and quantity of food, and alarming reports emerged of women garment workers fainting in factories due to malnutrition and health-related problems. A 2013 CCC report showed that garment workers in Cambodia were medically malnourished and had an average intake of only 1598 calories per day.<sup>19</sup> <sup>20</sup> Many garment workers fell into a debt trap because they were unable to cover their most basic needs. A shoe worker from Bosnia-Herzegovina told the CCC in 2016 that her average monthly wage was 215 Euro, while her average basic monthly expenditure included 204 Euro for food for the family and 51 Euro for electricity and water: her salary was not enough to cover these three essential expenditures.<sup>21</sup>

Precarious working conditions, especially for women, are a major concern today in all countries where garments and footwear are produced, including countries in Europe such as North Macedonia or Albania, and EU-member States such as Romania or Bulgaria. The size of the industry means there is enormous potential to enhance the lives of millions of workers and their families if working conditions are improved.

## Women workers face multiple burdens

Access to paid work can present opportunities for women; but if they earn poverty wages, it has a negative impact, multiplying their obligations instead of offering them an escape from poverty. The specific burdens arising from poverty wages include: the need to work multiple jobs; the need to take on unpaid care work, in certain economies being unable to live with their own families due to paid and unpaid work obligations, mobility constraints; extreme time poverty; being confronted with discriminatory environments, both at work and within society.

In several research studies<sup>22</sup>, CCC has shown how women cope with income poverty created by poverty wages: among the broad range of coping strategies, women work a

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<sup>17</sup> „Stitching a Decent Wage Across Borders“, J. Merk, CCC/AFW, 2009, p.30-35

<sup>18</sup> ILO GDFTCLI/2014, Wages and working hours in the textiles, clothing, leather and footwear industries, p. 2: “The former International Textile, Garment and Leather Workers' Federation (ITGLWF) reported that around 8,000 textiles, clothing and footwear production units were closed after 2008. This resulted in a loss of 11 million jobs and in short-time work for 3 million workers around the world.”

<sup>19</sup> “Shop ‘til they drop: Fainting and Malnutrition in Garment Workers in Cambodia”,  
<https://cleanclothes.org/resources/national-cccs/shop-til-they-drop>

<sup>20</sup> Synthesis Report of all the National Peoples Tribunals of Asia Floor Wage Alliance, 2016,  
<https://asia.floorwage.org/resources/tribunal-verdicts/synthesis-report-of-all-the-national-peoples-tribunals/view>, P. 16-19

<sup>21</sup> Labour on a Shoestring“, 2016, C. Luginbühl, B. Musiolek, p. 18-19,  
<https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>, P. 21

<sup>22</sup> See CCC living wage studies: <https://cleanclothes.org/livingwage>, CCC studies on European production: <https://cleanclothes.org/livingwage/europe>

second job in addition to their factory job, do multiple shifts accruing many hours of overtime, and, especially in European post-socialist countries, engage in subsistence agriculture as an essential part of their livelihood. For example, factory owners in North Macedonia told CCC researchers that they had changed the shift to 6am–2pm, according to the wishes of their employees, so that they could go home and work in their fields<sup>23</sup>.

In order to cope with the situation of income poverty, workers sometimes accept informal payments, giving them more immediate cash, but no contribution to mandatory social insurances. This creates tremendous problems for countries in the long run: the lack of social insurance payments and the resulting lack of state-funded support for care work often converges with a labour migration trend of women taking on paid, albeit poorly, care work in wealthier countries<sup>24</sup>, leading to an even higher care deficit in their home country. This dynamic was highlighted in the CCC research report "Labour on a Shoestring": "It has become evident in Bosnia-Herzegovina and Albania that there are many cases where the employer does not pay social insurances (health, unemployment, pension) as legally required. Moreover, due to the very low wages, workers in Albania sometimes choose to work without a contract, and they relinquish mandatory insurance contributions in their desperation to get more cash for their daily expenses. These informal workers without social insurance coverage remain in an extremely vulnerable situation with no state security to protect them against the basic risks of life (sickness, old age, unemployment)"<sup>25</sup>

Social insurance schemes are usually tied to the wage level, so extremely low legal minimum wages undermine the stability and effectiveness of social insurance schemes. The non-payment of adequate social insurance contributions, or no social insurance contributions at all, further erodes already fragile state structures and places an even greater burden of more unpaid work and responsibility squarely onto the shoulders of women. In addition to the pressure of staying in paid jobs, even if extremely underpaid as in footwear and clothing factories, women are confronted with an increasing need to make up for the state's lack of investment in social infrastructure. Combined with the trend of the young and, in particular, better educated to emigrate, the care deficit will undoubtedly increase and pose huge challenges to these countries.<sup>26</sup> In most countries it is women rather than men who take on unpaid care work for their relatives, adding long, unpaid working hours to look after their families. Sometimes women have to cope with the entire care work alone; women in Romania and Bulgaria told CCC researchers that their husbands leave their families for several months to take on seasonal work in low-wage jobs in Western Europe. The entire care work for children, the elderly or sick family members rests on the shoulders of the women. In some production countries, for example China, Vietnam or Cambodia, there is a spatial separation of paid production zones and rural areas where the unpaid work of child raising takes place. Workers in the production zones are not burdened with unpaid care tasks but are basically denied the right to stay with their families at all, while child care adds to the workload of elderly generations, once again mostly women.

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<sup>23</sup> This was 2014 during a field trip in the frame of the research for the CCC report "Stitched Up – Poverty wages for garment workers in eastern Europe and Turkey"

<sup>24</sup> e.g. Eastern European women working in care-services in Western Europe or Cambodian women working as housemaids in Malaysia

<sup>25</sup> Labour on a Shoestring", 2016, C. Luginbühl, B. Musiolek, P. 17, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>

<sup>26</sup> Labour on a Shoestring", 2016, C. Luginbühl, B. Musiolek, P. 17, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>

In general women engage much more in unpaid work, which, when combined with their paid work, results in significantly longer working hours than men. This can be observed, for example, in China, where according to OECD Statistics women invest 234 minutes per day in unpaid work, whereas men invest just 91 minutes. For paid and unpaid work together, Chinese women invest 525 minutes a day and Chinese men 481. The same picture is mirrored in other garment production hubs, such as India, Turkey or Italy<sup>27</sup>.

**Table 1: Time spent in unpaid work, by gender**

Country	Time (minutes/day) spent in unpaid work		Total time (minutes/day) spent in paid and unpaid work	
	Women	Men	Women	Men
China	234	91	525	481
India	352	52	537	442
Turkey	309	85	425	370
Italy	306	131	440	352

Care work, especially nursing, geographically binds women to the specific place where care is required. Further, in many contexts gender-based safety concerns on the way to work or high public transport costs force women to live within walking distance of their work place<sup>28</sup>. These factors mean that in most cases women have less flexibility to change jobs, trapping them in exploitative working arrangements. The ILO notes that: "In many developing countries, women may be less mobile than men and unable to move to other industries where general working conditions and salaries are better and may thus experience greater downward pressures on general working conditions and salaries."<sup>29</sup> This applies not only to developing countries, but also to low-wage countries generally, including countries in Europe. In some countries, such as the Ukraine, there is also a State policy on the distribution of accommodation that ties families to specific geographical areas, thereby increasing women's mobility constraints<sup>30</sup>.

Income poverty means, first and foremost, financial constraints. But it also has direct consequences for women that go beyond pure financial aspects and lead to a whole set of poverty related daily challenges. This includes limited access to adequate health services and education, lack of social security, poor housing, and limited participation in cultural and political life. The need to constantly cut costs requires time: shopping for the cheapest possible food, for example, takes more time. In addition to working one or multiple paid jobs and doing unpaid care work, income-poor women are also often forced

<sup>27</sup> <https://stats.oecd.org/index.aspx?queryid=54757#>; last accessed 18.9.2018. The OECD Statistics includes OECD member states as well as a small selection of Non-OECD Economies. The OECD Statistics on paid/unpaid work does not specify the type of unpaid work. In many contexts, unpaid work of men includes work related to political, or cultural work, and unpaid work of women relates more to care work including nursing and child raising.

<sup>28</sup> [https://www.isealalliance.org/sites/default/files/resource/2017-12/Dhaka\\_Living\\_Wage\\_Benchmark\\_Report.pdf](https://www.isealalliance.org/sites/default/files/resource/2017-12/Dhaka_Living_Wage_Benchmark_Report.pdf), p. 26

<sup>29</sup> ILO GDFTCLI/2014, Wages and working hours in the textiles, clothing, leather and footwear industries, P. 19

<sup>30</sup> Qualitative interviews with garment workers in the Ukraine executed by the Center for Social and Labor Research in 2017 confirmed this assumption



to invest a disproportionate amount of time in domestic work. As a result, garment workers all over the world are not only income-poor, but also completely time-poor.

Problems arising from gender discrimination include a whole range of issues at a factory level; gender-based violence; gender segregation of jobs, whereby supervisor positions and jobs paid on an hourly instead of piece basis tend to be occupied by men; precarious employment schemes such as short-term contracts which are not renewed when a woman gets pregnant, thereby depriving women of social security; or compulsory pregnancy testing during the recruitment phase and forcing women to sign a document agreeing not to have children while they are employed.<sup>31 32</sup> Gender discrimination can also be seen when comparing average wages in the different manufacturing sectors. While the gender pay gap in factories is a serious problem, it should not be forgotten that in most countries the garment and footwear sectors have, relative to other manufacturing industries, the lowest wages. In North Macedonia, Romania and Slovakia, for instance, the manufacturing of clothing, and leather and related products (both female-dominated industries) were the worst paid manufacturing sectors in 2014/2015, while the manufacturing of petroleum coke and refined petroleum products (male-dominated industries) were the best paid by a considerable margin (the ratio stands between 1:3 and 1:4).<sup>33</sup> Focusing on eliminating the gender pay gap is therefore not enough: it risks keeping wage corrections artificially small and within a very limited range, and in the worst-case scenario it could lead to a reduction in all wages. Paying a real living wage requires increasing current legal minimum wages, and therefore discussing costs in the production chain. Brands need to play a crucial role in this: rather than making (implicit) relocation threats in response to wage increases, brands have to express their strong support for wage hikes to reach a living wage.

## A living wage as a decisive step to improve women workers' lives

Garment and footwear workers, especially women, are exposed to a constant form of economic violence, which is often masked by statistics focused on domestic productivity increases, job creation, female participation rates in formal jobs, and increases in household income. But creating formal jobs does not automatically improve the situation of (women) workers. And increasing productivity does not automatically lead to better wages for employees. All too often, productivity increases are based on unrealistic daily targets and overtime, which in many cases is never paid<sup>34</sup>. Classic economic statistics fall short of assessing the real situation of women garment workers, and risk justifying and cementing their status as an extremely low-paid working class.

Pricing pressures in recent years has undoubtedly led to increased competition in production countries, to a repression of trade unions and labour activists, to an erosion of labour laws and freezing of minimum wage negotiations, and, more generally, to an increased flexibility of employment conditions, including piece rate systems, short-term-

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<sup>31</sup> <https://cleanclothes.org/issues/gender>

<sup>32</sup> See video clip with testimonies of women workers in Turkey: <https://cleanclothes.org/livingwage/stitched-up>

<sup>33</sup> Labour on a Shoestring", 2016, C. Luginbühl, B. Musiolek, P. 17, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring>

<sup>34</sup> See e.g. CCC Report "Stitched Up: Poverty wages for garment workers in Eastern Europe and Turkey". <https://cleanclothes.org/resources/publications/stitched-up-1>, 2014, C. Luginbühl, B. Musiolek, P. 63ff

contracts, home-based work and contracting work through work agencies.<sup>35</sup> In parallel, and possibly as a result of these wage struggles, the living wage debate has gained momentum, and many actors, including states and multinational companies, now recognize that action is needed to work towards a living wage.

A living wage that covers the basic needs of the worker and her family, and includes some discretionary income, is a cornerstone of any decent job, and of states' duty to protect and businesses' responsibility to respect human rights. CCC, together with its partners worldwide, advocates for a living wage as a decisive step in improving the situation of millions of garment workers. After several years of intense, extensive debates, there is today a significant consensus on the broad definition of a living wage. The Global Wage Coalition puts it in these words: "A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events."<sup>36</sup> But how much is enough? What is a 'decent standard of living', taking into account the specific situation of women, and society's expectations of and need for unpaid care work?

The core question from the perspective of equity, equality and distributive justice is to assess whether formal factory jobs really help women workers to overcome poverty and poverty-related challenges, and improve all aspects of their quality of life, such as health, security, and participation in decisions in society. However, if justice, equity and equality are understood as relative concepts, in which any improvement towards a 'more just situation' is considered as progress, we will fall short of measuring the real situation of women workers in the garment and footwear industry, and workers will always be assigned a subordinate place with no real chance of overcoming poverty. This is clearly against internationally agreed development goals, such as the 2030 Agenda.

The capabilities approach of M. C. Nussbaum<sup>37</sup> offers an important framework to establish indicators of change in order to measure progress on the implementation of the human right to a living wage as set forward in the Universal Declaration of Human Rights, Art. 23/3<sup>38</sup>, as well as in several ILO-Declarations<sup>39</sup>. M. C. Nussbaum focuses not only on classical economic statistical parameters, such as household income, but on equal opportunities for self-realization. Based on her position that every human being has, by birth, an inherent dignity that should be valued, the circumstances that allow each and everyone of us to evolve to our full capabilities need to be improved. As argued earlier in this paper, poverty wages lead to host of related problems. Extremely low wages pose a major barrier to enjoying the full set of human rights, and decisively lessen, and in many cases even preclude, opportunities for self-realization. A minimum of time and economic freedom, in terms of having sufficient income and being able to decide on how to spend it,

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<sup>35</sup> E.g. as documented by Clean Clothes Campaign in Cambodia <https://cleanclothes.org/news/2016/02/26/ccc-condemns-charges-against-trade-unionists-in-cambodia>, in Romania in the report "Labour on a Shoestring", 2016, C. Luginbühl, B. Musiolek, P. 23, <https://cleanclothes.org/resources/recommended-reading/labour-on-a-shoestring> or Bangladesh <https://cleanclothes.org/resources/background/background-wage-struggle-bangladesh-december-2016/view>

<sup>36</sup> <https://www.globallivingwage.org/about/what-is-a-living-wage/>

<sup>37</sup> Martha C. Nussbaum: „Capabilities as fundamental entitlements: Sen and Social Justice", *Feminist Economics* 9(2 – 3), 2003, 33 – 59

<sup>38</sup> <http://www.un.org/en/universal-declaration-human-rights/>, Art. 23/3

<sup>39</sup> The right to a living wage is, in addition, established in several ILO declarations and conventions, including: Constitution of the ILO, 1919: Preamble of the Charter; Declaration of Philadelphia, International Labour Conference, 1944, ILO Declaration on Social Justice for a Fair Globalization, 2008, Convention 131 and 156 and Recommendations 131 and 135

are pre-conditions for exercising the full range of human rights, including political and social rights. Therefore, a living wage has to be seen as a basic enabling right. Without a living wage, individual capabilities and human rights are severely curtailed, especially for women.

Improving the circumstances for women workers in the garment industry means ensuring that they receive a living wage that reflects their specific situation. Regarding care work, three elements must be factored in: firstly, income-poverty generally translates into time-poverty for women. Therefore, food basket estimates should not rely on the lowest possible prices, but allow for some margin. Secondly, women often engage in care work beyond their nuclear family, taking care of parents, the extended family and distant relatives: they find themselves as active carers in a much larger family network, facing high societal expectations. Therefore, the definition of family must be broadened beyond that of the immediate household. Thirdly, if two adults per household are engaged in paid work, another person is required to take on the unpaid care work and household duties. To prevent this becoming an additional burden on the women workers or girls in a family, in the worst case preventing them from going to school or enjoying a solid higher education, it is essential that a living wage can support an additional adult to do the unpaid care work. The ratio of wage earner to wage dependent should therefore not rely on average statistics per household.

## How does a gender-sensitive approach translate into a living wage methodology?

Taking into account the specific situation of women workers, a living wage methodology that adopts a **gender-sensitive approach** should be based on the following three propositions:

- the **food-basket** estimate is not based on the lowest available prices but **includes sufficient price margins** to avoid increasing the time-poverty of women
- the living wage estimate is defined as a family wage, whereby family is understood as a **family care network** that is **not limited to the immediate household**. It includes **realistic assumptions about the societal obligations placed on women**, and takes into account realities such as the need to support the extended family and engage in unpaid care work. The family budget includes **enough resources for care work**. This could either mean that the living wage concept includes the livelihood for care givers of the extended families, such as a grandmother who lives next door or a cousin that helps out, or that the living wage income is high enough to pay for care work, such as day nurseries or homes for disabled people. If the concept does not include this approach, it is likely that the lack of family and household income will continue to lead to an intra-household distribution that discriminates against women and girls, by, for example, allocating them less nutritious food or denying them access to school or medical services.
- the wage earner/wage-dependent ratio used in the living wage estimate is based on a **realistic assumption of the number of wage earners** per family (based on the above-mentioned broader definition of family) among low-income and low-educated groups, and does not merely rely on average statistics. Average

statistics do not ensure that this important determinant covers more vulnerable family constellations, such as single parent or the long-term unemployed.

In order to make sure that a living wage serves its purpose of guaranteeing a decent standard of living for the worker and her family, it is important that any living wage calculation sufficiently specifies the expected wage outcome:

- a living wage should be a **net wage for a standard working time**, without overtime, before bonuses and allowances, and after taxes. The net wage approach is important because a living wage can only fulfil its function if it is a guaranteed cash minimum. Bonuses, allowances and overtime premiums are not provided to all workers, and are all too often used as disciplinary measures (e.g. to lower absenteeism, attendance bonuses are paid only when workers are present on all required days, which may force them to avoid taking necessary sick leave).
- a living wage should be the **wage in cash**; in-kind contributions such as meal vouchers have to be seen as part of the wage package.
- a living wage should be the **cash net wage and not the total wage package**, which also includes social benefits, bonuses, allowances or in-kind contributions. It is important to make this distinction: the total wage package is primarily a tool to attract workers by offering an attractive pay model. In contrast, a living wage is a human right, and therefore the expected minimum. It is a right for each worker and her family, and must therefore be presented neither as a privilege, nor as proof of superior working conditions in a work place.
- a living wage has to be the **lowest paid wage in the factory**. If a living wage fulfils its functions, it means that no worker earns less than the defined living wage.
- a living wage **cannot be dependent on marital status**. Industry driven living wage debates increasingly try to imply that a wage should vary depending on whether a worker has a family or is single. It must be underlined that a living wage is a family concept, which, in principle, allows for a worker to support herself and her family. If a living wage is split into a single wage and a family wage, competition and cost pressures will lead to recruitment discrimination against workers with families, and deprive unmarried workers of the possibility to start a family. Living wages are a minimum, and can always be supplemented by additional family allowances as part of the total wage package.

Any methodology to calculate a living wage has to be robust, coherent and based on relevant data. CCC calls for transparent and publically available methodology, publically available estimates, and strong ownership by the labour movement. Any methodology to estimate a living wage should thus be accessible, useable, adaptable, and accountable:

- **Accessibility:** the methodology needs to be known and understood by affected workers and their representatives.
- **Usability:** the methodology and living wage estimate has to be simple and practical to use in the daily work of various stakeholders, such as labour rights groups, trade unions, companies and governments. If the methodology is too complex or expensive, stakeholders will be precluded from using it in their wage-related work.
- **Adaptability:** the living wage estimate must allow for regular updates that reflect real costs of living: by definition, living wage figures cannot be static as the rate

of inflation is high in many production countries. This underlines the need for a robust yet simple calculation methodology that allows for regular updates without requiring significant research resources.

- **Accountability:** the living wage estimate needs to be tested and endorsed through continuous public debate. Only through such a public approach can the methodology and living wage estimate be tested for its substance, breadth and applicability, thereby gaining political support. It is especially important to base the conclusions on the view of women workers and women's rights groups.

## A comparison of methodologies highlights the need to improve on gender-specific approaches

There is considerable consensus today regarding the parameters for calculating a living wage, including food and non-food costs, and sometimes a separate item for the housing costs. Once established, the costs per capita are matched with the family size and number of full-time equivalent workers per family, with some discretionary income added for unexpected events. Differences in methodology mostly exist in the ratio of wage earners to wage dependents, and in the requirements for transparency in the calculation methodology or the actual benchmarks.

In Asia and Europe, CCC and its partners have initiated cross-border wage alliances and cross-border living wage demands. Both processes have managed to trigger important debates among the trade union and labour movements, the ILO and policy makers, brands and Multi-Stakeholder-Initiatives (MSIs). In 2009, the Asia Floor Wage alliance (AFW) launched the first concrete cross-border living wage benchmarks based on a living wage formula. Since then, several other methodologies have emerged and been discussed, among them the widely referenced Anker methodology. In this chapter, the AFW formula and the Anker living wage calculation are compared, with the focus on the outcomes of the two calculations and what they mean through a gender lense.

It is important to highlight the some significant methodological differences between the two approaches:

- The AFW works with a relatively simple formula based on a needs-based survey of garment workers in producing countries in order to gauge living wage demands. The AFW starting point is a food basket based on a 3000kcal per day/consumption unit, with 1 consumption unit representing the consumption of an adult, and 0.5 consumption unit that of a child. The living wage is then calculated according to the formula 50% food costs, 40% non-food costs and 10% discretionary income, with the national living wage in local currency being expressed in Purchasing Power Parity (PPP\$). The different PPP\$ demands were compared among the countries, and the Asia Floor Wage Alliance came out with one common cross-border wage demand expressed in PPP\$.<sup>40</sup>
- The Anker methodology is based on field research in specific areas and on three components: food costs, housing costs, and non-food, non-housing costs. Food costs are calculated based on local food prices for a defined model diet, with a

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<sup>40</sup> <https://asia.floorwage.org/what> and <https://asia.floorwage.org/calculating-a-living-wage>

correction margin to allow for some variation. While the AFW bases its formula on 3000 calories per consumption unit, the caloric intake per adult (=1 consumption unit) in the Anker methodology is usually lower, e.g. for Bangladesh it was set at 2188 calories per person. It then calculates the costs for acceptable housing including utilities, as well as for non-food, non-housing expenses such as health care and education. These three components together comprise the costs per person. To estimate the living wage, the cost per person is then multiplied by the average number of family members and divided by the average number of full-time earners.<sup>41</sup>

For a better understanding of the outcomes of the two methodologies, the household costs for 4 people and 3 consumption units were compared <sup>42</sup>. We can see that despite the relative simplicity of the AFW approach, the calculated household costs in Bangladesh (table 2) and in Tirupur/India (table 3) are very close to the results of the Anker methodology. The big difference in the living wage estimate arises from the ratio of wage earners to wage dependents. While the Anker methodology is based on average statistics (average household size, typical family size, average fertility rate, average labour force participation rates, unemployment rates, and part-time employment rates), the Asia Floor Wage Alliance argues that it is insufficient to divide the average number of wage dependents by average wage earners per household because it does not reflect unpaid care work: someone has to do the care work, even if this person is not living in that household. As a consequence, they argue that an appropriate ratio of wage earner/wage dependents should be 1 wage for 3 consumption units, a different ratio to that of the average per household. For Bangladesh we can see that the estimated household costs (food, non-food) for the reference family are relatively similar in both methodologies. AFW estimates are 13% higher, which can be explained by the higher caloric intake per person and day mentioned above. The big difference arises when calculating the living wage and the two other determinants - family size and wage earner/wage dependent ratio - are applied. Here the Anker living wage estimate and the AFW living wage demand differ considerably (AFW is 79% higher than Anker). The wage-earner/wage-dependent determinant defines how many consumption units/people one wage has to sustain, and there the question of unpaid care work comes in. If the family size is defined as the nuclear family without factoring in unpaid care givers who do not necessarily live in the same household or belong to the nuclear family, and if the wage-earner/wage-dependent determinant is based on average statistics, it means that the calculated living wage considerably underestimates the real costs of basic needs for the affected people, and fails to take into account the situation of women in particular.

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<sup>41</sup> <https://www.globallivingwage.org/about/anker-methodology/>

<sup>42</sup> The re-calculation from persons to consumption units is based on the following ratio: adult (woman/man) = 1; child (girl/boy) = 0.5.

**Table 2: Comparison Anker and AFW – Bangladesh Dhaka City**

Anker Methodology (2016) <sup>43</sup>		Asia Floor Wage (2015/2016)	
Reference family size	4	Reference family size	3 consumption units
Number of full-time workers per family	1.58	Number of full-time workers per 3 consumption units	1
Total household costs for reference family	25`990 TK	Total household costs	29`442 TK
Net living Wage estimate	16`450 TK	= net living wage demand	29`442 TK
Comparison of household costs for 4 persons	25`990 TK		29`442 TK
Comparison of household costs for 3 consumption units	25`990 TK		29`442 TK
Legal minimum wage 2016	5300 TK		5300 TK

**Table 3: Comparison Anker and AFW – India, Tirupur City, Tamil Nadu**

Anker Methodology (2016) <sup>44</sup>		Asia Flor Wage (2015/2016)	
Reference family size	4	Reference family size	3 consumption units
Number of full-time workers per family	1.58	Number of full-time workers per 3 consumption units	1
Total household costs for reference family	18`830 RP	Total household costs	18`727 RP
Net living wage estimate	11`918 RP	= net living wage demand	18`727 RP
Comparison of household costs for 4 persons	18`830 RP		18`727 RP
Comparison of household costs for 3 consumption units	18`830 RP		18`727 RP
Legal minimum wage 2016 (Tailor, Cutter, Packer)	7962 RP		7962 RP

In Pakistan (table 4) and Bahori/India (table 5), the estimated household costs are significantly lower in the Anker calculation, with the biggest difference being the much lower estimate of food costs, which can partially be explained by a lower caloric intake as a calculation basis for the Anker methodology (urban Sialkot 2187, rural Sialkot 2161, India 2157 calories). While the AFW approach is probably overstating food costs in rural

<sup>43</sup> [https://www.isealalliance.org/sites/default/files/resource/2017-12/Dhaka\\_Living\\_Wage\\_Benchmark\\_Report.pdf](https://www.isealalliance.org/sites/default/files/resource/2017-12/Dhaka_Living_Wage_Benchmark_Report.pdf)

<sup>44</sup> <https://www.globallivingwage.org/wp-content/uploads/2018/05/Tiruppur-Living-Wage-Report-1.pdf>

areas compared to urban areas, it is fundamental to bear in mind that factory workers are doing a physical job, and that the extra burden of searching for the cheapest goods exacerbates time-poverty in income-poor households, particularly affecting women. It is therefore justifiable to use higher estimates of food expenditure.

**Table 4: Comparison Anker and AFW – Pakistan (Urban/Rural, Sialkot, North Eastern Punjab)**

Anker Methodology (2015) <sup>45</sup>		Asia Flor Wage (2015/2016)		
	Rural	Urban		
Reference family size	5.5	5	Reference family size	3 consumption units
Number of full-time workers per family	1.647	1.534	Number of full-time workers per 3 consumption units	1
Total household costs for reference family	27`987 PKR	30`900 PKR	Total household costs	31`197 PKR
Net living wage estimate	16`993 PKR	20`144 PKR	= net living wage demand	31`197 PKR
Comparison of household costs for 4 persons	20`354 PKR	24`720 PKR		31`197 PKR
Comparison of household costs 3 consumption unit	22`390 PKR	26`486 PKR		31`197 PKR
Legal minimum wage 2015	13`000 PKR	13`000 PKR		13`000 PKR

**Table 5: Comparison Anker and AFW – India, Bhadohi, Uttar Pradesh**

Anker Methodology (2016) <sup>46</sup>		Asia Flor Wage (2015/2016)	
Reference family size	5	Reference family size	3 consumption units
Number of full-time workers per family	1.546	Number of full-time workers per 3 consumption units	1
Total household costs for reference family	13`803 RP	Total household costs	18`727 RP
Net living wage estimate	8929 RP	= net living wage demand	18`727 RP
Comparison of household costs for 4 persons	11`042 RP		18`727 RP
Comparison of household costs 3 consumption unit	11`831 RP		18`727 RP
Legal minimum wage 2016 (semi-skilled)	7085 RP		7085 RP

<sup>45</sup> [https://www.globallivingwage.org/wp-content/uploads/2018/05/Pakistan\\_Living\\_Wage\\_Benchmark\\_Report.pdf](https://www.globallivingwage.org/wp-content/uploads/2018/05/Pakistan_Living_Wage_Benchmark_Report.pdf)

<sup>46</sup> [https://www.globallivingwage.org/wp-content/uploads/2018/05/Rural\\_India\\_Living\\_Wage\\_Report.pdf](https://www.globallivingwage.org/wp-content/uploads/2018/05/Rural_India_Living_Wage_Report.pdf)



In China (table 6, 7, 8), the Anker estimate of household costs is significantly higher than that of AFW<sup>47</sup>. As costs of living differ significantly in China, the main garment and footwear areas would have to be compared. It can be expected that the Anker and AFW estimates are closer in the typical low-cost production areas; however, it is clear that the AFW estimate does not reflect galloping costs in China. This also means that the lack of differentiation in the AFW approach, with one cross-border demand for the major Asian garment production countries, limits its ability to reflect different economic contexts. The Engels law dictates that the food share of total household costs gets proportionally smaller as income increases, so the AFW-ratio of 50% food costs and 50% non-food costs is unlikely to reflect the current situation in China. One possibility would be for wage demands to be expressed in two or three cross-border wage-bands, rather than as one single demand.

**Table 6: Comparison Anker and AFW – China, Urban Chengdu**

Anker Methodology (2015) <sup>48</sup>		Asia Floor Wage (2015/2016)	
Reference family size	3.5	Reference family size	3 consumption units
Number of full-time workers per family	1.78	Nr. of full-time workers per 3 consumption units	1
Total household costs for reference family	3846 RMB	Total household costs = net living wage demand	3847 RMB
Net living wage estimate	2160 RMB		3847 RMB
Comparison of household costs for 4 persons	4395 RMB		3847 RMB
Comparison of household costs 3 consumption unit	4196 RMB		3847 RMB
Legal minimum wage 2015	1500 RMB		1500 RMB

<sup>47</sup> Comparison of the AFW-demand with the lowest, middle and highest available living wage estimate based on the Anker methodology

<sup>48</sup> <https://www.globallivingwage.org/wp-content/uploads/2018/05/Chengdu-China-Living-Wage-Benchmark-Report.pdf>

**Table 7: Comparison Anker and AFW – China, Urban, Shenzhen**

Anker methodology (2015) <sup>49</sup>		Asia Floor Wage (2015/2016)	
Reference family size	3.5	Reference family size	3 consumption units
Number of full-time workers per family	1.78	Nr. of full-time workers per 3 consumption units	1
Total household costs for reference family	4464 RMB	Total household costs = net living wage demand	3847 RMB
Net living wage estimate	2508 RMB		3847 RMB
Comparison of household costs for 4 persons	5102 RMB		3847 RMB
Comparison of household costs 3 consumption unit	4870 RMB		3847 RMB
Legal minimum wage 2015	2030 RMB		2030 RMB

**Table 8: Comparison Anker and AFW – China, Urban Shanghai**

Anker methodology (2015) <sup>50</sup>		Asia Floor Wage (2015/2016)	
Reference family size	3.5	Reference family size	3 consumption units
Number of full-time workers per family	1.78	Nr. of full-time workers per 3 consumption units	1
Total household costs for reference family	6588 RMB	Total household costs = net living wage demand	3847 RMB
Living wage estimate	4136 RMB		3847 RMB
Comparison of household costs for 4 persons	7529 RMB		3847 RMB
Comparison of household costs 3 consumption unit	7187 RMB		3847 RMB
Legal minimum wage 2015	2020 RMB		2020 RMB

In conclusion the distinctive differences in the outcomes of the two methodologies can be identified as:

- Firstly, the ratio of wage earner/wage dependent, thus the question if and to what extent unpaid care givers are included in the concept of a living wage.

<sup>49</sup> [https://www.globallivingwage.org/wp-content/uploads/2018/05/Urban\\_Shenzhen\\_Living\\_Wage\\_Benchmark\\_Report1.pdf](https://www.globallivingwage.org/wp-content/uploads/2018/05/Urban_Shenzhen_Living_Wage_Benchmark_Report1.pdf)

<sup>50</sup> [https://www.globallivingwage.org/wp-content/uploads/2018/05/Urban\\_Shanghai\\_Living\\_Wage\\_Infographic.pdf](https://www.globallivingwage.org/wp-content/uploads/2018/05/Urban_Shanghai_Living_Wage_Infographic.pdf)

- Secondly, whether the additional time pressure on women caused by sourcing the cheapest food and utilities is considered: if so, there should be a higher margin in food expenditures to ease the time pressure on women;
- Thirdly, whether benchmarks adopt a cross-border approach that considers trade dynamics. A cross-border rather than a micro-level benchmark can be instrumental in avoiding a race to the bottom for lowest wages. However, it also requires compromising on the expectations of the accuracy of the living wage estimate. It may also require a separate approach and different formula from that of AFW for complex and fast developing economies such as China. The same might be true when looking at the production hubs in Europe, which has very different economies such as Portugal and Spain that cover a large part from design to production and retail on the one hand, and North Macedonia, BiH, Romania and Bulgaria on the other, that mostly work under the OPT-system and thus find themselves in a distinctly different role in global supply chains;
- Lastly, there is a difference in terms of the practicalities of updating and adapting the living wage estimate. Even though the AFW methodology is quite simple, it offers a way to use and adapt a living wage benchmark over time without being dependent on heavy financial resources. It offers an accessible way to obtain a robust living wage estimate, especially for the lowest-wage economies, such as Bangladesh, Myanmar, India, Moldova, Albania or Ethiopia. In these countries, it is particularly vital that trade dynamics are included in living wage considerations and that living wage estimates are updated regularly in order to not inadvertently accelerate a race to the bottom.

## The way ahead: implementing a living wage benchmark

Inequality between states and within societies, including gender inequality, is not only a concern for human rights and the full use of individual capabilities: it also directly affects the resilience of whole economies. A group of feminist economists underlined in an article that “inequality is a source of economic fragility and imbalance and, as such is a threat to economic sustainability. Yet inequality also compromises sustainability across its multiple dimensions. An unequal distribution of income and wealth not only creates the conditions for crisis but is itself a source of political and social conflict.” In the same article the authors say that economies should be understood in three spheres, the financial, the productive and the reproductive sphere. In the latter “human labour and capital are reproduced with paid and unpaid care work, with an effect on the economy that span generations.” The authors conclude that “if non-market caring labor did not take place, the economy would eventually grind to a halt, as an essential factor of production; the labour force would be compromised.”<sup>51</sup>

It cannot be said often enough how important this reproductive sphere, especially unpaid care work, is for our productivity and well-being. No employee would be able to perform in the long-term without having a place to sleep, food to eat, and human care or nursing

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<sup>51</sup> “Critical Perspective on Financial and Economic Crises: Heterodox Macroeconomics Meets feminist Economics”, 28.2.2013, Sakiko Fukuda-Parr, James Heintz, Stephanie Seguino

when ill. While the artificial division between paid and unpaid work poses a global challenge, it specifically exacerbates the situation of women, the main care givers, employed in exploitative, low-paid jobs. Economic sustainability and resilience are central to all states, but also to family systems and individuals. Equal opportunities for women and men to realize and use all of their capabilities are a prerequisite for inclusive and sustainable progress.

Several garment production countries have witnessed low wages and inequality turn into social unrest, where workers, despite repressive threats and violence, reclaimed the streets and protested in sheer desperation, causing nervous reactions from global brands that saw their smooth production process interrupted.<sup>52</sup> Therefore, a living wage has to be a major concern not only for trade unions, and human rights and labour activists, but also for states and business actors.

The debate around living wages is not new. To move on, an examination is required of the systemic causes of poverty wages in the garment and footwear industry, and we need to look at underlying hurdles that lead to low estimates of basic needs that do not meet the demands of a real living wage. In addition to global oversupply, price pressure and speed, cost distribution along the production chain is one of the major hurdles to improving wages at the bottom. The problem is not only the significant gap between the low wages on the factory floor and the end retail price, but also the automatism of price escalation from factory to retail, based on fixed percentage margins. This means that higher wages, and therefore higher FOB-prices<sup>53</sup>, translate to much higher end retail prices, as shown by Anne Lally, Doug Miller and Klaus Hohenegger in their report "Climbing the ladder"<sup>54</sup>.

**Table 9: Labour cost and price escalation (based on Lally, Miller and Hohenegger 2012)**

Costs	Base price in EURO	% of Retail price	Price in EURO with standard escalation	Extra income in EURO	Price in EURO with no escalation	Extra income in EURO
<b>Costs at factory level</b>						
Labour	0.18	0.6%	0.45	+0.27	0.45	+0.27
Other (material, overhead, factory margin)	4.82		4.91		4.82	
FOB	5.00	17%	5.36	+0.09	5.27	
<b>Costs at wholesale level</b>						
Wholesale (FOB plus transport, agent fee, band margin)	12.00	24%	12,66	+0.30	12.27	
Retail costs	17.00	59%	17.91	+0.91	17.00	
<b>Retail price</b>						
	29.00	100%	30.57	+1.57	29.27	+0.27
			+5.4%		+0.93%	

<sup>52</sup> E.g. as it was seen in Bangladesh in December 2016, when 59 factories were closed and 150`000 workers went to the street to protest for a higher wage. These protests turned into violent repression with several hundred workers dismissed, approx. 600 charges against workers for causing "unrest", and between ten and twenty union leaders and human rights advocates that have been detained <https://cleanclothes.org/resources/background/background-wage-struggle-bangladesh-december-2016/view>

<sup>53</sup> FOB stands for "Free On Board" and means that it is the price for the cost of the product including the delivery to the nearest port, but excluding the shipping costs.

<sup>54</sup> <https://www.fairwear.org/wp-content/uploads/2016/06/ClimbingtheLadderReport.pdf> , p.17-21

The report shows three important findings based on cost break-down of a sample T-Shirt:

- Firstly, the actual labour costs constitute only a tiny fraction of the total retail price. In this sample, it is a mere 0.6% of the retail price. The labour includes the salary costs based on the minimum wage and for all employees in the factory;
- Secondly, in the standard costing model, every actor in the production applies a margin based on the value of the product. According to this model, when the value increases based on higher labour costs, every actor earns more money in absolute terms because of their fixed percentage of margins. In the sample, a labour cost increase of 0.27 Euro<sup>55</sup> per piece translates into an extra earning at factory level of 0.09 Euro per piece, at wholesale level of 0.30 Euro per piece, and at retail level of 0.91 Euro per piece. All in all, the consumer pays 1.57 Euro more, of which a mere 0.27 Euro goes into salaries of the workers on the factory floor who actually produced the T-shirt, and 1.30 Euro goes to all other actors;
- Thirdly, if the labour cost increase of 0.27 Euro would be ring-fenced and fall outside of the price escalation standard model, it would translate into a total increase of 0.27 Euro, which constitutes less than 1% retail price increase.
- That all actors along the production chain, including shareholders, earn more when factory level poverty wages increase to a living wage cannot be justified from either an economic or an ethical point of view. Global brands often argue that they themselves are under financial pressure and the margins are not big enough to increase wages. This claim should be challenged. But leaving this to one side, it is necessary to question the predominant logic of price escalation: if factory wage increases to a living wage were separated from price escalations based on fix margins, it would, as the sample above shows, allow for significant wage hikes at the factory level (double or more the wages), while business actors would earn the same amount as before in absolute terms, and the end retail price would be only marginally higher.

In conclusion, this means that even large wage hikes, as in this case 250% which more than doubles the wage, do not have a significant impact on retail prices, so long as there is no mark-up pricing.

## Conclusions

It is generally the women workers at the bottom of the production chain that pay the price of the current unjust, unequal system; and they pay twice, with income poverty and its related consequences, and with time-poverty. The current living wage debate provides the opportunity to improve the lives of millions of garment and footwear workers and their families, but only if the debate and calculation methodologies adopt a gender-sensitive approach that places the specific situation of women at the center of the discussion. In

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<sup>55</sup> This increase is based in the assumption of top-up needed to reach the AFW at the time of the study (2011), see: <https://www.fairwear.org/wp-content/uploads/2016/06/ClimbingtheLadderReport.pdf> , p.18

addition, as shown in the previous chapter, standard price escalation models have to be redrawn so that there can be a real financial investment in wage hikes at the factory level.

Calculating a living wage is not a purely mathematical exercise. A methodology has to operate within a highly dynamic, competitive and politically loaded environment, and must consider the effects of global trade dynamics. First and foremost, this means cost pressures and mobility, the two leading characteristics of the garment and footwear industry. In combination, they lead to relocation and relocation threats, which in turn decelerate wage growth.

A technical solution alone can, therefore, not bring the change needed in the industry: it is necessary to embark on a political agenda to establish a framework and implementation obligation for living wages.

Two limiting factors can be observed in the current discourse on the living wage.

- Firstly, many living wage approaches focus on scientific calculations to assess the exact level of a living wage in a specific economy, and ignore political contexts and trade dynamics. This has two effects: it ties up a lot of time and financial resources on research, rather than on making real financial improvements on the ground; and it deflects attention away from cost distributions in international production chains by focusing on micro-level living wage contexts.
- Secondly, most living wage approaches rely on a resource-based rather than a capabilities approach to understanding justice. While the income question is certainly an important and pressing part of the living wage debate, this discourse falls short by focusing on constant but small increases in income, especially with regard to women workers. The fact that many salaried workers, particularly women, in production countries need to support their extended families requires a broader approach that includes care work. Wage hikes have to be significant - small increases do not change the overall situation for women workers.

If the specific situation of women workers is not reflected in the living wage discourse, the debate risks cementing their current situation of income-poverty and time-poverty, rather than leading to a minimum living wage that allows for a decent standard of living for all.

A gender-sensitive approach to a living wage calculation should take the following aspects into account:

- a) The calculation method includes specific assumptions:
  - the food basket is based on a daily caloric intake per consumption unit sufficient for women garment and footwear workers engaged in physical work. In addition, food costs are not based on the lowest prices and include a margin to counter the time required, especially by women, to search for the cheapest food;
  - the reference family size is not defined as nuclear family and includes costs to cover the basic needs of unpaid care givers, or the equivalent in cases where the care service is paid;
  - the ratio of wage earner/wage dependent is based not on average statistics but on the lowest income percentile, reflecting the most vulnerable family units such as single parents and low-wage, low-income contexts.

The ratio of wage earner-wage dependent together with an understanding of family that includes unpaid care givers are powerful determinants that can improve the living wage estimate considerably, as shown earlier in this text. Conversely, these two

determinants can lower a living wage estimate decisively when based solely on average statistics.

- b) the living wage calculation and living wage demands should adopt a cross-border approach rather than establishing micro-level (local) living wage estimates, which lead to a risk of increased wage competition. Living wage estimates should be set within an international, cross-border approach, with the goal of lifting wages for all garment and footwear workers, and avoid exposing them to increased international competition in which they are played off against each other. Re-location threats have a particularly serious effect on women, who are often less mobile than men and therefore have less flexibility to search for alternative jobs.
- c) Regarding implementation, it is essential that the living wage discourse is not treated merely as a technical issue, but as the political issue that it is: it is a question about the cost and profit distribution along the global production chains. Mark-up pricing has to stop. It can no longer be justified that increased labour costs lead to considerably increased profits along the production chain, resulting in higher retail prices. This poses a hurdle for wage hikes for women workers at the factory level.

Women workers are the backbone of the global garment and footwear industry and it is they, first and foremost, who must be served by a living wage.



Garment workers calling for higher wages, Cambodia 2014

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