A cross-border base living wage in Europe

ANOTHER WAGE IS POSSIBLE

made in Europe
Brands should pay the full price of a garment.

This includes a wage that workers can live on.

Though the right to a living wage is a human right, workers' wages are far below a living wage. The most recent research again revealed the huge gap between living wages and actual remuneration of workers.
Why focus on a living wage?

Buyers should pay the full price of a garment. This includes a wage that workers can live on.

What sounds logical is in fact the source of significant political debate among stakeholders in the global garment and sportswear sector. Though the right to a living wage is a human right, workers' wages are far below a living wage. The most recent research again revealed the huge gap between living wages and actual remuneration of workers. In fact, while the gap between the actual salaries of workers and a living wage tends to be bigger in Europe's clothing production countries than in Asia's, the level of unionization in general, and in particular in the garment industry, tends to be lower in Europe than in Asia.

The human right to a living wage has been codified by UN institutions as well as European bodies.

“Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity”

(Universal Declaration of Human Rights, Article 23, paragraph 3).

In the European context, the Council of Europe's 1965 European Social Charter (ESC) and its revised version of 1999 codify the right to a living wage in Article 4(1):

“to recognize the right of workers to a remuneration such as will give them and their families a decent standard of living”. The ESC is recognized all over Europe, not only in EU member states. In 2017 the European Union set up its European Pillar of Social Rights (EPSR), which makes reference to the "right to fair wages that provide for a decent standard of living".

The subject and target of these covenants are states. Since 2011, the UN Guiding Principles on Business and Human Rights have established the obligation of companies to comply with human rights.

A living wage is a central enabling human right and vital for any real socio-economic development.

Some retailers and brands recognize in principle the right to a living wage in their voluntary codes and initiatives. However, in practice they often just monitor suppliers’ compliance with the statutory minimum wage in any given local setting. Almost none of them ensures a living wage in practice.

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4. European Social Charter, available at: https://rm.coe.int/168006b642
A living wage is a central enabling human right and vital for any real socio-economic development.

Governments in producing regions, like in Central-East-Southeast Europe, keep minimum wages as low as possible, on average at a quarter of living wage levels (see table), comparing the wage rates constantly with competing countries and keeping in mind the risk of brands relocating their orders.
Meanwhile, governments in producing regions, like in Central-East-Southeast Europe, keep minimum wages as low as possible, on average at a quarter of living wage levels comparing the wage rates constantly with competing countries and keeping in mind the risk of brands relocating their orders. The threat of relocation is a major impediment in bargaining over wages and also a huge hurdle towards an organized workforce. Given the balance of power in national minimum wage setting mechanisms and between national governments, the European Commission and the International Monetary Fund, it is not surprising that governments accept the dire poverty of their minimum wage earners. Minimum wages are politically negotiated benchmarks where costs of living play a minor role – if at all.

In most of the Central, Eastern European and South-Eastern European countries, the mechanism for setting the minimum wage is supposed to be negotiated in a tripartite way (involving the labour ministry, employers’ associations and trade unions) and adjusted annually. In many countries, tripartite bodies do not make decisions; in case of non-agreement, the government decides. In 2018, for instance, in Bulgaria, Croatia, Czech Republic, Poland and Slovakia, social partners failed to agree on a minimum wage level following consultations and negotiations in their national tripartite bodies. The government then set the level unilaterally.7

There is a substantial imbalance of power and influence between the government, employers’ associations and trade unions — also vis-à-vis other lobby actors such as the American Chamber of Commerce, the European Central Bank, the IMF and the European Commission. Their economic policy agenda matters a great deal in the setting of statutory minimum wages.

Legal minimum wages in view of the EU’s poverty threshold

The table shows that all statutory minimum net wages are below the statistical poverty lines as defined by the EU. On average, the legal minimum wage accounts for only two thirds of the poverty line. Legal minimum wages are not poverty-proof. Workers who earn the legal minimum wage (as most garment workers do) are extremely poor, even according to the EU’s own poverty threshold. The statutory minimum wage does not prevent workers from falling into poverty but is, on the contrary, a sign of being poor.

This situation reinforces the necessity to strengthen the struggle for wages workers can live on.

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8. Sources: Legal minimum net wage and average wage according to CCC researchers from the respective countries; EU-SILC: European Union Statistics on Income and Living Conditions (EU-SILC) as the “at-risk-of-poverty” threshold for 60% of the national median equivalized disposable income (after social transfers) for two adults and two children: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li01&lang=en
9. Where the EU-SILC poverty thresholds were not available, we had to resort to using just 60% of the national average wage.
The statutory minimum wage does not prevent workers from falling into poverty but is, on the contrary, a sign of being poor.
Through our concept of a cross-border base living wage, we aim to intensify the urgent struggles for living wages and to support the bargaining power of trade unions. With the development of a Europe Floor Wage, we would like to facilitate concrete and enforceable measures towards achieving higher wages for garment workers. We aim to achieve a decent life and dignity for workers in Central, East and South-East Europe.

**Defining a living wage**

During recent years, the main features of a living wage have been widely agreed among experts and stakeholders. These are:

As a universally applicable human right, it reaches out to all workers irrespective of their status in the workplace, their productivity or personal situation (example marital status). It is the lowest paid wage and no worker earns less than the defined living wage.

It must always be sufficient to meet the basic needs of workers – including food, clothing, housing, public transport, utilities and communication, education, leisure and culture, normal health and hygiene costs, and holidays (a one-week trip within the country) – and those of their families, which go beyond mere survival but enable the family’s participation in societal life.

A living wage should provide a discretionary income for emergencies.

It must be earned during regular working hours, i.e. without overtime.

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With a cross-border approach, we aim at challenging the constant relocation threat and circumventing competition around wages.

The global fast fashion business model creates the need for a policy that combats relocation competition between countries/regions around wages.
The Clean Clothes Campaign additionally maintains that a living wage is a **basic net wage** for a **regular working week** without overtime, before bonuses and allowances, and after taxes. And it must be paid in cash.

A living wage is a category that includes costs of living only. The productivity or economic capacity of an employer are **not** under consideration. By contrast, statutory or legal minimum salaries are market-based policies and are thus set in accordance with a country’s economic comparative advantage. However, a minimum and a living wage are alike in the sense that they aim to provide enough of an income buffer for the low paid.

The current discourse on a living wage focuses less on differing definitions and more on how to implement a living wage.

A prerequisite for concrete measurable steps towards implementing a living wage is an estimate or benchmark. The Clean Clothes Campaign's group in European garment-producing countries – mainly in Central, East and South-East Europe – embarked on the development of a **worker-centred and cross-border benchmark for a base living wage in Europe**. In a step-by-step process of discussions and deliberations, investigations and research, which had started in 2014, the group finally approved the concept of a **Europe cross-border base living wage benchmark** in April 2020.

The foundation for this development was already laid with the Asia Floor Wage.

We intended the cross-border base living wage estimate to be **simple and easy** to understand. Limited resources do not allow for extended and continuous research. Therefore, we think that the method used by the Asia Floor Wage Alliance delivers in terms of the above-mentioned features of a living wage: on the basis of Engel's law, it concentrates on food and less on other basic needs and expenditures.

**Why should a living wage be a regional concept?**

In setting appropriate benchmarks for living wages, we seek to look **beyond national borders**. A concept that aims to put workers at its core has to take the global fast fashion business model into consideration. The power dynamics in global supply chains favour brands and retailers. While brands and retailers take the role of price setters, it is suppliers who must accept the prices offered to them. Thus brands and retailers control how value is distributed along the supply chain, as well as where and when manufacturing will take place. The clothing industry therefore represents the quintessential example of a buyer-driven value chain. Brands and retailers can be called **principal employers**.

With a cross-border approach, we aim at challenging the constant relocation threat and circumventing competition around wages. **The global fast fashion business model creates the need for a policy that combats relocation competition between countries/regions around wages** – and yet does not make diverse countries equal. With the Europe Floor Wage, we followed this aim. Our goal is to put a floor on the ‘race to the bottom’ between and within European garment-producing countries.
But this does not mean that the Europe Floor Wage is the only possible estimate. On the contrary, cross-border and national living wage benchmarks complement each other. We are avoiding the trap of searching for the perfect wage estimate as such a thing does not exist. The proposed benchmark that the Clean Clothes Campaign brings forth is not meant to exclude policy space for deviations. It can be further tailored by trade unions in different countries, based on their needs and contexts.

**How to calculate a living wage benchmark?**

**Which calculation principles did we borrow from the Asia Floor Wage Alliance?**

The Asia Floor Wage (AFW) calculation method divides household expenses into two categories: food and non-food, using food expenditure as a main welfare indicator. The AFW expresses the food component in terms of calories rather than food items. The aim is to provide a common basis across countries and food cultures. The caloric figure is based on studies carried out by governmental and intergovernmental bodies on calorie intake in Asian countries. The AFW Alliance has adopted the relatively high Indonesian government figure of 3,000 calories per day, arguing that the floor wage should not result in a lowering of standards in any country and should not contribute to the devaluing of women’s work in the garment industry. Hence our decision to also adopt 3,000 calories per day as standard for Europe.

A fundamental feature of the Asia Floor Wage, as well as the Europe Floor Wage, is its gender sensitivity. In most production countries in Europe, garment workers — usually women — are often the breadwinners of the family or single mothers. Husbands very often are jobless, engage in informal activities — or migrate to western European countries in search of work. This income poverty leads women to work more overtime, engage in second jobs or search for the cheapest food, all of which result in absolute time poverty. Despite long working hours, women are in charge of the care work in the extended family. This care work has to be factored in.

We see this in the broader context of persisting social crises. In the early 90s, the post-socialist region experienced “the most acute poverty and welfare reversal in the world” (UNDP 1999). In its report to the 1999 International Labour Conference (ILC), the ILO registers a drastic social disintegration and explosion of poverty in this region. Consequently, the region has been shaken by

<table>
<thead>
<tr>
<th>Countries listed in order of average food share</th>
<th>Generalised food costs in PPP USD (three consumption units)</th>
<th>Clusters: food as a share of household expenditure</th>
<th>Europe Floor Wage (EFW) in PPP USD, 2018</th>
<th>Europe Floor Wage (EFW) in national currency, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czechia</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>37,382</td>
</tr>
<tr>
<td>Hungary</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>409,754</td>
</tr>
<tr>
<td>Slovakia</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>1,452</td>
</tr>
<tr>
<td>Poland</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>5,042</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>792</td>
<td>30%</td>
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<td>2,033</td>
</tr>
<tr>
<td>Turkey</td>
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<td>2,640</td>
<td>5,095</td>
</tr>
<tr>
<td>Croatia</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>10,428</td>
</tr>
<tr>
<td>Romania</td>
<td>792</td>
<td>30%</td>
<td>2,640</td>
<td>5,069</td>
</tr>
<tr>
<td>Serbia</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>98,030</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>1,604</td>
</tr>
<tr>
<td>Georgia</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>1,762</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>45,540</td>
</tr>
<tr>
<td>Albania</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>104,980</td>
</tr>
<tr>
<td>Ukraine</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>14,197</td>
</tr>
<tr>
<td>Moldova</td>
<td>792</td>
<td>40%</td>
<td>1,980</td>
<td>14,236</td>
</tr>
</tbody>
</table>

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12. See, for instance, the 2019 Romania country profile: [https://cleanclothes.org/europe/europe-country-profiles/romania/profile](https://cleanclothes.org/europe/europe-country-profiles/romania/profile)
staggering emigration levels since 1990/1991. In the last 30 years, it has registered one of the largest and most persistent losses of population. Since the early 1990s, nearly 20 million people (5.5% of the CESEE population) were estimated to have left the region. By the end of 2012, South-East Europe had experienced the largest outflows, amounting to approx. 16% of its early-1990s population. Under conditions of precarity, informality and family members emigrating, extended families become support networks. Working-class households tend to be extended, and the expenditure of larger than average households tends to be lower than average households.

We therefore stress the family dimension of a living wage by using the same number of consumption units as the Asia Floor Wage, which stood at three consumption units, i.e. higher than the average household size in the region.

Moreover, we also use the currency through which the AFW is expressed: the World Bank's Purchasing Power Parity USD (PPP USD). This virtual currency was chosen to be able to have one universal figure which can then be converted into all national currencies while avoiding the market and policy fluctuations of currency conversions, and taking at least some note of the purchasing power of currencies.

Where did we depart from the Asia Floor Wage methodology when calculating a Europe Floor Wage?

Despite commonalities between the production countries in South, South-East and East Asia and those in Central East, Eastern and South-East Europe, there are still contextual and structural factors that do require the formula to be adjusted. We needed to adjust the food costs as a share of a living wage and workers' food costs to the European context.

In order to find out food costs, we conducted workers' food basket surveys in various countries with the aim to reflect, as closely as possible, the realities of working-class households. From 2016 to 2019, food basket surveys were conducted in five countries, namely Albania, North Macedonia, Ukraine, Hungary and Moldova. Data for Romania were also used. We calculated an average of PPP USD 792 for food costs.

Following the AFW methodology, the average food costs must be divided by the figure for food as a share of household expenditure. The AFW was based on a food share of 50% from 2009 until 2020, and now stands at 45%. For European garment workers, we referred to several sources, including National Statistics, EuroStat and the Global Food Security Index of the FAO, to be

<table>
<thead>
<tr>
<th>Countries listed in order of average food share</th>
<th>Europe Floor Wage in national currencies, 2018</th>
<th>Legal minimum net wage (2018) in national currencies according to CCCs in country</th>
<th>Legal min net wage as share of the EFW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czechia</td>
<td>37,382</td>
<td>13,352</td>
<td>36%</td>
</tr>
<tr>
<td>Hungary</td>
<td>409,754</td>
<td>126,770</td>
<td>31%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,452</td>
<td>397</td>
<td>27%</td>
</tr>
<tr>
<td>Poland</td>
<td>5,042</td>
<td>1,530</td>
<td>30%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2,033</td>
<td>395</td>
<td>19%</td>
</tr>
<tr>
<td>Turkey</td>
<td>5,968</td>
<td>1,603</td>
<td>26%</td>
</tr>
<tr>
<td>Croatia</td>
<td>10,428</td>
<td>2,752</td>
<td>26%</td>
</tr>
<tr>
<td>Romania</td>
<td>5,069</td>
<td>1,194</td>
<td>24%</td>
</tr>
<tr>
<td>Serbia</td>
<td>98,030</td>
<td>24,882</td>
<td>25%</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1,604</td>
<td>440</td>
<td>27%</td>
</tr>
<tr>
<td>Georgia</td>
<td>1,762</td>
<td>16</td>
<td>*</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>46,540</td>
<td>12,165</td>
<td>27%</td>
</tr>
<tr>
<td>Albania</td>
<td>104,980</td>
<td>21,312</td>
<td>20%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>14,197</td>
<td>2,997</td>
<td>21%</td>
</tr>
<tr>
<td>Moldova</td>
<td>14,236</td>
<td>2,172</td>
<td>15%</td>
</tr>
</tbody>
</table>

AVERAGE                                                                                                           25%                      

Minimum wages are, on average, equivalent to 25% of the European Floor Wage.

able to present food costs as a share of household expenditure. In fact, the food share varies widely among the 15 countries in the group. Therefore, after cross-checking with empirical data and deliberations in the group, we decided upon two different plausible clusters of food shares: one at 30% and another at 40%. This resulted in two base living wage figures for the two clusters in PPP USD. We then converted these figures back into local currencies. Afterwards, the wages extrapolated were cross-checked with the living wage estimated by workers in our interviews and again checked for plausibility during meetings of the European Production Focus Group.

In April 2020, the Clean Clothes Campaign’s group in Europe-East/South approved the concept and the benchmarks of this cross-border base living wage estimate.

For the reference year 2018, we thus calculated a Europe Floor Wage of PPP USD 1,980 for Serbia, Bosnia-Herzegovina, Georgia, North Macedonia, Albania, Ukraine and Moldova, and PPP USD 2,640 for Slovakia, Hungary, Poland, Turkey, Croatia, Czechia, Bulgaria and Romania.

In cross-checking, we compared the Europe Floor Wage with the national legal minimum wages.

We excluded the extremely low Georgian minimum wage from calculations to ascertain the average because it originates from the 1990s and is only partially relevant in the country.

The table shows that the Europe Floor Wage figures are on average four times the minimum wage of a country. This gap is in line with earlier studies from the region.16

16 https://cleanclothes.org/campaigns/living-wages-in-europe

* We excluded the extremely low Georgian minimum wage from calculating the average because it originates from the 1990ies and is not really relevant in the country.
The way forward

1. **Fashion brands and retailers** should set public, concrete, measurable steps for their entire supply chain to ensure garment workers are paid a living wage within a reasonable timeframe. Fashion brands and retailers should negotiate and sign legally-binding, enforceable agreements with worker representatives that require the payment of the true price of the product they order from their suppliers - a price that enables the human right to a living wage to be fulfilled - a living wage to be paid, a wage that workers and their families can live on.

2. **Governments** both in consumer and producing countries in Europe, as well as the EU, have the duty to protect workers’ human right to a living wage and to implement legal minimum wages that fight poverty rather than creating an impoverished and socially excluded workforce.

The living wage benchmark to be considered by fashion brands and retailers as well as governments and the EU is as follows: for Slovakia, Hungary, Poland, Turkey, Croatia, Czechia, Bulgaria and Romania, this is PPP USD 2,640, and for Serbia, Bosnia-Herzegovina, Georgia, North Macedonia, Albania, Ukraine and Moldova, the figure stands at PPP USD 1,980 (2018).
The Clean Clothes Campaign (CCC) is a global network of labour and human rights organisations, including unions. It campaigns and advocates for the improvement of working conditions in the apparel and sportswear industry. CCC uses action-oriented research to inform its campaigning, advocacy and lobbying strategies in its quest for a human rights compliant garment manufacturing industry. The human right to a living wage lies at the core of its activities because it is the core of workers’ grievances.

Contact: europe-east-south@cleanclothes.org
https://cleanclothes.org/campaigns/living-wages-in-europe

The CCC group that developed and approved this concept and benchmark is the European Production Focus Group / Europe-East/South group, consisting of

**Albania:** Gender Alliance for Development Centre (GADC), Institute for Critique and Social Emancipation (ICSE)

**Bulgaria:** Collective for Social Interventions

**National CCC coalition Bosnia-Herzegovina–Croatia**
(consisting of Novi Sindikat / New Union, Regionalni industrijski sindikat (RIS) / Regional Industrial Trade Union, Fundacija za lokalni ekonomski razvoj (FLER)/ Foundation for Local Economic Development, Helsinški parlament građana Banja Luka / Helsinki Citizens Assembly Banja Luka)

**Czech Republic:** Nazemi

**Georgia:** Georgian Trade Union Confederation

**Hungary:** Association of Conscious Consumers

**North Macedonia:** Open Gate – La Strada

**Moldova:** Center for Policies, Initiatives and Research ‘Platforma’

**CCC Polska** – Buy Responsibly Foundation (BRF)

**Romania:** Asociația Mai Bine

**CCC Serbia** – Centre for The Politics of Emancipation (CPE), ROZA, Association for Women’s Labor Rights

**Slovakia:** Slovak Centre for Communication and Development (SCCD)

**CCC Turkey**

**Ukraine:** Feminist Workshop

**CCC Switzerland**

**CCC Italy**

**Germany:** Entwicklungspolitisches Netzwerk Sachsen e.V. ENS (development policy network) - member of CCC Germany
Trade Unions:

CSOs:

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