

# Road Map to an Asia Floor Wage:

10 steps brands and retailers can take  
toward implementing a  
minimum living wage

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**Content**

**Introduction .....3**

**1. Endorse a living wage standard.....4**

**2. Promote respect for freedom of association, a precondition for a living wage .....5**

**3. Enter into dialogue with the AFW Alliance .....7**

**4. Publicly endorse AFW as a benchmark for a minimum living wage .....8**

**5. Amend purchasing practices to make AFW a reality .....9**

**6. Conduct “AFW-pilot projects” involving suppliers and AFW partners .....10**

**7. Write to sourcing countries’s governments to advocate for the AFW .....12**

**8. Act in a transparent way.....13**

**9. Do not work in isolation .....14**

**10. Present a road map with a concrete timeline for the achievement of the AFW.....15**

## INTRODUCTION

A living wage is the cornerstone of decent working conditions. A living wage must be an inherent and inextricable core element of any truly sustainable corporate accountability framework. So, even if a company behaves in an environmentally responsible manner or takes steps to ensure that worker rights are respected in certain areas, for example, by promoting strong health and safety procedures, this would still not be enough for them to be able to claim responsible corporate behaviour.

Insufficient wages mean that workers, families and communities who depend on wage labour for their well-being cannot lead a dignified life. Hence, the living wage issue is a crucial test for global buyers to effect improvements in the working conditions throughout their garment production chains.<sup>1</sup>

Once they have been exposed to public criticism of the poor working conditions they have tolerated, most global buyers have responded by adopting codes of conduct. These codes state minimum standards for worker rights. But while there is a growing consensus among large brands and retailers to support minimum standards regarding 'decent work' as established by the International Labour Organization (ILO), little progress has been made to ensure that workers actually receive a living wage for their labour.

The Asia Floor Wage Alliance, which brings together a broad range of labour organisations from India, Bangladesh, Cambodia, Indonesia, Sri Lanka, Thailand, China, and Hong Kong and various organizations from consumer countries, seeks to change this through its campaigns for a minimum living wage. Together, these groups have managed to create a floor on the race to the bottom to prevent further wage competition between Asian garment-exporting countries.

This document outlines **10 recommendations** for global buyers (brands and retailers) that will help achieve the Asia Floor Wage (AFW). The proposed recommendations should not be considered individually and should instead be combined to form a road map. There is no magic bullet regarding the implementation of the AFW, but it should be the result of serious engagement of several (if not all) of this document's recommendations.

The AFW alliance will request that global buyers respond to these recommendations and come up with a public assessment. This will demonstrate that many global buyers have taken initial steps toward a living wage. It will also separate the wheat from the chaff; essentially distinguishing between those who are serious about implementing the AFW and those who continue to pay poverty wages.

**The Asia Floor Wage campaign was launched on October 7, 2009.**

**More information on the AFW campaign available at:**  
[www.asiafloorwage.org](http://www.asiafloorwage.org).

**An introduction to the Asia Floor Wage Alliance and how it defines and calculates a living wage is available in the report: *Stitching a Decent Wage Across Borders* at:**  
<http://www.asiafloorwage.org/Resource-Reports.html>.

# 1. ENDORSE A LIVING WAGE STANDARD

## *What's the problem?*

While most global buyers have adopted a code of conduct that reflects a set of labour standards, only a minority have actually endorsed a living wage standard. Instead, most of the codes refer only to minimum or prevailing industry wages. This is problematic because legal minimum wages often fail to protect workers and their dependents in low-wage occupations.<sup>2</sup> The same is true for prevailing wages, which, in the garment industry, may be higher than the legal minimum wage but usually still fall short of a living wage based on local standards. In many Asian countries, legal minimum wages even fail to meet government-established poverty benchmarks.<sup>3</sup> This is problematic because a living wage is the cornerstone of decent working conditions.<sup>4</sup> That means a living wage must be an inherent and inextricable core element of any truly sustainable corporate accountability framework. No company can claim to produce ethically as long as wages fail to meet the basic needs of workers and their families.

## *The AFW's position*

The bottom line is fairly simple: insufficient wages mean that workers, families and communities who depend upon wage labour for their well-being cannot lead a dignified life. Hence, for the AFW alliance endorsing a living wage principle is central to any credible corporate accountability program. Adopting a living wage provision shows that global buyers not only recognize the importance of a decent wage, but also recognize that minimum and prevailing industry wages are often insufficient. Of course, adopting a living standard is only a first step and will obviously not automatically lead to a higher wage. This requires an engagement strategy, which we discuss in the remaining part of this document.

## *AFW alliance calls upon global buyers to:*

Adopt a living wage standard in their codes of conduct, that is applied to all workers affected by labour practices for which the company has some measure of responsibility.

## *Signs of good practice*

Global buyers – including well-known brands and retailers – are increasingly subscribing to a living wage standard. These companies have often joined a multi-stakeholder initiative such as the Ethical Trading Initiative (ETI) or the Fair Wear Foundation (FWF). Social Accountability International (SAI) requires that its members (suppliers) pay a living wage.

## 2. Promote respect for freedom of association, a precondition for a living wage

### *What's the problem?*

Freedom of association and collective bargaining are two of the fundamental rights of all workers, as agreed during ILO negotiations. They are often referred to as 'enabling rights'. This means that when these rights are respected, workers can use them to ensure that other labour standards, including a *living wage*, are upheld. Unfortunately, workers face many barriers to joining or forming a trade union. Many governments restrict, undermine, obstruct, or even outlaw independent trade unions. Employers often express a hostile attitude toward trade unions and frequently use a range of tactics to prevent unions from emerging, including intimidation, discrimination, firing, blacklisting, and even physical violence. As a result, few workplaces are covered by collective bargaining agreements. Even when unions are present, they often lack the bargaining power to negotiate adequate wages and benefits. This is because many employers operate on very low margins and they themselves lack the power to negotiate higher prices from their buyers. They also argue that any wage increase would be detrimental to their profit margins resulting in the closure or relocation of production facilities. As a result, statutory minimum wages tend to act as a ceiling rather than a floor for the majority of workers.

### *The AFW's position*

The AFW campaign proposes a collective bargaining strategy in an industry dominated by global buyers. The goal is to achieve the AFW through negotiations. While implementation will involve various institutions and agencies, enforcement will *only* be effective if union and workers representatives are part of the process. Thus, the right to organise is essential to the ultimate success of the AFW campaign.

Any success requires mature systems of industrial relations in which workers and their representatives play an active role in identifying and resolving workplace issues and can bargain in good faith with their employers to achieve higher wages and better working conditions. Global buyers should take steps to ensure that workers are not subject to dismissal, discrimination, harassment, intimidation, or retaliation when they join a trade union or participate in trade union activities.

However, continued patterns of abuse at sportswear factories suggests that more proactive and positive measures are needed to ensure that these abuses first of all stop occurring and that the chronic anti-union activities engaged in by management become illegal. The industry must facilitate the creation of a more positive attitude toward trade unions and their organising activities and a more positive climate in which workers are free to exercise their associational rights, rather than simply responding to crises after the fact.

### *The AFW alliance calls upon global buyers to*

- Adopt a positive and proactive freedom of association policy and communicate this to workers in their own languages in the form of a 'Right to Organise Guarantee'.

- Ensure that all workers are aware of the freedom of association provisions through training and communication.
- Ensure that suppliers respect the workers' right to collective bargaining;
- Provide access and opportunities for unions to disseminate information to workers regarding freedom of association. This can be achieved by signing access agreements that would give local unions access to production sites.
- Ensure workers, their representatives *and* factory management that they will **not** relocate as a response to higher wage initiatives. It is essential that workers, unions and manufacturers be ensured that any collective bargaining agreements must enhance their businesses, not harm them.
- Set measurable incentives – for example, preferential orders, long-term, stable supply contracts, measurable collective bargaining agreement premiums in unit prices – for factories that have a collective bargaining agreement with an independent trade union;
- Provide information (confidentially) about the unit price the buyer is paying for goods to workers' representatives engaged in collective bargaining negotiations with suppliers.

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### ***Signs of good practice***

Several brands have started training employees on the right to freedom of association and have taken steps to promote freedom of association in supplier factories. Adidas, for example, has partnered with the ILO, the Manpower/Labour departments, and local industrial relations experts in various countries to provide training to workers, union officials and factory managers. Another positive example is Russell Athletic, which has issued a "Right to Organise Guarantee" to workers at all of its facilities pledging to respect workers' rights in the areas of freedom of association and collective bargaining.<sup>5</sup>

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### ***What happens if the FoA and CB are restricted by law?***

Where Freedom of Association and Collective Bargaining are restricted by law, companies should take identifiable measures to promote genuine freedom of association within the country concerned, including engaging workers collectively to facilitate their self-organisation in ways that are consistent with the principles of Freedom of Association. This should include activities engaged in at suppliers with the goal of obtaining some of the positive benefits associated with an industrial relations system that genuinely includes collective bargaining. Some global buyers have supported the election of workers to participate in health and safety committees, productivity committees, or similar bodies.<sup>6</sup> Global buyers should call on all countries to formally ratify ILO Conventions 87 and 98 regarding freedom of association and collective bargaining. Nike, here, has set a positive example by writing a letter urging the Chinese government to ratify these principles.<sup>7</sup>

## 3. ENTER INTO DIALOGUE WITH THE AFW ALLIANCE

### *What is the problem?*

Too often workers are ignored in the corporate accountability programs of global buyers, even though they are the purported beneficiaries of code implementation and monitoring programs. Some brands interview workers in their auditing/monitoring efforts, or occasionally consult workers, but it is difficult to find concrete examples of serious dialogue – let alone negotiation – between global buyers and Asian-based worker representatives on worker rights issues, including wages. Many global buyers prefer to hire commercial auditing firms to investigate labour standards at supplier factories, and keep worker input to a minimum. This lack of worker participation undermines the credibility of these programs and thus this issue needs to be addressed.

### *The AFW's position*

The AFW alliance believes worker involvement is a key consideration for any credible attempt to improve working conditions in general and wages in particular. This implies that workers and their organisations should be involved in any discussions involving the achievement of a minimum living wage and should have an active role in the design, implementation, and evaluation of programs that aim to improve wages. This level of dialogue can be organised in various ways and at different levels:

- On the **factory level**, global buyers could participate in – and, if necessary, help facilitate – a dialogue between worker representatives and management on the achievement of a living wage (see also **recommendation 1**). This could lead to concrete action regarding the achievement of the AFW (i.e., through pilot projects, adjusting pricing mechanisms, etc. – see also **recommendations 5 and 6**);
- On the **national level**, global buyers could discuss progress strategies regarding wages on the national level with national AFW committees. This could be organised via roundtables, for instance;
- On the **Asian level**, global buyers could enter into discussions with the **Asian Bargaining Group**, which consists of Asian unions in the garment-export sector. The ABG will approach global buyers regionally with the goal of creating various dialogue and negotiation mechanisms.

### *The AFW alliance call upon global buyers to:*

Express a willingness to develop an Asia-level dialogue with campaign partners at factory, national and regional levels to discuss and develop concrete steps towards implementing the AFW in their supply chains (see also **recommendation 6** on pilot studies). The AFW secretariat will be able to introduce global buyers to local alliance members.

### Signs of good practice

Several global buyers have sought contact with the AFW alliance to discuss the proposal. This includes companies like Primark, Monsoon, Next, GAP, Adidas, Arcadia, New Look and Nike, and Puma.

## 4. Publicly endorse AFW as a benchmark for a minimum living wage

### What is the problem?

Global buyers have long argued that there is no universally accepted definition of a living wage and no reliable method of calculation. As a result, they pointed out, there are no accurate figures against which they can benchmark the wages suppliers pay, except for the official minimum wage, which is problematic because it typically fails to meet basic human needs based on local standards and it considers the minimum wage as the starting point, and fails to encourage suppliers to pay higher wages. The minimum wage should be the floor not the ceiling. It is not surprising, therefore, that evaluations of the impact of codes of conduct show that progress on wages has been limited.<sup>8</sup>

### The AFW's position

The argument that there is no accurate definition or calculation of a living wage is no longer valid: the AFW alliance has developed a clear definition and methodology of a minimum living wage demand.<sup>9</sup>

The AFW Alliance encourages buyers to endorse the AFW as a credible benchmark for a minimum living wage. As a first step, buyers should start by collecting information on the minimum wages paid by suppliers, prevailing industry wages, negotiated wages, all vis-à-vis the AFW benchmark.<sup>10</sup>

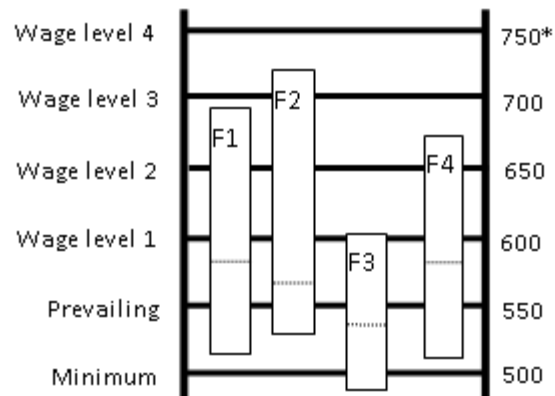


Fig. 1. Wage ladder

The collected information on factory wage levels can be used to chart the wages on a (so-called) wage ladder (see fig. 1.). The second step involves utilising this information as a tool to push factories “up the ladder” in the direction of compliance with the AFW standard and award suppliers that meet a minimum living wage standard, for example, by giving them preferential status over suppliers that pay lower wages. Ultimately, buyers should communicate that the implementation of the AFW will be a condition for engaging a particular supplier. This information can further be used in discussions with AFW partners on how to improve factory wages (see **recommendation 3**) or as input for pilot studies (see **recommendation 6**).



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### *The AFW alliance calls upon global buyers to:*

- Publicly endorse the Asia Floor Wage as the minimum living wage level for Asia;
- Monitor suppliers against AFW benchmarks;
- Communicate to suppliers that implementation of the AFW (as a minimum) will be a condition of using a supplier within a transparent schedule.

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### *Signs of good practice*

The Fair Wear Foundation has announced that it is including the AFW benchmark in their monitoring and verification efforts on wage in Asia. Puma has also used AFW benchmarks in benchmarking wages at its suppliers' factories and has discussed the results with AFW representatives. UK Company Monsoon believes that the AFW provides a good benchmark for a living wage, which increases the level of transparency.<sup>11</sup>

## **5. AMEND PURCHASING PRACTICES TO MAKE AFW A REALITY**

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### *What is the problem?*

Brands and retailers have a lot of influence on how production is organised throughout the global supply chain. For example, they set prices, select suppliers and set delivery times for orders. Many of these practices have a negative impact on working conditions and wages. The purchasing strategies of global buyers and the pressure to reduce costs contribute to trends toward lower wages, wage violations, abuses by management, and long working days for the workers.<sup>12</sup> The prices have been paying to suppliers have been falling for years, which makes it increasingly difficult to demand and facilitate wage gains even where trade unions already exist because employers will argue for a freeze on any minimum wage demands because any increase in labour costs will ultimately undermine their international competitiveness.

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### *The AFW's position*

The AFW alliance therefore believes that suppliers must be adequately compensated for the costs involved in meeting compliance demands. This requires that pricing practices do not prevent suppliers from being decent employers.<sup>13</sup> Global buyers should thus ensure suppliers that the prices they are at the very least cover payment of the AFW. This also means that global buyers should do research and allocate resources appropriately to ensure that the prices they pay their suppliers are sufficient for the successful implementation of the AFW. This can be facilitated by calculating the AFW unit labour cost of the supplier's products based on both the labour minute value and the actual work time norms and then perform a wage gap analysis.<sup>14</sup> This will allow global buyers to take the appropriate steps to alleviate the negative impact of that purchasing practices would normally have on working conditions. At the same time, global buyers should also express a willingness to establish long-term relations with their suppliers. After all, when a global buyer is constantly changing suppliers, suppliers may end up feeling that there is no incentive for making the required improvements. In their view, buyers can easily add

a 'pass through' clause to their contracts with suppliers, thus contractually imposing wage increases.

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### ***The AFW alliance calls upon global buyers to:***

- Recognise that purchasing practices and pricing policies have an impact on wages (and working conditions in general);
- Evaluate how purchasing practices need to be adjusted to make the payment of the AFW possible;
- Create incentives for the purchasing department as well as for suppliers to achieve the AFW.
- Make the payment of an AFW (as a minimum!) a key criterion when selecting suppliers – along with the price, time and quality indicators;
- Establish stable, enduring relations with suppliers;
- Commit time and resources to calculate the labour costs of buyer's' merchandise to ensure that prices facilitate payment of AFW at the very least.

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### ***Signs of good practice***

Marks & Spencer (M&S) has publicly stated that by 2015 prices paid to suppliers in Bangladesh, Sri Lanka and India will be 'adequate to pay a fair living wage'.<sup>15</sup> US Company Gap has collaborated with Women Working Worldwide to better understand how purchasing practices impact working conditions at suppliers.<sup>16</sup>

## **6. CONDUCT "AFW-PILOT PROJECTS" INVOLVING SUPPLIERS AND AFW PARTNERS**

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### ***What's the problem?***

Some buyers have argued that, while they agree in principle with the implementation of a living wage it is difficult to achieve in practical terms. For example, they argue that suppliers may be unwilling to collaborate or that it is difficult to design a mechanism that ensures that price increases will actually be passed along to the workers.

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### ***The AFW's position***

While implementation of a minimum living wage policy may encounter practical difficulties, a living wage is simply too important to ignore. Global buyers should not use practical difficulties as an excuse for disengagement. Instead, they should design programs through trial and error that create practical solutions to all possible hindrances. The AFW is open to conducting "AFW Pilot Projects" in supplier factories, with buyers and multi-stakeholder initiatives to practically test the implementation of a minimum living wage.

A credible project would be based on the following **guiding principles**:

- Involvement of AFW Alliance from the initial stage (see **recommendation 3**);
- Active involvement of AFW Alliance local partner in the country of the pilot project (see **recommendation 3**);
- Development of a framework that does not negatively impact workers' working conditions;

- Prioritization of access to freedom of association and collective bargaining (see **recommendation 2**);
- Identification of the gaps between minimum wage, prevailing wage, AFW and union-defined local living wage in the selected region (see **recommendation 5**);
- Calculation of the Unit Labour Cost needed to deliver Asia Floor Wage;
- Commitment to delivery of Asia Floor Wage as an end goal;
- Transparency in the operations of the pilot project (see also **recommendation 8**); and
- Stages of evaluation built in to ensure that the guiding principles are being followed

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#### *A note on productivity projects*

Some brands – mostly located in the UK – have initiated living wage (pilot) projects in supplier factories. Most of these studies focus on productivity increases as a way of achieving higher wages. The suggestion is that productivity gains lower unit costs, and that resulting savings can be passed along to increasing wages. The argument for improving working conditions is usually framed in business terms. While productivity increases may play a role, it should not be considered a panacea. In fact, these types of projects may actually have a negative impact on working conditions. For example, this may occur in cases based on bonus systems that encourage workers to work even harder, thus increasing already high stress levels. Moreover, it remains unclear how efficiency benefits will be utilised to improve wages (rather than simply boosting profits, for instance). Another problem is that these projects shift the responsibility of solving the problem of poverty wages to the manufacturer, which ignores the issue of (fair) pricing (see **recommendation 5**). Finally, while productivity strategies may play a role, it should give equal weight to other wage increase options such as collective bargaining, adjustment of the prices buyers pay or establishing framework agreements.

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#### *The AFW alliance calls upon global buyers to:*

- Engage in pilot projects to find concrete ways to implement AFW;
- Involve AFW partners in the development, implementation and evaluation of pilot projects;
- Set clear targets on how the productivity projects will help improve wages.

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#### *Signs of good practice*

Several companies – mostly ETI members – have completed pilot studies on wages at supplier level, most of which involve improving productivity. The AFW alliance and a German company are currently (2011) discussing the initiation of a pilot project on wages in a variety of supplier factories in three or four countries.

## 7. WRITE TO SOURCING COUNTRIES'S GOVERNMENTS TO ADVOCATE FOR THE AFW

### *What's the problem?*

Governments should ensure that minimum wages are set at a level that provides a living wage, and is regularly adjusted to sufficiently maintain the workers' purchasing power. However, governments often set the minimum wage below current poverty standards. They fear that any wage increases or stronger labour legislation will cause global buyers to pull out of the country, taking thousands of jobs with them. The threat of relocation as a result of the enactment of minimum wage legislation that would guarantee living wage standards are still perceived as a possible barrier to attracting global buyers. Furthermore, global buyers are often two-faced: on the one hand, they may commit to ethical standards, while, on the other, they may still be fervently lobbying governments – sometimes through business associations – to keep wages as low as possible. The business sector meanwhile continues to argue that higher minimum wages will have a significantly negative impact on the current business climate and could eventually lead to redundancies, declines in investment or even relocation to a cheaper country.

### *The AFW's position*

The AFW Alliance demands that global buyers insist that Asian governments adjust their garment industry wages to satisfy minimum living wage standards, with PPP\$540 as a current credible benchmark (for 2011 and 2012).<sup>17</sup> Global buyers should let their dissatisfaction regarding current wage levels be known and furthermore clearly declare that wage increases will not lead to their relocation. They should also express support for any national minimum wage demand as an intermediary step towards reaching the AFW. Of course, public support for higher minimum wages should not prevent buyers from taking concrete steps towards implementing the AFW as noted above.

### *The AFW alliance calls upon global buyers to:*

- Recognise that the legal minimum wage often fails to meet minimum living wage standards;
- State publicly that they will not relocate as a result of official minimum wage legislation that ensures a living wage and further convey this position to the governments that continue to set the minimum wage below living wage benchmarks.

### *Signs of good practice*

In early 2010, a group of brands and retailers – including H&M, Levi's and Tesco – sent a joint letter to the Bangladeshi government urging that it immediately increase the minimum wage and review it regularly. While this letter was not a public statement, it showed that major brands and retailers are capable of lobbying governments for higher wages and worker rights.

## 8. ACT IN A TRANSPARENT WAY

### *What's the problem?*

Transparency and accountability should be central to any credible corporate accountability program. There is, however, currently plenty of room for improvement in at least three areas.

- First, while many buyers make corporate accountability claims on their company websites, the information provided is often minimal and fairly unconvincing. Very few company reports offer any insight regarding their ambitions, efforts and actual progress on the achievement of a living wage.
- Second, most buyers do not disclose the location and names of their suppliers. Thus it is impossible for trade unionists, consumers and public institutions to actually figure out where their products are made. This veil of secrecy makes it difficult to link a buyer to the factories that make the clothes. It limits the abilities of unions to organise the workers employed by particular buyers, and makes it difficult to verify whether a particular company's reports on working conditions are accurate.
- Third, social auditing results, even if they are based on input provided by the workers, remain a well-guarded secret to both the workers and their representatives. Finally, workers are often asked to collaborate on social auditing surveys, but are subsequently left in the dark about the results and any remediation efforts.

### *The AFW's position*

In order to assess the buyer's program on wages it needs to be transparently applied. After all, AFW campaign partners must be confident that all activities undertaken by buyers to implement the AFW are meaningful, identifiable and verifiable. This means that buyers should report on their programs and ambitions to achieve the AFW. Transparency also applies to the sourcing locations and names of suppliers.

### *The AFW alliance calls upon global buyers to:*

- Publicly report on their programs and efforts toward achieving the AFW;
- Publicly report on the impact these programs have on achieving the AFW;
- Publicly disclose their supplier lists on an annual basis.

### *Signs of good practice*

Nike, Puma and Levi's, among a few others, have publicly disclosed the names and addresses of all of their suppliers. Nike has argued that disclosure of supply chains is a key to unlocking greater collaboration among brands and the creation of the incentives necessary for factories to turn their CR performance into a point of differentiation'.<sup>18</sup> Some UK brands, such as New Look, have provided detailed reports on their wage projects.<sup>19</sup>

## 9. DO NOT WORK IN ISOLATION

### *What's the problem?*

Achieving a minimum living wage requires collaboration with various stakeholders such as trade unions and labour rights groups (see **recommendations 2 and 3**). It also requires collaborating with other corporations regarding assurances that working conditions meet decent standards. Many of the root causes of poverty wages remain difficult to address on a company-by-company basis because they require a sector-wide approach. Since most garment manufacturers supply several clients, collaboration with the buyers is often necessary to make any progress.

### *The AFW's position*

The AFW alliance encourages global buyers to join together to discuss how the AFW can be achieved within shared supplier factories. Major brands often hire suppliers who supply over 60% of their product solely to one brand. Furthermore, if 2 brands agree to approach suppliers where they each have 20% shares – that is already a 40% share. So, pilot projects are very much a possibility. While various forums can be used to achieve this kind of outcome, joining a multi-stakeholder initiative (MSI) can be a valuable step for companies in efforts to make progress on wage issues. MSIs require that companies, unions, and NGOs collaborate to promote improved labour practices through codes and monitoring. Multi-stakeholder code initiatives in the garment and related consumer products sectors include the ETI in the UK and the FWF in the Netherlands. These MSIs have adopted a living wage in their codes of conduct and create conditions for the sharing of best experiences, stimulate collaborative initiatives and are helpful in facilitating an open discussion on wages among different stakeholders. Moreover, MSIs bring various brands together, which, when combined, represent a critical mass that can apply a certain amount of leverage over suppliers.

### *A note on anti-trust legislation*

Some buyers have rejected the demand for a living wage because they are afraid that it constitutes a breach of anti-trust or competition laws. Any action between buyers that might have a negative impact on consumer prices or restrict competition would be considered legally implausible. There are no known cases involving corporate accountability activities that have actually led to any legal cases pursued by anti-trust authorities against any involved companies, but it is often used as an argument why certain steps – such as information involving price sharing among buyers – are out of question. The AFW alliance, however, believes that solutions to these problems are possible. Multi-stakeholder initiatives like the FWF or ETI can play a role in resolving this issue.

### *The AFW Alliance calls upon global buyers to:*

- Express a willingness to explore possibilities for collaborative programs with other buyers to achieve the AFW, such as identifying suppliers in which participating buyers collectively control more than 75% of production on a regular basis;
- Join a multi-stakeholder initiative that endorses a living wage standard in its code of conduct to foster new ideas and best practices among global buyers.

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### *Signs of good practice*

Multi-stakeholder initiatives such as the ETI or FWF provide a forum for innovative partnerships between businesses, trade unions and NGOs. These initiatives encourage members to work with suppliers to improve wages and reduce working hours. The ETI, for example, has initiated a collaborative project to test a new approach to increasing wages with a group of Bangladeshi suppliers that produces for member companies.<sup>20</sup>

## **10. PRESENT A ROAD MAP WITH A CONCRETE TIMELINE FOR THE ACHIEVEMENT OF THE AFW**

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### *What's the problem?*

The lack of a comprehensive approach regarding the implementation of a living wage remains an obstacle to progress. Some companies have already adopted a living wage standard within their codes of conduct, but, unfortunately, very few global buyers have come up with any comprehensive plan involving the implementation of a living wage among their suppliers. Some companies have initiated efforts to tackle the wage issue (beyond the mere monitoring of minimum wage compliance), but there is seldom a clearly articulated goal to make a living wage a reality for garment workers within a reasonable period of time. Other cases reveal that buyers have promised they are working on the issue but remain very vague (non-transparent) about the content of these programs.

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### *The AFW's position*

The AFW alliance wants buyers to express their ambitions regarding the achievement of the AFW clearly and show what steps they have taken in this regard. The AFW suggests that each buyer come up with its own plan, strategy, or road map to achieve the AFW within a certain time period. Of course, timelines may vary depending on various factors, including the particular activity, country or supplier in question. A road map detailing various steps, time periods, pilot studies, etc. but should, eventually, results in wages that meet AFW benchmarks.

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### *The AFW Alliance calls upon global buyers to:*

- Develop a comprehensive road map for implementing the AFW;
- Set a clear target for the number of factories that need to achieve the AFW benchmark within a five-year and within a ten-year period.

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### *Signs of good practice*

M&S has expressed its intention to develop living wages for its factories in Bangladesh, Sri Lanka and India.<sup>21</sup> It has been involved in a pilot project on productivity and wages for the past few years, but has expressed its ambition of achieving a living wage in its factories in these countries by 2015.

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## *A note on countries outside Asia*

Garment production is obviously not limited to Asian countries. Wages are also appallingly low in the garment sectors of many African, Central American, Middle Eastern, and Eastern European countries. Garment workers in these areas face problems similar to those of workers in Asia: wages that fail to meet basic needs, employers who ignore trade union rights and demands, unhealthy working conditions, and women workers who end up suffering the most. Furthermore, they often produce goods for the same aforementioned brands and retailers. The concept of the Asia Floor Wage campaign could easily be applied to these regions as well. Workers in these regions have been encouraged to put their heads together to define, propose, and campaign for a regional floor wage based on living wage standards. At the same time, the AFW alliance has encouraged global buyers to establish a monetary wage level that can be used as a guide to a living wage based on international standards in producer countries outside of Asia. This needs to be done, as much as possible, in collaboration with the involved labour rights organisations.

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<sup>1</sup> Miller, D., and P. Williams (2009), 'What Price a Living Wage? Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector', *Global Social Policy*, vol. 9, pp. 99-125.

<sup>2</sup> There are many studies that show legal minimum wage is failing to meet living wage standards:

For China see for example: <http://fairwear.org/2010-08-27/wages-in-china-still-fall-short-of-living-wages>; for Cambodia see for example:

<sup>3</sup> See for example: Setrini G., and R. Locke (2005), 'Wages in the Apparel Industry: What Constitutes A Decent Standard?', conference paper: 'Exploring Common Approaches to Corporate Accountability and Workers' Rights' at the Massachusetts Institute of Technology, July 10-11, 2005; see also: US Department of Labor (2000), 'Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Countries', Bureau of International Labor Affairs.

<sup>4</sup> See: United Nations Universal Declaration of Human Rights, Article 23(3); International Covenant on Economic, Social and Cultural Rights (Articles 7 and 11(1)).

<sup>5</sup> Nova, Scott. Memo to Primary Contacts at WRC Affiliate Colleges and Universities. January 30, 2008.

<sup>6</sup> For a longer discussion on dealing with this in practice, see: Clean Clothes Campaign (September 2005) 'Freedom of Association and the Right to Collective Bargaining: A Clean Clothes Campaign Primer Focussing on the Global Apparel Industry', available at: [https://cleanclothes.org/codes/docs/CCC\\_FoA\\_Primer.pdf](https://cleanclothes.org/codes/docs/CCC_FoA_Primer.pdf).

<sup>7</sup> Nike, China 2008 Corporate Responsibility Reporting Supplement. 11 March 2008, p. 22.

<sup>8</sup> Barrientos, S., and S. Smith (2006), 'The ETI Code of Labour Practice: Do workers really benefit?', Institute of Development Studies, University of Sussex, p. 16.

<sup>9</sup> Chapter four of the 'Stitching a Decent Wage Across Borders' report outlines step-by-step how the AFW alliance achieves this.

<sup>10</sup> For an example of how the wage ladder can be used, JO-IN, (2008) 'Jo-In Explanatory Note on the Treatment of the Living Wage Common Code Element during the Jo-In Pilot Project in Turkey's Garment Industry ~ 2006-2007', available at:

<http://www.jo-in.org/pub/docs/jo-in-%20Explanatory%20Note%20for%20Living%20Wages.pdf> see also: [http://www.jo-in.org/english/resimler/Wage\\_ladder.pdf](http://www.jo-in.org/english/resimler/Wage_ladder.pdf).

<http://www.jo-in.org/pub/docs/jo-in-%20Explanatory%20Note%20for%20Living%20Wages.pdf>.

<sup>11</sup> AA UK meeting with Monsoon-Accessorize, 16 March 2010, 4 PM.

<sup>12</sup> The impact of purchasing practices can have on working conditions is increasingly being researched, see, for example: Insight Investment (2004) 'Buying your way into trouble? The challenge of responsible supply Chain Management' Lillywhite, Serena (October 2004) 'Responsible supply chain management Ethical purchasing in practice', Brotherhood of St Laurence's.

<sup>13</sup> For an overview of these recommendations, see p. 66 of the Play Fair report, <http://www.madeindignity.be/public/vetements/pdf/forum%20en.pdf>.

<sup>14</sup> For a detailed discussion of how labour minute value can be used for labour costing, see: Doug Miller, (2010) 'Towards Sustainable Labour Costing in UK Fashion Retail', A report for Action Aid UK, London.

<sup>15</sup> M&S (2010), CSR report, p. 54: <http://plana.marksandspencer.com/media/pdf/planA-2010.pdf>.

<sup>16</sup> See for an overview of this project: [http://www.gapinc.com/public/documents/www\\_study.pdf](http://www.gapinc.com/public/documents/www_study.pdf)

<sup>17</sup> See for an explanation on how the AFW is defined, calculated and adjusted (for inflation): the AFW website and documents. <http://www.asiafloorwage.org/index.htm>

<sup>18</sup> Nike (2005), Nike's 2004 CSR report, available at:

[http://www.nikebiz.com/responsibility/documents/Nike\\_FY04\\_CR\\_report.pdf](http://www.nikebiz.com/responsibility/documents/Nike_FY04_CR_report.pdf)

<sup>19</sup> See ETI, <http://www.ethicaltrade.org/in-action/member-performance/productivity-and-wage-rises-go-hand-hand> last accessed, January 12, 2011.

<sup>20</sup> ETI (2009), 'A living wage for workers', available at : <http://www.ethicaltrade.org/in-action/issues/living%20wage>.

<sup>21</sup> M&S (2010), CSR report, Page 54: <http://plana.marksandspencer.com/media/pdf/planA-2010.pdf>.