

Living Wages

Richard Mandelbaum, CATA

So-called “living wages” generally take one of two forms: a simplistic specific monetary wage, which is often higher than the minimum wage (where one exists) but not necessarily higher than the prevailing wage in the area. These so-called “living wages” often are not sufficient to meet the criteria set forth in the more comprehensive definitions of living wage. In these cases, the term is used loosely and the wage level sometimes selected arbitrarily.

The comprehensive definitions of living wage explicitly avoid setting specific wages, as they are intended to be universally applicable. These definitions do vary slightly, but for the most part they are fairly consistent amongst themselves. Two of these are given below. They can be seen as adding more substance to the language in the United Nations Universal Declaration of Human Rights:

"Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection."

Also below is an essay advocating an ILO role in the adoption of living wages. It provides a decent overview of the history of the concept. The essay outlines some of the potential pitfalls and “caveats” involved in advocating living wages on a worksite-by-worksite basis, and also warns against living wage campaigns or programs that are not run by workers and workers’ organizations, but rather by NGOs or others in the global North. Not all the points made by the authors apply so neatly to a food label context, which as an alternative market has its own mechanisms, but the essay does provide an important contextual framework in which to consider this issue.

I. Definition adopted by Living Wage Summit, July 1998, Berkeley, CA; citation from “Codes of Conduct: From Corporate Responsibility to Social Accountability”, by Lynda Yanz and Bob Jeffcott, Maquila Solidarity Network, Sep 1999:

A living wage is the net wage earned during a country’s legal maximum work week, but not more than 48 hours, that provides for the needs of an average family unit (nutrition, clothing, health care, education, potable water, child care, transportation, housing, and energy) plus savings (10 percent of income).¹

¹ Definition adopted by Living Wage Summit, July 1998, Berkeley, CA; citation from “Codes of Conduct: From Corporate Responsibility to Social Accountability”, by Lynda Yanz and Bob Jeffcott, Maquila Solidarity Network, Sep 1999

II. Labour Behind the Label's definition of a living wage:

"A living wage enables workers to meet their needs for nutritious food and clean water, shelter, clothes, education, health care and transport, as well as allowing for a discretionary income. It should be enough to provide for the basic needs of workers and their families, to allow them to participate fully in society and live with dignity. It should take into account the cost of living, social security benefits and the relative standards of other groups".

Empowering Workers Towards A Living Wage A Position Paper

Bama Athreya and Natacha Thys
International Labor Rights Fund
733 15th Street, N.W. # 920
Washington, D.C. 20005
(202) 347-4100
www.laborrights.org

Fall 1999

I. Summary Statement

All workers are entitled to earn a living wage whereby they are able to steadily improve their standard of living. Workers must be at the forefront of any movement to demand better wages and working conditions.

Every effort should be made to assist workers in promoting living wage guidelines at the ILO level, which workers and their representatives, if any, can then utilize to bargain collectively with their employer. Activism around the living wage issue must keep in mind the goal of promoting efforts to bargain collectively. Efforts to establish a universally applicable economic formula or to measure in concrete dollar terms the specific living wage amount may be protectionist in impact. More importantly, such a strategy may create a disincentive for employers to bargain collectively where the proposed amount differs from the established formula. We note that unlike other core worker rights standards, there is no internationally accepted definition of a living wage. We advocate a living wage strategy geared towards international cooperation to develop universally acceptable living wage

guidelines and towards advocating for the inclusion of these guidelines in a new ILO convention and in social clauses tied to enforcement mechanisms.

III . The Moral Consensus

The moral imperative on employers to pay workers a living wage has long been acknowledged by the world community. In 1905, Henry Ford took the unprecedented decision to raise his workers' wages to \$5 per day. Ford, the pioneer of modern mass production techniques, reasoned that mass production would never be profitable unless mass numbers of people could afford to buy what was being produced. He raised wages to \$5 per day to enable workers to buy the Model-T cars they were producing.

Unfortunately, since Ford's time manufacturers have shifted production to low-wage countries, creating a system where more and more goods are being produced, but less and less people can afford to buy them. This has created a dangerous imbalance that has already contributed to a crisis in Asia, as inflation has left many "working poor" unable to buy even food or other basic life necessities.

Workers must be able not only to meet their basic needs but to steadily improve their living conditions. This is a moral position, and a pragmatic one as well. All human beings have certain economic rights: to food, shelter, medicine, education. Additionally, the global economy cannot sustain itself indefinitely on a shrinking base of Western consumers. Workers in the South must be able to steadily improve their standard of living in order to fuel the demand on which global trade is based. This is not to suggest that a living wage should be premised on increased consumer demand, but to acknowledge the economic reasons underlying a living wage. The primary justification for a living wage should be to allow workers to meet their basic needs and improve their standards of living as a moral and economic right.

III. Definitions of A Living Wage

In recent years many sweatshop activists have argued for the rights of garment workers worldwide to earn a living wage, but their demands have suffered from a lack of clear definition, and from a narrow focus of developing economic frameworks that do little to "bring up the bottom." We advocate assisting workers and their representatives first and foremost to bargain collectively, and next to promote living wage guidelines at the ILO level, rather than unilaterally creating specific economic formulae to determine basic needs.

The most broadly accepted language on this subject is contained in the Universal Declaration of Human Rights, which states, "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection." This definition, however, does not provide factors which workers can utilize to bargain with their employer.

In 1928, the ILO ratified Convention No. 26 which established criteria for determining minimum wages. The convention provides the following guidance on the establishment of national minimum wages:

"(1) before the machinery is applied in a trade or part of trade, representatives of the employers and workers concerned, including representatives of their respective organisations, if any, shall be consulted as well as any other persons, being specially qualified for the purpose by their trade or functions, whom the competent authority deems it expedient to consult; (2) the employers and workers concerned shall be associated in the operation of the machinery, in such manner and to such extent, but in any case in equal numbers and on equal terms, as may be determined by national laws or regulations; (3) minimum rates of wages which have been fixed shall be binding on the employers and workers concerned so as not to be subject to abatement by them by individual agreement, nor, except with general or particular authorisation of the competent authority, by collective agreement."

It is noteworthy that the early ILO delegations who developed this convention did not see a need to include language referring to workers' basic needs into its text (the ILO charter's preamble, however, does refer to the principle of a living wage).

The ILO revisited the issue of criteria for determining minimum wages in 1970. ILO Convention No. 131, adopted that year, listed the following criteria for measurement:

"The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment."

This language apart, the ILO has never determined criteria with regards to a living wage. Convention No. 131 does, however, provide a basic framework which can be applied to

living wage criteria. Significantly, it notes the importance of assessing the impact of wage hikes on levels of employment. This assessment can only be made appropriately by those affected, i.e., workers and employers within a given country. This being the case, international advocates for wage hikes must be particularly careful not to take on the role of determining or setting wage levels.

IV. Basic Needs Assessments vs. Wage Determination

Given this existing international framework, we question the effectiveness of deploying activist resources to the task of creating economic formulae for setting wages worldwide. On the other hand, we fully support activities simply to establish a baseline of what basic needs in developing countries are. These efforts have included developing market based surveys and other indices to determine the actual purchasing power of factory wages. They have also included examination of existing studies and reports from developing-world NGOs. This is an important task, for it supports the moral rationale for promoting living wage campaigns in international fora, and we hope it will be useful in propelling a fresh consideration of these questions in the ILO and other international bodies.

We note with somewhat greater caution the project undertaken by some US advocates to assess exactly how much, in dollar terms, is "enough" for their brothers and sisters in the South (e.g. the efforts of US university students to determine wages for workers producing university-logo apparel). There are several problems with this strategy. First, it will be a time-consuming effort and no clear, international consensus is likely to be reached for quite some time. Second and most significantly, workers are often missing in the development of economic measures. Such workers, while they have often been the subjects of studies contributing to the debate, have yet to become full participants on an advocacy level. Lastly, employers may refuse to bargain over amounts which vary from the established formula. Once companies have agreed to a specific formula or amount, they will have no incentive to bargain collectively with their workers over differing approaches to living wages.

To be sure, few workers in low wage industries are unionized (we estimate some three percent of workers worldwide in the garment industry belong to unions). But where independent trade unions exist, even where they do not have significant representation in the apparel industry, they, rather than Northern activists ought to take on the role of defining specific wage needs. Activists who want to focus on the living wage issue ought to do so in relation to the demands of independent trade unions in producer countries, and ought to let their determination of sufficient wage levels be guided by those allies. Simply "consulting" with those allies, or requesting their input into predetermined studies or formulae, is not

enough. We prefer a consumer-oriented strategy which identifies and supports campaigns in developing countries to raise minimum wages. We note, for example, that such campaigns have been developed in countries such as Mexico and Indonesia in recent years. Where local activists have defined, and are promoting, a new minimum wage, we suggest that sweatshop activists in the US may rightly encourage US retailers and their suppliers to pay that wage, whether or not the government has yet endorsed it. Along these lines, we note that the ILO itself in Convention No. 26 stated specifically that mandated minimum wages were intended specifically to apply to those sectors "in which no agreements exist for the effective regulation of wages by collective agreement or otherwise . . ." While collective bargaining agreements negotiated by independent unions may not yet be prevalent in the garment industry, living wage advocacy should explicitly support this eventual goal.

We recognize that in certain countries (Burma, China) it may be difficult to liaise with local advocates who are defining basic needs or promoting wage increases. However we believe even in such cases it is possible to solicit and form relationships with indigenous activists. While it may be more difficult to seek out such individuals, they do exist and need support and solidarity if they are to have any hope of becoming effective.

Workers themselves may have a somewhat different idea of what is "enough" than their Northern advocates. We have examined some of the proposed "market basket" surveys intended to develop indicators of what is "enough." We have also talked to numerous factory workers in developing countries. These workers are concerned with being paid higher wages. However, their concerns extend well beyond mere "bread-and-butter" issues measured by the market basket surveys. Most of the trade union leaders we have met have been as concerned with winning recognition from their employers as they were with increasing their wages. Some of them were willing to accept existing minimum wages, for the time being, as long as other benefits, both material and non-material, were put into place. Most importantly they wanted to establish an ongoing relationship with their employers that would allow them to revisit and renegotiate wages and terms of employment repeatedly in future.

V. Enforcement of the Living Wage

Given these concerns, we believe that advocates of a living wage should assist workers in promoting living wage guidelines at the ILO level, whereupon, workers and unions can utilize such guidelines to bargain with their employers for specific amounts. The ILO appears to be entering a new period of activism, with the recent adoption of a new Fundamental Declaration on Rights at Work, which makes adherence to core labor standards binding on all ILO member countries, and this year's adoption of a new child labor convention. While the

road to adoption of a new convention is a slow and arduous one, it is a particularly worthwhile goal for US-based activists at this point.

In addition to promoting living wage guidelines at the ILO level, we advocate efforts to incorporate such guidelines into social clauses linked to enforcement mechanisms. Without a clear means of holding countries and companies accountable for their failure to pay a living wage, living wage guidelines will do little to improve the living conditions of workers. It is, therefore, crucial to move the living wage debate beyond economic formulas to the critical issue of enforcing worker rights.

There is no doubt that Northern advocates have a right to demand that corporations headquartered in their countries abide by certain basic standards. We also recognize that workers are not waiting for either governments or Northern advocates to step in and protect them. Workers everywhere are organizing to demand higher wages and better treatment from their employers. However, we strongly caution against the use of unilateral approaches which are not linked to the broader movement of enforcing worker rights.

It is unlikely that a single country would choose to raise its minimum wage unilaterally, especially in regions such as central America or southeast Asia. This is, of course, part of the "race to the bottom" dynamic whereby countries compete to provide the lowest possible wages in order to attract foreign investors. Therefore, even countries with minimum wages often set those wages lower, than might be determined by an open labor market, in order to attract investment. The obvious danger of a unilateral approach where a company is forced to pay a determined living wage or higher wage is that the company may in fact relocate in search of cheaper labor.

Thus, although we clearly support grassroots campaigns geared toward demanding higher wages, as well as collective bargaining efforts, both strategies must be linked to broad, international enforcement mechanisms. This not only protects the workers fundamental right to organize and bargain collectively for higher wages, but provides real consequences where the employer fails to do so.

To date, there is general consensus that worker rights require an enforcement mechanism which can hold companies directly liable to workers and force countries to enforce their own labor laws. One method of doing so favored by ILRF is to incorporate a social clause or worker rights clause into a regional and/or multilateral trade agreement. As trade is the catalyst for the global economy, it should be a primary vehicle for enforcing social norms. In doing so, worker rights are linked to real enforcement mechanisms whereby countries are penalized through trade sanctions. Under ILRF's approach, remedies against a company

found in violation of social clause could range from monetary penalties to loss of market access for products made in violation.

Supporters of the social clause approach generally agree that the social clause should incorporate what the ILO deems core labor rights. The core labor rights include: the right to associate (Convention No. 87); the right to organize and bargain collectively (Convention No. 98); equal employment opportunity and non-discrimination (Convention Nos. 100 and 111); prohibition of forced labor (Convention Nos. 29 and 105); and prohibition of child labor (Convention No. 138).

There has been increased debate in recent years over additional rights that could be incorporated into a social clause. While most worker rights advocates would welcome the inclusion of additional rights, it may ultimately undermine the ability to implement the social clause into a trade agreement in the foreseeable future. For this reason, we advocate that the living wage be a right that could be phased into core rights, starting perhaps first with the incorporation of minimum wages based on ILO Convention No. 131.

VI. Conclusion

Workers themselves can and should be in the vanguard of any movement to demand better wages and working conditions. Given that most worker rights advocates have limited time and resources, how can we best support workers and their representatives, if any, in promoting a living wage? It seems like a far easier task to pressure a particular multinational into doubling its wages than to form a coalition between unions and NGOs to devise living wage guidelines and to develop methods of enforcing workers' rights at the multilateral level. However, we believe it is time to take on the latter task. The tasks before us, then, on the living wage issue are as follows: to support basic needs research, which workers can then utilize to bargain collectively for their specific needs; to work together with producer country trade unions and NGOs on the development of appropriate living wage guidelines, and to lobby for the inclusion of these guidelines in a new ILO convention and in social clauses tied to enforcement mechanisms.