

## **BSCI POSITION ON WAGES**

November 2009

In October 2009, a new campaign has been launched to **raise the minimum wage** for garment workers in Asia. The initiative is called the Asian Floor Wage (AFW) campaign and has been launched by a large number of NGOs and trade unions in Asia, Europe and the US. One of the main proposals is what AFW calls a minimum living wage for Asian workers in the garment industry.

This paper explains the BSCI position on wages as reflected in the BSCI Code of Conduct and implementation guidelines.

### **THE CONTEXT**

There are three possibilities for setting wages for workers:

- 1- The minimum wage required by law
- 2- The local industry wage
- 3- The living wage

#### **1- Minimum wages required by law**

The minimum legal wage is set by national governments and determines the minimum wage on the basis of cost of consumption to meet workers' basic needs\*.

*The BSCI Code of Conduct requires the payment of the legal minimum wage plus overtime compensation.*

In some developing countries, workers do not receive the minimum legal wage and for factories, the payment of the legal wage is already a challenge. This wage can also be kept artificially low to attract foreign investment and export order and also to protect labour-intensive export industries, such as clothing. When the legal wage is too low, it can have different knock-on effects. It can explain why workers are working overtime. It can also lead to child labour because parents, who do not earn enough to feed their family, send their children to work.

As it is raised by experts, minimum wage is often not enough to cover basic needs of workers and their families. As a consequence, it should be regularly revised by local governments to reflect the increase of cost of basic consumption products.

#### **2- The local industry wage**

The local industry wage is the wage that is commonly paid in a specific industry. It may be higher than the required legal minimum wage. Local social partners (trade unions and employers) define the industry wage. Anti-trust and competition laws make it impossible for retailers and brand companies to define what should be the local industry wage at shared suppliers.

*The BSCI Code of Conduct requires the payment of the industry standard when it exists and in case it is higher than the legal wage.*

1\* see article 3 (a) of ILO's Minimum Wage Fixing Convention 131 (1970)

### **3- The controversial living wage**

#### **- No universally-accepted definition of living wage**

A living wage is one that is adequate for someone to support himself and his family. The BSCI totally supports the idea that workers should earn enough to be able to cover basic needs (food, rent) and to have at least some discretionary income.

Things become more complicated when trying to define how a living wage should be calculated, what the size of an average family is, and how much discretionary income is needed. Many definitions, approaches and methodologies have emerged over the last decade but none is accepted with unanimity.

#### **- The SA8000 calculation of a living wage**

BSCI's best practice, the SA 8000 social standard, requires the payment of a living wage. Social Accountability International (SAI) audits monitor the payment of living wages based on a combination of qualitative and quantitative analyses.

Quantitative analyse means that the living wage is calculated as a wage sufficient to provide food for an adequate diet and the remaining basic needs for the worker and half of the average number of dependents in a family in that region, with an additional 10% added on for discretionary income.

Qualitative methods used by SA 8000 auditors include comparing wages with those of a unionized company in the region (providing independent unions exist in the area), and worker interviews.

Both qualitative and quantitative methods are used in an audit to verify the results one against the other.

The SA 8000 calculation contains criteria such as the evaluation of basic food needs or the number of dependants to include in the household expenses. Defining the criteria is a big challenge for monitoring the implementation in practice. To be accurate, the calculation has to be based on local circumstances, almost on a case by case basis, and requires a lot of work. One auditor may use a government market basket figure for the calculation while another uses a living wage provided by a local union. An NGO may provide a very different estimated wage than a union.

#### **- No clear responsibility to pay the living wage**

If a living wage would be paid, three actors should be ready to play an active role:

- Suppliers: do they accept to take a smaller margin?
- Retailers: can they take a smaller profit or be prepared to pass on higher costs to consumers?
- Consumers: will they be prepared to pay more?

## **THE WAY OUT: THE BSCI APPROACH**

### **1- A two-pronged approach**

*The BSCI Code of Conduct takes a two-pronged approach to wage payments, requiring compliance with the local legal minimum wage and aiming at a living wage to be pursued on a voluntary basis by each supplier.*

The question of a living wage is addressed in the BSCI Audit Questionnaire as part of the obligatory gap analysis that the external and independent auditors must perform during the BSCI audit. The goal is to discuss the issue with the supplier, review the living wage from an aspirational view and try to help the employer see the benefit to the organization of improving wages. Nevertheless, the implementation of a living wage remains voluntary. This process is in line with the development approach pursued by the BSCI in general, as in many countries, achieving compliance with the legal minimum wage is already a challenge.

### **2- Local lobbying for sustainable improvement**

The BSCI believes that a sustainable way to increase wages for garment workers is through the local legislation and based on discussions among local stakeholders. Therefore the BSCI is engaged in a network of Round Tables in supplying countries that gather representatives from local governments, trade unions, NGOs, as well as garment producers' and exporters' associations and representatives. Those Round Tables help to address strategic issues such as wages with the local governments who bear the responsibility to ensure the well-being of the workers in the country.

**The BSCI believes that the AFW campaign raises important problems and we will encourage governments in Asia, especially in Bangladesh, to discuss the topics raised. We do believe that the legal minimum wage should be sufficient to live on and we encourage governments to regularly revise the legal minimum wages.**