

ILO ASIA AND PACIFIC SEMINAR ON WAGES AND PRODUCTIVITY: UNION STRATEGIES FOR WAGE RISE AND IMPROVED LIVING STANDARDS

PHNOM PENH, 27 TO 29 APRIL 2015

Summary of Discussion and Seminar Conclusions

Introduction

The seminar, which was organised by the ILO's Bureau for Worker Activities (ACTRAV) with the support of the All-China Federation of Trade Unions (ACFTU), was held in Phnom Penh from 27 to 29 April 2015, with 40 participants from 15 countries in Asia and the Pacific. The participants were welcomed by Noriyuki Suzuki (General Secretary, ITUC-AP), Chuanhua Wu (Director of Africa and Western Asia Division, International Department, ACFTU) and Athit Kong (Representative of the Cambodian trade union movement), as well as Tun Sophorn (National Coordinator, ILO Phnom Penh) and Pong-Sul Ahn (Senior Specialist on Workers Activities, ILO DWT).

Context: Wages and their role for living standards in Asia and the Pacific

Wages growth has been strong in the Asia-Pacific region over the last decade. In 2013, the latest year for which data are available, the average real wage grew by 6% in Asia-Pacific, in comparison of just 2% in the world. However, much of the region's rapid wage growth was driven by the strong performance of China, with uneven progress elsewhere.

Moreover, significant challenges remain in the region as inequality is rising within countries in the region and between workers in formal and informal sectors. Unfair trade between manufacturers and subcontracting suppliers also contribute to increasing inequality. This was seen as a central challenge facing unions and workers. The seminar intensively discussed the causes and implications of the rise in inequality.

The participants highlighted that precarious work contributes to rising inequality. Informal and vulnerable employment is increasing in the region, which is a significant concern of trade unions. Even in countries in the region with high levels of economic growth and productivity, there was still a problem with labour market segmentation and precarious employment driven by weaker labour market institutions. They also viewed that low union density and low collective bargaining coverage has a great impact on income inequality for workers.

The participants opined that higher productivity can create an opportunity for sustainable wage growth, but it is not a sufficient condition. In reality, wages have not kept pace with

labour productivity growth in many countries in the region. Productivity does not necessarily mean working harder nor working longer. Productivity rather relate to the quality of management, training and education, safe working conditions, infrastructure and sound industrial relations. As a result, the labour share of income in these countries has fallen day by day.

In order to transfer productivity gains into higher wages, the development of sound labour market institutions, such as promotion of International Labour Standards including C.87 and C.98, social security, adequate minimum wages, and a fair and just taxation system, are vital. It was observed that the periodical minimum wage adjustment based on high-quality, trustworthy, and transparent data is important to leverage the wage floor for all workers in both formal and informal economies. Organising workers is fundamental for improving collective bargaining coverage and eventually tackling increasing inequality.

Global supply chains undermine trade union rights and hence limit the potential for productivity improvement. Therefore, the participants raised the necessity to organise across national boundaries and to lobby global players, such as garment brands, to increase purchasing prices and ultimately wages.

Country challenges

Many of the shared challenges are evident at the country level. A common challenge in many countries is the absence of a binding, universal, and adequate minimum wage. In India and Cambodia, a significant number of workers are not covered by minimum wages. In other countries, such as Bangladesh, the wage floor is seen to be insufficient to even meet workers' basic needs. It was suggested that in several countries, increases in minimum wages have only just kept up with the rising cost of living, or have fallen behind.

Labour regulations that prohibit unions' activities were seen to be a challenge by many participants, such as those from Fiji. In some countries, union activities in the public sector or resources sectors are severely constrained. Public sector workers in the Philippines and Malaysia are not allowed to have collective bargaining over wages. New Zealand severely limits the right to strike.

The fragmentation of the union movement was seen as a challenge by several participants, including Bangladesh. Fragmentation can make union involvement in tripartite processes like minimum wages, difficult and sometimes ineffective. In the Philippines, existence of multiple unions in a single enterprise sometimes hampers efforts to secure a collective bargaining agreement.

In several countries, such as the Republic of Korea, the labour share of national income have fallen in their countries. This was driven by the failure of real wages to keep pace with labour productivity growth since 1998 when it was hit by Asian economic crisis. In Malaysia,

despite the Government's wage policy to link real wages to productivity, unions face difficulties in negotiating wage rises above the inflation rate.

There were some discussions about the roles of minimum wages and collective bargaining. The speaker from New Zealand suggested that an increased focus on minimum wages could reflect decreased union density. To improve the wages of workers in Singapore, SNTUC has been instrumental in designing the Progressive Wage Model (PWM), which aims to give sustainable wage increase to workers while improving career enhancement and productivity.

Some wage-setting systems are very complicated, with variations not only by region but in some cases by industry and/or skill qualification level. The Indian wage structure includes basic pay, plus a large range of allowances and production-related incentives. The complex nature of these systems makes it difficult for unions to use them effectively and can undermine compliance with labour standards.

The widespread use of contract labour in countries such as India and Bangladesh further undermined the effectiveness of labour market institutions. In Indonesia and Bangladesh, employers' use of outsourcing undermines unions' ability to improve living standards.

Union strategies for wage rises and improved living standards

The trends observed in Asia and the Pacific, and evidenced by many examples from participating countries call for action at regional and national level to improve wages and living standards of workers and their families.

1. Wage setting principles

Wages should be sufficient to meet the basic needs of workers and their families, and should be adjusted to take account of changes in the cost of living. Workers should also share in the gains from economic growth, so real wages should increase reflecting labour productivity growth and other important factors such as consumer price index and economic growth rate. There should be equal remuneration for work of equal value. Trade unions should be able to access to the financial statement of companies, in order to have a robust wage negotiation. Unions should also play a role in promoting other policies that can improve workers' living standards, in the areas of taxation, health, housing, and childcare. Trade unions should build capacity to conduct a living wage survey, in order to legitimate their demands and analyse the financial statement of corporations.

2. Minimum wages and Ratification of C.131

Minimum wages are a useful instrument for overcoming poverty and ensuring minimum decent living standards for workers and complementing collective bargaining. Minimum wages should universally apply to all workers without exception. The minimum wage setting

mechanism should be tripartite and its body should be granted a decision-making power rather than a consultative role. They should be set and regularly adjusted through tripartite mechanisms. Minimum wages should take into account the needs of workers as well as economic factors. They should have the enforcement of law and be backed up through strong enforcement machinery like labour inspection. Unions call on all governments in the region to commit to these principles by ratifying ILO Minimum Wage Fixing Convention, 1970 (No. 131).

3. Global value chains

There are limits to the gains that can be achieved by unions acting alone at the factory level where production is located within global value chains. Organising on the ground is necessary, but in many cases insufficient to achieve adequate gains. Unions need to coordinate globally with one another with global union federations that have more influence to global brands and linking with other groups that share common goals. The ILO supervisory mechanism can be effectively used to pressurise governments to comply with international labour standards. Financial institutions, such as the ADB, can also be pressured to ensure borrowers to comply with fundamental labour standards. Media mobilisation is needed to press global brands.

Attachments:

- The programme of the seminar
- List of the participants