

Foreword

This is an exceptionally important and timely piece of work for the simple reason that it brings to our attention a global crisis – that of unfair wages. ‘Crisis’ is an overworked concept these days but the wage crisis is the Great White Shark preying just below the surface of our troubled economies. In the first chapter of this book, Daniel Vaughan-Whitehead shows that the wage crisis goes back at least a decade and that workers’ wages did not keep pace with the economic growth that characterized the period up to the financial crisis in 2008. Wages declined as a share of GDP and of company profits, while wage inequality widened. This means that workers were getting poorer in a period of robust economic growth and wealth creation. The data presented in this book are troubling and have led me to conclude that we are faced with a situation that is unfair and unequal and will surely lead to conflict. Indeed, it already has. In 2006, workers in Bangladesh went on strike on a massive scale because they simply could not make ends meet on wages that had not been adjusted in over a dozen years. The government finally convened the Wage Board and the Board increased wages to US\$23 per month, a level well below what many believe to be necessary for an acceptable standard of living. This is borne out by continuing wage protests and the Bangladeshi Wage Board is again discussing an adjustment to the minimum wage. This is not an isolated example – wage disputes are frequent in China as well, despite the fact that provincial authorities in the major industrial centres increase the minimum wage regularly.

There are many reasons for the global stagnation of wages compared to increases in profits, GDP and the cost of living, among them the decline in trade union density and collective bargaining, and an abundant supply of labour in key exporting companies. Even in countries where wage adjustments have been regular, however, wages have lagged. Why? I believe that part of the answer lies in the way we have looked at wages. Most calculations – by government agencies analysing the minimum wage or NGOs advocating a living wage – have been based on the basket of goods needed to reproduce workers and their families. This approach overlooks the fundamental issue of equity. Is the wage a fair return on the investment made by the worker in the firm? Does the wage reflect the contribution of the worker to the sales and profits of the company and to the growth of the economy? The statistics in this book show that, in most cases, the answer is ‘no’. This is a funda-

mentally unfair and untenable situation and one that needs to be addressed urgently.

If we are to confront the issue of fairness in respect of wages, where do we begin? In this volume, Daniel Vaughan-Whitehead provides an excellent analytical framework and tool that can be applied at firm level, either by management as a way of assessing the firm's wage policy and practice; by workers in evaluating their wages; or by social auditors in determining legal and code compliance. I fully expect that the different dimensions of the fair wage proposed in this book will become standard features of company annual wage reviews and of social audits. We in the Fair Labor Association have already collaborated with Daniel on a number of field tests and have incorporated elements of the system in our independent auditing of factories. We have also cooperated in designing a self-assessment on fair wages that is available on our Assessment Portal. The results have been quite revealing and instructive to the enterprises that have used them and I believe that the fair wage concept developed by Daniel Vaughan-Whitehead will recast the way in which we all think about wages.

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