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Global Movement for Higher Minimum Wage and the Real Situation of Korean Companies Operating Abroad

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Background

Recently, demonstrations have been breaking out around the world demanding an increase in the minimum wage. This is the result of wages that have remained too low since the financial crisis exacerbated by the continuous inflation along with exchange rate increases which have made it impossible to guarantee a minimum standard of living. According to the “Global Wage Report 2012-13” by the International Labor Organization (ILO), the global average real wage (excluding China) has not increased since the 2008 financial crisis. Minimum wage became a big issue not only in Asia, known as the world’s factory due to its cheap labor but also in the US and the UK. In the US, the movement is spreading propelled by fast food workers. In the UK, the average real wage dropped 13.8% after the 2008 financial crisis prompting the Confederation of British Industry (CBI), one of the UK’s leading independent employers’ organization, to demand a pay raise.

The table below shows the minimum wage in different countries and the inflation rate (the inflation rate of 2012 relative to 2008)

Country	Minimum wage	Inflation rate
Bangladesh	\$68/month(garment workers)	32.7%
Cambodia	\$80/month	12.1%
Indonesia	\$70~181/month	21.1%
Malaysia	\$224~274/month	7.3%
The US	\$7.25/hour	6.7%
The UK	€6.31/hour	13.4%
Russia	\$157/month	35.9%
Korea	₩5210/hour	12.4%

As the demonstration over low minimum wage has expanded and intensified, garment manufacturing industrialists and mainstream economists countered that raising the minimum wage would increase retail prices, decrease jobs, and damage economies.

Minimum Wage Struggles

Cambodia

Despite its poor infrastructure and low productivity, corporations are investing in Cambodia due to the cheap labor. In Cambodia, 400,000 workers are part of the manufacturing industry and 350,000 workers are employed by the sewing industry dominated by foreign capital. However, the workers are working in inadequate condition and their lives are mired in great poverty due to low wages. For example, over 100 female factory workers passed out while working in 2011. They had eaten unhealthy food sold on the streets to save money and suffered from malnutrition. From the investigation conducted by the labor organization Better Factories Cambodia 80% of the monthly wage is used to pay rent and utilities and most of the remaining money is sent to workers' families. Therefore, workers can't save money and are even forced to cut their food expenses.

Currently, the minimum wage in Cambodia is \$80 per month. The Cambodian government announced a raise of \$15 for a new total of \$95 per month starting April 2014. Yet, this new minimum wage still cannot guarantee the minimum standard of living. In fact, wages actually decreased once inflation is taken into consideration. The Labor Behind the Label (LBL), the UK-based NGO, reported the minimum cost of living in Cambodia as \$150 per person. The Labor Minister set up a working group of government officials to hash out an appropriate wage structure for the garment sector and a task force concluded that garment workers needed at least \$157~177 a month to live decently.



On December 23rd 2013, the garment workers in Phnom Penh went on strike demanding higher wages. Until January 1st the strike and demonstration continued without clashes, but the situation changed once military police and police began a violent crackdown. Gunfire killed 5 people and injured tens more.

On January 15th, an 18 year-old worker in a Russian hospital described the situation. He said 'The pay was too low. We just said 'Give us \$160' and military police came in on January 2nd and started bashing people with wood sticks and iron pipes. The next day more workers joined in the demonstration and police came out with guns.'

The struggle continues as garment workers protest and clash with police for the release of 23 imprisoned activists and workers.

Bangladesh

Bangladesh is the second largest country exporting apparel after China. Its textile industry is worth 2.2 billion dollars and makes up 4/5 of its total export. Like other developing countries, the growth of the textile industry in Bangladesh is based not on technology but on cheap labor. The minimum wage had stayed at \$39 since 2010 and the government raised it to \$68 (77% raise) last December. According to the Center for Policy Dialogue (CPD), an economic research institute in Dhaka, at least \$80 is needed to live in the city. Even, with the increase, the minimum wage still falls below what is necessary.



While low wages in the textile industry are very problematic, so are the poor working environment which have resulted in various tragedies. In November 2012, a Tazreen factory fire claimed 120 workers. In April 2103, the collapse of the Rana Plaza factory building killed 1,100 workers. The owner of the Rana Plaza had known about

the cracks along the outer walls, yet had ordered 3,100 workers to still go to work. After the disastrous accident, thousands of workers came out to the streets to demand a wage raise and improved working conditions. Months later after the collapse of the Rana Plaza factory building, a hundred more workers died in the Gazipur factory fire.

Companies say they understand the need for a wage increase but state that such increases will lead to higher prices for garments produced in Bangladesh and will discourage foreign companies from coming. They warn the country's competitiveness will be weakened due to the higher wages.

In Bangladesh, workers' demonstrations calling for wage increases and better working condition are still going on. In January 9th, some 5,000 workers staged demonstrations at the private Korean Export Procession Zone in the southern port city of Chittagong, following a

rumor about the scrapping of employee benefits. A 20 year-old female worker died after being hit with a bullet fired by the police.

The US

While the US economy is showing signs of recovery, workers are staging more demonstrations asking for an increase in the minimum wage. Since June 2012, workers from Walmart have continued strikes denouncing unfair labor practice and company's reprisal against labor movement activists and calling for higher minimum wage in Los Angeles, Dallas, Seattle, San Francisco, Miami, and Washington D.C. In October, workers organized simultaneous strikes in 28 stores in 12 states for the first time in Walmart's 50 year history. One month later, a nationwide strike in over 1,000 stores was organized on Black Friday and simultaneous strikes in 1,500 stores were organized in 2013.



In November 2012, fast food workers started the first strike in New York with 200 workers from 20 stores to demand a higher minimum wage. They demanded the right to organize trade unions and \$15 an hour wage. The workers in 50 cities went on strike in August and in 100 cities in December 2013.

According to the US Labor Department, about 3.6 million workers earn less than the legal minimum wage. Income imbalance is another serious problem. For instance, 10 million people are a part of the 200 billion dollar fast food industry. While Jim Skinner, CEO of McDonald, earns 9 million dollars annually, his workers earn 500 times less.

The average wage of fast food workers is \$8.69 and only 13% of workers have health care benefits. However, most of the workers are paid less than the \$7.25 federal minimum wage. In the case of fast food workers in New York City, their average income per year is only \$11,000.

Recently, President Obama proposed raising the federal minimum wage to \$10.10 in his State of the Union address. However Republicans warn that higher minimum wage will financially

burden corporations and reduce the number of jobs.

The Real Situation of Korean Companies Operating Abroad

In response to workers' struggles for improved conditions and higher wages, companies have pressured governments to suppress workers who stage peaceful demonstrations while consistently ignoring their working conditions.

As profits dropped due to wage increases in China, Vietnam, and Indonesia, Korean companies are moving their production base to Cambodia and Bangladesh, the poorest countries in Southeast Asia. When demonstrations for increased wages occurred simultaneously in the different countries, questions were raised about the companies' responses. Korean companies were no exception. In particular, Korean companies in Southeast Asia are under harsh criticism, such as the Association of textile companies in Cambodia and Samsung Electronics factory in Indonesia.

Currently there are over 50 sewing factories owned by Koreans and 350,000 workers are employed in Cambodia. On January 2nd, workers gathered in front of the Yakjin garment factory run by Koreans in the Pur Senchey district calling for higher wages. Suddenly the Military Special Command Unit 911 raided and bashed peaceful protesters with iron pipes, knives, AK-47 rifles, slingshots, and batons. Evidence revealed that Korean companies had pressured the Cambodian government to suppress workers.

In addition, the Garment Manufacturers Association in Cambodia (GMAC) announced that it would take legal action against workers for damages. GMAC includes over 50 companies from Korean association of textile industry and about 600 Chinese and Singaporean companies. A member of a Korean company explained, "The factory operating rate dropped, the company owned cars and facilities were damaged, and deadlines of production were not met because of demonstrations led by trade unions". As the news became public, workers and the opposition party denounced those companies stating that making poor workers pay for the damage was as inhumane as the police repression.

In the case of Samsung manufacturing plants there are serious problems such as low wages, high risks at the work space, and the destruction of trade unions. Abu Mufakhir, an activist of Sedane Labor Resource Center (LIPS) participated in a forum hosted by the Asian Transnational Corporation Monitoring Network (ATNC Network) and Korean Transnational

Corporation Watch (KTNC). He explained Samsung Electronics in Indonesia hires 2,800 employees but 800 are agency workers and another 800 are contract workers. 57.1% of the workers are irregular workers and 80% of the total workers are female. Also agency and contract workers are under various discriminations comparing to regular workers.

In addition, the workers in Samsung Electronics are not provided with safety equipment when they work in direct contact with liquid alcohol. In 2010 and 2012, 3 agency workers died of pneumonia after working 10 years in that section. Almost no worker has signed a labor contract. Also 17~19 year-old students recruited from vocation schools are supposed to be trained as apprentices but they are often forced to work more than 8 hours for \$30 a month.

The list of problems in Samsung's Asia plants goes on: gas leak accident and agrochemical poisoning in India, miscarriage due to long working hour in Vietnam, suspected benzene poisoning in China.

There are even more cases of Korean companies abroad violating workers' human rights. It is revealed in the report "An investigation on cases of Korean companies violating human right and a study on improvement plan of regulations" written by Advocate for Public Interest Law, APIL, requested by Human Right Commission. For example, workers getting their pay docked for taking too long in the toilet in Myanmar or workers made to clean toilets after joining a trade union in the Philippines.

Conclusion

Global movement for increasing the minimum wage and for the improvement of working conditions is growing and the trend comes from the reality that worker's rights are not being respected. In response, companies have violently repressed workers to protect their profits. Furthermore, companies pay insufficient wage to workers for higher profit and shift their responsibilities to taxpayers to support workers with government subsidies. From the tension between protests demanding workers' right and counterattack from companies, it is obvious that international solidarity among workers must be strengthened. When the bloodshed happened in Cambodia, protest demonstrations were organized in Korea, Hong Kong, Thailand, Indonesia, Bangladesh, the UK, Malaysia, the US, Germany, and Turkey. In order to respond to capital moving from border to border exploiting labor, solidarity among labor movement beyond national borders is necessary.