

ISSUE BRIEF

The FLA is a multi-stakeholder organization combining the efforts of businesses, universities, and civil-society organizations to improve conditions for workers around the world. Occasionally, the FLA publishes briefs on current issues in the global supply chain. We intend for these briefs to provide an overview of the various perspectives on a given issue. At all times, the FLA expects its business affiliates to comply with all legal requirements, as well as the provisions of its Workplace Code of Conduct.

LEGAL MINIMUM WAGES IN EL SALVADOR February 2017

THE ISSUE: How can FLA affiliates support compliance with the new legal minimum wage in El Salvador?

NEW MINIMUM WAGE, EFFECTIVE JANUARY 1:

In mid-December of 2016, El Salvador's Minimum Wage Council approved the largest minimum wage increase in El Salvador's history, raising the minimum for apparel sector workers by around 29 percent, and raising the minimum for the country's lowest paid workers by 102 percent. As of January 1, 2017, the monthly minimum wage for the apparel exporting sector, and all export manufacturers, is \$295.20.¹

In El Salvador, the legal minimum wage differs by industry, with ten separate minimum wages established for workers through the end of 2016. The January 2017 restructuring of El Salvador's minimum wage law not only increased wages across all categories, but also consolidated the categories into four. A considerable gap remains between the highest and lowest minimum wages, though this gap has shrunk by around 35 percent with the new restructuring. Workers in sugar mills, domestic manufacturing, and the service industry earn the highest minimum wage (\$300), while cotton and other agricultural workers earn the lowest (\$200.10). (See the chart on page two.)

HOW THE NEW MINIMUM COMPARES TO OTHER BENCHMARKS:

While the new legal minimum wage for apparel sector workers represents a significant increase – from \$210.90 to \$295.20 – statistics from the Dirección General Estadística y Censos (DIGESTYC)² show that the old minimum wage was very low – barely clearing the “extreme poverty” line of \$205.89 for a family of 3.73.

DIGESTYC determined this figure by calculating the cost of a “canasta básica alimentaria” (basic food basket) of items, including tortillas, rice, beans, milk, meat, eggs, and vegetables, capable of feeding a family a minimum daily adult-equivalent of 2,200 calories and 46 grams of protein. The FLA published

THE GOVERNING ELEMENT OF THE FLA CODE: COMPENSATION*

“Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does..”

* <http://www.fairlabor.org/our-work/labor-standards>

1 <http://cispes.org/article/historic-minimum-wage-increase-approved-el-salvador>

2 <http://www.digestyc.gob.sv/index.php>

this extreme poverty figure as part of its El Salvador compensation benchmark chart³ in 2016, along with a “relative poverty” figure of \$411.78 derived from the DIGESTYC extreme poverty calculations. This poverty threshold remains around 40 percent higher than the new minimum wage.

Still, these figures all fall short of living wage estimates published by civil society organizations that have studied wage levels across Central America over the last few years. For example, in 2011, the Center for American Progress published a living wage estimate for El Salvador of \$518.60 per month.⁴ This estimate assumed a family of four, and also assumed more than one wage earner in the family. A 2013 report by the Maquila Solidarity Network calculated a similar living wage as \$590.49,⁵ and called for higher wages of \$649.53 in practice, to provide workers with 10 percent for savings. This figure was based on government estimates of the cost of a “canasta de mercado” (market basket), which goes beyond the “basic food basket” to include the cost of living expenses for housing, clothing, healthcare, transportation, education, and recreation.

FLA RESEARCH AND RECOMMENDATIONS:

FLA staff in El Salvador have been gathering information about initial impacts on the workforce of this increase in the minimum wage. They have learned about actual or anticipated layoffs in response to the increases, as well as other measures taken or being considered by apparel factories, such as adjustments in production incentive systems to reduce payment of production bonus, pressure on workers to reach production goals in less time, and elimination of voluntary benefits.

The FLA urges all brand affiliates to follow up with their suppliers in El Salvador to express that your company is aware of the need to support wage increases in 2017 over 2016 levels. Similarly, brands should inquire whether workers have been or might be affected by layoffs or

³ http://www.fairlabor.org/sites/default/files/el_salvador_benchmarks_and_charts_072916.pdf

⁴ <https://cdn.americanprogress.org/wp-content/uploads/2013/07/RealWageStudy-3.pdf>

⁵ http://es.archive.maquilasolidarity.org/sites/es.maquilasolidarity.org/files/Una_aproximacion_a_salario_de_vida_maquila_America_Central_2013-10-01-1.pdf

MINIMUM WAGES IN EL SALVADOR			
As of January 1, 2017			
	Per hour	Per day	Per month
1. Commerce and Services	\$1.25	\$10.00	\$300.00
2. Industry			
3. Sugar Refineries			
4. Maquila, Textile, and Garments	\$1.23	\$9.84	\$295.20
5. Sugarcane Harvesting	\$0.934	\$7.47	\$224.10
6. Coffee Mills			
7. Agricultural Workers	\$0.834	\$6.867	\$224.10
8. Coffee Harvesting			
9. Cotton Harvesting			
10. Cotton Mills			

The government of El Salvador consolidated ten national wage categories into four, as of the beginning of 2017.

Source: National Minimum Wage Council

by changes in production schemes that might affect compensation and hours of work. Where brands and suppliers are cooperating to support fair compensation for workers, drastic changes to comply with the new minimum wage should not be necessary.

In cases where suppliers’ adjustments to accommodate the minimum wage may negatively affect workers, brands should be willing to discuss ways to minimize the effects, and should ensure that any such actions are taken objectively, consistent with the law and in compliance with the FLA Workplace Code of Conduct. Compliance with FLA standards on termination and retrenchment and workers’ integration should also be followed by affiliates and their suppliers, by ensuring consultation with worker representatives before reaching decisions that might affect workers’ employment or rights.

The FLA encourages all affiliated companies to take a proactive approach to ensure that the new legal minimum wages are effectively paid to workers in both owned and contracted facilities. Workers, unions, or any party concerned about Salvadoran suppliers’ actions that may violate legal provisions or FLA Code and Benchmark standards related to compensation and hours of work may also request an investigation via the FLA’s Third Party Complaint and Safeguards process.⁶

⁶ <http://www.fairlabor.org/third-party-complaint-process>