



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.

OUTDATED LEGAL MINIMUM WAGE FOR GARMENT WORKERS IN GEORGIA

June 2015

THE ISSUE:

How should FLA affiliates approach the absence of a functioning legal minimum wage when sourcing from garment suppliers in Georgia?

HISTORY OF THE MINIMUM WAGE IN GEORGIA:

In the mid-1990s, after the collapse of the former Soviet Union and the emergence of a newly independent Georgia, the administration of president Eduard Shevardnadze instituted minimum wage levels for workers in that country.

At the time, separate minimum wages were established for the public and private sector workers. Over time, the minimum wage for the public sector workers has been increased on several occasions (most recently to a monthly minimum of 115 Georgian lari [GEL], or around \$50, in 2007), but the 90s-era private sector minimum of 20 GEL (\$8.50) was never increased.

The Georgian Trade Unions Confederation reports that neither the public nor private sector minimum wage is enforced, stating that “the private sector employees have forgotten it even exists.”¹ With the private sector minimum so out of date, so far below what workers need to live, and unenforced anyway, it is understood by many companies and NGOs working in Georgia that there is effectively no minimum wage for factory workers. This absence of a functioning minimum wage has created a huge wage disparity among factories in the garment industry.

As the Clean Clothes Campaign (CCC) put it in a recent report on wages in post-Soviet European countries², “[Among all researched countries] ,workers in Georgia face the highest risk of being poor ... due to an almost complete absence of legal and institutional protection.”

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.”

1 <http://gtuc.ge/eng/?p=345>

2 <http://www.cleanclothes.org/resources/publications/stitched-up-1>

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

FAIR WAGES IN GEORGIA:

According to the same Clean Clothes Campaign report, the subsistence minimum for a family of four in Georgia comes to around 109 Euros, or currently around 274 GEL³ (\$122). Geostat⁴, the National Statistics Office of Georgia, shows similar figures in its table of subsistence minimums, naming 287 GEL as subsistence minimum for a family of four in May of 2015. The CCC estimates that the much higher figure of 1303 GEL (518 Euros) would be that family's monthly "living wage."

However, the US State Department figures show that the average worker in Georgia does not meet this threshold. Their figures show that the average monthly salary for all workers in Georgia in the third quarter of 2013 was 875 GEL, with public sector workers faring better, averaging 1190 GEL.⁵ This is in line with Geostat's 2013 study reporting an average monthly income in private industry between 450 GEL and 890 GEL, including overtime and bonuses. Separating out garment workers as a category by themselves, the CCC reports average net wages including overtime premiums and bonuses of around 132 Euros, or 331 GEL (\$148).

FLA REFLECTIONS:

Georgia is not the only country in the world without a valid minimum wage. Even in cases that are not as extreme as Georgia, often paying the legal minimum will not be sufficient to uphold the FLA Workplace Code of Conduct's requirement of providing workers with wages sufficient to cover their "basic needs and provide some discretionary income."

In many ways, the process affiliates must go through to determine how to fairly source from Georgia mirrors the process for confirming the payment of fair wages in any country where minimum wages are set far below a fair wage. Currently, two FLA affiliates source from Georgia, and they report that they defined a starting wage for their supplier factories by consulting with local civil society organizations, other garment factories in the area, and the national statistics office of Georgia.

3 Using exchange rate on June 26, 2015.

4 http://www.geostat.ge/index.php?action=page&p_id=179&lang=eng

5 <http://www.state.gov/e/eb/rls/othr/ics/2014/228810.htm>

MONTHLY WAGES IN GEORGIA, EXPRESSED IN GEORGIAN LARI (GEL)

Living wage for a family of four (2014 CCC estimate of 518 Euros, converted to GEL)	1303
Average public sector worker (Geostat, 2013)	1190
Average worker (US State Dept., 2013)	875
Average private sector worker, including overtime and bonuses (Geostat, 2013)	450 - 890
Average garment worker, including overtime and bonuses (CCC, 2014)	331
Subsistence minimum, family of four (Geostat, May 2015)	287
Subsistence minimum, family of four (CCC, 2014)	274
Minimum wage for the private sector	20

In addition, the FLA highly encourages an approach to wages that involves workers in providing input on the local cost of living, and what rate of pay is fair for the work required by the factory. FLA-affiliated brands should always clearly articulate to suppliers their strong support for collective bargaining processes that bring worker voices to the forefront of discussions on wages – especially in the absence of a government-defined minimum.

To improve workers' lives in Georgia, the FLA strongly encourages the government to establish a meaningful minimum wage – along with other basic protections for workers, such as effective labor inspections and unemployment benefits. Legal minimum wages should be negotiated in consultation with workers, trade unions, civil society, brands, and suppliers, and as a confirmation of its intent, the government of Georgia should ratify ILO conventions 26⁶ & 131⁷. The government should implement all international conventions it ratifies, and commit to engaging in social dialogue at all levels on enforcement of core labor standards, including the minimum wage.

6 http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C026

7 http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312276:NO