Reflections on Paying Living Wages in a Global Economy in Turmoil
by Rita M. Rodriguez

There is something very unappealing, if not outright immoral, when a business argues that it cannot afford to pay a “living wage” to its workers. Is it reasonable to think of a business as legitimate when it cannot pay its workers enough “to live on”? What kind of society allows a system of production in which workers cannot earn enough to survive decently? Such questions are concrete and immediate, even during prosperous times, but the depth of the current employment crisis may present them more forcefully to a wider group. The legal minimum wage in most countries in the world, including the United States, remains below what many would consider to be a “living wage.” Though the percentage of workers laboring at the legal minimum wage varies by industry, it remains the lot of the least educated and skilled workers.

An individual company’s business case for not being able to pay “living wages” is built on the realities of competition, supply and demand, and just plain survival. In a somewhat simplified way, a business person defending her inability to pay “living wages” would argue that an increase in labor costs above those paid by her competitors is not sustainable. To survive, the higher labor costs would have to be absorbed by raising prices and/or reducing profits. Higher prices would result in lower sales to consumers unwilling to pay prices higher than those offered by competitors and, ultimately, lower profits. Lower profits would disappoint investors
who see the value of their investment in the business diminished. It would also impact those who had invested their savings in institutions such as mutual funds which, in turn, had invested in the given company. In the future, investors will be less willing to make their monies available to finance this company, thus endangering its survival.

“What about reducing executive compensation?” some might ask. That also presents a problem rooted in competition when other businesses in the industry are willing to pay more for executives with similar skills. When the rest of the industry is paying only legal minimum wages, the argument goes, it is extraordinarily difficult to unilaterally increase labor costs to pay “living wages” and remain in business. One actor has little ability to set prices--particularly in a global market. There is much truth to this analysis in any competitive industry. Any business person with a sense of compassion for workers receiving less than a “living wage” finds herself in this quagmire.

Another way to express the business position above is to say that, as a society, we value economic systems that are efficient in producing goods and services to satisfy the needs and wants of consumers. It is a widely held belief that the modern system of market capitalism accomplishes this goal better than other systems that have been tried. Market capitalism is not perfect, but the alternatives have produced even less satisfactory results, at least in terms of production efficiency. Once this idea is accepted, the notion that paying “living wages” is not possible in certain jobs quickly follows. The American cultural values of efficiency, individualism and, yes, materialism lend support to a system of production in which paying “living wages” may not be possible for the lesser skilled jobs.
The above argumentation is based on business conditions in which there is no product differentiation and competition is only in terms of price. In reality, market competition is not perfect. Products as basic as cereal and toothpaste are differentiated by brand. If so, there is space to ask questions about the relevance of moral and religious values in the decision to pay “living wages.” A story that appeared in the *New York Times* on July 18, 2010, gives some indication of the possibilities for bringing moral and religious values to bear on the decision to pay “living wages.”

The *Times* story reported how Knights Apparel, a privately-held company that makes college-logo apparel, had opened a model garment factory in the Dominican Republic. The factory not only pays its employees “living wages” but also invites the participation of labor unions. The article reported that the factory pays more than three times the local minimum wage typically earned by garment workers in the Dominican Republic ($2.83 an hour vs. 85 cents). The story is most remarkable because the garment industry is one of the most competitive industries in the world – so competitive that there is little garment manufacturing left in the U.S.

Behind this factory is a decision by Mr. Joseph Bozich, the CEO of Knights Apparel, to do something worthwhile that would make a difference in people’s lives, beyond charity. According to the article, his motivation was a near-death experience that some might call an encounter with God. The resulting conversion took place in the context of an industry in which student activists and universities argue in favor of paying their workers more than poverty-wages. Bozich is using two main tools: differentiating his product and seeking the collaboration of nontraditional allies of the garment industry. He is differentiating his products by prominently telling the story of the better living conditions that these products make possible for workers. Thus, he is preparing a video to show in all college bookstores highlighting the
improvements on workers’ lives and he is tagging the products with an endorsement from the Worker Rights Consortium. The United Students Against Sweatshops will support his efforts by distributing fliers urging students to buy the Knights products. Mr. Bozich is also planning on lower-than usual profit margins that he may intend to counterbalance with higher volume of sales.

Mr. Bozich’s story is unusual enough to appear in the New York Times, but he is not the only business person concerned with bringing religious and moral values to bear on business decisions. Business membership in associations such as the Fair Labor Association and the Corporate Social Responsibility programs in many companies, including those with a focus on human rights, demonstrate business interest in moral values. What Mr. Bozich’s story shows is the strategies one might have to employ to reach the goal of paying “living wages.” His business goals explicitly include improving the lives of the workers. His religious and moral values lead him to see workers as one of the stakeholders in the business. His tools are widely recognized business strategies: product differentiation or branding and promotion to attract the consumer.

Mr. Bozich’s factory provides one example of how a business person could bring moral and religious values to bear in the decision to pay “living wages.” But for Mr. Bozich to succeed, consumers must also modify their values. They must be willing to pay as high a price for the lesser-known Knights brand as for well-known international brands – just because Knights pays “living wages” to its workers. Consumers’ moral value of the dignity of workers must transform prevailing cultural and social values for Bozich to succeed. The difficulty in doing this perhaps explains the hesitancy in the title of the Times article: “A Factory Defies Stereotypes, but Can It Thrive?”