Living Wages in Asia

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Why this report? The Dutch Ministry of Foreign Affairs asked the WageIndicator Foundation (WIF) to report in preparation of the Asian Living Wage Conference (May 2016, Islamabad):

- to provide information about labour law and minimum wage setting related to the garment industry in nine Asian countries: Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Sri Lanka, Vietnam
- to provide information about wage levels of garment workers in these countries
- to give insight in the cost of living levels and related living wage levels in the garment industries
- to provide an overview of the country-specific instruments for realising living wages, based on interviews with experts

Research period: November 2015 – April 2016, update July 2017
• **WageIndicator team:**
  - Overall coordination: Director WageIndicator Foundation (WIF)
  - Overall research and final report: University of Amsterdam - AIAS
  - Labour legislation: WI Office Islamabad
  - Minimum wages: Indian Institute of Management (IIM) Ahmedabad
  - Collective agreements: WI database manager + WI team Indonesia
  - Cost of living, living wages: CELSI, Bratislava + programmers’ firm, Groningen, Netherlands
  - Collection cost-of-living data: WI teams Vietnam, Myanmar, Cambodia
  - Survey design and country reports: Central European University (CEU) Budapest / CELSI, Bratislava
  - Language editing: Ruskin College Oxford

• **Experts surveyed:**
  - Bangladesh 4; Cambodia 3; China 2; India 4; Indonesia 3; Myanmar 1; Pakistan 3; Sri Lanka 1; Vietnam 1
1965-on: ‘efficiency-seeking’ FDI of multinationals in Mexico and Asia:

- pull factors: pools of cheap labour, growth of Export Processing Zones
- in electronics, textile, garment, toys production
- split off of labour-intensive parts, fragmentation of production
- push factors: decrease in tariff barriers, advances in ICT and air/sea transport

1975-on: development of buyer-driven Global Value Chains (GVCs):

- Walmart’s buying strategy as main catalyst
- integration of China (1979-on) and India (1991-on) in liberalized global system
- 2015: appr. 75 mln. employed in GVCs, of which appr. 50 mln. in Asia

Special feature for garment industry: trade policies of industrialized countries:

- 1974-1995: Multi-Fibre Arrangement (MFA) → ‘quota hopping’ from Japan, Korea, HongKong, Taiwan to Bangladesh, Indonesia, Sri Lanka, Vietnam
In 2000s, standard structure of garment GVC crystallized:

- many global buyers / brands have hardly any own factories
- ‘deep’ supply chains, subcontracting down to three / four tiers
- orders dispersed, each factory catering to various buyers
- heavy competition on price and speed of delivery (‘lead time’)
- frequent changes in fashion offers (‘fast fashion’)
- slow technological progress → productivity increases low
- long-term pressure on supply prices → downward wage pressure
- weak national governance and compliance structures

Recent data on the Asian garment industry:

- 2015: estimated 16.5 million employed in 9 countries, of which 10.5 million women
- 2015: 58% of world garment exports (1995: 23%), of which China 37% (1995: 14%), Bangladesh 5.5%, Vietnam 5%, India 4%
THE GARMENT INDUSTRY: Asian suppliers for 15 major brands (2014-17, company info)

<table>
<thead>
<tr>
<th>(world rank)</th>
<th>No. suppliers</th>
<th>Supply countries (shares in total supply of brand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Total</td>
<td>Tier 1</td>
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<tr>
<td>Adidas (9)</td>
<td>1035</td>
<td>786</td>
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<tr>
<td>C&amp;A (14)*</td>
<td>658</td>
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<tr>
<td>Ch.Vögele (91)</td>
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<td>110</td>
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<td>Esprit (76)</td>
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<tr>
<td>G-Star (155)</td>
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<tr>
<td>H&amp;M (10)</td>
<td>2339</td>
<td>2069</td>
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<tr>
<td>Inditex (2)</td>
<td>4927</td>
<td>1869</td>
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<tr>
<td>New Look (99)</td>
<td>860</td>
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<td>Next (30)</td>
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<tr>
<td>Nike (3)</td>
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<td>Orsay (107)</td>
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<tr>
<td>Pimkie (103)</td>
<td>&gt;161</td>
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<td>Takko (22)</td>
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<td>Tchibo (32)</td>
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<tr>
<td>VF Corp. (13)</td>
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</tbody>
</table>
• **Bangladesh**
  - compressed wage structure: ca. 60% at 90-110% of minimum wage (MW)
  - average garment / overall wages 10-30% above MW
  - lower-bound living wage (LW) for individual 15-20% above av. garment wage

• **Cambodia**
  - average garment wage 15-20% below MW and overall average
  - lower-bound LW for individual 10% above average garment wage

• **China**
  - no living wage data available
  - lower-bound garment wages slightly above MWs in 5 ‘garment provinces’

• **India**
  - compressed wage structure: in garment large cluster at 100-120% of MWs
  - lower-bound LW for individual 10% above garment wage in ‘garment state’
• **Indonesia**
  – compressed wages: large cluster of wages at 100-120% of MWs
  – average garment wage 30% below av. manuf. wages: location + gender gaps
  – lower-bound LW for individual 100% above average garment wage

• **Myanmar**
  – no wage data available
  – lower-bound LW for individual 30% above MW

• **Pakistan**
  – average garment wage equals lower-bound MW, 20% below av. manuf. wage
  – lower-bound LW for individual 10% above average garment wage

• **Sri Lanka**
  – MWs set quite low: average wages of low-skilled 40-80% higher
  – lower-bound LW for individual equals average wage of low-skilled

• **Vietnam**
  – MWs set quite low: lower-bound garment wages 40-100% higher
  – lower-bound LW for individual 40% above lower-bound garment wage
WAGES IN CONTEXT in 9 countries

Wages in Context

- Bangladesh
- Cambodia
- China
- India
- Indonesia
- Myanmar
- Pakistan
- Sri Lanka
- Vietnam

100_minwage_lowerbound_WIF
wage_garment
livingwage_individual_lowerbound_WIF
livingwage_typfamily_lowerbound_WIF
## INSTRUMENTS TO BRING LIVING WAGES IN GARMENT CLOSER: experts’ opinions

<table>
<thead>
<tr>
<th>Instrument</th>
<th>B-DESH</th>
<th>CAM</th>
<th>CHN</th>
<th>INDIA</th>
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<th>MYAN</th>
<th>PAK</th>
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<td>globally encourage ethical end-consumption</td>
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<td>strengthening labour inspectorate</td>
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• **Information disclosure**
  – Growing activities of ILO (2016 Conference), OECD (Due Diligence Guidance, 2017), NGOs (AFWA, CCC, FWF, Global Living Wage Coalition/ISEAL, WIF)
  – Growing openness of major brands to reveal supply chains: Adidas, C&A, Esprit, H&M, Inditex, Nike, ....
  – Initiatives of gov’ts also outside Asia (DE, NL, SE) concerning living wages
• **Question marks and ways out**
  – CSR programs remain unilateral, voluntary, non-binding
  – Fundamental labour rights remain under heavy pressure in supply countries
  – IndustriALL union umbrella with 18 brands ➔ ACT: social dialogue based on recognized freedom of association and right to collective bargaining (CB):
  – Industry-wide CB linked with brand purchasing practices recommended,
  – if linked with drive for living wages great potential for improving position of in particular female workers, and ...
  – ... improving garment industry’s economic potential
Thank you for your attention!

**General information WageIndicator:** [www.wageindicator.org](http://www.wageindicator.org)

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**Questions concerning report:** m.vanklaveren@uva.nl

**WageIndicator publications:**

**List of countries with WageIndicator Cost-of-Living survey:**

**The WageIndicator Cost-of-Living app:**
[http://CostofLiving.WageIndicator.org](http://CostofLiving.WageIndicator.org)