Living Wages in Asia

Based on a WageIndicator Report on Living Wages in the Garment Industry (April 2016 / update July 2017)

Yearly AIAS Conference

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Why this report?

- **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**

Effort of a large team!

- **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

THE GARMENT INDUSTRY: Internationalisation

- **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
  - 1995-2005: new trade agreements: US-Cambodia, EU's GSP / EBA scheme for Bangladesh, India, Indonesia, Pakistan, Sri Lanka, Vietnam

THE GLOBAL GARMENT INDUSTRY:
Structure

- **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)

(world rank)	No. suppliers		Supply countries (shares in total supply of brand)									
Brand	**Total**	**Tier 1**	**9 c.**	**BAN**	**CAM**	**CHI**	**IN**	**ID**	**PAK**	**SL**	**VIE**	**MYA**
Adidas (9)	1035	786	**46%**	1%	3%	20%	4%	8%	3%	1%	8%	1%
C&A (14)*)	658		**85%**	18%	8%	32%	13%	2%	3%	3%	5%	1%
Ch.Vögele (91)		110	**70%**	41%		17%	9%	2%	1%			
Esprit (76)	501		**84%**	29%	3%	29%		6%	6%		8%	
G-Star (155)	24		**97%**	26%		32%	22%				17%	
H&M (10)	2339	2069	**76%**	22%	3%	31%	8%	5%	2%	1%	3%	1%
Inditex (2)	4927	1869	**79%**	31%	1%	24%	11%				12%	
New Look (99)		860	**81%**	12%	14%	48%	3%		2%		2%	
Next (30)		2118	**68%**	7%		44%	9%			8%		
Nike (3)	620		**86%**	1%	2%	18%	3%	19%	2%	3%	38%	
Orsay (107)	155		**33%**	2%		19%	12%					
Pimkie (103)	>161		**54%**	5%		37%	12%					
Takko (22)	323		**92%**	37%	1%	38%	9%		4%	1%	1%	1%
Tchibo (32)		810	**72%**	4%		65%					3%	
VF Corp. (13)	2805		**58%**	9%	3%	21%	12%	2%	1%		10%	1%

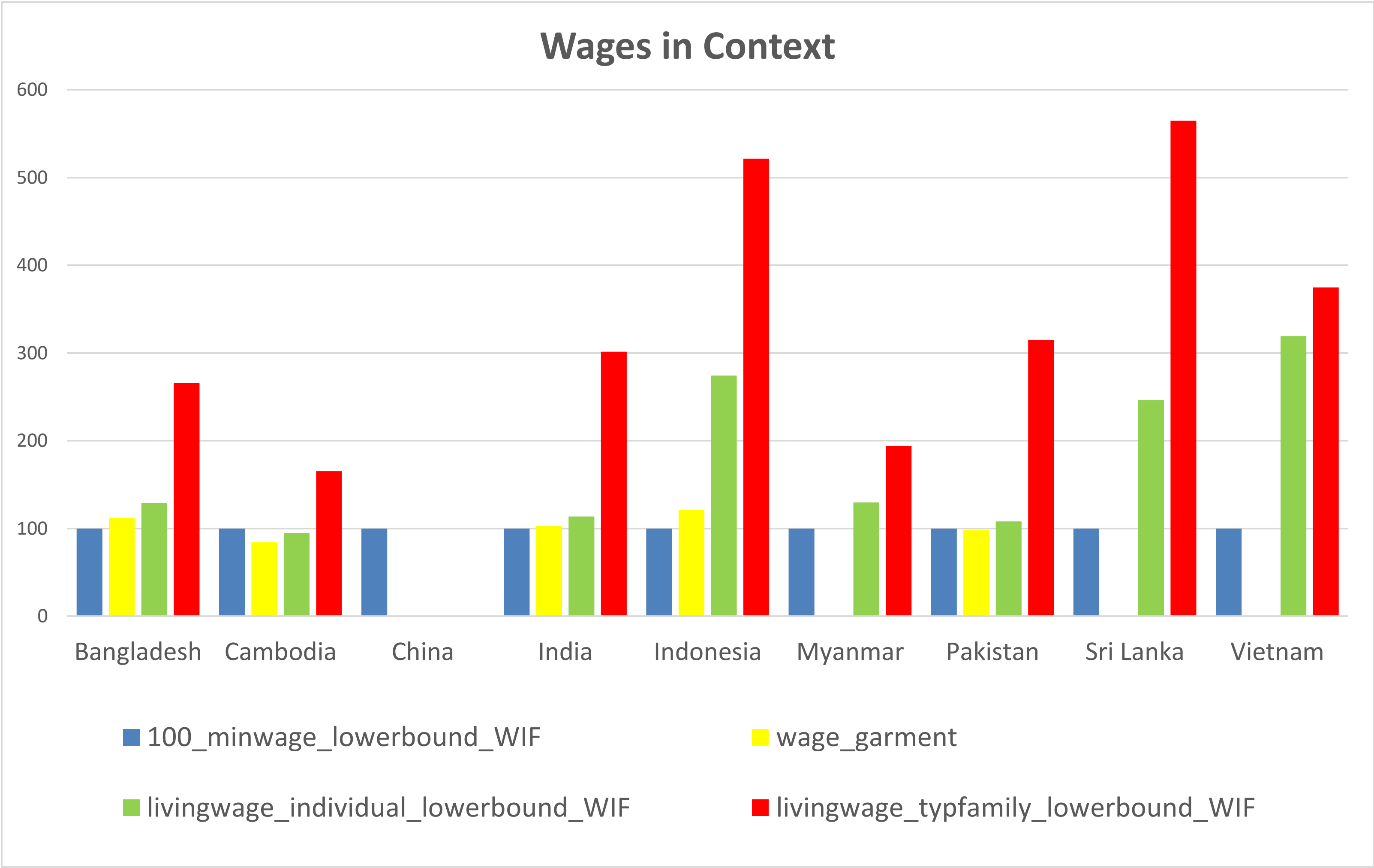
THE LIVING WAGE: OUTCOMES - 1

- **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’

THE LIVING WAGE: OUTCOMES 2

- **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



INSTRUMENTS TO BRING LIVING WAGES IN GARMENT CLOSER: experts' opinions

	B-DESH	CAM	CHN	INDIA	INDON	MYAN	PAK	SRIL	VIET
globally encourage ethical end-consumption	x	x	xx	xx	x	xx	x		xx
end-consumer boycotts	x	xx		x	xx		x	xx	x
coordinated action of low-wage countries	xx	xx	x	xx	xx		xx	x	xx
sanctions in international trade agreements	x						x		x
coordinated action of domestic producers	x	x	x		x	xx	x	xx	x
further unionization	xx	x	x	xx	xx		xx		x
strengthening national social dialogue	x	x	x	xx	x		xx	xx	x
strengthening labour inspectorate	x	x		xx	xx	x	xx	x	xx

DEVELOPMENTS IN 2016 – 2017 –- QUESTION MARKS AND WAYS OUT

- **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 … AND MORE INFO

Thank you for your attention!

General information WageIndicator: www.wageindicator.org

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Questions concerning report: m.vanklaveren@uva.nl

WageIndicator publications:

http://www.wageindicator.org/main/Wageindicatorfoundation/publications

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

http://www.wageindicator.org/main/salary/living-wage/wageindicator-cost-of-living-survey

The WageIndicator Cost-of-Living app:

http://CostofLiving.WageIndicator.org