Wages in Context

in the Garment Industry in Asia

THE CASE OF INDIA

1. HOW TO ATTAIN THE LIVING WAGE IN INDIA

The Living Wages for an individual suggested by the experts for India were at the level of the lower bound individual Living Wage based on the WageIndicator. The experts surveyed strongly agreed that coordinated regulatory action by low-cost garment manufacturing countries could be the most effective way to promote living wages. They also agreed that further unionization and global activism to encourage ethical consumption could also be helpful to further this cause. Experts shared the opinion that living wages could be attained by using the tools available already to the Indian government. They perceived the roles of global garment industry actors, global consumers, and sanctions embedded in international trade agreements to be important but less so than the other factors mentioned.

India has a long history of garment exports to western countries. From 1995 to 2014 the country's garment exports showed solid growth. Traditionally India has been known for strong linkages between textile and garment production. Driven by an expanding domestic market, the main parts of textile production rebounded strongly from the worldwide financial crisis which was obviously helpful for the garment industry. Recently, in the 'Make in India' program of the central government, garment manufacture has been identified as a priority area to encourage investment. Currently, the largest garment manufacturing clusters, in Bangalore (Karnataka), Tirupur and Chennai (Tamil Nadu) and Delhi (National Capital Region, NCR), have a combined workforce of well over one million women and men. Along with somewhat smaller clusters of leading exporters in other states (Madhya Pradesh, Maharashtra, Andra Pradesh, Gujarat) and clusters of small and medium-sized garment factories dispersed across the country they make up to 2.4 million workers (of which 540,000 women) we estimate were employed in India's (exporting) garment industry in 2015.

2. MINIMUM WAGES

In India, the Minimum Wages Act of 1948 provides for fixing minimum rates of wages in certain 'employments'; it extends to the whole of India. Across India, more than 1,200 minimum wage rates are in existence. Individual states as well as the central government have the power to determine such rates, and these can also be differentiated for different skills and occupations. Thus, minimum wages are declared at national (central), state, regional, sectoral and occupational or skill level, making the entire system highly complex. As of 1 November 2015, 20 out of 36 states and union territories had separate rates for the garment industry. According to the experts, the authorities are dominant in setting minimum wages, although employer organizations do also have an influence. All other players are seen as having much more limited influence.

3. COMPLIANCE

Union density is at a low level in India, and according to the surveyed experts in the garment industry less than 10 per cent. They assess the opposition of employers as the main barrier to unionization, coupled with lack of support from government support and global buyers. Trade unions have faced obstacles even trying to enter factory premises and as a result have achieved limited workplace influence. Yet the experts also note the fragmentation of the Indian trade union movement with multiple unions frequently existing in the same workplace, causing divided loyalties and inter-union rivalries.

According to experts' assessment, India's labour legislation has been permissive allowing weak enforcement to co-exist with rather weak compliance by firms. Employers were perceived by the experts to have had considerable political influence concerning compliance with labour legislation in the garment industry. Compliant companies were mainly multinationals or first tier manufacturers. There were pockets of good practices in India's garment industry, but overall the situation was regarded as far from bright. In particular wages and conditions in the special economic zones (SEZs) and compliance with applicable labour legislation were all quite poor.

WageIndicator Cost-of-Living and Living Wage levels calculations

WageIndicator maintains a Cost-of-Living survey with related Living Wage calculations, as well as a Work-and-Wages survey, a Minimum Wages Database, and a Labour Law Database for some 80 countries. For this report, WageIndicator intensified the Cost-of-Living data-collection in the nine countries, and interviewed experts from the nine countries regarding the hurdles to implement Living Wages.

Three features are critical in the WageIndicator Living Wage computations. First, they are based on the cost of living for a predefined food basket derived from the FAO database distinguishing 50 food groups with national food consumption patterns in per capita units (checked to ensure the percentage of calories from proteins is consistent with WHO balance diet), for housing and for transportation, with a margin for unexpected expenses. Second, data about prices of these items is collected through a survey. For this purpose, the Internet is used as it reaches out to large numbers of people. This WageIndicator Cost-of-Living Survey invites web visitors on all WageIndicator websites to complete the survey for a single item or for the list of items. The survey is a multi-country, multilingual, continuous web survey, with a printed version and an App for offline data-collection. Third, in determining a Living Wage, WageIndicator assumes the Living Wage for a typical family referring to the family composition most common in the country at stake, calculated on the respective fertility rates.

See for information: Guzi, M., and Kahanec, M. (2014) *Wageindicator Living Wages, Methodological Note.* Bratislava/Amsterdam: CELSI/Wage; Guzi, M., Kahanec, M., Kabina, T. (2016) *Codebook of the WageIndicator Cost-of-Living Survey.* Amsterdam: WageIndicator Foundation

4. WAGES IN CONTEXT IN INDIA

Figure 1 presents wage data for India: the monthly amounts of the living wages, the minimum wages, the total wages in India according to WageIndicator and ILO data, and the wages of garment workers. The LIVING WAGE section comprises the estimated living wages based on the WageIndicator Cost-of-Living Survey for an individual and for a typical family, with lower and upper bounds. The WAGES section comprises two 2015 minimum wage levels: the unweighted averages of the minimum wages for unskilled garment workers (lower bound) and skilled garment workers (upper bound) in five Indian states with major clusters of garment production. Based on WageIndicator 2015 data average wages for low-, medium- and high-skilled workers are presented, all with lower and upper bounds. The total average wage level based on the ILO Wage Database 2013 is included, corrected for inflation in 2013-2015. The GARMENT WAGES section comprises 2015 garment wages based on the India Human Development Survey (IHDS) 2011-12, corrected for inflation, and for four categories of garment workers based on Fair Wear Foundation (FWF) information for Maharashtra.

The figure and the underlying data show that the average garment wage based on official data is slightly above the lower bound minimum wage. The garment wage is 35 per cent below the ILO-based overall wage. Across the three skill categories, the wage dispersion is high: the higher bound high-skilled wage is 5.5 times the lower bound low-skilled level. The estimated lower bound of the living wage for an individual is slightly above the level of the lower bound average wage and about equals the lower bound garment wage. Its upper bound equivalent ends up between the upper bound low-skilled and the lower bound medium-skilled wages.

Figure 1. Living wages, minimum wages, total wages and garment wages in India, monthly amounts in Indian Rupee (INR)
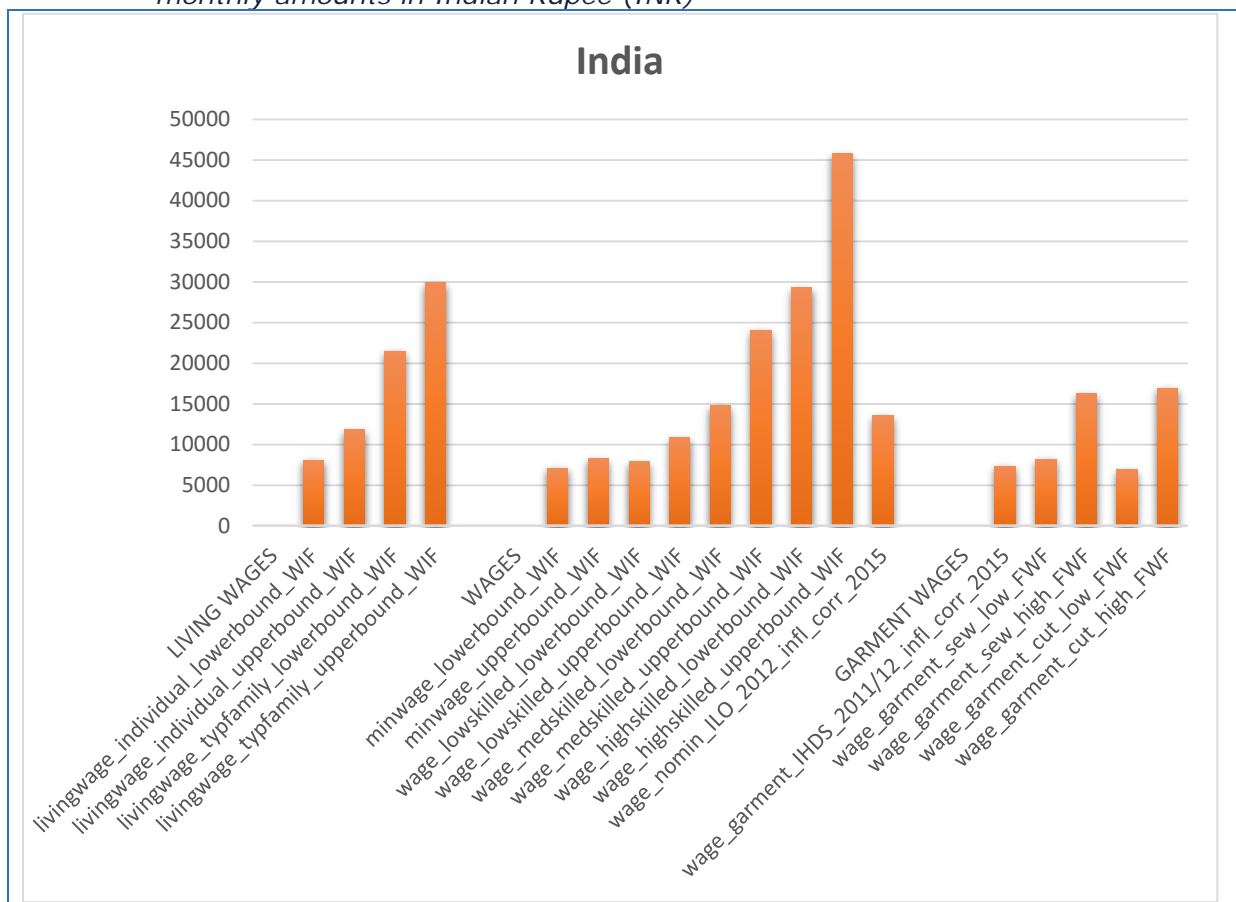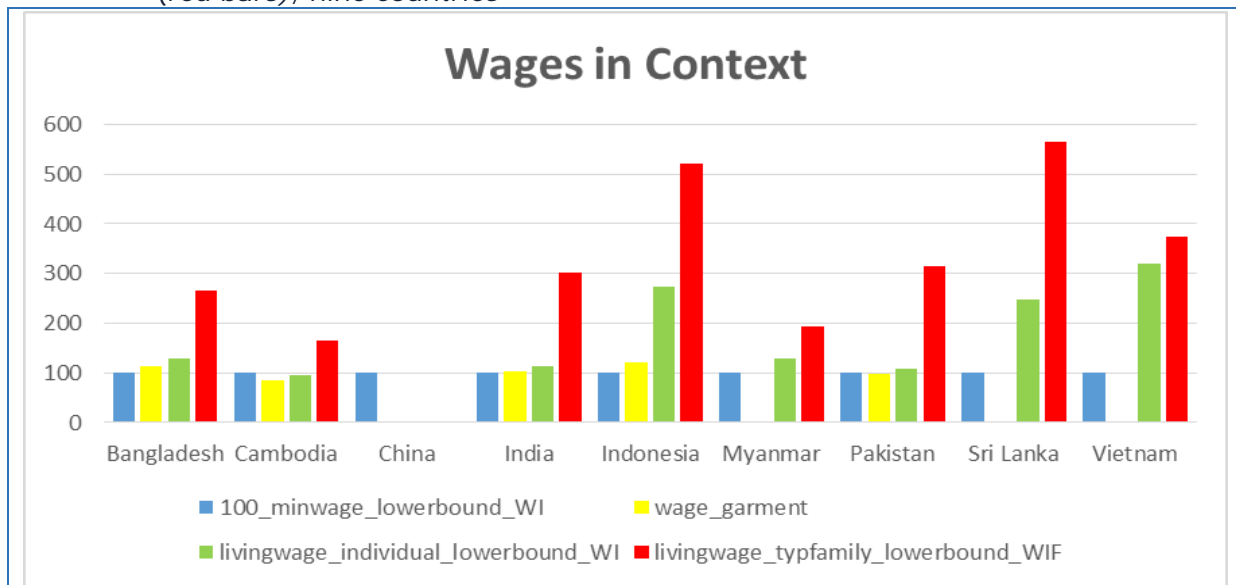

Source: Wages in Context in the Garment Industry in Asia. Amsterdam: WageIndicator Foundation, April 2016.

5. INDIA COMPARED

Figure 2 shows wages in context: the distances between the various wage levels calculated for the nine countries, setting the lower bound statutory minimum wage as 100 and relating this to the garment wages derived from official surveys as well as the estimated lower bound living wages for individuals and for typical families. In all five countries with official garment wages available, these wages are not far from the lower bound minimum wage; in two out of the five they even settle below that minimum wage, in Cambodia substantially and in Pakistan slightly.

In the eight countries (all except China) for which based on the WageIndicator Cost-of-Living Survey living wages could be estimated, the relative levels of the lower bound living wage for individuals vary widely. Cambodia is the only country where this living wage settles slightly below the lower bound minimum wage; for the other countries the individual living wage values range from 8 per cent (Pakistan) and 14 per cent (India) above the lower bound minimum wage up to 29 per cent (Bangladesh and Myanmar), 146 per cent (Sri Lanka), 174 per cent (Indonesia) and 219 per cent (Vietnam).

Figure 2   Wages in Context: Lower bound statutory minimum wage (=100, blue bars) related to the median garment wages (yellow bars), the lower bound living wage for individuals (green bars), and the lower bound living wage for typical families (red bars), nine countries

Source: Wages in Context in the Garment Industry in Asia. Amsterdam: WageIndicator Foundation, April 2016.