WageIndicator.org

Wages in Context in the Garment Industry in Asia

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About WageIndicator Foundation – www.**wageindicator.org**
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WageIndicator started in 2001 to contribute to a more transparent labour market for workers and employers by publishing easily accessible information on a website. It collects, compares and shares labour market information through online and face-to-face surveys and desk research. It publishes the collected information on national websites, thereby serving as an online library for wage information, Labour Law, and career advice, both for workers/employees and employers. The WageIndicator websites and related communication activities reach out to millions of people on a monthly basis.

The WageIndicator concept is owned by the independent, non-profit WageIndicator Foundation, established in 2003. Its Supervisory Board is chaired by the University of Amsterdam/Amsterdam Institute of Advanced labour Studies and includes a representative from the Dutch Confederation of Trade Unions (FNV) and three independent members. The Foundation is assisted by world-renowned universities, trade unions and employers' organisations. It currently operates national websites in 87 countries. Its staff consists of some 100 specialists around the world. The Foundation has offices in Amsterdam (HQ), Ahmedabad, Bratislava, Buenos Aires, Cape Town, Dar es Salaam, and Islamabad.

About WageIndicator Office Islamabad

This report was prepared in cooperation with the WageIndicator Pakistan Office, involving five specialists in law, economics, sociology, public & business administration, and labour relations. The team was headed by Iftikhar Ahmad, a Cornell University graduate in Industrial and Labour Relations. The office is involved in creating materials for the Labour Law pillars of the WageIndicator.org websites. The work includes the creation of Decent Work Checks (for offline use), country baseline reports, labour law pages and model employment contracts.

About WageIndicator Office Bratislava – www.celsi.sk

This report was prepared in cooperation with the Central European Labour Study Institute (CELSI). CELSI is an independent non-profit research institute based in Bratislava, Slovakia. It fosters multidisciplinary research about the functioning of labour markets and institutions, work and organizations, business and society, and ethnicity and migration. CELSI makes a contribution to the cutting-edge international scientific discourse. Hosting the Bratislava Office of the international WageIndicator project, CELSI provides expert data services.

About Indian Institute of Management, Ahmedabad – www.iimahd.ernet.in

The Indian Institute of Management, Ahmedabad (IIMA) is the leading school of management in India and a top-rated school in Asia. IIMA hosts www.Paycheck.in, the Indian WageIndicator website, and supervises together with the University of Amsterdam/AIAS the scientific part of the WageIndicator Minimum Wages Database.

About University of Amsterdam/AIAS - www.uva-aias.net

The Amsterdam Institute for Advanced Labour Studies (AIAS) is an interdisciplinary research institute focusing on labour issues. Since 2003, AIAS has chaired the Supervisory Board of the WageIndicator Foundation. Researchers from AIAS have been involved in many research projects associated with WageIndicator, particularly related to analysis of the data of its web survey on work and wages.

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Abbreviations

ACFTU	All-China Federation of Trade Unions
ADB	Asian Development Bank
AIAS	Amsterdam Institute for Advanced labour Studies
ALWC	Asian Living Wage Conference
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BDT	Taka (*Bangladesh,* currency)
BFC	Better Factories Cambodia
BGIWF	Bangladesh Garment and Industrial Workers' Federation
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIGUF	Bangladesh Independent Garment Workers Union Federation
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BOI	Board of Investment (*Sri Lanka*)
BPO	Business Process Outsourcing
BPS	Badan Pusat Statistik (Statistics Indonesia)
BWB	Better Work Bangladesh
BWI	Better Work Indonesia
BWV	Better Work Vietnam
CBA	Collective (Labour, Bargaining) Agreement
CEE	Central and Eastern Europe
CLB	China Labour Bulletin
CMT	cut-make-trim
CNGA	China National Garment Association
CPC	Communist Party of China
CPI	Consumer Prices Index
CSES	Cambodia Socio-Economic Survey
CSO	Civil society organisation
CSR	corporate social responsibility
CWC	Central Wage Committee *(Thailand)*
DWF	National Domestic Workers Forum (*India*)
EBA	Everything but Arms
EPZ	Export Processing Zone
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FIE	foreign-owned firm (*China*), foreign-invested enterprises (*Vietnam*)
FLA	Fair Labor Association
FTE	Full-Time Equivalent
FTZ	Free Trade Zone
FWF	Fair Wear Foundation
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMAC	Garment Manufacturing Association in Cambodia
GSBI	Federation of Independent Trade Unions (*Indonesia)*
GSO	National Statistical Office (*Vietnam*)
GSP	Generalized System of Preferences
GSR	Garment Sector Roundtable (*India*)
GVC	global value chain
HIES	Household Income-Expenditure Survey
HSC	Health and Safety Committee
H&S	Health and Safety
IBEF	India Brand Equity Foundation
I(C)T	Information (and Communication) Technology
IDR	Rupiah (Indonesia, currency)
IFC	International Finance Corporation
IHDS	India Human Development Survey
ILO	International Labour Organization
IMF	International Monetary Fund
IFC	International Finance Corporation
INR	Rupee (*India*, currency)

ITLGWF	International Textile, Garment and Leather Workers' Federation
ITUC	International Trade Union Confederation
KHR	Riel (*Cambodia*, currency)
LAC	Labor Advisory Committee (*Cambodia*)
LCU	Local Currency Unit
LDC	least developed country
LFS	Labour Force Survey
LKR	Rupee (*Sri Lanka,* currency)
LLW	London Living Wage
MEB	multi-employer bargaining
MFA	Multi-Fibre Arrangement
MFN	Most Favoured Nation
MNE	Multinational enterprise
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme (*India*)
MIS	minimum income standard (*UK*)
MLW	Minimum Living Wage (*India*)
MMK	Kyat (Myanmar, currency)
MOL	Ministry of Labour (*Sri Lanka*)
MOLISA	Ministry of Labour, Invalids and Social Affairs (*Vietnam*)
MoLVT	Ministry of Labour and Vocational Training (*Cambodia*)
MoU	Memorandum of Understanding
MW	Minimum Wage
MWB	Minimum Wage Board (*Bangladesh*)
NCR	National Capital Region (*India*)
NGO	Non-governmental organisation
NLW	National Living Wage *(UK*)
NMW	National Minimum Wage
NSO	National Statistical Office (*Thailand*)
NTC	National Tripartite Committee (*Bangladesh*)
NTPA	National Tripartite Plan of Action (*Bangladesh*)
NWC	National Wage Council (*Vietnam*)
PKR	Rupee (*Pakistan,* currency)
PPP	Purchasing Power Parity
PTA	Preferential Trade Agreement
RMB	Renminbi (*China*, currency)
RMG	Ready-Made Garment
SEZ	Special Economic Zone
SEWA	Self-Employed Women's Association
SME	small and medium-sized enterprise
SMW	Statutory Minimum Wage
SOE	State-Owned Enterprise
SUSENAS	National socio-economic survey (*Indonesia*)
TATA	US-Cambodia Textile and Apparel Trade Agreement
UNCTAD	United Nations Conference on Trade and Development
UKP	United Kingdom Pound (Sterling)
UNIDO	United Nations Industrial Development Organization
US(A)	United States (of America)
USD	United States Dollar
VGCL	Vietnam General Confederation of Labour
VTGU	Vietnam Textile and Garment Union
VND	Dong (*Vietnam*, currency)
WB	World Bank
WHO	World Health Organization
WI	WageIndicator
WIF	WageIndicator Foundation
WPC	Worker Participation Committee (*Bangladesh*)
WTO	World Trade Organization

Preface

Aims and scope of the report

This report is the result of a study undertaken for the Ministry of Foreign Affairs, the Netherlands, on behalf of the Asian Living Wage Conference (ALWC) in Pakistan in 2016. The Asian Living Wage Conference (ALWC) aims to engage Asian textile-producing countries in the initiatives of EU and US brands and multi-stakeholder initiatives to implement living wages. The ALWC will highlight the need to link the supply chain initiatives of brands to the collective bargaining processes between local unions and employers (ACT/IndustriALL MoU is best practice). A good understanding of the country-specific wage context is thereby of utmost importance. The Ministry has asked WageIndicator Foundation to prepare input for the conference, among others by specifying the cost of living in the garment industries in all countries concerned. The Ministry has asked the Foundation specifically:

- to provide information about labour law, minimum wage setting and minimum wage levels pertaining to the garment industry in nine Asian countries (Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Sri Lanka, Vietnam);
- to include an overview of sources providing information about wages of garment workers in these countries, and provide information about these wage levels;
- to give insight in the cost of living levels and related living wage levels in the garment industries;
- to prepare an overview of the country-specific hurdles for realising living wages, such as prices/cost of living, purchasing policies of brands, employment contracts, based on interviews with experts.

The Ministry of Foreign Affairs in the Netherlands has asked the WageIndicator Foundation to draft this report, because the Foundation has a track record in collecting information about wage levels and cost of living levels for many countries, and because the Foundation maintains a global network of experts in the fields of labour law and minimum wages.

The tender for the report was agreed 14 October 2015. On 24 February 2016, a preliminary version of the report, covering five countries (Bangladesh, India, Indonesia, Pakistan, Vietnam), was submitted to the Ministry. This final report covers the garment industries in all nine countries: Bangladesh, Cambodia, China, India, Indonesia, Pakistan, Sri Lanka, and Vietnam.

Contents of the report

This report provides contextual information concerning the minimum wage levels, the living wages for an individual and a typical family based on cost of living data, and the wage levels of the labour force and of the garment workers specifically. It details the regulations concerning the wage setting, as well as the national industrial relations focusing on the garment sector. The report includes chapters for each country, in alphabetical order, and introductory and concluding chapters, respectively Chapters 2 and 12. Yet, even before presenting the introduction we go into the data collection for Cost of Living and Living Wages, as this is a crucial theme for this report (Chapter 1).

Explanatory note about Wages in Context

The WageIndicator Foundation was asked by the Ministry of Foreign Affairs in the Netherlands to provide information about the minimum wage levels, about sources providing information on wages of garment workers and about the cost of living levels and related living wage levels in the garment industries in the nine countries. For this report any sources were reviewed to provide this information. In Chapter 1, the WageIndicator's data collection for Cost of Living and Living Wages is explained. Two appendices, Appendix 1 about Data collection on minimum wages and Appendix 2 about Data collection on wages complete the explanation of the search for applicable wages.

The optimal scenario would be to have wage data for all categories, for all countries and for the same years. However, as described in Chapter 1 and the appendices the availability of data is limited, and therefore the wage graphs in the country chapters are repeatedly scattered. For each of the nine countries, this report presents a graph presenting the so-called Wages in Context, consisting of a range of income figures, grouped into three categories, notably Living Wages, Wages, and Garment Wages. The LIVING WAGES section comprises the estimated living wages per country based on the WageIndicator Cost-of-Living Survey. As will be explained, the cost of living estimates vary within countries. The WAGES section comprises the lower and upper bounds of the national statutory Minimum Wage(s) where these are in force and, if available, the lower and upper bounds of the paid wages of workers in low-, medium-, and high-skilled occupations, based on the WageIndicator Wage Survey. The GARMENT WAGES section comprises the wages of garment workers based on micro data from national household or labour force surveys identifying the garment industry; for a number of countries this part also comprises wages for four job categories in the garment industry provided by the Fair Wear Foundation (FWF).

Acknowledgements

1. Data collection for Cost of Living and Living Wages

The Ministry has asked the WageIndicator Foundation specifically to give insight into the cost of living levels and related living wage levels in the garment industries. This section details the data collection methods of the WageIndicator Cost-of-Living Survey and the calculation of the related Living Wages in garment-manufacturing areas.

The quest for a living wage has a long history, and more recently various methodologies have been used to define and measure a living wage (for an overview: Anker 2011). Currently there is neither a generally accepted definition of what a living wage is, nor is there a generally agreed methodology on how to measure it (Tomei in Anker 2011, V). Except for discussions on and the use of acceptable wage levels in global value chains, notably in garment-producing Asian countries, the living wage idea has had most acclaim in the United Kingdom. The London Living Wage (LLW) campaign was launched in 2001, with the basic idea to set a living wage at a level able to provide an 'acceptable' standard of living also in expensive cities. Following campaigns across the UK, a research effort tried to widen the idea. Between 2006 and 2008, a team led by Loughborough University / Centre for Research in Social Policy (CRSP) developed a minimum income standard (MIS) for Britain. The MIS specifies an income sufficient to reach an acceptable minimum standard of living, developed through group discussion in combination with expert judgements. The outcomes vary substantially for each household type. In order to come up with a figure for a National Living Wage (NLW) based on the MIS a single figure is derived by taking a weighted average of the households in the survey. Each year this figure is uprated ((references in) Griffin and Gregory 2015, 320[1]).

However, methods measuring cost-of-living levels (partly) through group discussions like used by the British Living Wage Foundation and the Loughborough University team were not appropriate to give insight in these levels and the related living wage levels in the garment industries in nine countries, in particular given the fact that we had to collect data concerning the latter levels in a relatively short period of time. Therefore, WageIndicator has applied the survey method of collecting price data. This method uses the Internet as the only means to reach out to large numbers of people in a short period of time, but uses also additional offline data collection methods. As will be described in the next section, we applied the WageIndicator methodology of collecting price data on a defined set of items (see for details Guzi and Kahanec 2014).

For this report, we have reviewed other sources of cost-of-living data, but very few provide this data for the nine Asian countries studied here. For a few countries the ISEAL Alliance / Global Living Wage Coalition has cost of living data available, but not for the nine countries we studied. The Asia Floor Wage Alliance provides its 2015 Asia Floor Wage figure, which is PPP USD 1,021, needed for workers to be able to support themselves and two other 'consumption units' (1 consumption unit = 1 adult or 2 children). By using the US Dollar purchasing power parity, the Alliance controls for price differences across countries, but not for within-country differences. The Asia Floor Wage is based on regular food basket research in the region, but unfortunately neither an explanatory note nor a database of collected prices is available from the Asia Floor Wage Alliance (AFWA) website.

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[1] The UK Cameron administration has lately taken over the living wage terminology by stating that all workers in the UK aged 25 and over are legally entitled to a 'living wage' of UKP 7.20 per hour (https://www.livingwage.gov.uk/). By contrast, the UK living wage as advertised by the Living Wage Foundation is currently UKP 8.25 an hour, and the London Living Wage UKP 9.40 an hour (http://www.livingwage.org.uk/what-living-wage).

The WageIndicator Living Wage Computations

Three features are critical in the WageIndicator Living Wage computations. First, they are based on the cost of living for a predefined but locally adapted food basket, for housing and for transportation, with a margin for unexpected expenses, as will be detailed in the remainder of this section. Second, the data collection of these costs of living is based on surveys, both online and offline. Many national statistical agencies collect this information by means of interviewers registering prices. WageIndicator applies this method too, using either trained interviewers or ordinary people reporting the prices for a set of commodities in their neighbourhood. Third, in determining a living wage, WageIndicator assumes an individual plus an average family which is consistent with the most common family type in the relevant country.

Cost of living

Following Guzi and Kahanec (2014), food costs are calculated using specified amounts of the food categories needed for one month. These food categories are derived from the FAO database[2], which includes national food consumption patterns in per capita units, distinguished for about 50 food groups. The composition of food baskets includes the supply of commodities available in the country, and hence reflects the potential food consumption basket of an average individual. To avoid the negative bias in the quality of the consumption basket in low income countries, the food basket is checked to ensure the percentage of calories (kCal) from proteins is consistent with WHO balance diet.[3] The baskets which do not pass this test are replaced in calculations by the average of appropriate food baskets of neighboring countries. The items chosen have been proven to be effective proxies for many other items that could replace them (Guzi et al. 2015).

The prices of the items in the food baskets are collected by means of the WageIndicator Cost-of-Living Survey. The food costs calculation assumes that all foods will be prepared at home and purchased at lower prices from supermarkets. The prices from the WageIndicator Cost-of-Living Survey are used to calculate the cost of the food basket following the current food supply in a country, scaled to 2,100 kCal. Within countries food costs may differ between regions but this variation is captured in the WageIndicator Cost-of-Living Survey by means of a question about the region and the city within the country. Food expenditure is the main component of the living wage and is determined by the price of the food basket.

Next to the food basket, other costs are asked in the Cost-of-Living Survey. The housing cost for a family with children is derived from the rental rate for a 3-bedroom apartment outside urban centres. The housing cost includes utility and other housing costs, e.g. cost of electricity, water, garbage collection. Transportation is another important cost for households because most people commute for work or travel for their daily activities, e.g. shopping. It is assumed that families cannot afford to own a motorbike or car on the living wage and therefore have to rely on other means of transportation. Public transport is commonly available in most urban places, so the price of a regular monthly pass is taken as the transport cost for an adult. It is assumed that children may travel for free with their parents. Finally, WageIndicator follows the literature (e.g. Anker and Anker 2013) to add a 10 percent margin to the final estimate of the living wage on top of the food, housing, and transportation expenditures to account for spending on the education of children, health care or clothing and other expenses as well as for unexpected expenditures.

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[2]   The Food and Agriculture Organization (FAO) of the United Nations publishes data online at http://faostat3.fao.org/faostat-gateway/go/to/download/FB/*/E.

[3]   The FAO food balance sheet includes information on proteins in each food category. The World Health Organization (WHO) defines a balanced diet to comprise minimum 10-15% from calories from proteins; 15-30% of calories from fats; 50-70% of calories from carbohydrates, and at least 400 grams of vegetables and fruits per day.

The WageIndicator Cost-of-Living Survey

Since October 2013, WageIndicator operates a Cost-of-Living Survey asking the prices of in 75 food, housing and transport items, relevant to identify a living wage. This survey is posted on all national WageIndicator websites and is in the national languages. In 2015, the Cost-of-Living Survey was offered in 36 languages and in 85 countries, with more countries and languages expected in 2016. The websites attract millions of visitors, because they publish urgently needed but usually not easy accessible information for the public at large. The WageIndicator Foundation undertakes strong efforts to attract visitors, in 2015 resulting in more than 32 million unique visitors.

The web visitors are invited to complete the survey, either for one item or for all. The 75 items are asked in all countries, although some items are rather region-specific, e. g. bulgur. As the units in which food items are sold vary across countries, the information about the unit for which a price is given is very crucial. In the online Cost-of-Living survey, the respondent answers not only the price, but using a dropdown he can also choose the unit: the most common unit used in a given country is chosen as default, but the respondent may choose a different unit if needed. The information about the unit is used to recalculate the price of an item into basic metric units such as 1 kg, 1 liter, et cetera.

Another challenge is to attach a particular price to housing because housing is very heterogeneous. Every dwelling is different from any other in some respect and therefore the range of housing prices for dwellings with similar minimum quality characteristics is likely to be relatively wide. In addition it is important to make sure that housing cost includes the price of services such as utilities, maintenance, property tax, garbage. To deal with these circumstances the Cost-of-Living Survey has several questions to precisely identify the components of housing costs. This information is necessary to arrive at a satisfactory housing cost estimation procedure. For an individual worker the Living Wage calculations assume a 1 room apartment. For a fypical family a 3 room apartment is assumed.

See for an explanation of the data collection and the list of items, Guzi (2015) and Guzi et al. (2015). See for the up-to-date list of countries with a Cost-of-Living Survey: http://www.wageindicator.org/main/salary/living-wage/wageindicator-cost-of-living-survey. See Guzi, Kahanec, and Kabina (2016) for the codebook with details about the dataset from the survey.

The WageIndicator Cost-of-Living Survey is a multi-country, multilingual, continuous web survey. In addition to the web survey, a printed version of the survey is available, and so is an App. For several projects, Cost-of-Living data has been collected by interviewers, in addition to the online survey. An example comes from the province of KwaZulu Natal in South Africa, where in 2015 more than 70 students of the Workers College in Durban collected a total of 28,731 prices for the list of 80 items (Kabina 2015).

For this report, dedicated online and offline data collection was applied for the areas with garment industries, as will be explained in the next section. This approach builds on WageIndicator's previous experiences with data collection, whereby Cost-of-Living data has been collected by interviewers, in addition to the online survey.

The Living Wage of an individual and a typical family

In this report, WageIndicator presents its Living Wage calculations for an individual and for a typical family. For each country, the Living Wage estimate for an individual worker provides a baseline estimate and permits a direct comparison with Minimum Wages and median wages. The Living Wage estimates for the typical family are derived from the baseline estimates. The concept of a typical family refers to the family composition and the number of working adults in these families, both most common in the country at stake. To calculate the average number of children in a typical family per country the current total fertility rate of the country at stake has been taken into account, based on

World Bank data (See http://data.worldbank.org/indicator/SP.DYN.TFRT.IN). In order to control for the average number of working adults in the typical family, a two-parent employment rate is assumed, adding up the national employment rates for both men and women. This information is taken from the ILO EAPEP database (See http://laborsta.ilo.org/applv8/data/EAPEP/eapep_E.html). Further assumptions underlying the typical family model require that the adults included are of economically active age, that the family lives in an urban environment, that all household members are in good health, and that the adult family members are competent to manage the family budget efficiently (See http://www.wageindicator.org/main/salary/living-wage/faq-living-wage). For each country this report calculates the Living Wages for an individual worker and for a typical family, thereby presenting the lower bound and upper bound levels, reflecting respectively the 25th and the 50th percentiles of the collected price data in the Cost-of-Living Survey.

The reliability of the data collected

How reliable is the data when it is based on voluntary individual contributions to the online and offline WageIndicator Cost-of-Living Surveys? There are a few good reasons to qualify WageIndicator data as reliable. One such reason is that scattered individuals from regions wide apart and from diverse cultures do not lie about concrete and practical matters such as prices in a systematic, coordinated way. Moreover, individuals who buy food, rent a house and use public transport may be considered price experts: they know exactly how much they spend on each item, especially when they have limited means. Many such individuals together create collective, yet anonymous, expertise. Some respondents do introduce biases in the data, but people cannot possibly misreport prices in the same way everywhere and simultaneously.

How many observations are needed to estimate a Living Wage Properly? A minimum sample of 5 observations per item is needed to at least estimate the price of a single item in a given country or region. In 2015 WageIndicator calculated the Living Wages in 40 countries based on more than 3,000 prices for 80 items not older than 12 months.

The Cost of Living data collection for the garment industry

For this report, the Cost of Living data collection was intensified in areas with garment industries in the nine countries through online and offline modes. As Table 1 shows, online recruitment for the Cost-of-Living web survey was undertaken in six of the nine countries. Online recruitment was done in two ways, notably by means of active recruiting garment workers or respondents in garment-manufacturing areas through Facebook, and through dedicated Search Engine Optimisation in the national WageIndicator websites.

The offline mode was done in two ways as well. In seven countries: Bangladesh, Cambodia, India, Indonesia, Myanmar, Pakistan, and Vietnam, members of the local WageIndicator team used laptops or a print version of the survey to conduct face-to-face interviews with inhabitants about consumer prices or they collected these prices themselves. In the same countries, experienced interviewers were recruited via a research institute to interview inhabitants in the main garment industry areas about consumer prices or to collect these themselves. In Myanmar a group of students was recruited with close ties to students at the University of Amsterdam, to conduct data collection. In China and Sri Lanka, no face-to-face interviews could be organized in the short time span available for this report. In China neither offline nor online data was collected and in Sri Lanka only data from the online survey was available. Due to an insufficient number of completed surveys, no living wage calculations were made for China. The data collection predominantly took place in November and December 2015 with some additions in January 2016.

Table 1   Country and Cost of Living data collection online and offline (Nov15 – Jan16)

Country	Data collection online		Data collection offline		Completed	
	Facebook recruitment	Search Engine Optimisation	Laptop or print forms	Interviewers in assigned regions	surveys	price items
Bangladesh	no	no	yes	yes	65	3809
Cambodia	yes	no	yes	yes	122	5204
China	no	no	no	no	2	80
India	no	no	yes	yes	407	8139
Indonesia	yes	yes	yes	yes	443	15880
Myanmar*	no	no	yes	yes	32	1130
Pakistan	no	yes	yes	yes	210	14731
Sri Lanka	no	yes	no	no	35	249
Vietnam	yes	yes	yes	yes	201	7999

*   The Myanmar website was launched in October 2015, all other websites were launched before 2015.

WageIndicator Wages in Context

For each of the nine countries, this report presents a graph presenting the so-called Wages in Context, consisting of a range of income figures, grouped into three categories, notably Living Wages, Wages, and Garment Wages. The LIVING WAGES section comprises the estimated living wages per country based on the WageIndicator Cost-of-Living Survey. As explained, the cost of living estimates vary within countries, and therefore the graphs present the lower and upper bounds of the living wages. The WAGES section comprises the lower and upper bounds of the national statutory Minimum Wage(s) where these are in force and the lower and upper bound of the paid wages of workers in low-, medium-, and high-skilled occupations, based on the WageIndicator Wage Survey (for details see Appendix 1 and Appendix 2). The GARMENT WAGES section comprises the wages of garment workers based on micro data from national household or labour force surveys that identified the garment industry; this part comprises wage data for four job categories in the garment industry provided by the Fair Wear Foundation (FWF).

The WageIndicator Cost of Living app

WageIndicator publishes all information about living wages on its websites, and invites stakeholders to comment through its interactive web platform as well as by means of workshops in covered countries. WageIndicator introduces a concept that allows users and stakeholders through web interface to share and compare living wages across countries and regions (within countries) using a methodology that accounts for local conditions but also is harmonized to provide for international comparison. The methodology also provides for cost-efficient application in countries across the globe as well as regular updating (Guzi and Kahanec 2014).

Since March 2016 WageIndicator has operated a Cost-of-Living app for 89 countries in English and the national languages, facilitating data collection through laptop, tablet, and smartphone in both online and offline modes (see screenshot). As this report was prepared in March 2016, the app unfortunately could not be used in the Cost-of-Living data collection for the garment industry in the nine countries at stake. WageIndicator has scheduled data collection actions for specific countries through its national teams and their partners from trade unions and employers organisations.

The Cost of Living app can used by anyone, see http://CostofLiving.WageIndicator.org and see the screenshot. For more information, contact: office@wageindicator.org.

Figure 1 Screenshot of the Cost-of-Living Survey
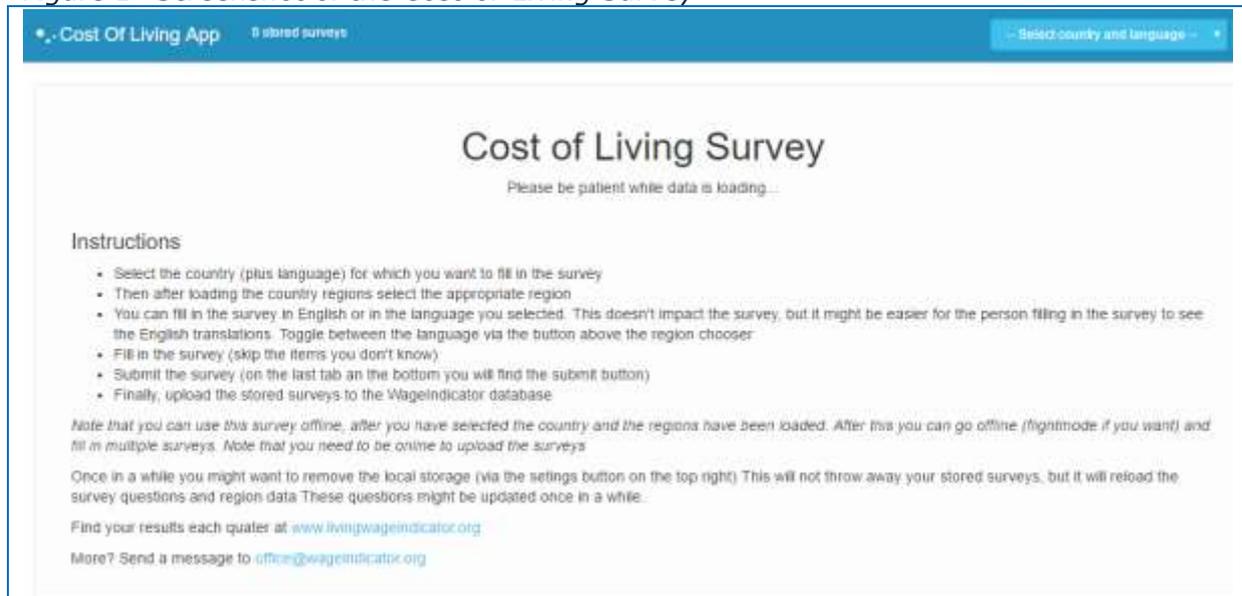
Source: http://CostofLiving.WageIndicator.org, accessed 16-MAR-2016

2. INTRODUCTION: THE GARMENT INDUSTRY

Internationalisation of garment production

The internationalisation and relocation of garment production[4] are by no means new phenomena. For example, in the 1950s the Netherlands saw a first round of relocation of garment sewing from Amsterdam and other cities to the periphery of the country. Once the larger clothing manufacturers and main purchasers, in particular retail chains like C&A, had discovered the advantages of low-cost production and had mastered the logistics of relocation, the internationalization of garment manufacturing gathered pace. As a consequence, between 1966 and 1975 the share of imports in Dutch clothing sales increased from 30 to 65 per cent. Imports from neighbouring European countries rose quickly, before imports from Eastern European and Asian countries took over; in those early days, Hong Kong in particular showed up as a major garment exporter (Van Klaveren 1976).

Also between 1965 and 1975, US-based multinational enterprises (MNEs) initiated a rush of foreign direct investment (FDI), particularly in electronics, textile and garment manufacturing. The decrease in tariff barriers along with advances in ICT and transport technologies (air transport, containerisation) enabled a growing number of MNEs to systematically develop into 'efficiency seekers'. These MNEs relocated labour intensive processes to countries with pools of cheap labour. FDI of US-based manufacturers in Mexico, South Korea and Taiwan topped initial, low-wage oriented investment in Puerto Rico, Singapore and Hong Kong. Japanese, UK, German and Dutch MNEs soon followed suit. Latterly, production and servicing processes have continued to be split and fragmented in ever finer steps, executed in vertical production networks that specialize in different tasks or stages at separate locations around the globe ((references in) Van Klaveren et al. 2013).

From 1970 onwards, notably in Asia the emphasis shifted from global value chains (GVCs) driven by producers to buyer-driven chains controlled by large retailers and global marketeers. These global buyers through their value chains took advantage of labour cost differentials across countries, while maintaining productivity and quality standards. This was particularly the case in the global apparel value / supply chain (Gereffi 1994; Gereffi and Frederick 2010). In the 1990s the expansion of the US-based retail giant Walmart proved to be the catalyst for the scaling up of GVCs supplying, among others, foodstuff, toys, clothing and footwear. The keystone in Walmart's strategy has been its ability to exert firm control over international supply chains (Christopherson 2007).

On the labour supply side, a major impetus for the expansion of GVCs was the fast integration of China (from 1979), India and the former Soviet (CIS) countries (both from 1991 onwards), into the liberalized global economic system ((references in) Van Klaveren et al. 2013, 9-11). An additional and partly overlapping impetus came from the development of Export-Processing Zones (EPZs, including Free Trade Zones, FTZs, and Special Economic Zones, SEZs), with special incentives attracting export-oriented industries. According to the ILO, a few years ago some 3,500 EPZs were operative in 130 countries with an estimated 66 million workers, of which 40 million worked in Chinese EPZs and 6 million in Indonesian EPZs. On a global scale, the vast majority of EPZ workers are women, especially in garment and electronics manufacturing (ILO 2014b). Finally, trade policies of industrialized countries have contributed to the integration of ever more countries in the global garment value chain: see the next section.

The relationship between offshoring and the activities of MNEs abroad can take various forms. In addition to occurring through FDI, that is, through subsidiaries of MNEs,

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4   In this report, we use 'garment', 'clothing', 'ready-made garment' (RMG), and 'apparel' as synonyms.

offshoring can also take place via arm's length contracts with unaffiliated foreign suppliers -- mostly referred to as international outsourcing. UNCTAD estimated that by 2010 20 to 23 million workers worldwide were employed in first-tier firms of GVCs under such forms in contract manufacturing including garment and footwear manufacture. We estimated the number of workers in the second and lower tiers of GVCs and those with other modes of governance at 40 to 55 million worldwide by 2010 ((references in) Van Klaveren et al. 2013, 13-14). Whereas in the 1970s the large clothing retailers owned their own factories, subsequent offshoring to Asian countries mostly took the form of contracting out to unaffiliated suppliers.

In the 2000s, the 'standard structure' of the global garment supply chain crystallized. As all experts surveyed agreed, the garment sector is currently characterized by 'deep' (or long) supply chains, entailing production hierarchies with high degrees of subcontracting down to three or even four tiers. Many global garment buyers no longer have factories of their own. Their orders are dispersed over many formally independent factories, with each factory catering to many buyers, resulting in competition between factories for orders. Such factors make for downward wage pressure in the chain. This is further compounded, in no particular order, by conditions imposed by global buyers using their market power and financial, technological and logistics/distribution capacities; the dispersion of their orders over first tier garment manufacturers; the wage-setting power of these manufacturers; subcontracting to lower tier producers, and the intra and inter-country competition between producers, which in large parts of the value chains is mainly fought on price and, increasingly, on speed of delivery ('lead time'). The experts revealed as other relevant factors the political influence of first tier garment manufacturers, as well as fluctuations in demand and the seasonal change of orders. Although the impact of such factors needs careful, country-specific scrutiny, it is no exaggeration to say that they will mostly add to downward pressure on wages, working conditions and job security.

Leading authors in the field have analyzed the problems global garment value chains are currently posing for workers, trade unions, NGOs and governments all aiming to secure decent production conditions and social upgrading as well as integration of garment production in national economies. Although they use different phrasing, their conclusions show clear similarities. Below, we present a brief review as a background to the upcoming debates on good governance and living wages.

Pickles (2013, 12) concluded that three points were particularly important: "1. Apparel production has been disembedded from integrated textile and clothing complexes, mature industrial labour relations, and strong health and safety state institutions. This has simultaneously fuelled exploitation and restricted opportunities for developing backward and forward linkages; 2. increased fragmentation and geographic dispersion of the value chain is compounded by the reduced length of contracts, high turnover of suppliers, and higher demands on them, often without any increase in the contract price; 3. responsibility for decent work has thus been distributed across a much broader range of actors, many of whom are ill-equipped to afford or facilitate social upgrading." Barrientos, Gereffi and Rossi (2011) worked out how the integration of workers in GVCs tends to have a negative impact on their well-being through downward pressure on wages (also: Barrientos et al. 2010, 2011). In view of the potentially destabilizing impact of relocation processes in 'footloose' industries like garment production in supply countries, Gereffi and Mayer (2006) referred to a 'governance deficit' concerning efforts to come to grips with these factors. Milberg and Winkler (2011) pointed to the rents captured by lead firms in global value chains, including garment supply chains, stressing that these rents express the built-in asymmetry of the market's structure. Writing on Sri Lanka, Ruwanpura and Wrigley (2011, 5) referred to "pervasive imbalances of power", extending these to "(….) an endemic feature of the apparel industry at all geographical levels". Against this backdrop, the latter two authors highlighted the lack of attention in international organisations and NGOs for the institutional context in the Global South,

and the widespread neglect of the role of labour as an active constituent of the global economy.

However, the qualification is appropriate here that power relations between global buyers or brands and the first tier firms with which they have direct supply relations, may no longer be as asymmetrical as much of the mainstream literature suggests. Quite some first tier companies in the Asian countries at stake have upgraded and diversified their businesses and serve multiple brand-name buyers, each accounting for a quite limited share of their turnover, seizing factory capacity often for only part of the year or for a few seasons, and with no guarantee that orders will be repeated. It can be questioned to which extent in this context global buyers have the economic leverage to impose compliance with labour standards upon their first tier suppliers, and put effective pressure on them to raise wages, reduce working hours and invest in their production systems as to improve working conditions (cf. Locke et al. 2008; Merk 2014b).

Garment exports

In Table 2 we present an overview of developments in garment exports of the nine countries under scrutiny (based on current prices in USD). The two left-hand columns indicate the share of garment exports in the total merchandise exports of the countries, for 1995 and 2014. They show that in nearly two decades the shares of garment exports grew to very high levels in Bangladesh and Cambodia. Pakistan revealed a slight increase but in the other six countries the garment share in total exports showed a decrease which was quite marked in China, India, Indonesia and Myanmar.

The two right-hand columns of Table 2 show the shares of the garment exports of the respective countries in the world's total garment exports, again for 1995 and 2014. Whereas in 1995 the joint share of the nine countries in world exports was slightly below 23 per cent, by 2014 this had increased to 54 per cent. Clearly, the phenomenal growth of China's garment exports in this period, from about 14.5 to over 37 per cent, accounted for the lion's share, but the shares of Bangladesh, Cambodia and Vietnam also showed impressive growth. India's export share grew too.

The table also reveals that, in spite of the growth of the garment export shares of China, India and Vietnam in world trade, their shares in the total merchandise exports of these three countries decreased. Notably for China this reflects the structural shift from exports of goods based on low-wage labour and low-end technology to exports based on medium-level technology and higher quality goods (cf. Zhu and Pickles 2014, 39).

Table 2   Share of garment exports in total merchandise exports per country and in total garment world exports, 1995 and 2014, nine countries

	Garment exports as % of merchandise exports per country		Garment exports as % of world garment exports	
	1995	2014	1995	2014
Bangladesh	63.4	79.9	1.29	4.83
Cambodia	17.1	66.0	0.09	1.42
China	16.1	8.0	14.41	37.29
India	13.0	4.6	2.46	3.53
Indonesia	7.4	4.4	2.02	1.53
Myanmar	8.6	5.7	0.04	0.06
Pakistan	19.7	20.2	0.96	1.00
Sri Lanka	48.2	43.5	1.10	0.98
Vietnam	15.1	13.3	0.49	3.99
TOTAL 9 c.			22.86	54.63

Note: garment = SITC rev. 3 groups 841-846 + 848
Source: author's calculations based on UNCTADstat Database

The largest garment *importers* have been the EU and the US. In 1995 the EU15 accounted for 45.5 per cent of world garment imports; in 2005 the EU28 share was nearly the same (45.2%) before decreasing to 43.4 per cent in 2014. Initially, the US import share increased from 25.4 per cent in 1995 to 27.5 per cent in 2005, before falling to 26.1 per cent in 2014. At the same time, the share of Japan in world garment imports gradually fell, from 11.5 per cent in 1995 to 8.4 per cent in 2014 (Gereffi and Frederick 2010, 4; author's calculations based on UNCTADstat Database). Finally, it may be useful to know that in the period 1995-2014 the value of world garment exports lost weight in the world trade in merchandise. The garment share decreased from 3.26 per cent in 1995, to 2.83 per cent in 2005, and 2.64 per cent in 2014 (author's calculations based on UNCTADstat Database).

The trade policies of industrialized countries have plainly contributed substantially to the international restructuring of clothing manufacturing. Already from the 1950s, in order to protect their domestic textiles and clothing industries, industrialized countries imposed quantitative import restrictions. Most important was the Multi-Fibre Arrangement (MFA), signed in 1974. The MFA allowed the US, Canada and a number of European countries to impose selective quotas on textile and clothing imports, and to make these imports subject to high tariffs and non-tariff barriers to trade (NTBs). The integration of new, low-wage developing countries in the global garment value chain gained impetus when manufacturers, mostly from Japan, South Korea, Hong Kong and Taiwan, and later from China as well, were confronted with MFA quota limits in their home countries. From the 1970s, they relocated clothing manufacturing through 'quota hopping' to countries such as Bangladesh, Indonesia, Sri Lanka, and Vietnam, countries that had unused export quotas or no quotas at all (Gereffi 1999; Rasiah and Ofreneo 2009).

In 1995, under the Agreement on Textiles and Clothing (ATC), the textile import quotas permitted by the MFA were phased out over a ten-year transition period. Initially , the phasing out did not lead to a significant liberalization of trade in textiles and clothing because the quotas abolished in this period were largely related to products in which developing countries had no comparative advantage. The remaining quotas removed on 1 January 2005 were bilateral and the extent of their restrictiveness varied from country to country. Thus, their removal would have worked out differently. The matter became even more complicated when new trade agreements came into existence with specific rules, like the bilateral trade agreement of Cambodia with the US, and the Generalized System of Preferences (GSP) program. The US excludes textiles and garment items from its GSP agreements, whereas the EU includes these items. Albeit to a varying degree, Indonesia, Pakistan, Vietnam, India, Sri Lanka, and Bangladesh in the last decade benefitted from the EU's GSP / Everything but Arms (EBA) program, shielding garment exports to some extent from competition from China (Rasiah and Ofreneo 2009).

Before the MFA was phased out, many experts expected that from 2005 on small economies like Cambodia and Sri Lanka, largely reliant on garment exports, would drastically lose market shares and jobs to their larger competitors China, India and Bangladesh. The real picture has turned out to be more shaded. Although from 2005-2008 the US and the EU established safeguard quotas against textile and clothing imports from China, in these years China's share in world garment exports continued to grow rapidly. So too did the shares of Bangladesh and Vietnam, growing relatively even more than the Chinese share. India, Indonesia and Pakistan, by contrast, saw their shares growing slightly, whereas the shares of Cambodia and Sri Lanka remained constant.[5] When in 2008-2010 the global crisis hit the garment retail markets, demand fell in the industrialized countries and access to finance was more constrained. The garment exports of Pakistan and Sri Lanka remained at the same level while those of India and Indonesia hardly grew. The garment export growth of the other countries continued although they were slowing down'. In 2011 export growth picked up and between 2010 and 2014,

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[5]   Myanmar is a special case, with garment exports decreasing from 2003 and their value in USD surpassing the 2003 level not before 2011; the decrease was mainly due to the US sanctions imposed in 2003 against its military government. See for details Chapter 8.

garment exports of the nine countries in total grew by 48 per cent, with stronger growth rates posted for Myanmar (105%), Cambodia and Vietnam (both 92%), Bangladesh (58%) and India (57%), and less than average growth recorded for China (44%), Sri Lanka (40%), Pakistan (26%) and Indonesia (12%). These increases were primarily at the expense of supplier countries located closer to the European and US garment markets, including Eastern European (CEE) countries providing for retailers in the EU as well as Mexico, Central American and sub-Saharan countries supplying the US (Staritz 2011a; author's calculations based on UNCTADstat Database).

It has been argued that the worldwide crisis speeded up rationalization and concentration in the sourcing strategies of global garment buyers (Gereffi and Frederick 2010; Staritz 2011a). Indeed, heavier demands and stricter performance monitoring on suppliers were already manifest in the early 2000s (cf. Palpacuer et al. 2005; Barrientos et al. 2010) but there is evidence that latterly they have grown in importance. As a result, in the countries under scrutiny, barriers to enter garment manufacturing have increased. Nowadays, more capabilities and higher standards are expected from suppliers than, say, a decade ago all the while maintaining low costs, high product quality, short lead times, production flexibility, and, last but not least, compliance with labour standards (cf. Gereffi and Frederick 2010; Staritz 2011a: Barrientos et al. 2011; Lee and Gereffi 2015). However, in spite of rationalization and concentration global retail brands have maintained large supply networks, as we will show in the next section.

Employment in the garment industry

In a number of tables we have compiled essential information on employment in the garment industry in the nine countries studied. Table 3 (next page) shows the available *official* employment data, relying on national and international (ILO, UNIDO) sources. Unfortunately, this data does not allow a straightforward comparison across all nine countries for a recent year. It also has to be noted that for some countries higher outcomes circulate, mostly stemming from employers' associations.[6] For example, for Indonesia some estimates suggest around 500,000 workers in the *export* garment industry (Better Work Indonesia 2014) and up to 1.5 – 2.5 million workers in the garment industry at large (Community Legal Education Center et al. 2015). Generally, the lower-bound figures mostly relate to those employed in the formal sector and/or in manufacturing for exports, whereas the upper-bound figures tend to include estimates concerning the number of informal workers.

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[6]   We found higher figures for garment employment than presented in Table 3 for (x 1,000 employed):
        Bangladesh: by BGMEA employers' association (website) for 2011 and 2014: 4000;
        Cambodia: in ILO 2015b: 2012: 557;
        Indonesia, by employers' associations: 2010: 1513; 2013: 1659;
        Sri Lanka: by employers' associations: 2011: 442; 2012: 483.

Table 3   Development of employment in garment industry, 2005-2015, x 1,000 employed, nine countries (official data)

	2005	2006	2010	2011	2012	2013	2014	2015
Bangladesh				2754				
Cambodia	270	316			417	447	475	507
China	4789		4501					
India				1880				
Indonesia		1334					1311	
Myanmar							280	
Pakistan						1061		
Sri Lanka			280	282	267			
Vietnam	511	585	844		1015	1109		

Sources: Bangladesh: UNIDO; Cambodia: ILO 2015a; Better Factories Cambodia 2015a,b; China: UNIDO; India: ILO 2015b (based on 2011-12: Gov't of India 2014); Indonesia, 2006: ILOSTAT database; 2014: ILO 2015b; Myanmar: estimate based on indications from employers' associations; Pakistan: ILO 2015b; Sri Lanka: Department of Census and Statistics, Annual Surveys of Industries; Vietnam, 2005, 2006, 2012: UNIDO; 2010: ILO 2014c; 2013: ILO 2015b.

Table 4 presents the shares of garment employment in the textiles, garment and leather & footwear industries (A in % of B) as well as these shares in employment of the manufacturing industry in total (A in % of C) of the nine countries. Clearly, two groups of countries show up here: one group, including China, India, Indonesia, and Pakistan, in which garment employment accounted for less than half of textiles / garment / footwear employment, and the other group, embracing Bangladesh, Cambodia, Myanmar and Sri Lanka where garment employment accounted for 60 per cent or more of workers in textiles etc. Vietnam takes a position in between these two groupings. The shares of garment employment in total manufacturing employment display largely the same pattern: below 25 per cent in China, India, Indonesia, and Pakistan, and this time in Myanmar and Vietnam as well, compared to Bangladesh, Cambodia, Sri Lanka, where garment workers accounted for 45 per cent or more of their manufacturing workforce. The similarities between the two series of figures are clear and their correlation is rather high (*R*=.70).

Table 4   Employment in garment industry, x 1,000 and as shares of employment in textiles /garment /footwear and total manufacturing industry, most recent years available, nine countries

	Year	garment x 1,000 (A)	text-garm-footw x 1,000 (B)	A as % of B	Tot. manuf. x 1,000 (C)	A as % of C
Bangladesh	2011	2754	3619	76.1	4970	55.4
Cambodia	2012	417	644	64.8	835	49.9
China	2010	4501	15110	29.8	83915	5.4
India	2011-12	1880	4962	37.9	17913	10.5
Indonesia	2014	1311	3022	43.4	10832	12.1
Myanmar	2014	280	340	82.5	1970	14.2
Pakistan	2012-13	1061	2331	45.5	4918	21.6
Sri Lanka	2012	267	316	84.5	535	49.9
Vietnam	2013	1109	2061	53.8	5180	21.4

Sources: Bangladesh: UNIDO; Cambodia: ILO 2015b; China: UNIDO and National Bureau of Statistics of China; India, ILO 2015b (Gov't of India 2014); Indonesia: ILO 2015b; Myanmar: information of MGMA employers' association; Technopak 2013; ILO 2015d; Pakistan: ILO 2015b; Sri Lanka: Department of Census and Statistics, Annual Surveys of Industries; Vietnam: ILO 2015b.

BOX: Textile – garment clusters and industry upgrade

The relationship between textile and garment production deserves closer scrutiny. In large countries like China, India, Indonesia and Pakistan, the garment industry may reap the benefits of a well-developed textile industry, and of strengthening linkages between these two segments. As the textile industry is the main supplier of inputs of intermediate goods to the garment segment, high performance in textile manufacturing can contribute to the relative situation of workers in garment production. Clusters with horizontal and vertical relationships connecting textile and garment producers have the potential to deliver quite some advantages. They may, for instance, be able to source more locally; improve supply to domestic clothing markets; diminish dependence on imports; reduce current international vertical specialization and loosen their ties with global production networks; gain increased profit margins and achieve stronger growth – and, ultimately, raise wages to higher levels. Such clusters need to expand to related industries like those supplying accessories (such as thread and zippers) and clothing machinery, as well as to specialized importers/exporters and other agents. More generally, greater control over supplies of intermediate goods in terms of price and quality provides countries with a better position to upgrade clothing production, economically and socially (cf. Milberg and Winkler 2011; Gimet et al. 2015).

China, India and Vietnam in particular have made steps in developing textile – garment clusters upgrading their garment manufacturing and focusing more on their home markets (Gereffi and Frederick 2010). By contrast, for countries with smaller manufacturing economies specializing in garment production like Bangladesh, Cambodia, Myanmar, and Sri Lanka, it is a major challenge to create clusters to enable the upgrading of their garment sector (cf. Rodriguez and Khan 2015). Greater compliance with existing (labour) regulations may be even more crucial for upgrading in this group of smaller economies, for which less alternative routes for economic development are open.

Table 5 shows the shares and numbers of female workers across the nine countries. The country figures show high shares of females in garment employment in seven countries, varying from 65 per cent in Indonesia up to 95 per cent in Myanmar. The exceptions are India and Pakistan, where female shares appeared to be in the 20-30 per cent range. It should be noted however that due to the size of their informal economies coupled with prejudices against female labour and statistical registration issues, the official data for these two countries most likely underestimates these female shares.

Table 5   Employment in garment industry, x 1,000, share of female workers and number of female workers x 1,000, most recent years available, nine countries

	Year	tot. x 1,000	% female	female x 1,000
Bangladesh	2011	2754	80	2203
Cambodia	2014	475	82	390
China	2010	4501	69	3105
India	2011-12	1880	22.5	424
Indonesia	2014	1311	65	848
Myanmar	2014	280	95	266
Pakistan	2012-13	1061	28	295
Sri Lanka	2012	267	87	232
Vietnam	2013	1109	79	878

Sources: Bangladesh: UNIDO, % females: Maihack and Das 2015; Cambodia: ILO 2015b, also for % females; China: UNIDO, % females: China Labour Statistical Yearbook (2004-2013); India: ILO 2015b, also for % females (higher estimates in text); Indonesia: ILO 2015b, also for % females; Myanmar: estimate based on employers' associations, % females: Baerwaldt and Myint 2015; Pakistan: ILO 2015b, also for % females; Sri Lanka: UNIDO, % females: Kelegama 2009; Vietnam: ILO 2015b, also for % females.

In Table 6 below have replicated this data for 2015, based on various estimates of the total number of employed while with one exception maintaining the female shares from Table 5.[7] On this basis we assume that today nearly 16.5 million workers are employed in the garment industries of the nine countries scrutinized, of which around 63 per cent were female, that is, approximately 10.4 million women workers. China looks to account for nearly 30 per cent of the total number of workers in the nine countries, followed by Bangladesh with 26 per cent and India with 14.5 per cent. Focusing on the employment of women workers, Bangladesh accounts for 34 per cent, with China following at 31 per cent and Indonesia and Vietnam at about 9 per cent each.

Table 6   Estimated employment in garment industry, x 1,000, share of female workers and number of female workers x 1,000, 2015, nine countries

	tot. x 1,000	% female	female x 1,000
Bangladesh	4300	80	3520
Cambodia	500	82	410
China	4900	66	3234
India	2400	22.5	540
Indonesia	1400	65	910
Myanmar	300	95	285
Pakistan	1180	28	320
Sri Lanka	290	87	252
Vietnam	1200	79	948
TOTAL	16470	63	10419

Sources: authors' calculations based on ILO 2015b and various country sources (see country chapters)

Table 7 (next page) shows the size and/or the spread of the garment supply chains of 25 major clothing-selling firms/brands for which information is available: 16 based in West and South European countries, seven US-based, one Japan-based and one South Africa-based. It should be noted that it is not always clear whether company information refers to (physical) supply shares, or to shares of workers or factories involved. In the cases of Inditex and Nike, shares refer to numbers of workers.

The number of factories involved in the respective supply chains is immense. For instance, Inditex, the Spanish retailer of fashion brands like Zara and Bershka and probably the most internationalized retailer with sales outlets in 88 countries, listed 4,312 suppliers for 2014, of which 1,434 were in the first tier. Even smaller clothing retailers rely on chains including a large amount of suppliers. Some show a large spread across countries as well, obviously following 'multiple sourcing' strategies. The Swedish H&M Group, for example, covered all nine countries scrutinized here; similarly Nike, the US sportswear seller, listed all but Myanmar in its network. The supply networks of these firms also comprise massive amounts of workers. According to H&M, their network in 2014 covered manufacturers with in total 1.6 million workers in 27 countries, of which 850,000 were employed in 'strategic suppliers' (company website); Nike's 'Manufacturing map' recently revealed 43 countries and 1,032,000 workers. In 2015, Inditex' supply chain included over 50 countries, with more than 1.1 million workers in manufacturers

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[7]   This does not imply that recently shifts in the gender division did not take place. For instance, there are indications that in garment production in India and Pakistan the female shares grew after 2010. Yet, in these countries the available evidence is not sufficiently 'hard' as to revise the female shares from Table 5. Only for China has the development of the female share in the garment industry been well documented. The *China Labour Statistical Yearbook (2004-2013)* shows from 2003 (72%) to 2009 (68.2%) a decreasing female share, followed by a more irregular pattern: 68.7 per cent in 2010, 65.6 per cent in 2011, and 66.5 per cent in 2012 (Fan 2016, 127). We have set the Chinese female share for 2015 at 66 per cent.

(derived from company website). Other fashion retailers (Esprit, Next, Tchibo), while maintaining large networks as well, concentrated on fewer supply countries.

Table 7   Supply chains of major garment / footwear brands: number of garment suppliers (total and first tier) and country distribution, 2013, nine countries

| Brand | home c. | No. suppliers | | Supply countries (shares in total supply of brand*)) | | | | | | | | |
		Total	1st tier	BAN	CAM	CHI	IN	ID	PAK	SL	VIE	MYA
Adidas (2015)	GE	1109	977	x	x	x	x	x	x	x	x	x
ASICS	JP	228			x	x		x			x	
C&A	CH	>600		32%	5%	31%	12%					
Ch. Vögele	CH			41%		17%	9%	2%	1%			
Esprit	US		455	8%		54%					6%	
GAP	US				x	26%	x	x	x		x	x
G-Star (2016)	US	28		35%		23%	18%				13%	
H&M (2014)	SE	1798	785	x	x	x	x	x	x	x	x	x
Inditex (2015)	ES	4312	1434	31%	x	23%	7%	x			x	
Levi Strauss (2011)	US			2%	2%	34%	9%			4%	5%	
Mango	ES	264		6%		42%	5%				4%	
New Balance	US		200			x		x				x
New Look	SA		917	12%	14%	48%	3%		2%		2%	
Next	UK		2118	7%		44%	9%			8%		
Nike (2016)	US	669		1%	3%	21%	3%	19%	2%	3%	35%	
Orsay	GE	155		2%		16%	12%					
Pentland	UK					55%	9%	6%			9%	
Pimkie	FR	>161		5%		37%	12%					
Promod	FR	250				x	x					
Puma	GE		203			33%	10%				21%	
Switcher	CH	24		12%		16%	4%					
Takko Fashion	GE	570	345	30%		60%	5%					
Tchibo	GE		810	4%		65%					3%	
VF Corp.	US	2300		4%		26%	7%		2%		5%	
WE Fashion	NL	216	78			25%						

Sources: Harbour and Sharples 2014; Swedwatch 2012; Community Legal Education Center et al. 2015; Van Klaveren et al. 2013, 116-36, 328-32 (derived from the AIAS MNE Database);
Adidas: http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/
G-STAR: https://www.g-star.com/nl_nl/corporate/responsibility/manufacturing-map
H&M: http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html;
Inditex: http://www.inditex.com/en/sustainability/suppliers/suppliers_world;
Nike: http://manufacturingmap.nikeinc.com/#
(websites last accessed March 12, 2016, except G-STAR, Inditex and Nike: April 10, 2016).

When tracing the shares of the supply countries in the supply chains of the respective firms/brands, China stands head and shoulders above the other eight countries scrutinized, supplying the largest share for 13 of 17 brands where figures were comparable across countries. Retailers such as C&A, Charles Vögele and Inditex (all three with Bangladesh as largest supply country), and Nike (Vietnam) show up as the exceptions. This data confirms China's dominant position in many garment supply chains and Chinese manufacturers were certainly present in all chains for which data about their spread are available. The over-all share of China (with 33% as the median) may even be somewhat higher than its nearly 30 per cent employment share amongst the nine countries derived from Table 5.[8] Bangladesh and India come in second place and

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[8]   The reader should be aware that the shares in Table 7 relate to worldwide supply chains, and thus cover considerably more countries than those scrutinized in this report.

although these two countries balance each other, more or less, regarding their positions in the supply chains of large European and US retailers, the remarkable fact remains that according to employment, production and export figures a larger garment (export) industry exists in Bangladesh than in India.

Finally, we briefly point to two factors of relevance here. The first is production scale or factory size. In Table 8 we present detailed recent data for these sizes in main manufacturing countries for two global buyers: Inditex[9] and Nike. The table shows that the ranking of factory size across countries is remarkably similar for both global buyers, though the average size of the Nike suppliers is much larger (because many are involved in standardized mass production of footwear). Hierarchies including four groups of supplier countries can be detected:

- a group with relatively small factories, able to supply garment products with very short lead times to the major retail markets (including the companies' home markets) and to central warehouses: for Inditex Spain and Portugal, and for Nike the US;
- a group with medium-sized factories, including manufacturing of auxiliary products: Brazil, Argentina, Mexico, and Turkey, able to supply garment products with very short lead times to the major retail markets;
- a group with large factories, partially based on mass production of 'low-end' garment products with relatively low value added, partially supplying somewhat higher value-added products at slightly higher wage levels: China and India (and, in the case of Inditex, Morocco);

Table 8   *Workers and average number of workers per factory / supply country, supply chains of Inditex and Nike, 2015/16, relevant countries*

Inditex							Nike
Supply country	no. workers	no. fact.	average no. work.	no. workers	no. fact.	average no. work.	Supply country
Spain	6,473	316	20	6,845	61	112	USA
Portugal	42,437	1,250	34	11,208	18	623	Mexico
Argentina	4,838	133	36	5,151	20	258	Argentina
Brazil	12,418	202	61	18,861	40	472	Brazil
Turkey	100,029	1,026	97	4,395	6	733	Turkey
Morocco	64,501	249	259	3,063	4	766	Jordan
China	258,216	1,106	233	218,722	169	1,295	China
India	79,102	251	315	28,687	17	1,687	India
S.-E. Asia	209,341	194	1,097	34,635	22	1,574	Sri Lanka
				17,316	8	2,165	Pakistan
				26,880	5	5,376	Cambodia
				201,565	44	4,581	Indonesia
				363,006	73	4,973	Vietnam
Bangladesh	346,311	200	1,731	15,643	3	5,214	Bangladesh
				94,199	165	571	other
TOTAL	1,123,666	4,927	228	1,050,176	655	1,603	TOTAL

Sources: Inditex: http://www.inditex.com/en/sustainability/suppliers/suppliers_world;
Nike: http://manufacturingmap.nikeinc.com/# (both last accessed April 10, 2016).

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[9]   Remarkably, on the first webpage of its suppliers' website Inditex as of April 7, 2016, stated that "60% of the manufacturing is produced in proximity, near to the Headquarters in Spain". The next pages, summarized in Table 8, reveal that this share is less than 10% based ons the number of workers, and less than 40% counting the number of factories.

- a group with very large factories, based on mass production of 'low-end' garment products with relatively labour intensive and low value-added cutting and sewing activities (the so-called CMT, or cut-make-trim, segment) at the lowest wages in the respective chains: Bangladesh and other South/South East Asian countries like (in the case of Nike) Indonesia and Vietnam.

Checks with other large chains basically confirmed the existence of comparable hierarchies following a 'classical' international division of labour. We contend that it makes sense, in tracing the sustainability of garment supply chains and developing proposals for corporate social responsibility (CSR) and living wages, to keep the various positions of countries in these hierarchies in mind.

The second factor is technological progress. The stitching or sewing part of garment production basically remains based on 'low technology': *process* technology progresses slowly and remains down-to-earth. Ironically providing a clear contradiction with the glamorous *product* 'innovation' embodied in design, with 'fast fashion' suggesting permanent newness to eager shoppers, and the related merchandising and branding (cf. Taplin 2014). The fast fashion trend, with ever shorter product generations and some fashion brands offering up to 20 collections each year, has sharpened the already strong competition between buyers and brands based on low-cost labour and flexible production opportunities. In particular, this trend tends to bring down production lead times. There are indications, notably from China, Bangladesh and other Asian supplying countries that after the MFA phase-out in 2005 unit delivery prices of garments were subject to a long-term decrease (ILO 2014c, 8). It is inevitable in an industry with low technological progress, limited room for productivity increases and weak worldwide governance structures that such price pressure almost immediately translates into downward wage pressure. According to UNIDO data, global average wages in garment production in 2010-2011 were 35 per cent below the global manufacturing industry average rate (ILO 2014c, 16; UNIDO database). In a number of countries, including the four Asian countries for which UNIDO data allows comparisons from 2005-06 on, this wage gap has increased, and in a country like Indonesia has grown substantially.[10]

The evidence on delivery prices in garment retailing also supports the conclusion that the growing number and intensity of constraints prevailing in the industrialized world, even for leading retailers, will most likely continue to end up forcing narrower gross margins and larger business risks. At the same time, incremental process innovation in garment production, particularly in pattern construction, fabric spreading and cutting, and inspection, offers opportunities for the upgrading of production and skills and for distinguished high-end branding. Although, in spite of the growing power of first tier manufacturers, the related rents may still mainly accrue to MNEs based in industrialized countries that continue to dominate the modules of design, marketing and distribution (cf. Fuller 2013, 553).

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[10]   Average garment wages were growingly lagging behind average manufacturing wages in China, from 16 to 22% (2005-2010); in India, from 37 to 41% (2005-2011); in Indonesia, from 10 to 32% (2005-2011); and in Sri Lanka, from 19 to 23% (2006-2011). Data was missing or incomplete for the other five countries (author's calculations based on UNIDO database).

3. COUNTRY OVERVIEW: BANGLADESH

The garment industry: development and structure

In Chapter 2 we indicated that MFA quota limits were a stimulus for the integration of new, low-wage countries like Bangladesh in the global garment value chain. One of the first signs of 'quota hopping' to Bangladesh was visible in 1978 when the South Korean (thus quota-restricted) Daewoo conglomerate signed a collaboration agreement with Desh, a local producer. This entailed starting up a large plant involving technical training, purchases of machinery and fabric, and marketing. Trained workers that left Desh set up export firms of their own, thus acting as catalysts in expanding Bangladeshi's garment industry (Ansary and Barua 2015, 426; Staritz 2011c, 134).

Through its 1982 New Industrial Policy, the government of Bangladesh initiated the shift from an import-substituting to an export-oriented industrialization strategy. In the course of the 1980s, its Revised Industrial Policy explicitly supported the exporting garment industry. That industry grew strongly, spurred by the abundant labour supply of young women from the countryside and the country's favourable position under the EU GSP with the status of least developed country (LDC). Contrary to more traditional garment producers like Hong Kong and South Korea, Bangladesh was not perceived to be a particular threat to the EU's textile and garment producers. Employment in its garment industry exploded from 200,000 in 1985-86 to 1.8 million in 2001-02. After the MFA quota arrangement was phased out, in 2005, Bangladesh's garment exports expanded further and showed their resilience to the global crisis. The 'Walmart effect' was a major factor here: when purchasing power is under pressure, consumers forsake more expensive products for the cheaper ones offered by discounters such as Walmart and that US retailer happened to be Bangladesh's largest clothing buyer. Also in the crisis wages were squeezed when suppliers, having earned comparatively high profits before, were willing to reduce margins so as to reinforce relationships with buyers (Staritz 2011c, 141). Employment growth continued and in 2011 reached an official 2,754,000 employed in garment production. According to the BGMEA garment employers' association (website), employment from 2012-14 was 4 million; for 2015 we estimated 4.3 million employed in the garment industry of Bangladesh of which over 3.5 million were women. Around 15 per cent of Bangladeshi women aged 15-30, it is estimated, work in the garment industry (Heath and Mubarak 2014, 2-3).

The Bangladeshi garment export industry for quite some time produced at low productivity levels, hampered in particular by poor infrastructure (Yang and Mlachila 2007). That low productivity was offset by extremely low labour costs –at USD 0.22 per hour in 2008 they were the lowest in the world (Berik and Van der Meulen Rodgers 2010, 61). However, in the late 2000s Bangladeshi production costs per unit of output developed unfavourably by comparison with international competitors (Staritz 2011c, 148). Awareness among stakeholders grew that the focus had to turn towards product quality, skill training, and better and safer working conditions (McKinsey 2011). In the aftermath of the Rana Plaza disaster of April 2013 (see below, under 'Compliance') these aspects received more attention, at least among the owners of what are clearly first tier factories. In Bangladesh, these factories are located in the Export Processing Zones (EPZs); most are foreign-owned or joint ventures, directly linked to international buyers, supplying higher quality products and employing relatively skilled workers. They make up some 4 per cent of all garment factories in the country. A second group, assumed to account for some 35 per cent of all garment factories, is located outside the EPZs. Nearly all these factories are owned by domestic entrepreneurs but they maintain direct links

with international buyers.[11] The lower-tier factories, 60 per cent of all, usually rely on subcontracted orders (Khan and Wichterich 2015, 7-8).

Minimum wage legislation

In Bangladesh, as per the Minimum Wage Board Ordinance (1959), a separate Minimum Wage Act does not exist, but there is a specific labour act in place known as the Bangladesh Labour (Amendment) Act 2013. The Minimum Wage Board (MWB), constituted under that Act, is responsible for governing and deciding minimum wage rates. The procedure is that the government sets the MW rates based on the recommendations of the Wage Board for certain industries and levels of skill. The Wage Boards are appointed by the government and comprise a chairman, one independent member as well as one representative each of employer and workers engaged in the concerned industry. Multiple MWs exist at national as well as industry specific levels and are further specified according to the skill levels of the workers. There is a separate MW rate for the garment industry. In November 2013, after widespread workers' protests, the government announced lifting the MW for the garment industry, from BDT 3,000 to 5,300 per month from 1 December 2013. The basic minimum wage for a garment worker was set at BDT 3,000 with a 5 per cent annual increment on the basic wage, 40 per cent of the basic wage for house rent, BDT 250 for medical expenses, BDT 200 for transport and BDT 650 for food, raising the total MW to BDT 5,300. Most recently, garment unions have demanded lifting the MW to BDT 8,114.

According to the experts we surveyed, the decisions of the MWB[12] mostly reflect the viewpoints of the government. The Board has not yet been successful in bringing wages closer to the living wage. One expert suggested that its performance could be improved by promoting social dialogue with a real consideration of union proposals and by more regular meetings. When aggregating the views of experts, employer organizations and the government were seen as having the largest influence in setting the MW and in ensuring compliance with MW legislation. Large manufacturers also play an important role and the courts are important actors in ensuring compliance. Trade unions, companies lower in the supply chain and global buyers are all perceived to have limited influence on both issues. Conditions stipulated by international buyers could prove useful in supporting compliance with the MW legislation. According to the experts, punishment imposed for non-compliance should be large enough to be a real deterrent. In setting and ensuring compliance with labour legislation, experts stressed that government, trade unions and global buyers all have important roles to play. For this particular issue, employer organizations, large manufacturers and lower level companies were all regarded as having more limited roles to play.

In adjusting MWs, changes in the cost of living are taken into account. The level of experience and the status of workers are also considered. According to experts, MWs are set taking into account wages in the garment sectors of other Asian countries as well. Workers' wage demands also play a role here whilst less important factors are the business cycle and geographical differences in the cost of living. One expert suggested that a policy that would systematically implement a *yearly* MW adjustment related to cost of living increases in the preceding year would be an important policy step. As a consequence of recent MW increases, only a few cases were known to the experts of companies taking counteracting measures, like changing working conditions or lowering compliance with labour laws. Negative wage and employment effects of these increases seem to have been minimal. Experts observed that they neither led to layoffs nor to down-skilling, nor did they clearly change the types of contracts offered in the sector.

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[11]   Khan and Wichterich (2015) label this group 'second tier' but we tend to classify these firms as 'first tier'.
[12]   It has been noticed that the MWB until recently has only been convened five times – in 1983, 1994, 2006, 2010, and 2013 (Maihack and Das 2015, 118).

Trade union situation

Unionization is at a low level in Bangladesh, and according to the surveyed experts, in the garment industry it is less than 10 per cent. In the late 2000s, in the garment sector only 2 per cent of workers were union members (Berik and Van der Meulen Rodgers 2010, 67), and recently another expert estimate came in at 5 per cent (Maiback and Das 2015, 118). Most trade unions are factory-based, and affiliated with a number of federations operating at industry level. In the textile and garment industry, we traced four federations that were affiliated with IndustriALL, the worldwide industrial unions' umbrella (website IndustriALL; also Khan and Wichterich 2015, 9). Yet there is a multitude of other trade unions. Separate organizations of women garment workers are also in place and many advocacy groups propagating women's rights are active among garment workers. Quite some strike activity has been going on, not least by women workers. However, many strikes lack union organization and endurance and are "of the unorganized variety" (Ahmed and Nathan 2014, 10).

In spite of the amalgam of activities on the workers' side, the garment sector has been characterized by a lack of collective bargaining capacity. One expert emphasized that workers wanting to enter unions were frequently harassed or victimized. The situation as indicated by Kabeer and Mahmud in 2004, that organizing through trade unions was difficult due to employer hostility and political corruption pervading unions, hardly seems to have changed (cf. Nathan et al. 2013). The experts also referred to the narrowly defined and parochial interests of political parties that continue to frustrate the work of trade unions.

The experts concluded that the majority of workers lack the awareness to get organized in order to fight for their rights and for higher wages. Moreover, the processes of internal capacity building have hardly got started in the unions. The experts agreed that trade unions faced obstacles when trying to enter factory premises and that they had limited workplace influence. However, they suggested that Bangladeshi unions did not adequately represent workers' interests. At the same time, national unions participating in higher-level consultative bodies did not seem to have real membership on the ground. Also, experts confirmed that the trade union movement remains fragmented into multiple small unions. Furthermore, workers in small workshops, homeworkers and workers in the informal economy have not been represented, which leaves women in particular in poor and backward conditions. Overall, female union members are rare, and certainly in garment manufacturing most union members are male. Also in this respect, expert opinions suggest that in the decade following the rather alarming findings of Kabeer and Mahmud (2004), the latter have not lost strength.

Experts regarded the relationship between the various trade unions as moderately weak, and the relationships between trade unions and employer organizations on the one hand and trade unions and global buyers on the other hand as weak too. Union influence on wages and working conditions was seen to be low. In contrast, experts perceived employer organizations to have relatively strong working relationships with the government and with global buyers and moderately strong contacts among themselves.

Collective bargaining

As Khan and Wichterich put it, "The (garment) industry in Bangladesh has developed as a contested area between buyers and suppliers and between transnational and local capital. Labour and workers' rights are squeezed between these intersecting power regimes and conflicting interests" (2015, 6). The experts surveyed emphasized that, as already noted, trade unions were mainly factory-based, and to date were only to be found in about 10 per cent of factories. Also, in Bangladesh collective bargaining is not mandatory. With these constraints and under conditions of often outright repression by the authorities, collective bargaining only covers a limited amount of factories. Nevertheless, on the workers' side some successes could recently be noted.

It should be recognized that trade unions over the years have been confronted with a formidable opponent. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is the country's largest export-oriented trade association with over 5,000 members and is heavily involved in collective bargaining. The BGMEA is closely linked to successive administrations and lately a considerable number of BGMEA members have been elected to parliament. In 2011, BGMEA's demand for the creation of a special industrial police force in the four EPZs with a concentration of garment factories was put into effect despite protests from unions and NGOs (Swedwatch 2012, 18[13]). Though smaller with about 1,500 members, the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) is another powerful lobby group. In particular the third tier-factory owners, renting building floors with 100-400 machines and with their personnel working in dangerous and hazardous conditions, have developed into defenders of the status quo. Here, the convergence of state and entrepreneurs' interests has evidently lead to controversial outcomes (Khan and Wichterich 2015, 7-9).

Concerning industrial relations and collective bargaining, the 2006 Labour Law though bringing some reforms also contained serious flaws and loopholes that frustrated the development of trade unionism and sound collective bargaining activities. In part, these have been repaired by the 2013 Amendment Act which foresaw democratically elected Health and Safety Committees (HSC), with workers' representatives making up half of their members. Also, in every factory with more than 50 workers Worker Participation Committees (WPCs) were made mandatory. Half of the members of the WPCs should be workers' representatives nominated by the union leaders of the factory in question or through direct voting of the workers where a union is lacking. Also, the requirement was abolished that registration of new unions and their leaders was overseen by the employer. Now the Ministry of Labour takes up registration directly. Despite these improvements, other provisions still limit the formation of unions and restrict the deployment of union power. The Labour Law bans trade union offices within 200 yards of an establishment, which puts obvious practical limits on the scope of union activities. The law is further restrictive in that the formation of a new union in an establishment requires support of a minimum 30 per cent of the workers. Finally, the law strictly prohibits the participation of workers in trade union activities during office hours (Sharma 2015; Khan and Wichterich 2015).

Compliance

On April 24, 2013, Rana Plaza, a nine-story building housing several textile factories, a bank and over 300 shops in an industrial district north of the Dhaka capital, collapsed. It killed 1,134 garment workers and injured more than 2,500 – exposing to the world both the appalling working conditions and a rigorous lack of compliance with building regulations (Gross 2013; Theuws et al. 2013).

Clearly, the commercial opportunities to increase the country's garment exports have come with massive social costs. Already years before the Rana Plaza disaster, Bangladesh was known for its bad record with regard to labour and environmental compliance in the garment-producing sector. Labour unrest and strikes were frequent, due to workers' concerns over compliance, low wages, long working hours and excessive overtime, and unhealthy and unsafe working conditions. In 2010, for example, worker protests centered on a manufacturing zone close to Dhaka where owners were forced to shut down all 250 clothing factories after workers clashed with security forces. At the same time, government investigations found 30 per cent of factories to be non-compliant with labour legislation -- most likely a serious underestimation of the real violations. The low MW rate was also a bone of contention. In February 2010, a group of global buyers, motivated by fears that sweatshop allegations could taint their reputations as socially

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[13]   By contrast, later in 2011 BGMEA boasted about being engaged in private public partnerships aimed at improving female workers' health and living conditions (Swedwatch 2012, 63-64).

responsible companies even sent a letter to the Bangladeshi Prime Minister stating that "swift action" was needed to tackle the MW problem (Staritz 2011c, 150-151).

As regards the legal framework, the situation concerning the EPZs that the Bangladeshi government started up in 2004, was (and is) worrisome. The relevant law is not in full compliance with the ILO conventions on freedom of association and collective bargaining (which Bangladesh ratified), as it allows near-unlimited authority to the EPZ administration to deregister unions. Indeed, until the late 2000s the absence of trade unions in the EPZs had been advertised as an attraction for foreign investors (Berik and Van der Meulen Rodgers 2010, 67-68). Also concerning wages the Labour Law continues to contain some flaws. For example, the law has failed to clearly define the composition of the basic salary and is silent about the basis of salary deductions. Neither does the law spell out how overtime pay will be calculated; this is particularly disadvantageous for garment workers (Sharma 2015, 30).

Focusing on the garment industry, a complex mix of factors obviously continues to worry a number of global brands and buyers (Sharma 2015, 30-32). The Rana Plaza disaster initially weakened the international community's confidence in Bangladesh. The US government temporarily suspended Bangladesh from participating in the GSP program, though the EU kept the country in the GSP/EBA scheme (Ansary and Barua 2015, 426). Global buyers felt the pressure of the public opinion in their home countries and have come forward with schemes to monitor and improve factory safety conditions. In 2013 mostly European buyers, along with the ILO and IndustriALL and UNI Global, two global union umbrellas, initiated the Accord on Fire and Building Safety in Bangladesh, the only legally binding multi-stakeholder compact for the ready-made garment industry agreed with the Alliance for Bangladesh Worker Safety (2014 and Alliance website). Moreover, the Bangladeshi government initiated a renewed National Tripartite Plan of Action (on Fire Safety and Structural Integrity in the Garment Sector of Bangladesh, NTPA). Similarly, in 2014 Better Work Bangladesh (BWB) started up as part of a package of ILO initiatives aimed at improving conditions in the country's garment industry (BWB website).

In the framework of the NTPA, a number of improvements has been achieved. We already noted the Labour Law reform. In January 2014, the Bangladeshi Labour Inspectorate was formally upgraded to a Department. It was planned to have 575 labour inspectors, whereas at the time of the Rana Plaza collapse there were only 55. By October 31, 2015, 1,475 garment factories had been assessed through government inspectors supported by the ILO. A further 2,185 factories were inspected by the Accord and the Alliance (ILO 2015g). Yet, clearly there is quite some room for further improvement. Independent research on the scope and limitations of the coverage of the Accord and the NTPA concluded that by mid-2015 after an initially good take-off, the activities had lost pace and intensity. Some improvements were noted in working conditions in factories directly linked to foreign buyers and, though to a lesser extent, resorting under the NTPA. Beyond these, workers in about 1,400, mainly third-tier, factories were recognized as still being in highly vulnerable and unsafe labour conditions (Khan and Wichterich 2015). As regards wages and working conditions, the situation may have improved in the large first-tier firms located in EPZs. For example, the 'Capturing the gains' research project based on studying or observing garment factories in Bangladesh over the past two decades, assessed a general improvement in standards, in spite of continuous serious violations of building and safety laws. The authors however, pointed at a critical lacuna in the monitoring of working conditions in lower-tier firms (Ahmed and Nathan 2014, 8-10).

The country experts indeed confirmed that compliance with labour laws remained low, even after the Rana Plaza disaster. They emphasized that companies were dominant in setting wages and possessed major political influence as well. The garment sector remained characterized by long supply chains and a high degree of subcontracting. Conditions imposed by global buyers on garment manufacturers created downward wage pressure. According to the experts, both the significant level of subcontracting and the

dispersed orders of global buyers obscured the perceptions of workers concerning the causes of their conditions and their bargaining capacity. Experts agreed that labour laws and regulations in Bangladesh are still rather permissive. They also perceived important deficiencies in the enforcement of existing labour legislation on the side of the government. For example, the enforcement of MW legislation has been weak so far due to the lack of monitoring and auditing ability of the relevant agencies.

Wages in context

Experts estimated the share of garment workers earning the MW to be between 31-40 and 51-60 per cent (three experts stated 31-40%, one expert 51-60%). They agreed that workers earning more than the MW were mainly working in larger or foreign-owned factories, while workers earning less than the minimum wage could be found both in larger companies and in the lower tiers of the supply chain. Some workers, mainly working for foreign companies, received in-kind benefits, in the form of day care, medical support and education allowances. Experts highlighted that it was a necessity for Bangladeshi garment workers to work overtime in order to end up with wages above MW level.

The experts perceived that wages in the Bangladeshi garment sector were not much lower than wages in other sectors in the country or even slightly higher[14], yet they were assessed as too low to even meet the nutritional needs of a family. They concluded that average garment wages do not provide for expenditures beyond mere subsistence needs, and do not allow garment workers to leave poverty behind.

According to the experts, three main factors have contributed to the low level of wages of garment workers in Bangladesh: the low skill content of jobs; the lack of alternative employment opportunities and the large share of the informal economy. The level of experience of workers or the added value they produce are regarded as less relevant factors, and discriminative practices were not seen to play a major role in garment wage-setting. Neither were garment wages regarded as being subject to specific government policies aiming at deliberately keeping wages low to attract foreign investors. Overall, experts agreed that the price sensitivity of the demand of end-consumers of the garment industry was the key factor affecting garment wages in Bangladesh. That said, they did not regard the recent recession as a factor that in itself had exerted downward wage pressure. Experts did not perceive that rising wages would trigger the relocation of garment orders to other countries or that the threat of relocation would keep wages down.

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[14]   That would be in line with data from the UNIDO database, for 2011 indicating that in Bangladesh average garment wages were 1 per cent higher than average wages in manufacturing.

Figure 2 presents wage data for Bangladesh: the monthly amounts of the living wages, the minimum wage, the nominal average wage of all workers in Bangladesh, and the monthly average wages of garment workers. The LIVING WAGES 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 the lower and upper bounds of the 2013 national minimum wages currently applicable to the garment industry, and the nominal wages based on the ILO Wage Database 2013. The GARMENT WAGES section depicts wages of garment workers based on micro-data from the national household survey (HIES) 2010, which are corrected for inflation to 2015, and 2015 wage data for four job categories in the garment industry provided by the Fair Wear Foundation (FWF).

The figure and the underlying data show that the lower bound (and most widely applicable) minimum wage in Bangladesh is 10 per cent below the average garment wages based on the inflation-corrected HIES survey. The latter is slightly above the wages for the low-skilled sewing garment workers noted for 2015 by the Fair Wear Foundation (though the equivalent wages for garment workers/cutters are some 30% lower). The inflation-corrected HIES-based garment wage remains over 20 per cent below the nominal wages derived from the ILO data.

The HIES-based garment wage settles below the lower-bound living wage level calculated for an individual, let alone the other living wage levels. Also, the FWF-based garment wages are 15 to 30 per cent below the lower-bound living wage for an individual. High-skilled garment workers would earn over the lower-bound living wage for a typical family but less than the upper-bound living wage for a typical family.

Figure 2 Living wages, minimum wages, total wages and garment wages in Bangladesh, monthly amounts in Bangladesh Taka (BDT)
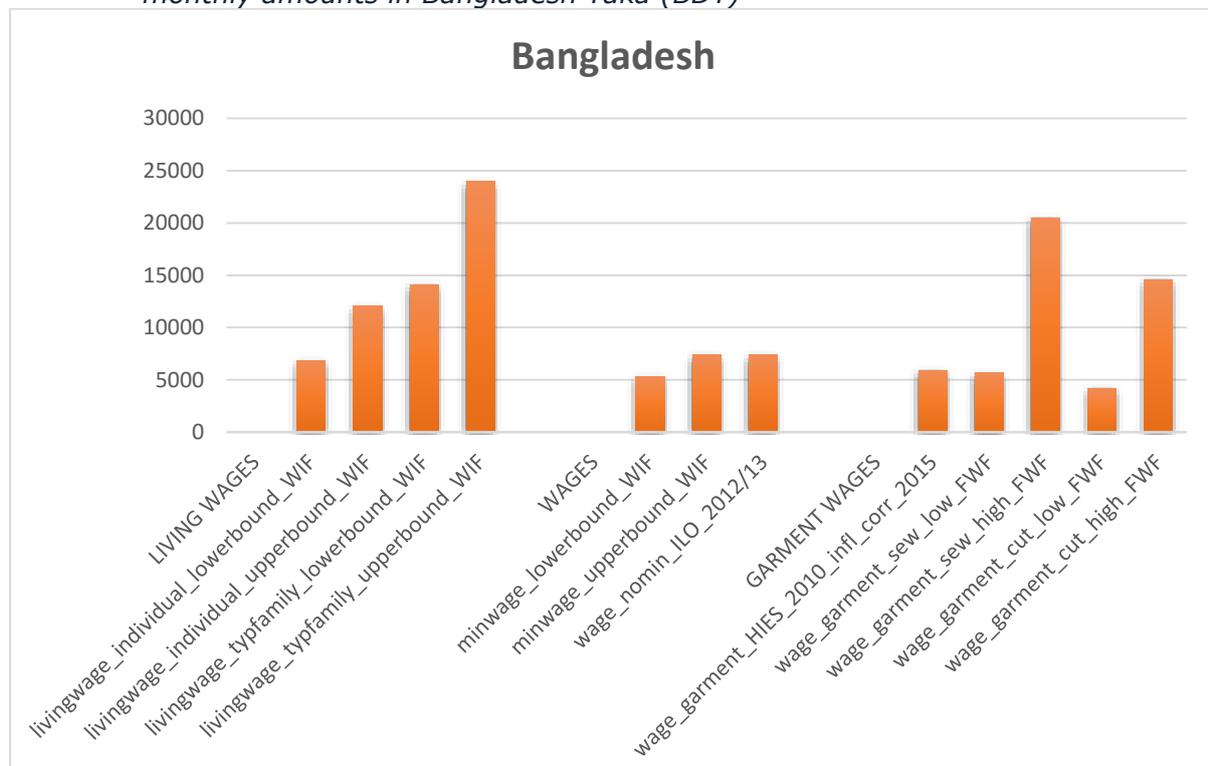
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey; WAGES Minimum wage is based on WageIndicator Minimum Wages Database 2015; Nominal wages stem from ILO Wage Database 2013; GARMENT WAGES Wages garment stem from HIES 2010 microdata (inflation corrected); Wages garment workers for four job categories based on 2015 Fair Wear Foundation sources for Bangladesh (whole country).

How to set and attain the Living Wage?

According to the experts, living wages should be significantly above the wage levels currently received by garment workers, without leading to unemployment, factory relocations or declining exports. Experts agreed that further unionization and actions on behalf of the government would be most instrumental for attaining the living wage. One expert suggested that concerted action of national trade unions for a needs-based minimum wage would be crucial here. Experts also believed that coordinated regulatory actions of low-cost garment manufacturing countries on a global scale would support the attainment of the living wage. Individual domestic manufacturers were thought not likely to exert influence on their own. Experts perceived the influence of other actors (global political actors, global garment industry actors, consumers) and their specific actions (ethical consumption, end-consumer boycotts, sanctions in international trade agreements) as important but less so than the actors and actions already mentioned.

The current gap between the perceived weaknesses of the Bangladeshi trade unions and the important role they could play in bringing the living wage closer to realization, remained a challenging issue for the experts. Here, two key questions were framed, namely: how can the fragmentation of the union movement be overcome? How can it be ensured that unions represent the genuine interests of workers?

Finally, experts' opinions differed when assessing the role of national and international NGOs trying to improve wages and working conditions for garment workers in Bangladesh. Ideally, they felt such bodies should provide information and data, and spread knowledge about global brands and the global supply chain. It was recognized that NGOs in their efforts encountered limitations as prescribed by government and employers. Yet, one expert perceived that NGOs were lacking a real understanding of workers' problems.

4. COUNTRY OVERVIEW: CAMBODIA

The garment industry: development and structure

Since the transfer of sovereignty in 1993, after a two-year United Nations Administration, Cambodia's economic recovery has been based on garment exports. Rather uniquely, the country has skipped industrialization with import substitution as a development phase. As Tables 2 and 4 show, in 2014 garment exports accounted for about two-thirds of the country's export value and garment employment for a similar share in manufacturing employment. Another specific feature of the Cambodian case is the emphasis on provisions for labour standards. Garment exports really took off due to the 1999 US-Cambodia Textile and Apparel Agreement (TATA) in which the US government granted the country Most Favoured Nation (MFN) status. After the 1996 WTO Conference in Singapore many countries showed a reluctance to have labour standards provisions included in multilateral trade agreements (Campling et al. 2016). Mindful of this, the US followed up with a bilateral track the agreement with Cambodia being the first of this kind. In TATA, increased access to the US market through higher quota for Cambodian factories was linked to their compliance with Cambodian labour law and international labour standards. Through this link, export incentives were used as a reward for enforcing labour standards. With the expiration of the Multi-Fibre Arrangement (MFA) in 2005, the US-Cambodia agreement also ended (Staritz 2011b).

The parties already involved, including the ILO, were aware that the Cambodian state, in the aftermath of war and devastation, was unable to set and enforce labour standards. As a result, from 2001 factory monitoring was integrated in the Better Factories Cambodia (BFC) program. This program, led by the ILO and involving the Cambodian government, employers' association GMAC and trade unions in a tripartite committee, created a governance structure. The program started voluntarily, but the government soon made the assessments mandatory for all garment firms willing to export. A team of local Khmer-speaking inspectors was engaged in a constant 10-month cycle of monitoring visits, which culminated in factory reports and a publicly available synthesis report. Since 2006 the process has been streamlined via a computerized management information system accessible for buyers and suppliers. BFC has gone through an evolution from a state-led trade and labour rights initiative to a new type of multi-stakeholder regime of (self-)regulation (Hess 2013, 17-18; see more under 'Compliance').

The growth of Cambodia's garment industry has been driven by foreign direct investment (FDI), attracted by low labour costs, 'quota hopping' opportunities, and incentives for export-oriented investors like duty-free imports, tax holidays and tax incentives. Over the years, over 90 per cent of approved investment in garment production has gone to foreign owners of first tier firms with very large garment factories, mainly from China (including Hong Kong), Taiwan and South Korea (Rasiah 2009). Observers have argued that this tight and FDI-based integration of Cambodia's garment sector into global supply chains has seriously limited policies aimed at improving the country's competitive position. In particular, the potential for competing on the basis of product innovation and diversification is thought to have been sharply curtailed. The combination of the dominance of FDI and the country's late market entry has hampered the development of both a local entrepreneurial class and local linkages with textile, accessories and related producers. Even in basic garment production based on CMT, this lack of domestic 'embeddedness' has been disadvantageous as, together with poor infrastructure, it has produced lead times double those in China, India, Indonesia, and Vietnam (Rasiah 2009; Staritz 2011b; Vixathep and Matsunaga 2012a). In recent years China, Vietnam and Bangladesh competed heavily with Cambodia's garment exports, and some observers bluntly state that in this struggle Cambodia has lagged behind in price, speed of delivery, and product quality (Arnold and Shih 2010; Arnold 2013).

Minimum wage legislation

In Cambodia, separate MW legislation does not exist. The Labour Code of 1997 regulates all labour laws. The minimum wage (MW) in Cambodia is only set for the garment and shoe-making industry, based on occupational levels for respectively regular and probationary workers and apprentices. These industries accounted for about 60 per cent of the country's manufacturing employment. A tripartite dialogue in the Labour Advisory Committee (LAC) should have been instrumental here. The LAC is made up of the Minister of Labour and Vocational Training (MoLVT) or his representative as the chairperson, a number of representatives of relevant ministries and an equal number of representatives from the workers' and employers' unions and organizations that are most representative at national level. In addition, a technical working group, equally representing government, employers and unions, prepares decision-making by studying social and economic factors related to the determination of the MW rate. The technical group submits advice to the LAC, which in turn makes recommendations to the Minister of Labour for final decision-making, taking into account the needs of workers and their families, the cost of living, level of wages and incomes in the country, social security benefits, economic development, productivity, level of employment and the inflation rate along with other provisions. One expert suggested that in practice not all these variables were taken into account.

In the last two years, the government lifted the sectoral MW more than the LAC proposed: by January 1, 2015 by 28 per cent up to KHR 512,000 (USD 128) for a regular employee and KHR 492,000 for a probationary worker, and by January 1, 2016, by 9.4 per cent to KHR 560,000 (USD 140) for a regular employee and KHR 540,000 for a probationary worker. There is no clear-cut revision scheme; MW hikes are decided rather ad hoc and are based on political expediency (Mueller and Bauer 2015a, 124-125). The events in late 2013 / early 2014 have been illustrative in this respect. In December 2013 the LAC announced a MW increase to USD 95 per month. Fuelled by the news that a ministerial task force found living wages to be between USD 157 and 177 monthly, a nationwide strike demanded the MW to be raised to USD 160. The 10-day strike ended abruptly when government forces opened fire on demonstrators in Phnom Penh, killing at least five people. The Ministry then set the MW to USD 100 per month starting on 1 February 2014. ILO and World Bank analyses in 2014 confirm that this increase marked the first time that the garment sector's inflation-adjusted MW has risen above its 2001 level (Better Factories Cambodia 2014, 2015).

One expert aired the opinion that the LAC should conduct or facilitate a comprehensive and transparent study on the basic needs of workers, to ensure that the minimum wage was defined to meet at least the basic needs of workers and their dependents. Experts agreed that the LAC should act to ensure faithful negotiations between employers and unions and should play a role in seeking consensus. One expert suggested that it would be important in Cambodia to link MW policy to productivity enhancement; wages could only be sustainably increased if productivity increased. Without enough attention to enhance the performance of the factories, continuous growth of wages would harm the industry.

According to one expert, some recent legal provisions had improved the situation of low-wage workers beyond the MW:
- the increase of the salary threshold from USD 125 to USD 200 for income taxation, applied from January 1, 2015;
- a reduced energy price of USD 0.15 / kilowatt for workers living in rental housing, effective from January 1, 2015; a similar discount had also been arranged for water facilities;
- the introduction of a law on Housing Rental Control for low-income earners and students;
- the installment of a National Social Security Fund (NSSF) to insure workers for work-related accidents and illnesses including travel to and from work, with an obligation for employers to contribute 0.8 per cent of the wage sum;

- ministerial regulations have defined regular attendance bonuses, seniority bonuses and transportation/accommodation allowances.

These 'extras' can be regarded as steps towards achieving a living wage.

Aggregating the views of experts revealed that government and employer organizations were seen as having had the largest influence in setting and adjusting the MW, followed by global buyers and first tier garment companies. Trade unions were regarded as having limited influence. In ensuring MW compliance, global buyers were assessed as playing the most important role, followed by first tier companies, employer organizations and the government; lower tier companies, trade unions and courts were thought to have played more limited roles. More generally, in ensuring compliance with labour legislation, experts regarded global buyers as the main actors, while government and employers were also seen to have been playing important roles in this respect. Trade unions were perceived to be relevant actors too, but the courts were not regarded as having played any role here.

Trade union situation

We have already noted the inclusion of trade unions in the Better Factories Cambodia (BFC) programme. In spite of their involvement and of improved factory compliance in the BFC framework (see below under 'Compliance'), in the 2000s collective bargaining met fierce resistance from factory owners (Miller et al. 2009). It lasted until 2009 when a substantial number of CBAs (131) were concluded. The number of (factory-based) trade unions subsequently mushroomed, reaching over 1,700 in 2010, organized into over 40 federations. Strikes have been a strong feature but under pressure from the global crisis and a decrease in employment, the number of strikes decreased between 2008 and 2011, with the large-scale garment workers' strike for higher wages in September 2010 standing out as an exception. More recently, strike activity peaked as mentioned in late 2013 / early 2014, and again in early 2015 (Arnold 2013; DiCaprio 2013; Reeve and Chenda 2015).

The experts estimated the union density in the Cambodian garment industry at between 61 and 80 per cent. Based on a 2010 survey, union density in the exporting garment sector was calculated somewhat lower, at 58 per cent – either way it would appear to be the highest of all industries across Asia. In spite of this high degree of organisation, evidence has piled up that union leaders have continued to face intimidation, harassment and threats as they try to organize and represent workers, while workers trying to organize have faced similar threats (Oka 2015, 3-4). The considerable number of factory unions has clearly remained, with more than one per GMAC-organised factory, whilst the estimations of the number of union federations vary between 30 and 45 (Arnold 2013; DiCaprio 2013). The availability of more than one union per factory may have led to unsound union rivalry and 'union hopping' among workers as they go from one union to another looking for the most helpful union to solve their problems. These practices have compromised unions' effectiveness, in particular where it concerns health and safety issues (Oka 2015, 18-20).

These and other factors underpin the surveyed expert's conclusion that Cambodian unions remain quite divided, while many are politically attached, have been influenced by employers and personal interests , and thus have not represented workers adequately. Yet, the expert in question still regarded the opposition of employers as the main barrier to effective unionization in Cambodia. Other outside experts have confirmed that GMAC, the main employers' association in the garment industry, continues to make strong strides to keep garment wages low and repeatedly takes a firm anti-union stand (Mueller and Bauer 2015a, 123). According to the surveyed expert, global buyers have also played a role in explaining the very low wage rates in Cambodia, though to a lesser extent. The role of (the lack of) government support for wage increases was also assessed as less prominent.

The working relationships of employer organizations with each other, the government and with global buyers were perceived by experts to be stronger than the similar working relationships of trade unions. Relationships between trade unions and employer organizations were also perceived as weak. Accordingly, while employers plainly exerted influence on wages and working conditions, trade unions hardly had any impact. The existence of multiple unions in factories induced barriers to workplace cooperation and seemingly hindered efforts to improve productivity. Jointly, these phenomena were assessed as having weakened the bargaining power of unions in the garment industry. Assessed as less important but still relevant hurdles were the difficulties facing unions to enter factory premises and observe working conditions as well as their lack of workplace influence.

Experts added that national NGOs in Cambodia had been involved in building the capacity of grass-root activists and transforming them into leadership roles. They faced significant difficulties here, including a new law restricting their activities. International NGOs working on wage improvement have been intervening at national and international levels, appealing to end-consumers and buyers. It was noted that an initiative has been going on to unite fragmented unions at country level. At the same time, the advocacy of international NGOs was seen as not well grounded in statistical evidence and not balancing workers' demands with economic conditions and industrial competitiveness. One expert observed that it can be counterproductive when international NGOs work with politically committed unions. On the other hand, international NGOs' activities could also be too diplomatic and non-transparent.

Collective bargaining

In Cambodia, there are no national, regional or sectoral collective agreements (CBAs); rather CBAs are only agreed at enterprise level. The experts estimated that between 11 to 20 per cent of garment industry workers were covered by such CBAs. The quality of CBAs was regarded as generally poor. Most of them just copied labour law provisions, though this practice also implies that collective bargaining could help compliance with labour legislation. National sectoral unions (federations) played major roles in negotiating CBAs, and mostly local unions were properly consulted. CBA wages were regarded as somewhat higher than the national MW. Mostly, the CBA included some benefits, including regular attendance bonuses that pressured workers to abandon their sick leave or other social rights for fear that they would lose bonus payments.

In wage setting, garment companies were seen as strongly affected by the conditions imposed on them by global buyers. As one expert phrased it, whilst workers faced increases in the cost of living buyers experienced hardly any or no increase in their purchase prices. Orders from global buyers were dispersed across factories, with each factory catering to many buyers, and competing for orders. Subcontracting was widespread. All these factors exerted significant downward pressure on prices and hence on wages. While one expert emphasized the lack of compliance of garment companies with labour laws as a major factor contributing to low wages and poor working conditions, another found non-compliance to be only of some relevance. One expert pointed out that factories in the Cambodian garment sector did not "work on improving productivity", while at the same time faced costs due to bureaucratic procedures and deficient physical infrastructure. According to one expert, the efforts of garment manufacturers to increase productivity had provoked lots of labour rights violations.

Clearly, the working conditions in the Cambodian garment industry are also strongly related to the country's level of economic development. One expert emphasized that poor governance and restrictions on collective bargaining rights have been major factors affecting wage setting. Employers were regarded as exerting a large influence on the policy development of the government concerning wages. According to one of the experts, the main suppliers have used the court system to weaken unionization and collective bargaining. Experts believed that the government and unions and employees

as well, have perceived the threat that higher wages may trigger the relocation of garment facilities. They regarded the large informal economy in Cambodia as having been not quite relevant for wage setting in the garment industry. Neither did they perceive national labour laws to be permissive. Indeed they pointed out that a reduction in corruption would effectively attract more investors and would increase wages and productivity as well. One expert added that corruption, along with bureaucracy, tended to increase the costs of production and reduce the ability of firms to lift wages. In assessing how the barriers to unionization of garment workers had contributed to their low wage levels and inferior working conditions, experts had opposing views, some seeing these issues as being of major importance whilst others regarded them as being irrelevant.

Compliance

We return now to the Better Factories Cambodia (BFC) program. There is evidence that over time compliance of Cambodia's garment factories has overall improved, also in the largely 'quota-free environment' after the phasing-out of the MFA, and that this have not come at the expense of factory competitiveness and productivity (Beresford 2009; Berik and Van der Meulen Rodgers 2010; Brown et al. 2014). For more specific information we turn to recent BFC reporting. BFC's 32th synthesis report covered the period May 2014 – April 2015 and 487,000 workers. The reporting showed that compliance rates with wages and related issues were quite high, over 90 per cent, with compliance with MW rates even reaching 97-98 per cent. One half-yearly report earlier, though, mentioned that 15 per cent of casual workers and 8 per cent of piece-rate workers were not paid the minimum wage and compliance with their overtime payment was also lower than for regular workers. Concerning working conditions, compliance in May 2014 – April 2015 was quite low (31%) on the one physical condition reported, that is, heat levels in the factory (Better Factories Cambodia 2015a, 2015b). This appears to correspond with the opinion of one of the surveyed experts that occupational health and safety remains a critical factor in many Cambodian garment workplaces.

Quite some policy makers and researchers question whether the BFC assessment and compliance process is sustainable in view of the competitive position of Cambodia's garment sector. Beyond the BFC programme, the country's labour governance system seems to remain weak. The Labour Inspectorate obviously continues to be understaffed and weakly organized (cf. Oka 2015, 266-267, for the late 2000s). Punishment of violations of labour law may be virtually absent; the ILO (website, see footnote) recently noted that in practice, sanctions are rarely imposed and prosecutions rarely initiated. Neither did in recent years the Labour Advisory Committee (LAC) step in in matters of labour inspection.[15] Research on Cambodia shows that labour compliance is a consideration for buyers (Oka 2012), but it may not be enough to sustain an industry in fierce competitive conditions without a solid governance mechanism. We may add that GMAC, the employers' association, seems in the end to be rather indifferent to the BFC process; it has made its position clear that the BFC adds little if any value to the industry's competitiveness (Arnold 2013, 10-11). It may be of relevance that in line with the industry's ownership structure, 95 per cent of GMAC member enterprises are owned by foreign investors, mainly from other Asian countries like Taiwan and China (Reeve and Chenda 2015, 9). Apart from BFC the largest potential of pressure towards labour compliance seems to rest with CSR-conscious major US and European buyers, like in the Cambodian case Gap, H&M, and Nike – though, in case single, CSR-aware buyers have to pay higher prices, serious tensions with the quest for living wages and better working conditions may not be far-off (cf. Oka 2014, 270-272).

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[15] According to the ILO, "(….) in the past five years the LAC has met a total of three times and in each of these cases to discuss the issue of minimum wages. It has not discussed issues related to labour inspection" (website Labour Administration and Labour Inspection / Cambodia: http://www.ilo.org/labadmin/info/WCMS_209354/lang--en/index.htm, last accessed April 13, 2016).

Apart from BFC assessments, evidence has been published confirming the connection between improved working conditions and decent wages on the one hand and economic survival on the other (provided that the factories in question are not stuck in low-end segments or under the permanent threat of relocation). For example, Oka (2012) found that Cambodian garment factories with improved labour legislation compliance prior to the 2008 financial crisis were more likely to survive the economic downturn. More recently, in a survival analysis based on BFC factory assessments Jetha and Linsen (2015) came to similar conclusions.

Wages in context

In spite of the substantial minimum wage increases in recent years (25% in February 2014, 28% in January 2015, and 9.4% most recently), one expert noted that the MW still does not cover basic needs. The effects of the increases were assessed somewhat differently. According to one expert, workers' conditions improved mostly without adverse consequences, although employers frequently reacted by worsening some working conditions. However, examples of other possible adverse consequences such as less compliance, down-skilling, increasing the share of fixed-term or temporary contracts and increasing unemployment were rather rare. Another expert pointed to negative consequences notably at less compliance with MW and other labour legislation, but admitted that these effects remained limited. Clearly, in the time period when the MW was lifted, Cambodian garment exports were steadily increasing. Research has confirmed this relationship, though some negative effects on wages of better paid workers were traced (cf. ILO 2015a).

The experts surveyed on Cambodia agreed that families could get by on a single wage derived from the garment industry, although garment wages did not provide an exit from poverty. At the same time experts had contradicting views on whether garment wages were lower than wages in other manufacturing sectors in the country. They were also divided on whether or not garment wages were enough to meet the nutritional needs of a typical Cambodian family. On the other hand, the experts were united in the opinion that working overtime was needed for typical garment workers to cover expenses beyond mere subsistence level. One expert pointed to working overtime as a major problem, in particular as it often did not lead to a higher wage. Workers would probably find it hard to refuse overtime individually, as they were likely to be compelled to cooperate as a team to complete particular tasks. Alternatively, they may simply rely on the use of mass transport (joint bus/truck) with other workers to return home. Thus, they continued working until other workers were finished. Another expert estimated that in order to earn a salary that met basic needs, garment workers needed to work two to four hours overtime each day, and sometimes also to work on Sundays. Experts noted that some factories, typically larger and foreign-owned, also provided garment workers with benefit in-kind such as lunch allowances, day care facilities or allowances for toddlers aged 18 to 36 months (for women workers only), and with accommodation or transportation allowances.

Both experts perceived that garment wages and working conditions were kept at their current levels due, in particular, to the lack of alternative employment opportunities for garment workers, though wage levels were also strongly influenced by the (limited) added value generated, and somewhat influenced by the (low) skill content of garment industry jobs. It was common to use short-term employment contracts further down the supply chain, and workers on such contracts and subcontracted workers faced discrimination in wage setting. Experts also found women faced discrimination in wage setting in the garment industry. Wages were also shaped by the easy availability of workers at the present level of wages and conditions.

Experts noted that the Cambodian government aimed to secure the competitiveness of exports by keeping garment wages low. The government also followed a policy to attract foreign direct investment (FDI) that allowed for new businesses to import raw materials

without paying import taxes. In the opinion of experts, global influences were playing a major role in determining wage levels in the Cambodian garment industry: cross-country competition for contracts with global buyers; the lack of incentives for global actors to increase wages lower down the supply chain, and their non-transparent pricing practices. According to the experts, the economic recession and the price sensitivity of end-consumer demand also prevented an increase in garment wages.

Figure 3 presents wage data for Cambodia: the monthly amounts of the living wages, the minimum wages, the average wage of all workers in Cambodia, and the average wages of the Cambodian garment workers, based on the Cambodia Socio-Economic Survey (CSES). The LIVING WAGES 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 the lower and upper bounds of the national 2016 minimum wages (for a probationary worker and a regular employee), and the nominal wages based on the ILO Wage Database 2012 corrected for inflation to 2015. The GARMENT WAGES section depicts wages of garment workers based on micro-data from the CSES 2012, also corrected for inflation to 2015.

The figure and the underlying data show that the CSES-based garment wage corrected for inflation by 2015 is 15 per cent *lower* than the lowest applicable minimum wage and nearly 20 per cent lower than the MW for regular employees. It is also 15 per cent below the overall average nominal ILO-based wage, also inflation-corrected. The garment wage remains about 10 per cent below the lower-bound living wage level estimated for an individual. The upper bound living wage level for an individual settles about 30 per cent above the levels of the minimum wages and the average wages, and 40 per cent higher than the CSES-based garment wage corrected for inflation. The living wages for a typical family are at much wider distance, the upper bound level being nearly three times the garment wage level.

Figure 3   Living wages, minimum wages, total wages and garment wages in Cambodia, monthly amounts in Cambodia Riel (KHR)
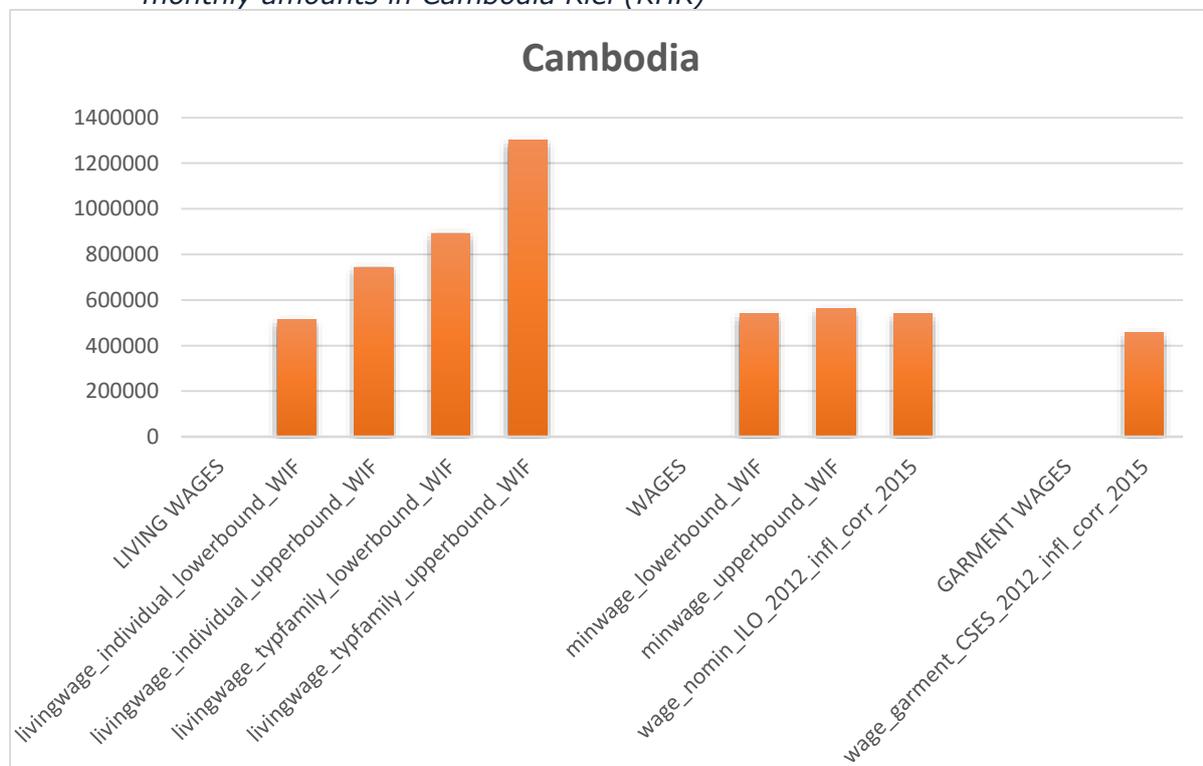
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey; WAGES Minimum wages are based on WageIndicator Minimum Wages Database 2015; Nominal wages stem from ILO Wage Database 2012 (inflation corrected); GARMENT WAGES Wages garment stem from CSES 2012 microdata (inflation corrected).

How to set and attain the Living Wage?

The surveyed experts' estimates for living wages concerning Cambodia differed considerably. While one expert provided an estimate of the living wage amounting to KHR 828,000 per month for an individual worker and KHR 1,630,045 for a worker with a household, according to another expert the living wage for a single worker amounted to KHR 250,600 per month for an individual worker and to KHR 501,200 per month for a worker with a household. The first set of estimates was 10 to 20 per cent higher than the upper bounds of living wages estimated based on the WageIndicator survey, whereas the second set remained some 40 per cent lower than the lower bounds of the WageIndicator calculation. For the higher estimates, the expert based the calculation, among other things, on 56 per cent expenditures on food, 15 per cent on housing, and 10 per cent of expenditure on education. The expert contended that the MW needed to respond to at least the basic need of an individual worker and his or her dependents; the assumption was that a worker supported at least three dependents. For the lower estimate, the expert in question took into account the following factors: i) the added value produced by the garment industry workers; ii) the cost of living and changes in prices (inflation), iii) the impact on enterprises, by considering labour productivity, enterprises' revenue and their ability to pay; iv) the impact on the competitiveness of Cambodia compared to other countries in the region and garment exporters world-wide; v) the impact on the labour market and employment (ILO suggestion to the Minimum Wage setting committee-LAC, 2015). As a matter of fact, this remains close to a minimum-wage calculation including a built-in adaptation to economic conditions.

Notwithstanding such differences, the experts agreed that living wages would improve the situation of garment workers mostly without adverse consequences. They tended to agree that unemployment among workers with the characteristics of garment workers would not increase nor was it seen as likely that the value of garment exports would decrease. Assessing how different actors could contribute to the attainment of the living wage, experts were optimistic about the potential impact of the actions of domestic stakeholders. They did not regard living wages to be attainable only with the involvement of global actors. In their view the coordinated actions of domestic garment manufacturers would suffice, but individual manufacturers could also take important steps in this direction. The experts also saw living wages to be attainable in the Cambodian garment industry through the tools available to the government and they saw further unionization as being instrumental in attaining the living wage.

Experts recognized that the coordinated regulatory actions of global garment buyers and their activities to promote ethical consumption were main ways at global level to support the quest for living wage in Cambodia. They also agreed that occasional end-consumer boycotts could support the quest for living wages. Yet, they did not support the inclusion of sanctions in international trade agreements for fear of the adverse consequences such sanctions might have.

One expert pointed out that efforts to increase factory productivity, involving improved production management, the production of higher value added products and investments into the skills of workers would be the most promising actions in Cambodia to support the introduction of living wages. This would require precise plans and commitments from factories, cooperation between employers and workers, and unity among unions. Currently, low productivity, low skills, limited efficiency of production management, high infrastructure costs (ports, energy, logistics), the bureaucracy surrounding production activities and the unstable orders of global buyers were the main factors hindering the move towards a living wage. Moreover, were buyers willing to place more sustainable purchasing orders and increase the price of their orders (even slightly) or increase their orders for higher value-added products, this could improve the situation of garment workers. On the side of the government, actions to improve infrastructural facilities (investment in deep water ports, expansion of port energy facilities) could help lower the costs of production and transport costs for manufacturers and thus would support increased productivity. The government could also contribute by reducing the

administrative burden linked to business transactions, support investment in skills, strengthen law enforcement, improve the business environment, improve industrial relations, and promote Cambodia as a country producing high value-added goods. These activities could be reflected in better industrial performance which would, in turn, increase the ability of factories to pay higher wages.

5. COUNTRY OVERVIEW: CHINA

The garment industry: development and structure

In the late 1970s China initiated market-oriented economic reforms and opened up for private investment. In the framework of an export-oriented policy, the government stimulated the textile and apparel industry, seeking to capitalize on the country's huge supply of low-cost labour. Following a number of bilateral trade agreements between China and the US, signed in 1980 and 1983, China replaced Mexico as the principal exporter of garments to the US. By the time the country joined the World Trade Organization (WTO) in 2001, it had become the largest apparel and textile producing country in the world. From the early 1980s on, foreign investors were allowed to engage in joint-ventures with Chinese firms as well as, in most sectors including garment production, to operate independently. Among China's clothing producers the share of foreign-owned firms (FIEs) and joint ventures grew from 19 per cent in 2000 to 39 per cent in 2011. At 51 per cent in 2011, their share in clothing manufacturing employment was even larger, indicating a larger average firm size than the domestic private clothing producers (422 versus 249 workers: Zhang et al. 2015, 8).

Within China, the growth of garment production was driven by the masses of unskilled or semi-skilled workers migrating from the Western and Central provinces to the eastern coastal regions. For garment production single women between 18 and 25 years of age, the 'migrant maiden workers', were the first choice of managers. Yet since 2003 labour shortages in the coastal regions have led to an influx of both married women and men as sewing workers (Fan 2016, 127, 132). Export garment production has concentrated in the coastal provinces Guangdong, Fujian, Jiangsu, Shandong, and Zhejiang. By 2007, they accounted for about 70 per cent of China's garment output. However, export-oriented garment producers in the coastal regions found themselves squeezed between low contract prices, rising input costs, stricter labour and environmental regulation, labour shortages, and the struggles of migrant workers for better wages and working conditions. Profit margins of most producers fell to low levels. The garment industry in Shanghai[16] was the first to experience these pressures, and consequently, garment employment in this city declined from 603,000 in 1998 to 146,000 in 2007 (Zhu and Pickles 2014, 38-43; Zhang et al. 2015).

Clearly, around 2010 government and manufacturers were forced to implement new strategies to manage both competitiveness and the social costs of growth. According to Zhu and Pickles (2014, 45-59), garment manufacturers have been encouraged to upgrade product quality and production processes ('Go Up'); through subsidies and infrastructure development to relocate to less-developed areas in, particularly, the Western and Central provinces ('Go West'), or to outsource outside China ('Go Out'). Although from 2009 on Chinese garment exports grew at a lower rate than those of Bangladesh, Cambodia and Vietnam, combinations of these strategies have obviously resulted in an even stronger overall position of the Chinese garment suppliers. For instance, a number of them succeeded in launching their own fashion brands (Butollo 2015). Within China, the industry's location pattern hardly changed. The clustering of textile and clothing firms in Western and Central China did not yet take off (Zhang et al. 2015). The China National Garment Association (CNGA, website) recently maintained that 70 per cent of the country's garment production capacity was still located in the five coastal provinces. Interestingly, one of the experts surveyed connected factories with authoritarian management regimes to the excessive use of migrant labour and occasionally also contract labour as well as pressure for very long working hours. Threats of relocation to low-cost areas in China seem relatively frequent in this category.

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[16]   Shanghai has a separate status, and its employment figures are not included in those of the five coastal provinces.

A major success factor has been the expansion of China's domestic garment market. Recently, domestic sales have replaced exports as the main engine of growth. In 2007, an estimated 56 per cent of the garment output in China was for local consumers (Gereffi and Frederick 2010, 10-11). Taking China's garment *imports* into account, we calculated that in 2014 62 per cent of the country's garment production value was for domestic use (author's calculations based on UNIDO and UNCTADstat databases). Finally we note that, as in many industries, FDI by Chinese firms has been rapidly growing in garment production, mostly in neighbouring countries ('Go Out'). Cambodia and Vietnam are key destinations; already by 2009 nearly 1,000 Chinese garment enterprises had set up factories in these two countries (Zhu and Pickles 2014, 58; Zhang et al. 2015, 20).

Minimum wage legislation

Concerning minimum wage setting, the Ministry of Labour and Social Security in 2004 modified the 1993 regulation and promulgated the Rules for Minimum Wages ('2004 Regulation'). The Ministry of Labour and Social Security, China's Enterprise Directors Association (CEDA) and the All China Federation of Trade Unions (ACFTU) are involved in MW setting. In terms of MW adjustments the 1993 regulation had been vague, but the 2004 regulation clearly required adjustment at least every two years, in line with local changes in the cost of living, economic development, level of employment, and some other factors. One expert added that in fact, beyond these factors, the impact of minimum wages on wage differentials, the wage demands of workers, the state of the domestic economic cycle and the type of contract of workers were also issues that were considered in adjusting MWs -- all within the framework provided by the national government. MW levels are differentiated geographically, by provinces and regions; there are no sector-specific provisions. Revision regularly takes place twice per year. Within provinces differentiation in local conditions is taken into account through a class system. The 2004 regulation also specified heavier penalties for non-complying companies. The trade unions got the legal task of helping the Labour Inspectorate supervise compliance with the MW standards.

There are substantial differences in MW levels across and within China's provinces, ranging from over RMB 2,000 per month in the major financial centres of Shanghai and Shenzhen down to RMB 850 per month in the more remote cities such as Yichun in north-eastern Heilongjiang. Currently 70 per cent of China's garment production stems from the five eastern provinces mentioned earlier, with Guangdong, Jiangsu, and Zhejiang having the largest garment-producing clusters. As of 1 July 2015, the monthly MW in the manufacturing centres of Dongguan and Zhongshan, both in Guangdong province, was RMB 1,510; in Yangzhou, a garment-production centre in Jiangsu province, it was RMB 1,280, and in Shaoxing, located in Zhejiang province and also home to many garment producers, RMB 1,310. Within these provinces, MWs in these garment-producing clusters are approximately in the middle of the range of MW levels: MWs in Guangdong varied from RMB 1,210 to 2,030 (Shenzhen), those in Jiangsu from RMB 1,100 to 1,480, and those in Zhejiang from RMB 1,080 to 1,470 (source: WageIndicator MW database).

According to the experts, government and global buyers in practice exerted the strongest influence on the levels of MWs in China. Other actors played more minor roles, with the lowest influence attached to companies in the lower tiers of the supply chain and homeworkers. A similar picture emerged when it came to assessing the powers that influenced compliance with MWs and labour legislation. As one expert put it, voluntary compliance and reliance on codes of conduct was likely to be less effective in ensuring compliance with MW laws, while strict monitoring and the use of fines was much more likely to be effective.

The experts noted that decision-making on the approval for foreign direct investment (FDI) has been rather decentralized and adapted to local conditions. One-stop facilities have been widely created to deal with all procedures and to avoid red tape. Local tax

incentives for FDI existed until 2015, yet cut and centralized where they continued in existence. According to one expert, the government does not have policies to encourage FDI in the garment sector, as the authorities are rather more interested in encouraging investment in high-tech sectors as indicated by the 'China in 2025' program, launched in 2015 (cf. Hui 2015; Kennedy 2015). The experts judged it too early to assess the impact of this new strategy. Below, under 'Compliance', we return to the position of the garment industry in this debate.

Trade union situation

In China, the only legal trade union is the ACFTU, under the leadership of China's Communist Party (CPC). In the early 2000s, ACFTU leadership promoted the establishment of unions outside the public sector, notably in FIEs. In the last decade, collective agreements have been agreed with all major foreign investors, including large retail MNEs like Walmart and Carrefour (albeit only for their retail outlets, not for their suppliers). Rather early, in 2006, a breakthrough was reached by establishing union committees in Walmart stores (Hui and Chan 2012) – a practice unthinkable in the company's home-base, the US. More recently, the ACFTU shifted its priorities towards collective bargaining in small-sized and labour intensive companies, including the garment industry (Hu 2015, 23-24). As shown in the next section, definitely in the garment industry this may imply more emphasis on sectoral / regional bargaining.

A country expert estimated that currently 31 to 40 per cent of garment industry workers are trade union members. Both experts acknowledged that in China, the government's working relations were strong with both trade unions and employer organizations. One expert perceived that relationships between different trade unions were also strong, due to the ACFTU's monopoly position. Other working relationships between actors in wage setting were weaker, and this applies also to the relationships of global buyers with domestic actors. Employer organizations were in existence, also at industry level, but also exerted only limited influence.

One expert highlighted that the lack of independent interest representation and free collective bargaining in China poses important obstacles to the representation of workers' interests. All other potential barriers to unionization and to the effective work of unions seemed less relevant. Another expert offered a slightly different interpretation of the Chinese dynamics of unionization. According to him, workers would be interested to join unions, but unionization had been hampered by the lack of government support, opposition of employers and the lack of support from global buyers. Moreover, unions currently lack political and workplace influence. This last issue may be related to the fact that at company level most trade union leaders come from management ranks -- although union spokespersons argue that, once elected, most former managers also show up as effective worker representatives (cf. Zeng et al. 2012, 10).

All labour laws and regulations of China are applicable in the country's Export Processing Zones (EPZs) and the related Industrial Zones. This implies that workers' rights to organize and participate in trade unions are protected, at least formally. In EPZs, emphasis is placed on female labour protection and the avoidance of gender discrimination. Inspection by labour inspectors seems rather thorough and the prevention of non-compliance is said to be preferred over punishment (Zeng et al. 2012).

Collective bargaining

In the last three decades, Chinese labour market regulation and collective bargaining practices have been permanently changing. Focusing on wage setting, one of the survey experts explained the general context of wage policy in China in a book chapter as follows: "In the past decade, the Chinese government vigorously promoted the so-called 'labour market wage rate guidance policy' in order to allow the market to play a larger role in determining wages. Under this policy, the government has published on a regular

basis reference wage rates collected by enterprise surveys. These rates have functioned as guidance for both employers and employees in making employment contracts. The government has also provided a guideline for wage growth including three projections, i.e. maximum, average and minimum growth. According to this regulation, enterprises in difficulties or in deficit could opt to offer a 'zero increase'. The evolution of the role of government does not indicate that the state has totally lost control over wage increases, nor does it reflect the prevalence of a laissez-faire approach. (…..) In recent years, against the backdrop of widening wage differentials and growing tensions between employees and employers, the government has intensified its intervention either by issuing decrees for raising wages of low-wage earners, or, by promulgating laws and promoting collective bargaining" (Hu 2015, 21).

Since 1994, the Labour Law obliges collective contracts to be signed by trade unions on behalf of employees. In the early 2000s the government started promoting collective bargaining. Currently, bargaining is regulated by the Labour Contract Law of 2008, stipulating that collective bargaining could be organized at industry level. The ACFTU contributed significantly to the drafting and promulgation of the law. Yet, nowadays collective bargaining mainly takes place at company level and only to a limited extent at industry level. As far as multi-employer bargaining is institutionalized it is done so at regional-industry level, as examples from the garment industry illustrate (Zhang 2016). The outcome can be one of two kinds of agreement, namely, collective contracts or collective wage agreements. Collective contracts are written agreements covering a wide range of issues related to employment conditions (remuneration, working time, training, health and safety), whereas collective wage agreements are CBAs focusing on wages and wage growth (Hu 2015, 22-23). As said, the ACFTU has targeted the garment industry for collective bargaining. One expert estimated that in the garment industry 41 to 50 per cent of workers are currently covered by CBAs.

At the industry level, experts underlined two main factors driving garment wages in China namely, the intra-country competition of factories for orders and the degree of sub-contracting within the garment industry. Both factors play out against the backdrop of the cross-country competition between garment manufacturers for contracts with global buyers. One expert emphasized that the latter were lacking the willingness to increase wages throughout the garment supply chain, whereas international regulations and codes have proved to be ineffective, without 'bite'. Local garment manufacturers have been constrained in their wage offers by these conditions particularly given that the orders of global buyers are dispersed across several factories and each factory caters for multiple buyers. Nevertheless in wage setting, according to the experts, local garment manufacturers do have important market power.

At the country level, the experts identified two main issues that have prevented increases in the present level of garment wages: first, the problem of enforcing compliance with the labour legislation and second, the barriers that have hampered unions' interest representation and unionization. Experts perceived Chinese labour law as having been somewhat permissive. Concerning compliance, China's level of economic development has been an important factor. Not only has the lack of compliance with labour law affected wages and conditions in the garment industry, but also the lack of compliance with other laws, particularly with environmental legislation. It seems likely that some level of corruption has been involved in this non-compliance and Government policy was perceived to be influenced by large garment employers. The experts did not assess the threat of relocation of garment manufacturing to be important in keeping local wages low.

Compliance

Concerning working conditions, there is no systematic overview available to assess compliance with labour legislation and the situation concerning decent work standards in China. Scattered information published notably on the website of the China Labour

Bulletin (CLB) and by the Clean Clothes Campaign (CCC 2015c) suggests only quite limited progress has been made compared to a briefing on the Chinese garment industry produced in 2007 based on CLB and a number of similar unofficial sources (Domoney 2007). There are various indications that improving wages and working conditions in the garment industry has not been prioritized by the state. Since the early 2000s a considerable number of wildcat strikes have taken place each year, also in textile, garment and shoe-making factories. These 'mass disputes' were mostly successful and resulted in strong wage increases in the 2000s. However, those increases often seem to have been traded off against strikers' demands for better working conditions and removing discrimination against females and migrant (*Hukou*) workers (cf. Chan 2012; Cheng et al. 2012). We should add that a substantial proportion of garment workers have been and are informally employed, that is, they do not have an employment contract or are not covered by social security. In 2010, in six major Chinese cities 36 per cent of females in non-agricultural activities were in informal employment, as well as 30 per cent of males (ILO 2012); in the garment industry informality may have been running at least at these levels (cf. Fan 2016).

The Chinese economic liberalization process can be regarded a major factor in the on-going erosion of labour regulation (cf. Chan and Nadvi 2014). It also seems that garment exports are no longer regarded as an important source for gaining foreign currency, nor is the garment industry seen as a potential source of technological innovation and progress. At best, the authorities may applaud raising the amount and quality of garment production for the domestic market (cf. ILO 2015b). Low production quality has been regarded as a problem, but it only looks like a major issue among garment factory managers and staff (cf. Xiang and Zhenzhen 2010; Cheng 2010). It may well be that the current rather uncomfortable position of garment manufacturing in the national 'China in 2025' debate on economic upgrading might also lead to neglect in the social sphere, though some counter-evidence suggests a more vibrant future for Chinese garment production in China (cf. Zhu and Pickles 2014).

There is some empirical evidence on the specific issue of MW compliance in China. Although matters are complicated here, as not only MW levels but also MW definitions differ across the country. Provinces such as Beijing and Shanghai exclude social security payments and housing provident funds as part of the wage when calculating MWs, while others include these elements. Most recently, Ye et al. (2015) published outcomes of extensive research on compliance with the MW and with overtime pay regulations in Chinese formal sector firms. For 2009 and for six provinces including Guangdong, they found evidence of high compliance with statutory MWs: fewer than 3.5 per cent of full-time workers earned less than the MWs, that is, basic wage plus bonus was below the MW. Remarkably, at 2.2 per cent non-compliance in textile and garment manufacturing was even lower. On the other hand, at 15.4 per cent overall non-compliance was quite high in the Guangdong province[17]. Also, 24 per cent of textile and garment workers did not receive the legally-mandated overtime pay – a substantial share though below the very high overall average (29%). When bonuses and overtime pay in the calculation were included, the researchers found that workers in firms located in Guangdong, in labour intensive firms and in garment, textile, and electronic equipment manufacturing were more likely to earn just the MW, as defined (Ye et al. 2015, 19). These outcomes are in line with the opinions of the experts, namely, that garment workers earning below or at the MW in China tend to work in lower tiers of the supply chain and/or as homeworkers, and are more likely to be female and low-skilled.

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[17] A seeming contradiction yet explainable because this province was underrepresented in their sample (Ye et al. 2015, 12-13).

Wages in context

Chinese MWs have been significantly increased over time. Between 2003 and 2012, their real level grew on average by 9 per cent yearly (Van Klaveren 2015, 353), though in 2008-09 the Ministry of Human Resources and Social Security, facing the global financial crisis, ordered a temporary MW freeze. In 2015, MWs were increased in 19 of 30 provinces, at an average of 9 per cent. According to both experts, the latter increases again left the workers better off and without major adverse consequences, although they referred to some instances of employers worsening working conditions and becoming less compliant with labour law. The composition of the workforce in the garment industry has changed during the past few years, but that has no clear relationship with the MW hikes. The experts pointed to evidence showing that, in spite of the considerable MW increases, the relative MW levels have remained quite uneven across provinces, and for the most part have remained rather low as well. The Kaitz indices (MWs calculated as a percentage of average wages) varied considerably across provinces, averaging 34 per cent in 2012 but varying between 23 and 50 per cent. Whereas in the 2004 Regulation it was described as an international practice to fix MWs as a proportion of average wages ranging from 40 to 60 per cent, in 2012, 26 of 31 provincial Kaitz ratios remained below the 40 per cent yardstick. The Kaitz rates for the 'garment provinces' in 2012 were: Fujian 37, Guangdong 35, Jiangsu 34, Shandong 40, and Zhejiang 36 (Hu 2015, 29, and underlying data based on unweighted averages of MWs and wages per province).

We turn now to two issues: the growing wage inequality in China, and the prevailing wage systems. It is a well-known fact that in recent years China's *income* inequality has increased. Two years ago, academic researchers showed substantially higher inequality levels than were published officially. Based on multiple data sources, they argued that in the 2010-12 period the country's inequality measured through the Gini coefficient ranged from 0.53 to 0.61 (Xie and Zhou 2014). By international standards this was a quite high rate. Partly rising income inequality in China can be explained by a falling labour share in the country's Gross Domestic Product (GDP) and a growing share accruing to capital income. Growing *wage* disparities and labour market discrimination also seem to play a role. Young women with low educational levels and poor jobs have been subjected to severe and increasing discrimination, and the gender wage gap is growing. The 2004 MW regulation and the related substantial MW rises may have mitigated wage disparities, but obviously have not reached out to all vulnerable groups in the labour market (cf. Hu 2015, 30).

Concerning wage systems in use in Chinese manufacturing, Ye et al. (2015, 9-10) noted that the basic wage-plus-bonus system they found most widespread was a 'pay-for-performance' type and as such did not permanently increase base pay. They found that the basic wage made up about 65 per cent of total earnings in manufacturing (for females it was slightly more, for males slightly less), bonuses about 20 per cent, supplements nearly 7 per cent, and overtime pay nearly 8 per cent. Those aged 16-20, low-skilled and workers of FIEs were depending on overtime pay for over 10 per cent of their earnings. In garment and textile manufacturing, overtime pay was of more importance than average, making up 13 per cent of earnings. Concerning the wage distribution, Ye et al. (2015, 18-9) suggested that the basic wage of 9.3 per cent of all workers (females: 11.9%, males: 7.7%) was between the MW and 110 per cent of the MW. Across industries, at 19.5 per cent this share was by far the highest in garment and textile manufacturing.

These findings may support evidence derived from case studies that many workers in Chinese garment factories are remunerated on piece rates, and depend on such 'performance pay' in order to earn over 110 per cent of the MW (cf. Li and Edwards 2008; Xiang and Zhenshen 2010). Also, the limited available empirical evidence, that garment wages are somewhat lower than wages in other manufacturing sectors seems in line with the opinions of both experts. They both agreed that garment workers typically had to work overtime either to earn MWs or to earn wages above MW level. Though experts perceived garment workers in China overall to be adequately skilled, their low

skills compared to qualifications required in other manufacturing industries were working towards relatively low wages. Also, garment wages were most likely influenced by the discrimination against women and ethnic minorities working in the garment industry. The relatively large influx of migrant workers in the industry may have put pressure on wages as well, though the available evidence needs some caution here (cf. Li and Edwards 2008). A specific problem in China is the widespread incidence of wage arrears. Employers at times fail to pay the agreed wages, in particular hitting informal migrant workers in the private sector (Chan 2012, 132; Hu 2015, 27). The experts pointed out that wage arrears were also rather common in the garment industry.

According to Ye et al. (2015, 19), their evidence suggests that many firms set basic wages at MW level and then adjust wages upward to the market wage of a particular worker depending on his or her performance. The fact that this wage-setting mechanism is rather dominant, not least in the garment industry, makes it even more plausible that involvement in MW fixing is highly important for the trade union. It is, as one of the experts expressed it in a book contribution, "a main channel for the trade union to be involved in wage bargaining" (Hu 2015, 28).

Figure 4 (next page) presents wage data for China: the monthly amounts of the minimum wages, the overall 2013 average wages according to the ILO, and the average wages of garment workers based on information of the Fair Wear Foundation (FWF). No data is available for the living wages. In the WAGES section we have chosen for the lower bound minimum wage level the relatively low MW in Yangzhou, a garment-production centre in Jiangsu (RMB 1,280), and for the upper bound minimum wage level the relatively high MW in the production centres Dongguan and Zhongshan, both in Guangdong (RMB 1,510). The GARMENT WAGES section presents the average wages for 2015 of four categories of Chinese garment workers based on FWF information. Although a breakdown of paid wages by province would provide a better picture for a country with such large differences in wages and price levels across provinces, the available data do not allow that. As a consequence, garment wages are presented for one province only with a concentration of garment factories (Zhejiang).

The figure and the underlying data show that the average wages of all workers and the wages of skilled garment workers are substantially above the minimum wage levels, even above the upper bound minimum wage. Yet, the wages of the low skilled garment workers are in between the two calculated minimum wage levels. These wages are only about half the level of the 2013 average wages based on ILO data. Within the garment industry, wage differentials between skill levels seem considerable.

How to set and attain the Living Wage?

In providing estimates concerning the level of a Living Wage, the experts emphasized the wide regional variation in wage and cost of living levels throughout China. The estimates provided reflect the Shanghai values, and set the monthly living wage of an individual at 2,800 RMB and the monthly living wage of a household at 4,300 RMB. This estimate was based on the 2013 Asian Floor Wage calculation, adjusted for inflation, in the second instance assuming a household consisting of two adults and two children. The value for an individual worker would be about double the wages of low-skilled garment workers as depicted in Figure 4; yet, according to the experts taking into account the differences in cost of living between Shanghai and the main eastern garment-producing clusters, the difference would be considerably less and the living wage estimated for an individual would end up between 30 and 40 per cent higher than the wages of low-skilled garment workers in these provinces.

Figure 4 Minimum wages, total wages and garment wages in China, monthly amounts in Chinese Renminbi (RMB)
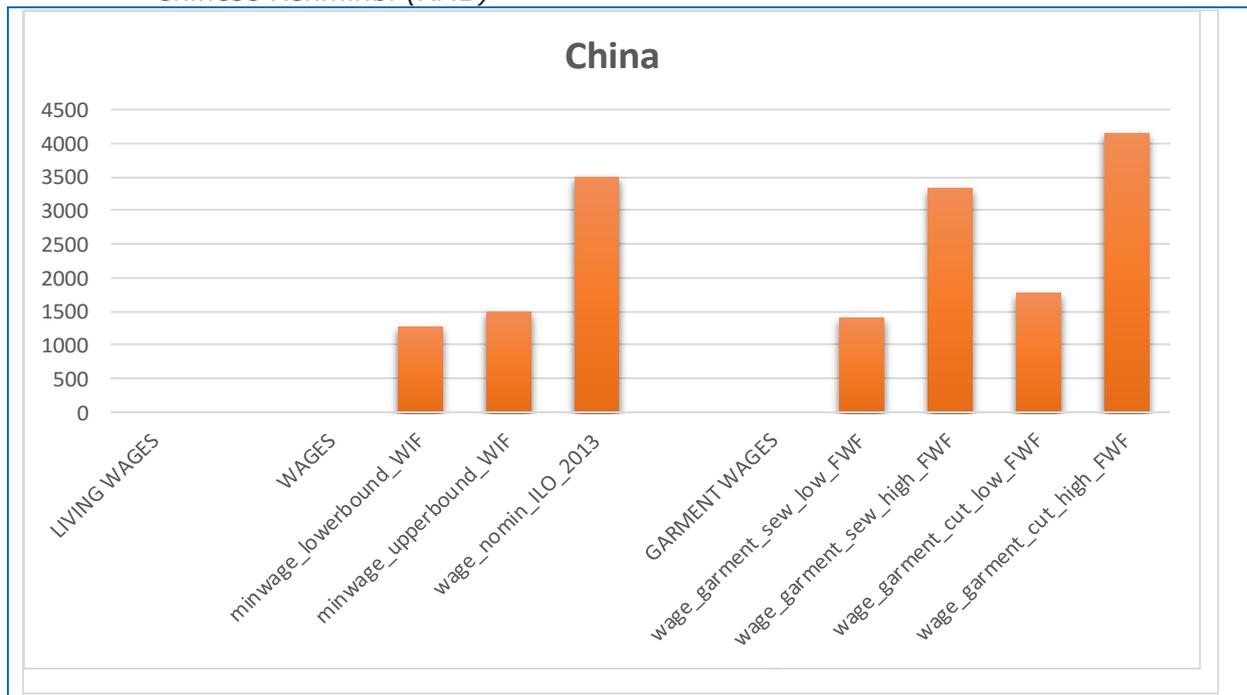
Source: WAGES Minimum wage levels are based on WageIndicator Minimum Wages Database 01/07/2015;
            Nominal wages stem from ILO Wage Database 2013;
            GARMENT WAGES Wages garment based on 2015 Fair Wear Foundation sources for Kequiao =
            Zhejiang province.

When assessing the scope for action of different stakeholders in the quest for living wages for garment industry workers, one expert disagreed with the statement that raising wages would only be feasible with the involvement of global actors. He underlined the important role further unionization could play. Another expert pinpointed the crucial role that could be played by the government and more or less agreed with the statement that garment wages could be only changed with the involvement of global actors. Global activism to support Chinese garment workers could fruitfully employ occasional end-consumer boycotts and activities to encourage ethical consumption. Coordinated regulatory action by garment manufacturing countries could, to a certain extent, also be instrumental. However, sanctions in international trade agreements might have adverse impacts on garment workers. According to one expert, the most promising way to secure a living wage for garment workers in China was union pressure on the government as well as the inclusion of living wage demands in collective bargaining, provided of course that the ACFTU could take a rather independent position. The latter expert regarded the lack of willingness, in particular in government ranks, to change the dominant 'low-cost model' as being the most important barrier to the introduction of living wages.

6. COUNTRY OVERVIEW: INDIA

The garment industry: development and structure

Along with China and Pakistan, India shares a long history of garment exports to western countries. As Table 1 indicated, 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 recent financial crisis which was obviously helpful for the garment industry (Alok Industries 2014). The employers' associations, IBEF and SHINE, recently showed optimism about the future of India's textile and garment industry. Both pointed to the massive potential of the domestic market boosted by favourable demographics and expected income growth. IBEF also pointed to the recent growth in FDI, stimulated through government policies. In September 2014 the national government through the 'Make in India' program identified 25 sectors as priority areas to encourage investment; garment manufacture was one of them. Meanwhile, specific measures aimed at stimulating garment production and exports have been taken. For example, the Ministry of Textiles has encouraged investment through schemes such as the Technology Up-grading Fund Scheme (TUFS). Also, the national government has approved 12 locations to set up parks for garment exports (websites IBEF; Indian Industry / Export incentives; Make in India).

Garment manufacturing in India includes all tiers of the supply chain, from 1st tier factories to third and fourth-tier suppliers, often cottage industries employing many homeworkers in particular for highly labour-intensive activities such as embroidery (Mezzadri 2014, 246). The lower-tier producers make up part of the informal (in Indian terms 'unorganized') sector, estimated at 83 per cent of India's total labour force for 2011-12 (IHD 2014[18]). A recent ILO report stated that India's ready-made garment sector over the past two decades "(….) has transitioned from a largely informal to a largely formal, factory-based industry, highly dependent on labour inputs" (2015c, 1). Indeed, first tier factories are relatively large, often employing 2,000 to 3,000 workers, mainly located in Special Economic Zones (SEZs), and part of the formal sector. Yet employment in Indian SEZs remains relatively limited; taking into account that they employed some 500,000 workers in total in 2010, they accounted for a quarter of India's garment exports (Murayama and Yokota 2008; Mansingh et al. 2012). Overall, though, the average size of India's garment factories is considerably smaller than those of other garment-exporting countries (see for example in Table 8 the Inditex suppliers). The main explanation for this can be found in the large role garment production still plays in regional, specialized clusters of small and medium-sized enterprises (SMEs). The benefits of collective efficiency attained in these clusters accrue to a small group of export 'aristocracies' either with large manufacturing capacity or vast networks (Mezzadri 2014, 245).

According to the ILO (2015c), the largest garment manufacturing clusters, in Bangalore (Karnataka), Tirupur and Chennai (Tamil Nadu) and NCR[19] have a combined workforce of well over one million women and men. Along with somewhat smaller clusters of leading exporters (Madhya Pradesh, Maharashtra, Andra Pradesh, Gujarat – cf. Onicra 2014) they account for the large majority of the 2.4 million workers we estimate were employed in India's (exporting) garment industry in 2015.

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[18]   Moreover, it is estimated that by then 46 out of 80 million formal sector workers were in fact informal workers, bringing the total share of informal workers in employment to 93 per cent (IHD 2014).
[19]   NCR: National Capital Region (Delhi and the surrounding urban areas, with Delhi, Noida, and Gurgaon as garment centres).

Minimum wage legislation

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. The procedure for MW fixing is that the employment must have been in Schedule originally or added to the Schedule by a notification under section 27 of the Act. The government may fix or revise MWs either by committee procedure of by notification procedure. For this purpose, India's central government has set up five Regional Committees to reduce disparities among the regions in MW fixing. The committees hold inquiries and advise the government regarding the fixing and revision of minimum wages. The MW rates recommended by the committee and accepted by the government have to be published in the Official Gazette.

Across India, multiple MW rates (more than 1,200) are in existence. Individual states as well as the central government have the power to determine MW rates, and the rates can also be differentiated for different skills and occupations. Thus, MWs are declared at national (central), state, regional, sectoral and occupational or skill level, making the entire MW system highly complex. As of 1 November 2015, 20 out of 36 states and union territories had separate MW rates for the garment industry, with levels varying according to state regulations and the cost of living. In the states with major clusters of garment production, the applicable MW levels at 1 November 2015 varied from INR 5,964 monthly (unskilled garment worker in Maharashtra) to INR 11,154 (skilled garment worker in NCR). Of course, the intra -state differences were much smaller: in Gujarat, for example they ranged from INR 6,760 (unskilled) to INR 7,360 (skilled); in Madha Pradesh from INR 7,057 (unskilled) to INR 9,735 (skilled); in Maharashtra from INR 5,964 (unskilled) to INR 6,364 (skilled); in NCR INR 9,178 (unskilled) to INR 11,154 (skilled), and in Tamil Nadu INR 6,675 (unskilled) to INR 6,915 (skilled). The unweighted MW averages for these five states were INR 7,127 per month for an unskilled garment worker and INR 8,305 for a skilled garment worker (source: WageIndicator MW database).

It should be noted that Indian trade unions have repeatedly demanded higher and uniform minimum wages. One of the ten demands of the unions in a nation-wide strike on 20 and 21 February 2013 was to fix a national wage floor of INR 10,000 per month. An alliance of union federations decided to call another nation-wide strike on 2 September 2015, demanding from the recently elected government in proposed anti-labour legislation be withdrawn, that casual labour be regularized and that a national wage floor be introduced at INR 15,000 monthly. Though the strike was thought to be rather successful, neither the government nor the trade unions took up the MW issue afterwards (Bhowmik 2015).

According to the experts, workers' wage demands play a weak role in the overall MW fixing system. Worker characteristics (level of skills, experience, age, status, type of contract) are taken into account, but the state of the economy (domestic and international business cycle) and considerations involving wage differentials within country and the minimum wages of other counties producing similar products are not yet deemed to be relevant for MW setting.

Currently, different states change MWs at different points in time, in the meantime the debate on a national minimum wage rate to be achieved through an amendment in the MW Act of 1948 is still pending. Some states have already followed a regular schedule for the revision of MWs. Broadly speaking, streamlining and simplifying the MW fixing system is seen as both urgent and long overdue (cf. ILO 2015c, 41). According to one expert, the system for revising MWs has been getting more streamlined with regular revisions linked to inflation. However, the quality of the process could be improved by encouraging a more research and data-based approach. Participants in the committees involved in MW revisions outside the garment sector suggest that the work of these committees is a routine political process, with little time investment from their members. One expert noted that impending elections and the general characteristics of the industrial policy of the state tend to have more of an impact on MW revisions.

The authorities were seen as having the largest role in setting minimum wages, although employer organizations do also have an influence. All other players, including trade unions, first tier garment manufacturers, global buyers and companies in lower tiers of the supply chain were seen as having much more limited influence. The courts and the government play an important role in ensuring MW compliance.

Trade union situation

All the experts agreed that unionization in the Indian garment industry at less than 10 per cent was quite low. It is no surprise that Indian trade unions were assessed as having exerted only a weak influence on wages and conditions. The experts saw the relationship between different trade unions as moderately weak, and trade unions were also regarded as having weak relationships with the government, employer organizations and global buyers. According to one of the experts, the government either opposed or neglected unions, with some variations across the states. By contrast, the government was seen to have strong working relationships with employers whilst employer organizations were thought to have relatively strong ties amongst themselves and with global buyers. Experts perceived employer organizations to have had a relatively strong influence on wages. As one expert succinctly put it: "Employers and government have the final say in deciding the final wage rates. The workers have practically no negotiation power."

According to experts, the opposition of employers has been the main barrier to unionization in India, coupled with a lack of government support and a lack of support from global buyers. Trade unions have faced obstacles even trying to enter factory premises and as a result have achieved limited workplace influence. The recent shift of employment to the informal sector through subcontracting and the use of contract labour have also significantly impacted on unions and experts also referred to a number of limiting factors mainly related to internal union functioning. One of the experts pointed to the shift from national/regional or industry-level unions towards the emergence of small, independent unions at enterprise level, concerned only with limited issues (Dessler and Varkkey 2011). As a result, the experts emphasized, the Indian trade union movement was highly fragmented with multiple unions frequently existing in the same workplace, causing divided loyalties and inter-union rivalries. Furthermore, the national unions do not represent workers in small workshops, homeworkers or workers in the informal economy. Here, organizations like SEWA (Self-Employed Women's Association) and DWF (Domestic Workers Forum) have developed. As the nationally recognized union for informal workers, SEWA now shares the table alongside the national-level unions. Nonetheless, even if these organizations are included, union density in the informal sector remains below 4 per cent. In the formal sector, union membership recently covered about 8 per cent of the working population (Varkkey 2015, 130-131[20]).

The experts also noted that in the garment industry most unions were linked to political parties, implying that unions are obliged to represent the policies and interests of a particular party rather than those of the workers. Existing unions have limited internal capacity whilst union leadership has been dominated by elderly men, who have not been in touch with the aspirations and demands of younger workers. According to the experts, union leadership in the garment sector, with a large (young) female share, should be much more reflective of the composition of the workforce. Taken together, all these elements point to the conclusion that India's garment industry is characterized by a lack of collective bargaining capacity.

For the garment industry in particular, evidence shows that both employers and the state governments have been working to resist the growth of unions or even to block

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[20] Though the available figures may double if the membership of unions not belonging to the Central Trade Union Organization is included (Rani and Belser 2012a, 236, fn 10).

unionization. Sen (2013) noted that in a state like West Bengal, employees in the garment industry "are emphatic about non-union status, and it's clear that lack of unionization is not an accident" (575). Moreover, experts referred to the conditions of garment manufacturing in SEZs, noting that in these Zones labour law was difficult to enforce whereas it is equally difficult for unions to gain influence. The latter supports evidence from earlier ILO research concerning Indian SEZs (Mansingh et al. 2012, 35-39).

Collective bargaining

According to the experts, mainly industry-level factors have contributed to the low level of garment wages in India, as opposed to individual-level factors. The most relevant industry-level factors depressing garment wages were seen as: subcontracting within the long garment supply chain; the wage-setting power of garment manufacturers; the within-country competition for orders of global buyers between factories, and the dispersion of global buyers' orders over domestic manufacturers. Fluctuations in demand and the seasonality of orders were also thought to have influence on garment wage setting.

The experts considered individual-level factors, such as workers' skills and experience, the added value of their production, or the lack of alternative employment opportunities to be less important in driving wages down. That said, they all recognized that workers could easily be replaced at the given level of wages and working conditions. Here, the pressure of India's massive pool of informal workers has continually made itself felt. Discrimination also appears to have played a role in wage setting. One expert pointed out that union activists and workers raising concerns about working conditions were discriminated against. Another expert highlighted the influence of gender based discrimination on garment wage setting. A third expert pointed to the discrimination against contract workers, in terms of wages, social security contributions and working hours, noting that contract labour was widely used in the garment industry, alongside trainees and fixed term employees – all of whom were mostly women. Schemes like sumangali (a form of adolescent labour) and village-level hiring in large numbers by middle men were similarly criticized.

The experts concurred that the current practice of collective bargaining only at enterprise and workplace-level imposed a serious limitation on the deployment of the power of India's trade unions. At this point, Rani and Belser (2012a, 236-237) observed an interesting development in the state of West Bengal. Here, the relatively high level of collective bargaining coverage was associated with the increasing inclusion of unorganized workers within industry-wide CBAs. This has been facilitated by the state government and affected small and medium-sized units in the hosiery industry in the state.

Compliance

According to the assessment of experts, India's labour legislation has been permissive allowing weak enforcement to co-exist with rather weak compliance by firms. The government in addition was seen to pursue a policy of keeping wages low in order to attract foreign investment (FDI) and to maintain export industries. Experts emphasized that the country's economic situation has certainly played a role in shaping garment industry conditions. Both infrastructural and policy-level bottlenecks, such as gaps in power, water and transport infrastructure have also hampered business. While the current government is committed to improving these conditions, it is regarded as too early to assess the impact of its efforts.

The experts surveyed seemed less positive than other researchers on (the development of) compliance with MWs in India, and on the effects of MWs on Indian wage levels. Based on Indian national surveys, ILO researchers estimated that, 71 per cent of dependent wage earners were covered by MW legislation in 2009-10, an improvement over the 2004-05 result where 61 per cent were covered. At the same time, the rate of compliance they estimated ie. the share of covered workers earning the MW specified for

their category, at 32 per cent in 2004-05 had nearly doubled to 61 per cent by 2009-10 (Rani et al. 2013, 397). Nevertheless the researchers in question concluded that the deficits were still quite high, particularly from an international perspective. Like others, they recommended a simpler MW system for India that could be better implemented and have a broader coverage (Cf. Rani and Belser 2012a, 2012b).

Employers were perceived by the experts to have had considerable political influence concerning compliance with labour legislation in the garment industry. Many factories have neither complied with labour laws, nor with their own internal codes of conduct. Compliant companies were either MNEs or first tier manufacturers. One expert doubted the effectiveness of existing certifications and compliance requirements. There were pockets of good practices in India's garment industry, but overall the situation was regarded as far from bright. Another expert underlined that the country lacked labour inspectorates controlling workplaces, mandatory collective bargaining agreements (CBAs), and mandatory committees for occupational health and safety.

The experts displayed mixed views concerning the influence of corruption. One expert suggested that corruption may have played a role but was difficult to trace. Another concluded that corruption levels were high and deeply rooted in India and that such a high level was intertwined with low labour law compliance. A different expert pointed to the current government's somewhat contradictory claim to be seeking to get rid of corruption whilst at the same time stressing the need to introduce minimum governmental interference.

As the experts pointed out, Indian Special Economic Zones (SEZs) deserve special attention, although in comparison with China their contribution to garment employment and even exports was rather limited. Overall, wages and conditions in the SEZs and compliance with applicable labour legislation were all regarded as quite poor. In SEZs where the MW legislation was applicable, relatively few workers received MWs. However, only in factories working directly for MNEs and for skilled workers, were wages usually paid above MWs and working many hours overtime was standard practice. Improper health and safety conditions, like insufficient ventilation, were commonplace. The share of female workers in the SEZs was officially between 30 and 40 per cent, but may have been higher due to the large number of unregistered women contract workers (Mansingh et al. 2012).

Experts also noted that the widespread use in India's garment industry of contract labour (workers employed by a third party rather than directly by the management of the factory or worksite in question) added to compliance problems and blurred the responsibilities of employers. They pointed out that most garment workers in the SEZs happened to be contract labourers or were hired as apprentices; their wages were paid by the labour contractors and usually remained concealed. This fitted with the outcomes of WIEGO research (Chan 2013), which found very high proportions (60 to 80%) of contract labour notably in the NCR and lower but still considerable proportions in other garment centres.

We already noted that the governmental 'Make in India' program involves diminished bureaucracy for FDI and the lifting of excise duties, with the objective of "making doing business easy". One expert suggested that the government in order to attract FDI, would offer "nearly total freedom" to foreign investors. Another stated that while this scheme seems to have had some successes in attracting FDI, some skepticism concerning its success seemed justified but it was too early to assess its social implications. The government has also prioritized improving the skill levels of the workforce, and expected in this context that industry would be accountable through self-certification schemes. According to one of the experts, skill development was less relevant for the garment sector. Another suggested that the emphasis on improving skill levels might help upgrade garment production towards higher value-added output.

Wages in context

The experts held that less than 10 per cent of Indian garment workers would earn wages above MWs. Such wages were mainly paid by larger factories, some of them foreign-owned. They also contended that at least 40 per cent of garment workers in the formal sector would earn less than the applicable MWs, with much higher percentages most likely to be apparent in informal garment manufacturing. According to two experts, it was common to earn less than MW level in large factories. These outcomes may well coincide with union membership. Sen (2013) for instance, found for West Bengal that in the garment industry, workers who were unionized obtained MWs, while others did not.

For India, the official national poverty lines have been criticized as being set too low to reflect the actual cost of basic needs. Based on a broader set of criteria, the Tendulkar Committee in 2012 ended up at much higher figures than the original official estimates for rural areas, but these outcomes came under criticism as they gave a relatively low weight to food items. Notwithstanding this, ILO researchers Rani and Belser (2012a) used the work of the Tendulkar Committee as a starting point for calculating a Minimum Living Wage (MLW) for various groups of workers and for urban/rural areas. They defined those below the MLW as low-paid. The authors concluded that in 2009-10, a staggering 59.7 per cent of Indian workers (232 million) earned below the low-pay threshold, an increase on the 55.5 per cent (227 million) found to be in this position in 2004-05. For 2009-10, high levels of low-paid were in particular found among self-employed, both female (87%) and male (70%); casual workers, in particular female (60%), and female salaried workers (48%, against 25% for their male counterparts). Based on these outcomes, Rani and Belser (2012a, 236) pleaded for better wage policies, besides improved labour productivity that were "needed to ensure wage earners receive a just share of the fruits of economic progress". In this context, they pointed to the importance for wage setting of being a member of a trade union or, for self-employed, of an association. For all groups in dependent employment such membership had large advantages as it considerably reduced the probability of low pay.

It is questionable whether the relatively positive wage outcomes for female workers have continued after 2010. The 2008-09 worldwide crisis had serious effects on the incomes of Indian women at the lower end of the labour market. There is evidence showing that, among others, women homeworkers in garment production have suffered drops in their income of up to 50 per cent, leading to increasing indebtedness, the increasing use of child labour and taking more children out of school. These effects will have long-lasting effects on their situation and that of their families. Nevertheless, thanks in part to India's relatively robust social safety nets, the impact of the crisis has not been as strongly felt as in other Asian countries even for the poor in India ((references in) Van Klaveren et al. 2010a; Van Klaveren and Tijdens 2012).

The surveyed experts perceived garment wages in India as being not much lower than comparable wages in other sectors, yet still too low to even meet the nutritional needs of a family. Clearly, current garment wages do not provide for expenditures beyond mere subsistence needs and do not facilitate an exit from poverty where a family cannot get by on the wage of a garment worker. Workers regularly have to work overtime to even earn the minimum wage level. These statements characterize the conditions in the formal part of the garment industry; less is known about wages and working conditions in informal settings, but they are most likely to be even worse.

The experts pointed to the cross-country competition for garment industry orders, along with the conditions global buyers impose on domestic manufacturers as key factors keeping Indian garment supply prices and wages down. Experts did not believe India's level of economic development to be a major factor in perpetuating the country's low garment wages. Neither did most of them perceive the threat of relocation as important for the level of wages in the sector, though one pointed out that factories were forced to keep costs low for fear of relocation, and that "global players shift their entire contract or

order to other Asian countries in the case of the slightest cost advantage". However, the price sensitivity of end-consumer demand was not seen as relevant here.

Figure 5 (next page) 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. On the left-hand side, the WAGES section comprises two 2015 minimum wage levels. We have chosen the unweighted averages of the MWs for unskilled garment workers (lower bound) and skilled garment workers (upper bound) in five Indian states with major clusters of garment production, namely: Maharashtra, NCR, Gujarat, Madha Pradesh and Tamil Nadu; the amounts are respectively INR 7,127 and INR 8,325. On the right-hand side, based on WageIndicator 2015 data average wages for three categories of workers are presented: for low-, medium- and high-skilled workers, all with lower and upper bounds. Next, 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 the wages paid in 2015 in the garment industry, the official ones for India at large based on the India Human Development Survey (IHDS) 2011-12, corrected for inflation up to 2015, and for four categories of garment workers based on Fair Wear Foundation (FWF) information. Although for paid wages a breakdown by state would provide a better picture for a country as large and diverse as India, the available FWF data do not allow this. Thus, the four types of garment wages are presented for one state only, Maharashtra.

The figure and the underlying data show that the inflation-corrected average garment wage based on official data is slightly above the lower bound 2015 minimum wage for the garment-producing states; the lower bound garment wage for sewing work according to FWF data is some 10 per cent higher than that minimum wage level and close to the level of the upper bound MW. Yet, based on FWF data the lower bound garment/cutting wage remains slightly (3%) below the lower bound MW. Comparing the IHDS-based and inflation-corrected garment wage with the ILO-based overall nominal wage, it turns out that the latter is 35 per cent higher. The low levels of the lower bound garment wages, and likely the large amounts of workers employed at those levels, may well keep the average garment wage that low.

The upper bounds of the wages of garment workers are more than twice the upper bound minimum wages. The lower bounds of the garment wages are approximately at the level of the lower bound of the overall wages for the low-skilled as based on WageIndicator data; the upper bound garment wages are in between the lower and upper bounds of the wages of the medium-skilled.[21] The overall wage levels of the high-skilled are much higher, their upper bound being 2.5 times the upper bound garment wages. Across the three skill categories, the wage dispersion is high as well: the higher bound high-skilled wage is 5.5 times the lower bound low-skilled wage level.

Concerning the living wages, the estimated lower bound of the living wage for an individual worker is slightly above the level of the lower bound average wage and about equals the lower bound garment (sewing) wage. The upper bound individual living wage ends up between the upper bound wages of the low-skilled and the lower bound of wages of the medium-skilled; it is about 30 per cent higher than the lower bound garment (sewing) wage. The value of the lower bound living wage for a typical family situates between the lower and upper bounds of the medium-skilled wages, and nearly 25 per cent above the highest garment wage levels.

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[21]   Roughly speaking, this corresponds to the finding from the UNIDO database that in 2011 average garment wages lagged 41% behind average manufacturing wages in India.

Figure 5 *Living wages, minimum wages, total wages and garment wages in India, monthly amounts in Indian Rupee (INR)*
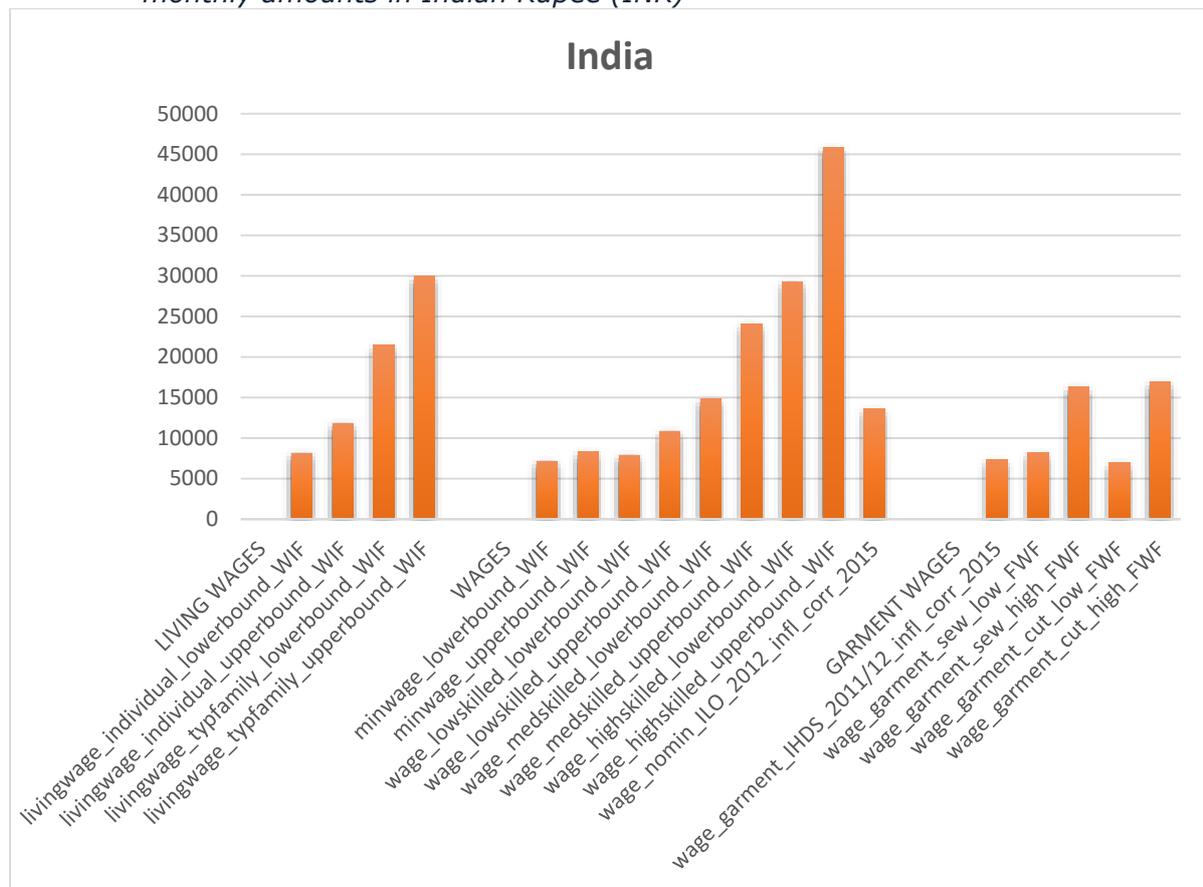
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey; WAGES Minimum wages are based on WageIndicator Minimum Wages Database 01-11-2015; Wages by skill level based on WageIndicator Wages Database; Nominal wages stem from ILO Wage Database 2012 (inflation corrected); GARMENT WAGES Wages garment stem from IHDS microdata; Wages garment workers for four job categories based on 2015 Fair Wear Foundation sources for Maharashtra.

How to set and attain the Living Wage?

The experts by and large agreed on the desirable level of the living wage for individual workers, providing two estimates, INR 7,000-9,000 respectively INR 7,500 per month, and for workers with a household estimates ending up at INR 15,000 respectively INR 11,500-14,000 per month. The WageIndicator-based lower bound individual living wage was nearly exactly the average of the first set of estimates. By contrast, the experts' preferred level for a household-based living wage was only half to two-thirds the value of the lower bound WageIndicator-based living wage for a typical family. It seems that geographical divergence in observations and perceptions contributes in explaining these differences.

According to the experts, if workers were paid living wages, this would not increase unemployment among those with the typical characteristics of garment workers. Neither would India see the relocation of garment producers abroad or see the value of its exports decline. One expert pointed out that wages constituted a very small share of total costs in the garment chain, and that producers could save much more on other costs by improving efficiency and productivity.

The experts 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. One expert underlined that government support was essential here. The experts also tended to agree that occasional end-consumer boycotts would support wage demands of local workers without unintended adverse consequences. 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 already mentioned.

By contrast, the experts strongly agreed that individual or coordinated actions on behalf of domestic garment manufacturers to raise wages to the living wage level would be unlikely to succeed. Instead they suggested that domestic actors could cooperate with global players, regulations should be strictly enforced and that workers could be work together with NGOs to voice their demands, supported by media and social network coverage to raise awareness. They also felt that a system of social dialogue should be developed at the national, state and industry levels, along with mechanisms to ensure compliance with labour law. The Indian labour inspectorate should be extended and become more authoritative.

Experts assessed the greediness of employers and global players as the main obstacles to attaining living wages. In addition, the weakness of the working class; the apathy of government and employers, and the current functioning of the government were all contributory factors constraining the achievement of a living wage. One expert argued that even the starting position for activities aimed at introducing the living wage in India was quite difficult because the MW system was already highly complicated. In various ways, two experts added that currently the concept of a living wage had neither relevance nor resonance, insofar as workers at grassroots level were concerned. They regarded it as a mere slogan mainly circulating in civil society and trade union circles, who were all well aware that the living wage was not achievable in the near future. Not surprisingly campaigns and strategies adopted to achieve this demand were seen as being not very coherent.

7.   COUNTRY OVERVIEW: INDONESIA

The garment industry: development and structure

Up to the 1970s, garment production in Indonesia could mainly be found in the many small tailor shops. This changed in response to rapidly rising demand in the domestic market and improving growth opportunities in the export market due to 'quota-hopping' using the country's unused MFA quota. In the late 1980s, the Suharto government attracted considerable amounts of foreign direct investment into low-wage, labour-intensive manufacturing industries. Thousands of mainly young female workers entered the workforce in the textile, garment, and footwear industries producing largely for export. In the early 1990s, the government declared garment manufacturing to be a 'strategic industrial sub-sector.' Large Indonesian-owned firms agreed upon joint-ventures with MNEs based in South Korea and Taiwan but the latter also started up 1st tier factories on their own in Indonesia while integrating local producers in their global supply chains. When the 1997-98 Asian crisis hit Indonesia seriously, young women replaced retrenched male factory workers as they constituted a cheaper supply of labour, lifting the female employment share in garment production to 65 per cent. Also, after 1997 the process accelerated in which textile and garment factories relocated away from urban areas and also backed away from formal employment. By 2000 MNEs' direct investment accounted for 25 per cent of employment in Indonesia's garment industry and 37 per cent of the industry's value added – indicating a substantial higher level of efficiency in MNE subsidiaries compared to domestic firms (Thee 2009; Suyanto et al. 2012; (references in) Van Klaveren et al. 2010b, 35, 65).

Between 2000 and 2005, in the early years of the *Reformasi* era, Indonesia's garment industry continued to expand though at a slower rate than before. However, the phasing out of the MFA in 2005 was a major blow. The country's smaller firms struggled as they were exposed to increasingly competitive markets and were often shut out of the industry's value chains. International buyers within Indonesia concentrated on larger, more efficient suppliers and shifted production to China and Vietnam. From 2007 onwards, Indonesia's share in world garment exports decreased while garment employment fell before stabilizing at an estimated 1.4 million employed ((references in) Van Klaveren 2010b, 65-66; Pitriyan and Siregar 2012; ILO 2015b). In the 2010s, in response to relatively strong wage increases in the greater Jakarta area (West Java), investors shifted garment production to Central Java, notably to Semarang (Better Work Indonesia 2013).

Minimum wage legislation

Indonesia has separate legislation for MW fixing however, the specialized regulation for MW implementation, according to which MWs can be determined both at provincial and district level has not yet been launched. Currently, MWs are set at provincial level and, in accordance with the national Government's Wage Policy, may be further set at sectoral levels or by provincial Governors following recommendations of Provincial Wage Councils and District Wage Councils. These Wage Councils should include representatives from the government, entrepreneurs' organizations, trade unions, universities and experts as their members. These Councils are required to meet at least once every three months and to submit their reports to their relevant authorities at least once a year, though their decisions are not legally binding. The reports, consisting of recommendations, suggestions and considerations are then used to formulate the wage policies (which, as we will see, in Indonesia go beyond MW fixing).

MW rates are fixed by taking into account the needs of workers and their families, cost of living, economic development, level of employment, capacity of employers to pay, along with other factors. Revision takes place once a year on January 1. As MWs can be determined at province, district and occupational levels, a multitude of MWs are in

existence in Indonesia. Many provinces have set a basic MW rate for all sectors, though separate MWs for sectors are also allowed. Yet, at provincial level there is no separate MW rate for the garment sector. According to the ILO (2015f, 2) there is lack of coordination in setting MWs, leading to considerable disparity in the level of MWs across Indonesia. The ILO illustrated its case with the example of Central Java which has the lowest minimum wage and Jakarta the highest: "(….) 2.7 times higher even though the provinces are only 300 km apart in distance."

It should be noted that, after being postponed for some 12 years, the Indonesian government on October 23, 2015, enacted a new mechanism to determine minimum wages. The new regulation (No. 78/2015) stipulates a measured annual wage increase that takes into account the current fiscal year's inflation and gross domestic product (GDP) growth rates. The Indonesian trade unions have argued that due to regulation No. 78/2015 they have been excluded from the annual wage negotiation process. In October and November 2015, police force oppressed trade union protests again this decision. The sake of the Indonesian unions got strong support of the International Trade Union Confederation (ITUC) and IndustriALL Global Union. At a joint press conference in Jakarta on February 4, 2016, ITUC general secretary Sharan Burrow stated: "We urge the Indonesian government to reconsider and bring back trade unions into the minimum wage setting process. Without decent living conditions for workers, and wages on which people can live with dignity, economies will not grow" (IndustriALL 2016).

According to the experts surveyed, the government is most influential in minimum wage setting in the Wage Councils. Trade unions and employer organizations were perceived by experts to have a moderate influence each. First tier garment companies were assessed to have somewhat more limited influence, while global buyers and lower-tier companies played a much more limited role. In ensuring compliance with minimum wage laws, experts regarded the trade unions to play a major role, followed by a moderate role of the government, the courts and first tier companies, an even more moderate role of employer organizations and global buyers, and quite limited influence of lower tier firms.

When assessing the likely impact of a new regular MW hike, experts suggested that workers would be somewhat better off, but also that it could make employers less compliant with the labour law. Similarly, a hike might increase the share of workers on temporary or fixed contracts and raise the share of the informal economy. It could also, although this was thought to be less likely, change the composition of the workforce towards lower skill and experience levels as well as decrease overall garment employment. Experts found that few companies would change working conditions in response to such a change and none of them thought the share of Indonesian garment exports would decline.

Estimates of the experts concerning the share of garment employees earning minimum wages varied rather widely, that is, between 51-80 per cent. According to assessments of compliance to be discussed below under 'Compliance', in the current Indonesian reality the share of those at or above the MW may be closer to the lower bound.

Trade union situation

According to the experts we consulted, union density in the Indonesian garment industry was estimated to be between 40 and 50 per cent. It has to be added that older figures indicated much lower density rates. For example, for 2007 in textile and garment manufacturing only 3 per cent union membership was noted (Pitriyan and Siregar 2012, 14; see also Tjandraningsih 2015). The explanation for a difference of this magnitude is probably to be found in the composition of the membership data. For example, it makes a considerable difference particularly for the garment industry, when only permanent workers are included in this count (as most trade unions may be inclined to do for calculation purposes). Similarly, whether or not the count includes workers employed over a year, or contract labourers and otherwise informal workers, will make a big

difference in the final total. Four years ago, the Gabungan Serikat Buruh Independent (GSBI, Federation of Independent Trade Unions) estimated that the proportion of contract and outsourced workers in the garment, textile, and footwear industries was approximately 65 per cent (Anwar and Supriyanto 2012, 13). More generally, but also in Indonesia's *formal* sector a rapidly growing shares of workers are either on a temporary contract or outsourced (Tjandra and Van Klaveren 2015, 141-142).

Experts' opinions diverged when it came to assessing the influence of trade unions on Indonesia's wages and working conditions. One expert attached a strong influence to unions while the other perceived that unions have had little influence. By contrast, expert opinions converged when assessing working relationships between stakeholders. The relationship between different trade unions was seen as somewhat stronger than average according to experts. Trade unions were perceived to have moderately weak relationships with the government, with employer organizations and with global buyers. By contrast, relationships were regarded as having been stronger between employer organizations, and between the government and the employer organizations. A major problem for the trade unions, the experts noted, stemmed from the fact that, although recognized by the state through the provisions of labour law, employers often did not recognize them.

According to the experts, the main barrier to unionization stemmed from the lack of government support, with the opposition of employers and the lack of interest of workers both providing additional barriers. Experts perceived that less hinged on the lack of support from global buyers. Unions did not represent workers in small workshops, homeworkers and those working in the informal economy. The effectiveness of union activities was to some extent also hindered by the difficulties they faced trying to enter factory premises and by the fragmented interest representation through the existence of multiple small unions. In the end, the experts agreed that under the given conditions, unions were adequately representing workers' interests.

Collective bargaining

While there are no national, sectoral or regional CBAs in place in Indonesia, there are factory-level CBAs. Ten such CBAs are included in Appendix 1. According to the experts, 11-20 per cent of garment workers may be covered by factory-level agreements. A substantial number of CBAs adopt the existing regulations, including the applicable provincial MWs and increase wages in line with the increases of those MWs. In just a few companies, mainly MNEs, CBAs exist with remuneration systems that end up setting wages above the MW level. The experts regarded wage setting to be influenced by discrimination against women although discrimination on other grounds was seen to have been less common.

Since 1998, during the Reformasi era, collective bargaining has slowly developed, although has remained under the stamp of successive administrations. As Tjandra and Van Klaveren (2015, 145) have pointed out, with regard to wage setting successive national administrations have wanted to control the outcomes and have used MW setting in particular for this purpose. They have shown a reluctance to delegate wage setting fully to collective bargaining partners, which would require trade union action to be protected and facilitated. Thus, modern industrial relations remain in their infancy and collective bargaining has been weakly developed, not least because unions willing to bargain have met with a number of serious legal constraints laid down in the 2003 Manpower Law. Crucial elements of labour protection are missing, mainly because provisions promoting labour market flexibility have dominated and limited the scope of such elements. These authors concluded that workers remain highly dependent on statutory MWs for their wages, and trade unions have tended to keep a strong focus on

influencing MW levels. It is perhaps no surprise in this context, that the surveyed experts labelled collective bargaining in Indonesia as 'dysfunctional'.[22]

The experts added that corruption also played a large role in the interactions of stakeholders in relation to garment industry wages in Indonesia. As one expert put it, employers, rather than fulfilling their obligations and building good industrial relations with their employees, have chosen to build and maintain a close relationship with the government.

Compliance

All three experts highlighted that a considerable part of garment factories did not comply with labour law. One expert noted that the lack of monitoring by the labour inspectorate was an important factor in keeping garment wages low. These experts' judgements are, by and large, supported by the outcomes of the Better Work Indonesia (BWI) programme, that since July 2011 has carried out factory assessments under the guidance of the ILO and the IFC in order to measure compliance with core international and national labour standards. Through the BWI's fourth compliance evaluation, between April 2013 and March 2014, 67 factories in the Greater Jakarta Area were assessed. Between them these factories employed 119,000 workers. The non-compliance rates found to be 37 per cent for not paying the MW, and as high as 75 per cent for not (adequately) paying overtime – the highest non-compliance rate found in the field of compensation. Moreover, violations of the legal overtime limits had taken place in three-quarters of the factories assessed. Wage information, including the (non)use of one accurate payroll record or book, had a non-compliance rate of 52 per cent. High non-compliance rates were also found on occupational health and safety issues – as the assessment noted, this could easily lead to dangerous working situations in view of the chemical and hazardous substances used in garment factories. Finally, the incidence of non-compliance amongst the subcontractors hired by the factories scrutinized was quite high and seemed to increase over time (Better Work Indonesia 2014). This last outcome corresponds with the older results of the ILO research undertaken by Rani et al. (2013), which showed that whereas in 2005 the compliance rate with the MW in Indonesia's informal sector was an estimated 60 per cent, that rate had fallen to 35 per cent in 2009.

Article 90 (1) Manpower Act 2003 states that employers are prohibited from paying wages lower than the MW, and that prohibition is accompanied by the threat of severe sanctions. Yet, according to the experts only one case of such a violation has ever been brought to court. If a union at factory level exists, that might encourage compliance for permanent employees, but that would not necessarily be the case for casual employees, the latter hardly ever being union members. One expert wondered whether direct imprisonment would be an adequate sanction for non-compliance with MW legislation, but concluded in the end that such a sanction would most likely be counterproductive. According to MW legislation, ensuring compliance is the task of the government; although as one expert emphasized, trade unions have usually been able to exert pressure for compliance through involving the court or making a report and then cooperating with global buyers or 1st tier companies. Thus, trade unions and courts jointly can exert decisive influence on MW compliance. Unions have repeatedly taken on this role in view of the lack of labour inspectors.

Overall, in ensuring compliance with labour law, trade unions were regarded as having been the most influential by the experts, followed by courts, government, and global

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[22]   ILO's Jakarta office (2015f, 2) noted in this respect: "The focus on minimum wage setting has also seen some exceptional cases emerge. To illustrate, in one district in West Java province a minimum wage has been set for the manufacturing of zippers within the textile and garment industry. In this situation, it may have been more efficient for workers and the employer to directly negotiate over wages, rather than using the minimum wage fixing machinery. However, limited experience in wage bargaining means that the more familiar and legal binding tool of minimum wage setting is often preferred."

buyers all rated as being moderately influential. First tier suppliers were seen to have been of limited influence, and almost no influence was ascribed to companies further down the supply chain. Enforcement, it was thought, could be improved by adding more professional labour inspectors, supported by professional staff with more involvement from tripartite institutions, as well as the use of stricter sanctioning.

Information from national and international NGOs mostly showed a far from rosy picture concerning compliance with labour law in the Indonesian garment sector. The Community Legal Education Center et al. (2015, 8) have argued that the rate of compliance was lower in the garment industry than in any other industrial sector of the Indonesian economy. In particular, circumvention of MW legislation was regarded as having been massively and frequently instigated by the authorities. For example, in 2012, after the MW increase, the central government issued a circular to all provincial governors that had emphasized the ability of garment businesses to suspend MW payment.

Most worrisome have been wages and working conditions for garment workers in the Expert Processing Zones (EPZs). In total these employed approximately 6 million Indonesian workers. Research undertaken by the International Textile, Garment and Leather Workers' Federation (ITGLWF[23]), covering first tier sportswear manufacturers in Indonesia, the Philippines and Sri Lanka, uncovered evidence of widespread precarious work and poor quality jobs in EPZs. For Indonesia, it found that a high percentage of workers in a number of these factories were employed on short-term contracts (ILO 2014b, 81).

Wages in context

The experts perceived wages in the garment sector in Indonesia to be somewhat lower than wages in other sectors. They found that garment wages did not facilitate an exit from poverty. A family could not get by on a garment worker's wage, and garment wages were too low to even meet the nutritional needs of a family. One expert believed garment wages were not enough to provide beyond mere subsistence expenditures. Experts agreed that it was typical for workers to work overtime to earn the MW, and it was much less common for workers who worked overtime to earn a wage higher than the MW. One expert stressed that many garment workers worked overtime in order to hit their production target. Also, one of the experts added that some companies provided benefits in kind to workers, such as subsidized housing or food, and that this probably contributed to the lower level of wages paid.

In Indonesia, the purchasing practices of global garment brands – a demand for lower prices, shorter lead times, and seasonality – have been a major driver of the high and increasing reliance on contract labour. Large manufacturers have often used a large proportion of subcontracted homeworkers, typically on a piece-rate basis. Garment industry workers work in jobs requiring a somewhat lower level of skills and, according to the experts, it has been rather common for better-skilled workers to take up lower qualified garment jobs. Workers have limited opportunities to take up employment outside the garment sector whilst at the same time new workers have been easily available at the same level of wages and conditions. The level of experience of workers has been relatively unimportant for the determination of garment wages. Experts' opinions though diverged on the issue of whether or not garment wages have been influenced by the added value produced by garment industry workers: one believed it to have been an important influence, while the other strongly disagreed.

The experts explained that Indonesia's garment industry was neither an independent nor a direct actor in the global garment supply chain. Rather it was part of what they called the three-level structure of global production at the lowest level of the global value

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[23]   Since 2012 integrated in IndustriALL Global Union.

chain. According to the experts, the most relevant industry-level factors for low garment wages in Indonesia were: subcontracting practices in the long garment supply chain; the within-country competition of factories for orders from global buyers and the large role of the informal economy in the garment sector. The differences in MWs across provinces were also thought to have played a role. To a lesser extent but still important insofar as downward pressure on wages were concerned, were various industry-level factors such as the market power of firms to set wages; the conditions imposed on garment manufacturers by global buyers and the dispersion of orders by these buyers.

At country level, experts pinpointed as a major problem the fact that the government did not ensure compliance with labour legislation which experts had already criticized as being too permissive. Other major problems were said to be those related to the internal working of trade unions, particularly their weak capacity and lack of unity. The political influence of main employers in the garment industry was regarded as an important external constraint for the unions. The government was seen to have an interest in keeping wages low in order to ensure the competitiveness of the country's exports. Unions were not only constrained in their work by all these factors but also by other important barriers preventing unionization.

One of the experts pointed out that according to government plans, all labour intensive industries including the garment industry would receive new tax incentives in order to prevent mass layoffs. The government was also said to use other ways to attract FDI, by increasing infrastructure investment and easing ways to get production and export permits. Experts noted that this strategy for the large part was geared at attracting FDI rather than improving workers' living conditions. Nevertheless, they recognized that employer organizations were also striving to promote other aspects of competitiveness to global buyers beyond low wages, such as product quality, reliability and stable links in the chain. Corruption played a large role in the interactions of stakeholders in relation to garment wages in Indonesia. As one expert put it, employers, rather than fulfilling their obligations and building good industrial relations with their employees, have chosen to build and maintain a close relationship with the government.

The major factor at global level perceived by experts to drive garment wages down was the cross-country competition between garment manufacturers for contracts with global buyers. The large role played by the informal economy in Indonesia was regarded as being of nearly the same importance. One of the experts though saw the situation in the country's garment industry as having been mainly determined by factors outside the country. He emphasized the importance of the recession, the lack of incentives for global buyers to increase wages, as well as the price-sensitive demand of end-consumers. Another expert felt that several domestic factors had played key roles in determining garment wages, such as the degree of subcontracting, the problems with enforcing labour law and dysfunctional collective bargaining in Indonesia.

Figure 6 (next page) presents wage data for Indonesia: the monthly amounts of the living wages, the minimum wages, the total wages in Indonesia 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. On the left-hand side, the WAGES section comprises two 2015 minimum wage levels. We have chosen the MWs of Central Java (INR 1,100,000, lower bound) and Jakarta (West Java, INR 3,100,000, upper bound). As noted, in Indonesia the minimum wage levels vary widely. On the right-hand side, based on WageIndicator 2015 data average wages for three categories of workers are presented: for low-, medium- and high-skilled workers, all with lower and upper bounds. Next, the total average wage level based on the ILO Wage Database 2013 is included. In the GARMENT WAGES section we present Indonesia's garment wages based on the 2013 National Socioeconomic Survey (SUSENAS). Unfortunately, for Indonesia no further information on garment wages is available.

The figure and the underlying data show that the 2013 average garment wage based on official SUSENAS data is 20 per cent above the lower bound 2015 minimum wage but over 40 per cent below the upper bound MW level. The average SUSENAS-based garment wage for 2013 is substantially lower than the overall wages for all categories based on the WageIndicator. It is also 30 per cent below the 2013 average wage level as found by the ILO.[24] If corrected for inflation, the 2015 garment wage based on SUSENAS would still only be two-thirds of the lower bound overall wage for low-skilled. Concerning the wages for the three skill categories, dispersion is remarkably limited: the higher bound high-skilled wage is 2.1 times the lower bound low-skilled wage level (compare India: 5.5 times).

Compared to the calculated living wages, nearly all paid wage levels are low. The lower bound living wage for an individual is double the (inflation-corrected) 2015 garment wage. Its value is close to the upper bound minimum wage and slightly below the upper bound low skilled wage. Only the upper bound high-skilled wage is (slightly) higher than the upper bound individual living wage. The wages of all worker groups, regardless their skill levels, do not meet the lower bound level of the living wage for a typical family, let alone its upper bound level.

Figure 6   Living wages, minimum wages, total wages and garment wages in Indonesia, monthly amounts in Indonesian Rupiah (IDR)
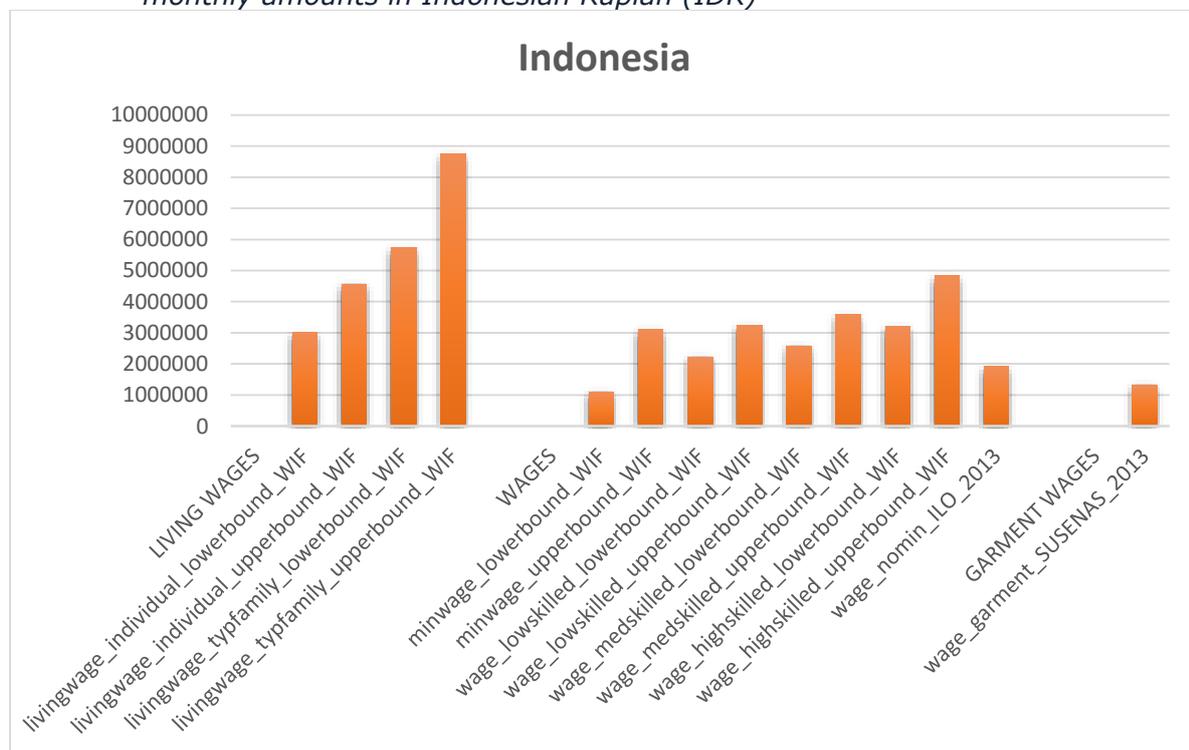
Source: *LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey; WAGES Minimum wages based on WageIndicator Minimum Wages Database 2015; Wages by skill level based on WageIndicator Wages Database; Nominal wages from ILO Wage Database 2013; GARMENT WAGES Wages garment stem from SUSENAS 2013 microdata.*

How to set and attain the Living Wage?

One expert followed the definition of living wage of the Asia Floor Wage Alliance. On this basis, According to this expert the living wage for an individual worker would be IDR 1,349,409 per month: less than half of the lower bound estimate of a living wage for

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[24]   This is in line with the finding from the UNIDO database that in 2011 average garment wages were 32% below average manufacturing wages in Indonesia.

individuals based on the WageIndicator survey. The living wage for a family of one adult and two children would amount to IDR 4,048,226 per month. Based on the more usual family composition with two adults, this would end up at about IDR 6 million per month, slightly above the lower-bound living wage for a typical family as calculated on WageIndicator data. Another expert took into account two adults and one child, assuming a caloric intake of 2,550 kcal per person per day. On this basis, the living wage was assumed to provide for 30 per cent expenditure on food, 20-30 per cent on housing, 5 per cent on social security, 10 per cent on clothing, and 30 per cent on transport. The estimated monthly living wage on this basis would amount to IDR 2,700,000 for an individual worker and IDR 5,900,000 for a family. The first amount is slightly lower than the lower bound WageIndicator estimate of an individual living wage. Concerning the family-based living wage, the assumed family composition is again somewhat unusual; taking two children as an assumption, the result would be approximately IDR 6,400,000, some 10 per cent higher than the lower bound WageIndicator-based living wage for a typical family.

According to the country experts, if workers were paid living wages unemployment would not increase among workers with the typical characteristics of garment workers. Neither would Indonesia see the relocation of garment producers abroad or the value of its exports decline. They strongly agreed that occasional end-consumer boycotts and further unionization would both be instrumental to support the increase of wages towards the level of living wages. They also agreed that the coordinated regulatory actions of low-cost garment manufacturing countries would offer strong support to the quest for living wages. This fitted with their acknowledgement that the living wage could only be attained with the involvement of global actors. In addition, some coordinated action from domestic garment manufacturers coupled with activities to encourage ethical consumption among end-consumers, was also seen as supportive. Experts saw less potential influence stemming from sanctions embedded in international trade agreements, and they did not believe that individual actions on behalf of domestic garment manufacturers could be instrumental here.

The experts emphasized that national NGOs play a role in research and publication, advocacy, awareness and influencing action concerning wages and conditions of garments workers, for example in relation to the Asia Floor Wage Campaign. They also lobby governments and MNEs, and often facilitate negotiations between workers and employers or brands. The main obstacles faced by NGOs are lack of funding and the fragmentation of trade unions in the garment industry. Also, they face difficulties to be recognized by other stakeholders – as NGOs are not trade unions, according to one expert, their role is likely to remain very limited. In the garment industry, national and international NGOs jointly are building and maintaining networks with unions as to campaign for better wages and conditions. Two experts noted as an example the Play Fair campaign by the Clean Clothes and Asia Floor Wage Campaigns. They added that a major obstacle facing the work of international NGOs is that their work is being put under constant monitoring of the government; recently, rules in this respect have been strengthened.

The experts were aware of the important role that national NGOs play in research and publication, advocacy and awareness-raising. They also recognized the influence of NGO actions concerning the wages and conditions of garment workers citing as an example the Asia Floor Wage Campaign. Whilst it was clear that NGOs have lobbied governments and MNEs and have often facilitated negotiations between workers and employers or particular brands, they remain hindered by a lack of funding and the fragmentation of trade unions in the garment industry. Equally they have faced difficulties being recognized by other stakeholders. Since NGOs are not trade unions, one expert felt their role was likely to remain very limited. That said, in the garment industry, national and international NGOs jointly had built and were maintaining networks with unions in order to campaign for better wages and conditions. Two experts noted as an example the Play Fair campaign by the Clean Clothes and Asia Floor Wage Campaigns. They added that a

further big obstacle facing the work of international NGOs was that their work was being put under constant scrutiny by the government and that the rules in this respect had recently been strengthened.

8.   COUNTRY OVERVIEW: MYANMAR

The garment industry: development and structure

Among the nine countries scrutinised here, Myanmar is a special case. Under the open-door policy of the military regime, garment exports grew steadily in the 1990s and the early 2000s. This growth lasted until 2003 when the US imposed sanctions against the regime and terminated all imports from 2004. Although since 1997 the US and the EU had deprived Myanmar of its GSP status, they had initially allowed Myanmar access to their markets. As a result, the share of garments in Myanmar's exports increased rapidly from 2.5 per cent in 1990 to 40 per cent in 2000. In 2003 though, the country's garment exports to the US halved compared to 2001 and in 2004 these exports decreased to zero. At the same time exports to the EU decreased too as the EU also become reluctant to allow made-in-Myanmar products to be imported. Japan and South Korea, who had not imposed sanctions on Myanmar during military rule, took over as the main export destinations. While Myanmar's exports have gradually recovered, their value in USD did not surpass the 2003 level before 2011 (Kudo 2012, 2013).

In the expectation of rapid democratization, the US lifted its import ban on Myanmar in November 2012. Earlier, in April 2012 the EU suspended its sanctions for one year and permanently ended them the next year (Kudo 2012). In these conditions a general atmosphere of recovery developed and the prospects for the country's garment sector actually seemed rather rosy. For example, in 2015 the employers' association, Myanmar Garment Manufacturers Association (MGMA), reported that new garment factories had opened every week, and their forecast was for the number of workers involved in the industry to grow from the current 260,000[25] to 600,000 over the next three years (ILO 2015d). However, there are reasons to believe that this forecast was overly optimistic.

The abundant supply of low-wage labour with higher educational levels than their equivalents in neighbouring countries has often been regarded as an asset for Myanmar's export garment production. Yet, for the Yangon capital, the centre of garment production, an occasional shortage of garment workers has already been reported. Also, labour turnover in Yangon has been high, giving rise to relocation to smaller cities in the countryside (Kudo 2013, 23). Many garment start-ups have faced heavy international competition, and could only negotiate fees for assembly labour, not payment on the so-called FOB basis i.e. the full value of the completed clothes as they are loaded 'on board' ships (ILO 2015d). New entrants have often concentrated on the domestic market but consultants have indicated that in such cases there was vast scope for improvements in process efficiency, product quality and compliance with labour standards (cf. Technopak 2013). Production has been hampered by poor infrastructure, like frequent power cuts, costly and unreliable logistics, and poor communication services (Kudo 2013, 30-32). There has been a lack of linkages too. According to the ILO (2015d), the country is yet not able to produce inputs for garment production like zippers, buttons, and fabrics according to the quality standards of international brands. Facing these problems as well as restrictions for FDI that are still in force, US- and EU-based investors for the time being seem rather reluctant to invest in garment production in Myanmar (Myint et al. 2015, 102).

Minimum wage legislation

The new law on minimum wages (Law No. 7, dated 22 March 2013) which came into force on 4 June 2013 and repealed the Minimum Wages Act 1949, has been a major

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[25]   According to a well-informed researcher, by 2010 the total amount of workers in Myanmar's garment industry could be estimated to be around 72,000 (Kudo 2012, 7). Based on this estimation and taking rising exports between 2010 and 2014 into account, for 2014 approximately 110,000 employed might be estimated.

social development in Myanmar. The law applies to all manufacturing and service sectors except family-run, cottage industries that employ less than 15 workers. The new law on MWs was drafted by the national government after lengthy consultations with the regional governments. There are no job-specific requirements or prescriptions for specific employee groups in the law. Garment employers wanted a lower MW than applicable for other sectors, but the government did not take this demand into account and adopted a national minimum wage (NMW). The minimum wage law does not specify the inclusion of in-kind benefits, though these were part of the tripartite negotiations prior to the adoption of the NMW. An annual review process monitors the implementation of the MW law. In MW fixing, inflation, geographical differences in inflation, minimum wages in other garment-producing countries and the wage demands of workers were considered and taken into account. Other factors considered but according to the expert not yet taken up, are changes in the cost of living and the level of education and experience of workers. As per 1 September 2015, the NMW is set at MMK 3,600 per day or MMK 93,600 monthly.

Myanmar has a 29-member MW-setting tripartite committee, representing national and local government, trade unions, and employers. It also includes some academic advisors. The committee meets regularly adopting a collegial working form until the final MW setting. Latterly though no board meeting has been convened due to the change of government in Myanmar. Elections were run in November 2015, the opposition won but the government was not due to be inaugurated until April 1, 2016. The decisions of the committee are not legally binding and it is thought to have had a neutral impact on the set MW level and has been somewhat unsuccessful in shaping working conditions. The country expert contended that more academics and labour economists should be invited for consultations in the committee meetings, which he thought would lead to better decision-making.

Trade union situation

The expert on Myanmar felt that the country's level of economic development, together with the recent economic recession and the price sensitivity of end-consumer demand for clothing were the most relevant contextual factors for wage setting in the garment industry. He also indicated that deficiencies in the managerial and marketing practices of domestic employers were a major factor affecting the level of garment industry wages and conditions, especially at the middle and floor level. Furthermore, Myanmar still lacked full access to the US and EU markets: US sanctions on Myanmar were still intact at the time of surveying/writing, and the residual effects of past EU sanctions on Myanmar were still strongly felt by the country's garment industry. The expert also noted the low level of government subsidies for the garment sector. Altogether these factors can be seen as the main explanation for the low level of wages in the country's garment industry. To some extent it is also relevant that part of the labour force does not yet possess adequate skills for working in the garment sector. In 2014, the government formulated a National Export Strategy which clearly outlined the importance of the garment sector. According to the expert, employer organizations could improve their approach in promoting competitiveness emphasizing other aspects than low wages when confronted with global buyers.

The Myanmar expert estimated between 31-40 per cent of garment industry workers to be members of trade unions. Unionization was seen as constrained by the opposition of employers and the global buyers as well as the lack of interest of workers to join. Yet according to the expert, barriers to unionization did not substantially influence the wage level in the garment industry. The deployment of union power has been hampered by the fragmentation of unions; their lack of political influence and the absence of representation of workers in small workshops and of homeworkers. In the expert's view, it was relevant that unions did not truly represent the interests of workers and hence workers perceived that it was not in their best interest to join unions. In addition, for the

time being at least, labour issues were regarded as a low priority for the incoming government.

Collective bargaining

Despite the weakness noted above, working relationships between the government and the trade unions were perceived as strong, as were those of trade unions and employer organizations. In contrast to this, working relationships between employer organizations and between government and employer organizations were considered to be moderately weak. Employer organizations were reckoned to have had a strong influence on wages and working conditions in the garment industry, similarly the influence of trade unions was also seen as being moderately strong.

The expert noted that the concept of collective bargaining had just been introduced and was still new for Myanmar. There would plainly be a need for more advocacy and research on how and in what form collective bargaining might fit into the local context, particularly given rigid (detailed) legal provisions. Some large firms and progressive manufacturers had started to use collective agreements with the involvement of trade unions. It was expected that their factories would run well and their business models were expected to pay off. Clearly, more research needs to be carried out on the functioning of these companies. In general, more awareness promotion, training and research would be needed to develop collective bargaining in Myanmar. Trade unions faced both external limits to their work and limited internal capacity. The expert judged the labour movement as politicized.

The law on factories specifies over-time payment rates, which should be twice the normal hourly wage. These overtime payment rates were at the centre of continuing negotiations as employers had complained about the relatively higher standards they were expected to fulfil regarding overtime payments compared to other regimes in the ASEAN countries. It is typical that employers wanted to treat every new job entrant to their factories as trainees who could be compensated at a lower level than incumbent workers. The government maintained that this should not be the case. The negotiations on these issues still continue.

Compliance

While the expert did not consider labour legislation in Myanmar to be particularly permissive, its enforcement was regarded as weak. The Myanmar government has not yet paid much attention to positive industrial relations and the minimum wage law has been poorly implemented. The industry has faced high transaction costs arising out of lack of ease in doing business and these costs have impeded the capacity of employers to pay higher wages.

As the minimum wage law has been set quite recently, its enforcement has not really begun yet. Corruption may play a role in the current lack of enforcement, but the expert regarded this as a relatively minor issue. Current conditions remain highly insecure. The government is monitoring compliance, while negotiations continue on the form of employment contracts. When it comes to MW enforcement, it is thought that tripartite negotiations could be more supportive than collective bargaining. According to the Myanmar expert, protests and forceful negotiations could undermine industrial relations, and it was important to avoid the politicization of MW policies. Trade unions appear to be geared towards a less oppositional approach as the incoming government is expected to sympathize more with workers' concerns.

According to the expert, the government and the employer organizations have been the main influential actors in setting the minimum wage in Myanmar and in ensuring compliance with it and labour law generally. Trade unions were also important but had been less influential whilst the courts have played a relevant role in ensuring compliance. The Ministry of Labour has played a key role in enforcing compliance with the minimum

wage law, but elsewhere in labour law its capacity and enforcing power has been quite low. Myanmar does not have a specialized labour court and relies on tribunals which have been constrained by low employers' turnout. More specialized higher courts are plainly needed here to complement these tribunals.

Wages in context

The introduction of the national minimum wage appears to have benefited a large number of workers without adverse economic consequences. Although it has been expected that the value of Myanmar exports might decrease, this did not happen; on the contrary, positive trends can be noted in this respect.

The expert estimated that 51-60 per cent of workers in the garment industry earned the minimum wage; 11-20 per cent earned above minimum wages and the wages of 31-40 per cent remained below MW level. Those earning higher wages tended to work for large or foreign-owned manufacturers, and were more likely to be female, semi-skilled, and 16-29 of age. Those earning below the MW were more likely to work in small establishments and at home, to be male, and be either trainees or children under the age of 15. Benefits in-kind were more likely to be offered by large, state-owned or foreign-owned manufacturers. Many arrangements existed concerning allowances for housing, the use of ferries, meals as well as vacation leaves. Given the high cost and time involved in transportation, the ferries and housing issues became important factors in negotiations.

The expert emphasized that employers could easily obtain workers at the present level of wages and conditions as workers lacked alternative employment opportunities. Under these conditions, employers plainly had some room in wage setting, though wage levels were clearly influenced by the conditions imposed on them by global buyers. Orders of global buyers were dispersed across several factories, increasing competition between them. Yet, the expert did not regard the intra-country competition between garment factories for orders as an important determinant of the garment industry wage level. Neither did he consider that cross-country competition or the threat of relocation as perceived by policy-makers and by workers, were significant factors in the setting of wage levels. He pointed out that the industry faced high transaction costs arising out of the constraints in doing business and that these costs had impeded the capacity of employers to pay higher wages.

Under pressure from a wave of strikes, many of which broke out in garment factories, the Myanmar Garment Manufacturers Association in June 2012 proposed model wages for garment workers. For skilled sewing operators (grade B) a basic wage of MMK 31,050 monthly was proposed for 27 working days / month, MMK 13500 of cost-of-living allowance, MMK 27,544 for (88 hours, or three hours per day...) overtime, and MMK 10,000 for regular attendance and productivity bonuses – in total MMK 82,094 monthly, or, at the official exchange rate, USD 84. It is unclear whether these rates and the modest wage increases agreed in previous years together with any change to the practice of pressing workers to put in very long working weeks, have, in fact, been attained (Kudo 2013, 19-20).

Wage levels in Myanmar need to be mapped more extensively. However, apart from *WageIndicator* data, current evidence does not go beyond the anecdotal. According to the expert surveyed, garment wages were not lower than wages in other manufacturing sectors in the country. A garment salary would, in his view, provide for the nutritional needs of a typical family and also provide scope for expenses beyond mere subsistence. However, in many factories the workers have been expected to work overtime to get decent wages. Furthermore, according to the expert it was quite common in Myanmar's garment industry to rely on temporary contracts.

Seemingly against all odds, an occasional shortage of garment workers in Yangon has been reported. A well-informed researcher noted the main reason was the fact that

workers were squeezed between slow wage rises and rapidly rising cost of living in Yangon (Kudo 2013, 23). This was confirmed by a recent Oxfam survey covering 123 garment workers working in 22 factories in industrial zones in and around Yangon. The survey showed that though workers including bonuses and overtime pay earned on average 18 per cent above the MW, they were still unable to cover the cost of basic needs like food, medicine and transport. Almost half of all workers surveyed were trapped in debt, reporting that they borrowed money to pay for basic items; 74 per cent said their income was not sufficient to meet their basic needs like food, housing, transport and medical costs. The report stated that, whilst the setting of a minimum wage was an important benchmark for Myanmar, its results suggested that particularly in and around Yangon the current MW level was not enough for workers to look after themselves and their families (Oxfam 2015).

Figure 7 presents wage data for Myanmar: the monthly amounts of the living wages and the minimum wage (NMW). 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 the current NMW level. Unfortunately, for Myanmar no information on paid wages is currently available. The figure and the underlying data show that the value of the 2015 MW is just over 75 per cent of the lower bound living wage for an individual worker, and nearly 60 per cent of its upper bound equivalent.

Figure 7 Living wages and minimum wage in Myanmar, monthly amounts in Myanmar Kyat (MMK)
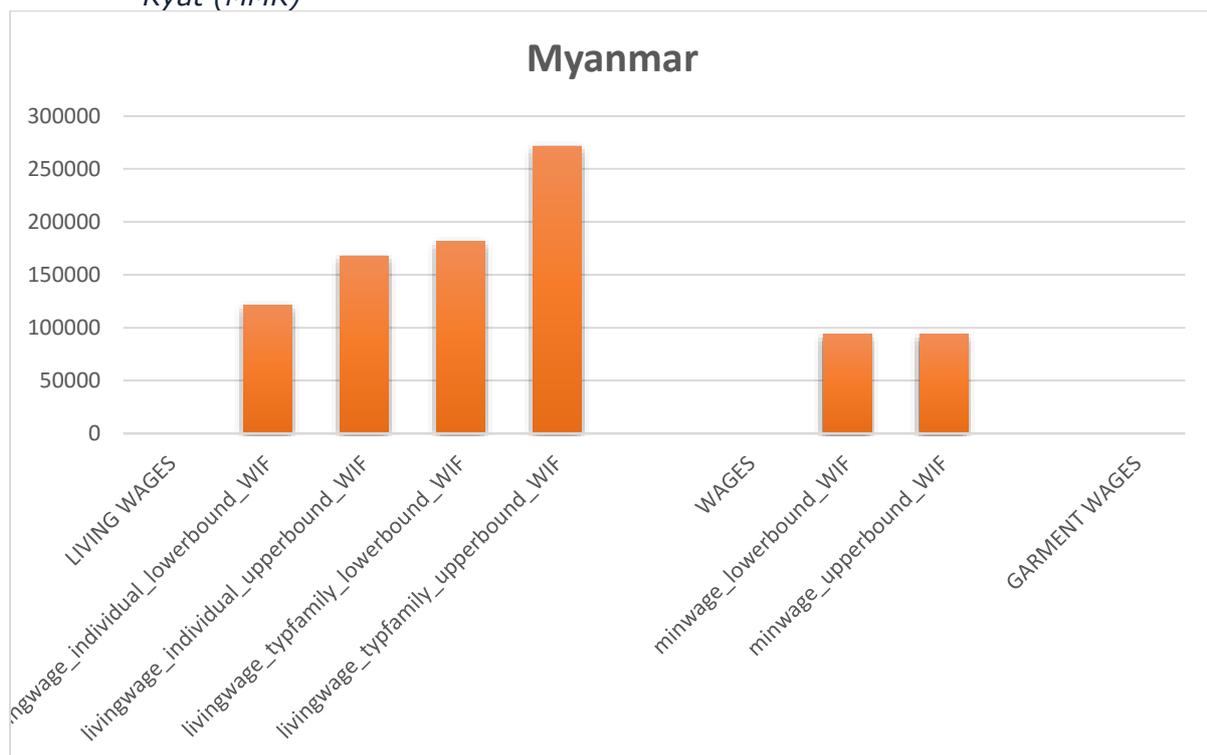
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey; WAGES Minimum wages are based on WageIndicator Minimum Wages Database 2015

How to set and attain the Living Wage?

Living wages, as estimated by the expert on Myanmar, would amount to MMK 80,000 per month for an individual and MMK 200,000 per month for a worker with a family. The first amount is two-thirds of the lower bound estimate of a living wage for individuals based on the WageIndicator survey. The second estimate is about 10 per cent above the WageIndicator-based lower bound estimate of a living wage for a typical family. In this

calculation, a family is assumed to consist of two adults and two children, the daily food intake is assumed to be 2,000 kCal for an adult and 1,800 kCal for a child; 70 per cent of expenditure can be spent on food, 20 per cent on housing, 6 per cent on education and 4 per cent on other expenses.

The introduction and proper implementation of a living wage would improve the situation of workers without any potential adverse economic impacts, according to the Myanmar expert. Yet such a living wage could only be attained with the involvement of global actors or with coordinated actions of domestic manufacturers. The expert rather disagreed with the idea that the potential of the Myanmar government or individual domestic manufacturers would be able to achieve progress on reaching living wages without other support. He also doubted the usefulness of occasional end-consumer boycotts or sanctions embedded into international trade agreements to support the cause for living wages. Neither did the expert believe that further unionization could be instrumental in reaching living wages.

9. COUNTRY OVERVIEW: PAKISTAN

The garment industry: development and structure

Building on the country's traditions, the focus of Pakistan's textile and clothing industry has centred on the early stages of processing, i.e. ginning, spinning and weaving, though in the last three decades considerable forward integration into garment production has taken place. In 2004, there were some 5,000 garment-producing units, with cottage industry accounting for roughly 80 per cent. In the five years before 2004, the garment workforce nearly doubled to about 700,000 (Siegmann 2005, 407-408).

The 2008-09 worldwide crisis impacted seriously on the country's garment industry, in particular the continuing shift of production to China. Already after 2004, with the MFA phasing out, price competition intensified in garment-exporting markets. Comparing the changes in unit prices across countries showed that Pakistan and to a lesser extent China had focused on price competition. At the same time, in larger factories in Pakistan male sewing operators were replaced by cheaper female workers (Siegmann 2009, 10; Makino 2011, 10). While in the short run price competition worked out well for Chinese exports, the same could not be said for Pakistan where, in 2008-09, the value of garment exports fell. By then, in Karachi alone 300 garment units with about 100,000 workers closed down (Hisam 2010, 22). Until 2011 the share of the country's garment exports in the world total decreased, but recently boosted by growing exports of high-value textiles the export of garment products has picked up as well (Government of Pakistan 2014). As a result, by 2014 the long-term average share of Pakistan in the world garment exports of 1 per cent had been restored. For 2015, total employment in the garment industry can be estimated at 1,180,000, of which 320,000 were women (Tables 4, 5 and 6) – bringing the share of the garment industry in Pakistan's total manufacturing employment to 22 per cent and in female manufacturing employment at nearly 30 per cent (author's calculations based on Government of Pakistan 2014 and ILO 2015b).

Minimum wage legislation

Pakistan's minimum wage system has been complicated by multiple applicable laws and ordinances, for instance the Minimum Wages Ordinance 1961 followed by the West Pakistan Minimum Wages for Unskilled Workers Ordinance 1969. The Minimum Wages Rules, 1962, promulgated in accordance with the Ordinance of 1961, specify two procedures: one, established under the Minimum Wages Ordinance 1961, provides for MW setting at provincial level and follows recommendations from a Provincial Minimum Wage Board. The other, established under the West Pakistan Minimum Wages Ordinance 1969, is the basis for a centralized MW setting procedure which does not require consultation of the social partners. The experts noted that at national level a Wage Determination Committee under Ministry is Finance is in place. However, they regarded its role as rather unclear and furthermore that its work was hidden from trade unions and NGOs. At the provincial level, tripartite Minimum Wage Boards are in place, which recommend wage rates for declaration by the respective provincial government. According to the experts' experience, the government has the final say on MW fixing.

The yardsticks for the revision of MW rates have been stipulated in generalized terms as 'any change in the economic conditions and cost of living and other relevant factors.' Cost of living can be interpreted as consumer prices and economic conditions, or as decent living conditions, yet, no specific criteria for revision have been stipulated. Although no MW revision is considered before one year except in special circumstances. Following the Labour Policy 2010, all provincial governments (ie. Punjab, Sindh, Khyber Pakhtunkhwa and Baluchistan) have notified fixed MW rates for different (that is, skilled and semi-skilled) categories of workers, with Punjab, Sindh and Baluchistan having MW rates for 102, 40 and 30 different industries respectively. A separate MW rate for the garment sector does exist. After the increase of the MW for unskilled workers by mid-

2015 to PKR 13,000 per month, there have been no further MW hikes in Pakistan (Ali et al. 2015, 110-112; WageIndicator MW database).

Trade union situation

According to the experts surveyed the limited bargaining capacity of garment workers was related to their lack of alternative employment opportunities and to the easy availability of new workers at the present level of wages and conditions. Moreover workers face formidable barriers to unionization including authoritarian factory regimes, and discrimination and harassment against union activists and workers who raise concerns against employer practices. Almost without exception in Pakistan, employers refuse to accept workers' rights of association and collective bargaining. Hence it was no surprise when all the experts estimated union density in the garment sector to be lower than 10 per cent. Consequently, the trade unions were seen as lacking strength, though a combination of internal and external factors played a role here too. In this respect, experts noted the substantial political influence of garment employers whereas unions lacked sufficient countervailing political power.

The lack of government and employer support for unionization was clearly one of the most important hurdles to organized interest representation of garment workers in Pakistan. According to the experts, the opposition of global buyers was somewhat less relevant. Employees were interested to join unions, but conditions were not supportive. Moreover, unions faced difficulties to enter factory premises to meet workers and observe wages and working conditions. Insofar as it existed at all, union representation of workers was fragmented and according to the experts did not fully or adequately represent workers' interests. Workers from small workshops, homeworkers and those in the informal economy were not represented.

The experts felt that the activities of national NGOs to improve wages and working conditions had been hampered by the opposition of the government and the mistrust of unions. The government perceived NGOs as following a hidden foreign agenda, and saw them either as potential interference with their activities or as advocates of over-regulation. No significant international NGOs were working for labour rights in Pakistan. Those who were active were raising awareness on labour standards and wages among the relevant brands and global buyers.

We should add that the situation of the workforce in Pakistan's Export Processing Zones (EPZs), which includes 30 to 40 per cent female garment workers, seems rather appalling, at least formally. Labour laws exclude workers in EPZs from trade union membership -- a dubious distinction shared by agricultural workers, workers in the civil service, the army, and the social sector in the wider economy of Pakistan. Furthermore, in Pakistan's EPZs nine major labour laws have been declared inapplicable (Ali et al. 2015, 106, 113).

Collective bargaining

Collective bargaining in Pakistan exists mainly at factory level, albeit on a limited scale. It is non-existent at sectoral level, due to the absence of sectoral unions and it is not supported by the law either. The country's collective bargaining has plainly suffered from this substantial curtailing of workers' rights. In 2008, former restrictive labour legislation was replaced by the Industrial Relations Act (IRA). With the exception of a few positive clauses, the IRA 2008 has been seen as remaining basically restrictive and exclusionary. Also, the governmental decree, Pakistan Labour Policy 2010, by and large ensured that collective bargaining remained divorced from legislation. It did not, for example, acknowledge the right of association for all workers, neither did it envisage extending the rights of association and collective bargaining to agricultural and informal sector workers. This is particularly relevant as over 70 per cent of the country's labour force is in informal employment (Ali et al. 2015, 103, 107; Government of Pakistan 2014).

According to the experts, improvement to the legal framework regarding collective bargaining and wage-setting could help to ameliorate the situation of Pakistani garment workers. Mandatory collective bargaining is lacking, and committees for occupational health and safety are not mandatory either. At industry level, the long and complex garment supply chains and the dominant role of the informal economy were seen as important factors contributing to low wages. Workers lack knowledge about their employer's position in the chain and about the main principals of interest representation. At the country level, Pakistan's low level of economic development contributes to the availability of a cheap workforce at low wages. Experts singled out the cross-country competition for orders from global buyers as the most important factor keeping wages low. The price sensitivity of the demand of end-consumers could also be a factor together with the perceived lack of incentives from global buyers to increase the wages offered. Indeed, one of the experts pointed out that global buyers had proved to be indifferent to ensuring compliance with their own codes let alone with local labour laws and international standards.

Mutual relationships between any of the actors involved in wage setting (trade unions, employer organizations, government, global buyers, national and international NGOs) was assessed as weak in Pakistan, with the exception of the relationship between the government and garment employers. The experts noted that the narrow and parochial interests of political parties also contributed to a final outcome of low wage levels in the garment sector. Not unimportantly, experts added that corruption was a relevant factor. Corruption is thought likely to have permeated institutional relationships involved in wage setting and labour law enforcement.

Compliance

The experts assessed the labour legislation in Pakistan as having been too permissive. On top of this, the labour inspection system was seen to be weak. They argued that the government, in its aim to attract FDI, has mainly relied on the lure of a cheap and compliant labour force. It obviously did not have a strategy to bolster Pakistan's external competitiveness on the basis of other factors. Instead, it has relied on liberalization and a decrease of bureaucratic measures. One of the experts mentioned a recently launched vocational education program under which thousands of young workers will be trained; this could be a step towards attracting higher value-added FDI.

Compliance with the MW was low as well. There were no proper mechanisms in place to ensure compliance. Experts claimed that the expectation of voluntary compliance was not leading to the intended outcomes. Poor governance, corruption and highly politicized decision-making all played a role in this outcome. They suggested a strengthening of regulation along with more rigid enforcement. Financial sanctions and the public naming of violating companies would also be influential measures to ensure compliance. The available evidence, though limited, points to widespread non-compliance. For example, during 2009 the national MW for unskilled workers was PKR 6,000. Yet, there is evidence –albeit scattered-- that a large share of workers, both skilled and unskilled, got less than the national MW. In a March 2009 survey of 500 women workers in small industrial garment-producing units in Karachi, 53 per cent of the respondents reported a monthly income of PKR 3,000 - 5,000, or only 50 to 83 per cent of the MW (Hisam 2010).

A number of events underline the experts' assessment of low compliance with labour and MW legislation, in particular in the textile and apparel industry. The most dramatic event took place in September 2012, when a garment factory in Karachi employing 1,500 workers caught fire, resulting in the deaths of 262 workers and injury to at least 55. Factory management had violated six building by-laws (Ali et al. 2015, 107). A less violent but also telling event happened in March 2013 when the Walt Disney Company withdrew its garment sourcing from Pakistan, citing poor working conditions and standards in the sourcing supply chain as reasons for their decision. This resulted in a major backlash with around 35 factories producing garments for Walt Disney losing their

business, putting the jobs of approximately 25,000 of their workers at risk. ILO reporting noted that at the time there was a strong sense of apprehension that other major brands would follow suit and that this would further cascade into an economic crisis for the country, characterized by massive job losses. To prevent such a scenario, the government of Pakistan requested technical support from the ILO. In response to this, among other actions the ILO, together with the IFC and the government of the Netherlands, set out to engage international buyers and big-name brands on the issue. This led to the establishment of the first ever Buyers' Forum in Pakistan in December 2014. The attendance list included GAP, Wal-Mart, Target, H&M, Adidas, Levi Strauss, Inditex, Primark, Li & Fung, El Corte Ingles, PVH, Hema, and C&A (ILO 2014a, 10-11; ILO 2015e).

The pressure on Pakistan concerning compliance has increased since in 2014 after the EU granted the country the GSP Plus status which allows it to pay lower or no duties on exports to the EU. However, to maintain this status, the ILO (2015e) noted that Pakistan needs to make concrete steps to improve workers' conditions and promote decent work by ratifying and implementing 27 UN conventions, including the eight ILO Fundamental Conventions.

Wages in context

The experts reckoned wages in the garment sector in Pakistan to be much lower than necessary for a family to get by or to meet expenses beyond mere subsistence. They were certainly not seen as sufficient for leaving poverty behind. Moreover, workers could only reach the minimum wage by regularly working overtime. Only one of the four experts indicated that garment wages would be enough to cover the nutritional needs of a family. One expert argued that garment wages were not lower than wages in other manufacturing sectors in Pakistan, but the other three disagreed with this assessment. The low wages offered in Pakistan's garment sector it was thought could partly be attributed to the low skill content of jobs and the relatively low added value produced. In the industry's workforce, women, semi- and low-skilled and young workers are over-represented. Experts suggested that discrimination against women was a factor that lowered wages. According to the experts, most contracts of garment workers were temporary and on a part-time basis however, working 10-12 hours a day was common practice.

The experts provided diverse estimates on the actual share of garment workers earning at the MW in Pakistan, though all thought it was below 40 per cent. Also, they consistently claimed that less than 10 per cent would earn substantially more than the MW and that such workers were most likely to work for larger employers or state-owned firms. Three experts agreed that approximately 70 per cent of garment workers, across all types of garment manufacturers, would earn less than the minimum wage. Benefits in kind for transport, utility costs and clothing were mentioned as additions to wages received mainly by employees in large and foreign-owned garment firms. Although the margin of uncertainty in assessing wage levels in Pakistan is comparatively high, these assessments fit in with those found in recent literature (cf. Kauppert and Qadir 2015, 133).

According to the experts surveyed, a MW increase would under the conditions prevailing in Pakistan have some adverse consequences. They regarded it likely that employers would become less compliant with labour law, would switch towards a larger share of temporary and fixed term contracts, would lay off workers, or would move towards the informal economy. However, provided a MW increase was within reasonable limits, they felt it would not have a negative impact on the value of garment exports of Pakistan.

Figure 8 (next page) presents wage data for Pakistan: the monthly amounts of the living wages, the minimum wages, the total wages in Pakistan 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. On the left-hand side, the WAGES section comprises two 2015 minimum wage levels, the lower bound level (national minimum) being PKR 10,000 and the upper bound (skilled workers) PKR 13,900. On the right-hand side, based on WageIndicator 2015 data average wages for two categories of workers are presented: for medium- and high-skilled workers, both with lower and upper bounds. Next, the total average wage level based on the ILO Wage Database 2013 is included. In the GARMENT WAGES section we present the average garment wage based on the 2013-14 Labour Force Survey (LFS). Unfortunately, for Pakistan no further information on garment wages is available.

The figure and the underlying data show that the 2013-14 average garment wage based on LFS data is 2 per cent below the lower bound minimum wage and 40 per cent below the upper bound MW. The average garment wage is also substantially lower than the overall wages for the medium- and high-skilled worker categories based on the WageIndicator, at least less than half the lower bound wage for the medium-skilled. It is also over 20 per cent below the 2013 overall average wage as found by the ILO. These indications point in the direction of relatively low garment wages. The 2013-14 average garment wage is some 10 per cent lower than the estimated lower bound of the living wage for an individual worker; the upper bound equivalent is 1.8 times higher than the garment wage. The lower bound living wage for a typical family is over three times the average garment wage and the lower bound minimum wage.

Figure 8   Living wages, minimum wages, total wages and garment wages in Pakistan, monthly amounts in Pakistani Rupee (PKR)
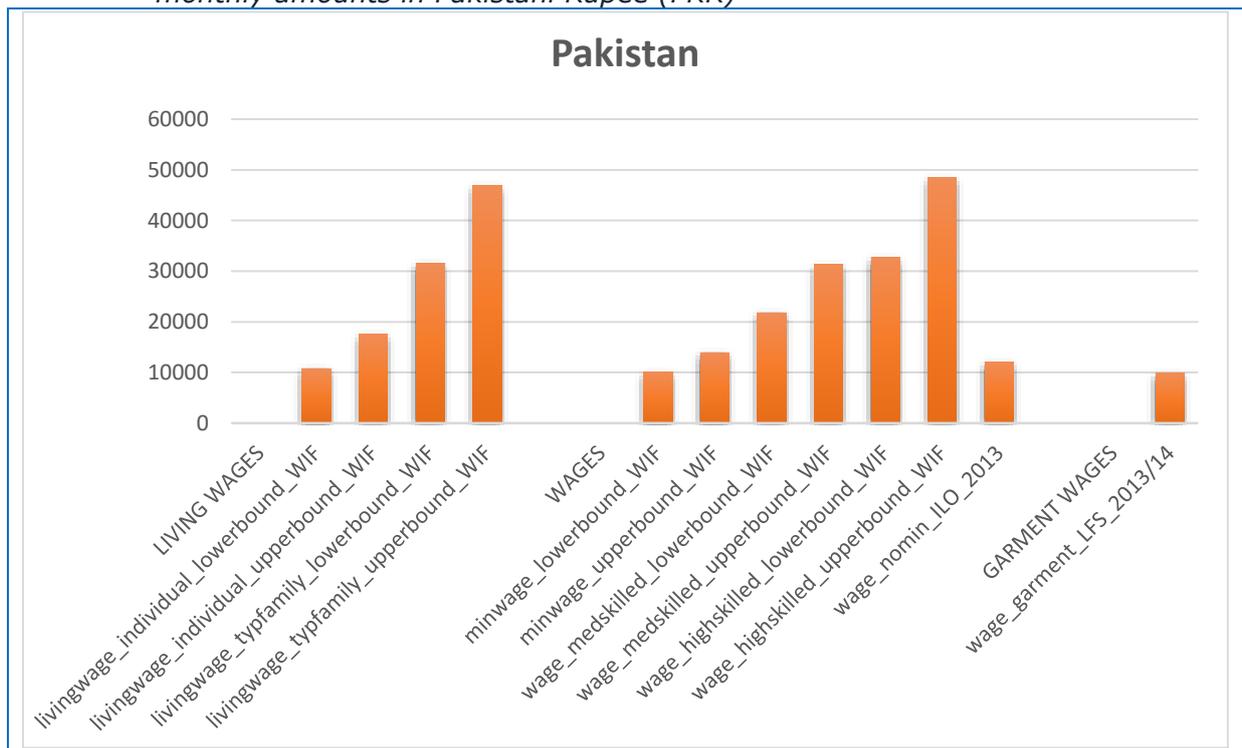
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey;
WAGES Minimum wages are based on WageIndicator Minimum Wages Database; Wages by skill level based on WageIndicator Wages Database: no data available for low skilled workers; Nominal wages stem from ILO Wage Database 2013;
GARMENT WAGES Wages garment stem from LFS 2013/14 microdata

How to set and attain the Living Wage?

The experts provided a fairly consistent view on living wages for Pakistan's garment workers. For an individual worker, the living wage would amount to between PKR 13,500 and PKR 15,000. This range is just between the lower and upper estimates of a living

wage for individuals based on the WageIndicator survey. For a family, the experts respectively suggested the following values for the living wage:

- PKR 23,500 (2 adults, 2 children, 60% expenditure on food, 10% on housing, 10-15% on healthcare, 10% on education and 5% on transport);
- PKR 25,000 (2 or 3 adults, 3 or 4 children, up to 70% of expenditure on food);
- PKR 28,000 (2 adults, 2 children, 2,350 kCal assumed daily caloric intake per person, 50% expenditure on food, 30% on housing, 5% on healthcare, 5% on education, 5% on transport and 5% on clothing).

The amounts presented are respectively 25, 21 and 11 per cent lower than the lower bound WageIndicator living wage level calculated for a typical family, which for Pakistan based on the current fertility rate implies 3.6 children. If this family composition is applied on the first suggested value, that ends up 10 per cent below the lower bound WageIndicator living wage level; if it is applied on the third value, this goes up to 7 per cent above the latter level. It has to be noted that the living wages for a typical family according to the WageIndicator calculation are relatively high for Pakistan due to the combined effect of a relatively high fertility rate and relatively low labour participation rates (in particular for women but also for men) in this country.

According to the experts the living wage in Pakistan could only be attained with the involvement of global garment industry actors such as international buyers. Coordinated regulatory actions of low-cost garment manufacturing countries could also be supportive in the local quest for living wages. Within the country, further unionization would be the most important factor to support this quest, along with the relaxation of legislation that is not supportive of unionization. National trade unions could then engage in concerted actions for a needs based minimum wage. Within the country, government action would be necessary to ensure a thorough and effectively functional tripartite system of social dialogue, to promote free collective bargaining and to strengthen the country's labour inspectorate. Campaigns to encourage ethical consumption, occasional end-consumer boycotts and sanctions embedded in international trade agreements were also thought to also be potentially influential. Finally, a move towards the living wage would hinge on the actions of government and domestic employers – on current evidence this obviously would involve a major and dramatic change in policy and so far at least, neither of these parties has received sufficient incentives to move in this direction.

10. COUNTRY OVERVIEW: SRI LANKA

The garment industry: development and structure

In 1977 the Sri Lankan economy was liberalised and took the first steps towards export-oriented manufacturing. A year later, the first Export Processing Zone (EPZ) was initiated. In 1992, with the establishment of a governmental Board of Investment (BOI), incentive packages such as tax incentives and exemptions were offered to the garment industry. In the 1990s EPZs outside Colombo were promoted, and investors were offered incentives like additional tax holidays and lower ground rent. Later on the Sri Lankan government established industrial parks elsewhere too. Yet, the increase of the country's garment exports in the 1980s and 1990s was mostly driven by the government's trade liberalisation policies in combination with the practices of 'quota hopping' that we have already described (Kelegama 2005, 2009; Bandara and Naranpanawa 2015).

In the 2000s, the EU's trade policies vis-a-vis Sri Lanka came into play. After the December 2004 tsunami, that killed 35,000 people in Sri Lanka, the EU decided to grant the country GSP Plus facilities with effect from July 2005 as the country was regarded as 'dependent' and 'vulnerable'. For five years Sri Lanka was among the 16 beneficiary countries and the only South Asian country that qualified for GSP Plus. In these years, the country's garment industry faced challenges such as the phasing out of MFA in 2005 and later on the global financial crisis. In addition, in 2010 the EU decided to withdraw the GSP Plus facility from Sri Lanka on the basis of its alleged poor human rights record during the final stages of the war against the so-called Tamil Tigers in 2008-2009.[26] As 60 per cent of Sri Lankan garment exports went to the EU, this decision was a severe blow for the industry. Experts' opinions diverge on just how serious that blow was (cf. Ruwanpura and Wrigley 2011; Yap 2014) but there is evidence indicating that particularly female workers from poor backgrounds felt long-term negative effects (Bandara and Naranpanawa 2015, 1445-1446).

The available statistics show that while the volume of Sri Lanka's garment production continued to grow, in the last decade its share in world garment exports decreased somewhat. Taking productivity growth into consideration, this explains the longer-term decrease in garment employment, from 340,000 in 2003 (Kelegama 2009, 581) to 267,000 in 2012 (see Table 3). A rather pessimistic tone has dominated recent writing on the prospects of the garment industry in Sri Lanka. Informed authors have listed a number of hurdles to growth, namely: the existence of a small domestic textile industry causing relatively large imports of inputs for garment production and longer lead times; a lack of accessory industries; persistent labour shortages; and, in spite of recent improvements, the overall poor state of the country's infrastructure (cf. Kelegama 2009; Ruwanpura 2013; Bandara and Naranpanawa 2015).

Minimum wage legislation

The Wage Boards Ordinance regulates minimum wages in Sri Lanka. According to the ordinance, the Minister may establish a Wage Board for any trade, or any function or process in such trade. This gives autonomy to the Government to increase the MW's scope. The Wage Boards Ordinance formally establishes a process by which MW rates are determined by tripartite, trade-specific Wages Boards. The main factors considered in the adjustment of MWs are changes in cost of living; the economic cycle in exporting countries; wage differentials and MWs in other countries in competing manufacturing; wage demands of workers, and the type of contract of the workers concerned. Currently, MWs apply for over 35 trades, including for the garment sector-related occupations.

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[26]   Since 1992 the EU has a policy of including a human rights conditionality clause in all trade agreements with third countries.

Recently, minimum wage increases have been announced. In March 2016, a bill was passed in the Sri Lankan parliament to have the minimum wage set at LKR 10,000 per month for all industries, including the garment manufacturing sector. The law will come into operation with retrospective effect from January 1, 2016. Furthermore, under the Budgetary Relief Allowance Act an allowance of LKR 1,500 was decided effective May 2015 to be added on to wages, with another LKR 1,000 effective January 2016 as a mandatory increase for those earning below LKR 40,000, bringing the effective MW rate for the private sector at LKR 12,500 per month. For the garment industry, in 2013-2015 separate minimum wage rates were in existence depending on skill grades, with MWs set from LKR 8,970 for the lowest grade/first year and at LKR 10,140 to LKR 11,330 for the two highest grades, the highest rate attainable in the fifth year of employment (WageIndicator MW Database). According to the survey expert though, legislating for a minimum wage and including an 'increment' effective in 2016 has compromised the bargaining power of the workers to negotiate wages based on labour trends and the market. However, the trade unions promoted this approach on the basis that in other sectors, including in SMEs, a wage below the proposed MW was paid. Thus, this more recent initiative brought relief to the most vulnerable workers.

In summary, according to the expert the influence of trade unions and the government on MW setting in Sri Lanka is considerable, whereas employer organizations, specifically the 1st tier companies, have been seen to have medium influence. Evidence on the influence of global brands and global buyers is lacking but their impact on MW setting is thought at best to be indirect.

The expert perceived the share of employees receiving the MW in the garment industry to be less than 10 per cent, while 90 per cent of workers would have received more than the MW especially in the large and medium-sized enterprises. Garment workers in both MW categories worked for large manufacturers, for lower tier manufacturers and for foreign-owned factories. Compared to other industries, female, semi-skilled and young (15-29 of age) workers have been overrepresented in the garment industry. Workers in the garment industry have received uniforms, free meals, free transport, and opportunities for training including overseas training, particularly when working for large manufacturers and foreign-owned factories.

Trade union situation

The expert noted that around 26 percent of the garment workers were currently covered by unions. According to the expert, union busting and the perception of trade unions as 'troublemakers' did not make them sufficiently attractive to garment workers, mostly women. They were also hampered by the short time they often spend in the sector. It was argued that only strong and proactive trade unions could enjoy the same relationship as employers with global buyers and that such cases were few and far between. On the other hand, trade unions to make up for their lack of access to factories were prone to exaggerate their case in order to attract the attention of buyers, not realizing, according to the expert, that they were compromising the sustainability of an establishment. Therefore, a transparent platform for social dialogue and workplace cooperation should be ensured.

Recent ILO reporting has drawn attention to trade union activities to organize EPZ workers. The largest trade union in the garment sector has undertaken education activities, conducting seminars and workshops for members, and has discussed what it could do to achieve union stability in the long term. Its 5-year action plan focused on recruiting 5,000 new members. The plan also centred on the continuing education and training of activists and on improving the union's image, through the organization of a festival close to the EPZs every year. The union runs offices in major EPZs, where experienced organizers can help workers in need (ILO 2014b, 81).

Collective bargaining

Sri Lanka has collective agreements at national and/or regional level. Wages set in these collective agreements were typically higher than the MW. If the agreements offered less favourable conditions than national requirements, they were not published in the Government Gazette and did not have the force of law. Neither can CBAs that contravene legislation get the force of law. However, there was lack of freedom of association and unionisation in sectors that were critical to the growth of the economy, based on the assumption that collective bargaining might hamper sectoral growth. Less than 10 per cent of the garment workers were covered by enterprise-level CBAs. The most common type of contract in the garment industry was the full-time, temporary contract, increasingly brokered through the intervention of manpower agencies.

The working relationship between the different employer organizations was seen to be very strong, whilst that between the government and employer organizations was moderately strong, and similarly that between employer organizations and global buyers. The relationship between the different trade unions, between the government and trade unions, and between trade unions and global buyers was rated as averagely strong. The relationship between the trade unions and employer organizations by contrast was seen to be moderately weak. According to the expert, employers were in a favourable position due to the fact that they were often more articulate and could present their cases better to global buyers. Unions, on the other hand, were thought to have problems in promoting their case and were seen to lack negotiation skills. Expert opinion held that buyers could be fairer and should ensure that they gave primacy to ethics rather than a narrow focus on lean production and cost reduction. As the expert pointed out there was a social dialogue unit at the Ministry of Labour (MOL) and the National Productivity Secretariat was home to over 100 trained social dialogue and workplace cooperation trainers thus some potential exists to begin constructive social dialogue. To this end, the ILO have initiated a project to encourage employers' organisations and worker representatives to join forces and run a joint social dialogue and workplace cooperation programme to improve the situation.

Compliance

Sri Lanka has Wage Boards for 44 selected industries and various occupations. A Garment Manufacturing Trade wages board is in existence, set up back in 1963. The law ensures regular meetings and that employers and workers are represented in equal numbers on these Boards. However, it was noted that female representation was low. Whilst Board decisions are legally binding, according to the expert, the Board system has only been moderately successful in bringing wage levels closer to living wage levels. By contrast, it has been very successful in securing compliance with labour law, though it was noted that the wages tribunals under the Shop and Office Act were not operational. Ensuring compliance with MW policies has proved pretty controversial, according to the expert. More social dialogue rather than state regulation would improve compliance, but in the absence of an enabling environment, the argument goes, state intervention is better than no intervention.

The expert reckoned that employer organizations and specifically 1st tier companies together with trade unions have had a major and generally positive influence on compliance with labour law, whereas the government and the global brands and global buyers have had a medium influence. The Ministry of Labour has apparently been moving towards a paperless labour inspection system in order to offer more efficient, effective and timely responses within a well-established monitoring system. On this basis, it was thought possible that this might set a trend towards less litigation and more dispute prevention. According to the expert, regulation and enforcement of labour law could be improved by more training of mediators, conciliators, and labour tribunal presidents, as well as by developing better social dialogue and negotiation skills amongst the social partners. The main hurdles for the regulation and enforcement of labour law

were seen to relate to the lack of voice of workers in certain sectors, and to the imbalanced power relationships in the workplace. Major relevant issues the expert added concerned the use of manpower agencies who operated outside the law; a lack of consistency in judicial decisions on labour matters; a lack of promotion of ILO Conventions 87 (Freedom of Association and Protection of the Right to Organise) and 98 (Right to Organise and Collective Bargaining), and the fact that some trade unions seemingly preferred confrontation to negotiation.

An interesting point concerning compliance that may be relevant in view of the quest for a living wage, has lately been highlighted by Ruwanpura and Wrigley. In judging the effectiveness of corporate codes of conduct and other ethical trade initiatives, they pointed to the nationally and locally specific factors that determine and mediate the implementation of corporate codes of conduct. The managers they interviewed in Sri Lanka focused on the high degree of inconsistency surrounding the implementation of ethical trading initiatives across the region. In particular during the global crisis the costs of maintaining standards had been considerable, according to their account. This may disadvantage countries with high standards, like Sri Lanka (Ruwanpura and Wrigley 2011, 12; see also Ruwanpura 2013).

Wages in context

The expert did not perceive garment wages in Sri Lanka as having been too low as compared to wages in other manufacturing sectors in the country. Earnings of a garment worker were enough he thought to cover the nutritional needs of a typical family. Yet, they are neither enough to allow an exit from poverty nor to provide for expenses beyond mere subsistence for a typical family. Garment workers did not have to work regular overtime to earn a MW, but they needed to do so to earn a wage higher than the MW. According to the expert, these statements characterized the trend toward lean production methods where teams were formed and took responsibility for a particular output target - this created unhealthy pressure on individuals who may have had to work in an accelerated mode so as not to let down their team mates or to create tensions in teams for not living up to expectations and ultimately incurring a negative impact on the productivity-based component in pay. In addition to this issue, the employment model of manpower agencies was emerging. They were used to recruit casual hands to work at double the daily rates with no accountability for quality of products. The subsequent burden of damage control was often vested in the regular workforce earning a traditional wage.

According to the expert, the main factors preventing an increase to the present level of garment wages were related to workers not having the skills necessary for garment production; therefore, the added value produced was limited. The level of economic development of the country was not seen to be so important here. The main factory-level factors preventing an increase to the present level of wages in the garment industry were said to be the easy availability of new workers at the present level of wages and conditions, as well as the discrimination against women working in the industry. Discrimination was according to the expert not based on ethnic or place of origin: ethnic and immigrant groups were represented in the proportions they held in the population at large. It was not thought that companies' non-compliance with the labour laws had prevented wage increases from occurring.

The expert perceived that the main industry-level factors preventing wage increases related specifically to subcontracting practices in the garment industry. The market power of garment firms to set wages was also important here. The dispersion of orders by global buyers to many factories with each factory catering to many buyers, and the conditions imposed on garment manufacturers by these buyers, were not seen to be of major importance for wage setting. Neither did the existence of an informal economy in

the garment sector[27], or the within-country competition between garment manufacturers for contracts with global buyers, play much of a role in wage setting.

The main country-level institutional and political factors preventing garment wage increases related to barriers to unionization. These were said to include: dysfunctional collective bargaining; political influence of main employers in the garment industry; permissive labour laws and regulations; the base salary influencing payments of gratuity, and external limits to the influence of trade unions on wages and conditions. Other, though less important, factors related to: problems the government had enforcing compliance with labour law; the perceived threat of relocation of garment factories, and the limited internal capacity of trade unions to influence wages and conditions. Despite this there was little evidence of government policy to keep wages low to ensure the competitiveness of exports. Interestingly, according to the expert, unions and workers did not perceive a threat of relocation of garment manufacturing.

The main global factors preventing wage increases in the garment industry were seen to relate to the cross-country competition between garment manufacturers for contracts with global buyers. Other, though less important reasons were identified as: the economic recession in the target countries of garment exports; the lack of incentives for global players in the garment industry supply chain to increase wages, and the indifference of the end-user to the ethical issues surrounding the production of garments. The fact that the demand of end-consumers for garments was highly sensitive to prices was regarded as of limited importance.

Figure 9 (next page) presents wage data for Sri Lanka: the monthly amounts of the living wages, the minimum wages and the total wages according to WageIndicator and ILO data. 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. On the left-hand side, the WAGES section comprises two 2015 minimum wage levels, LKR 8,970 for the lower bound level (lowest grade/first year) and LKR 11,330 for the upper bound level (highest grade attainable in fifth year of employment). On the right-hand side, based on WageIndicator 2015 data average wages for three categories of Sri Lankan workers are presented: for low-, medium- and high-skilled workers, all with lower and upper bounds. Next, the total nominal wage level based on the ILO Wage Database 2010 is included. Unfortunately, for Sri Lanka no information on garment wages is available.

The figure and the underlying data show that the 2015 average wages for low-skilled are some 40 per cent higher than the upper bound minimum wage and nearly double the lower bound minimum wage. The distance between minimum wage levels and wages of medium- and high-skilled is even larger. Across the three skill categories, the wage dispersion is substantial though not very high: the higher bound high-skilled wage is 3.3 times the lower bound low-skilled wage level. If corrected for inflation in 2010-2015, the overall wage level as captured by the ILO for 2010 would end up 20 per cent above the lower bound low-skilled wage for 2015. The estimated lower bound living wage for an individual is between the lower and upper bounds of the wages for low-skilled and about equal the lower bound wage level for medium-skilled; the upper bound living wage for an individual would equal the upper bound medium-skilled wage or the lower bound high-skilled wage. Only the upper bound high-skilled wage matches the lower bound living wage as estimated for a typical family.

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[27]   For 2009, the ILO (2012) concluded that 56 per cent of females and 65 per cent of males in non-agricultural employment in Sri Lanka were informally employed.

Figure 9 Living wages, minimum wages, and total wages in Sri Lanka, monthly amounts in Sri Lanka Rupees (LKR)
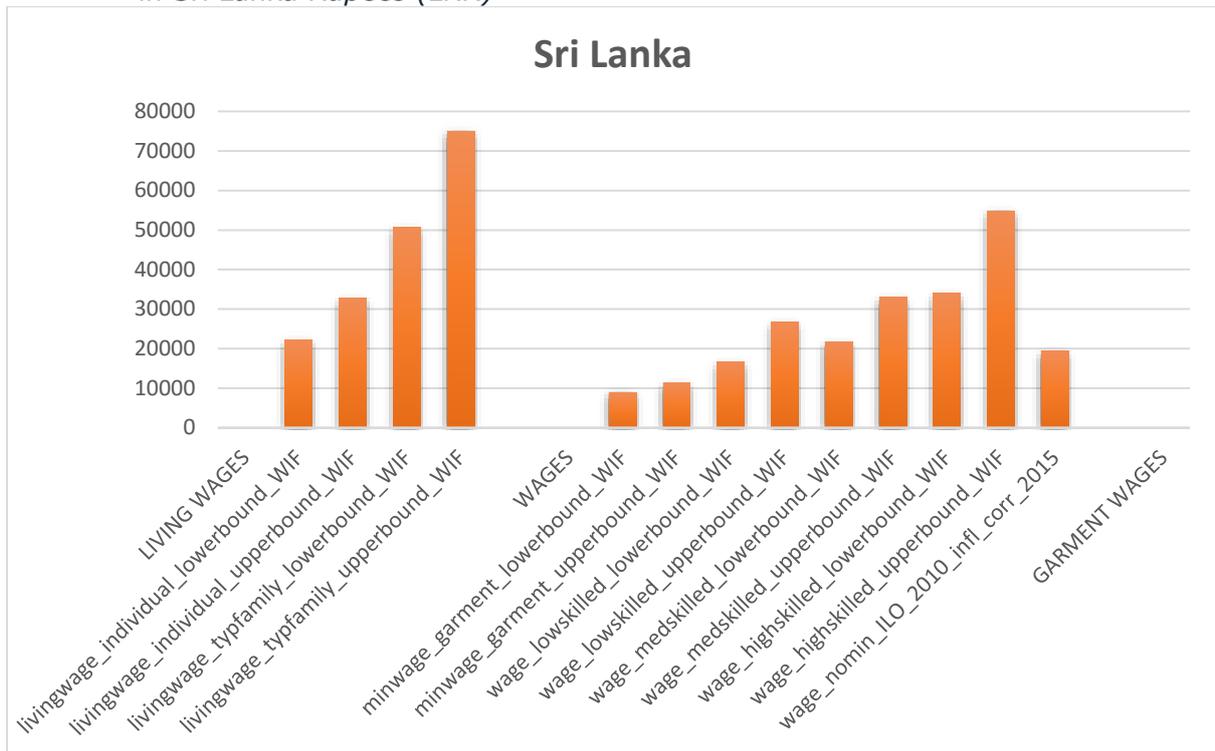
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey;
WAGES Minimum wages for the garment industry are based on WageIndicator Minimum Wages
Database 2015; Wages by skill level based on WageIndicator Wages Database; Nominal wages stem
from ILO Wage Database 2010

How to set and attain the Living Wage?

According to the expert, the appropriate level of living wages to garment industry
workers in Sri Lanka would be LKR 25,000 per month for an individual worker. This level
is 10 percent above the lower bound individual living wage as estimated by the
Wageindicator. Also, the expert estimated that the living wage for a worker with a typical
household would be LKR 35,000 - 40,000 per month at a minimum, of course depending
on the number of children in that household. In this calculation a typical household
comprises two adults and two children. The WageIndicator estimates for a typical family
are about 30 per cent (lower bound estimate) or nearly 50 per cent (upper bound
estimate) higher, though the differences would be somewhat smaller taking into account
that the typical family in the WageIndicator estimates comprises 2.4 children. The expert
noted that tripartite constituents were in the process of reviewing and responding to the
country's new situation, also in this field. The definition of the level of living wages was a
combination of what the tripartite constituents were alluding to. The assumed daily
calorific intake by a person in the expert's calculation was approximately 1,000 kCal per
day up to maximum of about 2,000; half of the living wage was made up by food
expenses.

The expert stated that the introduction of living wages could strongly improve the
situation of garment workers, although there was a possibility that this might lead to
company closures due to relocation and to increasing unemployment. The introduction of
a living wage would certainly be attainable using the tools available to the government,
but could really only be achieved with the involvement of global garment industry actors,
including garment consumers. Occasional consumer boycotts supporting the local quest
for living wages and buttressed by coordinated actions of domestic garment

manufacturers would both be useful too, provided they were without adverse consequences for domestic development. Similarly, coordinated regulatory actions of low-cost garment manufacturing countries could also be instrumental to support the local quest for living wages. Individual actions of domestic garment manufacturers were assumed to be less effective, and so were sanctions embedded in international trade agreements, along with activities to encourage ethical consumption and further unionization.

The realization of sectoral CBAs, also implying more space and respect for social dialogue at workplace level through independent social partner engagement, was considered by the expert as the most promising type of actions that could promote the introduction of living wages. By contrast, the most important barriers to the introduction of living wages were the controversies that needed to be settled on how the cost of living is calculated and linked to the living wage. It was thought that this complex issue has to be solved through social dialogue and technical support so that all parties have the same level of knowledge and can commence bargaining on an equal footing.

The role of national NGOs working to improve the wages and working conditions of garment workers had proved to be useful, according to the expert. However, their approach did not lend itself to strong social dialogue. The main obstacles facing the work of national NGOs were, until recently, the suspicions of the government although recently they have been given more voice. Some international NGOs working to improve the wages and working conditions of garment workers have undertaken research, but not necessarily through a process of tripartite consultation -- although that would have lent more credibility to their work or at least made it more acceptable as a foundation for further tripartite dialogue. The main obstacles for international NGOs were credibility and the perception of their donor-driven model prompting them to attracting donor funding by over-'sensationalising' the situation. Finally, a lack of funds prevented them reaching an adequate number of stakeholders either in doing research, or, in conducting outreach programmes.

11. COUNTRY OVERVIEW: VIETNAM

The garment industry: development and structure

In Vietnam, the 'Doi Moi' reforms of 1986 steered a path to a market-oriented economy. In the early 1990s, Vietnam's export-oriented garment industry entered the US and European markets. In the 2000s and opposed notably to Myanmar, Vietnam enjoyed increasing access to international markets through its improved relations with the US. Also, compared to European retail markets, the American market left more room for large orders of lesser quality garments, that is, more room to build a national garment industry (Goto et al. 2011). Moreover, in 2001-04 while Myanmar's garment exports to the United States fell to zero, Vietnamese exports to the US expanded 50-fold. In 2007, Vietnam became the WTO's 150th member. By then the country had already established itself as a major garment exporter to Japan, Europe, and the US. Around 2010, Vietnam started to make inroads into the quality-sensitive (and higher-value added) markets of Europe and Japan, though the country's main comparative advantage still seems to be in producing relatively simple (garment) products (Vixathep and Matsunaga 2012b; Kudo 2013). Employment in Vietnam's garment manufacturing has been booming as well, rising from 232,000 workers in 2000 to 1,109,000 in 2013 (Table 3, and Vixathep and Matsunaga 2012b, 77).

The structure of the Vietnamese garment industry remains highly segmented. Until the early 2000s, state-owned enterprises (SOEs) dominated the industry. At the time Vinatex, a conglomerate of 42 textile and garment companies, accounted for some 40 per cent of the country's garment exports (Nadvi and Thoburn 2004). Latterly, the SOEs have transformed to private or joint stock companies but for quite some time they continued to play a central role, not least because of their size. For example, in 2007 in Ho Chi Minh City, one of the country's four main garment centres, four SOEs had on average 4,612 workers, 146 foreign-owned firms (FIEs) an average of 614, and over 8,000 private firms only 17. Like elsewhere in Vietnam, in Ho Chi Minh City most of the small suppliers produced for the domestic market, relying heavily on social (mostly family) relationships (Goto 2013, 568). Though operating in a new legal framework, the existing market structure hardly seems to have changed from that of 15 years ago. Only limited numbers of SMEs have developed into suppliers for the major export markets, most of them through strict specialization (Vixathep and Matsunaga 2012b, 84). An industry consultant confirmed that Vietnam's privately-owned garment producers – currently 85 per cent of the total, against 15 per cent foreign-owned firms (FIEs, primarily based in other East Asian countries) -- were mostly only carrying out outsourcing contracts. By international standards most of these lower tier firms remain relatively small and under-financed (Tot 2014, 23-24).

Many of the former vertically integrated SOEs have tended to shift away from textile production towards labour intensive garment production. This has contributed to a low-value-added level in the industry and a continued dependency on imports of fabrics (mainly from China), equipment and materials and accessories (Schaumburg-Müller 2009). Yet this dependency has not always been assessed as a weakness. A number of observers regarded the growing labour shortages in its major producing cities and EPZs as well as the rather small basis of the export sector as the two main hurdles to the further expansion of the Vietnamese garment industry (Goto et al 2011; Vixathep and Matsunaga 2012b; Tot 2014).

Minimum wage legislation

Vietnam has no separate MW legislation; the general Labour Code 1994 (amended in 2013) regulates minimum wage fixing. The government determines a general MW rate as well as rates for each region and, in principle, for each industry. Different MWs exist for different types of enterprises, ie., domestic and foreign-owned (FIEs). Also, although

not regulated by the Labour Code, a basic MW level is applicable for state employees, armed personnel, and public organizations. The MW fixing procedure is as follows: subject to consultation with the only legal trade union federation, VGCL (Vietnam General Confederation of Labour), and representatives of employers, the government determines and promulgates from time to time general, regional and sectoral MWs, the latter two to be determined through the sectoral collective bargaining and to be specified in the sectoral CBAs with the proviso that these wage rates cannot be lower than the MW rate announced by the government.

Due to the lack of sectoral bargaining practice, only two sectoral sets of MWs are in existence, including those for textile and garment firms insofar they are covered by the sectoral CBA (see below, under 'Collective Bargaining'). The four regional MWs are dominant. According to the provisions of Article 91 of the Labour Code 2013, the government sets the regional MWs on the basis of recommendations from the National Wages Council. When defining the regional MWs, economic factors are taken into account as well as social factors, the development of the labour market, and preferential policies of the state. The regional MWs are applied to enterprises only. Factors generally taken into account for MW revisions are the cost of living; economic development; level of economic development; capacity of employers to pay, and the rate of inflation, along with other factors. In 2015, across Vietnam MWs were increased by 13-15 per cent, bringing these from VND 2,150,000 for Region IV up to VND 3,100,000 for Region I. A further increase by just over 11 per cent took place as per January 1, 2016, lifting these MWs to VND 2,400,000 and VND 3,500,000 respectively (Dieu and Dong 2015, 44-46; WageIndicator MW Database).

Trade union situation

In Vietnam, according to the expert (chairman of the Vietnam Textile and Garment Union, VTGU) 61 to 70 per cent of garment workers are union members. Based on another source (Scheisshelm and Thu 2015, 137) it can be calculated that the VGTU recently organized about 5 per cent of textile and garment workers. Yet it was added that beyond the sectoral trade union, workplace ('grass-root') unions in the industry are in existence directly affiliated with the VGCL. By the end of 2012, the total number of such unions in manufacturing industry was over 114,000 (Dieu and Dong 2015, 43). If their members would be included, total union density in the garment industry may have ended up at at large 40 per cent.

In Vietnam, according to the expert (chairman of the Vietnam Textile and Garment Union, VTGU) 61 to 70 per cent of garment workers were union members. Based on another source (Scheisshelm and Thu 2015, 137) that calculated the VGTU had organized about 5 per cent of textile and garment workers a major difference is apparent. The reality of union membership is complicated by the fact that beyond the sectoral trade union, many workplace ('grass-root') unions exist in the industry directly affiliated with the VGCL. By the end of 2012, the total number of such unions in manufacturing industry was estimated at over 114,000 (Dieu and Dong 2015, 43). If their members were included, total union density in the garment industry may end up at around 40 per cent

The lack of interest shown by employees to join unions was seen as a major barrier to further unionization. The expert complained that neither government, nor employers or global buyers were in support of unionization. Unions faced difficulties entering factory premises to meet workers, were not represented in small workshops or in the informal economy, and lacked political and workplace influence. Union influence on wages and working conditions was regarded as moderate. Relationships between unions and employer organizations and between trade unions and global buyers were seen as weak.

Trade union-affiliated authors have recognized that the lack of a proper social dialogue has been one of the root causes of the recent increase in the number of labour disputes in Vietnam, often leading to strikes which have risen from fewer than 100 per year

between 1995 and 2001 up to some 1,000 yearly in 2011 and 2012. A second complex of reasons for disputes can be traced to wage increases lagging behind cost of living increases. More than four in five strikes were related to demands concerning wages, bonuses, allowances, grants and overtime pay and other welfare regime facilities. Thirdly, industrial relations in foreign-invested enterprises (FIEs) have given rise to conflicts, in particular in labour intensive FIEs typically employing thousands of low-skilled and low-wage workers, as in large garment factories. Two studies pointed to the fact that strikes were more likely in southeast Asian– and east Asian–owned firms, with one study noting that many manufacturing FIEs employed Korean or Taiwanese managers who reportedly had little knowledge of managing human resources (Anner and Liu 2016, 23; Van Gramberg et al. 2013, 262-264). It may be telling that from 1995 until the end of 2012 about 100 strikes occurred in state-owned enterprises, 3,500 in FIEs, and 1,300 in private enterprises (Dieu and Dong 2015, 54-55; see also Scheisshelm and Thu 2015). In spite of progress in collective bargaining in the textile and garment industry as reported in the section below, during 2009-2014 the highest strike incidence could be found in this industry (VGCL 2014). Remarkably, workers were more likely to strike at unionized workplaces, according to the researchers in question because strikes pushed the unions to take on their (neglected) role of representing the workforce. In addition, strikes were more likely in firms with CBAs, in FTZs, and in factories with a greater share of female workers (Anner and Liu 2016, 23-24).

Contrary to China, where the Labour Code does not mention strikes at all, strikes as such are not illegal in Vietnam, but they are regulated through complex provisions detailing when and how they can take place legally. Yet in the course of disputes these procedures have often proved to be unworkable, including bringing cases to the labour arbitration councils. Thus, the majority of strikes have been labelled 'wildcat'. Dieu and Dong (2015, 55), noting that "In reality the bilateral mechanism in enterprises, particularly the role of trade unions, is not efficient", conclude that "Most strikes have been successful in terms of bringing more benefits and interests for workers, and have met workers' demands fully or partly."

Collective bargaining

In 2013, the National Wage Council (NWC) was established, in accordance with the new Labour Code and Trade Union Law that had come into effect earlier that year. The NWC consists of representatives of employers' associations, the VGCL as the sole representative of the employees, and MOLISA, the relevant ministry. This institution may strengthen the basis for MW setting in Vietnam (Scheisshelm and Thu 2015, 137).

Nearly all CBAs in Vietnam are agreed at enterprise and workplace level. CBAs at sectoral level remain under-developed, first due to the 'floor of rights' through which the government strictly regulates the structure and content of CBAs (Cox 2015), and second, because of the virtual absence of employers' associations. In 2015, for instance, only the textile and garment and the rubber industries had such associations. Thus, enterprise-level CBAs lack the support of higher-level agreements (Dieu and Dong 2015, 52-53). Not surprisingly, to date the country has only two sectoral CBAs, for the two industries just mentioned. In the first edition of the textile and garment CBA, agreed in 2010, 69 textile and garment companies participated. This step towards sectoral collective bargaining was carefully prepared by a taskforce of the Textile and Garment Association from the employer side and the VTGU trade union, in consultations involving the ILO, representatives of grass-root unions and employers from over 100 textile and garment enterprises (MOLISA/ILO 2010, 53-55). It should be added, though, that garment employers can rather easily circumvent legal obligations to have a CBA due to weak law enforcement (Cox 2015).

The textile and garment CBA introduced higher MWs than the regional MWs; the lowest wages for workers with vocational training were set at least 10 per cent higher than the MW (instead of 7% as prescribed by the state). In 2014, a new CBA was signed, now

covering over 100 textile and garment firms and stipulating MWs for 2014-17 that were 21 per cent higher than the applicable national MWs for 2014. This CBA covered over 136,000 workers – 7 per cent of the industry's workforce (Dieu and Dong 2015, 45). It may well be the case that outside the enterprises covered by CBA, wages are just at or below statutory MW level. For example, a 2010-11 study by the US-based Fair Wage network of pay practices at fifteen garment factories in Vietnam found that 75 percent of the surveyed factories paid only the statutory MW; the remaining 25 percent actually paid less than the MW (WRC 2013, 15). See below, under 'Compliance'.

Compliance

The expert on Vietnam stated that in ensuring compliance with labour law, government and employers had to play the most important roles. He reckoned that courts had been conferred with a limited role. This latter judgement was in line with the conclusion of Dieu and Dong (2015, 55), that "In practice, conciliation councils at the local level do not function, arbitration and the courts do not have the opportunity for arbitration or trial, hence, workers usually chose to strike as the only solution."

Since December 2009, the Better Work Vietnam (BWV) programme under guidance of the ILO and the IFC has carried out factory assessments in the garment industry to measure compliance with core international and national labour standards. Unlike Better Factories Cambodia it is not tied to quota incentives and voluntary. BWV allows detailed trends in compliance in Vietnamese firms to be drawn up, albeit from a sample. Data taken from a sample of 207 factories assessed by Better Work Vietnam in the period October 2014 to October 2015, showed a wide variance in compliance rates. For our purpose, the most important findings were that the incidence of non-compliance concerning MW payments was 38 per cent; and with paid leave at nearly 80 per cent, while 49 per cent of employers evidently did not keep at least one accurate payroll record – their motivation being to conceal excessive overtime. It has to be added that the complexity of the Vietnamese labour regulation has played some role in bringing about these results (Better Work Vietnam 2015b; also Cox 2015). Other ILO research found for 2007 and 2011 a high rate of compliance (95%) in Vietnam with MW regulations – which also meant a high rate across countries (Rani et al. 2013). A half-year earlier, half of the factories (51%) in the Better Work sample were found non-compliant on one or more regulations in the area of collective bargaining. The biggest problems here concerned the bargaining process, namely inadequate consultation between employer and unions (32% non-compliant) and failure to secure approval for an agreement by more than 50 percent of workers covered (24% non-compliant)(Better Work Vietnam 2015a).

All these outcomes should be considered against the backdrop that Vietnam, perhaps unexpectedly, has a large share of informal workers. Whereas between 20 and 25 per cent of the working population is registered in the informal *sector*, outside that sector millions are working in informal *jobs*, bringing the total share of informally employed to about 80 per cent. The rights and interests of the informally employed are rarely protected and social welfare coverage remains very low (Dieu and Dong 2015, 50-51).

Wages in context

Our expert perceived wages in the garment sector to be lower than wages in other manufacturing sectors. This was indeed the case in view of the available evidence: in 2013 the average monthly wage in the textile industry (including garment manufacturing) was one of the lowest of industries, and lower than the averages in the four types of enterprises (Dieu and Dong 2015, 47). In the course of the 2000s average garment wages, initially about equal to average textile wages, fell to 16 per cent under the textile average in 2008 (Goto et al. 2011, 371). According to the expert a typical family can get by on the earnings of a typical garment worker and can meet the nutritional needs of the family member. However, the garment wage is regarded as not sufficient to allow an exit

from poverty; neither is it sufficient to cover expenses beyond mere subsistence. According to the expert, garment workers have to regularly work overtime in order to reach the MW level, not to speak of reaching higher wage levels.

According to the expert, wages in the garment industry were low mostly because of the low level of economic development in Vietnam, and the fact that many workers did not have the necessary skills for work in the garment sector. The added value produced in the garment industry and the lack of alternative employment opportunities for workers were regarded as being of limited importance, and workers' level of experience was seen as even less relevant. By contrast, non-compliance with labour law was judged to have exerted considerable influence on wages and conditions. Moreover, wages to some degree reflected the discrimination against women. Compared to other manufacturing industries, migrant workers were overrepresented in the garment industry, but according to the expert discrimination against migrant workers had not been an important concern when it came to wage setting.

At the industry level, the expert identified several factors that may have played important roles in influencing the garment industry wage level. Global buyers exerted large influence on domestic firms, and large local garment firms in turn had substantial market power in setting wages. The level of subcontracting was also high. Domestic firms competed with each other to gain orders from global buyers, who in turn dispersed their orders to several firms, thereby diminishing the bargaining power domestic actors' might otherwise have had over wages. At country level, labour law and its enforcement were perceived to be weak and to be the main factors contributing to low garment wages. This was compounded by an overall government policy orientation to keep wages low in order to ensure the competitiveness of the country. While the government had developed a strategy for increasing competitiveness based on factors other than low wages, that strategy had not been implemented adequately so far. The expert emphasized that recently some employers had also been striving to promote other aspects of competitiveness to global buyers, such as quality, reliability, and stability. Moreover, weak labour laws and weak enforcement have been compounded by corruption permeating the processes of wage setting. The expert assessed the political power of first tier employers to be a relevant factor in maintaining downward pressures on garment wages.

While the expert did not perceive the threat of relocation of garment production to be important for the low level of wages, he did consider cross-country competition between countries with large garment sectors for contracts with global buyers to have been an important factor in keeping domestic garment wages low. End-consumer demand for garment products was not considered to be very sensitive to prices, and therefore was not perceived as an important explanation for low garment wages in Vietnam. The expert pointed out that the recent increase of MWs was not fully in line with inflation as measured by the CPI. He assessed the increase as an improvement of the workers' position, but mentioned cases where firms had changed working conditions to counteract the MW hike, for example becoming less compliant with labour legislation, or changing the composition of the workforce towards less skilled or less experienced workers, dismissing workers, or switching to more temporary and fixed-term contracts. According to the expert the size of the informal economy also increased after MW increases.

Figure 10 (next page) presents wage data for Vietnam: the monthly amounts of the living wages, the minimum wages, the total wages 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. On the left-hand side, the WAGES section comprises two 2015 minimum wage levels. We have chosen the MW of VND 2,150,000 for Region IV as the lower bound value and the MW of VND 3,100,000 for Region I as upper bound. On the right-hand side, based on WageIndicator 2015 data average wages for two categories of workers are presented, that is, for medium- and high-skilled workers, both with lower and upper bounds. Next, 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 the wages paid in 2015 in the garment industry, for four categories of workers based on Fair Wear Foundation (FWF) information. These wages are presented for one region, Hanoi (Region I); Vietnam's capital has become a major garment-producing cluster, in recent years strongly promoted by the government.

The figure and the underlying data show that the lower bound garment wages according to FWF data are nearly double the lower bound 2015 minimum wage and also 40 to 50 per cent above the upper bound minimum wage. The upper bounds of the wages of garment workers are even 2.2 and 2.9 times the upper bound minimum wage. The lower bounds of the garment wages are some 30 per cent below the lower bound medium-skilled wage level; the upper bounds of garment wages are nearly double (sewing jobs) that wage level or 20 per cent (cutting jobs) above it. For 2015 the inflation-corrected ILO-based average wage would be some 10 per cent higher than the lower bound garment wages. Concerning the living wages, the estimated lower bound living wage for an individual is some 40 per cent higher than the lower bound garment wages and matches the higher bound garment wage for cutting jobs. The upper bound living wage for an individual is 2.3 times the lower bound garment wages and over 3 times the upper bound minimum wage; it remains 10 to 15 per cent below the highest garment wage and the upper bound high-skilled wage. The value of the lower bound living wage for a typical family is double that of the lower bound garment wages, and slightly higher than the upper bound overall medium-skilled wage.

Figure 10 Living wages, minimum wages, total wages and garment wages in Vietnam, monthly amounts in Vietnam Dong (VND)
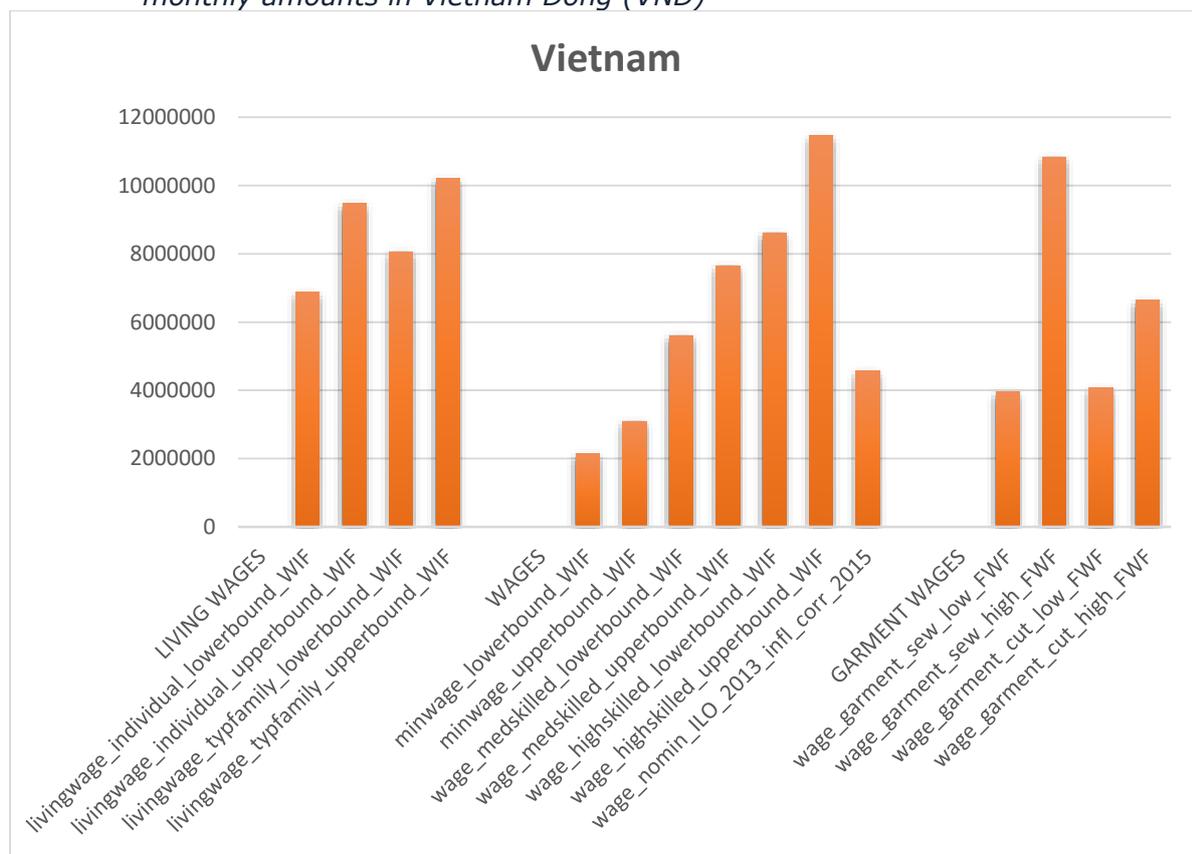
Source: LIVING WAGES Living wage data is based on WageIndicator Cost-of-Living Survey;
            WAGES Minimum wages are based on WageIndicator Minimum Wages Database 2015; Wages by skill level based on WageIndicator Wages Database; Nominal wages stem from ILO Wage Database 2013;
            GARMENT WAGES Wages garment workers for four job categories based on 2015 Fair Wear Foundation sources for Region 1 = Hanoi.

How to set and attain the Living Wage?

From a country level perspective, the expert contended that adequate labour legislation and proper enforcement would greatly contribute to better wages and working conditions in the garment industry. However, the actions of local stakeholders would most likely not be sufficient to attain the living wage, although further unionization would support the cause. At international level, occasional end-consumer boycotts, joint coordinated regulatory actions of garment-producing countries and sanctions embedded into international trade agreements linked to the attainment of living wages could all be supportive of the quest of garment workers in Vietnam.

The expert estimated that a living wage in Vietnam would be at the level of VND 3 to 4 million per month for an individual worker, or VND 6 to 7 million for a worker with a family. Such a living wage would allow for an intake of 2,200-2,500 kCal for an adult per day and for the consumption of a basket of goods comprised of 50 per cent expenditure on food, less than 10 per cent on housing, 20-25 per cent eon social security, 20-30 per cent on health care and less than 5 per cent expenditure on education. These indications end up much lower than the WageIndicator-based estimates; compared to their lower bounds respectively 40-50 and 20-30 per cent.

The expert reckoned that the introduction of a living wage would basically improve the conditions of garment workers. It would not, he thought, lead to increasing unemployment or to lower exports from Vietnam and its impact would also be neutral regarding firm closures and garment production relocation. Yet, according to the expert, experience with the recent MW hikes also demonstrated that if the transition towards a living wage was not accompanied by stricter law enforcement, that transition could have adverse consequences for garment workers.

12. CONCLUSIONS AND RECOMMENDATIONS

First, this chapter summarizes the main conclusions from the previous country chapters. We selected the opinions of experts on two major issues for condensed overviews. First of all we summarized their opinions on the main global and industry-level factors that might have prevented an increase in the present level of wages in the garment industry in the countries reported on here. Second, we summarized their opinions concerning instruments that may bring real increases of garment wages or living wages closer. After this we present a figure with an overview of the various wage levels we found for the nine countries, finally ending up with recommending around some issues that in our opinion deserve special attention in upcoming debates on the living wage.

In Table 9 we start with an overview of the opinions the experts surveyed gave us regarding the main global and industry-level factors ('hurdles') that in their view have prevented substantial increases in the present level of wages in the garment industry. For the sake of presentation, we have used a simplified construction derived from survey answers on a 5-points' scale. In the survey, after some introductory questions the 'hurdles' issues have been split into questions on factory-level factors; industry-level factors; country-level institutional and political factors, and global factors. Following both the additional comments of experts and the lines of reasoning derived from the literature, we have then selected for this overview six factors that work at global and/or industry levels in combination with four items attached to national labour market, institutional and political factors.

Clearly, the experts recognized what we called in Chapter 2 the 'standard structure' of the global garment supply chain and the major factors that we identified as having the potential to prevent substantial wage increases or the attainment of living wages in the supply countries. The first four factors were mostly seen as closely connected, with the exception of the experts from Myanmar and Sri Lanka who notably regarded the cross-country competition for contracts with global buyers as being less relevant to pressure

Table 9   Experts' Opinions I: Main hurdles for real increases of garment wages, for nine countries

	B-DESH	CAM	CHN	INDIA	INDON	MYAN	PAK	SRIL	VIET
Dispersion of orders by global buyers	xx	xx	xx	xx	xx	x	xx	xx	xx
Market power of garment firms to set wages	x	x	xx	x	x	x	x	xx	xx
Subcontracting within the garment industry	x	x	x	x	x		x	xx	x
Cross-country competition for the contracts with global buyers	x	x	x	xx	xx		xx		xx
Lack of incentives for global players to increase wages	x	x	x			x	x	x	
Price-sensitive demand of end-consumers	x	x	x	x	x	x	x	x	
Easy availability of new workers at present wages		x	x			x	x	x	x
Permissive labour laws	x		x	x	x		x		x
Problems with enforcing labour compliance by gov't	x	x	x	x	x	x	x	x	x
Gov't policies to keep wages low		x		x					x

Note: xx   *'strong potential influence'*
         x   *'some / modestly strong potential influence'*

the garment wage in their respective countries. The market power of domestic firms in setting wages was mostly seen as subservient to dominant international forces, though the experts from China and Sri Lanka indicated some room for manoeuvre extending to wage setting for their domestic first tier producers. A number of experts indicated their disappointment with the fact that many global buyers had showed indifference to ensuring compliance with their own codes as well as local labour laws and international labour standards.

The experts were less certain about the importance of the price-sensitive demand of end-consumers and the suggested lack of incentives from global players to increase wages (A more positive interpretation might be that global buyers could not in their opinion evade responsibilities through hiding behind these arguments). National-level labour market, institutional and political factors were given less prominence in the ranking included in the survey questioning as well as in the experts' additional remarks. Yet for six countries experts pointed to permissive labour legislation. Also, experts gave the problems of enforcing compliance with labour legislation and standards by government a rather high score for all countries. Deliberate government policies to keep garment wages low were only indicated for Cambodia, India and Vietnam.

Table 10 summarizes the opinions of the experts surveyed about the main potential instruments for real increases of garment wages / bringing living wages closer. Again, we use a simplified construction derived from survey answers on a 5-points' scale. Experts' response on potential instruments was largely in line with their emphasis on the international context in assessing the main 'hurdles'. Overall, the experts expected most from globally encouraging ethical end-consumption, including end-consumer boycotts, mostly combined with coordinated regulatory actions of low-cost garment manufacturing countries. Although for two countries, (Myanmar and Pakistan) experts did not consider that coordinated countries' action would be particularly helpful. Remarkably, the latter experts prioritized coordinated action of domestic producers, though except the experts on India others also expected good from such action albeit to a lesser extent. By contrast, the inclusion of sanctions in international trade agreements did not get broad support; only the experts covering Bangladesh, Pakistan and Vietnam regarded such sanctions as a viable instrument.

Table 10 Experts' Opinions II: Main instruments for real increases of garment wages / bringing living wages closer, for nine countries

	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		xx	x	xx

Note: xx   'strong potential influence'
             x   'some / modestly strong potential influence'

Concerning instruments to be deployed domestically to bring living wages closer, further unionization scored high or rather high (except again for Myanmar and Sri Lanka), like

some experts explained as a basic condition for sound industrial relations, potentially presenting serious countervailing power to at least domestic employers. Most experts prioritized strengthening national social dialogue; its importance was in particular emphasized for India, Pakistan and Sri Lanka. To a large extent, this prioritizing combined with an emphasis on strengthening the country's labour inspectorate; this was in particular the case for India and Pakistan. Looking at the answers per country, it is striking that most experts advocated a bundle of instruments both for operating in the international context as for effecting domestic change.

Figure 11 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. Though not included in the figure we add that in all five countries the average garment wages are substantially lower than the overall averages based on ILO data, varying from 15 per cent in Cambodia to 35 per cent in India.

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 with this living wage settled (5%) 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). Of course, the gap between the lower bound minimum wage and the (lower bound) living wage for typical families is much larger, and ranges from 65 per cent above the minimum wage (Cambodia) to 422 per cent for Indonesia and 465 per cent for Sri Lanka.

Figure 11 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
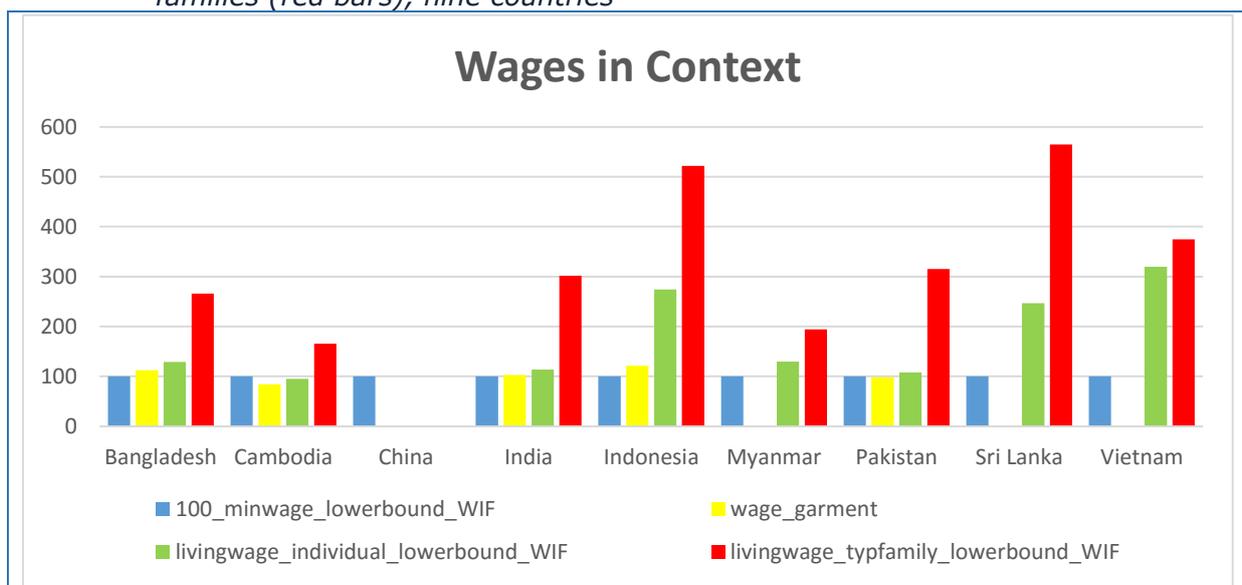
Source: WageIndicator Minimum Wage Database 2015; Garment wages from different sources and different years; WageIndicator Cost-of-Living Database 2015.

Lastly, we recommend the consideration of three issues that may be significant for the upcoming debates on the living wage, and may strengthen the arguments in favour of such wages. The first issue concerns the empowerment of women in work in the garment industry, as brought forward by Kabeer (2000, 2011) and recently for Bangladesh by Heath and Mubarak (2014). Looking at the outcomes of the wage comparisons included in this report, it is clear that the drive for living wages has great potential as a mobilizing force for female workers, whether from their own financial position or from that of their families. In particular this drive may deliver a major contribution to bring down the gender pay gap, documented for many countries including China, India, Indonesia and Pakistan as often large and mostly 'frozen in time' (Tijdens and Van Klaveren 2012).

The second issue worth considering regards the connection between improved working conditions and decent wages (or, high levels of labour compliance) on the one hand and upgrading the garment industry's potential for economic survival on the other. We noted this connection particularly in the chapter on Cambodia. In our view, arguments regarding this connection have a wide relevance and can be used fruitfully in debates on living wages. In the last few years, various research in this field has brought forward convincing evidence (for example Oka 2012; Hess 2013; Jetha and Linssen 2015). This evidence connects with a worldwide stream in labour economics and labour sociology concerning the social and economic advantages of organizational development.

Thirdly, we consider the importance of collective bargaining, in particular the advantages conferred by sectoral or multi-employer bargaining (MEB). There is substantial evidence that MEB produces less wage inequality than industrial relations systems where company bargaining dominates or where bargaining plays no important role at all. Second, MEB has the ability to promote industrial peace and may help to keep distributional conflict out of the workplace. Lastly, for employers (but for trade unions too) MEB may save on bargaining or transaction costs (cf. Visser 2013; Keune 2015). In most of the nine countries scrutinized, MEB seemed to be in its infancy. Nevertheless, we also identified interesting experiences with this level of collective bargaining related to the garment industry, notably in China, India (West Bengal) and Vietnam. The West Bengal case seems particularly interesting in that the state government has facilitated the development of MEB. The Vietnamese textile and garment case delivers an example of the careful preparation of such bargaining. Also, some of our experts (particularly the one for Sri Lanka) advocated sectoral CBAs. It may be relevant in this context to scrutinize further the practices of extension of CBAs that exist in some industrialized countries, either through government decision or through decision-making in a tripartite social dialogue (Schulten et al. 2015). Of course, for governments a first step in the right direction may well be to lift all remaining labour legislation restricting collective bargaining and workers' rights to organise.[28] A second step may focus on implementing effective tripartite systems of social dialogue. Global buyers can also play a positive role in supporting platforms for multi-employer bargaining, for example by exerting pressure on various suppliers working for them in the same country to engage in multi-employer bargaining.

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[28] In this context it is worth noting that China, India and Vietnam have not ratified either ILO Convention No. 87 (Freedom of Association and Protection of the Right to Organise) or ILO Convention No. 98 (Right to Organise and Collective Bargaining), whereas Myanmar has not ratified ILO Convention No. 98 (ILO NORMLEX website).

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APPENDIX 1   Data collection for labour law, minimum wages and collective agreements

The Ministry of Foreign Affairs in the Netherlands has asked the WageIndicator Foundation to provide information about the national labour law, minimum wage setting and minimum wage levels pertaining to the garment industry in nine Asian countries, notably Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Sri Lanka, and Vietnam. This Appendix details the findings and the data collection methods with regard to these topics.

The data collection concerning national labour laws

For a review of national labour legislation concerning clauses that specifically apply to the garment sector, two databases were at our disposal. First, ILO maintains its NATLEX Database of national labour, social security and related human rights legislation. Second, WageIndicator Foundation maintains its Labour Law Database. For reasons of easy access we preferred to use the latter. A few years ago WageIndicator developed its Labour Law Database, which is maintained by the Islamabad office of WageIndicator in Pakistan and is supervised by Iftikhar Ahmad. The Database comprises a well-structured system that sorts a number of labour laws into specific categories, for example placing laws on contracts, work termination and severance in an Employment Security section. This has the twofold benefit that it provides relevant information and that it allows for cross-reference of labour laws between countries. The streamlined system also makes it easier to update labour laws when they are amended. The database is updated twice a year. All information collected is published on the national WageIndicator websites in the national language(s). See Ahmad (2015) for an explanation of the Labour Law Database. The Table shows the links to the national Labour Law Pages.

For this report, the WageIndicator Labour Law Database was checked with regard to specific Labour Law clauses relevant for garment occupations or garment industries in the nine countries. In none of the countries the Labour Law contained any specific clauses addressing the garment industry or the garment workers.

The data collection concerning statutory minimum wages

The data collection concerning statutory minimum wages

This report aimed to provide data about the statutory minimum wage levels relevant to the garment industry, including the legal basis for minimum wages and the procedures for minimum wage setting in the nine countries. For a review of national statutory minimum wage levels with respect to clauses that specifically apply to the garment sector in the nine countries, two databases were at our disposal. First, ILO maintains its ILO Global Wage Database. Second, the WageIndicator Minimum Wage Database which holds information about the statutory minimum wage levels and the Frequently Asked Questions (FAQ) pages that contain information about the statutory minimum wage setting. For reasons of easy access and greater detail the use of the latter was preferred. For this report the WageIndicator Database and its FAQ pages were checked for garment occupations or garment industries.

The WageIndicator Minimum Wage Database is supervised by the Indian WageIndicator team, specifically Mehta and Varkkey. For an explanation of the Minimum Wage Database see Tijdens and Mehta 2016. For links to the national Minimum Wage Pages, see Table 9.

Table 9   Country and link to the national WageIndicator Minimum Wage page

Country	Minimum Wage Pages (national pages)
Bangladesh	http://mywage.org.bd/home/salary/minimum-wage
Cambodia	http://www.prake.org/home/salary/minimum-wages
China	http://www.wageindicator.cn/main/salary/minimumwagesinchina
India	http://www.paycheck.in/main/salary/minimumwages
Indonesia	http://www.gajimu.com/main/gaji/gaji-minimum
Myanmar[1]	http://www.mywage.org/myanmar/home/salary/minimum-wages-myanmar
Pakistan	http://www.paycheck.pk/main/salary/minimum-wages
Sri Lanka	http://www.salary.lk/home/salary/minimum-wage
Vietnam	http://www.wageindicator.org/main/salary/minimum-wage/vietnam

Characteristics of minimum wage setting

The tables in this section summarize the main characteristics of the minimum wage setting in the nine countries. Most popular forms of institutionalizing minimum wages in the nine countries are legislation and ordinances, where government or tripartite bodies fix minimum wages and in exceptional cases there is some role for collective bargaining (India and Pakistan). In almost all countries the government plays a major role in minimum wage fixing and in some countries minimum wages are set by specialized bodies (Bangladesh, Myanmar and Sri Lanka), but none follow the collective bargaining path. All countries have multiple minimum wage rates, except for Cambodia and Myanmar, and all countries have some set criteria to determine their minimum wages. All countries, except China, have special minimum wage rates for specified categories of workers. Countries differ in their revisions of minimum wage rates, but the most common is annual revision.

Table 10 Minimum wages in garment sector in nine countries

	Presence of Minimum Wages	Minimum Wage Board	Separate Regulation for Garment Sector	Minimum Wage for Garment Sector
Bangladesh	Yes	Yes	No	Yes
Cambodia	Yes	Yes	No	Yes
China	Yes	No	No	No
India	Yes	Yes	No	Yes
Indonesia	Yes	Yes	No	No
Myanmar	Yes	Yes	No	No
Pakistan	Yes	Yes	No	Yes
Sri Lanka	Yes	Yes	No	Yes
Vietnam	Yes	Yes	No	No

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal WageIndicator report.

Table 11 Procedure followed to fix minimum wage rate

	MW are set by Government or tripartite body		MW are set through collective bargaining	
	National/ Regional	Sectoral or occupational	National/ regional	Sectoral or occupational
Bangladesh	Yes	Yes	No	No
Cambodia	No	Yes	No	No
China	Yes	No	No	No
India	Yes	Yes	No	Yes
Indonesia	Yes	No	No	No
Myanmar	Yes	No	No	No
Pakistan	Yes	Yes	No	Yes
Sri Lanka	No	Yes	No	No
Vietnam	Yes	No	No	No

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal WageIndicator report.

Table 12 Minimum Wage Fixing and Adjustment

	MW fixed by Government & Role of Social Partners		MW set by specialized bodies	Collective bargaining process
	After direct con-sultation with social partners	After recommend./ advice from social partners(tripartite)		
Bangladesh	No	Yes	Yes	No
Cambodia	No	Yes	No	No
China	Yes	No	No	No
India	No	Yes	No	No
Indonesia	No	Yes	No	No
Myanmar	Yes	Yes	Yes	No
Pakistan	No	Yes	No	No
Sri Lanka	No	No	Yes	No
Vietnam	Yes	No	No	No

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal WageIndicator report.

Table 13 Minimum wage representation across the nine countries

	Separate legislation	Number of MW rates		Levels at which Minimum Wages are Determined					
		Single	Multiple	National	Regional	Occup.	Industry	Sector	Skill
Bangladesh	No	No	Yes	Yes	No	No	Yes	No	Yes
Cambodia	No	Yes	No	No	No	Yes	No	No	No
China	No	No	Yes	No	No	No	No	Yes	No
India	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes
Indonesia	Yes	No	Yes	No	Yes	Yes	No	No	No
Myanmar	Yes	Yes	No	No	No	No	No	No	No
Pakistan	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes
Sri Lanka	Yes	No	Yes	No	No	Yes	Yes	Yes	No
Vietnam	No	No	Yes	No	Yes	No	Yes	Yes	No

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal WageIndicator report.

Table 14 Criteria for Minimum Wage Fixing

	Bangla desh	Cam bodia	China	India	Indo nesia	Myan mar	Paki stan	Sri Lanka	Viet nam
Inflation or cost of living index	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Economic situation or level of development	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Level of wages	Yes	Yes	Yes	No	Yes	Yes	No	No	No
Needs of workers & their families	Yes	Yes	No	No	Yes	Yes	No	No	Yes
Level of employment	Yes	Yes	Yes	No	Yes	Yes	No	No	No
Social security benefits	Yes	Yes	Yes	No	No	Yes	No	No	No
Productivity of workers	Yes	Yes	Yes	No	No	No	No	No	No
Enterprises' ability to pay	Yes	No	No	No	Yes	Yes	No	No	No
No set criteria	No	No	No	No	No	No	No	No	No

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal
           WageIndicator report.

Table 15 Minimum wage levels for specific labour groups

	Trainees	Youth workers	Disabled workers	Contractors	Piece-rate workers	Other
Bangladesh	Yes	Yes	No	No	No	Yes
Cambodia	No	No	No	No	Yes	No
China	No	No	No	No	No	No
India	Yes	Yes	No	No	Yes	No
Indonesia	No	No	No	Yes	Yes	Yes
Myanmar	Yes	No	No	No	No	No
Pakistan	Yes	Yes	No	No	Yes	No
Sri Lanka	Yes	No	Yes	No	Yes	No
Vietnam	Yes	No	No	No	No	Yes

Source: Varkkey, B., Korde, R., Mehta, K. (2016) Minimum wage setting in 9 Asian countries. Internal
           WageIndicator report.

The data collection concerning collective agreements

The WageIndicator Collective Agreements Database

This report aimed to provide information about clauses in collective agreements relevant to the garment industry sector in the nine countries. For this purpose, only one database was at our disposal. For some years, WageIndicator has operated a Collective Agreements Database, where the agreements are uploaded, coded and then published on the national WageIndicator websites. See Tijdens et al. (2015) for an explanation of the Collective Agreements Database.

For this report, the Database was checked with regard to agreements specific for the garment industries. For Indonesia ten agreements were found, all company agreements. For Cambodia two agreements were found, both company agreements. For Pakistan two agreements were found, both company agreements. For Vietnam one agreement was found. This was a sector-level agreement. For the remaining countries no agreements for the garment sector were present in the database. Table 16 shows the names of the garment agreements.

Table 16 Country and list of Collective Agreements specific for the garment industry

Country	Name Collective Agreement	Start year	End year	Bargaining level
Indonesia	Perjanjian Kerja Bersama Antara PT. Mulia Cemerlang Abadi Multi Industri Dengan SPN PT. Mulia Cemerlang Abadi Multi Industri 2013-2014	2013	2015	Company
Indonesia	Perjanjian Kerja Bersama Antara PT.Misung Indonesia Dengan Serikat Pekerja Nasional PT.Misung Indonesia	2010	2012	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Kaho Indah Citra Garment Dengan SPN PT. Kaho Indah Citra Garment 2006-2008	2006	2008	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Medika Apparelindo Dengan SPN PT. Medika Apparelindo 2010-2012	2010	2012	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Indonesia Wacoal Dengan SP Garteks dan SP Lomenik PT. Indonesia Wacoal 2014 - 2016	2014	2016	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Osaga Mas Utama Dengan PSP SPN PT.Osaga Mas Utama 2012-2014	2012	2014	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Olympic Garment International Dengan Federasi Serikat Buruh Indonesia (FSBI) 2009-2011	2009	2011	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Golden Castle Dengan PUK Serikat Pekerja Tekstil, Sandang Dan Kulit SPSI 2011-2013	2011	2013	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Budi Muaratex Dengan SPN PT. Budi Muaratex 2011-2013	2011	2013	Company
Indonesia	Perjanjian Kerja Bersama Antara PT. Hisotex Dengan SPN PT. Hisotex - 2012 - 2014	2012	2014	Company
Pakistan	Memorandum of Settlement between International Foundation & Garments and International Foundation & Garments United Workers Union - 2014	2014	2016	Company
Pakistan	Memorandum of Settlement between Feroze1888 Mills Limited and Feroze1888 Mazdoor Dost Union - 2012	2012	2014	Company
Cambodia	កិច្ចព្រមព្រៀងអនុសញ្ញារួម រវាង ក្រុមហ៊ុនសាប្រីណា (ខេមបូឌា)ហ្គាមិន ម៉ែនញ៉ូហ្គាក់ផឺរីង ខប.និង សហជីពប្រជាធិបតេយ្យកម្មករកាត់ដេរនៃរោងចក្រសាប្រីណា/Sabrina-2009	2009	2011	Company
Cambodia	កិច្ចព្រមព្រៀងអនុសញ្ញារួម រវាង ក្រុមហ៊ុន ដារ៉ុង ត្រីនអែន អ៊ិនប្រាយឌីរី និង សហជីពប្រជាធិបតេយ្យកម្មករោងចក្រ ដារ៉ុង ត្រីនអែន អ៊ិនប្រាយឌីរី/ Darong - 2009	2009	2011	Company
Vietnam	ThỎa ƯỚc Lao ĐỘng TẬp ThỂ Ngành DỆt May ViỆt Nam	2014	2017	sector (textile and apparel)

Source: WageIndicator Collective Agreements Database, accessed 1-3-2016

Characteristics of collective agreements in the garment sector

Table 17 summarizes the main characteristics of the 15 Collective Agreements in the garment sector. Most clauses are in line with the labour laws in the country. In countries with substantial non-compliance to the law, these agreements provide an important message that the employer will behave according to the law. A few clauses are better than the law, for example the clause a maximum for regular overtime hours in Vietnam or the paternity leave in two agreements in Cambodia. However, one of the two agreements in Cambodia has a clause on paid sick leave which is worse than the law.

Table 17 Characteristics of 15 Collective Agreements in Cambodia, Indonesia, Pakistan and Vietnam

	Cambodia (2 CBAs)	Indonesia (10 CBAs)	Pakistan (2 CBAs)	Vietnam (1 CBA)
General working hours (day/week)	8/48 in both CBAs	40 hours/week in all CBAs. In around half of the CBAs workdays are Mon-Sat (7 hrs/day), in another half they are Mon-Fri (8 hrs/day)	No provision	8/48
Maximum working hours inclusive of overtime per week	Both CBAs don't provide for maximum overtime hours	54, only in one CBA	CBAs don't provide for maximum overtime hours	The CBA provides for 200 hours max overtime per year. Maximum regular working hours per week is 51.8, including overtime, which is better than the law.
Rate of pay for overtime work	No provision	200% in all CBAs	No provision	No provision
Weekly rest period	24 hours in both CBAs	24 hours in all CBAs	No provision	No provision
Annual leave	18 days in both CBAs	12 days in all CBAs	14 calendar days in one CBA, no provision in the other	No provision
Probation period	1 month in one CBA, no provision in the other one	3 months in all CBAs	No provision	No provision
Severance pay (days of wages per year of service)	No provision	In all CBAs except one there is a provision for severance pay related to the years of service.	No provision	No provision
Income during maternity leave	50% wages in both CBAs	100% provided only in 3 CBAs	No provision	No provision

	Cambodia (2 CBAs)	Indonesia (10 CBAs)	Pakistan (2 CBAs)	Vietnam (1 CBA)
Paid sick leave (length and rate of sickness benefit) *of reference wage	3 months (100%) in one of the two CBAs, which is worse than the law	Up to 12 months (100%- first four months;75%-fifth & sixth month) in all CBAs	No provision	No provision
Unemployment benefit (benefit rate)	No provision	No provision	No provision	No provision
Job security during pregnancy and maternity leave	Guaranteed in one CBA	No provision	No provision	No provision
Maternity leave	90 days (13 weeks) provided in both CBAs	91 days (13 weeks) provided in all CBAs except one	No provision	No provision
Paternity leave	7 days provided in both CBAs, which is better than the law	2 days provided in all CBAs except one	No provision	No provision
Parental leave	No provision	One CBA provides for 2 days and another for 3 days, which in both cases is better than in the law. No provisions were found in other CBAs.	No provision	No provision
Safety training	Both CBAs provide for health and safety policy in the workplace, but there is no specific provision related to health and safety training for workers	All CBAs except one provide for a health and safety policy in the workplace, but only one provide for health and safety training for workers	No provision	The CBA provides for health and safety policy in the workplace, but there is no specific provision related to health and safety training for workers
Equal pay	No provision	No provision in CBAs	No provision	No provision
Sexual harassment	Prohibited in one CBA	Prohibited in 2 CBAs, which is better than the law	No provision	No provision
Equality in employment	One CBA has a clause against discrimination for race, religion, age, sex and union membership.	Seven CBAs contain anti-discrimination clauses.	No provision	There is no provision about equality in training/ promotion but the agreement contains clauses providing for the implementation of gender equality.

Source: WageIndicator Collective Agreements Database

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APPENDIX 2   Data collection on paid wages

The WageIndicator Foundation was asked by the Ministry of Foreign Affairs in the Netherlands to include an overview of sources providing information on paid wages of garment workers in the nine countries. This Appendix details the sources of these wages and the related data collection methods.

Sources of wage information

Data collection methods - introduction

Two sources of information about paid wages exist. The first one relates to wages reported by workers, the second one to wages reported by employers. The related data collection methods vary largely. Wages reported by workers are mostly collected by means of surveys. Wages reported by employers usually stem from their salary administrations. In both cases data collection is difficult and expensive. For these reasons many countries do not regularly collect country-wide information about wages, but if they do so, the methods, survey questions and sampling are not harmonised across countries. Researchers like to have access to the microdata to conduct further analysis, but countries are not always able or willing to provide these. Greater detail is particularly important for break downs by geographical area, as within countries wages may vary widely in this respect. Greater detail is also important for identifying occupation, again because wages may vary largely between occupational groups. Both conditions apply when searching for wage data of garment workers.

Data collection methods – surveys of workers

In our search of paid wages of garment workers in the nine countries, we encountered several difficulties. First we explored the possibilities to acquire microdata based on surveys of workers. Usually, these surveys are conducted by National Statistical Offices and in some cases by other survey holders. The requirements for selecting the microdata were as follows. The dataset should provide information about wages of 15-60 years old workers employed in the garment industry (selected by occupation, ISCO 2 digit code 75). Martin Guzi, associated with WageIndicator/CELSI for global wages in context, was able to find so for five of the nine countries, notably Bangladesh, Cambodia, India, Indonesia, and Pakistan, for surveys covering years between 2010 and 2015. For Indonesia, however, no breakdown by occupation was available, and he therefore had to rely on the industry coding, whereby unfortunately the manufacturing industry could not be broken down into more specific categories, such as the garment sector. No microdata was available for four countries, notably China, Myanmar, Sri Lanka, and Vietnam. The table lists the countries, sources used, survey years and number of observations for the garment industry (Indonesia manufacturing).

A second source of microdata stems from the WageIndicator web survey on work and wages. For many years, this survey is posted on all national WageIndicator websites and it is in the national languages. Web visitors are invited to complete the survey and every year hundreds of thousands of visitors do so. The survey has questions about wages, occupation, industry, and other topics. Hence, this web survey is a multi-lingual, multi-country, continuous, volunteer survey. For a number of projects, predominantly in African countries but also in three Asian countries, data have been collected in face-to-face interviews, using either random or non-random sampling methods. For these interviews a shortened version of the web survey was used. In other projects, Facebook and other social media were used to target specific groups of workers to complete the survey. See for an explanation of the data collection, Tijdens et al. (2010).

For this report about the garment industry, no specific activities were budgeted to promote the web survey or to conduct face-to-face interviews of garment workers. So we had to rely on the available data of the web survey. Of course, some garment workers cannot read or do not have access to the Internet, but those who have access

may have completed the survey. The WageIndicator data may overestimate wage levels, because only skilled workers tend to complete the survey. The WageIndicator data contained sufficient observations about wages of garment workers for India and Indonesia (Table 18).

Table 18 Overview of data sources used for the calculation of wages of garment workers aged 15-60 years

Country	Data source	Survey year	N
Bangladesh	HIES	2010	300
Cambodia	CSES	2012	596
India	IHDS	2011-12	541
India	WI	2014-15	148
Indonesia	SUSENAS	2013	39633
Indonesia	WI	2014-15	297
Pakistan	HIES	2013-14	2174
Pakistan	LFS	2013-14	4262

Sources   HIES   Bangladesh Household Income-Expenditure Survey
CSES   Cambodia Socio-economic Survey
IHDS   India Human Development Survey-II
WI   WageIndicator
SUSENAS National socio-economic survey
HIES   Pakistan Household Income-Expenditure Survey
LFS   Pakistan Labor Force Survey

Microdata allows to provide information about a range of characteristics of the garment workers, other than wages which are discussed in the next section. Table 19 shows that workers are more often male than female, that they are mostly married, that they are on average in their thirties, that most of them have basic education of up to 10 years, and few of them have tertiary education, with the exception of WageIndicator respondents

Table 19 Mean values for characteristics of garment workers in five countries, by source

	Bangladesh	Cambodia	Indonesia	Indonesia	India	India	Pakistan	Pakistan
Data source	HIES	CSES	SUSENAS	WI	IHDS	WI	HIES	LFS
Survey year	2010	2012	2013	2014-15	2011-12	2014-15	2013-14	2013-14
N	300	596	39633	297	541	148	2174	4262
Female	0.48	0.55	0.44	0.32	0.32	0.11	0.57	0.36
Average age	34.99	33.35	35.83	30.76	34.5	31.95	30.89	30.57
Share of workers 15-25 old	0.26	0.31	0.22	0.22	0.28	0.04	0.41	0.42
Married	0.81	0.60	0.72	0.65	0.72	0.73	0.63	0.60
Basic education (0-5 years)	0.53	0.50	0.36	-	0.43	0.06	0.71	0.64
Basic education (6-10 yrs)	0.39	0.33	0.23	0.02	0.46	0.08	0.25	0.32
Secondary education	0.06	0.16	0.35	0.37	0.07	0.49	0.03	0.04
Tertiary education	0.03	0.01	0.06	0.61	0.04	0.38	0.01	0.00
Can read	0.52	1.00			0.79		0.51	
Can read & write	0.52	0.76	0.97				0.5	0.67
Working week (hours)	53.71	53.12	43.05	40.10		39.80		46.00
Working day (hours)					7.85			

Sources   HIES, CSES, SUSENAS, WageIndicator, IHDS, HIES, LFS

who have in majority secondary or tertiary education. Working hours are particularly long in Bangladesh and Cambodia with on average 53 hours per week. Microdata allows breakdowns by geographical area, but this requires huge numbers of observations, a requirement that was not met in most surveys and therefore not applied here.

A third source of information about wages, as reported by employees, stems from the ILO Wages database. This Database covers minimum wages, average wages, low pay, earnings dispersion and labour income share, and these are available from 1995 to 2013. ILO provides this data for a range of countries and derives the data from national labour force surveys or from household surveys. For our overview, we used the 'Median nominal monthly earnings of employees'. Unfortunately, the data does not allow for a breakdown by industry.

Data collection methods – data from employers

When it comes to wage information collected from the salary administrations of employers, even fewer sources are available. Only some National Statistical Offices, predominantly in the industrialized world, collect wage data from employers, and if so, this data mostly does not include information about the occupations of the personnel. Other sources stem from collective agreements. Whereas in industrialised countries it is more common that collective bargaining covers the wages and wage scales, in developing countries this practice is seldom encountered. Few agreements specify wage levels, as Besamusca and Tijdens (2015) conclude from an analysis of 249 collective agreements in 11 countries. Finally, enterprises may incidentally report their wage scales and the related job titles. This is for example the case for the Fair Wear Foundation (FWF).

Fair Wear Foundation has collected annual wages for specific regions in four of the nine countries, notably Bangladesh, China, India, and Vietnam. These wages are based on reports by an independent auditor from Fair Wear Foundation. Hence they are based on reporting by employers, either directly or by means of wage tables, verified by the FWF auditors with the workers. At the time of data colleection, FWF could not specify by gender or contract size. Furthermore, it is not specified whether the reported wages include or exclude bonuses and allowances. Typically, wage data from employers do not include overtime payments, but this is only explicitly mentioned for China. Fair Wear also does not provide information how many audits in how many firms were conducted to generate these tables. The wages are also not specified by firm size.

Data collection methods – conclusion

In conclusion data on wages of garment workers in the nine countries are only scattered available. The next section provides this scattered information.

Wages of garment workers in the nine countries

As detailed in the previous section, for this report WageIndicator collected microdata such that a breakdown of wages for the garment workers could be provided. Table 20 shows the median monthly income (net) in local currency units. Where two data points for the same country are available, the data shows differences. This is the case for three countries. For India and Indonesia, data is available from household surveys and from WageIndicator web survey, whereby the WageIndicator points to higher wages. This is not surprisingly, given the higher educational level of respondents in this survey, as shown in the previous table. However, also the two Pakistan surveys show a difference of the same magnitude between the wages identified in the household survey and the labour force survey. These findings point to the fact that data collection about wages is difficult, specifically when aiming for small group estimates, such as the garment workers.

Table 20 Median wages of garment workers in five countries in local currency units (LCU), by source and year

	Data source	Year	Median monthly income (net) in LCU
Bangladesh	HIES	2010	4303
Cambodia	CSES	2012	410357
India	IHDS	2011-12	5557
India	WI	2014-15	22000
Indonesia	SUSENAS*	2013	1331017
Indonesia	WI	2014-15	3424000
Pakistan	HIES	2013-14	6084
Pakistan	LFS	2013-14	9807

Sources   HIES, CSES, IHDS, WageIndicator, SUSENAS, HIES, LFS
          * For Indonesia (SUNESAS) workers in manufacturing could not be detailed into garment.

Compared to the above listed wage data, the Fair Wear Foundation (FWF) has wage information available for geographical areas, notably China, India and Vietnam, but not Bangladesh (Table 21).

Table 21 Monthly wages (LCU), by country, job category and year

Bangladesh (whole country)	sew high	sew low	cut high	cut low
2013	19953	2500	15301	3000
2014	15518	3000	13450	3000
2015	20519	5678	14598	4200
China Kequiao = Zhejiang province	sew high	sew low	cut high	cut low
2013	3378	1053	2985	1364
2014	3515	1339	4267	1503
2015	3339	1411	4157	1782
India Maharashtra	sew high	sew low	other high	other low
2013	14215	8938	12249	6862
2015	16275	8194	16908	6920
India Gujarat	sew high	sew low	cut high	cut low
2013	20054	4708	5550	4628
India Tamil Nadu	sew high	sew low	cut high	cut low
2013	13519	4608	17775	4436
2014	8750	3420	8060	3299
Vietnam, Region 1 = Hanoi	sew high	sew low	cut high	cut low
2013	7958000	2560000	7094000	2401000
2014	8239467	3022333	7742932	3377740
2015	10829000	3957720	6642779	4078585
Vietnam, Region 2 = rural districts in Hanoi & Hai Phong & Hai Duong & Hung Yen	sew high	sew low	cut high	cut low
2013	6707179	2832000	6936000	2832000
2014	6555745	2467500	7723046	2993500
2015	8367302	3532692	9719335	3750000

Source: Information from Fair Wear Foundation provided to WageIndicator Foundation, 18-11-2015.

References

Besamusca, J., and Tijdens, K.G. (2015) 'Comparing collective bargaining agreements for developing countries.' *International Journal of Manpower* 36(1): 86-102.

Tijdens, K.G., Van Zijl, S., Hughie-Williams, M., Van Klaveren, M., and Steinmetz, S. (2010) _Codebook and explanatory note on the WageIndicator dataset, a worldwide, continuous, multilingual web-survey on work and wages with paper supplements_. Amsterdam: University of Amsterdam, AIAS Working Paper 10-102.

APPENDIX 3 Data collection concerning hurdles

The Ministry has asked the WageIndicator Foundation specifically to prepare an overview of the country-specific hurdles for realising living wages, such as prices/cost of living, purchasing policies of brands, employment contracts, based on interviews with experts. The results of these interviews have been summarized in the main body of this report. This Appendix details the experts and their affiliates in the nine countries interviewed.

Experts interviewed

For each country experts were recruited through the WageIndicator network. The recruitment aimed to interview at least one but preferably two or three experts per country. The experts had to answer a list of predefined questions regarding the hurdles.

Table 22 Country, name and affiliation of interviewed expert and date of interview.

Bangladesh		
Abul Basher, Research Fellow, Bangladesh Institute of Development Studies (BIDS), Dhaka	Bangladesh	20151104
Monzur Hossain, Bangladesh Institute of Development Studies (BIDS), Dhaka	Bangladesh	20151112
Farzana Munshi, Associate Professor of Economics, BRAC University, Dhaka	Bangladesh	20151112

Cambodia		
Tola Moeun, Researcher, Center for Alliance of Labor and Human Rights, Phnom Penh	Cambodia	20151201
Malika Ok, National Programme Officer, ILO, Phnom Penh	Cambodia	20151125
Sophy Thea, Project Officer Outreach ILO, Wage fixing technical support to Labour Advisory Committee-garment & footwear industry, Phnom Penh	Cambodia	20151125

China		
Yongjian Hu, Professor, School of Economics, Tianjin University of Finance and Economics, Tianjin	China	20151109

India		
Rupa Korde, Faculty Economics Area, FLAME University, Pune	India	20151110
Biju Varkkey, Professor, Human Resources Management Area, Indian Institute of Management, Ahmedabad (IIMA)	India	20151115

Indonesia		
Joannes Darta Pakpahan, Senior Researcher, KSBSI Trade Union Confederation, Jakarta	Indonesia	20151110

Indonesia		
Surya Tjandra, Senior Researcher and Director, Trade Union Rights Centre (TURC), Jakarta	Indonesia	20151208

Myanmar		
Zaw Oo, Executive Director, Center for Economic and Social Development, Presidential Advisor, Yangon	Myanmar	20160223

Pakistan		
Iftikhar Ahmad, Labour Law Specialist, WageIndicator, Islamabad	Pakistan	20151125
Karamat Ali, Executive Director, Pakistan Institute of Labour Education and Research (PILER), Karachi	Pakistan	20151101

Sri Lanka		
Shyama Salgado, National Project Manager of the FPRW project, Colombo	Sri Lanka	20160315

Vietnam		
Nguyen Tung Van, President, Textile and Garment Trade Union, Hanoi	Vietnam	20151110

Expertise for three countries		
Maarten van Klaveren, Senior Researcher, AIAS, University of Amsterdam, The Netherlands	China, India, Indonesia	November 2015
Sudharshan Rao Sarde, former regional secretary IndustriALL Global Union, Trade Unions South Asia, New Delhi, India	Bangladesh, India, Pakistan	November 2015

APPENDIX 4   WageIndicator websites in the nine countries

WageIndicator Foundation currently operates national websites in 87 countries. These websites are in the national language(s) and they have web pages with information related to work and wages. This information covers topics such as the national minimum wage(s), the national labour law, the wages paid for specific occupations, career advice and alike. The information is regularly up-to-dated by the WageIndicator teams. The websites attract millions of visitors, because they publish urgently needed but usually not easy accessible information for the public at large.

Early 2015, WageIndicator operated websites in eight of the nine countries of this study. In October 2015 it launched a website in Myanmar. The table shows the number of web visitors in the period January – December 2015. In total, these nine websites received almost 5 million visitors.

Table 23 Country, name of WageIndicator website, and number of web visitors

Country	Website	Total web visits 2015
Bangladesh	www.Mywage.org.bd	4000
Cambodia	www.Prake.org	32000
China	www.WageIndicator.cn	14000
India	www.Paycheck.in	1500000
Indonesia	www.Gajimu.com	2900000
Myanmar[1]	www.Mywage.org/Myanmar	1000
Pakistan	www.Paycheck.pk	163000
Sri Lanka	www.Salary.lk	152000
Vietnam	www.Luong.com.vn	123000
TOTAL		4889000

Source   Google Analytics
Note: Myanmar website was launched October 2015.

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