



## Global Wage Debates

Politics or Economics?

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Edited by Gregory Randolph and Knut Panknin

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# MINIMUM AS MAXIMUM?

*Wage policies in the garment industries of select Asian countries*

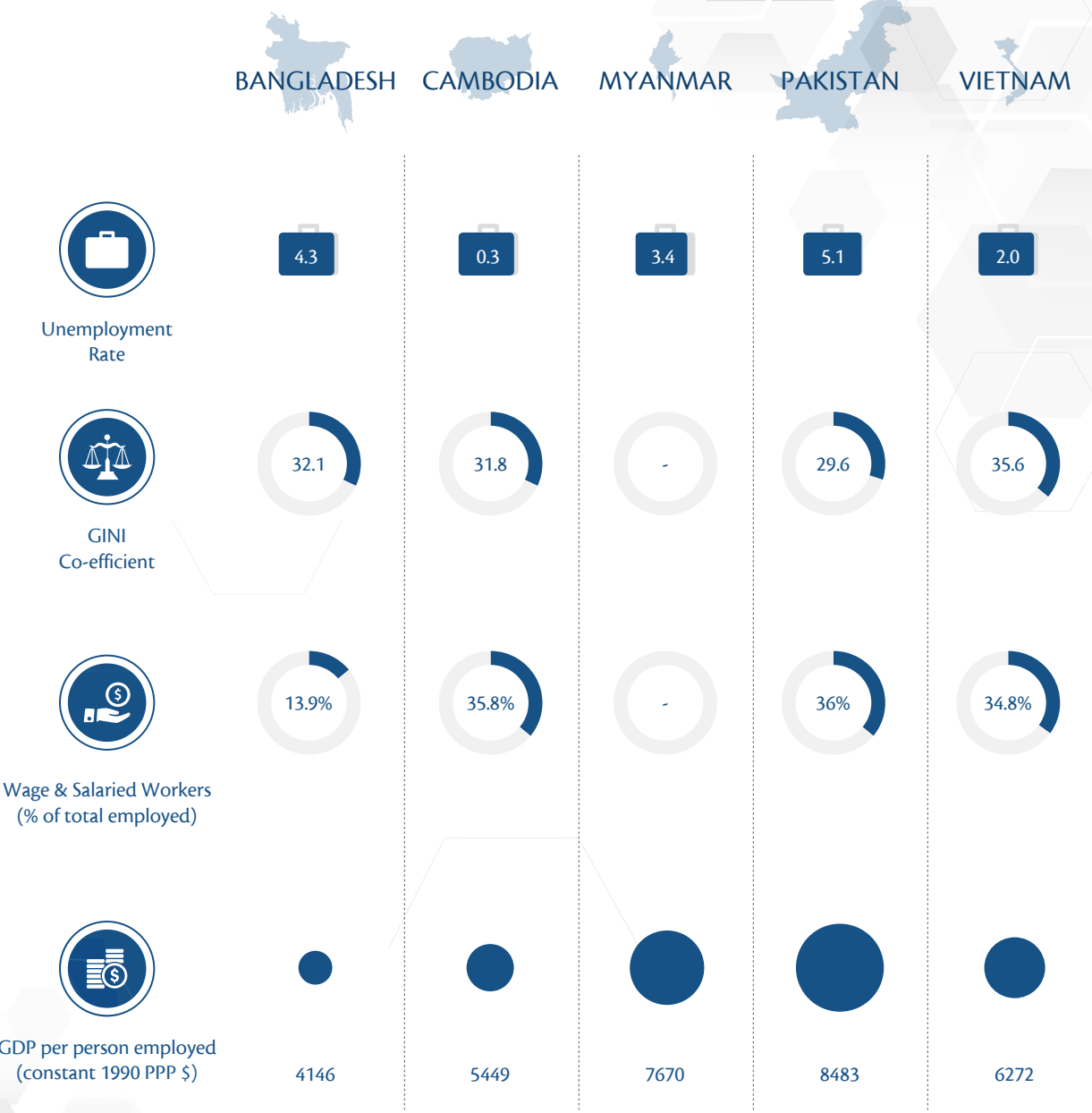
**Friedrich-Ebert-Stiftung (FES) - Regional Programme in Asia**

## **Friedrich-Ebert-Stiftung (FES) - Regional Programme in Asia**

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# WAGE AND EMPLOYMENT INDICATORS



**Note:** Figures are from the most recent year when data were available.

# MINIMUM AS MAXIMUM?

## *Wage policies in the garment industries of select Asian countries*

**Julia Mueller and Lukas Bauer (Editors)<sup>i</sup>**, FES - Regional Programme in Asia

### Introduction

Historically, industrial and economic development in many countries began with a focus on labor-intensive industries like garments and textiles.

<sup>ii</sup> Following this strategy, Asia has become the world's low-cost production hub. Developing countries like Bangladesh, Cambodia, Myanmar, and Vietnam try to emulate the successes of their Asian peers (Korea, Taiwan, Japan and more recently China) by taking advantage of cheap labor costs and a growing workforce. Economic

development in these countries has become highly dependent on their respective garment industries.

Suppliers cannot influence the prices of raw materials, energy, and transport; in contrast, labor costs are relatively easy to manipulate, making them an important production factor in global competition. In most of the countries examined in this chapter, garment industry workers are

*i This article is co-authored by several representatives of Friedrich-Ebert-Stiftung (FES): Julia Mueller and Lukas Bauer (FES Singapore), Henrik Maihack and Shadhan Kumar Das (FES Bangladesh), Konstantin Baerwaldt and Myo Myo Myint (FES Myanmar), Philipp Kauppert and Abdul Qadir (FES Pakistan) as well as Erwin Schweisshelm and Mai Ha Thu (FES Vietnam).*

*ii There is no universal definition to distinguish between garment and textile industry. This chapter refers to "garment, which is also called wearing apparel and clothing [so called Ready Made Garments as] the main final product of the textile industry. Though the industry does have other final products, [...] their amount in terms of both consumption and production, are far smaller than the garment, in terms of both quantity and value. Broadly, the textile industry includes the entire production process for final products from fibers [...]. In the narrow sense, the textile industry contains only spinning, weaving, and knitting, namely the process that make thread/yarn and fabrics from fibers." Fukahiro, Fukunishi; Yamagata, Tatsufumi. 2014. Introduction: The Dynamism of the Garment Industry in Low-Income Countries. In: Takahiro Fukunishi et al. (IDE-JETRO). 2014. The Garment Industry in Low-Income Countries. An Entry Point of Industrialization, p. 4-5.*

covered by sectoral, national and/or provincial minimum wages. They range from US\$ 67 per month in Bangladesh to US\$ 128 in Cambodia and US\$ 101 to 146 in Vietnam. Myanmar is currently in the process of setting sectoral minimum wages, including one for the garment sector.

Wages in the apparel industries remain below a living wage – despite major increases in recent years. A living wage is the minimum income necessary for workers to meet their and their families' basic needs – including nutrition, housing, health care, education, clothing, transport and savings for retirement and life risks.<sup>1</sup> In addition, working conditions and occupational standards in factories are frequently substandard. The 2013 collapse of the Rana Plaza factory in Bangladesh has increased international scrutiny of precarious working conditions and low wages in the Asian garment industry. Consumers especially have become more aware of workers' grievances, leading to increased public pressure on international clothing brands. These brands have therefore signaled their willingness to

improve cooperation with trade unions for better working conditions and higher wages.

But has the situation changed in recent years?

Do workers now receive a larger share of growing profits and is the paradigm of the global garment industry leading to shared prosperity? If yes, what are the driving forces behind wage adjustments? How significant are collective bargaining agreements? And has there been a trade-off between wage hikes and competitiveness?

This chapter analyses and contextualizes the wage developments in the garment industry in five Asian countries: Bangladesh, Cambodia, Myanmar, Pakistan, and Vietnam. In addition, it evaluates their national mechanisms and dynamics of wage formation and identifies common trends and challenges the industries face as well as country-specific characteristics.

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# 1. Bangladesh

*Henrik Maihack and Shadhan Kumar Das*

## ***Fast Growth with Low Wages***

Bangladesh's low labor costs have made the country the second biggest garment exporter after China.<sup>2</sup> Accounting for 81 percent of Bangladesh's total exports<sup>3</sup> and for 14 percent of its GDP,<sup>4</sup> the garment sector is of crucial importance to Bangladesh's economy. More than 4 million workers are employed in more than 4,000 mainly locally owned factories across the

country.<sup>5</sup> Producing almost exclusively readymade garments (RMG), the sector continued to grow in 2014 with exports worth US\$ 25.4 billion,<sup>6</sup> down slightly to 9 percent growth from the five-year average of 12 percent.<sup>7</sup> It provides much needed jobs for a growing labor force.<sup>iii</sup>

However, the Rana Plaza building collapse in 2013 that killed 1,137 people and injured more than

*iii For an overview of developments in export value, export shares, as well as employment trends in the sector see: Bangladesh Garment Manufacturers and Exporters Association. 2015. Trade Information. Accessed July 31, 2015. [http://www.bgmea.com.bd/home/pages/tradeinformation#.VbsUI\\_nli8A](http://www.bgmea.com.bd/home/pages/tradeinformation#.VbsUI_nli8A).*

2,500 workers<sup>8</sup> tragically demonstrated the risks and exploitative working conditions in many of the country's factories. In the aftermath of Rana Plaza, renewed global attention has been brought to the poor enforcement of safety and social standards as well as the low wages in Bangladesh's RMG industry. Even after a 77 percent hike in the sector-wide monthly minimum wage for RMG workers, from 3,000 Taka to 5,300 Taka (US\$ 38 to 67) for the lowest and 13,000 Taka (US\$ 164) for the highest of seven pay grades, Bangladesh's RMG workers continue to earn the lowest minimum wage among RMG workers in Asia.<sup>9</sup>

#### ***Wage formation – No Regular Wage Setting Mechanism***

The minimum wage for the RMG sector is determined by negotiations through the Minimum Wages Board (MWB), formed under the legal framework of the Bangladeshi Labour Act.<sup>iv</sup> The MWB includes representatives from the government, business owners, trade unions and independent experts, all of whom are

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nominated by the government. Upon receiving a recommendation from the MWB, the government sets the final minimum wage. So far, the MWB has only been convened five times (in 1983, 1994, 2006, 2010 and in 2013)<sup>10</sup> to revise the minimum wage in the RMG sector and always on an ad hoc basis, as there are no regular (annual or biannual) meetings of the MWB.

Negotiations at the MWB and collective bargaining on the factory level continue to be hampered by organizational weakness and conflicts among trade unions in Bangladesh as well as a political economy that heavily favors factory owners. So far, workers are organized in trade unions in only 10 percent of the factories, and only 5 percent of the overall RMG workforce. This makes it difficult for labor representatives to influence industry-wide decisions.<sup>11</sup> A positive sign is an increase in trade union registrations (around 300 new registrations in 2014 and 2015) in the aftermath of the Rana Plaza collapse. However, given the highly fragmented union landscape, the extent to which a large number

*iv Chapter 11 (sections 138-149) of the Bangladesh Labour Act 2006 deals with Minimum Wages Board.*

of newly registered unions will improve workers' bargaining power remains to be seen.

### ***Wage development – Wages Increased but Remained Low***

In 2013, shortly after the Rana Plaza building collapse and in the context of growing international pressure, the government formed a new six-member MWB for the RMG sector to revise the previous minimum wage of 3,000 Taka. Subsequently, the trade union delegate on the MWB demanded a minimum wage of 8,000 Taka.<sup>12</sup> Employers on the MWB set off protests with an initial offer of just 4,500 Taka, leading to the temporary closure of 250 garment factories. The MWB finally recommended 5,300 Taka (US\$ 67) for the lowest salary grade (of seven occupational grades), which was consequently set by the government as the new minimum wage for the sector starting December 1, 2013.

Despite this 77 percent increase, an annual inflation rate of more than 6 percent over the last decade and an even higher inflation rate for food and rent close to RMG factories mean that the

new minimum wage is still too low. The current Labour Act, however, states that the cost and standard of living of workers should be taken into consideration while recommending a minimum wage for a sector. Prominent experts from the Center for Policy Dialogue (CPD), one of the leading think tanks in Bangladesh, have argued that the current minimum wage also does not correspond to the actual productivity of workers. CPD recommends a minimum wage of at least 8,200 Taka (US\$104) for an entry-level worker.<sup>13</sup> The new minimum wage falls even further short of the 25,687 Taka (US\$ 325) that the Asia Floor Wage Alliance calculates to be a living wage for

***Some factory owners have avoided paying the higher minimum wage by including holiday bonuses and overtime compensation in the basic wage payments. Others have categorized more workers in the lower pay grades.***

a Bangladeshi RMG worker and her or his family.<sup>14</sup>

The implementation of the new minimum wage has been sluggish and has prompted further criticism. Some factory owners have avoided paying the higher minimum wage by including holiday bonuses and overtime compensation in the basic wage payments. Others have categorized more workers in the lower pay grades. More workers, and for longer periods of time, are now declared “apprentices” – not one of the seven grades covered by minimum



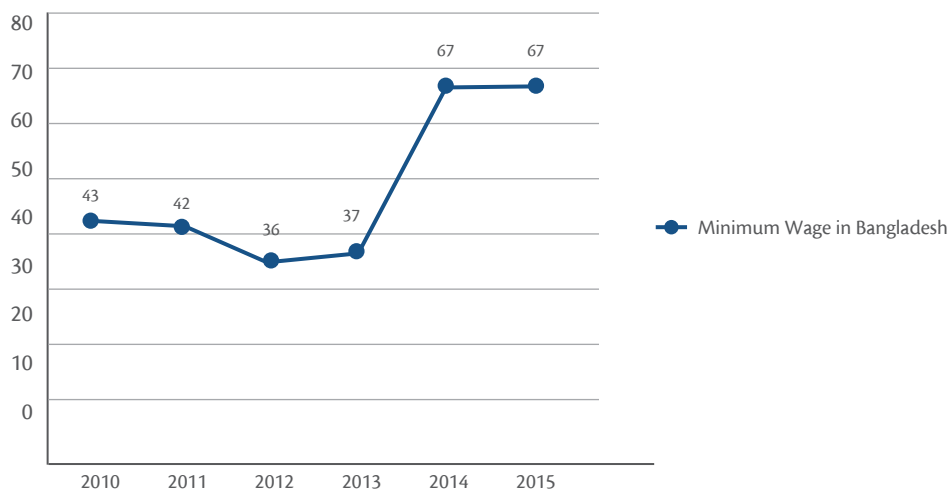
wage – so that factory owners can pay less than the minimum wage. In addition, female workers face persistent discrimination. First, wages for male workers are 42.5 percent higher than wages for women across all pay grades,<sup>15</sup> and second, men are also much more likely to get promoted.

### *A Call for Fair Social Dialogue*

A political economy tilted towards the interests of unified factory owners, international clothing brands unwilling to pay their suppliers more for RMG products, and a low density of trade union

membership has kept the minimum wage for Bangladesh’s RMG sector lower than that of any other country in Asia. As a result, the willingness among international brands to pay suppliers more and readiness among factory owners to share this increased margin with their workers are crucial preconditions for ensuring RMG workers receive a living wage. For this to happen, the development of a democratic, strong and unified trade union movement in Bangladesh with solidarity from the international trade union movement is essential.

Figure 1  
**Real Minimum Wage in Bangladesh  
 2010 - 2015 (US\$)**



**Note:** The authors calculate the real value of the minimum wage, adjusting for inflation, at the level of BDT 3,000 (2010-2013) and then BDT 5,300 (2014-2015).



## 2. Cambodia

*Julia Mueller and Lukas Bauer*

### ***Industrial Growth and Industrial Unrest***

Cambodia's political opening and the transformation to an open market economy in the early 1990s resulted in significant economic restructuring and integration in regional and global trade. Even though its share of the global garment market is still relatively small, the fast-growing garment industry – in addition to agriculture and tourism – has played a crucial role in Cambodia's economic development. Garment

exports increased on average 16 percent annually between 2000 and 2014, thereby growing more than twice as much as the overall GDP (7 percent).<sup>16,17</sup> The sector accounts for 16 percent of the country's GDP<sup>18</sup> and over 80 of exports<sup>19</sup>, benefiting from preferential customs and trade tariffs like the EU's "Everything but Arms" initiative.<sup>v</sup>

Around 600 factories, largely owned by foreign investors, employ an estimated 650,000

*v As part of the EU Generalized System of Preference (GSP), the "Everything but Arms" initiative started in 2001. It allows duty- and quota-free imports from Least Developed Countries (LDCs) - including Cambodia - for most products (except arms and munitions), including garments, into to the EU. UNCTAD. 2011. The 'Everything But Arms' initiative. Accessed July 31, 2015. [http://www.unctad.info/en/Infocomm/Agricultural\\_Products/Banana/Economic-policies/The-Agreement-Everything-But-Arms/](http://www.unctad.info/en/Infocomm/Agricultural_Products/Banana/Economic-policies/The-Agreement-Everything-But-Arms/).*

workers.<sup>20</sup> Today the trade union movement in Cambodia is characterized by fragmentation and competition along political lines with more than 3,000 unions and several dozens of federations and confederations. While the garment sector has a unionization rate of about 40 percent,<sup>vi</sup> unions' influence and bargaining power is limited, partly due to the lack of unity among them and corruption.

Still, over the past years, several trade unions have put extensive pressure on the government, employers and international brands to increase the minimum wage and to improve working conditions in the industry. After a violent crackdown on demonstrating workers in January 2014,<sup>vii</sup> and the temporary suspension of the freedom of assembly, the government agreed to increase the sectoral minimum wage by 28 percent.<sup>viii</sup>

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### ***Wage formation – Wage Setting Rather than Negotiation***

The Labour Code of 1997 guarantees a minimum wage “without distinction among professions or jobs”<sup>21</sup>. In reality a minimum wage only exists for the garment sector. It is determined by the Ministry of Labour and Vocational Training after consultation with the Labour Advisory Committee (LAC) which is composed of representatives from government (14), employers (7), and employees (7). Usually, the tripartite consultations end when unity among the workers' representatives breaks apart, with some unions offering to support the government.<sup>22</sup> In 2014, the LAC was reformed in an important way: It now meets annually in the second half of the year to review the current minimum wage. Prior to that it was convened irregularly.<sup>23</sup>

*vi However, many trade unions are dominated or influenced by the employers. The cross-sector unionisation rate amounts only 7.7 percent.*  
*vii The violent interruption of a peaceful demonstration by the military police led to five dead, several injured, and the arrest and detention of 23 workers, the UN Special Rapporteur on the situation of human rights in Cambodia, Surya P. Subedi reported to the UN Human Rights Council, [www.ohchr.com](http://www.ohchr.com).*

*viii Based on eight hours per day or 48 hours a week (six days a week).*

The outcome of the minimum wage negotiations is crucial for workers' salaries as there are no sector-wide collective bargaining agreements (CBAs) and firm level CBAs rarely go beyond the benefits and compensations set in the minimum wage proclamation ("Prakas").<sup>ix</sup> As a result, the projected average income of garment workers in 2015 (US\$ 147 to 157)<sup>24</sup> hardly exceeds the monthly minimum wage of US\$ 128. Its composition also shows that, on average, workers may not be receiving overtime compensation of at least US\$ 1.00 per hour, the legal stipulation.<sup>x</sup>

### **Wage development – Economic or Political Necessity**

The Cambodian government and the Garment Manufacturers Association in Cambodia (GMAC) seek to keep wages low, arguing that this will attract more foreign direct investment (FDI) and

create additional jobs.<sup>25</sup> At the same time, they raise the specter that steep rises in the minimum wage might cause fashion brands to shift to countries with lower wage costs.

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pressure – garment workers in Cambodia have witnessed the doubling of their minimum, after more than a decade of relatively stagnant wage growth. The sharp rise from US\$ 80 (2011) to US\$ 128

(2014) must be understood as compensation for missing wage adjustments over the past few years when the minimum had not been increased despite high inflation rates and a tremendous hike in living costs.

The political context is largely responsible for forcing a shift in minimum wage policy. The main opposition party, Cambodia National Rescue Party

*ix* "Between 2008 and 2010, around 15 high quality agreements were reached that appear to be working well, and around 30 'high quality' agreements are currently active. [...] However, many [of the 405 CBAs registered with the ministry by 2012] were negotiated by non-recognised bargaining agents such as shop-stewards, which raises doubts over their quality." Most CBAs in Cambodia covering only single issues (e.g. food allowances); however, the number of more comprehensive CBAs are on the rise. Cf. ILO. Decent Work Country Programme Cambodia (2011-2015), p.24; accessed June 10, 2015.

*x* Monthly minimum wage of US\$ 128 breakdown to hourly rate of US\$ 0,66 based on 8 hours a day and 48 hours a week with the factor 1.5. See: WageIndicator Network. 2015. Labour Law Overtime Compensation. Accessed June 8, 2015. <http://www.prake.org/home/labour-law/compensation>.

(CNRP), grew its vote share significantly in the July 2013 general elections, especially among young workers in garment factories. In the aftermath of the elections, the CNRP contested the official result, stating that the party was “robbed of crucial votes that would have put them in front,”<sup>26</sup> and boycotted the Parliament. During numerous demonstrations the CNRP supported workers’ demands for a major increase in the minimum wage. In January 2014, the government not only forcefully dissolved strikes; it also removed opposition protest camps in “Freedom Park,” a public square in the center of Phnom Penh. The political stalemate ceased in July 2014 when the CNRP ended its boycott and the parties agreed on a joint reform agenda<sup>27</sup> and on further engagements based on a “culture of dialogue.”<sup>28</sup> By the end of 2014, the ministry announced the 28 percent increase of the minimum wage to US\$ 128 and social partners agreed on annual negotiations of the minimum wage.

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Aside from domestic forces at play, a total of 17 international brands argued in a statement in 2014 that they “supported workers’ right to a fair wage” and called for “an inclusive and consistently applied national collective bargaining process” in letters to the Cambodian government.<sup>xi</sup>

While the adjustments of the minimum wage represent a promising development, wages are still far too low to enable a decent living for the workers and their families. A study<sup>xii</sup> commissioned by the Ministry of Labor and Vocational Training found that the minimum wage must range between US\$ 157 and 177 a month to cover workers’ basic needs.<sup>29</sup> The Asia Floor Wage Alliance calls for a much higher number of US\$ 278.14<sup>xiii</sup> per month.

#### ***From the Streets to the Negotiating Table***

The Cambodian garment industry was at one point seen as a potential role model for the global

*xi* Letters from international brands to Keat Chhon, Permanent Deputy Prime Minister dated September 18, 2014 and from November 10, 2014. Accessed April 23, 2015. [http://www.industrial-union.org/sites/default/files/uploads/documents/Cambodia/letter\\_to\\_dpm\\_cambodian\\_government\\_september\\_2014.pdf](http://www.industrial-union.org/sites/default/files/uploads/documents/Cambodia/letter_to_dpm_cambodian_government_september_2014.pdf); [http://www.fairlabor.org/sites/default/files/letter\\_from\\_global\\_brands\\_on\\_wages\\_in\\_cambodia\\_nov\\_2014.pdf](http://www.fairlabor.org/sites/default/files/letter_from_global_brands_on_wages_in_cambodia_nov_2014.pdf).

*xii* The full study remains unpublished, though its main points have become public. *The Cambodian Daily*. February 12, 2014. *Labor Ministry Ignored Its Own Research on Minimum Wage*. Accessed May 28, 2015. <https://www.cambodiadaily.com/archives/labor-ministry-ignored-its-own-research-on-minimum-wage-51977/>.

*xiii* 275 PPP\$ converted to Cambodian Riel (rate 1,562.92, based on World Bank 2013), own calculation; The Asia Floor Wage Alliance calculated EUR 285.83 as the Cambodian minimum wage in 2014.



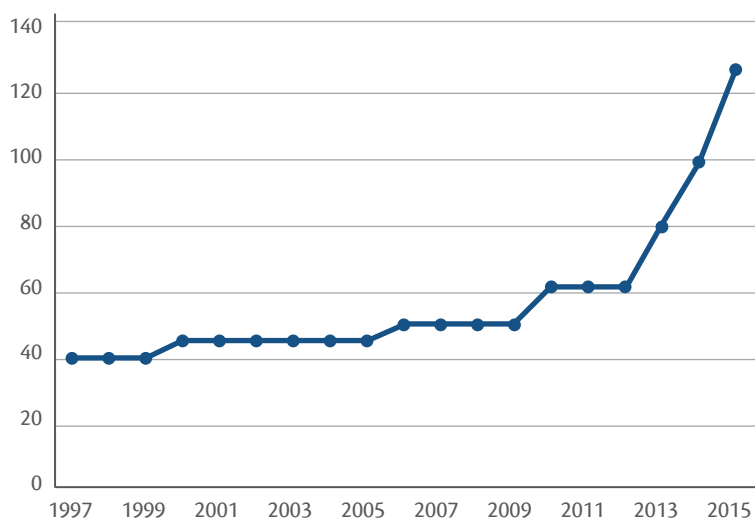
garment industry, with comprehensive factory monitoring and strong worker protections.<sup>xiv</sup> However, working conditions in Cambodia still remain poor, not only in terms of occupational health and safety but also in terms of forced and inadequately compensated overtime, discrimination against pregnant workers, short-term contracts and unpaid bonuses.<sup>30</sup>

For the past years, increases in the minimum wage were mainly dependent on political circumstances

rather than the result of a democratic social dialogue. While the establishment of an annual minimum wage review is a positive sign, it is crucial that the Cambodian trade unions stay united. Fair and effective collective bargaining on the factory level needs to be an additional step to ensure that workers and their families can afford a decent living from the wages earned. The current minimum wage of US\$128 for the first time exceeds the national poverty line of US\$ 120 in 2014.<sup>31</sup>

Figure 2

### Minimum Wage in Cambodian Garment Sector 1997-2015 (US\$)

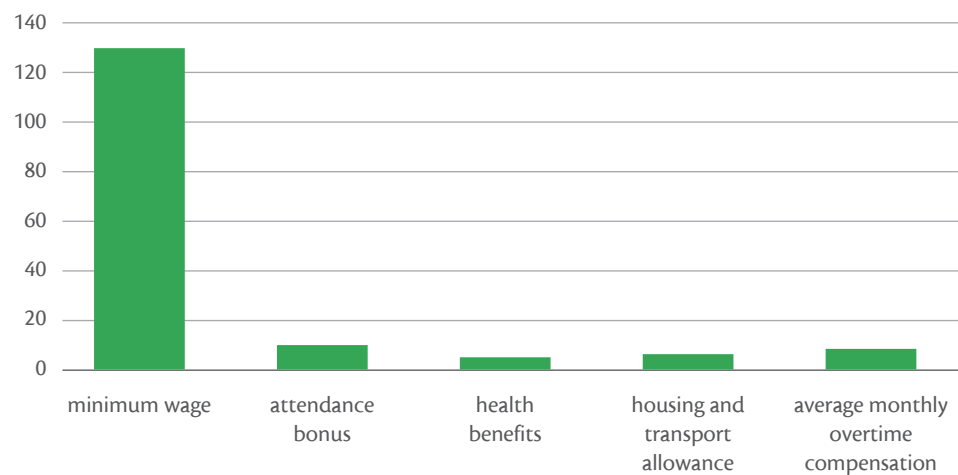


**Source:** Cambodian Ministry of Labour and Vocational Training (MoLVT) and Ministry of Commerce (MoC)

*xiv* In 2001, the ILO “Better Factories Cambodia Programme” (BFC) was launched as a result of a trade agreement between Cambodia and the US. It was established aiming at improving the working conditions in exchange for better access to the US market. BFC monitors and reports on the compliance with international and national labour standards in the more than 500 participating exporting factories. For further information: <http://betterfactories.org>.

Figure 3

**Average income composition among  
Cambodian garment workers (US\$)**



**Source:** Wageindicator. 2014. Minimum Wage for the Garment and Shoe Industry in Cambodia w.e.f October 1, 2010



### 3. Myanmar

*Konstantin Baerwaldt and Myo Myo Myint*

#### *An Industry on the Rise*

Garments are virtually the only manufactured exports of Myanmar. The turning point for the garment sector came around 1989 when – after more than 25 years of Burmese socialist rule – the new government decided to end its isolationist economic policies and open its economy to the international market. The share of garments in total exports increased from 2.5 percent in 1990 to 39 percent in 2000. The industry has been, and is still concentrated on cutting, making and packing (CMP) processes. At its earlier peak in 2000, it was estimated that around 400 factories employed about 135,000 workers. However, when

the industry was ready to take off, the military regime's oppressive politics drove the United States and the European Union to boycott “Made in Myanmar” products and impose sanctions. The majority of domestic firms and some foreign firms shut down immediately.<sup>32</sup>

After the new civilian government came into power in March 2011, the reinstatement of the EU's Generalized Scheme of Preferences (GSP) program and the lifting of sanctions by the United States allowed Myanmar garments to regain access to these two important markets. As a result, in 2011-12 the total value of garment exports

amounted to US\$ 845.9 million, and in 2012-13 the value grew to US\$ 904 million, contributing to about 9 percent of the value of total exports.<sup>xv</sup> In 2013-14, garment exports exceeded US\$ 1 billion, amounting to some 10 percent of total exports. The sector's annual growth is approximately 20 percent.<sup>xvi</sup> According to the Myanmar Garment Manufacturers Association (MGMA), there are currently about 300 to 400 factories employing 200,000 to 250,000 workers – nearly double the number at the earlier peak in 2000.<sup>33</sup>

***National-level Minimum Wage Policy – Waiting for the Announcement***

Currently, there are no minimum wage standards for the private sector in Myanmar. As soon as the

Labor Organization Law (2011)<sup>xvii</sup> and Settlement of Labor Disputes Law (2012)<sup>xviii</sup> were enacted, the workers from the garment sector used their newly obtained rights to demand wage increases.

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With the number of strikes growing, a monthly minimum wage of Myanmar Kyat 56,700 (US\$ 65) was temporarily established in the industrial zones. Due to enforcement problems, however, the Ministry of Labor, Employment and Social Security soon

drafted a bill to create a mechanism for setting a national minimum wage.

The Minimum Wages Law was enacted in March 2013, replacing the 1949 Minimum Wage Act.<sup>xix</sup> To set the minimum wage, a national minimum wage committee under the office of the President was

*xv Roughly 40 percent of Myanmar's exports are petroleum and gas. Total exports data for Myanmar are obtained from the World Bank Group, Myanmar Economic Monitor, 2013. Garment export data are obtained from UN Comtrade.*

*xvi Figure is based on an estimate only as there is no exact data available. The annual export growth rate of the garment sector fluctuates. Its export grew in average by 21 percent between 2010 and 2011 and 53 percent between 2011 and 2012. Latest reliable data were not available.*

*xvii The Labor Organization Law sets the legal framework for the founding and operation of trade unions on the company, city, regional and national level.*

*xviii The Settlement of Labor Disputes Law stipulates rules and regulations to solve labour disputes by means of negotiation, mediation and legal action.*

*xix The Minimum Wage Act from 1949 was never fully implemented and was limited to milling, cigars- and cheroot rolling industries and parts of the public sector. Additionally, in contrast to ongoing discussions on the introduction of locally specified minimum wages, the old act did not foresee the introduction of different minimum wage levels for different regions.*

formed in September 2013, with representatives from employer and employee organizations, responsible government departments as well as independent experts. The government considers the recommendations of the committee, but they are not legally binding.

Since then, the Ministry of Labor, Employment and Social Security, together with the International

Labour Organization and the local research organization Myanmar Development and Resource Institute (MDRI) have been conducting surveys to determine an appropriate minimum wage. On June 29,

2015, the National Minimum Wage Committee proposed a daily minimum wage of Kyat 3,600 (US\$ 2.90) per eight-hour workday. The garment manufacturers criticized the proposal as too high. Finally, after months of protest and dispute, the government confirmed a daily minimum wage of 3,600 Kyat (US\$ 2.90) on August 18, 2015. A monthly minimum wage is yet to be proposed.<sup>34</sup>

### ***Minimum Wage Policy in the Garment Sector – A Very Low Basic Wage***

In the absence of a minimum wage for the garment sector, salaries of the workers are composed of a relatively low basic wage of around US\$ 25 to 30 per month supplemented by overtime payments, regular attendance bonuses, production bonuses or targets, living allowances and transportation

allowances. Although wages in the garment sector have increased from time to time, this has been offset by increasing inflation and the rising cost of living and consumer goods, particularly in Yangon, the country's largest city.<sup>xx</sup> Including

overtime compensation and other allowances, the actual average income ranges from about US\$ 80 to US\$ 110. Basic wages vary slightly from one factory to another. As basic wages are not sufficient to meet living costs, overtime is necessary for almost all factory workers in the garment sector. In general terms, the basic wage component is only about 35 to 40 percent of the total wage.

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xx The inflation rate averaged 5.12 percent from 2010 to 2014. The rate decreased to 2.8 percent in 2011 and 2012, but increased to 5.7 and 7.06 percent in 2013 and 2014 respectively. Central Statistics Organization, World Bank and Trading Economics. Accessed April 28, 2015. <http://www.tradingeconomics.com/myanmar/indicators>.



There is no legally binding collective bargaining agreement for minimum wages at the industry level so far, with all collective bargaining agreements negotiated at the plant or firm level. This is in large part due to the fragmented nature of the trade union movement.

The industry is currently facing an increasing number of strikes mainly caused by two grievances: low wages and excessive overtime. A total of 85 labor unions with roughly 13,000 members had been formed as of December 2014 at the factory level in the garment industry – a unionization rate of less than 1 percent. However, membership is on the rise.<sup>35</sup>

#### ***The Need for a Wage Reform Mechanism***

The Myanmar garment sector still has relatively low labor costs, but faces increasing demand

for higher wages by workers. At the same time, importing countries and buyers are paying more attention to comply with social standards and protection. Labor unions, employers as well as government bodies are playing an important

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role in establishing a wage reform mechanism.

The cooperation of international organizations may also have an impact on minimum wage policies.

While the importance of setting a minimum wage is widely recognized by all stakeholders, the current unpredictable economic and political situation in combination with a highly volatile

labor market undermines efforts to create an institutionalized, effective and efficient wage determination mechanism in Myanmar.



## 4. Pakistan

*Philipp Kauppert and Abdul Qadir*

### ***Pakistan's Garment Industry as Part of a Larger Textile Industry***

Textile and garment industries have a long history in Pakistan and have provided important employment and business opportunities. According to the All Pakistan's Textile Mills Association (APTMA), there are 452 textile units, 90 percent of which are located in the provinces of Punjab (65 percent) and Sindh (25 percent).<sup>36</sup> Garment manufacturing is an important but minor sub-sector of the overall textile industry, which is comprised of cotton yarn, cotton fabric

and clothes, and textile made-ups (knitwear, home textiles and readymade garments). Textile products make up 54 percent of all exports, and clothing contributes around one third of this figure.<sup>xxi</sup>

Textile production has remained stagnant over the last decade, while the value-added garment sector including Ready Made Garments (RMG) has only grown marginally. By international comparison, the export industries have lost ground in competitiveness against other

*xxi Due to the lack of specific data on garments the section on Pakistan will mainly refer to the textile sector in a broader sense (cf. definition in footnote II). Wherever possible, garment specific data is supplied; however comparability of the data will be limited.*

developing economies in South and Southeast Asia. The reasons for this development include the difficult security situation, high costs of energy generation due to frequent power cuts, low rates of both public and private investment, and the lack of a comprehensive industrial policy.

The textile industry, including garments, provides employment for around 5 million workers (40 percent of the industrial labor force) in Pakistan, accounting for 8 percent of GDP and nearly

25 percent of all value-added products. Pakistan's textile value chain consists of 10 sub-sectors, from cotton picking all the way to finished garments. The garments manufacturing segment generates the highest employment within the textile value chain.<sup>37</sup> In 2014, its share of EU and U.S. apparel markets was 2.8 percent and 2.2 percent, respectively. Over 75 percent of the industry is comprised of small-and medium-sized units.<sup>xxii,38</sup>

In September 2012, a fire in the garment factory in "Baldia Town" in the area of Karachi killed 258 workers. This tragic incident has led to controversial

***By international comparison, the export industries have lost ground in competitiveness against other developing economies in South and Southeast Asia.***

debates about insufficient occupational health and safety measures at the factory level but also generally ineffective labor market regulations. The Generalized Scheme of Preferences (GSP) Plus – a conditional trade agreement between Pakistan and the European Union that came into effect in

2014 – provides incentives for more effective implementation of social standards. In this context, trade unions can play a crucial role in holding employers accountable for compliance with the legal framework. But the labor

movement, comprised of around 8,000 registered unions and 1.2 million members (2.5 percent unionization across all sectors; no data available for garment sector) is still weak and faces many internal and external challenges: fragmentation and flagrant violations of workers' constitutional and statutory rights and their freedom to organize and collectively bargain.

***Wage formation – Politics of Provincial Minimum Wage Setting***

Based on the 18<sup>th</sup> Amendment to the Constitution in 2010, minimum wages at the provincial level are

*xxii According to Pakistan's classification system, small and medium enterprises include units or firms with up to 250 employees, fixed capital PKR 25 million (about US\$ 245,000) and annual sales of less than PKR 250 million (about US\$ 245 million). (See: [http://www.smeda.org/index.php?option=com\\_fsf&view=faq&catid=3&faqid=48](http://www.smeda.org/index.php?option=com_fsf&view=faq&catid=3&faqid=48))*

*xxiii The Constitutional Amendments devolved many federal subjects including labour to four provinces, thus creating separate federal and provincial territorial labour jurisdictions in the country.*

determined by Provincial Minimum Wages Boards (MWB).<sup>xxiii</sup> In June 2015, the central government announced a new minimum wage of PKR 13,000 (US\$ 130) for employees in the public sector, and it is expected that most provinces will also adopt this minimum.

The MWBs are tripartite provincial bodies, composed of government officials, workers' representatives, and employers' representatives all nominated by the provincial government.

Criteria for minimum wage fixing are inflation, cost of living and economic growth indicators. The minimum wages are announced at the time of budget speeches to the federal and provincial legislatures, leading to competition among ruling parties to set higher minimum wages than their rivals in other jurisdictions.

Unionized sectors or plants have experienced higher wages due to statutory regulations that require a regular collective bargaining process every two years. Large-scale textile processing units that are capital-intensive have a relatively higher level of unionization and collective

bargaining, while labor-intensive garment units, with few exceptions, are mostly unorganized. As such, minimum wages are the only wage-setting mechanism for most of the workforce.

#### ***Wage Development – Poor Wages, even poorer for Female Workers***

In nominal terms, applicable monthly minimum wages grew from PKR 7,000 (US\$ 82) in 2010 to PKR 13,000 (US\$ 128) in 2015 while the growth in real wages in the same period was 21 percent.<sup>xxiv</sup>

***Rather than acting as a basic wage floor for the most vulnerable workers, the minimum wage is the only recourse for workers in the garment sector and other industries seeking higher wages – supplanting collective bargaining.***

The remaining problem is poor implementation and enforcement of existing labor laws, including the statutory minimum wages. More than 73 percent of the non-agricultural workers (which are not subject to labor laws) work in informal conditions and therefore lack the basic legal coverage. Even in the

formal economy, labor inspections are either ineffective or absent altogether. Wage figures in the official surveys are available only at the industry level, but according to the ILO,<sup>39</sup> the wages applicable in the garment sector range from US\$ 85 to 95 in 2013-14, which is closely comparable to applicable minimum wages.

<sup>xxiv</sup> Based on Consumer Price Index 2009 to 2010 as reported in: Ministry of Finance of Pakistan. 2014/15. Pakistan Economics Survey (PSE) 2013-14, 2014-15. Accessed June 9, 2015. [http://www.finance.gov.pk/survey\\_1314.html](http://www.finance.gov.pk/survey_1314.html).

Rather than acting as a basic wage floor for the most vulnerable workers, the minimum wage is the only recourse for workers in the garment sector and other industries seeking higher wages – supplanting collective bargaining. It is especially discouraging that minimum wages have become the only form of wage protection for most workers, since even these standards are poorly enforced.

While female participation in Pakistan's labor market has been growing in recent years, it still lags behind in a regional comparison. This is also true in the garment sector. As of 2009, only 20 percent of garment sector workers were women, dramatically lower than in other South and Southeast Asian countries where over 80 percent of the garment industry workforce is female. Only 47 percent of companies provide maternity leave to their staff.<sup>40</sup> Across the economy, those women who are able to find formal employment generally receive lower pay than their male counterparts. On average, women earn 38.5 percent less than men in Pakistan.

***In the absence of effective labor market regulations, the presence of representative trade unions is key to ensuring compliance with labor laws as well as promoting more decent and fair social standards in domestic and global value chains.***

### ***Majority of Garment Workers Paid Below the Minimum Wage***

Smooth political transition since the end of Musharraf's military regime in 2008 has positively influenced the statutory minimum wage growth, despite minimal economic growth in the country. The era of military rule saw the opposite trend. With spiraling price inflation since 2007-8 the pressure from workers and voters inevitably influenced decision makers to adjust minimum wages on an annual basis. On the other hand, business and enterprise owners who are often political figures continue to violate laws in connivance with the administration, and hence implementation remains weak.

The textile and garment sector in Pakistan is the largest industrial employer, yet workers' organization is minimal. In the absence of effective labor market regulations, the presence of representative trade unions is key to ensuring compliance with labor laws as well as promoting more decent and fair social standards in domestic and global value chains.



Table 1

**Pakistan Structure of Exports (Textile sectors) (US\$ million)**

	2013-14	2014-15	% change
<b>Total</b>	<b>20,979.10</b>	<b>19,921.50</b>	<b>-5</b>
<b>Textile Manufactures</b>	<b>11,420.10</b>	<b>11,281.60</b>	<b>-1.2</b>
<b>Non-Manufactured Textiles</b>			
Raw Cotton	196.1	144.7	-26.2
Cotton Yarn	1,715.80	1,587.10	-7.5
Cotton Cloth	2,345.80	2,088.10	-11
Knitwear	1,839.20	1,981.90	7.8
<b>Value-added textiles</b>			
Bedwear	1,767.30	1,747.40	-1.1
Towels	629.9	650.1	3.2
Readymade Garments	1,577.90	1,722.10	9.1
Made-up articles	542.1	542.6	0.1
Other Textile Manufactures	806	817.7	1.4

**Note:** Figures are for July-April of the years indicated.

**Source:** Pakistan Economic Survey 2014-15



## 5. Vietnam

*Erwin Schweishelm and Mai Ha Thu*

### ***Trans-Pacific Partnership Expected to Foster Growth***

Vietnam has one of the fastest growing economies in Asia, and the textile and garment industry plays an important role.

The country's textile and garment exports increased 19 percent in 2014 to approximately US\$ 24 billion, accounting for 14 percent of GDP and 13.6 percent of the total export value<sup>41</sup>. In 2015, the export volume is expected to increase by another 20 percent<sup>42</sup>,

***Due to rising labor costs in China and the tragic accidents in Bangladesh, many investors are considering Vietnam as an alternative.***

bolstered partly by declining prices of oil and raw material. Moreover, the ongoing negotiations on a Free Trade Agreement with the EU and the Trans Pacific Partnership Agreement (TPP)

may give Vietnam an additional competitive edge. Projections suggest Vietnam may soon overtake Bangladesh as the second-largest producer, reaching 11 percent of the global export volume by 2024.<sup>43</sup> Due to rising labor costs in China and the tragic accidents in Bangladesh,

many investors are considering Vietnam as an alternative.

There are more than 5,000 companies and an estimated 2.5 million people employed in the sector,<sup>xxv</sup> a large majority of which is female. The Vietnam Textile and Garment Union (VTGU) was founded in 2007 and is part of the Vietnam General Confederation of Labor (VGCL). Its 123,000 members constitute only about 5 percent of workers in the industry. However, there are also enterprise-level unions that are directly affiliated with the umbrella organization VGCL.

### ***Wage Formation and Development at National Level – On the Way to a Living Wage***

A minimum wage is defined in the 2012 Labor Code as the lowest rate paid to the employees who perform the simplest work in normal working conditions. The code stipulates that the wage must ensure basic living needs of the employees and their families.

In 2013, the National Wage Council (NWC) was established in accordance with the new Labour Code that had come into effect earlier that year. The NWC consists of representatives of employers' associations, the VGCL as the sole representative of employees, and the Ministry of Labor, Invalid and Social Affairs. The tripartite council gives

representatives of trade unions and employers a direct stake in minimum wage negotiations and recommendations, significantly strengthening the minimum wage setting mechanism in Vietnam.

Minimum wages in Vietnam are set for four regions, from least developed rural areas to large cities, including Hanoi and Ho Chi Minh City. In recent years – even prior to the establishment of the NWC – minimum wages have increased substantially, often by more than 10 percent per year. The last increase took effect on January 1, 2015, bringing the minimum up to US\$ 100 in rural areas and US\$ 145 in large urban centers – an average increase of almost 15 percent across the four regions.

However, the regional minimum wages, proposed by the NWC and adopted by the government have not yet met the level of a living wage. Both the government and the trade unions calculate the living wage in large cities at about US\$ 190 to 200. The target was to raise the minimum up to a living wage by 2015, but this goal has been postponed until 2017.

Collective bargaining and enterprise-level dialogue are important mechanisms in the wage setting process. In Vietnam, these forms

*xxv In factories that participate in the ILO project Better Work Vietnam, covering around 200,000 workers, 80 percent are women. Policy Brief: Gender Equality at the Workplace Baseline Findings from Better Work Vietnam. Accessed June 9, 2015. <http://betterwork.org/global/wp-content/uploads/Vietnam-Research-Brief-V4.pdf>.*

of dialogue and negotiation are still limited in quantity and quality, resulting occasionally in “wild-cat strikes”.<sup>xxvi</sup> Although industry-wide collective bargaining is made possible by the 2012 Labor Code, the vast majority of collective bargaining agreements (CBAs) are only concluded at the enterprise level.

#### ***Wage formation and development in the textile and garment industry – towards sectoral collective bargaining***

According to the information provided by trade unions, the sector’s average income is about US\$ 200 to 300 per month, including meal allowances, transportation, work uniforms and work equipment or gifts on special occasions and overtime payments. A usual workweek for garment workers has 55 to 60 hours.

***Collective bargaining and enterprise-level dialogue are important mechanisms in the wage setting process and develop sound industrial relations. In Vietnam, these forms of dialogue and negotiation are still limited in quantity and quality.***

The textile and garment industry (the vast majority of products are readymade garments) is one of only two industries in Vietnam that has successfully negotiated CBAs beyond the level of individual enterprises. The latest textile and garment industry’s CBA stipulates that the sector’s minimum wages must be at least 3 percent higher than the regional minimum wage.

*xxvi Strikes which are not led by trade unions and thus considered illegal in Vietnam.*

Since the minimum wage is the basis to calculate social insurance and other allowances, its increase results in higher allowances as well. However, wages differ based on company, region, overtime hours and sources of investment.

Despite its achievement in concluding CBAs, the textile and garment industry still recorded the highest strike rate among all industries in recent years. In 2014, 36.5 percent of strikes in 2014 were in textile and garment companies.<sup>45</sup> In most cases, workers’ demands and complaints were salary-

related – concerned with wage increases, unpaid or deferred wages, allowances, pay scale, payroll, overtime payments, or bonuses. As mentioned above, the VGTU represents only 5 percent of the garment and textile workers in Vietnam, and this low rate of unionization in the industry might partly explain the paradox.

#### ***Impact and Conclusion – why productivity matters***

Wage development relies mainly on mandatory increases by the government and not on a proper mechanism of dialogue and negotiation between employers and workers. This is not sustainable, since it is often accompanied by a

faster rise of living costs that mostly eliminates any improvement in workers' real income. Consequently, high turnover rates and wild-cat strikes continue to reflect workers' frustration and have negative impacts on productivity and competitiveness at both the enterprise and national level.

***Being at the bottom of the supply chain, garment workers in Vietnam work hard to support themselves and their families.***

On the other hand, if wage developments at the national level and in the textile and garment industry in Vietnam are not aligned with productivity growth, the country will face the risk of losing its competitiveness in

the global market. Being at the bottom of the supply chain, garment workers in Vietnam work hard to support themselves and their families and cannot be entirely responsible for this

productivity conundrum, which must be solved from a different end. As Vietnam is integrating more deeply into the regional and global economy, Vietnamese policy makers will face

ever greater challenges to balance the country's economic competitiveness with its goal of ensuring fair wages for workers.

Table 2

**Minimum wage developments in Vietnam (2010-2015) (in Vietnamese dong)**

	Region I		Region II		Region III		Region IV		Average increase in %
	In absolute number	Increase in %	In absolute number	Increase in %	In absolute number	Increase in %	In absolute number	Increase in %	
2010*	980,000		880,000		8,10,000		730,000		
	1,340,000		1,190,000		1,040,000		1,000,000		
2011	1,350,000	0.7%	1,200,000	0.8%	1,050,000	1.0%	830,000	-17.0%	-2.50%
2012	2,000,000	48.1%	1,780,000	48.3%	1,550,000	47.6%	1,400,000	68.7%	52.35%
2013	2,350,000	17.5%	2,100,000	18.0%	1,800,000	16.1%	1,650,000	17.9%	17.39%
2014	2,700,000	14.9%	2,400,000	14.3%	2,100,000	16.7%	1,900,000	15.2%	15.20%
2015	3,100,000	14.8%	2,750,000	14.6%	2,400,000	14.3%	2,150,000	13.2%	14.29%

\* There are two figures because at that time minimum wages were lower for local enterprises than for enterprises funded through foreign investment.

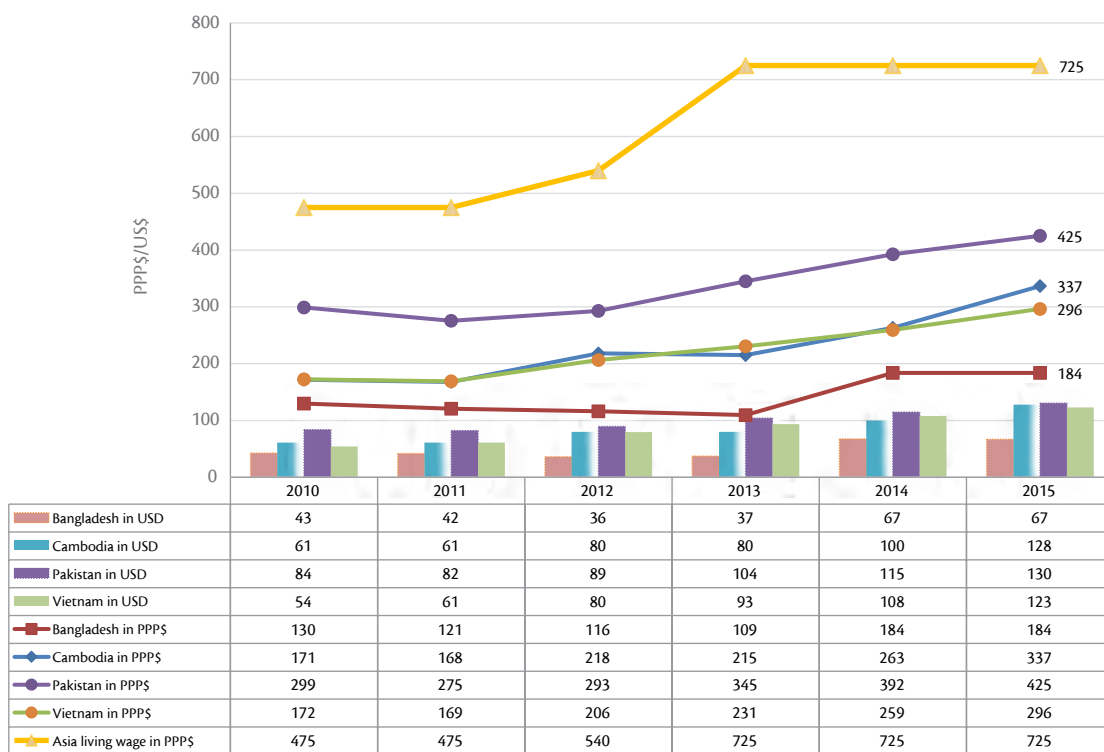
**Source:** Minister of Ministry of Labour, Invalids and Social Affairs (MOLISA)

**Note:** Regions I-IV denote areas with differing levels of development and urbanization, with Region I being the most industrialized and Region IV being the most rural.



Figure 4

**Wage development from 2010-2015 in Bangladesh, Cambodia, Pakistan and Vietnam (in US\$ and PPP\$)**

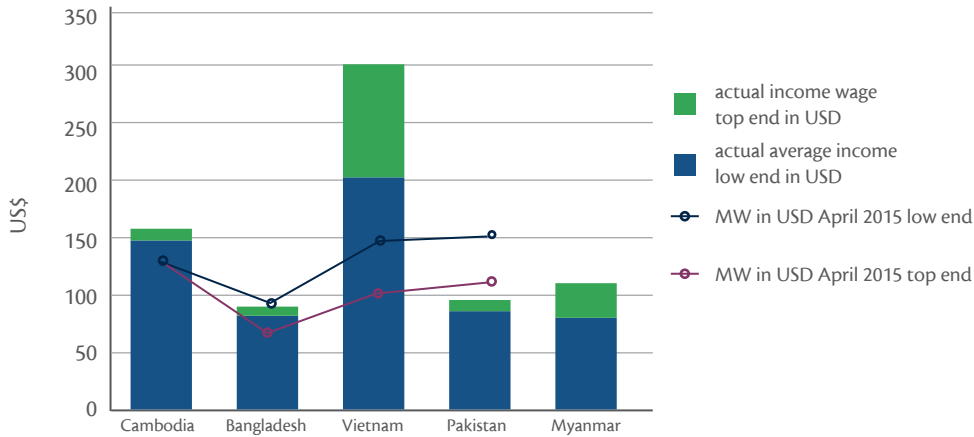


**Note:** PPP\$ conversion rate to local currency based on World Bank data.

**Source:** Ashim Roy. Asia Floor Wage Alliance.; Vietnam Union of Textile and Garment Workers, VGTU; Cambodia Ministry of Labor and Vocational Training; Bangladesh Gazette published on November, 2013 on Minimum Wage Board; own calculations.

Figure 5

### Actual income wage composition in relation to minimum wage among garment workers

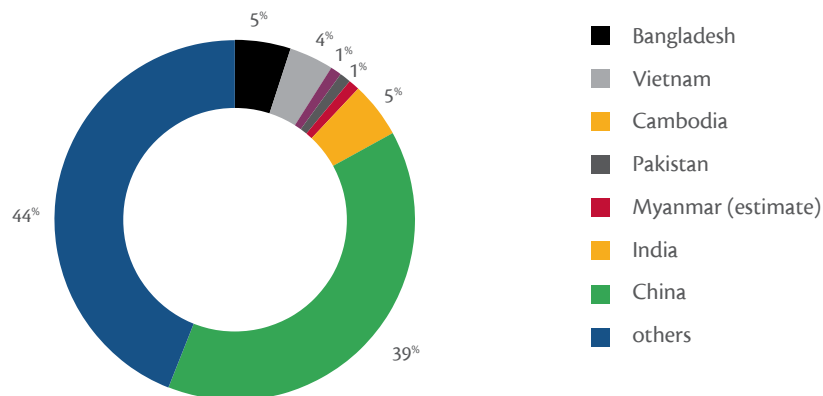


**Note:** Even though the Pakistan provincial minimum wages ranging from US\$ 110 to US\$ 150 the actual average wage of garment workers fall below.

**Source:** Ashim Roy. Asia Floor Wage Alliance.; Vietnam Union of Textile and Garment Workers, VGTU; Cambodia Ministry of Labor and Vocational Training; Bangladesh Gazette published on November, 2013 on Minimum Wage Board; own calculations.

Figure 6

### Percentage of world market export



**Source:** WTO, Standard Chartered Research

# KEY TRENDS AND POLICY IMPLICATIONS

*Julia Mueller and Lukas Bauer*

The comparability of wage development and formation across all five countries is challenging due to the complex and different minimum wage structures as well as a lack of data for some countries. However, a number of key trends can be extrapolated, which apply to all or most of the countries examined. These trends also serve as the basis for recommendations toward sustainable wage formation and development of the garment sectors in Bangladesh, Cambodia, Myanmar, Pakistan and Vietnam.

## ***Steep Minimum Wages Hikes: The Need for a Regular Minimum Wage Review***

The significant increases in minimum wages over the past five years need to be partly understood as compensation of previous wage freezes and real income losses for workers in the garment sector over the years prior. It is a positive sign that in all the countries examined, the wage increases have been the result of a tripartite wage committee. But the convening of these dialogues, especially in Bangladesh and Cambodia, happened mainly

due to pressure from striking workers and buyers responding to consumers' call for decent wages – not due to a regular and effective wage setting mechanism.

***While the reform and/or creation of tripartite minimum wage bodies is a step towards more constructive social dialogue, they need to be further strengthened in order to function in a fully democratic and transparent manner.***

While the reform and/or creation of tripartite minimum wage bodies is a step towards more constructive social dialogue, they need to be further strengthened in order to function in a fully democratic and transparent manner. Hence, a regular (annual or biannual) review based on statistical evidence

is crucial to pave the way toward living wages in the garment sector and, at the same time, make wage increases more predictable for producers and buyers.

## ***Minimum Wage as a Substitute for Collective Bargaining: The Need for Constructive Social Dialogue***

In Bangladesh and Cambodia the average income hardly exceeds the minimum wage. In Pakistan, it even falls short. This demonstrates that the results of minimum wage negotiations have become

de-facto sectoral collective pay agreements and therefore the main mechanism for wage setting.

Firm-level collective bargaining agreements – if existent – are weak in quality and rarely go beyond the wage standards guaranteed by the minimum wage orders. Sectoral collective bargaining agreements are – with the exception of Vietnam – completely absent.

Minimum wage is meant to set a wage floor, not act as the only wage-setting mechanism. In the countries examined, collective bargaining

mechanisms need to be set up or further strengthened. It is the task of the governments

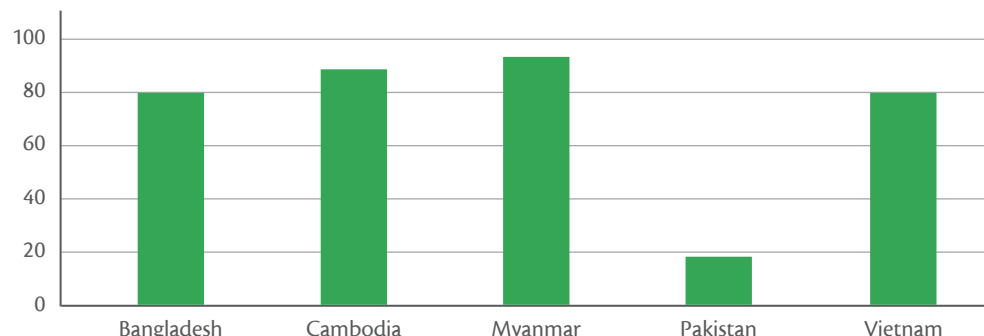
to create an enabling environment for collective bargaining at both the factory and the sectoral level, in line with ILO Convention 98 on the Right to Organize and Collective Bargaining.<sup>46</sup> But it is also essential that wage

development does not rely only on mandatory increases by the government -- minimum wage, but includes a proper bilateral bargaining process between workers and employers -- collective bargaining.

***It is the task of the governments to create an enabling environment for collective bargaining at both the factory and the sectoral level, in line with ILO Convention 98 on the Right to Organize and Collective Bargaining.***

Figure 7

**Percentage of women workers in the garment industry (%)**



Source: Bangladesh: BFMEA (2015); Cambodia: GMAC (2015); Myanmar: own estimates; Pakistan: Ehsan-ul-Haque (2009); Vietnam: Better Work Vietnam (2015).

**Weak bargaining power: The need for strong and unified trade unions**

A main reason for low wages and weak or non-existent collective bargaining agreements is the weak bargaining power of the trade unions in most of the countries examined. The lack of influence relates to external as well as internal factors. As regular reports of the ITUC Survey of Violations of Trade Unions Rights show, basic trade union

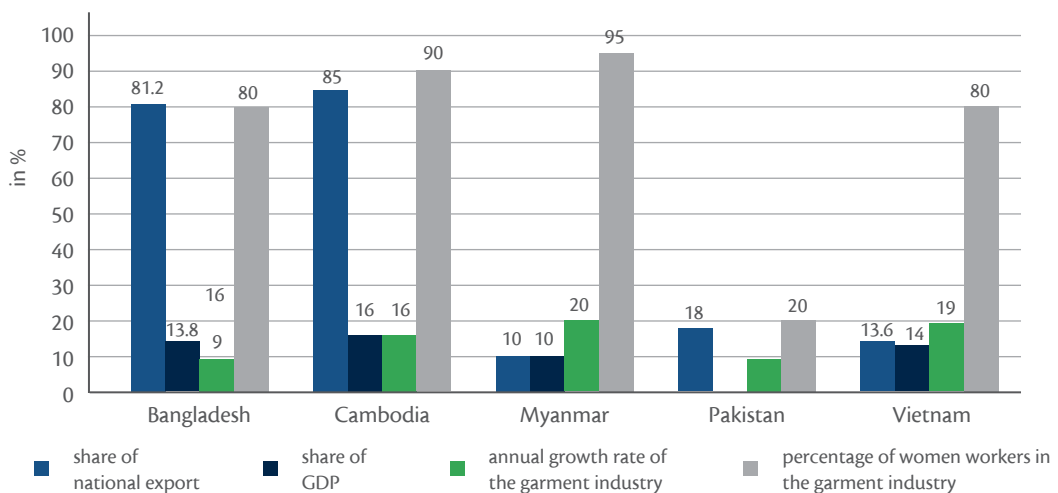
rights like freedom of association are not fully respected in all the countries.<sup>47</sup> In some cases, rights are even severely violated – for example, when strikes are forcefully dissolved.

**The scattered movement with extremely low unionization rates impedes a joint, professional struggle for better working conditions and decent pay – at both the national and the factory level.**

But for most of these countries, the weak bargaining power also points to challenges within the labor movement. With the exception of Vietnam, the union landscape is highly fragmented and lacks unity while the employers

are mostly organized in a single association.

Figure 8  
**Significance of the garment industry for the local economy in select Asian countries (2014)**



**Note:** Figures are based on multiple sources. Citations are included in the body of the text.

The scattered movement with extremely low unionization rates impedes a joint, professional struggle for better working conditions and decent pay – at both the national and the factory level.

As recent research shows, strong and united unions are decisive for better working conditions and decent pay.<sup>48</sup> Wages are substantially higher in factories with a united work force. Therefore, unions in the countries examined

need to further professionalize their work, act in unity towards employers and governments and attract more members in order to increase their bargaining power in minimum wage committees, in factories, and at the industry level.

***A feminised sector: The need to end all forms of exploitation and wage discrimination***

With the exception of Pakistan, the garment sector employs a remarkably high proportion of female workers (80 to 95 percent). Most are rather young, with a low level of education, originally from rural areas and migrating to cities to earn a living for their generally poor families.<sup>49</sup> While it is a positive development that the employment in the formal garment industry can be a “route out of poverty”<sup>50</sup> and a chance for women to enter the labour market, the industry also takes advantage of poor women striving for a better

life. In the garment industry, women are paid less, less likely to be promoted, and often denied any form of maternity protection and effective

protection against sexual harassment or other forms of exploitation in the workplace.

Governments need to enforce ILO Core Convention 111, which prohibits any form of discrimination – including wage discrimination –

based on a worker’s gender and ensure a work environment without any forms of exploitation. Unions also need to reform and strive for more proportionate representation. While the majority of union leaders are men, the majority of their members are women. Moreover, any long-term strategy to end women’s exploitation must rely on improving their access to education and creating employment that goes beyond low-skilled and low-paying jobs.

***High dependency on the garment industry: The need for long-term investments and skills development***

With the exception of Vietnam and Pakistan, the economies examined here are overly dependent on the garment industry and lack diversification in their manufacturing sector. At the moment, there are few signs of change. This makes these

***The abundance of industrial workers in one sector also has an adverse impact on wages, whereas a diversified manufacturing sector results in a tighter labor market and more bargaining power for workers.***



countries highly vulnerable to adverse economic shocks. Whereas wage increases in China's garment industry went along with investments in skills development, labor productivity, and modern production methods,<sup>51</sup> the industries in most countries examined in this chapter mainly focus on short-term profits. However, in order to ensure long-term profits in the garment industry, investments in safety, labor standards and higher wages are imperative.<sup>52</sup> An over-abundance of industrial workers in one sector has an adverse impact on wages, whereas a diversified manufacturing sector results in a tighter labor market and more bargaining power for workers.

To create more sustainable and robust prospects for growth and development, these countries need to concentrate on moving up the value chain. The focus on low-end garments can only kick-start the development of a manufacturing sector. Such an industrial policy must be accompanied by investments in skill development – which increases productivity, enabling higher wages without sacrificing competitiveness.

### ***Conclusion: A trade-off between minimum wage increases and competitiveness?***

Overall, in the countries examined labour costs are still relatively low – especially compared to other garment producing countries in the region like China, Malaysia and Thailand.<sup>xxvii</sup> According to the global manufacturing union IndustriALL, a typical pair of jeans made in Bangladesh is sold for US\$ 30 to US\$50 at retail stores, whereas the worker who sews them receives about US\$ 0.10.<sup>53</sup>

There is still substantial space – especially in Bangladesh, Cambodia and Myanmar, to increase minimum wages without losing competitiveness on the global garment market. The constant growth of the garment industries in the countries examined and the likelihood of continued expansion proves that significant hikes in minimum wages have not discouraged buyers from sourcing from these countries.

Although the industry is historically built on low wages, they are not the only factor that drive sourcing decisions of international buyers. Thanks to increased awareness among consumers, fashion brands are increasingly prioritizing stable industrial relations, productivity, reliability of supply and decent working conditions.<sup>54</sup>

*xxvii Monthly minimum wages in the garment sector in China range between US\$ 156 and US\$ 266, in Malaysia between US\$ 244 and US\$ 275. In Thailand it is set at US\$ 237. ILO Regional Office for Asia and the Pacific. December 2014. Wages in Asia and the Pacific: Dynamic but uneven progress. Accessed July 1, 2015. [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms\\_325219.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_325219.pdf), p. 3.*

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+91 97414 51309