



International
Labour
Organization

Decent Work in
Garment Supply
Chains Asia

▶ Employment, wages and productivity trends in the Asian garment sector

Data and policy insights for the future of work



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▶ Abbreviations

ADB	Asian Development Bank
AGR	agriculture, fishing and forestry
BGD	Bangladesh
CHN	China
COVID-19	Novel Coronavirus Disease
EPZ	export processing zone
FDI	foreign direct investment
GDP	gross domestic product
GSC	global supply chain
GTF	garment, textiles and footwear
GVA	gross value added
IDN	Indonesia
IFC	International Finance Corporation
IFS	International Financial Statistics
ILO	International Labour Organization
IMF	International Monetary Fund
IND	India
ISIC	International Standard Classification of All Economic Activities
KHM	Cambodia
L&F	leather and footwear
LFS	labour force survey
LKA	Sri Lanka
MFA	Multi-fibre arrangement
MMR	Myanmar
MNF	manufacturing
MVA	manufacturing value added
MYS	Malaysia
NSO	National Statistical Office
OSH	occupational safety and health
PAK	Pakistan
PHL	Philippines
PPP	purchasing power parity
RMG	readymade garment
SME	small and medium-sized enterprise
THA	Thailand
TXT	textiles
UK	United Kingdom
UN	United Nations
US	United States
US\$	United States Dollar
VNM	Viet Nam
WAP	wearing apparel
WDI	World Development Indicators
WTO	World Trade Organization

► Executive summary

The Asian region is still the main garment manufacturer of the world. In 2019, the region accounted for approximately 55 per cent of global textiles and clothing exports. The garment, textiles and footwear (GTF) sectors remain a key contributor to Asian economies, providing employment for approximately 60 million workers in the region, and indirect employment for millions more. The sector is at a crossroads, challenged by converging labour costs, potential disruption through production and process automation, 'reshoring' and 'nearshoring', and increased pressure to transition towards a more sustainable business model, with improved wages and working conditions. The Novel Coronavirus (COVID-19) crisis may have accelerated some of these trends. At this critical juncture, this report takes stock of employment, wages and labour productivity trends over the 2010-19 period, to inform policies and practices aimed at safeguarding and expanding decent work opportunities in Asia's GTF sector.

In the last three decades, the structure of employment in the Asian garment sector has become increasingly organized around global supply chains (GSCs). Garment GSCs are buyer-driven and led by multinational enterprises (MNEs) often promoting the 'fast-fashion' business model. The supplier landscape is complex, multi-layered and competitive, involving contractors and subcontractors spanning across the formal and informal sectors. Asian exporters generally compete at the lower-end of the global garment value chain, which primarily involves low-skilled, low value-added Cut-Make-Trim (CMT) activities. Many garment manufacturers, particularly small and medium-sized enterprises (SMEs) in lower tiers of the supply chains, face high levels of uncertainty, are under a lot of pressure to reduce 'lead-times', operate on tight margins, and are unable to invest in productivity enhancement. These GSC dynamics make suppliers resort to 'flexible' work arrangements like temporary and home-based workers, and result in significant downward pressures on wages and working conditions. These effects are compounded by critical institutional factors, namely weak government capacity for regulation and enforcement, conflictual industrial relations and low levels of collective bargaining.

While labour productivity in Asia's GTF sector has increased in many economies, it remains relatively low, as few countries have successfully moved up the value-added chain. Data analysed in this report confirm the existence of a positive association between labour productivity growth and wage growth in the sector. Although improving labour productivity remains key to maintaining profitability and competitiveness on one hand, and paying higher wages on the other, there are many issues, both conceptual and measurement-related, that can affect these variables, and inferences regarding this relationship that must be nuanced.

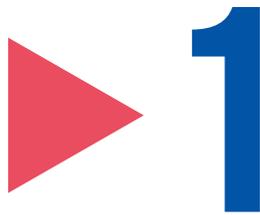
Real wages in the sector have increased in most countries, but working conditions remain poor in general, including long and intense working hours, poor occupational safety and health, and violations of fundamental rights at work. Despite the high share of wage and salaried employment and the dominance of larger firms in most countries, a significant proportion of the sector's workers remain highly vulnerable, due to widespread informality and the temporary nature of their working arrangements. These include large numbers of home-based workers and own-account workers. This issue is critical as the COVID-19 crisis has not only emphasized the vulnerability of these workers, but also raised questions regarding the sustainability of garment supply chains in their current form.

Although women represent a large share of garment workers, gender pay gaps persist, and are particularly elevated in countries where there are broader systematic labour market challenges for women. In some contexts, women workers are victim to physical and sexual violence, due to the gendered nature of their workplaces.

Poor working conditions in the GTF sector are largely attributable to GSC features and their interaction with institutional constraints at the country level. The power asymmetries inherent in garment GSCs at various levels, and the complex web of actors involved, limit accountability for social upgrading and improving working conditions, and further complicate industrial relations. Although poor management

practices, weak government capacity, limited collective bargaining and other institutional constraints certainly play an important role in the equation, the negative impact of MNE sourcing practices and of the fast-fashion business model must also be taken into account in any initiative aimed at improving labour productivity and working conditions in the sector, and promoting its sustainability and resilience.





Introduction

Prior to the onset of the global Coronavirus (COVID-19) pandemic, the global garment sector was already at a crossroads.¹ The supply chain set up was being challenged by converging labour costs, increasing the potential of disruption due to production and process automation, the looming possibility of ‘reshoring’ and ‘nearshoring’, and increased pressures to transition towards more sustainable business models (Andersson et al., 2018). These trends, along with trade tensions and changing trade patterns, were already raising questions regarding the continuation of Asia’s position as the ‘garments and textiles factory of the world’. Across the region, the garment, textile and footwear (GTF) sector remained a major contributor to gross domestic product (GDP), exports and foreign currency revenues, as well as employment.

Until recently however, wages and productivity in Asia’s garment sector have remained low on average, and a large share of the sector’s workers remained highly vulnerable to economic shocks. In recent years, the challenge of creating decent work and sustainable enterprises in this sector dominated by global supply chains has been the subject of much research, advocacy and practical efforts at the international and national levels.² Having initially been driven heavily by low labour costs, it has become increasingly clear that the sector’s expansion can no longer be sustained along the same lines in the future; instead, new drivers of competitiveness will be needed that require improved wages and working conditions (Huynh, 2015).

Against this backdrop came the COVID-19 crisis, which in addition to its devastating labour market and socio-economic effects, threatens to have longer lasting impacts across the region, namely through the interaction with technology and other megatrends. The pandemic hit Asia’s manufacturing sector hard initially, as localized impacts had ‘ripple effects’ across global supply chains due to shortages of intermediate inputs and bottlenecks, and subsequently through a massive drop in global demand (ILO, 2020a, 2020b). The manufacturing sector is estimated to have accounted for approximately 30 per cent of job losses in the Asia and Pacific region relative to the no-pandemic baseline in 2020 (ILO 2021, 68). Moreover, by providing added incentives for companies to digitalise, automate and near-shore, the Covid-19 crisis may have accelerated key future of work trends, with major implications for Asia and the

1 In this report, unless otherwise specified ‘garment sector’ is used interchangeably with the ‘Garment, Textiles and Footwear (GTF) sector’, consisting of the three industry groups defined as ISIC Rev 4 (groups 13, 14, 15) or ISIC Rev 3 (groups 17, 18 and 19). To differentiate the overall GTF sector from its sub-sector ISIC Rev 4 group 14 (equivalent to ISIC Rev 3 group 17), the latter is referred to as ‘Wearing Apparel’ or ‘Clothing’.

2 Global supply chains refer to “the cross-border organization of the activities required to produce goods or services and bring them to consumers through inputs and various phases of development, production and delivery. This definition includes foreign direct investment (FDI) by multinational enterprises (MNEs) in wholly owned subsidiaries or in joint ventures in which the MNE has direct responsibility for the employment relationship. It also includes the increasingly predominant model of international sourcing where the engagement of lead firms is defined by the terms and conditions of contractual or sometimes tacit arrangements with their suppliers and subcontracted firms for specific goods, inputs and services.” (ILO, 2016).

garment sector in particular (Baldwin, 2020; McKinsey Global Institute, 2021).

At this critical juncture, this report offers objective data insights and robust comparative information to inform policies and practices on wages, productivity and decent work in the garment sector. The report aims to demonstrate that various structural factors – including trade policy and supply chain dynamics at the global level, as well as industry composition and institutional and contextual factors at the local level – interact to determine export and output growth, competitiveness, labour productivity, and wages and working conditions. In the post-pandemic era, any intervention to safeguard and expand decent work opportunities in the sector must take into account these structural challenges.

The report is structured as follows. The introductory section describes the data and approach used in the report, and provides an overview of both Asia's importance for global garment production, and the GTF sector's importance for the region's economies. Section 2 provides a mapping of the sector, which has become increasingly structured around GSCs, focusing on the implication of GSC features and dynamics for decent work. Section 3 describes the employment structure of the sector, highlighting its complexity and the multiplicity of actors involved, spanning across the formal and informal sectors. Section 4 discusses wages and labour productivity in the sector, including from a dynamic perspective. Section 5 highlights key issues affecting decent work outcomes for women who make up a large segment of the sector's workforce. Section 6 briefly discusses industrial relations in the sector's challenging environment. The last section provides concluding remarks.

1.1. Data and approach

This report primarily relies on data insights from Labour Force Survey (LFS) microdata for 11 Asian garments exporting countries (Bangladesh, Cambodia, India, Indonesia, Malaysia, Myanmar, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam). Data on China, for which there is no LFS, are included from alternative sources (e.g. ILO estimates) when available. For all countries with LFS coverage, industry level data are available at the two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC).³ This allows us to consistently quantify employment in the GTF sector as well as including the three following sub-sectors or industries: Manufacture of textiles; manufacture of wearing apparel; and manufacture of leather and related products.⁴

The use of LFS data has several advantages. In particular, being a household-based survey, the LFS allows capturing, and differentiating between, formal and informal employment, the prevalence of self-employment, home-based work, temporary or other non-standard working arrangements and other relevant employment characteristics. LFS data also provide detailed insights to complement and cross-validate alternative data sources such as the WageIndicator Garments Supply Chain Database.⁵ Data from the latter, which represents a substantial effort at mapping the global garments supply chain (see van Klaveren and Tjidsens, 2018), are also used here, along with qualitative information from diverse sources as an attempt to piece together parts of this complex puzzle, and improve our understanding of the drivers of competitiveness, labour productivity and wages across Asia's garment sector.

In addition to LFS and employment data from various sources, this analysis also makes use of gross value added (GVA) data from National Statistical Offices (NSOs) when available, or alternatively from the Asian Development Bank (ADB)'s input-output database. Export data are taken from the UN Comtrade

3 Unfortunately, LFS data for Indonesia at the two-digit ISIC level was available until 2015 only. Thereafter, LFS micro-datasets made available to the ILO were limited to the single digit sectors, limiting the possibility of more recent comparative analysis.

4 These sub-sectors are equivalent to ISIC Rev 4 groups 13-15, and ISIC Rev 3 groups 17-19.

5 The WageIndicator Garment Supply Chain Database, compiled in 2018, comprises data on the supply chains of 24 major clothing and footwear selling firms or brands, across 25 production countries, out of which 16 are Asian countries, four are African countries, and five are Latin American. It includes data on 8,110 factories belonging to these supply chains across the 25 countries. See van Klaveren and Tjidsens, 2018.

database and from the World Trade Organization (WTO), and additional data (exchange rates, consumer price indices and US Dollar Purchasing Power Parity – PPP – conversion factors) are taken from the World Bank's World Development Indicators (WDI) and International Monetary Fund (IMF)'s International Financial Statistics (IFS) databases.

The approach adopted here is a descriptive analysis, which seeks to closely examine the structure and dynamics of the GTF sector in the selected countries, to enable evidence-based policies regarding its future. Specifically, it aims to contextualize the discussion around wages and labour productivity in the realities of the sector, to facilitate social dialogue around these issues. The analysis covers structural and institutional factors, including industrial relations, and highlights challenges for sub-groups of workers including informal and temporary workers, home-based workers and women who constitute large shares of employment in garments GSCs.

1.2. Is Asia still the garment factory of the world?

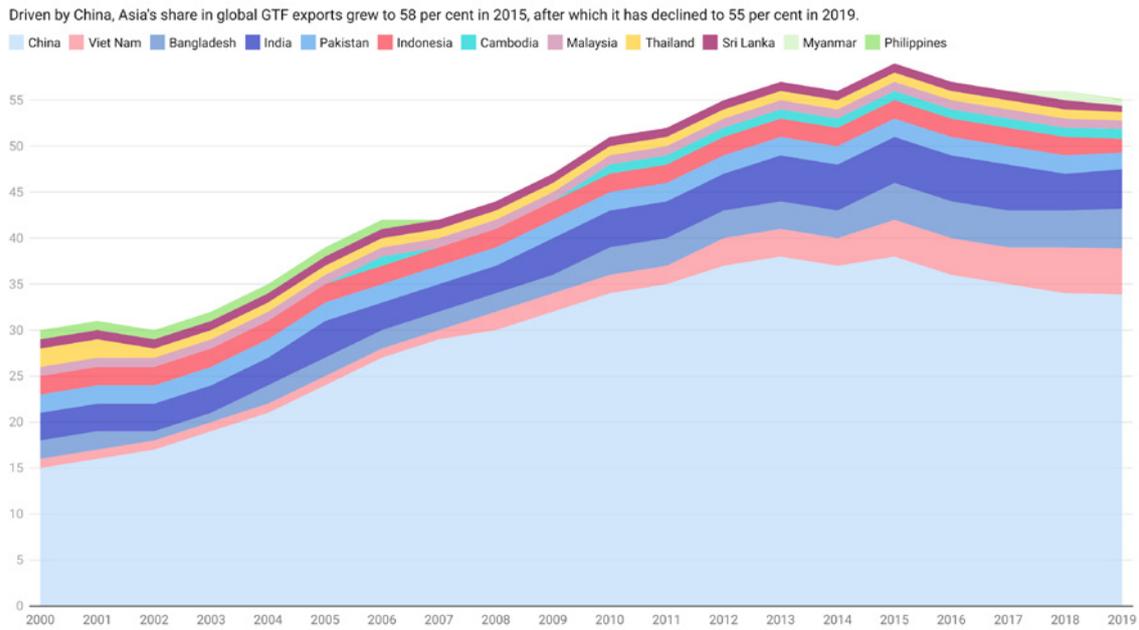
Asia's share in global textiles and clothing exports has grown significantly since the early 2000s, peaking at 58 per cent in 2015, before declining to about 55 per cent in 2019 (Figure 1).⁶ These trends were largely driven by China, which saw continuous export growth in both sub-sectors until 2015, after which its declining share in wearing apparel exports was only partly offset by an increase in the share of other Asian clothing exporters, specifically, Viet Nam, Bangladesh, Myanmar and Cambodia. The three per cent decline in Asia's market share since 2015 was absorbed primarily by Europe as the share in exports of all other regions stayed relatively constant or declined.⁷ This could suggest that nearshoring, rather than relocation to lower cost destinations, has taken place during these years. Despite the recent decline, China's dominance remains unmatched with 34 per cent of global GTF exports in 2019, followed by Viet Nam (five per cent), Bangladesh and India (4.3 per cent each).

6 The WageIndicator Garment Supply Chain Database, compiled in 2018, comprises data on the supply chains of 24 major clothing and footwear selling firms or brands, across 25 production countries, out of which 16 are Asian countries, four are African countries, and five are Latin American. It includes data on 8,110 factories belonging to these supply chains across the 25 countries. See van Klaveren and Tijdens, 2018.

7 In particular, the Netherlands, Germany, Poland, Spain and Italy saw their shares in GTF exports increase the most over the 2015-19 period.

▶ **Figure 1 Asia's share in global GTF exports, 2000-19**

Driven by China, Asia's share in global GTF exports grew to 58 per cent in 2015, after which it has declined to 55 per cent in 2019.



Source: World Trade Organisation, International Trade Statistics. Created with Datawrapper.

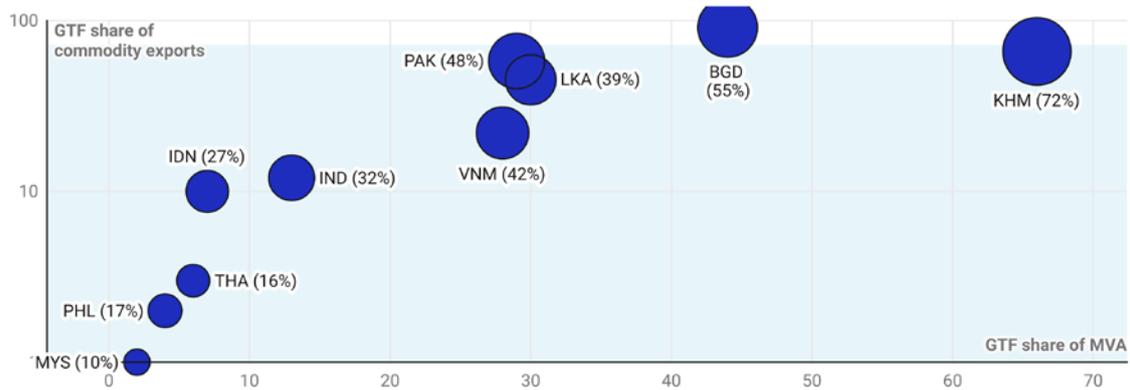
1.3. How important is the garment sector for Asian economies?

The GTF sector has played and continues to play a significant role for many economies across Asia. The sector's evolution has not followed the same paths across countries however. Its relative importance has declined in recent years in countries like China, Thailand and the Philippines, which have diversified their manufacturing sector away from labour-intensive production towards medium and higher technology intensity industries. In other economies like Bangladesh and Cambodia, the sector's importance has continued to grow. In the most recent years for which data are available, the sector contributed approximately two-thirds of manufacturing value added (MVA) in Cambodia, 44 per cent in Bangladesh, and 28 to 30 per cent in Pakistan, Sri Lanka and Viet Nam⁸. The sector also accounted for a significant share of these countries' merchandise exports: 91 per cent in Bangladesh, 66 per cent in Cambodia, 58 per cent in Pakistan, 45 per cent in Sri Lanka and 22 per cent in Viet Nam (Figure 2).

⁸ Manufacturing value added refers to the estimate of the net output (total output minus intermediate consumption) of all manufacturing units in an economy. Measured as a percentage of gross domestic product (GDP), it is a widely used measure of the manufacturing sector's contribution to an economy.

► **Figure 2 Importance of the GTF sector for selected Asian economies**

GTF share in manufacturing value added, merchandise exports and manufacturing employment (percentages)



The size of the bubble (in parenthesis) represents the sector's share in manufacturing employment, ranging from 10 per cent for Malaysia, to 72 per cent for Cambodia. The y-axis uses a logarithmic scale for clarity of presentation. Data refer to latest year available for each country between 2015 and 2019. BGD=Bangladesh, IDN= Indonesia, IND=India, KHM= Cambodia, LKA= Sri Lanka, MYS= Malaysia, PAK= Pakistan, PHL= Philippines, THA= Thailand, VNM=Viet Nam.

Source: UN Comtrade, National Statistical Offices (NSOs), ADB Input-Output database, Labour Force Surveys. Created with Datawrapper.

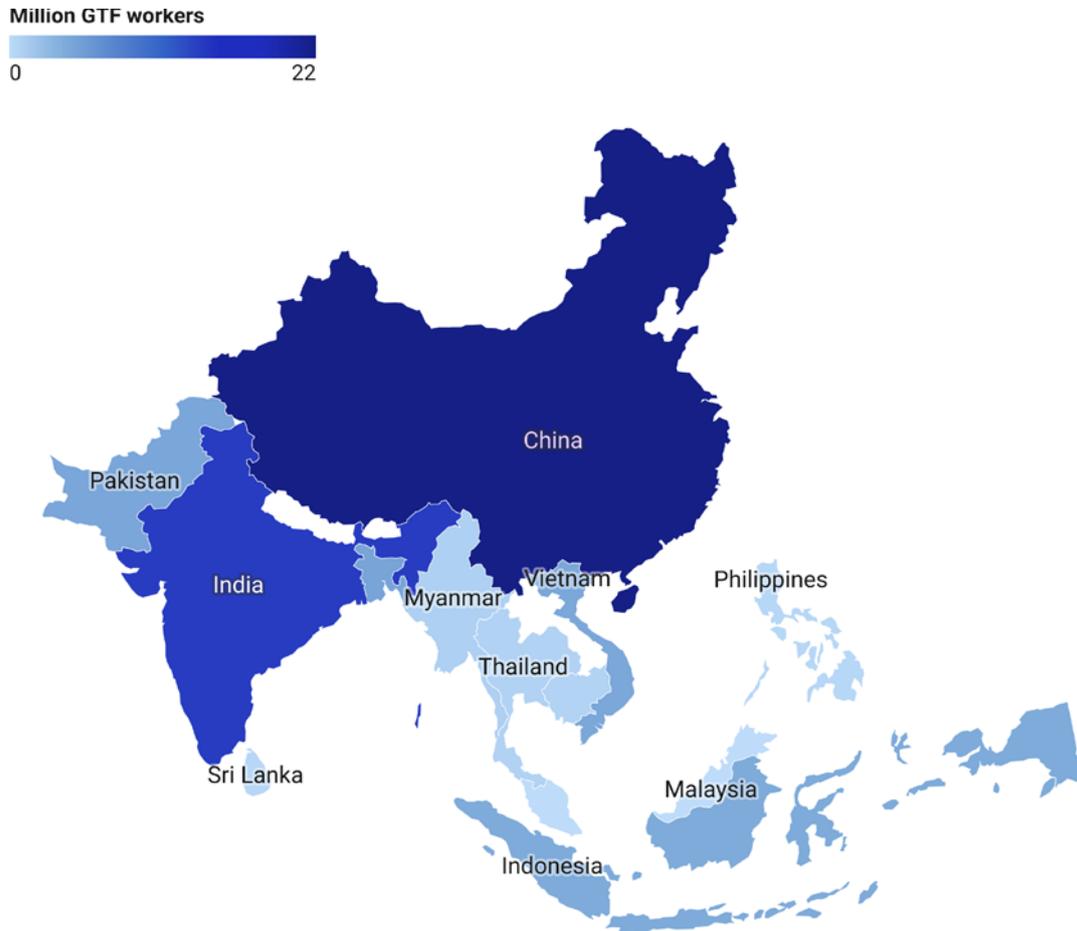
At the regional level, the sector employed around 60 million workers, including some 22-23 million workers in China, and 14-15 million in India, based on estimates from the last available year for each country (Figure 3). The sector accounted for nearly five million workers in each country of Bangladesh, Pakistan and Viet Nam between 2017-2019, and over four million workers in Indonesia in 2015. Even Myanmar, a relatively new actor on the Asian garment exporters stage, had 1.2 million GTF workers in 2019.⁹ In addition to those directly employed in the sector are millions of others, working in supporting industries such as packaging, transportation and logistics.

The GTF sector accounted for the largest share of manufacturing employment in many countries of the region, with 72 per cent in Cambodia, 55 per cent in Bangladesh, 51 per cent in Myanmar, 48 per cent in Pakistan, 42 per cent in Viet Nam, 39 per cent in Sri Lanka, and 32 per cent in India (in the last years for which data are available). Even in Indonesia, Philippines and Thailand, countries with more diverse manufacturing bases, garment production still represented a large share of manufacturing employment with 27 per cent, 17 per cent and 16 per cent respectively. The sector's importance for employment in the region is all the more important given the relatively high female share in employment, as further described below.

⁹ It is worth noting that the impact of the COVID-19 pandemic on Myanmar's economy and labour market was compounded by a political crisis, which followed the military takeover of the country on 2 February, 2021. The GTF sector was among the hardest hit, registering an estimated 250,000 job losses during the first six months of 2021, out of which 86 per cent were accounted for by women (ILO, 2021).

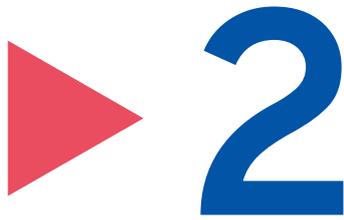
▶ **Figure 3 Employment in the GTF sector across Asia (millions of workers)**

Approximately 60 million workers are employed in the garments manufacturing sector in Asia



Estimates refer to the last year available: 2019 for China, Cambodia, India, Myanmar, Philippines, Thailand and Viet Nam; 2018 for Malaysia, Pakistan and Sri Lanka; 2017 for Bangladesh and 2015 for Indonesia

Source: Labour Force Surveys. For China, ILO estimates (see ILO 2020a). Created with Datawrapper.



Mapping the Asian GTF sector

2.1. GSCs and their implications for the sector's employment

To contextualize wages and productivity in the Asian garment sector, it is helpful to start with the structure of employment, which in the last three decades has become increasingly organized around global supply chains. Indicative of this trend is recent data showing that less than two per cent of the apparel, footwear and accessories factories supplying global apparel retailers are actually located in the home countries of those companies (van Klaveren and Tjeldens 2018, 19). Three features of garment global supply chains have a major impact on employment outcomes in the sector: 1) garment GSCs are 'buyer-driven', led by multinational enterprises with much power over developing country suppliers¹⁰, 2) the supplier landscape in the exporting countries is highly competitive and complex, consisting of multiple levels of contractors and subcontractors, spanning across the formal and informal sectors, and 3) Asian exporters are often at the lower end of the garment value chains, where the availability of low cost labour still confers a key advantage. Added to these supply chain features are critical institutional factors, namely weak government capacity for regulation and enforcement, conflictual industrial relations and low levels of collective bargaining.

The dynamics engendered by these factors can be summarized as follows: In an era of 'fast-fashion' promoted by multinational enterprises, developing country suppliers compete within rules and terms that are imposed on them and over which they have no individual control.¹¹ The pressure is on them to deliver high quality products that meet international standards, with minimal 'lead time' (time given to factories between receiving an order and the required product delivery date), while maintaining profitability. In order to remain competitive, suppliers take on orders sometimes from multiple clients, which they then subcontract to sub-supplier factories, in lower tiers of the supply chain. Faced with high levels of uncertainty (from last minute cancellations or changes to orders, for example), factories –particularly those in the lower tiers– often resort to 'flexible' work arrangements like temporary and home-based workers. These dynamics typically create downward pressure on wages and working

¹⁰ A number of factors such as trade rules, technology and financialization have contributed to growing power asymmetries for the garment GSCs (Anner and Dutta, 2019). Anner and Dutta (2019) provide a review of this literature.

¹¹ 'Fast-fashion' refers to the predominant business model (since the 2000s) of large multinational clothes retailers, whereby greater variety and affordability of fashion is key to increasing sales and profitability. Over the past two decades, this model's evolution has been intertwined with the increased efficiency and responsiveness of the global sellers' supply chains (van Klaveren and Tjeldens, 2018). In recent years, growing concerns about the social and environmental costs of this model have led to initiatives such as the UN Alliance for Sustainable Fashion (Available at: <https://unfashionalliance.org>) and the emergence of a 'slow fashion' counter movement (see Štefko and Steffek, 2018).

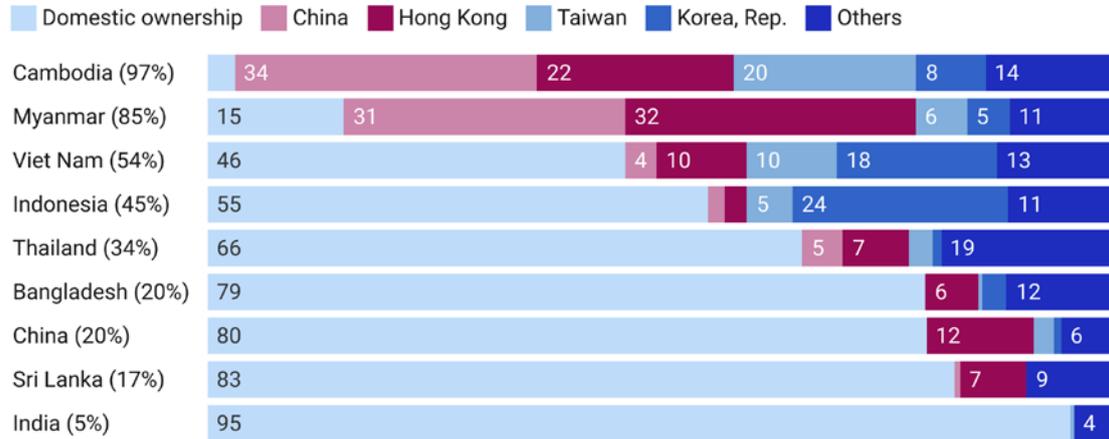
conditions, including long and intense working hours, poor occupational safety and health and violations of fundamental rights at work (Anner and Dutta, 2019; Vaughn et al., 2019). In recent years, stricter monitoring of suppliers has somewhat raised entry barriers in the sector (van Klaveren and Tijdens, 2018). This however, refers to a subset of factories supplying selected global brands, while entry barriers in general remain very low in the sector. Due to the complex linkages, illustrated in the diagram below, the governance of these supply chains remains particularly challenging, with the accountability and responsibility for decent work “distributed across a much broader range of actors, many of whom are ill-equipped to afford or facilitate social upgrading” (Pickles 2013, 12).

2.2. Foreign direct investment

The role of foreign direct investment (FDI) in the garment sector differs significantly across key Asian exporters. Using the share of ownership of large supplier factories from the WageIndicator database as a proxy, we find a wide spectrum of FDI levels across countries. At the one end, foreign ownership accounted for 97 per cent of large supplier factories in Cambodia and 85 per cent in Myanmar, while at the other, for only five per cent of large factories in India and Pakistan (Figure 4).

The foreign ownership share of large supplier factories was 54 per cent in Viet Nam, 45 per cent in Indonesia and the Philippines, 34 per cent in Thailand, 20 per cent in Bangladesh and China, 17 per cent in Sri Lanka and 12 per cent in Malaysia.

► **Figure 4 Ownership of large supplier factories by country, 2017-18**



In parenthesis, the foreign ownership share of factories actually supplying 24 brands from 25 countries by country of factory ownership. The foreign ownership share is also available for Malaysia (12%), Pakistan (5%), and Philippines (45%), but not disaggregated by country of foreign ownership. Foreign share of ownership excludes joint ventures (which make up less than 2% of factories included in the database).

Source: WageIndicator Garment Supply Chain Database 2018; van Klaveren and Tijdens 2018, tables 25 and 26. Created with Datawrapper.

Data presented in Figure 4 also reveal that most FDI in the Asian GTF sector comes from within the region, with the largest investors being Hong Kong (China) and the Republic of Korea. Since the early 2000, inward FDI, a major driver of the Chinese garment sector, began declining (even as the sector’s expansion increased following the country’s accession to the WTO in 2001), while outward FDI increased,

driven by rising domestic labour and raw material costs (Zhang et al, 2015). Chinese investors, supported by institutional arrangements and an outward-investment government strategy, transferred production to less developed countries with lower labour costs and preferential trade access.¹² By 2017-18, Chinese parent companies owned 88 per cent of Cambodia's large export-oriented garment supplier factories, a third of Myanmar's and over 20 per cent of Viet Nam's, while Hong Kong (China) investors owned large shares of factories in these three countries plus Bangladesh (Figure 4). Besides China, Republic of Korea's FDI in garments is also significant at the regional level, particularly in Indonesia and Viet Nam, where Korean firms owned respectively 24 per cent and 18 per cent of large factories.

2.3. Spatial concentration

Another feature of the GTF sector, with major implications for employment is high spatial concentration. GTF factories and employment tend to be clustered in a few geographical locations within each country, where the availability of labour supply is adequate, and infrastructure and transportation (including ports and airports) are accessible and close by. These factors have an important impact on labour productivity (see section 4 below) and on lead-time, the other key performance indicator of fast-fashion driven GSCs (van Klaveren and Tjens, 2018).

In Bangladesh, 98 per cent of large factories included in the WageIndicator database are located in three provinces, including Dhaka and Chittagong with direct access to ports and airports (Figure 5). The three provinces represent 72 per cent of the country's GTF employment (Annex Table 1). In Pakistan, two out of the four provinces accounted for 98 per cent of large factories. Similarly, four provinces in Indonesia (West Java, Central Java, Banten and DKI Jakarta) accounted for 95 per cent of large GTF factories (in 2017-18), and 76 per cent of GTF employment (in 2015). In Cambodia three provinces accounted for 86 per cent of large factories and 49 per cent of employment. Viet Nam had a relatively more dispersed GTF export sector, with the four largest provinces in terms of factories accounting for 44 per cent of the total.

India stands out when comparing the spatial concentration of large factories and that of employment. Although 84 per cent of the large export-oriented factories are located in the four provinces of Tamil Nadu, Uttar Pradesh, Karnataka and Haryana represented, these provinces only account for 36 per cent of GTF employment. Another 30 per cent of India's GTF employment is in West Bengal, Gujarat and Maharashtra, suggesting that employment in domestic supply chains, including wage employment in small and medium enterprises (SMEs) and also self-employment and microenterprises predominate in the latter provinces. Note that domestic supply chains are also present alongside export oriented ones, even in provinces with a concentration of large factories (for instance, wage employment, including casual employees, represents only 35 per cent of GTF employment in Uttar Pradesh, compared to 63 per cent in Tamil Nadu).¹³ Another noteworthy case is China, where 87 per cent of large export-oriented factories are concentrated in the five coastal provinces (Guangdong, Fujian, Jiangsu, Shandong and Zhejiang), accounting for about 70 per cent of the country's GTF output (van Klaveren and Tjens 2018, 49).

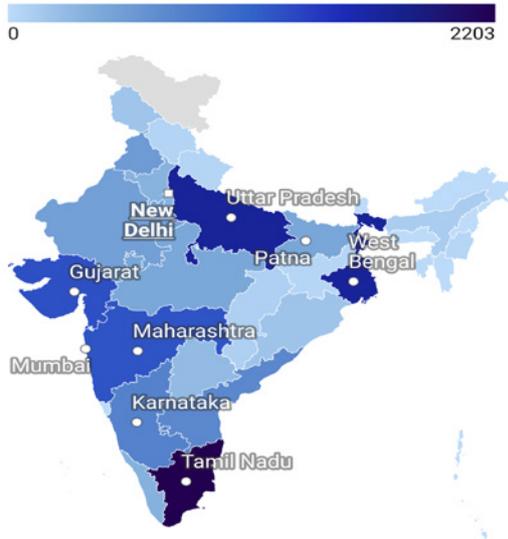
Spatial concentration can sometimes be linked to the presence of Export Processing Zones (EPZs), industrial zones set up to attract foreign direct investment (FDI) and promote exports (ILO, 2017). EPZs typically offer tax and financial incentives to manufacturers, alongside purpose-built infrastructure. More controversially, EPZs in some countries also have divergent labour rules, including exemptions from national laws and limits on trade union activities (ILO, 2003). Van Klaveren and Tjens (2018) found only modest correlation between the EPZs and FDI in the GTF sector (using the foreign-ownership share of factories as a proxy for the latter).

¹² Although the end of the multi-fibre arrangement (MFA) in 2005 removed preferential trade practices, there were some new preferences accorded to some less developed countries such as Cambodia, Lao PDR and Myanmar (Zhang et al, 2015).

¹³ Author's calculations based on LFS.

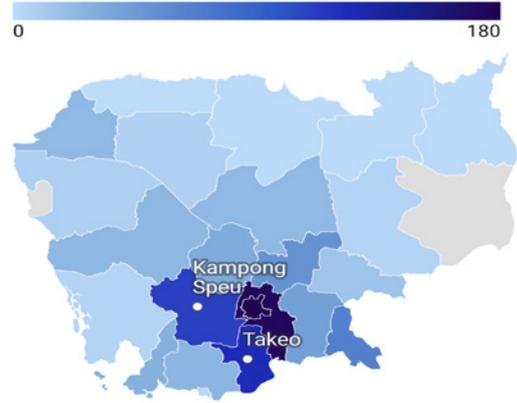
►Figure 5 Spatial concentration of GTF employment in selected countries

India (2019)



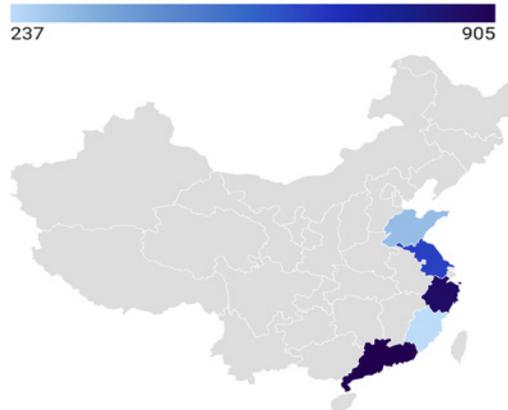
Source: LFS 2019. Map data: © OSM. Created with Datawrapper.

Cambodia (2019)



Source: LFS 2019. Map data: © OSM. Created with Datawrapper.

China (2018 - 2018)



Source: WageIndicator Garment Supply Chain Database 2018. Map data: © OSM. Created with Datawrapper.

Indonesia (2015)



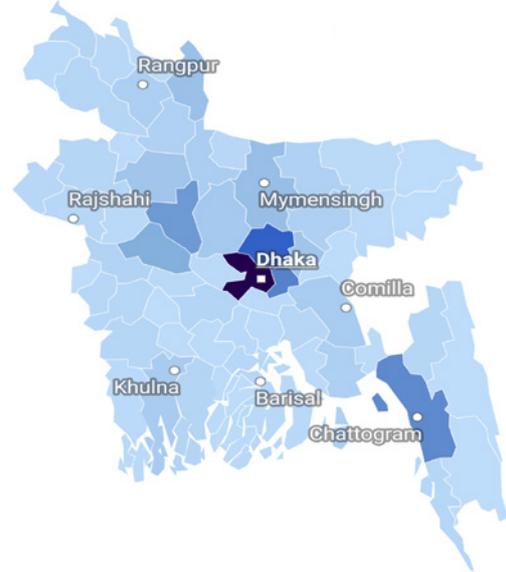
Source: LFS 2015. Created with Datawrapper.

Philippines (2019)



Source: LFS 2019. Map data: © OSM. Created with Datawrapper.

Bangladesh (2017)

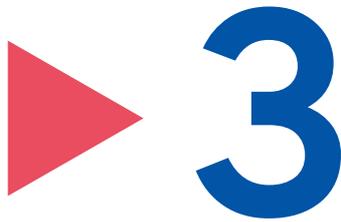


Source: LFS 2017. Map data: © Arc Bangladesh Ltd. Created with Datawrapper.

Notes: Data refers to employment for all countries except China, and to factories for China.

Source: LFS, latest year available for Bangladesh, Cambodia, India, Indonesia and the Philippines; WageIndicator Garment Supply Chain Database 2018 for China.





GTF employment structure by country

3.1. GTF sub-sector share in employment and exports

In most countries in Asia, the wearing apparel industry represents the largest share of GTF output, exports and employment.¹⁴ The sub-sector's share in GTF exports ranges from 44 per cent for Thailand to 94 per cent for Bangladesh, and its share in employment from 51 per cent in Indonesia, to 83 per cent in Cambodia (Figure 6). The textile sub-sector represents a significant part of GTF exports in Thailand (48 per cent), Malaysia (43 per cent) and India (36 per cent), and contributed a large share of GTF employment with 42 per cent in India, 36 per cent in Pakistan, and approximately 30 per cent in Bangladesh, Indonesia and Thailand. The textile sub-sector represents a quarter of GTF exports from China, which has been undergoing a shift in focus away from wearing apparel towards textiles, as further described below. The leather and footwear industries' importance were relatively higher in Viet Nam (with as much as 33 per cent of GTF exports, and 36 per cent of GTF employment) and Indonesia (with 26 per cent of GTF exports and 18 per cent of GTF employment).

¹⁴ In 2019 or the last year for which data are available.

► **Figure 6 Sub-sector share in GTF exports and employment by country**

	TXT % GTF Exports	WAP % GTF Exports	L&F % GTF Exports	TXT % GTF Employment	WAP % GTF Employment	L&F % GTF Employment
Bangladesh	3	94	2	29	68	3
China	25	60	16			
Cambodia	0	87	13	3	83	14
India	36	57	7	36	58	6
Indonesia	25	49	26	30	51	18
Myanmar	1	91	8	20	77	3
Malaysia	43	53	5	13	84	4
Pakistan	27	72	1	36	57	7
Philippines	15	74	10	18	69	13
Sri Lanka	6	92	2	16	79	5
Thailand	48	44	8	30	58	12
Viet Nam	11	57	33	6	58	36

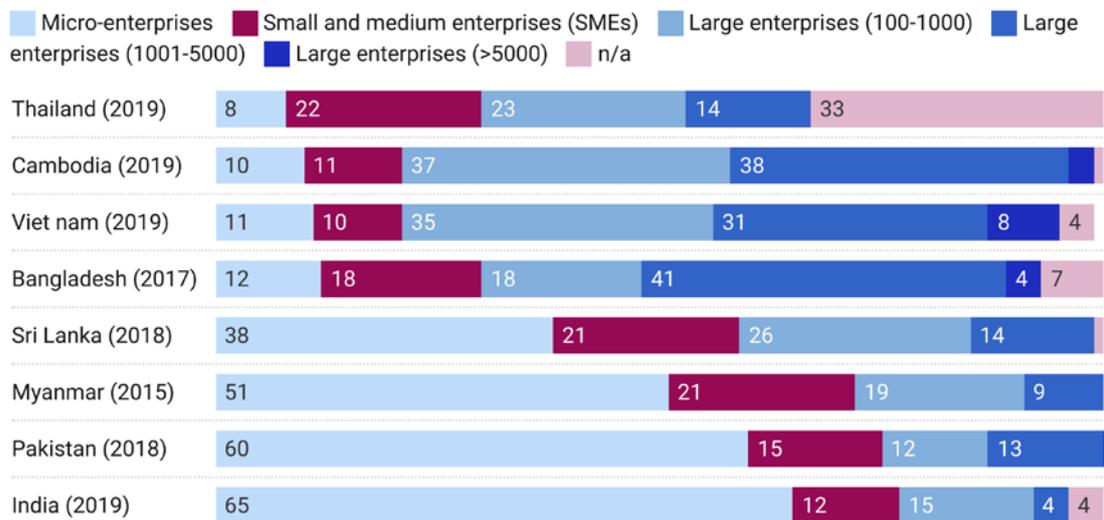
GTF = Garment, textiles and footwear; TXT = Textiles; WAP = Wearing apparel; L&F = Leather and footwear. Latest year for exports is 2019, except for Bangladesh (2015) and Sri Lanka (2017). Latest year for employment is 2019, except for Bangladesh (2017), Indonesia (2015), Pakistan (2018), and Sri Lanka (2018).

Source: UN Comtrade database, Labour Force Surveys. Created with Datawrapper.

3.2. Employment by factory size

There is a wide spectrum of actors – including contractors, sub-contractors, factory workers and home-based workers and enterprises, ranging from small microenterprises to very large factories, involved in GTF supply chains, as depicted in diagram 1. While most labour force surveys group firms with more than 100 workers together as ‘large enterprises’, factories supplying global garment brands can often be far larger. The share of the three size groups of factories included in the WageIndicator Garment Supply Chain database were used to disaggregate the large enterprises category from the LFS, resulting in the size distribution in Figure 7. There is evidence that foreign-owned factories tend to be larger on average, such that there is some correlation between FDI and the size distribution of factories (van Klaveren and Tijdens, 2018). For instance, the foreign share of factory ownership is high in Cambodia and Viet Nam, and larger factories represent the lion’s share of GTF employment in these countries, while the opposite is true for India and Pakistan and Sri Lanka (figure 4). Bangladesh however, with its predominantly export-oriented industry also has a substantial share of GTF workers in larger factories, despite relatively higher national ownership. Myanmar is an outlier, with recent FDI inflows resulting in a small but rapidly growing number of larger export-oriented firms, while the rest of the industry remains structured around domestic supply chains, with a predominance of micro and small enterprises.

► **Figure 7 Distribution of employment by enterprise (factory) size in the GTF sector**



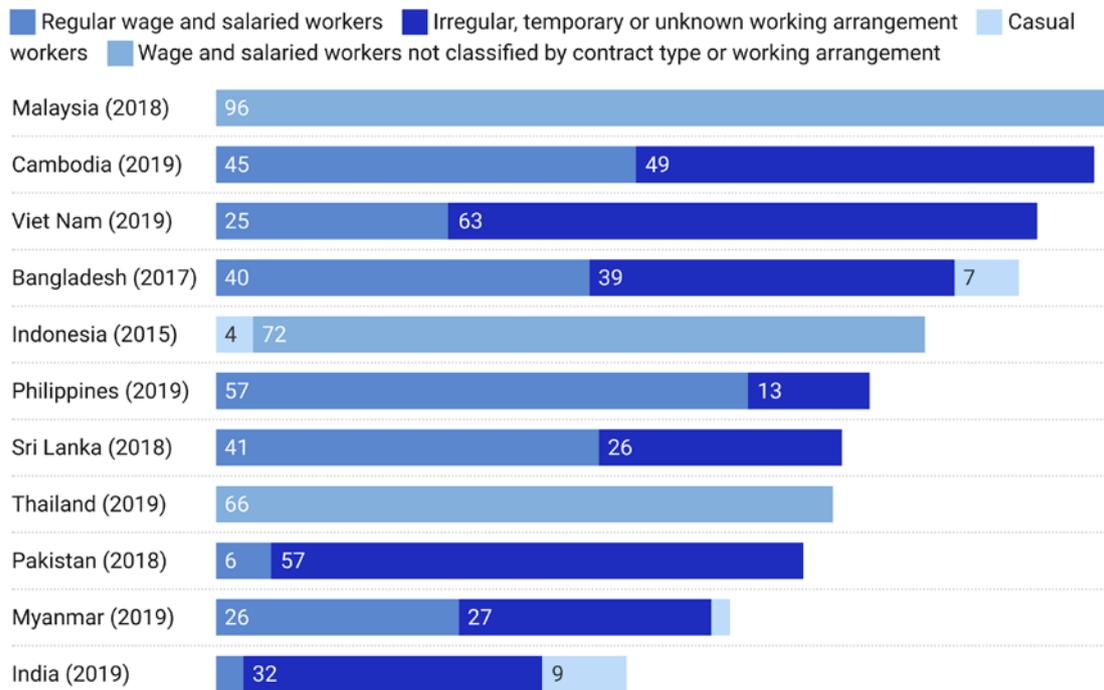
Due to data constraints, the following differences apply: Micro-enterprises refer to 1-5 workers, except for India where they refer to 1-6 workers. Small and medium enterprises (SMEs) refer to firms of 5-99 workers, except for Cambodia and Viet Nam (5-49), and India (5-19). For Thailand, the size variable was not available for self-employed workers. As Labour Force Surveys generally have enterprise size categories bounded at 100 workers and more (or even lower for some countries), large enterprises are disaggregated in three categories here using the size distribution of large export-oriented factories from the WageIndicator Global Garment Supply Chain database. Large enterprises, divided in the three categories include enterprises of more than 20 workers for India, more than 50 workers for Cambodia and Viet Nam.

Source: Author's estimates based on LFS and WageIndicator Garment Supply Chain Database 2018. Created with Datawrapper.

3.3. Employment by status

Primarily concentrated in large enterprises, wage and salaried employment represents the largest share of employment in the sector in Asia. In particular, wage and salaried workers account for over 85 per cent of the sector's workers in Malaysia, Cambodia, Viet Nam and Bangladesh (Figure 8). On the opposite end, only 44 per cent of India's GTF workers are in wage employment. In India, where domestic supply chains are relatively more developed, much of the garment sector employment consists of home-based, own-account and contributing family workers, who are typically paid on a piece-rate basis. The wage employment share tends to be highest on average in the footwear sub-sector, very high as well in the wearing apparel sub-sector, and lower in textiles (Figure 9). This is not unrelated to the distribution of factories by size, as footwear suppliers include many factories of over 5,000 workers, and even some 'huge' factories of over 10,000 workers (van Klaveren and Tjeldens, 2018).

► **Figure 8 Share of wage and salaried workers in employment, and of casual workers in wage employment in the GTF sector**

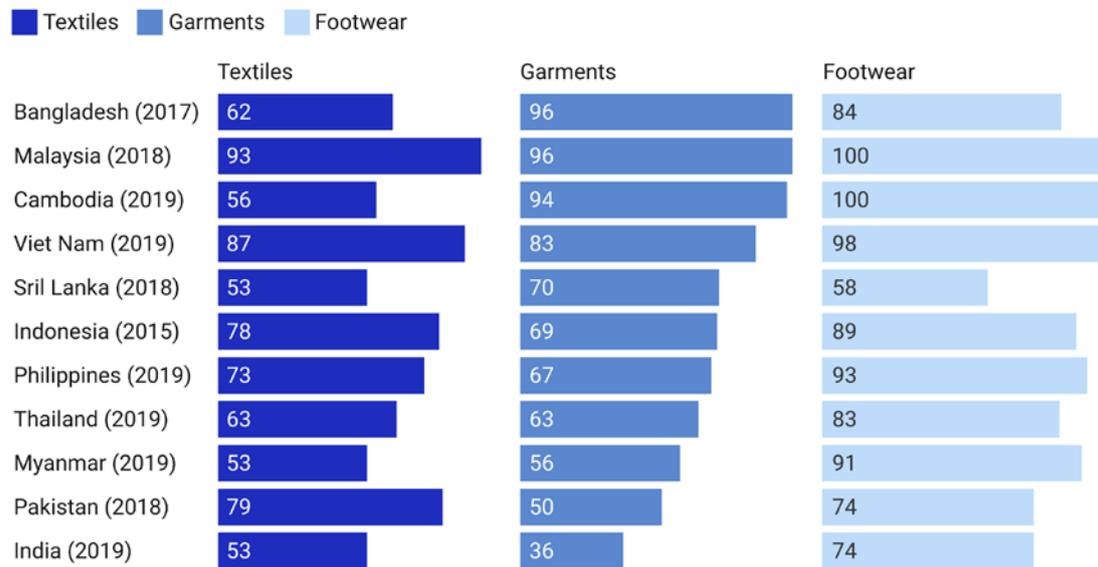


Casual workers are wage and salaried workers defined as 'day labourers', 'casual day labourers' or 'casual employees' in the LFS for Bangladesh, India, Indonesia and Myanmar. For Thailand and Malaysia, it is not possible to disaggregate employees by their type of working arrangement in the LFS. For Indonesia, while casual workers can be identified, other irregular forms of employment cannot be distinguished. For Cambodia, Pakistan, Philippines, Sri Lanka, and Viet Nam, casual workers are included in the 'irregular, temporary or unknown working arrangement' category, and cannot be distinguished from other types of workers with non-permanent working arrangements.

Source: Author's calculations based on LFS. Created with Datawrapper.

It should be noted that the status-in-employment distribution of workers along garment supply chains is difficult to ascertain. While those working in large factories are usually wage and salaried workers or employees, the status of home-based workers is less clearly defined. Home-based workers who are sub-contracted or piece-rate workers, work in their own homes or adjoining areas, sometimes in a common space around a worker's home, like self-employed or own-account workers. The former however, receive their earnings for work done, usually on a piece-rate basis, and have the means of production and raw materials provided by contractors or employers, while self-employed workers get their earnings from the sale of their products or services and acquire their means of production and raw materials on their own (HNSA, 2020). This distinction is not easy to make, and while some home-based workers linked to small factories and workshops may consider themselves as paid employees, others reporting directly to contractors (or sub-contractors) may self-identify as own-account workers.

► **Figure 9 Wage and salaried worker share in employment by GTF sub-sector**

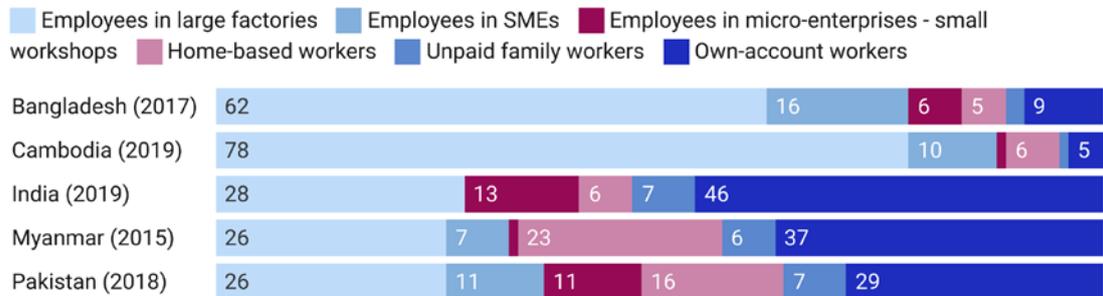


Source: Labour Force Surveys. Created with Datawrapper.

Home-based workers in garment supply chains are sometimes considered an ‘invisible workforce’ as brands and corporations are often either unaware of, or deny, the presence of these workers in their supply chains (HNSA, 2020).¹⁵ Home-based workers often have limited information about who they work for, where the products they make or contribute to are sold, and for how much these products are sold, and limited access to trade unions or other means of organization (ibid.) These factors contribute to important power asymmetries between contractors and home-based workers. For five countries in our sample, labour force surveys include a place of work (work location) variable, which can be used, along with the status-in-employment and enterprise size variables, to estimate the share of home-based workers in GTF employment (see Figure 10). Based on these data, home-based workers constitute between five per cent (in Bangladesh) and 23 per cent (in Myanmar) of GTF workers in these countries, although in reality their share could be higher, particularly in countries where self-employment in the sector is more prevalent (like India, Myanmar and Pakistan). This has two crucial implications. First, as mentioned above, the high share of salaried workers in the sector could be misleading, in that it could give the impression that vulnerability and precarious work are less widespread than they actually are. Second, because wage data are usually calculated over employees only (as few LFS include the income of self-employed workers), these average or median wages are likely not to take into account the wages of some workers in the lower tiers of the supply chains (and therefore may be biased upwards).

¹⁵ A few brands, including H&M, acknowledge the presence of home-based workers in their supply chains. H&M permits their suppliers in some countries to use home-based workers for specific parts of the production process, specifically when handicraft is involved, and suppliers are required to inform the brand when they resort to these workers (HNSA, 2020).

► **Figure 10 Employment shares of employees by factory size, home-based workers, contributing family workers and own-account workers in five garment exporting countries.**



Notes: Employees working in factories are divided among the three first categories based on factory size: for Bangladesh, Myanmar and Pakistan, large factories are those with 100 or more workers, SMEs 6-99 workers and micro-enterprises, 5 workers or less; for Cambodia, SMEs have 6-49 workers and large factories have 50 or more workers. For India, micro-enterprises have 6 workers or less, SMEs have 7-19 workers, and large factories have 20 workers or more. Employees (divided across the three factory size groups) include casual workers, as long as the latter work in a factory (are not home-based workers). Own-account workers and unpaid family workers are classified as such, regardless of their work location. Home-based workers include those whose work location is inside or next to/outside their own house or a non-fixed location, regardless of the enterprise size.

Source: Author's estimates based on LFS. Created with Datawrapper.

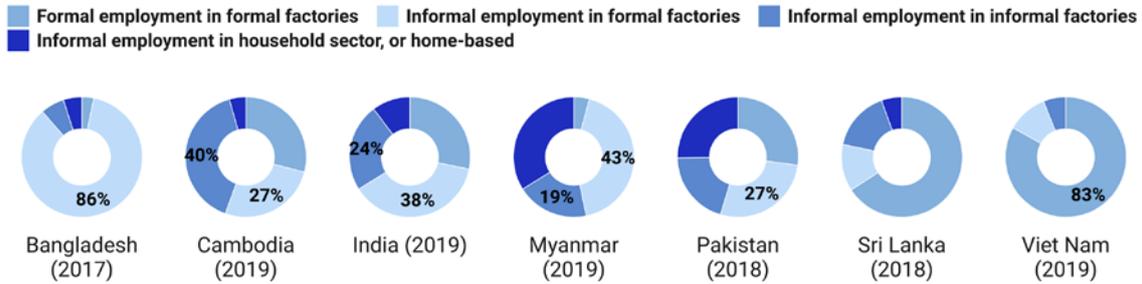
3.4. Working arrangements

Underlying the high wage and salaried shares in GTF employment however, are large numbers of employees with temporary contractual arrangements, including casual workers and daily labourers. Casual workers, temporary workers and those with unknown working arrangements represented over 90 per cent of GTF employees in India and Pakistan, and over 50 per cent of GTF employees in Bangladesh, Cambodia and Myanmar, and approximately 40 per cent in Sri Lanka in the last year for which data are available (Figure 8). The Philippines has the lowest share of workers on temporary contracts among the countries for which these data are available, with 19 per cent of employees. Among countries with available data, an increase in the share of workers on temporary contracts in recent years can be observed in Bangladesh, and to a lesser extent in Pakistan and Myanmar (Annex Table 3).

3.5. Informal employment

The informal employment rate in Asia's GTF sector is high, particularly considering the large share of salaried workers, and it can be linked to the prevalence of temporary work arrangements. Temporary workers have significant job insecurity and limited access to social protection, a key variable used by the ILO in determining whether a job is formal or informal. Informal employment accounted for as much as 95-96 per cent of GTF employment in Bangladesh and Myanmar, 86 per cent in India, 81 per cent in Pakistan, 72 per cent in Cambodia and 55 per cent in Sri Lanka (Annex Table 2). The lowest informality share among countries for which data are available is in Viet Nam with 25 per cent. The high informality rate in the GTF sector across Asia is striking, given that employment in garments manufacturing is often considered as a key pathway for informal workers to transition to formal, higher productivity jobs with regular wages (Huynh, 2015).

► **Figure 11 Informal employment among wage and salaried workers in the GTF sector**

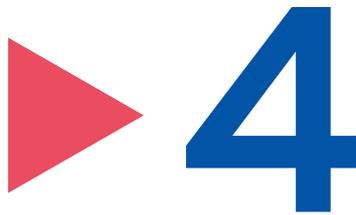


These figures refer to wage and salaried workers only. The following definitions apply: 'formal factories' are 'formal production units' or 'formal sector enterprises' as determined by the ILO based on sector, registration, and size. Formal and informal employment refer to the nature of the job, as determined by the ILO based on whether in formal or informal production unit, status-in-employment, whether employer contributes to social security or some elements of social security are in place (e.g. paid leave, sick days, etc.)

Source: Author's calculations based on LFS. Created with Datawrapper.

When only wage and salaried workers are considered, informal employment still accounts for the majority of GTF employees in all countries except Viet Nam and Sri Lanka. In most countries in the region, the majority of informal employees are employed in formal enterprises. In particular, 86 per cent of informal GTF wage and salaried workers were employed in formal enterprises in Bangladesh, 43 per cent in Myanmar, 38 per cent in India and 27 per cent in Pakistan and in Cambodia (Figure 11). In Cambodia however, 40 per cent of informal GTF employees were employed in informal sector enterprises. More than a third of GTF employees Myanmar and a quarter in Pakistan, informal GTF employees were home-based workers, contributing family workers or employed in the household sector. In India, although informal GTF employees were more likely to work in factories in both formal and informal enterprises, the ten per cent share of home-based workers should be complemented with the large share of own-account workers, many of whom, as explained above are home-based workers subcontracted within garments supply chains. When all workers, not only employees are taken into account, home-based work accounts for 47 per cent of informal employment in India's GTF sector, 58 per cent in Myanmar's and 40 per cent in Pakistan (Annex Table 1).





Wages and labour productivity in Asia's GTF sector

4.1. Wages and labour productivity linkages in the GTF sector

Wages and working conditions in Asia's GTF sector have been the subject of much debate, research and advocacy, and one issue often raised by employers is the need for wage growth to be commensurate to increases in labour productivity (see for instance Lee; ILO ACT/EMP).¹⁶ Labour productivity is considered a contextual indicator in the ILO's Guidelines for Decent Work Indicators, highlighting its role as an important determinant of decent work, and a 'reference indicator' for discussions on minimum-wage setting and collective bargaining, widely accepted by employers' and workers' organizations (ILO, 2013).¹⁷ It is crucial to keep in mind, that labour productivity is a function of many factors, including, but not limited to, worker skills and effort. In the context of the GTF sector, it depends on capital, technology, scale, organizational and process efficiency of factories, access to infrastructure and transportation, the availability of intermediate inputs, etc. These factors imply that larger, export-oriented factories would be more productive, explain why firm location matters (why there is a high degree of spatial concentration as described above) and can go a long way in explaining labour productivity differentials across firms within the sector.

In Asia's GTF sector, labour productivity remains on the whole low, with most manufacturers engaged at the lower-end of global value chain, particularly in low-skilled, low value-added Cut-Make-Trim (CMT) activities. Labour productivity in the garment sector is lower than the manufacturing industries average in all economies within our sample. In two countries – Pakistan and Indonesia – garment sector productivity was even lower than that of agriculture in the latest year for which data are available (Table 1).¹⁸ Labour productivity in the GTF sector was the highest in Thailand, followed by Sri Lanka, Philippines and Viet Nam. In these countries, production processes are more capital intensive. In the Philippines, Thailand and Indonesia, with more diverse manufacturing sectors, the GTF-to-Manufacturing labour productivity

16 Bureau for Employers' activities (ACT/EMP); International Labour Organization (ILO).

17 Labour productivity is defined as the total volume of output produced per unit of labour. In practice, at the national level, it is usually measured as gross domestic product (GDP) per person employed, and at the industry level as gross value added (GVA) per person employed, or per hour worked. Labour productivity is related to competitiveness, through the concept of unit labour cost: the labour cost of producing one unit of output per worker, or the ratio of labour cost to labour productivity. Specifically, the inverse of unit labour cost is an indicator of competitiveness, and therefore, improvements in competitiveness can be achieved through either an increase in labour productivity or a decrease in labour costs (or both). (ILO, 2013).

18 In the case of Indonesia, although more recent LFS data are available, a detailed disaggregation of the industry of employment (beyond the 1-digit ISIC level) is not available after 2015. For this reason, the analysis is limited to the 2010-2015 period.

ratio was the lowest. Conversely, in countries with a narrower (less diversified) manufacturing base, exports and employment (e.g. Cambodia, Bangladesh, Sri Lanka and Viet Nam), the ratio was highest.

Global Supply Chain dynamics create a situation whereby many garment manufacturers, particularly SMEs operating on tight margins, are unable to invest in productivity enhancement (e.g. through technology adoption, restructuring or upgrading) (Lee; ILO ACT/EMP). In CMT businesses, the two largest cost components are the costs of imported materials – which as discussed above, are usually an imposed and uncontrollable cost– and labour costs (ibid). Since they have no control of product prices due to the buyer-driven nature of the supply chains, their profitability is entirely dependent on their costs. And given limited labour productivity growth, their competitiveness hinges on their ability to keep costs low and lead times short – both of which result in downward pressures on wages and working conditions. Specifically, employers argue that in the competitive context of the industry, even limited increases in wages can make thin profit margins disappear.

► **Table 1 Labour productivity and GTF to manufacturing and GTF to agriculture productivity ratios – latest year available**

	Gross value added per worker in current US\$			Ratio GTF/MNF	Ratio GTF/AGR
Bangladesh (2017)	3 816	4 857	1 337	0.79	2.85
Cambodia (2019)	3 109	3 411	2 157	0.91	1.44
Indonesia (2015)	3 378	13 220	3 474	0.26	0.97
India (2018)	3 504	9 229	2 736	0.38	1.28
Pakistan (2017)	2 197	3 723	3163	0.59	0.69
Philippines (2019)	4 301	19 228	3 428	0.22	1.25
Sri Lanka (2018)	7 452	9 556	3 429	0.78	2.17
Thailand (2018)	8 068	21 639	3 383	0.37	2.38
Viet Nam (2017)	4 717	6 766	1 127	0.70	4.18

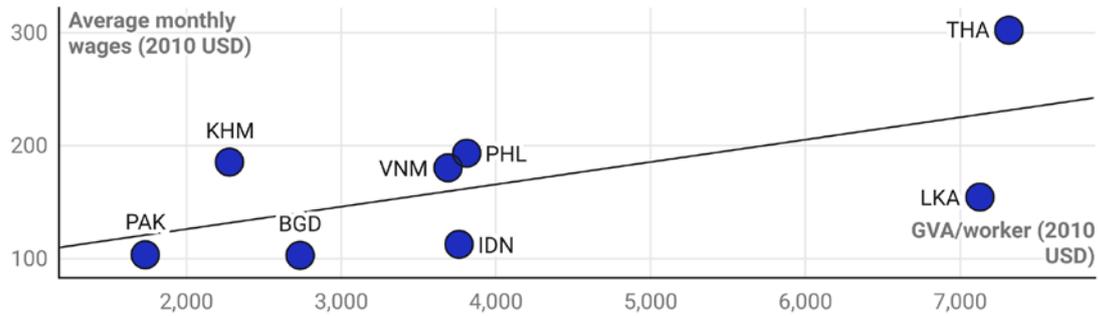
GTF = Garments, textiles and footwear; MNF = Manufacturing; AGR = Agriculture

Notes: For Cambodia, the GVA series has been extended from 2018 to 2019 and converted to constant US\$, using the growth rate of GVA and inflation for 2018 (assuming these rates apply in 2019), to correspond with the employment data from the 2019 LFS. NSO GVA data (for Indonesia and Sri Lanka) were converted to current US\$ using nominal exchange rate series from World Bank WDI; GVA in current US\$ data then converted into 2010 US\$, using CPI series from the WDI.

Sources: Computed using employment data from LFS for all countries; GVA data from NSO for India, Cambodia, Sri Lanka, Philippines and Thailand, and from ADB Input-Output tables for the rest.

The link between labour productivity and wages is not always straightforward. Labour productivity can increase without necessarily leading to higher wages, resulting in a declining labour share in income. On the other hand, wages can also increase due to institutional factors (e.g. legislation) without necessarily being driven by labour productivity increases. There can also be a weaker connection between wages and productivity in the case of dual labour markets, when there is a high informality, power imbalances and low labour elasticity, among other factors (Van Biesebroeck, 2015). Added to these conceptual issues are issues of measurement. While labour productivity at the industry level is measured over all employed persons, wages available from the LFS for many countries are usually available only for wage and salaried workers. Therefore, the high prevalence of self-employment can also result in a disconnect between wages and labour productivity levels. There are also issues of aggregation, whereby both wages and labour productivity are averaged over the entire GTF sector, concealing significant heterogeneity across sub-sectors and across firms within the sector.

► **Figure 12 Real gross value added per worker and real average monthly wages (2010 US\$)**

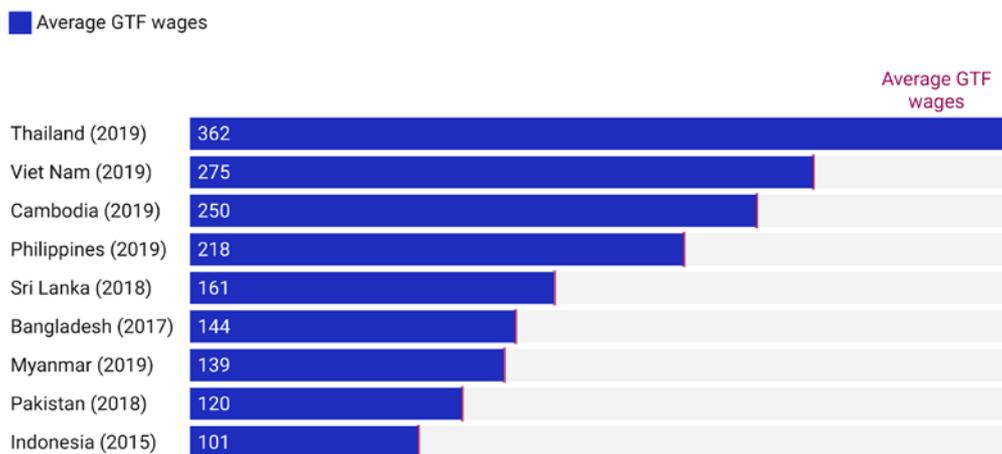


Data refer to the last year for which both variables are available: 2019 for Cambodia and Philippines; 2018 for Sri Lanka and Thailand; 2017 for Bangladesh, Pakistan and Viet Nam; 2015 for Indonesia

Source: Author's calculations based on data from NSOs, ADB Input-Output database, LFS. Created with Datawrapper.

For Asian GTF exporters, real wages generally increase with labour productivity levels (Figure 12). Average nominal monthly wages (measured in current US\$) of employees in the sector for countries with available data ranged from a low of approximately US\$100-160 in Indonesia, Pakistan, Myanmar Bangladesh and Sri Lanka, to approximately \$215-280 in the Philippines, Cambodia and Viet Nam, to US\$362 in Thailand (Figure 13).¹⁹ When measured in PPP terms, the wage levels gap between countries somewhat narrows, but remains large (Figure 14).

► **Figure 13 Average monthly nominal wages (current US\$)**



Source: Labour Force Surveys. Created with Datawrapper.

¹⁹ Nominal monthly wages are calculated from daily, weekly or monthly earnings of employees reported in the LFS, including payments in cash or in kind. They are converted from local currency units to current US\$ using the nominal exchange rate series from the World Bank's World Development Indicators.

Median monthly wages are generally lower than average monthly wages in the sector, but not by much, reflecting the fact that in most cases, employees are clustered around the median earnings.²⁰ Although minimum wages are believed to be indicative of prevailing wages in Asia’s garment sector – due to the low-skill intensive workforce composition and weaknesses in collective bargaining and merit-based wage systems (Huynh, 2015) – in recent years, average and median wages for employees in the sector have generally exceeded minimum wages for countries with available data (Figure 14), particularly in countries that have seen a rise in real wages in the GTF sector as further described below. Noting that minimum wages used here are not weighted or adjusted to account for within-country differences in minimum wage levels and the regional distribution of GTF employment, the comparison with mean and median wages is only indicative.

►Figure 14 Minimum, mean and median monthly wages in PPP\$



Minimum wages are often set at a subnational (regional, even district level) while mean and median wages represent the national level mean and median for the garments sector, respectively. These comparisons are therefore only indicative. Data are converted into PPP\$ using the implied conversion factors from the IMF.

Source: Labour Force Surveys; ILO compilation. Created with Datawrapper.

A few cases however support the claim that minimum wages in the garment sector represent ‘ceilings rather than wage floors’, whereby some employers ‘mis-use’ statutory minimum wages as the basic pay rate for the industry (Grimshaw and Muñoz de Bustillo, 2016). Specifically in Pakistan, average and median wages fell just below the minimum wage in 2018, and in Indonesia, they fell just above the lower bound of the minimum wage applicable in the country in 2015, corresponding to the minimum wage in Jawa Tengah (Central Java), one of the provinces where garment production is concentrated. Minimum wages in Indonesia differ significantly across regions, and these differentials have prompted some factories to relocate specifically from West Java to Central and East Java where wage rates were lower.²¹ Although LFS data are unavailable (at the 2-digit ISIC level) to derive wage trends in Indonesia’s GTF sector in more recent years, a number of policies implemented during these years suggest these trends would not have been positive. Specifically, minimum wage reforms in 2015 tied the minimum wage setting at the provincial level to increases in the consumer price index (CPI) instead of the previous process of tripartite wage council negotiations, and the new system entered into force despite resistance

20 Median wages are the wages of the 50th percentile of employees (in the GTF sector, in this case), or the cut-off limit between the lower paid half of employees, and the higher paid half. Median wages are less likely than average wages to be affected by extreme values at either end of the wage distribution, and therefore provide complementary information to average wages.

21 Based on insights from Better Work Indonesia representatives, and reasserted in Tjandraningsih, 2021.

by trade unions (Tjandraningsih, 2021). In 2017, the provincial government of West Java issued a decree, which allowed for 'labour-intensive' industry wages that were specific to the garment sector, and fell below the minimum wage in four regions (ibid.) In 2019, the West Java governor issued another special decree, allowing 33 garment companies located in Bogor to pay lower wages than the minimum wage of the region, justifying the measure with the need to avoid factory closures and massive layoffs. The minimum wage setting mechanism was further changed in 2020, again without trade union support, with a heavy impact on industrial relations in the country (see Section 6). Indonesia and Pakistan are among the three countries in our sample with available data (along with the Philippines) that had a drop in labour productivity in the sector in recent years (see below, Figure 17), and also the two countries with the highest low pay rate among GTF employees, particularly among female employees as further described below (Figure 21).²²

While data on earnings and working conditions of own-account workers are limited, evidence suggests that some of the most vulnerable workers in garment supply chains include many workers who are not in factories. As discussed above, own-account workers represent an important share of GTF employment in some countries, and likely include home-based workers employed in garment supply chains. Among the few countries for which the self-employment earnings are available in the LFS (for a large enough sample), median earnings of own-account workers fell below the median wages of employees for both males and females in Indonesia in 2015, and for female workers only in Sri Lanka and Viet Nam in 2018 and 2019 respectively. Median wages for own-account workers in Indonesia, and for female own-account workers in Sri Lanka, fell just above the moderate poverty line (between 3.20 PPP\$/day and 5.50 PPP\$/day).²³

4.2. A dynamic perspective: Structural change, wage and productivity growth

The garment sector has not followed a unified trajectory among Asian countries in recent years. In a subset of countries – Bangladesh, Cambodia, Sri Lanka, and Viet Nam – the sector has experienced rapid and sustained growth in gross value added (GVA). In these countries, as well as in Myanmar for which sectoral value-added data are unavailable – exports grew significantly over the past decade (Table 2). In other countries, real value-added growth has been more limited, in some cases even negative (Philippines and Thailand).

In Bangladesh, high value-added growth in the sector was accompanied by sustained growth in exports and moderate employment growth. The wearing apparel and footwear sub-sectors saw a large increase in exports over the past decade, while textile exports declined. Wearing apparel industry, referred to in the country as the readymade garments (RMG) industry remains the largest sub-sector, and its high exports and output growth, along with lower employment growth, are reflected in high labour productivity growth for the overall GTF sector (Annex Table 4, Figure 16). Between 2010 and 2017, the share of employees in the wearing apparel sub-sector increased by as much as 40 percentage points to 96 per cent in 2017 (Figures 9 and 18). The share of wage and salaried workers increased by 10 percentage points over the same period in the leather and footwear industries, but declined by 18 percentage points in the textiles industries (Figure 18). The shift towards wage employment in Bangladesh's GTF sector was accompanied by a significant increase in the share of irregular, temporary working arrangements (Annex Table 3).

²² The low pay rate, here, represents the percentage of GTF employees whose hourly earnings is less than two-thirds of the median hourly earnings of all GTF employees.

²³ Median monthly wages for own-account workers are US\$146 PPP for males in Indonesia, US\$112 PPP for females in Indonesia and US\$151 for females in Sri Lanka, thus falling between the moderate poverty line of US\$97 PPP/month (US\$3.20 PPP/day) and the near poverty line of US\$167 PPP/month (US\$5.50 PPP / day). Author's calculations based on LFS.

► **Table 2 Compound annual growth rates of exports, gross value added and employment by sub-sector**

	Exports (nominal, current US\$)	Reference period	Gross Value Added - Nominal	Gross Value Added - Real (constant 2010 US\$)	Reference period	Employment	Reference period
Bangladesh	11.3	2010-15	12.7	7.4	2010-17	1.8	2010-17
Cambodia	13.1	2010-19	12.2	8.3	2012-19	3.4	2012-19
China	3.1	2010-19	9.2	6.4	2010-17	-	
India	3.2	2010-19	5.4	4.1	2011-19	-4.6	2018-19
Indonesia	2.6	2010-19	3.1	3.6	2010-17	5.5	2010-15
Malaysia	1.9	2010-19	1.3	2.9	2010-17	-	
Myanmar	33.9	2010-19	-	-		12.4	2015-19
Pakistan	1.8	2010-19	7.0	3.4	2010-17	4.5	2010-18
Philippines	0.2	2010-19	0.6	-0.8	2010-19	0.0	2010-19
Sri Lanka	5.7	2010-17	7.3	8.6	2014-18	0.8	2010-18
Thailand	-1.4	2010-19	-1.5	-2.7	2014-18	-2.3	2010-19
Viet Nam	13.6	2010-19	12.5	8.6	2010-17	7.5	2010-19

GTF = garments, textiles and footwear; TXT = Textiles; WAP = Wearing apparel; L&F = Leather and footwear.

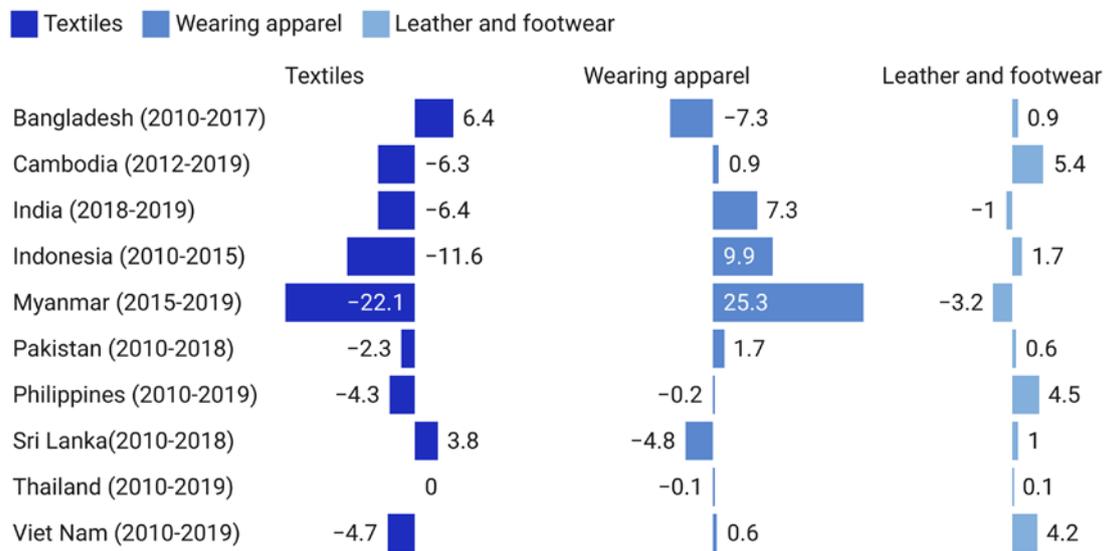
Notes: Real GVA growth rate calculated using an index approach (consistent with World Bank approach), which preserves real growth. The decline in employment for India is between 2018-2019 (as data prior to 2018 are not available from the LFS and not comparable), and therefore does not represent a long-term trend.

Sources: Author's calculations based on UN Comtrade database, NSOs, ADB input-output database, LFS.

Cambodia had double-digit annual growth in exports across all three GTF sub-sectors over the past decade, and among the highest increases in real value added at an annual average of 8.3 per cent between 2012 and 2019 (Table 2, Annex Table 4). The wearing apparel sector remains the most important by far for the country, accounting for 83 per cent of GTF employment and 87 per cent of GTF exports (Figure 6). Cambodia had a within GTF-sector shift in employment from textiles towards footwear, and to a lesser extent towards wearing apparel during the same period (Figure 15). Overall, the GTF sector had significant labour productivity growth and the highest increase in wages among all countries in our sample for which these data are available (Figures 17, 18). Real average wages in the Cambodia's GTF sector increased at an average annual rate of 11.7 per cent between 2012 and 2019.

China's GTF gross value added has continued to grow steadily, increasingly fuelled by production for the domestic market. In the past decade, the growth of exports from China has been higher for textiles than wearing apparel (Table 2, Annex Table 4). Relatively slower export growth (compared to other countries in the region) reflects China's declining share in global GTF exports in recent years, particularly in the wearing apparel sub-sector. Using data gathered for the WageIndicator database, van Klaveren and Tijdens (2018) assessed the status of policies over the past two decades aiming to encourage Chinese garment manufacturers to upgrade their quality and production process ('Go Up'), shift their production location inwards ('Go West') and invest abroad ('Go Out') (see Zhu and Pickles 2014, 45-59). They concluded that there has been upgrading within the Chinese GTF sector – including for instance, the launching of a number of local fashion brands – but that the extent of this is uncertain; that relocation towards Western and Central provinces, at least for the export-oriented part of the sector does not seem to have taken place; and that outsourcing manufacturing to other countries has also been limited, with Chinese-owned factories outside of China representing only six per cent of factories owned in the country (see Figure 4).

► **Figure 15 Change in employment shares across sub-sectors (percentage points)**



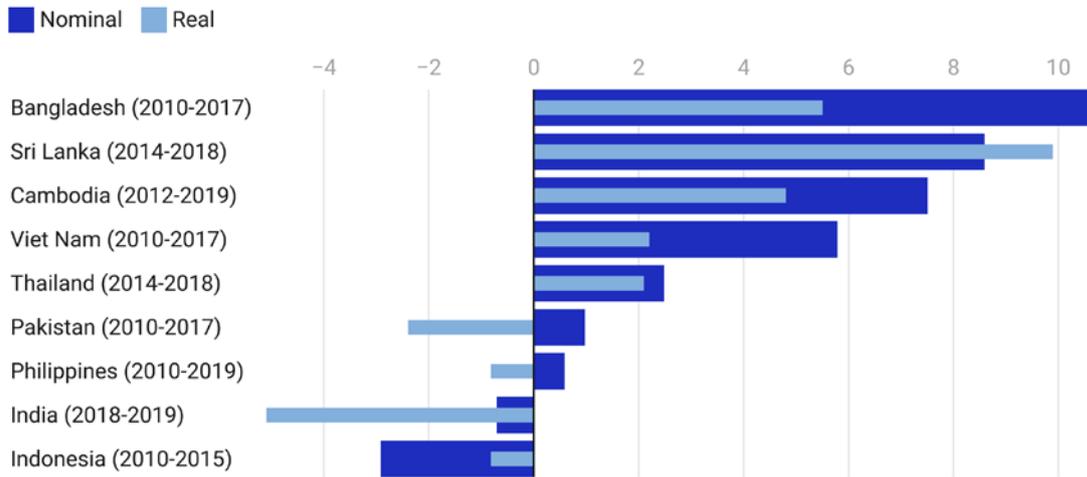
Source: Author's calculations based on LFS. Created with Datawrapper.

India has also had sustained growth in GTF value-added and exports over the past decade, driven by high growth in the wearing apparel and footwear sub-sectors (Table 2, Annex Table 4). The textiles industry remains important in the country, accounting for 36 per cent of both GTF exports and employment in 2019 (Figure 6). India had a decline in garment labour productivity in 2019, but this corresponds to an annual change rather than a longer-term trend.

In Indonesia, real value-added growth for the GTF sector fell short of employment growth, resulting in a decline in the sector's labour productivity, between 2010 and 2015 (Table 2, Figure 15). Real average wages increased at an average annual rate of 2.9 per cent in the GTF sector during this period, with higher increases in the leather and footwear and textile sub-sectors than in wearing apparel (Table 3). It is worth noting that due to significant currency depreciation during this period, GTF wages measured in current US\$ increased by a smaller amount than when measured in constant terms. Thus, Indonesia despite wage growth, remained a relatively low-cost destination for GTF investors, as nominal wages had only increased from US\$98 to US\$101 between 2010 and 2015. This highlights the importance of external factors, including currency rates and trade policies, as determinants of competitiveness. Unfortunately, LFS data after 2015 are not available at a sufficiently detailed industry level to provide insights into more recent developments at the GTF sector level. A decline in textile exports between 2010 and 2019 suggest a continuation of the within-GTF sector shift in employment from textiles towards wearing apparel and footwear. The two latter sub-sectors had high employment growth between 2010 and 2015. In particular, the wearing apparel sub-sector had its share of GTF employment increase by nearly ten percentage points during this period. However, the quality of some of this employment may be called into question, since this growth was accompanied by a small decline in the share in employment of wage and salaried workers. The leather and footwear industries had relatively high export growth between 2010 and 2019, and an increase in the wage and salaried workers share in employment between 2010 and 2015.

► **Figure 16 Labour productivity growth in the GTF sector**

Compound annual growth rate nominal and real gross value added per worker (per cent).



Source: Author's calculations based on data from LFS, NSO and ADB input-output database. Created with Datawrapper.

Myanmar had the highest growth in GTF exports over the past decade (although from a smaller base), with double-digit annual growth across all three sub-sectors. Myanmar's garment exports benefited significantly from privileged access to the EU market, through the Generalized Scheme of Preferences (GSP), and specifically, the Everything But Arms (EBA) scheme (Lee, 22; European Commission).²⁴ Underlying high export growth, is significant FDI in the sector, particularly by investors from China and Hong Kong (Figure 4) targeting of lower-cost locations for expansion, and seeking preferential trade access (van Klaveren and Tjstens, 2018; Zhang et al, 2015). Indeed, an estimated 77 per cent of export-oriented garment factories in Myanmar were located in EPZs (van Klaveren and Tjstens, 2018, p.52).

24 Available at: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/myanmar/>.

► **Table 3 Compound annual growth rates of real average monthly wages of employees, GTF and sub-sectors (percentages)**

	GTF			Textiles		Wearing apparel		Leather and footwear	
	Total	Male	Female	Male	Female	Male	Female	Male	Female
Cambodia (2012-19)	11.7	9.7	12.2	1.3	13.2	10.1	12.4	9.7	8.8
Indonesia (2010-15)	2.9	0.7	4.7	0.7	4.5	0.0	3.2	2.1	5.7
Myanmar (2015-19)	8.1	8.7	8.0	7.1	2.1	8.3	8.4	1.9	9.1
Pakistan (2010-18)	2.8	3.9	-0.4	3.4	-1.5	4.9	0.0	2.5	-3.3
Philippines (2010-19)	1.2	1.1	1.2	0.7	1.7	0.8	0.9	2.6	3.0
Sri Lanka (2010-18)	5.6	5.0	6.2	2.8	6.5	5.4	6.3	6.3	2.8
Thailand (2014-19)	1.6	0.8	2.0	0.0	1.3	1.7	2.3	0.9	2.4
Viet Nam (2010-19)	6.9	6.1	7.2	6.1	7.8	5.3	6.8	6.9	7.7

Source: Author's calculations based on Labour Force Surveys.

Myanmar also had the highest GTF employment growth rate (also from a smaller base), driven entirely by growth in the wearing apparel sub-sector (Table 2, Annex Table 4). The number of workers in the sector nearly doubled from approximately 660,000 in 2015 to nearly 1.2 million in 2019. As employment in textiles and in leather and footwear declined during this period, the wearing apparel sub-sector saw its share of GTF employment increase by approximately 25 percentage points (Annex Table 4, Figure 16). The wage and salaried worker share in employment in the latter sub-sector declined during the same period however, suggesting that alongside the growth in factory employment, there was an expansion in self-employment (Figure 15). For this reason, the substantial increase in real average monthly wages (at an annual rate of 8.1 per cent, Table 3) in Myanmar's GTF sector may have benefited only a subset of workers. Indeed, nearly all of the GTF job growth seems to have consisted in informal employment, including a large share of own-account and home-based workers, but also employees in factories outside the formal sector.²⁵ These data suggest that there is indeed a growing wedge in Myanmar's garment sector between generally large international suppliers, and smaller locally-owned factories serving as sub-contractors to foreign-owned factories, and serving the domestic market (Lee, 23). Smaller suppliers are SMEs, with limited access to finance and very thin profit margins, making it difficult for them to comply with minimum wages and retain workers (ibid.).

In Pakistan, moderate value-added growth was accompanied by even higher employment growth and a decline in labour productivity over the past decade (Table 2, Figure 17). GTF exports grew at a low rate, pulled down by a decline in textile exports. The latter sub-sector had a small decline (2.3 percentage points) in its share of GTF employment, which remained relatively large representing 36 per cent of GTF employment in 2019 (Figures 6, 15). The decline in textile exports was accompanied by a corresponding decline in the share of employees in large enterprises (of 100 employees or more), which are more likely to be export oriented, by as much as 16 percentage points between 2010 and 2018.²⁶ On the other hand, the share of employees in large enterprises increased by five and 13 percentage points respectively in the wearing apparel and footwear sub-sectors. Real average wages in Pakistan's GTF sector grew at an

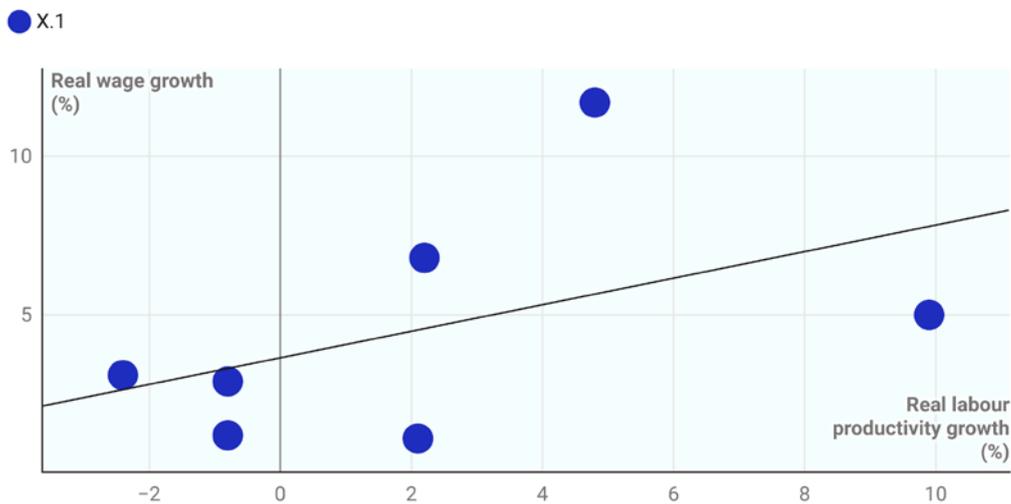
25 Specifically, when only wage and salaried work is considered, informal employment in informal factories accounted for over half of net job growth in Myanmar's GTF sector, and home-based work for another 37 per cent. When all GTF employment is considered, informal employment growth in the household sector including own-account workers represented over 60 per cent of net GTF job growth, and informal employment in informal factories for nearly a third. The informal employment rate in the sector increased from 94 per cent in 2015 to 96 per cent in 2019.

26 Author's calculations based on LFS. Data on firm size for other countries, where available, are not directly comparable across years.

average annual rate of 2.8 per cent between 2010 and 2018. The increase was entirely driven by wages of male employees however, further increasing the gender wage gap, which is the highest among countries with available data (Figure 20).

The Philippines GTF sector had negative real value added and productivity growth between 2010 and 2019 (Table 2, Figure 17). A decline in wearing apparel exports during this period was offset by an increase in exports of the other two sub-sectors. In particular, the leather and footwear sub-sector had very high export growth, averaging 36.9 per cent annually between 2010 and 2019, and was the only GTF sub-sector in the Philippines that had an increase in employment during this period. Average real wage growth in the Philippines GTF sector was the lowest among our sample countries with available data, but higher for leather and footwear relative to the other two sub-sectors.

►Figure 17 Compound annual growth rates of real wages and of real value added per worker (percentages).



Included here are the subset of countries for which growth in wages and labour productivity can be calculated over the same time period. The time periods are 2012-2019 for Cambodia (KHM), 2010-2015 for Indonesia (IDN), 2010-2017 for Pakistan (PAK) and Viet Nam (VNM), and 2014-2018 for Sri Lanka (LKA) and Thailand (THA).

Source: Author's calculations based on LFS, and NSO (for Cambodia, Philippines, Sri Lanka and Thailand) and ADB Input-Output database (for Indonesia, Pakistan and Viet Nam). Created with Datawrapper.

In Sri Lanka, high GTF value added growth was accompanied by limited net employment growth, and was reflected in the highest productivity growth among the countries with available data (Table 2, Figure 17). In particular, net employment in the wearing apparel sub-sector did not increase between 2010 and 2018, and the sector lost some shares of GTF employment to both the textiles and footwear sector (Figure 15). Wearing apparel remains the largest sub-sector by far however (see Figure 6). The high productivity growth in the GTF sector was accompanied by a decline in wage and salaried employment share across all sub-sectors (Figure 18). This suggests a decline in wage employment in less productive factories (or less productive factories exiting the market) although evidence supporting this is limited as the share of employment in larger enterprises actually fell during this period, while informal employment among employees does not seem to have declined. Real average wages in Sri Lanka's garment sector have increased at a relatively high rate, averaging 5.6 per cent annually between 2010 and 2018. However, the trends described above (decline in wage employment share) and the fact that wage growth fell short of productivity growth suggest that the labour share in income in the sector may have declined during this period, although data are not available to confirm this.

► **Figure 18 Change in wage and salaried worker shares in employment, GTF sector and sub-sectors (percentage points)**



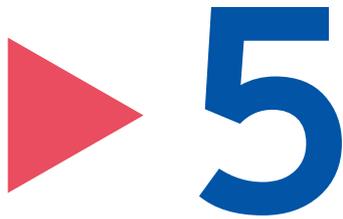
Source: Author's calculations based on LFS. Created with Datawrapper.

In Thailand, where the manufacturing sector has diversified in the last two decades, the garment sector is considered a 'sunset industry'. Thailand is the only country in the region for which GTF value added has declined in recent years (2014-2018), and exports and employment have declined over the past decade across all three sub-sectors (Table 2, Annex Table 4). While textiles and wearing apparel combined accounted for over ten per cent of the country's manufacturing exports in the early 2000s, this share declined steadily to only four per cent by 2019.²⁷ Similarly, the GTF share in the country's manufacturing employment declined from 22 per cent in 2010 to 16 per cent in 2019. Likely due to the shedding of lower productivity, lower wage jobs, the GTF sector's labour productivity and real average wages increased at a moderate rate between 2014 and 2018, and remain highest among the region's economies (Figures 12, 17).

Viet Nam had the second highest growth rate in GTF exports and employment after Myanmar, between 2010 and 2019, and the highest increase in GTF real value added, alongside Sri Lanka, at an annual average of 8.6 per cent between 2010 and 2017 (Table 2). Although Viet Nam's wearing apparel sub-sector still accounts for the largest share of GTF employment (58 per cent) and exports (57 per cent), the leather and footwear sub-sector has increased its significance in recent years. While all three sub-sectors had double-digit annual growth in exports between 2010 and 2019, employment and export growth were highest in the leather and footwear sector, and the sub-sector increased its share to 36 per cent of GTF employment and to approximately a third of GTF exports in 2019 (Figure 6, Annex Table 4). The within-GTF sector shift towards the leather and footwear sub-sector has been accompanied by a moderate rise in labour productivity and significant increase in real wages in Viet Nam's GTF sector. Real average wage growth has been high across all three GTF sub-sectors in Viet Nam over the past decade.

²⁷ Author's calculations based on WTO data.

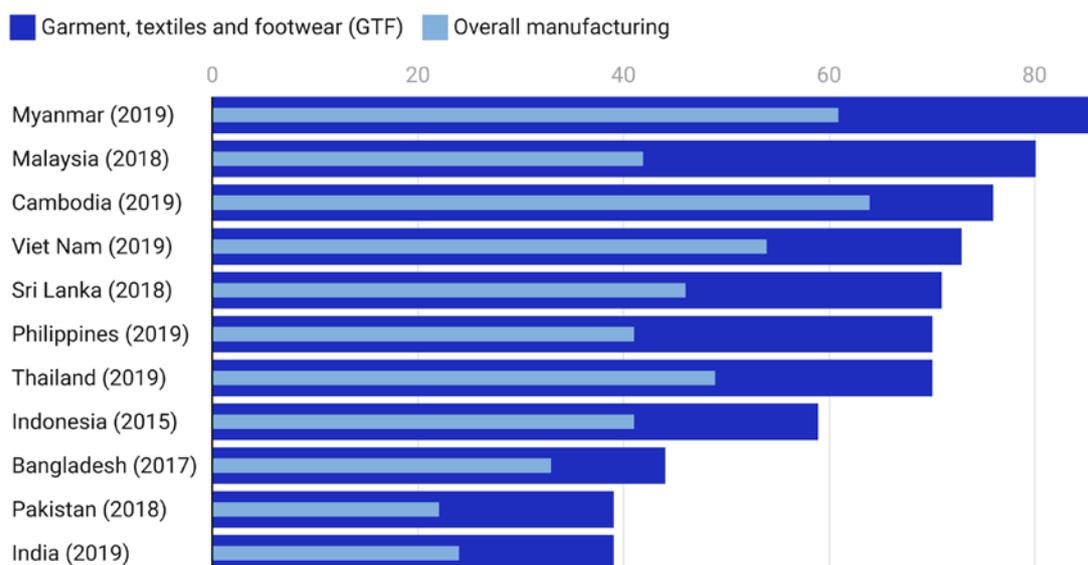




Women in garments: Doing more for less

The garment sector is an important employer of women in Asia, but gender pay gaps persist across many countries, and structural issues limit the sector’s potential to generate decent work for women workers. Women represent 86 per cent of garment workers in Myanmar, 80 per cent in Malaysia, 76 per cent in Cambodia, 70-73 per cent in Sri-Lanka, Philippines, Thailand and Viet Nam (Figure 19). On the other hand, they only represent 39 per cent of garments workers in India and in Pakistan and 44 per cent in Bangladesh, consistent with lower female labour force participation rates in these countries. Even in the latter countries however, the female share in GTF employment is well above the overall manufacturing sector average.

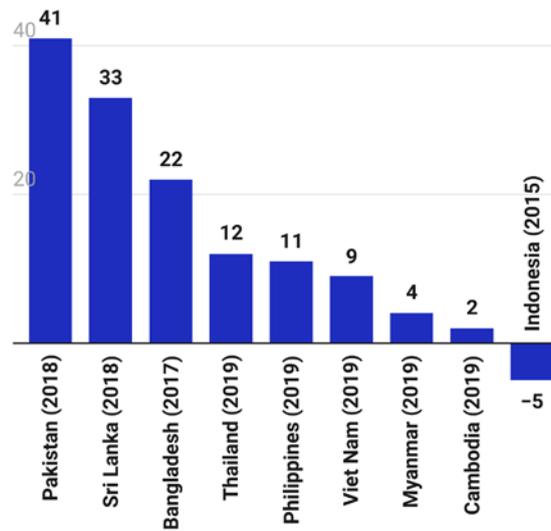
► **Figure 19 Female share in employment in the GTF and overall manufacturing sectors (percentages)**



Source: Labour Force Surveys. Created with Datawrapper.

The countries with the lowest shares of female workers, also have among the highest gender pay gaps in the garment sector (although in the case of India, wage data are not available to confirm this). In the last year for which data are available, the gender pay gap (difference between male and female hourly earnings as a percentage of male earnings) was as high as 41 per cent for Pakistan and 22 per cent for Bangladesh (Figure 20).

► **Figure 20 Gender pay gaps in the GTF sector (percentages)**



The wage gap is calculated as the difference between hourly wages of male and female employees, as a percentage of the hourly wage of male employees.

Source: Labour Force Surveys. Created with Datawrapper.

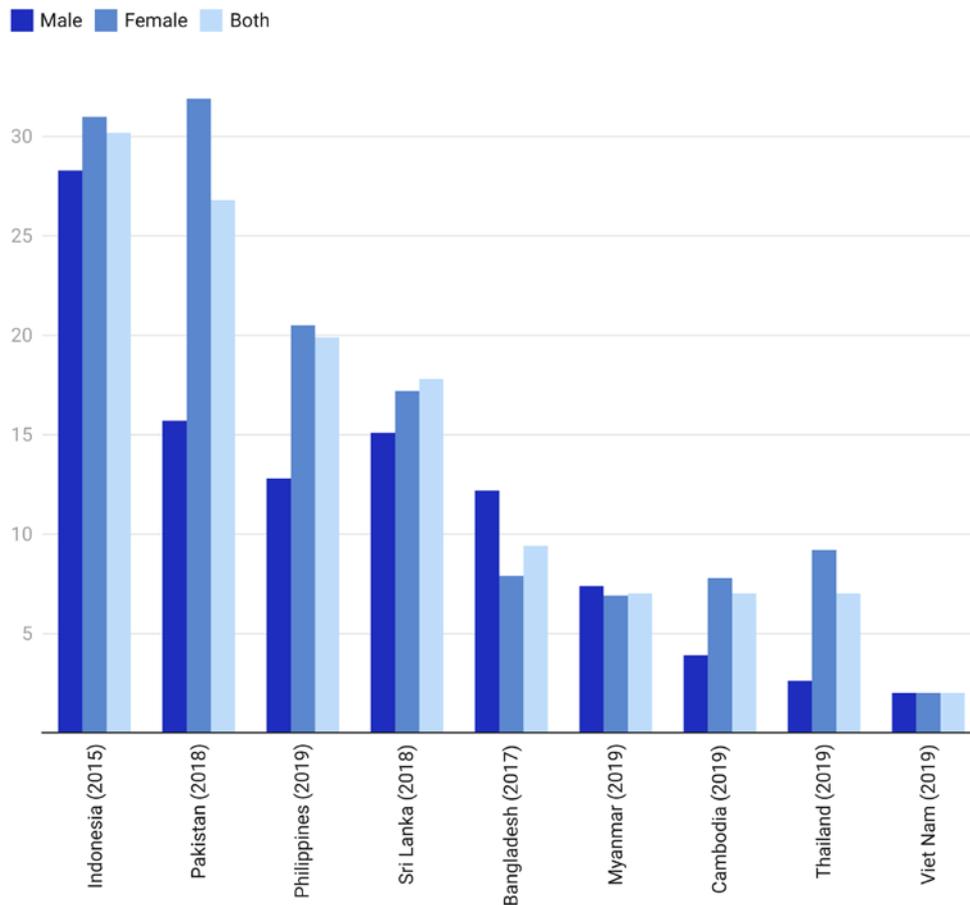
In contrast, Cambodia, Myanmar and Indonesia have a very small gender pay gap in the garment sector (if any, as women earn five per cent more than men in Indonesia, on an hourly basis). Note that when the gender pay gap is calculated using monthly wages (i.e. not taking into account the hours of work), the gap further increases to 68 per cent in Pakistan and to 17 per cent for the Philippines, and the relative gain of women over men in Indonesia narrows to only one per cent). This reflects relatively lower working hours among women GTF employees in these countries. The opposite is true in Myanmar (suggesting female workers work more hours to compensate for lower hourly wages), while in all other countries, the pay gap is virtually the same whether measured using hourly or monthly earnings. In the case of Cambodia and Indonesia, average monthly male and female GTF wages have converged following significantly higher wage growth for females compared to males (Table 3). Male GTF workers earned on average 20 per cent more than females in Indonesia in 2010 and in Cambodia in 2012, but this gap has been closed for Indonesia by 2015, and fell to only two per cent for Cambodia. In Myanmar, higher growth in real average monthly wages for females in the leather and footwear sub-sector resulted in closing the pay gap in the sub-sector by 2019 (in 2015, the gender pay gap, based on monthly earnings, was as high as 25 per cent in the leather and footwear sub-sector, compared to only two per cent for wearing apparel, and female employees earned on average more than male employees in the textile sub-sector).

Female GTF employees are over-represented among the sector’s low pay workers. The low pay rate, defined as the share of employees earning less than 2/3 of the median earnings varies across the region,

and is higher for females than for male GTF employees in six out of the nine countries for which wage data are available (Figure 21). In particular, the low pay rate among female employees is double that of male employees (32 per cent compared to 16 per cent). Indonesia’s low pay rate is high for both female and male employees, with 31 per cent and 28 per cent respectively. The Philippines also has a low pay rate of over 20 per cent among female employees, and Sri Lanka of 17 per cent.

In addition to earning generally lower wages than their male counterparts, female GTF employees sometimes face additional challenges, due to the gendered nature of their workplaces. The gender segregation by occupation is such that the sector is ‘female dominated at the bottom, and male dominated at the top’ in a highly competitive and stressful environment, with limited monitoring and accountability can result in gender-based violence (Vaughn et al., 2019). There are many documented cases of lived experiences of female garment workers’ struggles, ranging from disruptions to family life to physical abuse, in countries like Bangladesh, India and Myanmar. In many cases, mid to low-level managers use physical and sexual violence along production lines, with impunity (Bhattacharjee, 2020; Anner and Dutta, 2019). This is compounded by inadequate worker representation and a limited voice for women in the workplace (Gillian and Ford, 2017). These issues, in addition to other related ones such as poor occupational safety and health (OSH) and lack of social protection coverage, represent crucial elements of working conditions, beyond wages and wage gaps, and have major impacts in terms of worker welfare, but also on industrial relations and productivity.

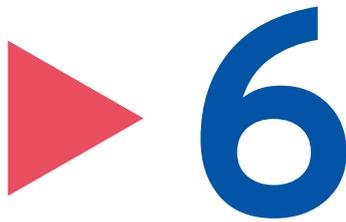
► **Figure 21 Low pay rate in the GTF sector, by sex and country**



Low pay rate = percentage of employees earning <2/3 of median wage

Source: Labour Force Surveys. Created with Datawrapper.





Industrial relations in a challenging environment

Industrial relations in Asia's GTF sector are complex and challenging, shaped by the features of global supply chains, as well as national political and institutional factors. Industrial relations systems differ across garment exporting countries, but nevertheless have many commonalities, including their relatively limited reach (Gillian and Ford 2017). Factors hampering industrial relations in the sector include high levels of informality, weak government capacity to administer and enforce labour law and to lead social dialogue, unions that are fragmented, poorly managed and often politicised, and supply chain dynamics putting a significant pressure on employers and limiting the bargaining power of workers (Lee; ILO ACT/EMP; Gillian and Ford, 2017). At the factory level, there is often little trust among stakeholders, partly due to inadequate management practices at the lower and middle management levels, as further described below.

Union membership ranges from about four to five per cent of garment workers in Bangladesh and Myanmar, to approximately 50 per cent in Indonesia, and 60 per cent in Cambodia (ibid.) In Indonesia, trade unions in the garment sector are particularly strong as the labour movement originated from the sector, and in Cambodia, union membership in the wearing apparel and footwear industries is reported to be the highest among all industries across Asia (Lee; ILO ACT/EMP). Low union density in some countries can be linked to high levels of informality and prevalence of fixed term contracts, casual labour, home-based work and other non-standard forms of employment, as employers increasingly resort to flexible working arrangements to manage both pressures for wage increases and market demand fluctuations (Gillian and Ford 2017; Arnold, 2014). This results in increased job insecurity, and facilitates anti-union discrimination and violations of freedom of association (Arnold, 2014). Trade unions face challenges to maintain representation at the factory level, and union leaders are sometimes intimidated, face legal action and even violence (ibid).

Even in countries with relatively high coverage rates, a number of factors including fragmentation, politicisation, and capacity issues, limit the strength and effectiveness of unions. For instance, in Cambodia, despite the high unionization rate, only a handful of organizations are independent and these face challenges due to the government's support of certain unions and undermining of others (Arnold, 2014). Specifically, the space for independent union action is limited due to government sponsored unions, the influence of 'pro-capital' unions, employers and their representatives – the Garment Manufacturers Association in Cambodia (GMAC) – and even to the existence of 'mafia-unions' which extract money from both workers and employers (Arnold, 2014). In Bangladesh, large trade union federations are considered as the labour fronts of the main political parties, and competition between them can impede industrial relations initiatives (Lee; ILO ACT/EMP). In Viet Nam, trade unions are part of the state structures through their affiliation with the Viet Nam General Confederation of Labour (VGCL),

and effective worker representation is also constrained by a significant degree of control by employers of many enterprise-level unions (Lee; ILO ACT/EMP; Gillian and Ford, 2017). In general, the union landscape in Asian garment exporting countries includes national, regional and local level unions, overlapping with sectoral unions, in addition to plant-level ones. As a result, in most countries, there is a multiplicity of unions on the ground, which makes coordination and social dialogue more difficult, and contribute to low collective bargaining coverage (Gillian and Ford, 2017).

Employer organizations in the garment sector exist – in addition to peak (national) level employer organizations – in many Asian exporting countries, and contribute to labour market issues including minimum wage legislation and labour law reforms (e.g. through active lobbying or consultations on draft legislation) but their engagement in industrial relations varies across countries (Gillian and Ford 2017). Employers often cite the challenging and confrontational industrial relations as an impediment to productivity and efficiency, which are key to improving work conditions (Lee; ILO ACT/EMP). Employers in the garment sector are under much pressure due to the GSC dynamics and inherent power asymmetries, as described above. However, the resulting impact – specifically, the ‘price squeeze’ and ‘lead time/sourcing squeeze’ (Anner and Dutta, 2019) – may be underestimated in initiatives targeting suppliers for the improvement of working conditions and industrial relations as further described below.

Not unrelated to challenges faced by unions and employer associations, key institutions conducive to healthy industrial relations, such as social dialogue through tripartite and bipartite mechanisms and collective bargaining are either absent or limited in scope (Gillian and Ford, 2017). For instance, collective bargaining often “exists in form but not in substance”, in that collective agreements are not the result of robust negotiation and are disconnected from attempts at enterprise or at the industry level to address wage and productivity issues (ibid. p.46). Tripartite mechanisms are often marked by the ‘skewing of power’ towards government and employer interests (Arnold, 2014). In a most recent example of this, major changes to Indonesia’s 2003 Manpower Law were made by a newly re-elected government in November 2020, under the form of an Omnibus Law on Job Creation (JCL), despite staunch resistance by trade unions which claim to have been left out of the negotiations and drafting process (Tjandraningsih, 2021). Meanwhile, the national level employer representative body Asosiasi Pengusaha Indonesia (APINDO), a powerful and politically connected organization, had been a major proponent of the JCL. Among other issues, the recent amendments to the labour law further facilitate the ‘flexibilization’ of labour by removing the maximum of three-years restriction for the use of fixed term contracts, extending maximum overtime hours, and reducing the weekly rest days granted to workers (ibid.)

Industrial relations disputes, in the absence of adequate and unbiased dispute resolution processes and institutions, have often resulted in strikes. For instance, in Viet Nam, wildcat strikes have constituted labour’s “de facto mechanism” to address worker rights violations and an instrument for collective bargaining, while circumventing union workers perceived as not effectively representing their interests (Do Quynh 2017; Anner, 2015).²⁸ These spontaneous work stoppages have proved highly effective in securing worker demands in the sector in Viet Nam (Do Quynh 2017). It is worth noting that in this case, GSC features – specifically lead-time pressure on firms – increase the relative effectiveness of wildcat strikes compared to formal processes, by actually increasing labour’s bargaining power as employers can neither prepare (mitigate the impact on production) for this kind of strike, nor afford to have it last long.

At the factory level, industrial relations disputes often originate from poor management practices, particularly at the mid- and low- management level (Lee; ILO ACT/EMP). In particular, managers can be harsh or even abusive, and lack accountability, worker complaints can be dismissed, and dispute resolution processes perceived as ineffective or unjust (Bhattacharjee, 2020). For instance, in Bangladesh, a period of intense clashes between workers, factory owners and the police in the years preceding the Rana Plaza tragedy had led to the establishment of the Industrial Police in October 2010 (Vaughn et

²⁸ Wildcat strikes are unauthorized work stoppages undertaken by employees without union consent.

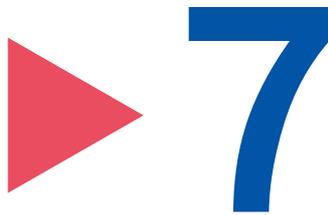
al., 2019).²⁹ The Industrial Police, which had as a mission to act as intermediaries in resolving disputes between factory owners and workers, were widely perceived as 'batons of the entrepreneurs' by workers (ibid.) In such adversarial environments, it becomes very difficult to build the mutual trust required for harmonious industrial relations at the factory and industry levels.

A wide range of initiatives have attempted to address decent work deficits and industrial relations challenges in the sector, including at the regional and global levels. These efforts take on a variety of forms, including global union federation programs, multi-stakeholder initiatives, bilateral and multilateral programmes (see Gillian and Ford, 2017 for a description of many of these interventions). An ILO assessment revealed that some key initiatives such as the ILO-IFC's Better Work programme were consistently perceived as promoting the interests of buyers (international brands) and workers, but inadequately addressing challenges faced by manufacturers (Lee; ILO ACT/EMP).³⁰ These programmes were often characterised as 'compliance programmes' aiming to improve labour standards and the welfare of workers without sufficiently accounting for the needs of employers, particularly in terms of improving productivity. In particular, employer organizations raised issues with respect to projects heavily funded by individual multinational enterprises (MNEs) whose commercial interests may conflict with those of suppliers (ibid.) Another critique of these approaches is that despite having improved compliance – at least within a subset of factories – such approaches have not led to improvements in the governance of the industry or in narrowing the enforcement gaps attributable to limited government capacity (Gillian and Ford, 2017). The latter point is crucial for the sustainability of these initiatives, particularly given the trend towards more subcontracting, where subcontracted companies in lower tiers of the supply chains may be registered or not, and may or may not appear on the radar of monitoring agencies and programmes (Arnold, 2014). In the longer-run, initiatives must seek to address structural issues in GSCs, and contribute to building lasting institutions at the sectoral and country levels.

29 In April 2013, a poorly constructed and overloaded eight-storey factory collapsed, killing over 1,100 workers and injuring more than 2,000 others. The horrific event led to the signing of the Bangladesh Accord, with over 200 signatories from apparel brands, retailers and importers, which established with the ILO a regulatory framework for safety checks and certifications (Vaughn et al., 2019; Lee).

30 The Better Work (BW) programme was created in 2010 through an International Labour Organization (ILO) – International Finance Corporation (IFC) partnership to improve working conditions and competitiveness in the garment and footwear sector through social dialogue and compliance assessments. The programme runs in nine countries and includes leading brands and retailers, 1,700 factories, and 2,400,000 workers (Available at: <https://betterwork.org>).





Concluding remarks

Prior to the COVID-19 pandemic, Asia's garment sector was already at a crossroads. Taking stock of trends and key issues in the sector, prior to the pandemic, we arrive at the following conclusions:

While labour productivity in the sector has increased in many economies, it remains relatively low, as few countries have successfully moved up the value-added chain. Improving labour productivity remains key to achieving the double objective of remaining profitable and competitive on one hand, and paying higher wages on the other. Indeed, data analysed here confirm the existence of a positive association between labour productivity growth and wage growth in the sector. There are many issues however, both conceptual and measurement-related, that can affect these variables, and inferences regarding this relationship must be nuanced.

Although real wages in the sector have increased in most countries, working conditions remain poor in general, with high levels of insecurity and precariousness. In particular, insights from LFS microdata reveal that, despite the high shares of wage and salaried employment and the dominance of larger firms in most countries, a significant proportion of the sector's workers remain highly vulnerable, due to widespread informality and the temporary nature of their working arrangements. These include large numbers of home-based workers and own-account workers. This issue is critical as the COVID-19 crisis has not only emphasized the vulnerability of these workers, but also raised questions regarding the sustainability of garment supply chains in their current form (ILO, 2020c).

Although women represent a large share of garment workers, gender pay gaps persist, and are particularly elevated in countries where there are broader systematic labour market challenges for women (e.g. Pakistan, Bangladesh). In a few countries (e.g. Cambodia, Myanmar, Indonesia) gender gaps have significantly narrowed in the garment sector. Women in the sector are more likely to be among low-pay workers than men. Furthermore, the lived experiences of female workers, involving physical and sexual violence in the sector's gendered workplaces cannot be discounted. Beyond wages, improving working conditions for women in the sector requires addressing structural challenges.

Poor working conditions in the sector are largely attributable to global supply chain dynamics and their interaction with institutional constraints at the country level. The power asymmetries inherent in garment GSCs at various levels, and the complex web of actors involved (buyers, suppliers, subcontractors spanning across the formal and informal sectors) limit accountability for social upgrading and improving working conditions, and further complicate industrial relations. Although poor management practices, weak government capacity, limited social dialogue, low levels of collective bargaining, and other institutional constraints certainly play an important role in the equation, the negative impact of MNE sourcing practices and of the fast-fashion business model must also be taken into account in any initiative aimed at improving labour productivity and working conditions in the sector, and promoting its sustainability and resilience.

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Annex Table 1 Spatial concentration of GTF factories and employment

Province/state/area	No. of factories	Country total %	Province/ state/area	GTF employment share %
Bangladesh				
Dhaka	475	82	Dhaka	54
Chittagong	77	13.3	Rajshahi	15
Mymensingh	18	3.1	Chittagong	13
			Rangpur	7
			Mymensingh	6
	570	98		94
Cambodia				
Phnom Penh	158	60.1	Phnom Penh	19.1
Kandal	51	19.4	Kandal	18.3
Kampong Speu	17	6.5	Takeo	13.0
			Kampong Speu	11.7
	226	86		62
China				
Guangdong	905	26.7		
Zhejiang	862	25.5		
Jiangsu	643	19		
Shandong	312	9.2		
Fujian	237	7		
		87		
India				
Tamil Nadu	315	31.5	Tamil Nadu	15.8
Uttar Pradesh	166	16.6	West Bengal	12.2
Karnataka	212	21.2	Uttar Pradesh	12.2
Haryana	145	14.5	Gujarat	8.9
			Maharashtra	8.7
			Karnataka	5.7
			Haryana	2.4
	838	84		66
Indonesia				
Jawa Barat (West Java)	125	44.6	Jawa Barat	36.7
Jawa Tengah (Central Java)	81	28.9	Jawa Tengah	24.6
Banten	43	15.4	Jawa Timur	11.3
DKI Jakarta	17	6.1	Banten	10.4
			DKI Jakarta	4.0
	266	95		87
Pakistan				
Punjab	68	51.5		
Sindh	62	46.3		
		98		
Viet Nam				
Ho Chi Minh City	118	18.8		
Binh Duong	69	11		
Dong Nai	61	9.7		
Long An	31	4.9		
		44.4		

Source: WageIndicator Garment Supply Chain Database, 2018; van Klaveren and Tjeldens, 2018, Table 27; Labour Force Surveys.

Annex Table 2 Formal and informal employment in the GTF sector, by category

	Formal employment in formal factories	Informal employment rate (%)	Informal employment		
			Formal factories	Informal factories	In household sector, or home-based
Bangladesh (2017)	4%	96%	74%	6%	15%
Cambodia (2019)	28%	72%	25%	38%	10%
India (2019)	14%	86%	17%	23%	47%
Myanmar (2019)	5%	95%	25%	13%	58%
Pakistan (2018)	19%	81%	17%	24%	40%
Sri Lanka (2018)	45%	55%	9%	39%	7%
Viet Nam (2019)	75%	25%	10%	15%	0%

Source: Labour Force Surveys.

Annex Table 3 Change in wage and salaried share in employment in the GTF sector, by working arrangement

	Wage and salaried workers share in employment (%)	Wage and salaried workers			
		Regular wage and salaried workers	Irregular, temporary or unknown working arrangement	Casual workers	Not classified by contract type or working arrangement
Bangladesh (2010-2017)	26%	-5%	30%	1%	
Cambodia (2012-2019)	8%	4%	4%	-	
India (2018-2019)	-3%	1%	0%	-4%	
Indonesia (2010-2015)	8%	-	-	-2%	11%
Myanmar (2015-2019)	0%	-3%	1%	2%	
Pakistan (2010-2018)	0%	-3%	3%	-	
Philippines (2010-2019)	7%	9%	-1%	-	
Sri Lanka (2010-2018)	-9%	0%	-9%	-	
Thailand (2010-2019)	-6%				-6%
Viet Nam (2012-2019)	11%	22%	-11%	-	

Source: Labour Force Surveys.

Annex Table 4 Compound annual growth rates of exports and employment by GTF sub-sector/Indonesia

	Exports (Nominal, current US\$)				Employment			
	TXT	WAP	L&F	Ref. period	TXT	WAP	L&F	Ref. period
Bangladesh	-4.6	12.0	22.5	2010-15	5.6	0.4	7.3	2010-17
Cambodia	26.8	12.0	24.4	2010-19	-12.7	3.5	10.7	2012-19
China	4.7	2.4	3.3	2010-19	-	-	-	
India	0.1	5.4	6.1	2010-19	-19.0	9.1	18.0	2018-19
Indonesia	-0.3	2.5	6.5	2010-19	-1.1	10.1	7.6	2010-15
Malaysia	0.5	3.8	-3.3	2010-19	-	-	-	
Myanmar	25.6	34.8	27.8	2010-19	-6.6	24.2	-6.4	2015-19
Pakistan	-2.7	4.3	4.3	2010-19	3.7	4.9	5.6	2010-18
Philippines	5.0	-1.8	36.9	2010-19	-2.3	0.0	4.9	2010-19
Sri Lanka	7.0	5.4	27.8	2010-17	4.1	0.0	3.6	2010-18
Thailand	-0.8	-1.6	-3.7	2010-19	-2.3	-2.3	-2.2	2010-19
Viet Nam	12.5	12.9	15.4	2010-19	0.5	7.6	8.9	2010-19

GTF = Garments, Textiles and Footwear; TXT = Textiles; WAP = Wearing Apparel; L&F = Leather and Footwear.

Source: Author's calculations based on UN Comtrade database and Labour Force Surveys.

Employment, wages and productivity trends in the Asian garment sector: data and policy insights for the future of work

Asia is the largest garment manufacturer in the world. While labour productivity in the sector has increased in many economies, it remains relatively low, as few countries have successfully moved up the value-added chain. Despite increase in real wages for most workers, their working conditions have remained poor and characterised by widespread informality and vulnerability.

The 'Employment, wages and productivity trends in the Asian garment sector: data and policy insights for the future of work' highlights the role of global supply chains in contributing towards poor working conditions. The report analyses recent data and patterns in the sector to contextualise the discussion around wages and labour productivity. The analysis covers structural and institutional factors, including industrial relations, and highlights continued challenges for sub-groups of workers, including informal and temporary workers, home-based workers and women who constitute large shares of the garment and textiles industry.

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