

**FIRST DISCUSSION PAPER ON ASIA FLOOR WAGE
2005**

Towards an Asian Floor Level Wage Campaign in the Garment Export Sector – an analysis of labour and the supply chain in the garment export sector

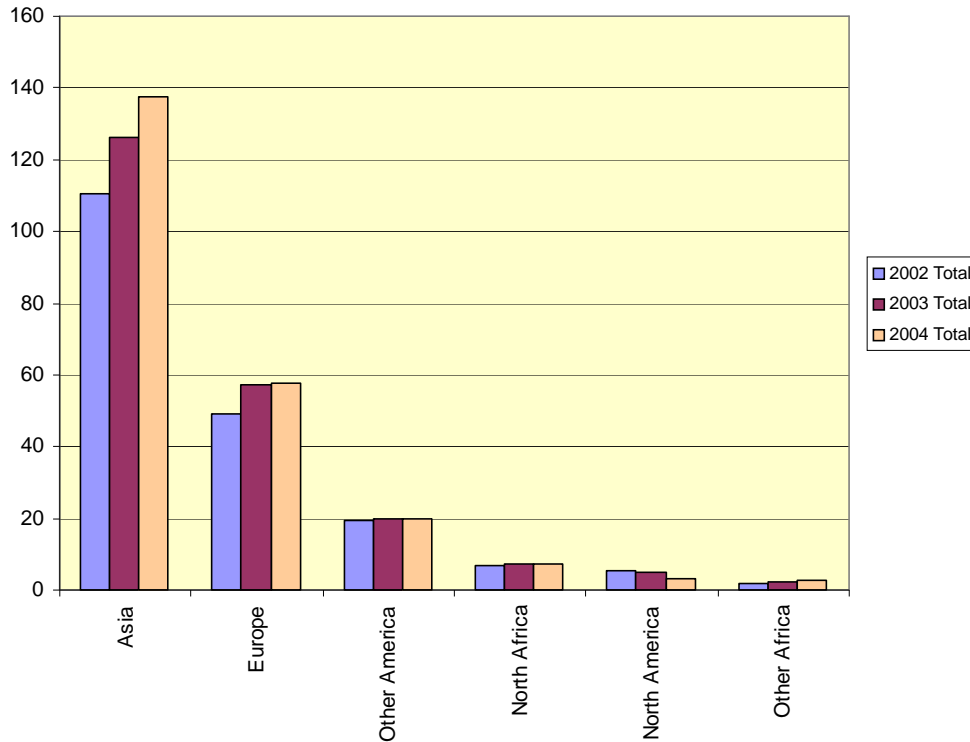
(This is the first discussion note prepared by the India Committee on Asia Floor Wage. It incorporates comments received from consultations among groups in India and with groups from different parts of Asia)*

Structure of the global garment export industry

Existing structure: The garment trade globally is dominated by Asia. In the calendar year 2004, Asian countries contributed nearly two thirds (about \$138 billion) of the global trade of around \$228 billion (computed from import data) for readymade garments. The trade has been steadily increasing in the past decade. Global trade increased from \$192 billion in the calendar year 2002 to \$228 billion in 2004.

Table1: Structure of global garment trade

Total Trade Value of Garment Imports, by exporting continent
(UN Comtrade data, USD Billion)



Source: UN Comtrade data.

Table1 gives details of the share of the various regions globally in garment trade. As is evident, Asia is the only regional group with a steady and sustained increase of trade volume. All the other regional groups have seen stagnation in trade volumes. For the 3-year period 2002-04, out of a total increase in trade volume of \$36 Billion, the share of Asian countries was over 80percent.

Table2: Projected impact: Quota elimination and market shares (before & after quota elimination)

Exporting country	EU Market		USA Market	
	Before	After	Before	After
China	18%	29%	16%	48%
India	6%	9%	4%	15%
Bangladesh	3%	4%	4%	2%
Sri Lanka				2%
Indonesia	3%	3%	4%	2%
Philippines			4%	2%
Thailand				3%
Hongkong China	6%	6%	9%	6%
Chinese Taipei			4%	
Turkey	9%	6%		
Morocco	5%	4%		
Poland	5%	4%		
European Union			5%	
Other Central & East Europe	9%	6%		
Other Northern Africa	6%	5%		
Mexico			10%	3%
Rest of Americas			16%	10%
Rest of the World	30%	24%	24%	7%

Source: Discussion Paper “The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing” by Hilegunn Kyvik Nordes of WTO, as quoted in Draft Red Herring Prospectus, Gokaldas Exports Limited, 2005.

Effect of lifting quota restrictions: As per the Agreement on Trade and Textiles (ATC) under the WTO, the last 49% of quota restrictions have been removed from trade in all textiles including readymade garments from 1-1-2005 by WTO member countries. This is expected to dramatically affect the structure of global garment trade. Table2 gives some projections of the manner in which garment trade to the two main importing regions, European Union (EU) and USA is expected to change post lifting of quota restrictions.

These are based on internal analysis of the WTO. It is significant that the combined share of Asian countries excluding Hongkong China and Chinese Taipei is projected to increase from 30% to 45% in the EU markets and from 32% to nearly 75% in the USA. What is evident is that Asian countries are poised for a significant consolidation of their domination over global manufacturing for trade in the readymade garments industry. This can be used to leverage collective bargaining gains for both capital and labour in this sector among Asian countries.

Labour cost and productivity in the garment sector

There are two aspects that are important to analyzing the strengths of Asian countries in consolidation of manufacturing in garment trade.

Table3: Labour cost in the readymade garments sector

Country	Labour cost as share of total manufacturing cost
Germany	69%
Singapore	55%
S. Korea	51%
Taiwan	48%
Malaysia	44%
Hongkong	37%
Philippines	31%
Turkey	29%
Thailand	22%
Mexico	19%
China	10%
India	6%
Indonesia	5%

Source: CII-Accenture Report “Textile Industry: Road to Growth”, November 2001.

Labour cost: The first aspect is the labour cost. Table3 compares labour component of total manufacturing cost for readymade garments in various countries. The cost as a percentage of total manufacturing cost is significantly lower for China and India. (The figures of labour cost as percentage of total manufacturing cost for China and India appear considerably lower than one would expect. We are not sure of the manner in which these calculations have been done. However, if the same formula is used for the various countries, the data gives a good indication of the cost proportion across the countries. Therefore labour cost in Germany is six times as significant as a factor of total cost, when compared to labour cost in India.) This gives a substantial competitive edge to this part of the subcontinent. This has been the major driving force to the expansion of the industry in these countries.

Productivity: Table4 compares machine productivity in different Asian countries. One significant aspect is the degree of equality between labour productivity in China and India. There is another important aspect to consider in the discussion on productivity. Both India and China have a large and differentiated readymade garment sector, catering to both a large domestic sector and a large export market. In India the garment industry can be divided into broadly four tiers. Tier1 companies consist of the large garment houses that deal only with branded products, primarily for the export market. They are direct suppliers to the domestic market for branded products, or to the large export brands. Tier2 companies are mid size firms supplying to both tier1 companies and to smaller brands. Tier3 and Tier4 companies are primarily subcontractors to the bigger companies.

Table4: Productivity in the garment industry

Country	Productivity (No. of pieces/machine/day)				
	Ladies blouse	Gents shirt	Ladies dress	Ladies skirt	Trousers
Hongkong	20.6	20.9	20.2	19.3	19.3
Taiwan	18.9	18.2	12.4	16.6	16.1
Thailand	17.0	19.8	12.2	20.5	13.1
S.Korea	14.6	17.4	8.8	17.5	15.6
China	10.9	14.0	7.8	13.0	6.7
India	10.2	9.1	6.3	9.6	6.8

Source: CII-Accenture Report “Textile Industry: Road to Growth”, November 2001.

The garment industry in comparison is more homogenous in the other Asian countries. We have to examine the issue of productivity taking into account the differentiated nature of industry in India and China.

Table5 gives data for annual turnover and employee strength in six of the prominent export companies in Bangalore. There is a clearly evident pattern in labour productivity among the companies. The four larger companies with turnover of \$50 million and more have average annual turnover per employee of between \$5500 and \$8000; whereas the average per employee turnover in the two smaller companies with turnover of \$5 million and less the labour productivity is less than \$2500 per worker. There is a ratio of more than 2 for labour productivity index between these two sets of companies. This indicates a possibility of clearly differentiated bands in labour productivity among companies based on size and turnover. We see that productivity in the larger Tier1 companies can be more than twice the average industry productivity. We should add here that there is a possibility of underreporting of turnover in the case of the two companies with lower turnover, Prateek Apparels and Sai Lakshmi. In the case of Sai Lakshmi in particular, annual turnover per employee in Indian rupees works out to around Rs.75000. This is definitely very low considering that worker wages at the statutory minimum wage are

around Rs.36000 per annum. It is also possible that in the smaller companies there is a high prevalence of underpaid workers, in the form of trainees and casual labour.

**Table5: Labour productivity in garments
– select examples from Bangalore**

Manufacturer	Annual Turnover \$ millions	Employee	Annual Turnover per employee (\$)
Gokaldas Exports	166	30000	5533
Gokaldas Images	96	12000	8000
Texport Garments	50	7500	6667
Sonal Garments	50	7000	7143
Prateek Apparels	5.1	2080	2452
Sai Lakshmi	2.5	1500	1667

Source: Interview date with managers in the garment sector as used in “Industry Perspectives on the Readymade Export Garment Sector in Bangalore”, report prepared by Mark Franciose.

The difference in labour productivity among companies in Bangalore was reported by a number of workers and officers during various interviews for a survey conducted of 30 garment manufacturing units in Bangalore in 2004. The workers related experience of productivity increase through productivity measurements and industrial engineering (IE) techniques. This is evident among the larger and more modern manufacturing companies, and particularly those that are direct exporters to the large brands. The large companies had full-fledged IE Departments, and even used external professional help for methods improvements and setting productivity norms. There was occasion to examine exercise of productivity increase in one unit of Texport Garments, a large garment export company with a turnover of \$50 million plus. This task was being undertaken in various units of Texport by the centralised IE Department of the company over the past five-six years. They had already done exercises of norms setting through work-study and introducing productivity linked incentive schemes at four factories of the company in Bangalore. They claimed that as a result of the exercise, the productivity increased from around 50-55% capacity in the factories to a present estimated level of around 65%.

Wages in the garment sector

Low wages: The minimum wages in the garment sector in most Asian countries are less than \$2 per day. They are significantly lower than wages in the East European and Latin American countries (see Table6). The wages are low by even the living standards for the Asian countries. A recent study conducted for domestic workers in the city of Bangalore (year 2005: sample size of 200) concluded that for an average family size of 7 including

adults and children, the total family expenditure added to Rs.4650. This included only consumption expenses of accommodation, food, health, children’s education, transport, electricity and water. It did not include saving for long-term expenditure of functions (marriages etc.), purchase of goods including capital goods etc. Note that we are not in any way stating that this expenditure level represents a fair, living wage. The families were able to maintain this level of expenditure through on an average more than three members in each family going in to wage labour. Domestic workers generally are much lower paid, and have a much lower standard of living than garment workers. It would be reasonable to assume a current expenditure norm of Rs.5000 per month for families of garment workers. This works out to about \$110 per month (1\$=Rs.45). As against this the present statutory minimum wage in Bangalore in the garment sector for the lowest category of unskilled workers (helpers) is around \$1.8 per day, or around \$50 per month. This minimum wage would apply for Tier1 companies. Most companies outside the large Tier1 companies pay wages lower than the statutory minimum wage. A survey of garment factories in Bangalore conducted in 2004 found that out of a sample of 30 factories, workers in 24 factories (80 percent of sample) were paid below minimum wages. Further, all factories made workers work for 1-2 hours extra over the 8-hour norm on most days, without any overtime payment. Therefore the actual wages were for a 9-10 hour working day.

Table6: Minimum wages in garment sector

Country	Wages (US\$ / day)	Actual wages** (US\$/day)	
		Min.	Max.
Bangladesh	0.4	0.7	1.7
Vietnam	0.7		
China	0.9	1.9	
India	1.1	1.5	2.0
Indonesia	1.3	1.9	3.5
Pakistan	1.7	2.5	
Cambodia	1.7	1.7	
Sri Lanka	2.7	1.5	1.6
Thailand	3.2	3.5	4.5
Romania	3.2		
Mexico	4.2		
Guatemala	5		
Honduras	5.2		
Czech Republic	9.4		

Source: ILO Conditions of Work and Employment;
www.ilo.org/public/english/support/lib/dblist.htm

Actual wages data (**) based on Workshop on Asian Garment Wages
 at New Delhi, organized by CEC and CCC, January 2006

Absence of collective bargaining: One reason for low wages in this sector is the very low level of unionization and consequent absence of any form of collective bargaining. The statutory minimum wage therefore becomes the sole norm for wage setting. In Bangalore, despite there being a system of three-yearly review of wages, over the past fifteen years the statutory minimum wage discounted by the consumer price index (CPI) declined in real terms by around 10 percent. The statutory Minimum Wage for tailors was Rs.18 per day in 1986. The corresponding statutory Minimum Wage for the year 2004-05 is Rs.86.86 per day. At 1986 prices this works out to a real wage of Rs.15.69 per day after discounting for CPI. This is despite the huge increase in turnover, investment and employment growth in the sector during the period. It is not surprising, given the huge wage differentials, that globally there has been a progressive shift of manufacturing in the garment sector to Asia.

Comparison with wages in the USA – towards a fair wage: The wages in the garment sector in Asia should be contrasted with wages in the USA. The present statutory Minimum Wage for USA is \$5.15 per hour, or around \$41 for an 8-hour day. The actual wages in the garment sector in the USA are around \$8 per hour, or \$64 per day (Kurt Salmon Associates,1998). This means that in nominal terms the garment worker in USA gets paid around 35 times the wage to a garment worker in Asia.

A more real comparison would be to look at wages in terms of purchasing power. Table7 gives the equivalent wages in terms of purchasing power parity (PPP) for the minimum wages in USA of \$41.2 per day. It is interesting that if we exclude Hong Kong and Thailand at the upper end, and Cambodia at the lower end, the PPP equivalent for the remaining Asian countries is roughly within 25 percent of \$9 per day. Therefore it would be valid to approximate \$9 per day as the wage at which the garment worker in Asia (excluding Hong Kong, Thailand and Cambodia) would have a purchasing power equal to that of a worker in the USA at the statutory minimum wage.

Table7: US Minimum Wages in terms of PPP equivalent units

Country	US minimum wages (\$5.15/hr*8hrs)	Local currency (LCU)	Purchasing power parity (PPP)	
			in LCU	in US\$
Bangladesh	41.2	Taka	505	8.5
Cambodia	41.2	Riel	24918	6.3
China	41.2	Yuan	74	9.1
Hong Kong	41.2	Dollar	272	34.9
India	41.2	Rupee	371	8.2
Indonesia	41.2	Rupiah	102022	11.5
Pakistan	41.2	Rupee	637	11.0
Sri Lanka	41.2	Rupee	997	9.9
Thailand	41.2	Baht	519	12.9

Vietnam	41.2	Dong	123210	7.7
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(*Note:* PPP data for different countries from World Bank)

Table6 gives existing minimum wages in the garment sector. If we exclude figures for Bangladesh and Vietnam, and take into account differentiation within the garment industry, it would be valid to assume a norm for existing minimum wage level of \$1.8 per day in the export oriented ready made garment sector. This would conform to the data for minimum wages in Tier1 companies in Bangalore, Chennai and Tirupur in India. We see that at \$1.8 per day, even in purchasing power parity terms, most of the garment workers in Asia are at a wage level of less than a fifth of the minimum wages in the USA.

Need based minimum wage: We have referred above, under the section on low wages, to existing expenditure patterns. While stating that the present wage levels are inadequate to meet these expenditure patterns, we have also clearly stated that this expenditure does not represent a fair, living wage. This is an exercise that needs to be done in Asian countries to arrive at a range of wages that represent a fair wage across the continent. In India, the concept of a ‘need based minimum wage’ has received considerable academic attention and judicial scrutiny. There have been wage calculations made for different sections of workers using this concept. It has also been used by the organized sections of the workforce as a basis for collective bargaining.

Ability of industry to pay

Pricing and costs across the supply chain: The argument that is used by industry to counter demands for higher wages is that the margins available to industry do not allow increase in wages. It is further claimed that given the nature of the market and supply chain, the brands can freely shop around for new supply sources, and hence the only way to retain export market is to remain price competitive. The argument of price competitiveness is then used to reject wage demands, and enforce more stringent working conditions.

Table8 gives details of costs and margins along the supply chain. The figures are deduced from interview data with managers in the garment sector in Bangalore. They should therefore be taken as approximate figures, and there is a possibility that the figures under represent the profit margins to the Indian manufacturing company. Within these limitations, the figures indicate that profit to the Indian company varies between a third and half of the total labour cost. This indicates the limited extent of margin available to labour to bargain for improved wages. The figures pertain to manufacturing in Bangalore. However, limited analyses from China and Bangladesh indicate a similar price and cost pattern.

However, the foregoing is based on looking at manufacturing activity in isolation. The picture is very different when we look at the supply chain in its totality, and locate the manufacturing activity within this total picture. We would add here that this is the only meaningful analysis of subcontracted activity. This is particularly so when subcontracting

takes on a global dimension, and subcontracted manufacturing is isolated from the total business picture. We see from Table8 that the landed cost to the brand in the USA of the manufactured item varies between 25-30% of the final retail price. This landed cost has been calculated as the FOB value of the item plus freight costs. Most contracts with manufacturers specify either the FOB price or the price including freight at which a consignment has to be supplied. The brand therefore has a margin of between 70-75% for all distribution and retailing costs to be incurred at the retail end. This is an adequate margin to absorb substantial increases in labour costs, when we take into account that doubling labour cost at the manufacturing end involves a cost increase of only 2-4%.

Table8: Cost details along supply chain

Item	Percentage of final retail price				
	Labour	Profit to exporter	Landed cost to brand	Retail price (\$)	Labour cost (\$)
Men's basic shirt	2.8%	1.2%	25.1%	\$22.50	\$0.63
T shirt	2.0%	0.7%	18.3%	\$15.00	\$0.30
Men's polo shirt	4.0%	2.7%	33.3%	\$15.00	\$0.60
Value-added sweat shirt	4.3%	0.9%	25.0%	\$35.00	\$1.51
Basic denim jeans	4.3%	1.8%	32.5%	\$20.00	\$0.86
Chino pants	3.7%	1.2%	25.5%	\$30.00	\$1.11
Designer jeans	2.3%	0.8%	24.5%	\$55.00	\$1.27
High-end ladies blouse	3.1%	1.4%	28.6%	\$35.00	\$1.09

Source: Interview date with managers in the garment sector as used in “Industry Perspectives on the Readymade Export Garment Sector in Bangalore”, report prepared by Mark Franciose.

There is another way in which the whole wage issue can be viewed across the supply chain. Taking the example of the “men’s basic shirt”, the labour cost is \$0.63 for a shirt of retail price of around \$22.50. The cost to the brand would go up be just \$0.63 if wages are doubled. Therefore, if the retail price is increased by say 1 dollar, it should more than cover a doubling of wages at the manufacturing end and any related increases in duties and other costs. We see from Table8 that over a whole range of exported garment items, a 1-2 dollar retail price increase is adequate to sustain doubling of wages for labour from the present level of around \$2 per day to around \$4 per day in the garment sector in Asia.

The data is consistent with that for export of garments from Asia to Europe. The landed cost (including duty paid) was around 22 percent for a standard garment item (shirt). (Jeroen Merk, Birbaum’s Global Guide to Winning the Great Garment War: A Critical Review, seminar on ‘Pricing in the Global Garment Industry’, Germany, Mulheim, 20-21

February 2003). The sewing cost alone worked out to 0.6 percent of retail price, at a wage of \$ 3.3 per day for tailors.

Fair price for garments: The retail price for garments in the USA is very low, when compared to prices in the Asian markets. To take an example, the price of a branded basic men's shirt in India would start at around Rs.350-400 per piece. At a PPP conversion rate of Rs.9 to a dollar, the price should work out in the USA to \$39-44 per piece. As against this we see the actual retail price for a basic shirt in the USA as around \$22.50. This implies that the basic shirt is available to the consumer in USA at roughly half the price in equivalent PPP terms as to the consumer in India. A fair price for the shirt should be around \$40, or about double the present price.

The comparison is starker in the case of the basic denim jeans. The price in India of a branded pair of jeans would vary around Rs.600-800 per piece. This works out in PPP terms in the USA to \$67-89 per piece. However, the retail price in the USA is around \$20 per piece. In PPP terms the customer in the USA pays less than a third of the price as the consumer in India for a pair of jeans. If the customer in the USA paid a fair price, the ability of the supply chain to absorb wage increases at the manufacturing end would increase very substantially.

Towards a collective bargaining structure

The garment industry in Asia is characterised by low levels of unionization. An important barrier to union formation has been the absence of barriers to entry of workers to this sector. The skill levels required have generally been low. As a result, the industry always had a surplus pool of labour to draw from. It could use the threat of dismissal of individual workers, or shifting of manufacturing facility to prevent workers from forming unions and pressing for collective bargaining on employment conditions.

This situation, however, is changing in particular for the Tier1 companies. Interviews with managers indicated that large brands like GAP preferred to source merchandise only from large companies capable of delivering on time orders of a hundred thousand plus pieces. With Walmart a single order would be in the range of a million pieces. It is only the very large companies that can handle orders of this size. The investment in machinery and facilities in such facilities is substantially higher than the earlier norms for garment factories. For instance, Gokaldas Exports Limited, one of the largest garment export companies in Bangalore is coming up with a public issue to finance, among other activities, the setting up of four new factories at a total investment of Rs.456 million (Rs.45.6 crores). With this level of investment, companies cannot afford to shift manufacturing facilities at will. Moreover, in these facilities, companies make a substantial investment in methods and processes, and in training workers to comply with these processes. They have substantially higher levels of productivity than smaller factories. A Tier1 company would find it much more difficult to replace workers at will. The company in particular would not be able to accommodate any production disruption

when handling large orders. Therefore they would be more willing to accommodate collective bargaining pressures.

Another factor is the concentration of manufacturing in the Tier1 segment among a few industrial houses. In Bangalore, the four largest business houses, Gokuldas Exports, Gokuldas Images, Texport Industries and Texport Garments between them employ nearly sixty thousand workers in over sixty factories across the city. This represents about 40 percent of the total employment in readymade garment factories registered with the Labour Department in the city (data for the year 2002). The companies would find it extremely difficult and prohibitively expensive to close business and relocate to another city.

The Tier1 companies are vulnerable to buyer pressures on labour standards. In a number of instances in Bangalore, audits on labour standards resulted in immediate reduction of harassment of workers, and better compliance with the law. A concerted effort to bring consumer and buyer pressure concentrated on Tier1 companies can result in progressive increase in compliance with labour laws. It can also aid the process of collectivization and forming unions in these factories.

One argument used by manufacturers, and even the government in companies is that any wage increase, or changes in labour laws will lead to buyers shifting their custom to other regions and companies. This is not necessarily a feasible option to buyers. We have already noted the high concentration of garment manufacturing for exports in the Asian countries. This concentration is expected to increase further with lifting of quota restrictions. The wage levels in Asian countries are so low as to make it difficult for non-Asian countries to match these wages. The structuring of the industry has reached a stage where we feel there would be little scope for any further changes in the structure.

A factor that supports our contention of an unchanging structure for the garments export industry is the high degree of specialisation. Europe, for example, has maintained a strong position in the manufacture of ties, handkerchiefs, brassieres, cravats, and other small, high-value items, while losing share of other, lower value items. Asia has a virtual monopoly (over 90% of global imports) on babies' clothing, women's top garments (under- and over-wear) and a high proportion (69% of global imports) of high volume items such as men's shirts.

Turnover information from the UN (Table9) also points at this specialization. The data shows that, while Asia has the largest total garment export trade value, it has the lowest turnover per kilogram. The difference in value of turnover per kilogram is substantial between Asia and the other continents. It would be a fair assumption that the manufacture of low value garment export items is concentrated in Asian countries. While it is theoretically possible to see readjustment in export turnover between countries with comparable wages and productivity levels within Asia, we would see little possibility of manufacturing shifting out of Asia. Therefore the only flexibility buyers would have for items traditionally sourced from Asia would be to hold the threat of shifting production within factories, regions and countries within Asia.

We have already discussed the need to look at the supply chain in its totality, and not at manufacturing in the outsourced country in isolation, in order to formulate a viable collective bargaining strategy. The growing interconnection and formalisation of relationship between buyers and manufacturers across the supply chain is in fact becoming increasingly more evident. In Bangalore the large buyers – Walmart, GAP and Nike have already set up their own sourcing agencies, eliminating middlemen in the process. The same situation holds for the other major garment export regions in India – Delhi, Tirupur and Chennai. Tirupur reportedly has garment manufacturers exclusively tied up for supplies to Walmart. All these factors further increase the accountability up the global chain, and improve the possibility for viable collective bargaining structures.

Table9: Average export value

	Average \$USD / kg
Europe	36
Africa	26
Australia & Oceania	20
North and Central America	19
South America	19
Asia	10

Source: UN Comtrade data.

Table10: \$18PPP per day wages in USA in terms of PPP equivalent units

Country	US wage	Local	Purchasing power	
	day	(LCU)	in LCU	in US\$
Bangladesh	18	Taka	221	3.7
Cambodia	18	Riel	10887	2.8
China	18	Yuan	32	4.0
Hong Kong	18	Dollar	119	15.2
India	18	Rupee	162	3.6
Indonesia	18	Rupiah	44573	5.0
Pakistan	18	Rupee	278	4.8
Sri Lanka	18	Rupee	436	4.3
Thailand	18	Baht	227	5.6
Vietnam	18	Dong	53830	3.4

It is in this context that the strategy for a common pan-Asian wage norm has been proposed. Such a strategy holds out a number of significant advantages. First, it would preempt any attempt by buyers to use competition to force a raise to the bottom in terms

of wages. Second, a common strategy can have a much better chance of success with governments in adopting common levels of minimum wages in the industry. Third, such a campaign undertaken jointly would help focus attention of consumers on the issues faced by garment workers in Asia. It would help integrate the cause of the workers better with the global market. Finally the strategy would also push manufacturers towards having to join hands to negotiate with buyers and the markets for exported garments. It can lead to strengthening the bargaining capacity of manufacturers in Asia collectively vis a vis the large brands and retailers.

Basic demand for a pan Asian campaign: What should be the basic elements of this strategy? It should define a common pan Asian floor level wage for garment workers. The existing wage level varies around \$2 per day for Tier1 companies in Asia. This corresponds to 20 percent of the purchasing power parity (PPP) with the statutory Minimum Wage level in USA. When we take the industry as a whole, across the supply chain, a demand for increasing Asian garment wage to 40 percent of PPP with the USA Minimum Wage implies doubling wages to a level of around ***\$4 per day is financially feasible***. The supply chain in its totality has the capacity to absorb this level of wage increase. This wage corresponds to Rs.180 per day, or around Rs.4500 per month (26 days). This is still not adequate to fully meet the average current family expenditure for a garment worker's family, excluding provisioning for long term expenses. This income level would still be below a living wage, as defined by the concept of a 'need based minimum wage'.

To reiterate, the proposed demand of the Asian campaign is just 40 percent of the purchasing power of workers at the statutory minimum wage of \$41 in USA. If we look at the norm for wages of garment workers in the USA of around \$64 per day, this corresponds to just 28 percent of the wage that a garment worker gets in the USA. This should be a powerful justification for any campaign targeting consumers in the USA and Europe.

Table10 gives the equivalent wage for a purchasing power of \$18 per day in the USA for different Asian countries. If we exclude Hong Kong and Thailand at the upper end, and Cambodia at the lower end, we see that a pan-Asian wage demand for \$18 per day with the USA corresponds to a wage band from \$3.4 per day in Vietnam to \$5 per day in Indonesia, and including Bangladesh, China, India, Pakistan and Sri Lanka. This would give the Asian worker around 40 percent purchasing power of a worker in the USA at the Statutory Minimum Wage. This might be an acceptable starting point floor level wage band for a pan-Asian campaign to pursue.

Importance to collective bargaining: There are some additional aspects of a pan-Asian wage demand that probably merit discussion.

First, there is a fear that after the removal of quota restrictions, the growth in the garments sector will be selectively high in China and India. Table2 in the report gives some projections of restructuring of the export garment industry post MFA. While the

projections indicate a sharp rise in the industry in China and India, this does not seem at the expense of the other Asian countries.

Second, wages are not a significant factor in determining final price. Industry data indicates that investment in productivity and ability to meet tight deadlines are more significant factors. The experience is that investment in industry for modernization gets an impetus with rising costs and demand for labour regulation. A pan-Asian demand for better wages and regulation can contribute to modernisation of the garment sector across the continent. This could also mean more equal post MFA gains for the different garment manufacturing and export countries.

Third, there are many Asian countries where garment export contributes significantly to employment. The Report titled 'Managing the Transition to a Responsible Global Textiles and Garments Industry' (undated) by AccountAbility, Business for Social responsibility and World Bank prepared for the MFA Forum gives Bangladesh, Thailand, Indonesia, Philippines, Sri Lanka and Cambodia in Asia as countries where the garment sector is very important to employment and exports. The Report, based on detailed research, gave estimates for employment, percentage of jobs, and percentage of exports before the lifting of MFA in 2005 for Bangladesh (1.8 million workers, 40% jobs, 62% exports); Thailand (0.8 million workers, 20% jobs, 8% exports); Indonesia (1.2 million workers for textiles and clothing, 18% jobs, 6% exports); Philippines (0.32 million workers, 11% jobs, 7% exports); Sri Lanka (0.3 million jobs, 30% jobs, 50% exports); Cambodia (0.25 million workers, 62% jobs, 82% exports). The garment sector in these countries pays wages less than a decent minimum wage. We see in all the cases that any improvement in wages and regulation, in even a section of the garment industry would have a significant impact on other sectors of employment in these countries. It would improve collective bargaining position for workers in all sectors of employment.

Annexure: Comparison between present wage and \$18PPP demand

Country	Actual wages (US\$/day)	Wages at \$18 PPP			Exchange Rate (\$1) (18-1-06)	\$18 PPP Dollar equivalent	Ratio \$18PPP to actual wage
		LCU	LCU	currency			
Bangladesh	1.5	216	Taka	66.4	3.25	2.2	
Sri Lanka	1.5	432	Rupee	102.3	4.22	2.8	
India	1.5	162	Rupee	44.35	3.65	2.4	
Cambodia	1.7	10890	Riel	4172.5	2.61	1.5	
China	1.9	36	Yuan	8.07	4.46	2.3	
Indonesia	1.9	44568	Rupiah	9416.2	4.73	2.5	
Pakistan	2.5	270	Rupee	59.98	4.50	1.8	
Thailand	3.5	234	Baht	39.8	5.88	1.7	
Mean		2.0			4.2		
Std. Deviation (SD)		0.7			1.0		

The \$18PPP demand reduces the spread of wages from the present level (reduction in SD/Mean). The ranking of wages is also roughly maintained (except for Cambodia).

Note: “Asia Floor Wage” emerged out of garment export sector organizers’ experiences in India. The New Trade Union Initiative presented the concept at a meeting in India where the India Committee* discussed it. The concept was further clarified through discussions in the Asian region, during which this document was prepared.

*India Committee for Asia Floor Wage Alliance (New Trade Union Initiative, Cividep, Fedina, Jobs with Justice-India, SAVE, Center for Education and Communication, Stree Jagruti)