

Summary Report of IDS-WIEGO Garments Workshop 29-30th March, 2004

In March 2004, the Institute of Development Studies, Sussex and the WIEGO Network organized a workshop which brought together researchers who had been involved in a series of country case studies that examined the impact of changes in trade regimes on employment patterns within the global garments industry. These studies focused in particular on the likely impact of the phasing out of the MFA in 2005 on women's employment in the garment sector.

The garment sector studies covered a range of country experiences – from India, Bangladesh, Vietnam, Philippines, Thailand, Morocco, South Africa, Kenya, Tanzania, Ethiopia, Mexico, Nicaragua and Guatemala. The studies were undertaken with support from a number of agencies including IDRC, Dfid, Ford Foundation, ILO and the World Bank. They followed a common methodological framework of value chain analysis bringing together the perspectives of diverse actors within the chain – workers, producers, exporters/importers, buyers and retailers. They also extended traditional value chain analysis to include industrial outworkers or home workers in the garment sector and to understand the impact on garment workers of engagement in global markets.

The workshop added value to the findings from the individual studies by bringing together the key conclusions from the research on the common challenges that the garment industry faces -- including the ongoing changes to the global trade regimes that govern international trade; the growing pressures on meeting global labour, ethical and environmental standards; and the challenge of competing with China, the world's largest supplier of clothing.

In addition to providing a forum that brought together the various research studies, the workshop also challenged the researchers to sharpen their policy conclusions. This was done through a process of drawing out the comparative lessons from the distinct studies, as well as through the intervention of key specialists working on global garment value chains, labour standards and international trade regimes. Two cross-cutting themes discussed during the workshop were a) labour standards and garment workers and b) the likely impact of the phasing out of the Multi-Fibre Agreement (MFA) in 2005 on women's employment in the garment sector.

I. OVERVIEW OF COUNTRY STUDIES

Presentations were given on each of the eight country studies¹.

There are several key themes that emerged through these case studies. An increasingly competitive and liberalised global market that is buyer driven is restructuring the garment and textile industries of many countries. How, the MFA phase out will affect each of them will depend on (1) their ability to upgrade (2) how they face the competition with China (3) maintain bilateral or regional carve-outs with large importing countries such as the US and the European Union. We can also surmise that some form of control by the US and European Union will continue as leverage over producing countries, whether through anti-dumping measures or other forms to evade a complete phase-out of quotas.

It was also clear that labour standards had affected firms and production processes that are directly linked with high profile international retailers. However, what becomes evident is that firms deal with this top down control through informalizing labour, presenting “alternate” realities of what good working conditions look like in the factory while the actual working conditions remain poor. This also raises questions about fragmentation of the labour force. In many of the case studies, existing laws, however sound, are not implemented and the bargaining positions of organised labour are weakened with the threat of sub-contracted and informal labour. Further research must address labour, both formal and informal in a globalising context and propose ways that workers can unite. Clearly, the globalising industry has created a significant rise in informal labour and this sector remains with extremely limited to no social protection.

1. VIETNAM

1.1 Vietnam in the Global Garment and Textile Value Chain: Impacts on Firms and Workers by *Khalid Nadvi and John T. Thoburn with Bui Tat Thang et al., Journal of International Development -123 (2004)*

This paper examines how firms in the garment and textile industries of Vietnam have integrated into global value chains. It looks at how the garment and textile industries are related and analyses the role that State-Owned Enterprises (SOEs), smaller private firms and foreign owned firms play in the value chains. Their various places in the chains determine the differentiated gains for both the firms and workers as Vietnam restructures its industries to become globally competitive.

1.2 Challenges to Vietnamese Firms in the World Garment and Textile Value Chain, and the Implication for Alleviating Poverty by *Khalid Nadvi, John Thoburn: 2004 (partner study to the above)*

¹ The write up of this event is based on the summaries of the [Case Studies by Shefali Sharma and Marilyn Carr](#).

This paper examines how Vietnamese firms are responding to new challenges of global competition brought on by: (1) phasing out of the Multi-Fibre Arrangement (MFA) of the GATT and the implementation of the WTO Agreement on Textiles and Clothing (ATC); (2) competition from China; (3) pressures to meet international labour and environmental standards and; (4) demands from global buyers for cheaper, higher quality products with increasingly shorter lead times. The paper is divided into five sections with introduction; a review of the above global challenges facing the garment and textiles industry as a whole; an overview of Vietnam's garment and textile industry; a discussion of how these firms are confronting global challenges and finally, section five concludes by assessing the winners and losers amongst firms and workers.

This is an analytical Paper that draws on findings from a previous study on Vietnamese garment and textile firms and their integration into the global value chain

1.3 Global Production, Local Markets: Gender, Poverty and Export Manufacturing in Vietnam by *Naila Kabeer and Tran Thi Van Anh*

Since garments have been an important part of Vietnam's growth in the 1990s and have been increasingly integrated into the global economy, this study looks at the impacts on women in the garment (traded) sector in comparison to the non-traded sectors to assess how globalization has impacted poverty reduction. In particular, the first section looks at the socio-economic class of women in the garment and the other non-traded sectors²; the second section examines working conditions of both sectors to assess quality of the traded vs. non-traded sector; and the final section looks at the impact of the sectors on workers and their families to assess implications for poverty reduction. The authors use gender analysis (constraints and opportunities for women) to understand the process of globalisation and implications on poverty reduction in Vietnam.

The study is based on a detailed household survey, statistical analysis and in-depth qualitative follow up interviews with a few from the sample. It is part of a larger study of Vietnam and Bangladesh and sampled 604 women working in the export-oriented garment industry and 598 women working in a range of "other" non-garment jobs in the non-traded sectors. Both garment and non-garment workers were chosen from the same neighbourhoods in each city.

2. SOUTH AFRICA

2.1 Labour Market Policy, Flexibility, and the Future of Labour Relations: The Case of KwaZulu-Natal Clothing Industry by *Caroline Skinner and Imraan Valodia*

The study examines firm-level responses to progressive labour legislation while facing competitive pressures to reconfigure production processes in a liberalizing economy. South Africa's Clothing Industry has been acutely hit by the pressures to reconfigure in light of global

² Referred to from now on as the "other sector". The export oriented garment sector in this study will be identified as the "garment sector".

integration and liberalisation in Clothing and Textiles in the 90s. This liberalisation is forcing firms to restructure in a way that is undermining collective bargaining systems.

The study examines COFESA (a labour consultancy and employers' organisation) that has helped numerous firms to bypass labour legislation and restructure their workforce. This has led to hiring more subcontractors and outsourcing of production. It allows firms to evade collective agreements on minimum wage, pension, medical aid, sick and holiday pay and unemployment and training schemes. This is officially justified under the guise of "micro-enterprise development." Under contracts, workers are paid for what they produce only. This has resulted in a number of litigation cases against employers by Bargaining Councils. These cases are time consuming and when occasionally won, can result in firms or factory closure—thus undermining workers' interests. The current system is resulting in a failure of the collective bargaining system which depends on compliance by employers, ability of unions to organize their members and an enforcement system that works.

The study involved interviews with key informants: union officials; employer representatives; bargaining council investigators; local government officials; and other organisations concerned with the workers of the clothing industry. It is part of a three year research project based at the School of Development Studies, University of Natal.

2.2 Informal Employment in the Clothing Industry: The Case of Chatsworth, KwaZulu Natal, South Africa by *Melissa Ince*

This study starts from the premise that, although research has been done on the range of strategies used by South African manufacturers to deal with greater competition and changing market conditions as a result of trade liberalization, this has failed to adequately look at: the informal part of the industry; the experiences of workers within it; the nature of informal clothing manufacture in residential areas; and the dynamics between the formal economy and the informal economy.

It seeks to fill this research gap by examining informal clothing manufacturing in a residential area (Chatsworth) and by explicitly focusing on the experience of people engaging in this type of activity, including how the nature of their work has changed over time.

2.3 Homework in the Clothing Industry: A Study on Homework in Cape Town and Durban by *Marlea Clarke, Shane Godfrey and Jan Theron*

The study seeks to learn more about homeworkers in the clothing industry: who they are, how they become homeworkers and their working conditions. It aims to draw out a reliable estimate about the nature and extent of homework and its place in the value chain, draw recommendations about appropriate strategies to organise homeworkers and appropriate forms of regulation. The

paper is organized into eight³ sections: (1) Introduction; (2) Methodology; (3) Clarification of methodology and terminology; (4) Literature Review; (5) Profile of homeworkers; (6) Clothing supply chain and homeworkers' location in the chain; (7) Data and analysis of the restructuring of the clothing industry and finally; (8) Possible strategies for organising homeworkers and possible effective regulation.

3. INDIA

3.1 Continents Wide and Layers Deep: The Ready-made Garment Industry in the Times of Restructuring by Navsharan Singh, Rupinder Kaur, Mrinalini Kaur Sapra

The study explores the impact of international and domestic policy changes on the varied production forms and the actors which are participating in the global ready-made garment chain in the Delhi Metropolitan Area. Delhi has the largest share in total garment exports. The study also aims to re-inscribe gender dimensions in the discourse on globalisation and its impact on the informal sector and workers. The goal of the research is to increase understanding of the effects of liberalisation and the changing regulatory regime of the garment export industry on workers and small producers in Delhi Region and to explore policies that could help actors in the lower rung of the garment chain. The research is concerned with: (1) the de-reservation of small scale industries and whether this leads to factory based employment and improved conditions for literate, younger segments of the labour force while adversely affecting livelihoods of older, largely female constituent of garment workers; (2) whether quota elimination will create pressure for increased productivity at better quality and lower costs; (3) if greater productivity gains will translate into better wage conditions and contracts; (4) whether new sourcing practices will lead to improved working conditions for the formally employed while worsening situations for informal home based workers.

Garments make up 16 % of total manufacturing exports in India and is the largest net foreign exchange earner making up 3% of the world share in the sector. However, although statistics were found to be scarce it was estimated that only 2% of garment workers are in the formal sector (of the 30,000 or so in garments sector). The policy implications were highlighted as: the need to improve statistical sources and surveys; the collation and collection of data needs to be more gender sensitive; Indian labour laws need to be enforced more strongly and effectively; overtime provisions need to be enforced; social misconceptions regarding women's capacity and work abilities must be combated; social and working capital needs to be made available; better dissemination of information regarding workers rights; the need for more frequent revision of minimum wages; improvements of infrastructure required; policy signals, for example towards Seas diverting labour.

4. BANGLADESH

4.1 Globalization, Gender and Poverty: Bangladeshi Women Workers in Export and Local Markets by *Naila Kabeer and Simeen Mahmud*, *Journal of International Development*, Volume 16, 2004

Women workers offer a low-cost and compliant labour force that allows the garment industry to compete in the global market. In spite of Bangladesh's ban on trade unions in the Export Processing Zones (EPZs), the EPZ's working conditions seem to be superior to other factories. Yet only 12% of the garment workers are employed there. EPZs and firms in Dhaka that deal more directly with international buyers are more susceptible to pressures on abiding by labour codes and standards. However, Dhaka firms who subcontract and deal with the informal economy are much less susceptible.

This paper explores the poverty implication of the export oriented garment sector for women workers compared to workers in the "Other" non-garment and non-traded sector. The paper's analysis is based on three areas: 1) A comparison of the socio-economic characteristic of the workers and their households to understand the origins of each type of worker 2) A comparison of their wages and working conditions to evaluate the quality of employment generated by the global-oriented market versus the local market 3) A final comparison of the patterns of utilisation of the wages earned by women workers in order to assess the nature of their contributions to household basic needs. The fourth section concludes by drawing together the finding from the different stages of analyses to understand the likely impact of globalization on the goal of poverty reduction in Bangladesh.

It undertakes a comparison of women workers in the export garment industry and those working for the domestic market. This will allow an assessment of the benefits accrued from the liberalized economy versus the non-traded sectors. Data is based on a survey of 1322 women workers and their households in 2001: 862 women in the garment export sector and 460 women in the domestic market. The garment workers were divided into two sub-categories: 125 from an EPZ on the outskirts of Dhaka and 737 in garment factories in the city. Domestic workers also had two sub-categories: 119 self-employed women and 341 women working in various other forms of waged employed as "other wage workers." Samples were taken from the same slum neighbourhoods with the exception of the EPZ workers who lived in and around the zone.

5. MEXICO

5.1 Tehuacan: Blue Jeans, Blue Waters and Worker Rights by *Maquila Solidarity Network and the Human and Labour Rights Commission of the Tehuacan Valley*

The study documents the working and living conditions of maquila workers and the impact of jean production on workers, indigenous communities and the environment in Tehuacan, Puebla. It draws on the links between free trade, the restructuring of Mexico's garment industry since NAFTA in the face of global competition. It looks at worker rights violations, environmental degradation due to toxic chemicals and the infringement of indigenous rights. The report concludes with recommendations on worker rights, child labour, brand campaigns, codes of conduct and monitoring as well as environmental and health and safety issues. The report is divided into 7 parts: (1) A background of Mexico's garment Industry; (2) a brief background of Tehuacan's development before and after NAFTA and the surrounding indigenous communities; (3) a detailed account of the garment value chain in Tehuacan and how the industry is structured with different types of production processes such as Full package versus Home Work. Section 4 focuses on the garment workers themselves: who they are, their living conditions, wages and benefits, their working conditions and labour rights. Section 5 addresses the environmental impact of the maquilas on the agriculture production in Tehuacan and the water supply for the city. Section 6 discusses problems, challenges and impacts of codes of conduct relevant to these maquilas. Section 7 concludes with five recommendations.

It is based on research and interviews by the Human and Labour Rights Commission of the Tehuacan Valley between September 2001-May 2002 and updated information up to December 2002. The research included surveys of government and industry documents, interviews with maquila workers, industry representatives and indigenous *campesinos* and local residents on the impact of the maquilas on their communities and environment, particularly on the water for crop cultivation. Thirty workers were interviewed from different maquila factories, 10 owned by a large consortium, Grupo Navarra. Five industry specialists as supervisory and training personnel within the maquilas were interviewed.

6. PHILIPPINES AND THAILAND

6.1 Garments Subsector Study, October 2001 by *Rosalinda Pineda Ofreneo*.

This sub-sector study presents an overview of the garment industry in the Philippines and its decline in the last 10-15 years. The paper is divided into six sections. The first section presents the garment industry profile describing the current situation and offers prospects for the future. The second section looks at the industry structure and production arrangements. Worker's profiles and their conditions of work are highlighted followed by a discussion of labour unrest in the Philippines and the Homework sector of the garment industry. Section three looks in dept at

a rural embroidery community including the types of credit and development institutions available. It looks at different production chains and specific individuals as they link to the domestic or the export chain, covering both local and foreign markets. Section Four similarly looks at an urban embroidery community and gives ethnographic details on the community as well as the local and export production arrangements. Section six highlights the policy implications for the industry as well as for the areas in the case study.

The study utilizes secondary research and primary research based on field work in rural and urban embroidery communities, plus findings based on an in-depth study of these communities as well as focus group discussions.

6.2 Social Protection for Informal Workers in the Garment Industry by *Donna Doane, Danoi Srikajon, Rosalinda Ofreneo*, in Chains of Production, Ladders of Protection: Social Protection for Workers in the Informal Economy, (eds) Francie Lund and Jillian Nicholson, School of development Studies, University of Natal, 2003.

This study focuses on the value chains in the garment industry in Thailand and the Philippines and assesses the risks and vulnerabilities of workers at various points on the chain. In particular, it looks at the circumstances of organized workers, subcontracted and temporary (agency) workers who have replaced regular factory workers as the industry becomes more casualised. It also looks at various types of home-workers and home-worker groups who subcontract their labour in the short and long (global) chains. The paper is divided into four parts. The first introductory section gives a brief overview of the global garment industry, long (global) and short (local) chains, home-workers and their constraints in the chain and discusses the Thai and Filipino industries in particularly describing their trends and the labour regulation environment. Part II looks at social protection in the Philippines and the impact on casual and informal workers *vis a vis* regular workers. This is done through two case studies. Part III similarly looks at social protection and the casualisation of labour in Thailand through two case studies. Part IV concludes and makes recommendations dealing with labour casualisation and social protection.

7. MOROCCO

7.1 Homeworkers in the Textile and Clothing Industry: Living Conditions, Opportunities and Constraints by *A. Agbilou, A. Chouai, J. Ait Mouha, Laila Rhiwi*

The purpose of this study is to bring to light the circumstances and conditions of home-workers and in particular, women workers in the Clothing and Textile (T&G) industry in Morocco. The study is divided into six parts: (1) methodology; (2) demography of T&G homeworkers; (3) Education and training levels of these workers; (4) Living conditions of these workers including social services available; (5) Opportunities and Constraints for these workers; and (6) Recommendations

The research combines both quantitative and qualitative research. The quantitative data is based on an official 1999 survey that sampled 48,000 homeworkers in various sectors and socio-economic backgrounds with regards to their employment, benefits and socio-economic conditions. The qualitative data is based on focus group interviews in four different cities in Morocco (Casablanca, Rabat-Sale, Fes and Tanger). A total of 12 groups were interviewed ranging from 5-6 people each and as large as 10 people.

8. KENYA

8.1 Shifting From Inward Looking Value Chains to Outward Looking Value Chains: The Case of Small-Scale Garment Producers in Nairobi by *Mary Njeri Kinyanjui and Dorothy McCormick*

This study aims to describe the value chains of small garment producers in Nairobi and traces the challenges that small firms have experienced in shifting from the import substitution regime to a more liberalized global regime. The Paper is divided into six sections: (1) Introduction; (2) theory (use of value chain analysis and business system approach) and literature review; (3) Methodology; (4) Value chains of small garment producers in Nairobi ; (5) discussion of the shift from import substitution to a more liberalized global regime; and (6) Conclusion.

The study uses a 1989 data set and one from 2000 based on a full census of all garment producers and retailers in the city of Nairobi. This research was carried out by research assistants who combed through the city of Nairobi in search of producers and retailers. 1989 Data set identified 2,421 micro and small firms, 2000 Data set reported 6,323. 1989 Data set comprised of 268 firms (ranging from micro to large-scale), 2000 Data set was 125 micro and small firms only—using a three way stratification system: (1) location in city; (2) main product and; (3) firm size by employment. To make the 1989 Data set comparable, 245 firms were compared to match the size of firms in the 2000 survey. 2000 survey generally covers firms employing up to 16 people.

II. PANEL ON MULTI-FIBRE AGREEMENT

Panellists: Ann Weston, Joerg Mayer and Peter Gibbon

Highlights

The panel examined issues such as antidumping measures, how rules of origin guarantees access to a tariff preference or good or service designated from the country that it claims to be coming from. Exporters fulfil certain conditions in order to get their product recognized as coming from that country. There are 3 different rules of origin. Under Africa Growth and Opportunity Act (AGOA), where there is a single stage origin of production—only 1 stage has to take place

within a particular country. South Africa and Mauritius require 3 stages of production, spinning, textile production and production of the garment itself. Most EU countries require a 2 stage— weaving or knitting and manufacturing. General System of Preferences (GSP) rule of origin works with percentage of value added. Few international trade agreements involve significant changes in these tariffs. Preferential trade agreements will continue to play a large role where they give certain countries either reductions in tariff or duty free entry where no quotas are applied e.g. AGOA.

Another key factor was seen to be labour costs. India, Bangladesh, Sri Lanka, Pakistan, Indonesia all have cheaper labour costs than China. Exchange rates play into this as well, e.g. fluctuation of ZA rand. Also Euro/US dollar exchange rate

Lead times were also becoming more important in terms of competitiveness. Zara claims 3 months lead time for 70% of its production. H&M claim that 10% of their materials have less than 1 months lead time. This points to sourcing that doesn't change radically in its geography because of proximity to market.

Trend in EU and US for reliance on small number of “global production centres” Another trend was towards greater use of intermediaries e.g. Mast (sources for Abercrombie and Fitch), Li & Fung, Mazzoli. These Agents are getting bigger volumes and more tasks to do like inventory management

There was seen to be the emergence of some large manufacturers/suppliers of two types: Far Eastern-owned global contract manufacturers common for US, e.g. Nien Hsing, Esquel, Boolim, Ramatex; and vertically integrated national manufacturers common for EU e.g. Boyner Holdings in Turkey

Full package supply, (having financial resources to buy cloth and then manufacture into garments) is increasingly becoming a condition for supplies to remain in market. There is the gradual elimination for companies employing less than 500 people from global trade and a rollback of cut make and trim, (CMT) to specific locations and a narrow range of products.

The implications for labour is that this places greater pressure than ever on labour costs as competition within the supply base intensifies.

At the same time there are more opportunities for organizing because of greater formalization and concentration of workforces and higher shares of total production are being sold through a relatively small number of high profile retailers.

The panel was followed by discussion in break-out groups.

III. PANEL ON GLOBAL LABOUR STANDARDS

Panelists: Gary Gereffi, Auret van Heerden, and Khalid Nadvi

Highlights

- **Global Standards and New Trade Agreements** - How are global standards, specifically labour standards, being incorporated into trade policy - both at the level of regional trade agreements (such as AGOA) and bilateral trade agreements (such as the US-Cambodia Free Trade Agreement)? What consequences does this raise for the structuring of global value chains in the garments sector in a post MFA scenario?
- **Global Standards and their impact on garment workers.** Do standards serve to exclude particular categories of workers - such as unskilled women workers, and homeworkers? Is there evidence that the implementation of standards improves conditions of work for garment workers?
- **Global standards and local institutions.** How can local organisations strengthen the capacity of local garment workers to access the gains from the implementation of global standards, and minimise the losses of being marginalised by such standards? What role can local NGOs and local trade union bodies play in this? How can women garment workers exercise voice in the process?

The panel was followed by discussion in break-out groups.