CREATING DECENT WORK AND SUSTAINABLE ENTERPRISES IN THE GARMENT SECTOR IN AN ERA OF CHANGE: EMPLOYERS' PERSPECTIVE

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Contents

This report was commissioned by the Bureau for Employers' Activities of the ILO (ACT/EMP). ACT/EMP is a specialized unit within the ILO Secretariat. Its task is to maintain close and direct relations with Employers and Business Membership Organization's (EBMOs) in member States, to provide capacity building and technical assistance to these organisations and to input their perspectives and priorities into the wider ILO policy framework.

ACT/EMP's objective is to assist EBMOs in developing and transition countries become strong, independent, and representative organizations that respond to their members´ needs and challenges by designing and implementing technical cooperation programmes across prioritized labour and social issues.

The key components to ACT/EMP's roles are:

- Maintaining and developing a global network of EBMOs
- Being a trusted internal partner of the ILO to EBMOs and keeping the ILO constantly aware of their views, challenges and priorities
- Running capacity building programmes for EBMOs that respond to their needs (targeting three areas: policy, services, and strategy/governance)
- Conducting research that reflects employers' priorities and perspectives on key labour market issues
- Facilitating wider work of the ILO with EBMOs
- Supporting employers in the work of the ILO governance bodies

ACT/EMP's approach is to jointly identify with EBMOs key areas where a demonstrable need for technical cooperation is needed and where ACT/EMP can provide meaningful assistance to ongoing efforts. In delivering technical cooperation programme, ACT/EMP adheres to the following guiding principles:

- Focus on capacity building efforts of EMBOs as a core activity
- Be "demand driven": Working for EBMOs to help them with *their* agenda for national economic and social development
- Deliver technical assistance that is aligned with the ILO Programme and Budget and in strict adherence to its reporting rules

Introduction

Sweden has launched a regional strategy for Asia Pacific to contribute to strengthening the capacity of stakeholders to deal with challenges and opportunities in the areas of human rights, democracy and gender equality, and environment and climate change in a mutually reinforcing way.

The International Labour Organization (ILO) has been invited to provide inputs into components of the strategy, particularly in relation to promotion of Decent Work in global supply chains, specifically based on its long experience in the garment, footwear and textile sectors.

To inform the ILO's contributions to the strategy, the ILO Bureau for Employers' Activities (ACT/EMP) has gathered information from across the ILO's employer constituency, focusing specifically on identifying needs of garment manufacturers and employers' organizations in selected countries in Asia[1] to enable sustainable and inclusive development of the garment industry and harmonious industrial relations environment.

The findings and recommendations outlined in this report are based on a whole-of-system approach. Its premise is that initiatives in the garment industry must adopt a holistic view, where cost increases to be incurred by manufacturers in the process of improving working conditions should be more than absorbed by improvement in productivity to ensure sustainability of the industry and of any positive results in working environment created by the engagements. Through desktop research and fieldwork interviews, as well as discussions with ILO ACT/EMP specialists[2], it analyses supplier landscape in selected countries and trends with potential implications, to give nuances to the context in which garment manufacturers are and will be operating, and to formulate needs of employers. The needs identified were validated through interviews in three countries (Bangladesh, Indonesia, and Vietnam) and a high-level focus group discussion with senior officials from garment manufacturers associations and employers' organizations[3]. Finally, key initiatives in the garment industry, particularly those with emphasis on industrial relations, are reviewed to provide advice and recommendations for future initiatives.

This report puts forward 5 key tenets which should guide engagement in the garment industry:

i. **Any initiatives in the garment industry must be inclusive and scalable for sustained changes.**
ii. **Improving productivity is a critical and pressing need given narrow profit margins on the back of cost increases on all fronts.**

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[1] Countries included in this analysis are selected by ILO ACT/EMP commissioning the report. They are Bangladesh, Cambodia, Indonesia, Myanmar, and Vietnam. Other key garment exporting countries in Asia such as China, India, Malaysia and Lao PDR are also referenced in the report.

[2] Thanks to the following ILO ACT/EMP specialists: Gary Rynhart, Tang Miaw Tiang, Ravindra Peiris, and Jared Nathan Bissinger.

[3] The high-level focus group discussion was conducted in Kuala Lumpur, Malaysia, on 14 August 2017. Representatives were from Bangladesh, Cambodia, Indonesia, Malaysia, Myanmar, Sri Lanka and Vietnam.

iii. **Incremental and consistent achievements will build a solid and sustainable basis to create harmonious industrial relations.**
iv. **Industrial relations initiatives must be fully alert to the increasing changes in the labour market brought about by new technologies.**
v. **Initiatives need to be especially mindful of claims of trade protectionism.**

Guided by the above principles, programmes and projects are proposed in the report to contribute to two main objectives:

i. Improving productivity and competitiveness of the garment manufacturing industry
ii. Sustainably creating and promoting harmonious industrial relations climate in the garment manufacturing industry

Finally, in all projects targeting or involving employers, there should be a cross-cutting theme which is to leverage the projects to build capacity of employers' and workers' organizations to enable them to learn in the process and play a more effective role as project partners in the future, thus improving the sustainable footprint of the engagements.

Executive Summary

With export growth averaging 6.6% annually which is more than twice the global average between 1995 and 2014, the garment industries in many developing and less developed Asian economies contributed significantly to national export earnings, Gross Domestic Product (GDP) and employment. However, signs of slowdown have emerged and may be reinforced by evolving macro trends. Current evidence suggests that technological advancement, in enabling reshoring, may reduce the need for garment factories in Asia that form part of the current offshored supplier model of global production. Political discourse of greater protectionism also poses new challenge on international trade which had lifted many out of poverty. These trends which have implications on the garment sector should be factored for by development partners introducing initiatives in the sector.

The garment manufacturing industry in Asia is far from homogenous, but most located in low-cost countries in the region belongs to the lower-end of the global value chain. The majority of garment manufacturers engage in Cut, Make and Trim (CMT) businesses, where imported direct materials comprise the biggest cost component and are beyond their control. Labour cost, which forms the second largest cost component, has been rising without at least the same increase in productivity. Yet, the business environment in many of these countries remains challenging, with significant infrastructure bottlenecks and regulatory and administrative red-tapes. The already narrow profit margin facing the garment manufacturers, especially the SMEs, is under stress with cost increases on all fronts accompanied by stagnating and even falling garment prices. Several studies pointed to reduced scope for further reductions in profitability in these factories and warned that increase in compliance related costs will not be feasible without necessary adjustment in other costs. However, shortening lead time driven by the global apparel consumer market trends and inability to adopt and leverage technologies effectively, especially among the garment manufacturing SMEs, left little room for investment and time-outs for restructuring and upgrading. It is thus critical that initiatives by development partners in the sector provide support to factories to find simple avenues to boost productivity in a timely manner to offset cost increases, ensure unit costs remain competitive and keep overall price levels attractive. Ultimately, sustainable private sector growth is necessary for employment creation, sustainable enterprises and decent work.

In view of the existing and forthcoming challenges, programmes and projects introduced in the garment sector should contribute to two main objectives: improving productivity and competitiveness of the industry, and sustainably creating and promoting harmonious industrial relations climate. Additionally, to ensure successful and inclusive outcomes, capacity building of employers and workers organizations in an effective and deliberate manner needs to be mainstreamed into any initiatives with a clear focus on specific needs and cognizant of national/regional or sectorial circumstances. The new ILO in Business Training Programme – a peer learning programme designed to support SMEs on productivity, skills, social dialogue and workplace cooperation, while enhancing capacity of national employers' organizations in delivering the services - provides a good example of the type of programme that would be useful from the perspectives of enterprises.

Areas for interventions to improve productivity and competitiveness of the garment manufacturing industry are **factory management and business development training programmes**, **skills development for low- and mid-level managers in factories**, and **vocational training programmes**. Working in synergy with employers' organizations can amplify and deepen impacts on the ground; several areas for collaboration include building management training programmes targeting factories, establishing or scaling up vocational training programmes, and demonstrating positive factory examples, including detailing how specific factory practices can concretely and immediately improve productivity.

To sustainably create and promote harmonious industrial relations where the culture is largely adversarial and institutional setting is limited in enforcement of laws and agreements, initiatives should first **select, in consultation with local constituents, relevant non-interest based themes for dialogues**. Platforms owned by local stakeholders, as opposed to a series of ad-hoc activities organized within project scopes, can be developed with participation of local constituents to **create space for continued dialogues to build mutual understanding**. Constructive approach to negotiations requires mutual trust and presence of independent, representative and responsible counterparts. Employers welcome training to obtain better understanding of collective bargaining and its relevant concepts but such training must be neutral, and not be used to solely promote collective bargaining. Several opportunities for collaborations with employers' organizations include building and strengthening business case for harmonious industrial relations at the grassroots level, developing programmes to systematically train existing and future industrial relations managers, and providing trainings on how to practise workplace cooperation.

Assessment of past and present initiatives in the garment sector revealed some lessons and which should inform future engagements. Unequal distribution of carrots and sticks in initiatives such that manufacturers are only experiencing cost increases without increase in profitability risk alienating manufacturers and generating counterproductive effects, such as factory shut-downs and movement from formal to informal economy. Failure to engage local constituents from the outset as equal partners meant the loss of opportunities for obtaining valuable local insights and buy-in, hindering effectiveness of programme implementations. Insufficient representation of and consideration for perspectives of manufacturers fuelled perception of programmes as driven by interest of buyers and/or international NGOs. A prevalent theme across situations where employers and their representatives chose not to participate in initiatives of development partners is the lack of or improper consultations with them, which led to misrepresentation of research findings or ill-informed project designs. Local stakeholders, including employers and their representatives, are keen and committed to collaborate with development partners to drive positive changes in the garment sector and in their countries. Such interest and commitment should not be interpreted as automatic support for initiatives in the garment sector and permission to bypass sufficient and proper consultations. Substantive consultations with local stakeholders from the outset would improve likelihood of initiatives securing buy-in necessary for successful implementations.

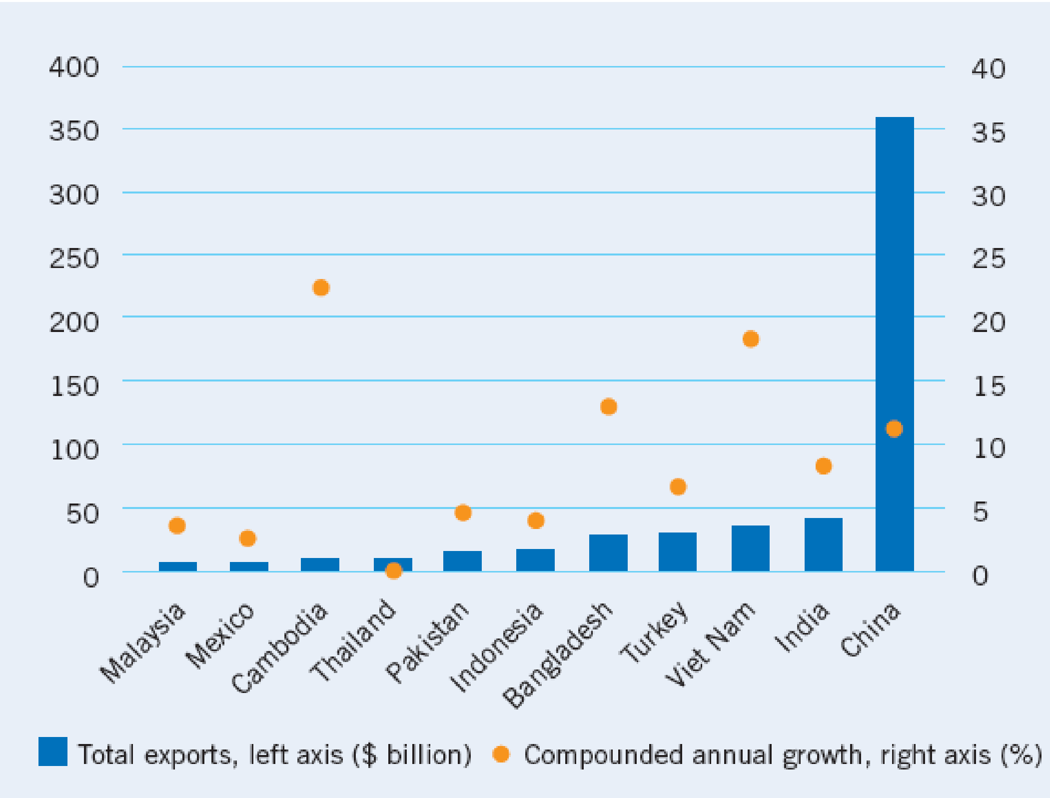
1. Garment industry in Asia

1.1 Significance and growth

The textile, clothing and footwear (TCF) industry in Asia employs more than 40 million workers and contributes US$601 billion in exports across the region[4]. Globally, Asia's GTF exports account for 59.5% of exports, with China (excluding Hong Kong)[5], Bangladesh, Vietnam, India, Indonesia, and Cambodia among the top ten exporters of clothing[6].

Annual compounded growth in apparel exports from the developing Asia Pacific region has averaged 6.6% between 1995 and 2014, slightly more than twice the global average (excluding developing Asia and the Pacific)[7]. Among selected countries for this review, Bangladesh, Cambodia and Vietnam registered double digit compounded annual growth during this period.

<u>Exports from selected economies (US$ billion), 2014, and compounded annual growth (%), 1995-2014</u>[8]



Source: Estimates by P. Huynh (2015) in *Employment, wages and working conditions in Asia's garment sector: finding new drivers of competitiveness*, based on UNCTAD: UNCTADstat Database

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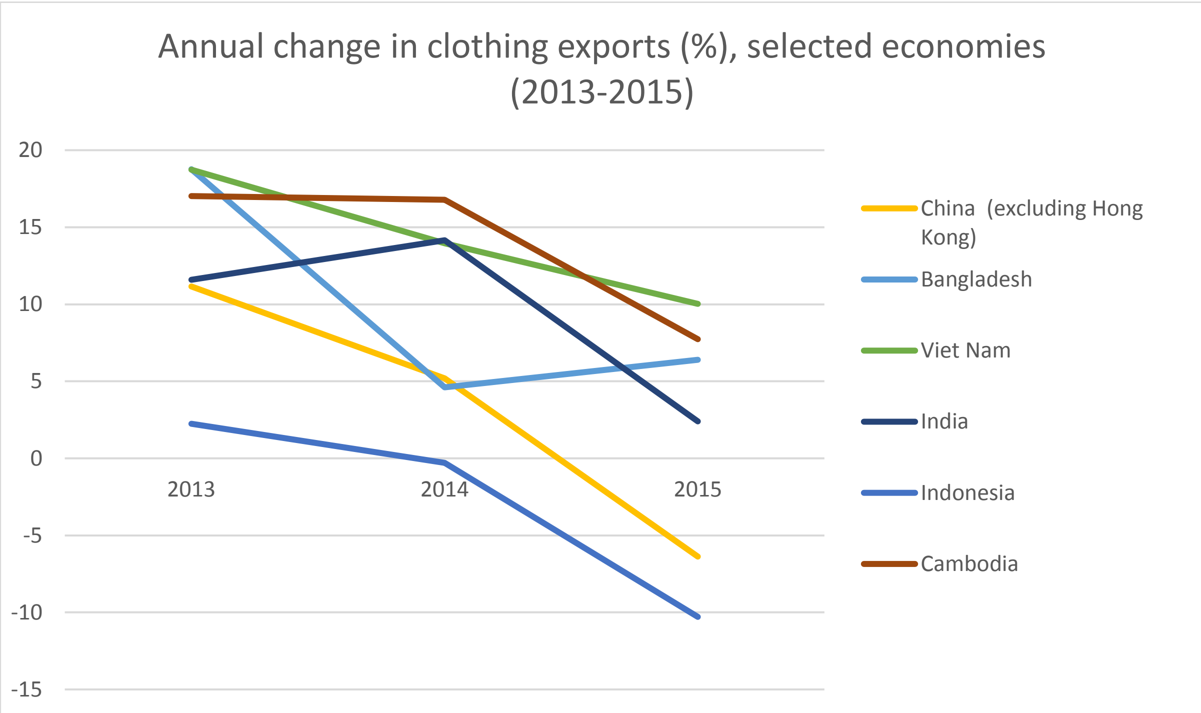
[4] P. Hyunh (2015). "Employment, wages and working conditions in Asia's garment sector: finding new drivers of competitiveness". ILO Asia-Pacific Working Paper Series. Bangkok, ILO.
[5] China (ex-Hong Kong) alone accounts for 39.3% of global exports in 2015.
[6] International Trade Statistics, 2015. Source: World Trade Organization. https://www.wto.org/english/res_e/statis_e/wts2016_e/wts16_chap9_e.htm
[7] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO.
[8] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO.

In 2015, global exports of apparels and textiles fell by 8.0% and 7.2% respectively from a year earlier reflecting wider economic situation. Asia's top textile exporting countries, namely China, Republic of Korea, India and Pakistan, suffered similar decline in their exports in 2015. However, in terms of clothing exports, many Asian exporters bucked the global trend. All Asian economies which are top ten clothing exporters in 2015, with the exception of China and Indonesia, reported positive export growth despite global decline.[9]

Overall, according to the Economist Intelligence Unit (EIU), shares contributed by Bangladesh and Vietnam to the global apparel market are likely to maintain (though with some caveats – see the national garment industry snapshots in Session 1.3), but mid-tier producers in countries such as Cambodia, Indonesia, the Philippines, Thailand and Pakistan will have to do more to match rivals in the increasingly challenging market, especially with new and even cheaper countries like Myanmar emerging as potential sites for production[10]. Indeed, Indonesia's share of global clothing exports has declined since 2000 while the same shares for Bangladesh and Vietnam grew at higher rates.

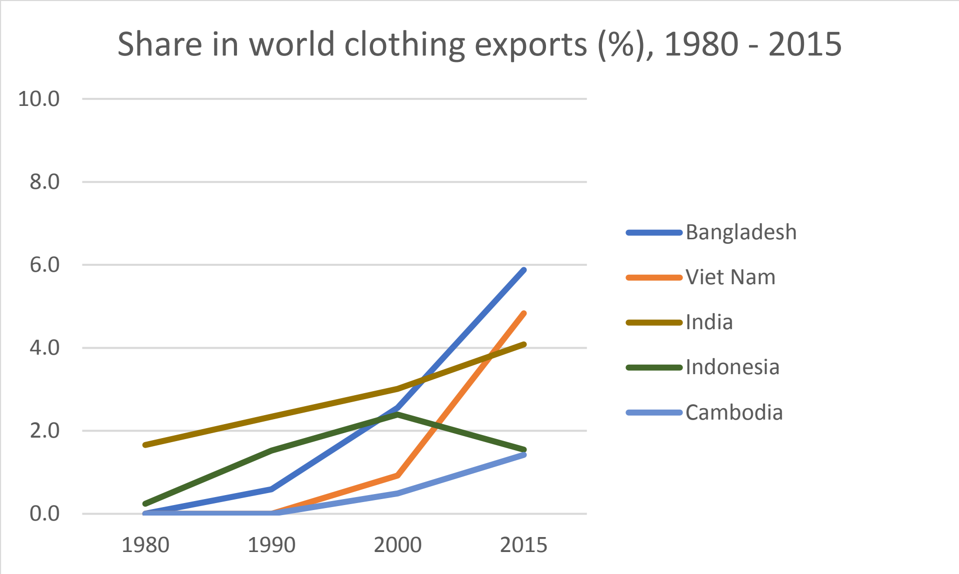
<u>Annual percentage change in clothing exports (2013-2015) for selected economies</u>



Source: World Trade Statistical Review 2016.

<u>Share in world clothing exports for selected economies in Asia, 1980-2015</u>

[9] WTO Secretariat. World Trade Statistical Review 2016, World Trade Organization (WTO).
[10] Economist Intelligence Unit (EIU). "Clothing the World". February 3rd 2016. http://www.eiu.com/industry/article/1223914506/clothing-the-world/2016-02-03



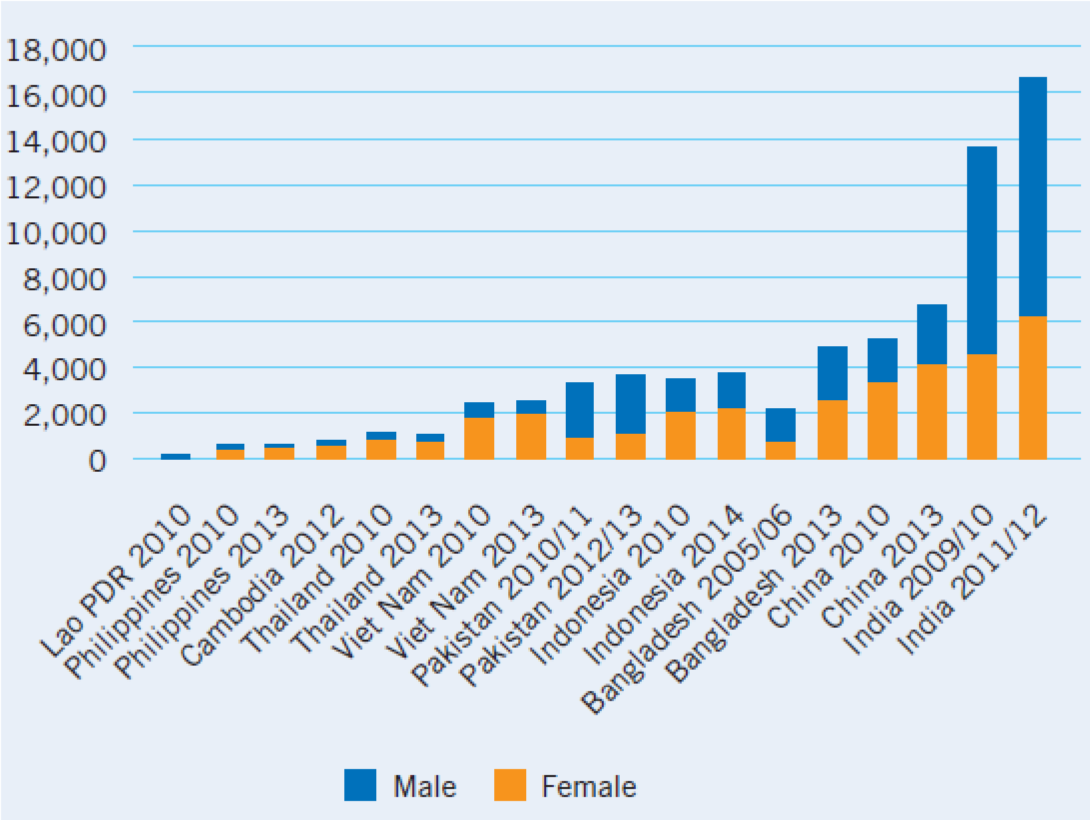
Source: World Trade Statistical Review 2016.

Growth of the garment industry should be of significant interest to all stakeholders given its importance in many of the Asian economies through contributions to export earnings, Gross Domestic Product (GDP), and jobs (both direct and indirect through jobs created in the supporting industries such as packaging and logistics).

For example, the garment and footwear sector accounted for 77.4% and 89.2% of total merchandise exports in 2014 in Cambodia and Bangladesh respectively[11]. The percentages are still significant even where the export structures are more diversified, such as 13% and 8% of exports in Vietnam and China respectively[12]. TCF share of wage employment in the overall manufacturing sector captures the industry's importance for job creation in the formal economy. The share is as high as 77% in Cambodia and 63% in Bangladesh. In Vietnam and Pakistan, the comparable percentages were 38.8% and 46.7% respectively. Even in Indonesia where the garment sector is not a dominant sector in terms of share of GDP, garment sector contributes 11% of total employment in the manufacturing sector, absorbing 3.7 million workers in 2014. The TCF sector has also been instrumental in empowering women through employment opportunities, with women making up more than 70% of TCF employment in Cambodia, Lao PDR, the Philippines, Thailand and Vietnam.

Employment in garments, textiles and footwear (thousands), various years[13]

[11] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO.
[12] Grimshaw and Bustillo (2016). "Global comparative study on wage fixing institutions and their impacts in major garment producing countries" ILO.
[13] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO. Aged 15+; China figures include total employment in public urban units only.



Source: Estimates from official national labour force surveys (various years) and China National Bureau of Statistics and Ministry of Human Resources and Social Security: China labour statistical yearbook (Beijing, various years).

1.2 Characteristics of the industry

The garment industry has unique characteristics with implications on operations of its enterprises. This section discusses three significant features.

Factory operations driven by market

The value chain for the garment industry is characterized by a global division of labour. The typical pattern is: a) location of garment design by major brand-name apparel companies in high-income countries, such as Zara in Spain or H&M in Sweden; and b) manufacturing production in low-cost, developing countries, organized around short-notice production runs, and making extensive use of subcontractors that are diffused across formal and informal parts of the economy[14]. The garment manufacturing industry in developing countries is largely divided, with presence of high-value production comprising of factories that use advanced technology and higher-skilled workers, as well as those engaging in low-end production relying on low-cost labour. However, most in Asia belongs to the lower-end of the global value chain.

Being at the bottom of the value chain gives manufacturers in the developing countries little room for manoeuvre and control. All manufacturers interviewed stated that orders can only be predicted at most 6 months in advance and they are subjected to change both in volume

[14] Grimshaw and Bustillo (2016). "Global comparative study on wage fixing institutions and their impacts in major garment producing countries" ILO.

and type even after production has begun. Order cancellation is often. Some large long-time buyers work with their factories to improve predictability by sharing their forecasts on real time. However, uncertainty remains. To hedge risk of order cancellation and/or reductions, factories typically have multiple buyers concurrently, translating into multiple product specifications, lead times, quality standards and delivery deadlines to be handled simultaneously.

Narrow profit margins amidst rising costs

The majority of garment manufacturers engage in Cut, Make and Trim (CMT) production, which is common among the Asian garment exporting countries. For example, CMT firms account for between 60% and 87% of firms in the garment industry in Cambodia, and about 65-70% of manufacturers in Bangladesh[15]. Interviews with national employers' organizations (EOs), garment manufacturers' associations (GMAs) and factory managers revealed that direct materials comprise the biggest cost component, followed by labour.

While cost structure for an apparel manufacturer varies across factories and countries, industry professionals confirmed that a typical cost structure in Asia is of the following[16]:

- Direct materials: 40%;
- Direct labour: 20%
- Factory overhead: 30%
- Sales commission: 5%
- Profit: 5%

The CMT business model does not give manufacturers control over cost of materials as they are required to purchase materials from suppliers appointed by buyers. A large portion of cost is thus outside the control of the manufacturers. For example, in Indonesia and Vietnam, direct materials reportedly constitute 60% of cost. One Korean-owned factory in Indonesia cited as high as 80%. Even for manufacturers engaged in FOB (free-on-board), cost for direct materials is significant as materials are mostly imported. The lack of locally available input supply of international quality is a major weakness of the garment sector in many of these major supplying countries. For example, Myanmar relies heavily on the import of various goods of garment production, ranging from zippers to hangers to machinery and electronic products because quality of domestic products lags behind international standards.

The second biggest cost component, labour, has been increasing without at least the same increase in productivity. Labour productivity in the sector is generally low. Productivity in the TCF industry is a fraction of that in overall manufacturing in countries such as Bangladesh, Indonesia and Vietnam[17], and even lower than that in agriculture in Cambodia

[15] Grimshaw and Bustillo (2016). "Global comparative study on wage fixing institutions and their impacts in major garment producing countries" ILO.
[16] "How technology is changing jobs and enterprises", Sector brief: An analysis of how automation will impact the apparel sector value chain. April 2017. ILO.
[17] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

and Pakistan[18]. Erratic wage hikes in a number of these countries in recent years also led to closing of some factories.

Narrow profit margin makes every swing in exchange rates capable of moving factories from profit to loss. For example, Myanmar's strong growth in apparel export volumes was offset by steep depreciation of the local currency, resulting in drop in the US-dollar value of garment earnings in 2015[19]. Such constant battle to maintain profit margins without being able to project their sustainability hinders the ability of factories to adopt long-term view and pose financial challenges as holding of significant cash reserves becomes crucial.

Narrow profit margin, at 5% or less on average for many garment manufacturers in Asia, renders little scope for increase in cost. According to a study on trends in Cambodia's garment and footwear prices and their implications for wages and working conditions[20], while some factories had scope to reduce profits and remain viable and attractive through modest productivity growth offsetting relatively large increases in the minimum wage in recent years, there is likely to be reduced scope for further reductions in profitability at factory level. This shows the limit of initiatives which increase costs more immediately than revenues. A study conducted by Dr Khondaker G Moazzem and Kishore K Basak of Centre for Policy Dialogue (CPD)[21] found that while manufacturers in Bangladesh need to invest more in compliance, such increase in compliance related expenses may reduce competitiveness of their products relative to that of other countries. While the study suggested absorbing the additional costs with suppliers' profit margin, it recognized that doing so would not be easy when profit margins are low. Increase in compliance related costs will not be feasible without necessary adjustment in other costs, which means it is critical for any initiatives targeting compliance to simultaneously address productivity and efficiency through support in areas such as interest rates, productivity, wastage, operating costs, labour efficiency, skills of labour force and raw materials.

Furthermore, with larger buyers consolidating their suppliers, smaller and medium-sized enterprises (SMEs), which are the majority of suppliers in the industry, will be the worst hit. Very narrow profit margins amidst rising costs, stagnant prices, and shortening lead time left little room for investment and time-outs for restructuring and reorganizing of operations to improve efficiency and upgrade. **Support to find simple avenues to boost productivity is hence critical to offset cost increases, ensure unit costs remain competitive and keep overall price levels attractive**.

Increasing demand on factories

In addition to traditional requirements of low cost, quality and reliability, buyers are increasingly demanding lead times, production flexibility, compliance with labour and

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[18] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO.
[19] "Clothing the world", The Economist. February 3, 2016. http://country.eiu.com/article.aspx?articleid=1383893322&Country=India&topic=Economy
[20] Cambodian garment and footwear sector bulletin. Issue 4. August 2016. ILO. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_517535.pdf
[21] "Margin and its relation with firm level compliance illustration on Bangladesh apparel value chain", CPD RMG Study 2016. http://rmg-study.cpd.org.bd/margin-relation-firm-level-compliance-illustration-bangladesh-apparel-value-chain/

environmental standards, product development and design understanding, and inventory management, amongst other things. Factory success thus increasingly hinges on operational flexibility, solid factory management and finances. Manufacturers' efforts to optimize production is at times undermined by unnecessary rigidity imposed on them. For example, Pan Brothers, a company with 30,000 workers in about 23 factories across Indonesia, recounted that it was unable to maximize its production capacity by redistributing orders across its group of factories when production capacity is maximized where the order is placed, even though the other factories are also participating in the ILO Better Work Indonesia programme.

The involvement of many stakeholders in the garment manufacturing industry also increases demand on factory management. For example, besides ILO programmes, buyer and other international NGOs are conducting their own initiatives in the factories.

1.3 Snapshot of garment industry in selected countries[22]

Bangladesh

Growth challenges

Readymade garments (RMG) industry in Bangladesh has been growing in the last two decades, largely due to the international trade regime in textiles and clothing, especially trade privileges for Bangladesh to access the North American market and the European Union. Bangladesh is currently the second largest exporter of clothing products to the world. Its readymade garments (RMG) industry is the driver of increase in exports in the country, bringing in export earnings of US$28.09 billion in 2016, an increase of 10.2% from US$25.49 billion in 2015, and accounting for 82.04% of total export earnings of the country.

The RMG industry grew from 30 enterprises in 1980 to about 3,500 today[23]. The industry employs about 4.9 million workers as of 2013 and contributed to 63% of wage employment in the manufacturing sector[24].

However, growth has slowed down over the last 5 years. To achieve the target of US$50 billion in RMG exports by 2021 set by the government, higher growth rates than those reported in the past 3 years are needed. Data from Ministry of Commerce showed that the RMG export target has been lowered slightly from US$30.27 set for 2017 to US$30.16 billion for 2018 due to the decline in export value in 2017. The Minister of Commerce attributed the decline to downward pressure on price exerted by buyers in the name of the Rana Plaza building collapse. President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) - a heavyweight industry association representing the garment sector - cited traffic and container congestions as tremendous challenges.[25] The operating environment for export-oriented garment manufacturers also continues to be plagued by

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[22] More detailed discussions on Bangladesh, Indonesia and Vietnam as fieldwork was conducted in these two countries.

[23] Though the number of factories at one point reached 7,000 according to some statistics (eg http://bhr.stern.nyu.edu/blogs/-data-on-number-of-factories-bd). Number of factories in the RMG industry in Bangladesh vary given the difficulty of mapping all of them.

[24] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO (2016).

[25] New Age. Business. July 31, 2017.

unreliable utility services. Furthermore, with only 5 items for exports (namely, shirts, trousers, jackets, T-shirts, and sweater) and technologies replacing manufacturing of simple items, the industry urgently needs to upgrade and diversify. Product diversification has been achieved to some extent as share of shirts in total garment exports decreased whereas shares of overcoats, jackets, sweaters and suits and some other knitwear products expanded. However, further progress would need to be complemented by workforce of higher skill levels, especially operators and workers with supervisory skills.

Bangladesh is also perceived as a sourcing country of high risk. The issue of safety became international scrutiny following the Rana Plaza building collapse in 2013 and the Tazreen fashion fire incident. Initiatives were rolled out by many groups of stakeholders including governments, brands, buyers, suppliers and workers to inspect factories' safety. The Bangladesh Accord on Fire and Building Safety ("Accord) and the Alliance for Bangladesh Worker Safety ("Alliance") completed inspection in 100% of their factories and the National Action Plan (NAP) is also en route to completion. Less than 2% of the inspected factories by Accord and Alliance were found vulnerable and closed immediately.

Supplier landscape

Factories are mostly owned by Bangladesh nationals and there are a few Korean and Taiwanese groups. The BGMEA and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA are entrusted by the government to issue Utilization Declaration (UD) to exporting factories. Tier 1 manufacturers who are exporters with direct relationships with foreign buyers are well-represented by these two trade associations. There is also a significant number of factories in the RMG industry which are subcontractors. While 28% of BGMEA members are official subcontractors, many are believed to operate outside of the associations[26].

According to BGMEA, about 65-70% of manufacturers engage in Cut, Make and Trim (CMT). Some manufacturers have established long-term partnerships with buyers and others are more involved in subcontracting. There is a trend towards consolidation as buyers concerned with risk gradually establish their networks of preferred suppliers.

Direct materials comprise almost 60% of cost incurred by an average garment manufacturer in Bangladesh. Bangladesh suppliers report higher expenditure on fabric, trimming and packaging than other major supplying countries, with average fabric costs for selected items higher than that of China and Vietnam by US$0.18 and US$0.05 respectively. [27] Labour cost makes up 20-25%. Factories in the RMG sector are currently giving at least 7% increment on a yearly basis to retain their workers in an environment where skilled workforce is in shortage. Labour productivity in the RMG industry in Bangladesh is lowest among the key Asian garment exporters at less than US$1,000[28]. Utility and fuel costs are also significant in

[26] "New data on the number of factories in Bangladesh", June 23, 2016. NYU Stern. Center for Business and Human Rights. http://bhr.stern.nyu.edu/blogs/-data-on-number-of-factories-bd

[27] "Margin and its relation with firm level compliance illustration on Bangladesh apparel value chain", CPD RMG Study 2016. http://rmg-study.cpd.org.bd/margin-relation-firm-level-compliance-illustration-bangladesh-apparel-value-chain/

[28] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO (2016).

the country where infrastructure is still weak. Profit margin for garment manufacturers is estimated to be around 5% or less on average. BGMEA shared that cost of production has been rising in the last five years while rates offered by buyers have been declining every season.

Industrial relations

Employers have identified industrial relations as a major challenge facing the enterprises, impeding productivity and efficiency. In 2016, for example, operations of 55 factories were stopped for a few days due to worker unrest, leading to loss of working hours and inability to meet production targets. Decline in export earnings of woven garment by 9.36% in July-December period of 2016 was attributed by some in BGMEA to the labour unrest[29].

The Bangladesh Labour Act 2006 (BLA 2006) provides for formation of Participation Committees (PCs) in factories, which are composed of employers' and workers' representatives, the latter to be nominated by trade unions of the establishment. PC is a forum for the discussion, consultation, and decision-making on workplace related problems and issues that might otherwise escalate into serious industrial disputes. The Act has provided that PC shall submit proceedings of its each meeting to the Director of Labour. According to the law, employer and the registered trade union shall take necessary measures to implement the specific recommendations of the PC within period specified by it. However, the initiative is comparatively new in terms of implementation and yet to be developed as a system to build mutual trust between the parties.

Indeed, mutual trust is hard to build despite the mechanisms put into place to build cooperation at the factory level, when government's capacity to provide proper labour administrative services and guide industrial relations and social dialogue is limited; unions are fragmented, poorly managed and often politicized; and employers are under pressure from supply chain dynamics to respond fast to orders and their changes.

While only 150,000 workers, or below 4% of total number of workers[30] in the garment sector are unionized, there are 329 plant-level unions in the garment sector, 200 of which were registered in the last two years. The plant-level unions are affiliated with the 36 national- and division-based garment federations. Additionally, the sector's workers' representation is carried out by multiple national and/or industrial federations, on the argument that the current number of plant-level unions is significantly lower than the number of garment factories. However, representativeness of national labour federations in the garment sector is questionable given hardly three national-level labour federations have more than 0.2 million workers in the whole of industrial sector, and garment sector alone already employs nearly 4 million workers. Furthermore, the multiple national and sectoral-level federations were said to be the result of political outsiders establishing unions to further political influence. The biggest trade union federations are the labour fronts of the 3

[29] An overview of Bangladesh RMG 2016. February 15, 2017. http://www.textiletoday.com.bd/overview-bangladesh-rmg-2016/

[30] Final independent evaluation: Improving working conditions in the ready-made garment sector in Bangladesh. The Hague/Dhaka. April 12, 2017.

large political parties in Bangladesh.[31] Competition between trade unions also made progress to improve industrial relations climate through engagement with unions difficult. For example, IndustriALL Bangladesh Council (IBC) representatives interviewed took issue with ILO projects involving the National Coordination Committee for Workers' Education (NCCWE) equally, positing that NCCWE is not representative of the garment sector workers for it only has unions in less than 10% of the RMG factories.

Poor management, especially at the lowest level of management, appeared to fuel conflictual industrial relations. According to the Directorate of Textile (DOT) and the President of BGMEA, highly skilled middle management positions are in most dire need, and while some employ managers from overseas, 70% of factories are unable to afford hiring foreign managers. The Dhaka University is currently conducting a research study on mid-level skills gap in collaboration with the Center of Excellence[32]. The preliminary findings reveal that there are 200,000 foreign workers out of 21% at top management level and 79% at middle management. The pay gap between expatriates and locals is reportedly more than 100%. Additionally, a trade Union official conveyed to an ILO ACT/EMP specialist that workers are not in favour of expatriate managers because these managers adopt "harsh management practices" and their short-term assignments motivated little accountability. **There is a pressing need for developing local low- and mid-level managers**.

Indonesia

Growth challenges

Identified by the Indonesian government as a priority sector, the garment sector accounted for 9.8% of the country's merchandise exports in 2014, and 11% of total manufacturing employment, absorbing 3.8 million workers in 2014[33].

The government has set the target to increase Indonesia's textile and apparel export value to US$75 billion by 2030, a goal considered too ambitious by many if status quo is maintained. The Indonesian Textile Association (API) posited that the country's textile and apparel exports value for 2016 is only expected to grow 1% to US$12.3 billion, below the 3% target set earlier, and fall by 4-5% in 2017 compared to the previous year. Despite still one of the world's top ten textile and apparel exporting countries in 2015, Indonesia's garment exports value fell by 10% [34] and share of global clothing exports fell to 1.5% in 2015[35], making it the only top global clothing exporter in Asia to shrink in significance in the global clothing export market. Stakeholders interviewed in Indonesia considered garment a sunset industry as annual turnover in the apparel and textile industry has been declining from 2014 to 2017 by 2.73% annually[36].

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[31] Akter, Hossain and Ali Khan (2016). "Emerging lessons and good practices of workplace cooperation". Study prepared for the ILO Dhaka Office.
[32] More on the Center of Excellence in Session 4 of this report.
[33] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO (2016).
[34] Top ten exporters and importers of clothing, 2015. WTO.
[35] Top ten exporters and importers of clothing, 2015. WTO.
[36] A new dimension of apparel sourcing in Indonesia. Presented on July 19, 2017.

The decline of Indonesia's garment sector is largely attributed to global economic slowdown and competition from other countries, especially those with better trade access to international markets.[37] Vietnam, Bangladesh, Cambodia, China, and India were among countries cited by interviewees as competitors of Indonesia's garment exports. Country-specific factors such as a weakening rupiah, increase of gas and electricity rates, reliance on imports of raw materials due to an inadequate upstream sector, and lack of investment and technology were also important challenges for the textile and apparel industry in Indonesia. The industry was significantly affected by intense minimum wage hikes in the manufacturing sector which occurred during 2013-2014, where several garment factories, particularly those in Jakarta, closed their operations.

Technology uptake in the sector creates potential for increasing labour productivity and overcoming challenges in Indonesia's TCF sector. While not being among the lowest in the region, labour productivity in Indonesia's TCF sector is only half of the level in Thailand's TCF sector.[38] This sector struggles with out-dated technology, which in 2012 the Ministry of Labour estimated to represent 70 per cent of all machinery in use. [39] Other issues specific to the sector include a low-skilled workforce, high reliance on raw imported inputs, and underdeveloped power infrastructure which increases energy costs. [40]

Over the medium-term, TCF production in Indonesia could be impacted by technology uptake both inside and outside Indonesia. Inside Indonesia, TCF enterprises could uptake technology so as to raise labour productivity in the sector. This could support the government's target of exporting US$75 billion of TCF products by 2030 so as to become one of the five largest TCF exporters worldwide.[41] To achieve this, Indonesia would need to address its infrastructural constraints to reduce relatively high electricity costs in the country. [42] Increased technology uptake in the sector would result in a higher demand for technicians with backgrounds in STEM and lower demand for manual workers in the sector.[43] This is because fundamental tasks in TCF manufacturing including sewing could be automated. Sewing machine operators are among the occupations at highest risk of automation in Indonesia.

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[37] For example, Indonesia's textile exports to Europe are subject to import duties in the range of 11-30%, while Vietnam can export its textile products to the European Union without import duties. https://www.bizvibe.com/blog/indonesias-textile-apparel-industry-overview/

[38] ILO: ASEAN in transformation: Textiles, clothing and footwear: Refashioning the future, op. cit.

[39] Ibid.

[40] Indonesia Business Guide: *Indonesia's Textile Industry – Testing Times Upstream* (2015). It is worth highlighting, however, that in 2016 the Indonesian government reduced taxes on raw materials and provided export incentives to TCF enterprises in order to promote local sourcing of inputs

[41] The Comprehensive Economic Partnership Agreement (CEPA), a bilateral free-trade agreement which is currently being negotiated with the EU, could support export-growth as it would provide Indonesia with duty-free access for TCF products to the EU, if ratified.

[42] In 2015, electricity costs in the Indonesian TCF sector reportedly accounted for 30 per cent of total production costs (Indonesia Business Guide, 2015).

[43] Estimates based on 2013 national labour force survey. See: P. Huynh: Employment, wages and working conditions in Asia's garment sector: Finding new drivers of competitiveness, ILO Asia-Pacific Working Paper Series (Bangkok, ILO, 2015).

In response to the government's target for the garment sector, APINDO, the national employers' association in Indonesia, led an initiative to bring together key buyers and major suppliers to advocate for an enabling environment for the garment sector's growth. The following challenges were identified by suppliers in Indonesia:

a. Labour conditions
b. Infrastructure (logistics, transportation)
c. Government's trade and economic policies (energy cost, incentive)
d. Investment climate and environment (such as tax incentives, ease of doing business)
e. Talent development (skilled labour, education)
f. High cost of raw materials

This APINDO-led initiative is participated by 5 apparel brands and 5+1 garment suppliers in the country to make strategic recommendations to the Indonesian government, such as giving special treatment to the labour intensive sector and addressing infrastructural issues. The consortium has jointly identified the following needs: development of an industrial creative hub, cost reductions, and duty benefits. According to APINDO's Executive Director, Agung Pambuthi, participating buyers had made concrete commitments such as investments and orders in return for reforms, in order to show the government that the support demanded by the industry would indeed increase garment exports to North American and European markets. The consortium will present their evidence-based proposals to the government in November 2017.

Supplier landscape

Manufacturers in the garment industry in Indonesia primarily engage in CMT. Half of the TCF sector in Indonesia serves domestic buyers and the other half multinational companies.

Besides differences between producers serving the local market and the export market, there appeared to be difference between local manufacturers and foreign producers based in Indonesia in management of employees. ILO Indonesia Country Office had expressed difficulty reaching out to the Korean manufacturers and opined that their factories have high rates of non-compliance. While there is no clear data on the percentage of Korean-owned export-oriented garment manufacturing factories in Indonesia, several numbers indicated a strong presence: 70-80% of factories participating in Better Work Indonesia are Korean-owned; 70% of factories affiliated to one of the main garment trade unions are Korean-owned; and Korean-owned factories are estimated to comprise 40% of garment exporters in Indonesia.

Cost structure for a garment manufacturer varies from factory to factory in Indonesia. Bigger factories reported profit margin of around 10% while smaller factories reported 5% or less. Based on interviews with the export-oriented garment manufacturers and their representative organizations, the biggest cost component is direct materials which some reported as accounting for up to 80% of the cost, followed by labour which makes up 12-18% of the total cost according to the Indonesia Textile Association (API).

It is difficult for garment manufacturers in Indonesia to source domestically as the local upstream segment is both unprepared or unwilling to meet international product standards.

Market factors had not attracted development of the upstream segment given value-added tax imposed on raw materials produced locally. However, the government has proposed removing the value-added taxes to cut production costs and encourage investments in the upstream segment.

Industrial relations

Under-resourced labour inspectorates has affected enforcement of labour laws, especially given size of the country. The third-party mediation and arbitration options provided for under the law are not used and the tripartite pre-court mediation process is largely unsuccessful. Most cases end up in industrial relations courts, resulting in a backlog of cases. Dispute resolutions tend to be protracted, and conciliators, industrial court judges and other staff are limited in skills and competencies[44].

The Indonesian government encourages bipartite mechanisms in factories and all stakeholders interviewed, including employers, academics/observers and trade unions, expressed desire to learn more about workplace cooperation to strengthen enterprise-level bipartite collaborations. George Martin Sirait, an observer from University of Atma Jaya who is a specialist in Industrial Relations, proposed that besides unions, workers' organizations can take many forms and they should be encouraged as long as they represent workers' interests independently.

In terms of employer representation, APINDO is the main focal point for employers in the garment sector and works closely with API, a textile association with specific focus on promoting Indonesian textile and apparel exports. API focuses on trade issues even though its secretariat is engaged in initiatives such as Better Work Indonesia and Fair Wear Foundation with APINDO. Another important industry association in the garment sector is the Korean Garment Manufacturers' Association (KOGA). KOGA is not a member of APINDO but occasionally meets with APINDO to discuss labour issues. According to factory managers interviewed, KOGA is becoming less active and is now used mainly for networking among its members. One interviewee opined that KOGA was quite effective in lobbying the government during the period of minimum wage hikes. Generally, KOGA appeared to be quite insular and operate on its own rather than joining forces with API or APINDO. A garment trade union leader interviewed stated that KOGA recently signed collective bargaining agreements in 10 factories covering issues on wages, annual leaves, and transportation. The signing of the collective bargaining agreements was apparently facilitated by some groups related to the Netherlands, possibly the Fair Wear Foundation since the Foundation is headquartered in Amsterdam.

There are three types of trade unions in Indonesia: "yellow unions" which refer to non-independent unions allegedly established by factories' management; radical unions said to adopt adversarial approach towards employers and government; and independent unions keen on partnership approach. With the introduction of minimum wage setting based on a

[44] According to ILO project document for "Labour standards in global supply chains: a programme of action for Asia and the garment sector".

fixed formula, trade unions are changing their strategy to that of using collective bargaining to seek wage increases.

Out of about 4 million workers in the TCF sector in Indonesia, about 2 million are unionized. Trade unions in the garment sector are one of the strongest as labour movement in Indonesia started from the sector. However, multiplicity of trade unions has been a challenge. A trade union leader interviewed opined that factory-level unions should be the way forward given national-level trade unions are politicized (an issue commonly acknowledged by all the stakeholders interviewed).

Cambodia

Growth challenges

Cambodia is an emerging economy with a growing manufacturing sector, which is predominantly driven by the TCF sector. [45] In 2015, Cambodia's gross domestic product (GDP) was US$18.1 billion, of which TCF manufacturing accounted for 6 per cent.[46]

Though not yet a global leader in garment exports, the TCF sector in Cambodia is the largest manufacturing industry and foreign exchange earner in the country. The sector has witnessed very high growth, accounting for 78% of the country's total merchandise exports in 2015 (which is a slight fall from 82% in 2010). Exports of the garment and footwear sector grew by 7.6% to reach US$6.3 billion in 2015.[47]

There are 699 factories operating in Cambodia's garment and footwear industry employing almost 650,000 workers as of end of 2015[48]. According to the Cambodia Labour Force Survey 2012, the garment sector accounted for some 8.5% of all employment in the country and employment has grown since 2012 with 60,000 new jobs added annually[49].

TCF manufacturing in Cambodia is predominantly characterized by labour-intensive and low-skilled production. This sector operates under the Cut, Make and Package (CMP) production system, the entry stage in the international value chain whereby manufacturers carry out labour-intensive production, like cutting fabrics and sewing textiles and apparel.

Garment exports continue to grow but at slower pace. Garment exports grew by 16% in the first quarter of 2014 but 7.9% in the same quarter in 2015. Annual growth also decreased

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[45] This country brief was prepared by Linda Vega Orozco, and benefited from technical contributions from Jae-Hee Chang, Gary Rynhart and Phu Huynh. This country brief is based on ILO: ASEAN in transformation: How technology is changing jobs and enterprises (Geneva, 2016).

[46] IMF: World Economic Outlook Database (Apr. 2016); National Institute of Statistics of Cambodia: National accounts (2015).

[47] ILO (BFC). 33rd Synthesis report on working conditions in Cambodia's garment sector and statement of the Project Advisory Committee. Jul 1, 2016. http://betterfactories.org/?p=11085

[48] ILO (BFC). 33rd Synthesis report on working conditions in Cambodia's garment sector and statement of the Project Advisory Committee. Jul 1, 2016. http://betterfactories.org/?p=11085

[49] Cambodia garment and footwear sector bulletin. Issue 1. July, 2015. ILO. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_383562.pdf

from 11.7% in 2013 to 8.3% in 2014[50]. Similar trend of decreasing growth rates is observed in employment in the garment and footwear sector. The sector's growth is slowing compared to previous years. It is challenged by fragile (though improving) industrial relations environment, low skills and low productivity, declining prices paid by buyers and increasing regional competition, particularly from Bangladesh and Myanmar. According to data collected by the Ministry of Commerce, between 2001 and 2014, price per dozen garments sold to the US market fell by 32% and average price paid by EU buyers declined by 15%[51]. Minimum wage increases in recent years had significantly challenged smaller production facilities. Cambodia's Industrial Development Policy 2015-2025 aims to diversify the industrial base, reducing export share of clothing and footwear to 50% of total merchandise exports by 2025. While diversification is necessary to reduce the economy's reliance on the garment sector, its employment impacts and in turn impacts on industrial relations would need to be monitored given the sector's ability to absorb large workforce in the past.

The Cambodian TCF sector has continuously attracted investment due to its competitive minimum wages, which in 2010 were at US$61 per month. Nevertheless, wage levels have increased rapidly in recent years, and in 2017 the monthly minimum wage applicable to TCF workers was US$153. Furthermore, in the first half of 2016, average monthly earnings of Cambodian TCF workers were estimated at US$190. Cambodia's labour productivity in the TCF sector is among the lowest in ASEAN and represents only 22 per cent of the level in Thailand's TCF sector.

Supplier landscape

Production in the garment sector in Cambodia is primarily for exports. Many factories are subsidiaries of larger parent companies based in other parts of Asia[52]. There appears to be a growing number of subcontracting garment factories and enterprises in 2016, and their proportion of total factories in the industry also increased[53]. The subcontracting factories usually operate from private homes, warehouses or industrial buildings, and are highly mobile making it difficult to keep track of them. They also tend to be outside of enforcement of laws and regulations.

Garment factories in Cambodia generally engage in CMT businesses. Costs of intermediary inputs amounted to US$2,597 million in 2014[54].

Over 90% of the garment factories are foreign-owned. GMAC estimates that 80% of the middle managers at the garment factories are foreign. The lack of local supervisory

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[50] Cambodia garment and footwear sector bulletin. Issue 1. July, 2015. ILO. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_383562.pdf
[51] Cambodian garment and footwear sector bulletin. Issue 2. October 2015. ILO.
[52] Dean Heatherington 'Garment Sector Growing Pains' (Khmer Times, 15 May 2014).
[53] Cambodia garment and footwear sector bulletin. Issue 6. May 2017. ILO. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_555290.pdf
[54] Cambodia garment and footwear sector bulletin. Issue 1. July, 2015. ILO. http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_383562.pdf

personnel is an important productivity barrier, as use of foreign supervisors may create misunderstandings and conflicts.

Outside Cambodia, technology adoption by TCF enterprises could reduce exports of the Cambodian TCF sector. Main destination countries (such as the EU and the United States) and major regional competitors (including China) could increasingly incorporate automation into their most labour-intensive production processes. Besides labour costs, offshoring also entails costs in terms of shipping, duty and reputational risks. If the total cost of incorporating automated sewing machines to automate labour-intensive tasks proves to be more efficient than offshoring, retailers may increasingly reshore.

In terms of employer and industry representation, the Garment Manufacturers' Association in Cambodia (GMAC) represents over 650 garment manufacturers across Cambodia. GMAC is very active on the national level in advocating for policy changes for the garment manufacturers and participating in tripartite dialogues on relevant issues. It also holds workshops and trainings for members to build their capacity. GMAC has a seat on the Ministry of Labour and Vocational Training's 'Labour Advisory Committee' which is Cambodia's highest tripartite legislative body. GMAC is a member of the Cambodian Federation of Employers and Business Associations (CAMFEBA).

CAMFEBA represents over 2,000 businesses in Cambodia. It is widely recognized as the sole organization in Cambodia representing employers. CAMFEBA represents employers in all forums where employers' representatives are required by the government and plays a significant role at the bi-annual consultation by the Prime Minister with the private sector, though these meetings are becoming irregular. CAMFEBA also provides services to its members, such as trainings to socialize the Cambodia Labour Law and on OSH.

Industrial relations

Despite significant investment in union capacity building and mandatory monitoring of the garment export sector by ILO's Better Factories Cambodia programme, industrial relations remain challenging. The number of strikes increased by 9.26% in 2015, from 108 in 2014 to 118 in 2015[55]. During the first quarter of 2016, GMAC reported 12 strikes with 44,045 workdays lost[56]. The most common issues of disputes are wages and bonuses, discipline and termination, and general working condition. Strikes have resulted in unpredictable operating environment, dissuading investment.

Unionization in Cambodia is estimated at 5% of the total workforce. in the garment industry, some 60% of workers belong to a union. The garment and footwear industries in Cambodia reportedly have the highest percentage of union membership of any industry in all of Asia.[57] However, this does not imply their effectiveness.

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[55] Cambodian garment and footwear sector bulletin. Issue 2. October 2015. ILO.

[56] ILO (BFC). 33rd Synthesis report on working conditions in Cambodia's garment sector and statement of the Project Advisory Committee. Jul 1, 2016. http://betterfactories.org/?p=11085

[57] Country study Cambodia: Labour Standards in the Garment Supply Chain, by Jeroen Merk with inputs from Veasna Nuon.

The main challenges with the Cambodian union movement are fragmentation and multiplicity of unions. There are over 3,000 trade unions[58] of which the overwhelming majority are active in the garment sector and over 70% of the garment factories have one or more union[59]. A garment factory can have 3 to 10 unions on average. This results in infighting and illegal behaviours such as intimidation. Outside interference also disrupts workplace. There is a need for unions to be unified and representative before collective bargaining can be used as an effective tool for industrial harmony. Several factors had constrained effective use of CBAs, including multiplicity of unions on the factory floor, disruption by minority unions, and failure of parties in following and respecting the CBAs. Nevertheless, GMAC is keen on a sector collective bargaining agreement (CBA) on the condition that there is a credible counterparty to negotiate with and to ensure agreements are observed, and that the first CBA is kept simple and limited to a few issues to set in motion a mechanism that can build trust.

Myanmar

Growth challenges

Viewed as the next potential production centre by global clothing retailers, Myanmar's garment exports reached more than US$1.65 billion in the financial year 2016-17 that began on April 1, 2016, according to the Ministry of Commerce[60]. Growth of garment exports from the country has been strong, averaging 15.7% annually which is higher than the ASEAN regional estimate of 12.3%[61]. According to the Myanmar Garment Manufacturers Association (MGMA), the growth in garment exports is due to new sourcing partners and investment in high-end manufacturing. Number of garment factories grew to 454 as of September 2017 (not including textiles or footwear).

The TCF sector is the biggest provider of formal employment in Myanmar, employing 750,000 workers, contributing to 1/3 of total manufacturing employment. Women represent almost 83% of the total workforce in the sector.

Growth of Myanmar's garment sector is largely driven by competitive minimum wage, generalized system of preferences (GDP) trade privileges in the EU market, and the Labour Organization Law - introduced in 2011 by the former Thein Sein government as part of economic reform plans, which helped boost confidence among foreign buyers about the garment sector in Myanmar. The purpose of the law was to regulate industrial relations pertaining to trade unions, employers' organizations and collective actions.

However, there are several challenges which may impede growth. Similar to garment industry in other countries, many Myanmar garment industry players indicate that one of the major weaknesses of the garment sector lies in the lack of locally available input supply.

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https://www.cnvinternationaal.nl/_Resources/Persistent/0e05eebdbf4a1a6c31409dc12aee83b8f532a4b5/20161102%20CNV%20CS%20Cambo_clickable%20extern%20ENG%20DEF.pdf

[58] Ministry of Labour and Vocational Training (May 2015)

[59] ILO BFC data (ILO, 31st Synthesis report on working conditions in Cambodia's garment sector, page 8)

[60] Consult-Myanmar. "Myanmar CMP garment exports to touch $2.2 bn in 2017". April 3, 2017. https://consult-myanmar.com/2017/04/03/myanmar-cmp-garment-exports-to-touch-2-2bn-in-2017/

[61] UNCTAD: UNCTADstat Database.

Myanmar’s modestly sized manufacturing sector is hampered by poor infrastructure, lack of access to capital, limited technical skills, and high cost of starting and running a business. There is a lack of capacity in the legislature and among authorities involved in supporting business development, as well as shortage of skilled labour and management. Labour turnover is also high, averaging 57% for garment manufacturers and often worker-initiated. The garment industry in Myanmar primarily consists, in terms of number of enterprises, of SMEs that do not have the necessary financial resources or knowledge to secure loan from the financial sector. However, most employment is now at foreign-owned factories which face somewhat different challenges from the Myanmar SMEs.

Products are of low quality and there are low quality controls due to lack of technicians with experience. There are essentially insufficient skills for mid to high level tasks. Furthermore, growth of the garment sector in Myanmar is not widely felt. In a garment sector survey conducted by the ILO in 2015, it was found that only 20% of factories are growing, while 40% showed no growth and 40% are shrinking. In general, large, international suppliers are growing while local factories are at risk. If this difference in growth trajectory is not mitigated, it is a source for tension.

Myanmar’s clothing industry was included in the government’s National Export Strategy. A 10-year strategy from 2015 to 2024 was developed for the garment industry by the Myanmar Garment Manufacturers’ Association (MGMA) in partnership with a number of international NGOs, the ILO, and donors, and in consultation with factory owners, international brands, and suppliers. The goal is to enable the industry to achieve US$8-10 billion in export revenue by 2020 providing jobs for up to 1.5 million workers through improving competitive, improving social dialogue and ensuring full social compliance, building an apparel training sector supporting the industry’s development, building the image, position and brand of the industry, informing policy change to enable positive sustainable growth of the sector, and increasing service potential of trade associations.

Supplier landscape

It was reported that a significant number of locally owned factories shut down operations following introduction of minimum wage. According to MGMA there are 98 locally owned factories as of September 2017.

All locally owned factories, typically with less than 500 workers, are engaged in Cut-Make-Pack type of production, which has low barriers to entry. Profit margins are hence limited. Most locally-owned factories also do not receive orders directly from Western brands[62]; they act as sub-contractors to agents or joint-venture or foreign-owned factories to produce for Western brands and serve the domestic market. Main obstacles faced by local garment factory owners are lack of skilled labour, worker turnover (57% on average in the garment sector[63]), low profit margin, insufficient buyers, and lack of access to finance. With very low productivity and profitability, local-owned garment enterprises are finding it particularly difficult to comply with the law and retain competitiveness unless efficiency and

[62] Some local factories do receive orders from Western brands, but it is a small minority.
[63] http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-yangon/documents/publication/wcms_546641.pdf

productivity are increased. [64] They face numerous challenges including minimum wage compliance and worker retention.

Some foreign or joint venture factories operate on FOB basis, allowing them to have higher profit margins which are also matched by higher capital requirements and associated risk of holding on to high stock of raw materials. For this group of manufacturers, the key obstacles are poor infrastructure, lack of skilled labour, worker turnover, low profit margin, compliance pressures, absenteeism, land prices and transportation/shipping costs. [65]

In terms of technology over the short-term, advances in new technology may not transform Myanmar's TCF sector to the same extent as in other ASEAN countries. Myanmar's lower labour costs enable the country to be a competitive option for the TCF sector despite its lower productivity. Because Myanmar allows businesses to diversify their supplier network, the country may not be affected by technological adoption as much as other ASEAN countries for the time being. As of 2015, Myanmar monthly wages were US$99, lower than other TCF manufacturers in ASEAN such Viet Nam at about US$182[66]. Labour costs are still low enough to encourage inward investment and growth in the sector in Myanmar, but as technology provides increased labour reducing alternatives, this will change the calculus.

Technological adaptation also increases the chances that enterprises in destination countries might reshore TCF production, if the total cost of technology uptake is less than the costs of offshore production, shipping and duty costs and reputational risks. The current political discourse is highly relevant to this point. The relatively low levels of labour productivity in Myanmar, which result from a low-skilled labour force, outdated technology, and high costs of doing business, will also influence these decisions. Myanmar's TCF sector has one of the lowest levels of labour productivity in Asia, with one worker in Myanmar producing only 65 per cent of the level of a worker in Cambodia, 36 per cent of that in Viet Nam and about 7 per cent of that in Thailand. [67] Together these factors may result in fewer TCF enterprises relocating to Myanmar.

MGMA plays a key role in the garment sector, including the re-opening of access to the EU GSP. All garment sector business importing materials for CMP and re-exporting them without paying duty have to be a member of MGMA. However, MGMA's constitution indicates that only locally owned factories can be in the leadership. MGMA is a member of the Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI), which

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[64] "From boycott to boom? A socio-environmental map of Myanmar's garment industry in 2016". C&A Foundation. September 2016. https://impacttlimited.com/wp-content/uploads/2017/01/CA-Foundation-Myanmar-Report-From-Boycott-to-Boom-Issue-5-HM.pdf

[65] "From boycott to boom? A socio-environmental map of Myanmar's garment industry in 2016". C&A Foundation. September 2016. https://impacttlimited.com/wp-content/uploads/2017/01/CA-Foundation-Myanmar-Report-From-Boycott-to-Boom-Issue-5-HM.pdf

[66] Myanmar wage estimate from P. Huynh: *Employment and wages in Myanmar's nascent garment sector*, op. cit.; Estimates for Viet Nam based on 2013 national labour force survey. See: P. Huynh: *Employment, wages and working conditions in Asia's garment sector: Finding new drivers of competitiveness*, ILO Asia-Pacific Working Paper Series (Bangkok, ILO, 2015).

[67] McKinsey Global Institute: *Myanmar's moment: Unique opportunities, major challenges* (San Francisco, 2013); P. Huynh: *Employment, wages and working conditions in Asia's garment sector: Finding new drivers of competitiveness*, op. cit.

represents MGMA at national dialogue platforms and provides advisory services and training.

UMFCCI is the employers' representative at the National Tripartite Dialogue Forum but is not registered as an employers' organization. Since the Labour Organization Law was enacted in 2012, 30 employers' organizations have registered with the government, but they are all local-level bodies with few activities and little capacity. The UMFCCI is keen to avoid a confrontational approach to workplace relations and has been building up its capacity gradually with the support of ILO ACT/EMP.

Industrial relations

Myanmar is at the very early stage in the development of its industrial relations system. As part of economic reform plans, the former Thein Sein government introduced the country's first Labour Organization Law in 2011 which introduced principle of freedom of association. The law led to creation of 2,000 trade unions, almost 30 employers' organizations which are not growing), 53 Township Labour Organizations and 7 federations. The garment sector has the second highest prevalence of trade unions. Union member in the garment sector is estimated to represent about 5% of the total workforce in the sector and about 25-30% of garment factories have unions. In 2014, more than half of labour disputes took place in the garment sector. Despite the Labour Organization Law in 2011, Myanmar has yet to develop an adequate legal and institutional framework for sound labour market governance. Issues such as fragmented legal framework and often poor and arbitrary implementation persist. Furthermore, cultural factors and political history make practising of social dialogue difficult.

However, there are some positive developments. A joint statement was made by the MGMA and the Myanmar Trade Union Federation (now called Myanmar Infrastructure, Craft and Services Union (MICS)) in November 2014, committing to joint training programmes promoting social dialogue and workplace development, as well as working together to resolve industrial conflicts and reduce incidence of labour disputes. In 2015, MGMA and the Confederation of Trade Unions of Myanmar (CTUM) held a dialogue and UMFCCI, of which MGMA is a member, met with the main union federations to discuss issues including implementation of the minimum wages and the government's proposals for changes to regulation of employment contracts. MGMA, which represents more than 454 companies, also ratified a Code of Conduct to guide responsible business practices in the garment sector. However, effective engagement in industrial relations at the grassroots level is difficult when there is poor communication between brands and stakeholders. For example, MGMA has noted that they were not meaningfully consulted concerning the implications of global framework agreements between buyers and international unions which local unions are affiliated to.

Vietnam

Growth challenges

The garment, textile, and footwear industry in Vietnam contributes to 20.3% of manufacturing output[68] and 13% of total export earnings[69] in Vietnam, making it a principal source of foreign exchange earnings in the country. Exports of textiles and clothing from Vietnam, which is the world's fifth largest exporter of textiles and clothing, grew at the average of 22% annually between 2010 and 2014[70]. The textile and garment sector's export turnover reached US$28.5 billion in 2016. In the first half of 2017, Vietnam's garment, textile, fibre and yarn exports grew by 48.3% to reach US$11.8 billion according to the Vietnamese customs data, as investments poured in with Vietnam's entry into the Trans Pacific Partnership (TPP) agreement.

Strong growth of the garment industry in Vietnam despite global slowdown is largely due to increase in use of Vietnam as the garment manufacturing base, thanks to its low labour costs and industry focus on specialization, modernization and increasing value-added. It is unclear how the withdrawal of United States from the TPP would affect the outlook, though industry remains optimistic with the growing number of other bilateral and multilateral trade agreements such as the EU-Vietnam Free Trade Agreement[71]. Looking forward, production is forecasted to increase by an average of 12-14% annually between 2016 and 2020, and exports are expected to rise by 15% yearly, reaching US$50 billion by 2020[72].

The textile and garment industry in Vietnam is the largest industrial employer with more than 3.5 million workers as of 2015, comprising 25% of total manufacturing employment in the country[73]. Women account for 81.6% of the garment workforce, which is dominated by those under 30 years old. Employment in the sector has been growing, averaging 3.1% from 2010 to 2013. Furthermore, as of 2015, 2 million workers are employed in supporting industries, such as logistics, packaging and transportation[74].

The government has identified the textile and clothing industry as a priority, providing support, encouraging investments, and establishing ambitious targets for the industry to contribute to Vietnam's goal of becoming a developed nation by 2020. The government is committed to improving the investment and business climate, such as building and promotion of the Industrial Textile Zone which attracted investments to contribute to

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[68] "Wages and productivity in the garment sector in Asia and the Pacific and the Arab states". ILO.

[69] Grimshaw and Bustillo (2016). "Global comparative study on wage fixing institutions and their impacts in major garment producing countries" ILO.

[70] Do Quynh Chi (2016). Vietnam country study. Labour standards in the garment supply chain. https://www.cnvinternationaal.nl/_Resources/Persistent/c693cde01921991a984c192d70c887f75412dcdc/CNV-Vietnam-Garment-Supply-Chain-web%20clickable%20ENG%20DEF.pdf

[71] "Vietnam textile and garment exports jump 48% in first half". July 18, 2017. https://www.just-style.com/news/vietnam-textile-and-garment-exports-jump-48-in-first-half_id131218.aspx

[72] "Vietnamese textile and clothing industry set for strong growth". June 14, 2017. http://www.innovationintextiles.com/vietnamese-textile-and-clothing-industry-set-for-strong-growth/

[73] Vietnamese textile and apparel industry in the context of FTA: the labour and social impacts. Presentation by Asso. Prof Nguyen Thi Lan Huong. Institute of Labour Science and Social Affairs. Ministry of Labour – Invalids and Social Affairs, Vietnam. March 16, 2017.

[74] https://www.betterwork.com/global/?cat=35

ensuring the industry maintains its edge sustainably[75]. The industry has complemented the government by putting in place plans to move from commodity type products towards manufacture of fashion items with high added value[76].

However, SMEs, which account for majority of private locally owned companies in the sector, may fall behind in moving up the value chain. The state-run Vinatex has petitioned the government to put in place policies to encourage local enterprises to take up more integrated business models, namely FOB, ODM (Original Design Manufacturer) and OBM (Original Brand Manufacturer). It also proposed that the government provides preferential credit policies for purchasing Vietnamese materials and investing in special equipments, as well as organizing promotion fair to better connect SMEs to international buyers[77].

While bilateral and multilateral trade agreements have played a pivotal role in enhancing integration of Vietnam in global supply chains, reliance on imported fabrics meant that not all Vietnam's clothing exports benefit from preferential tariffs under the FTAs – many of which include requirements on the use of locally produced fabric. As of 2015, domestic fabric production only accounts about 15% of the clothing industry's fabric needs and is growing at slower rate that the growth in clothing production[78]. A commonly cited challenge facing Vietnam's textile and garment industry is the under-development of downstream sectors such as design, branding, marketing and distribution, including insurance and finance. [79]

The assembly price (or Cut-Make-Trim price) which Vietnamese suppliers can get from global buyers for a shirt or jeans has remained largely unchanged for almost a decade, and even lowered in some cases. Employers in the export industries have hence been under constant pressure to improve factory efficiency and reduce production costs, to keep labour cost low to retain their profit margin which is squeezed between higher minimum wage, other costs, and low assembly price (as they fear being outbid by their competitors)[80]. Given the importance of cost factor, every swing in exchange rate, such as depreciation of currencies of other garment exporters such as India and Malaysia, could affect orders received by Vietnam garment companies. [81] Furthermore, Vietnam's real exchange rate has

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[75] "The Pho Noi industrial textile zone is ready for a transformation in 2017". December 21, 2016. http://www.vinatex.com/Portal/Detail.aspx?Organization=EN&MenuID=99&ContentID=14089

[76] "Prospects for the textile and clothing industry in Vietnam, 2017". June 14, 2017. http://www.innovationintextiles.com/prospects-for-the-textile-and-clothing-industry-in-vietnam-2017/

[77] "Textile, garment sector finds way to restore". January 24, 2017. http://www.vietnamtextile.org.vn/textile-garment-sector-finds-way-to-restore_p1_1-1_2-2_3-692_4-1924.html

[78] "Vietnamese textile and clothing industry set for strong growth". June 14, 2017. http://www.innovationintextiles.com/vietnamese-textile-and-clothing-industry-set-for-strong-growth/

[79] Tomoo Kikuchi (senior research fellow at the Centre on Asia and Globalization, Lee Kuan Yew School of Public Policy, National University of Singapore) and Huang Vo (MBA student at Vietnam National University Ho Chi Minh City, International University). http://www.eastasiaforum.org/2016/07/30/51575/

[80] "Minimum wage, global supply chains and inclusive growth". August 16, 2017. ILO. http://www.ilo.org/hanoi/Informationresources/Publicinformation/comments-and-analysis/WCMS_569587/lang--en/index.htm

[81] "Vietnam garment industry face tough time as orders move to regional rivals". April 13, 2016. http://www.yarnsandfibers.com/news/textile-news/vietnam-garment-industry-face-tough-time-orders-move-regional-rivals#.Wae2qj4jHIU

been appreciating, by about 5% in 2016 and 24% since 2010, due to strong foreign direct investment in labour intensive export oriented manufacturing. The appreciation of Vietnam's currency is a concern for its domestic private enterprises, which continue to face significant external balance and competitiveness challenges.[82]

According to Vinatex, Vietnam's national textile and garment group, garment industry in the country is expected to reach export target of US$31 billion in 2017, but it would need strong performance by enterprises and the expertise of management, as well as improvements in infrastructure. Specifically, enterprises need to improve productivity, reduce cargo delivery times and strengthen distribution systems to international markets. [83] Local capacity in marketing and distribution activities also needs to be strengthened[84].

Supplier landscape

There are 6,000 companies in the garment and textile industry in Vietnam, of which 1% are state-owned enterprises (SOEs), 15% are foreign-invested companies, and 84% are private companies[85]. Despite comprising a small percentage of the industry, SOEs have been dominating resources and utilization of FTAs, and act as the gateway for foreign companies tapping on the country's low-cost labour force. [86] A group of SOEs in the textile and garment industry in Vietnam came together in 1995 to form Vinatex, a corporation which aimed to improve technology, modernize management and diversify businesses, including investment and finance. Vinatex is now a corporation with 51% government ownership[87] and comprising more than 90 companies covering nearly 100,000 covering activities from spinning, knitting, weaving, and dyeing to finishing. Foreign-invested companies, on the other hand, are instrumental, contributing 60% of export revenue. These companies mainly subcontract to Vietnamese companies for their garment orders, and until TPP emerged in recent years, they had not created backward linkages by investing in yarn and fabric facilities.

According to Ms Nguyen Thi Tuyet Mai, Deputy Secretary-General of VITAS and Head of VITAS office in Ho Chi Minh, 65% of companies are producing on Cut-Make-Trim (CMT) process, 25% are engaged in FOB production, 9% in ODM and 1% in OBM.

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[82] Taking stock: an update on Vietnam's recent economic developments. July 2017. The World Bank. http://documents.worldbank.org/curated/en/737821500266516655/pdf/117434-WP-TakingStockENGFINAL-PUBLIC.pdf

[83] "Vietnam's garment industry looks to $30 billion exports". January 20, 2017. Asia News Network. http://www.nationmultimedia.com/news/business/aec/30304503

[84] "Vietnamese textile and clothing industry set for strong growth". June 14, 2017. http://www.innovationintextiles.com/vietnamese-textile-and-clothing-industry-set-for-strong-growth/

[85] Do Quynh Chi (2016). Vietnam country study. Labour standards in the garment supply chain. https://www.cnvinternationaal.nl/_Resources/Persistent/c693cde01921991a984c192d70c887f75412dcdc/CNV-Vietnam-Garment-Supply-Chain-web%20clickable%20ENG%20DEF.pdf

[86] Tomoo Kikuchi (senior research fellow at the Centre on Asia and Globalization, Lee Kuan Yew School of Public Policy, National University of Singapore) and Huang Vo (MBA student at Vietnam National University Ho Chi Minh City, International University). http://www.eastasiaforum.org/2016/07/30/51575/

[87] Tomoo Kikuchi (senior research fellow at the Centre on Asia and Globalization, Lee Kuan Yew School of Public Policy, National University of Singapore) and Huang Vo (MBA student at Vietnam National University Ho Chi Minh City, International University). http://www.eastasiaforum.org/2016/07/30/51575/

Cost structure varies especially given the diversity of manufacturers in Vietnam. As a reference, a large FOB factory with 3,500 workers and capable of producing 1.5 million pieces of products on a monthly capacity has 65% of its spend on materials despite being able to choose its own material providers because more than 80% of the materials have to be imported. Labour cost makes up 12-18% of the factory's cost and profit margin is less than 5%. The percentages are likely to be worse in other factories smaller in size and having more CMT rather than FOB businesses.

Industrial relations

Management of companies, at least the non-SMEs, engages in quarterly social dialogue where workers' and their representatives (workers' representation is used synonymously as unions in Vietnam context) discuss their concerns. However, with enterprise unions comprising of workers from the companies, question is raised about their independence and capability to advance workers' interests. This point was also brought up by employers. Programmes can be developed to guide enterprises in building a sound and robust workplace cooperation mechanism that works for both management and the workers to render more legitimacy to enterprise-level industrial relations set-up in Vietnam.

In terms of employer representation, Vietnam Chamber of Commerce and Industry (VCCI) is one of two national employers' organizations (together with the Vietnam Collaborative Alliances which mainly represents agricultural enterprises and cooperatives). It has around 2,000 enterprise members and 7 branches in the most industrialized provinces and cities. The Bureau of Employers' Affairs (BEA) of VCCI I in charge of representing the employers' opinions on national policy and legislation, and represents the VCCI in the advisory board of Better Work Vietnam and other ILO projects in Vietnam.

The Vietnam Textile and Apparel Association (VITAS) is a non-governmental umbrella association involved in four main types of activities in the field of textile and garment industry in Vietnam; policy, international cooperation, training and trade promotion. It has 15 branches across the country, with about 1,000 companies in its membership, accounting for 70% of the total capacity of the industry. Most members of VITAS are private Vietnamese companies, which are mostly SMEs, and 10% of its membership are foreign-invested enterprises. VITAS represents only a small number of state-owned garment companies (around 100 companies employing 130,000 workers).

The Vietnam General Confederation of Labour (VGCL) is the only union legally recognized in the country. All enterprise unions must be established by and affiliated to the VGCL, which has regional and sectoral branches. By law the provincial or metropolitan branches of the VGCL is responsible for organizing a union within 6 months of the establishment of any new enterprise, and management is required to cooperate with the union. VGCL has almost 8.6 million members in 2014[88]. By 2015, union density in the private sector was 33% (compared

[88] VCL National Review Conference, 2015

to 76% in the public sector). The VGCL sets the target of recruiting around 600,000 new members every year between 2013 and 2018, primarily from the private sector. [89]

The Vietnam National Union of Textile and Garment Workers (VNUTG) was established in 2007. It has 136,000 members, with about 80% from the state-owned Vinatex conglomerate and the remaining 20% in private Vietnamese companies, but nearly none in foreign-invested enterprises. However, there are hundreds of other textile and garment enterprise unions not in the constituency of the VNUTG but affiliated directly through district or provincial chapters to the VGCL. [90]

Even though all unions are affiliated to VGCL, the large number of unions on the ground renders the organization complex and fragmented. There are 346 unionized garment companies by end of 2013[91]. Some enterprise unions affiliated to location-based trade unions and others to sector-based trade unions, making it difficult to identify players at the grassroot level.

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[89] Do Quynh Chi (2016). Vietnam country study. Labour standards in the garment supply chain. https://www.cnvinternationaal.nl/_Resources/Persistent/c693cde01921991a984c192d70c887f75412dcdc/CNV-Vietnam-Garment-Supply-Chain-web%20clickable%20ENG%20DEF.pdf

[90] Do Quynh Chi (2016). Vietnam country study. Labour standards in the garment supply chain. https://www.cnvinternationaal.nl/_Resources/Persistent/c693cde01921991a984c192d70c887f75412dcdc/CNV-Vietnam-Garment-Supply-Chain-web%20clickable%20ENG%20DEF.pdf

[91] Vietnam Garment and Textile Union, National Congress, 2013

2. Evolving trends with impacts on the garment industry

There are several trends with potential implications on the industry. This report focuses on three: growth in consumer market in Asia, increasing protectionism affecting international trade, and technological advancements.

Expanding consumer class in Asia

Consumer class is expanding not only in China, but also India and Indonesia. These three emerging economies will account for an estimated middle class workforce of 727 million in 2018, a substantial increase of 33.5% from 2013[92]. From 1995 to 2014, total imports of garments and footwear (excluding textiles) to China, India and Indonesia combined grew on average by 11% annually[93]. This expanding consumer market in Asia will generate different dynamics and demands in the region's garment industry. Garment manufacturers traditionally producing for Western markets may now produce for their own domestic markets or the Asian region. Excessive pressure on compliance without regard for profitability of garment manufacturers may be counterproductive by pushing some to shift to domestic market to avoid the burden imposed on exporters. The expanding consumer market in Asia also presents a new market for garment manufacturers in the region.

Rising protectionism

Rising protectionism may affect trade agreements and privileges which helped to propel the Asian garment industry's growth in the past decades. Indeed, in the 2017 U.S. Fashion Industry Benchmarking Study which surveyed U.S. fashion companies, trade protectionism in the United States, which was consistently considered by respondents as a medium-ranked business challenge since 2014 when the study was first launched, was cited as one of the top five business challenges[94]. For the first time since the study commenced in 2014, the study found no respondents planning to strongly increase sourcing from Bangladesh and Vietnam in the next two years. Instead, the Western Hemisphere is becoming increasingly popular as sourcing base for U.S. fashion companies - 70% of respondents in 2017 (compared to only 52% in 2016) said that they source from the United States. Current political discourse of greater protectionism coupled with enabling technology may increase likelihood of reshoring production to market destination countries.

Technological advancement

Technological advancement is transforming the entire global garment production chain. Automated technologies exist in all 4 stages of apparel production. For example, during product development, there are digital printing and body scanning technology. During apparel design, there are 3D body scanning, computer aided design (CAD) pattern tools.

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[92] P. Hyunh (2015). "Employment, wages and working conditions in Asia's garment sector: finding new drivers of competitiveness". ILO Asia-Pacific Working Paper Series. Bangkok, ILO.

[93] P. Hyunh (2015). "Employment, wages and working conditions in Asia's garment sector: finding new drivers of competitiveness". ILO Asia-Pacific Working Paper Series. Bangkok, ILO.

[94] Sheng Lu (2017). 2017 Fashion Industry Benchmarking Study. United States Fashion Industry Association. http://www.usfashionindustry.com/pdf_files/USFIA-Fashion-Industry-Benchmarking-Study-2017.pdf

During production, there are fabric spreader truck, automated cutting machines and sewing robotics. During apparel finishing, there is pressing automation. [95]

Research shows that technology could make the popular formula of offshored production devised by retailers and brands in search of low-cost labour less profitable. Multinational retailers and apparel brands have been aggressively innovating and piloting technologies such as 3D printing, robotics and automation which are having disruptive effect on suppliers and enable production to move closer to market. The efficiency and continuous cost reduction of mass customization technology - if accelerated with additional innovation like 3D printing, computerized production and automated packing – will transform manufacturing as well as the supply chain and logistics surrounding it. The economics for brands and retailers to place local manufacturing centres closer to major markets will become stronger, making next day delivery possible for customers. Because of this potential to please consumers in ways previously not possible, big players are re-evaluating their supply chain to cope with faster product design, personalization and production cycles. Garment factories in Asia that form part of the current offshored supplier model may become less needed. [96]

Current evidence suggest that reshoring may play a large role in the fate of the sector in S.E Asia. For example, Tianyuan Garments Company of Suzhou signed an agreement with SoftWear Automation of Atlanta in July 2017 to develop a fully automated T-shirt production line at Tianyuan's newly acquired plant in Little Rock, Arkansas. The technology was developed by and is patented by Georgia Tech's Advanced Technology Development Center. Using cameras to map the fabric and robots to steer it through the sewing needles, the system will handle soft fabrics and make T-shirts for Adidas. The system is scheduled to be fully operational by the end of next year. It is estimated it will produce 800,000 T-shirts a day for Adidas.[97] Another textile company (Shandong Ruyi) is investing in its yarn factory near Little Rock. This reinforces the point that the US is undeniably an attractive production base if "labour cost" is taken out of the equation due to its complete vertical supply chain of raw materials (e.g. cotton for yarn), solid infrastructure, domestic market, manufacturing productivity, high skilled workers etc.

Reshoring could also lead to direct savings accumulated in shipping and duty and wider benefits of reduced reputational risk, as large brands and retailers are sometimes associated with malpractices in their supply chain with regards to unfavourable working conditions. Given additional benefits of automated sewing machines such as Sewbots which include human error, increased workplace safety, consistent quality and stability in output quantity,

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[95] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

[96] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

[97] http://usa.chinadaily.com.cn/world/2017-07/25/content_30244657.htm?utm_campaign=T-shirt%20line&utm_source=hs_email&utm_medium=email&utm_content=54911122&_hsenc=p2ANqtz-_O3-Cn9Ky12wmQ2Q2mKlo8ZYUgxN421K-ShZ9oiBOqCYM3S-d13UKdTgyrGxd-sTNoZmu14LpTKd8bZWd95wuAjstAag&_hsmi=54911122

garment factories in Asia may experience large-scale displacement of workers. More needs to be investigated if the final price of using Sewbots would justify shifting garment production back to home markets. [98] However, technologies are already having employment impacts.

Hung Wah Garment Manufacturing (Cambodia) – which adopts technology based on requirements specified by vendors – invested in automated garment machines which eventually eliminated manual labour from the cutting process. Another foreign-owned apparel manufacturer in Vietnam invested in automated cutting machines in 2015, each of which replaced 15 workers in the cutting section, and the estimated time to reach a break-even point (in terms of investment) was 18 months. According to a denim manufacturer in Vietnam, 5% of jobs in the factory was replaced last year following utilization of technology for spraying (which is also justified from the perspective of increasing workers' welfare given the chemicals used in spraying), and the HR manager predicted higher percentages of job replacement in the future. Significant shares of garment workers in Asia are indeed at high risk of automation, from 64% in Indonesia, to 86% in Vietnam and 88% in Cambodia. [99]

At the same time, efforts to increase technology transfer in the region could assist in weathering current weaknesses of ASEAN's garment sector such as low productivity, rising labour costs, and increasing labour disputes. For example, lean manufacturing achieved using technologies enable manufacturers to offset labour cost increases with cost savings in other segments such as reduced defects and usage of excess raw materials, reduced manufacturing lead times and production cycle time and minimized inventory levels. Computer-aided design (CAD) is a relatively old design technology that offers significant reduction in lead times and labour cost for generating new styles and modifying existing ones through a computerized system. It provides cost-effective and sustainable ways of creating samples and reducing waste time, and it facilitates greater speed-to-market. While close to 100% of all advanced clothing industries have adopted these applications in developed economies, CAD is relatively new to the supplier side. Technologies like CAD could enable garment industry in Asia to move up the value chain with better designed and enhanced quality apparel produced by medium skilled workers. Technologies are hence also shaping the skills landscape, 'deskilling' some tasks while creating new skill demands. An expert commented that CAD has allowed pattern making to be done by a medium-skilled worker who receives two months training compared to the manual process, which would have engaged a high-skilled worker paid over US$125,000 per annum. Factories are adopting technologies that eliminate manual labour from the dangerous process of fabric cutting. Automated cutting machines, which are already implemented in Cambodia, Indonesia and Vietnam, are changing demands on skill sets as workers' main responsibilities

[98] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

[99] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

become that of managing 3 to 4 machines. Technicians and engineers, and those with managerial skills, will be increasingly demanded. [100]

Whether technology will “enable” or “disable” garment industry in Asia ultimately hinges on ability of manufacturers and workers in leveraging them. The Tianyuan Garments Company example provides a foreseen development on the narrative around reshoring that would allow US and EU companies to “bring manufacturing home”. However, what is very interesting is that the example shows the Chinese manufacturers are clearly thinking ahead of the game and acting as first-movers by aggressively adopting/investing in automated sewing technology to produce for the American market. The fact that Tianyuan Garments supplies for Adidas – who has already opened two Speedfactory (one in Atlanta and the other in Germany) that uses robots and additive manufacturing to produce sneakers – is also an indication of a retail giant supporting their suppliers’ technology uptake.

The future of the sector may thus lay in China. China itself monopolizes textile production (accounts for over 31 per cent of global textile exports) and can equally maintain its dominance as the number one producer of textile, clothing and footwear by automating its production – and importantly they are showing the capability to do so with reduced labour. The Chinese textile industry has an extensive material base with a range of product capabilities and production quantities that remain unrivalled to date; their garment manufacturing ecosystem is efficient; it has a large and stable labour pool that is becoming increasingly higher skilled; it has a competitive transport infrastructure and highly specialized ports, roads and bridges; and a swelling middle class resulting in a growing strength of the domestic apparel market in China. This is just to say that China – thanks to its completely vertical supply chain – has a promising opportunity to automate its textile and apparel manufacturing and maintain in-country operations as producers can also avoid unwanted import costs and tariffs.

Bangladesh, Cambodia, Indonesia, Myanmar and Vietnam will need to rigorously follow China’s movements in using technologies to maintain competitiveness and move up the value chain and continually evaluate how the region should use garment as vehicle for growth. Innovation in the garment industry has largely been driven by major brands and transnational manufacturers investing targeted proportions of their returns into R&D. While the garment industry leaders who source from ASEAN are spending millions on R&D and continuously introducing new and transformative technology, adoption of global innovation appears to be somewhat limited in factories in Asia (particularly outside of China) due to constraints in skills and economics, partly because the region largely trades on low-cost labour. [101] For example, low-cost Indonesian manufacturers with too thin profit margins struggle to incorporate technology. Overall, insufficient skills available in the workforce also makes it difficult for companies to leverage technology. In Myanmar, for instance, only 1%

[100] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers’ Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

[101] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers’ Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

of firms in Myanmar delegated responsibility for upgrading technology.[102] Biggest barriers identified by firms in upgrading technology include high fixed capital costs and lack of skilled operators. Skills development and access to finance will play pivotal role in determining one's ability to benefit from technological advancement. It is critical for initiatives in the garment sector to consider the changing landscape of the global garment production chain and in turn, what these would mean for the other Asian garment manufacturing countries, to ensure employment and enterprise sustainability in the sector given its significance in these countries.

[102] ASEAN in transformation: how technology is changing jobs and enterprises". Myanmar Country Brief. January 2017.

3. Needs and the way forward

Given the state of affairs in garment industries across countries in Asia identified for this study, and the evolving macro trends, several key tenets should guide future initiatives in the sector:

I. **Any initiatives in the garment industry must be inclusive and scalable for sustained changes.**

In countries where enforcement is weak and there are large informal economies, projects must be careful to not create dual or even multiple systems running on parallel in one industry. To be inclusive, projects need to understand nuances in the local landscape and consider the differences which exist. A holistic approach looking at the entire ecosystem is necessary to identify the right interventions and prevent any unintentional discrimination against certain groups of enterprises by disproportionately disadvantaging them or benefitting a specific group of enterprises. It also means being realistic about expectations, taking gradual and incremental approach, to not drive out employers which are unable to cope with the demands, which is already happening.

Interviewees in Indonesia revealed that a good number of manufacturers had moved from exporting to selling to domestic buyers as they are unable to absorb cost associated with meeting requirements imposed on exporters. In an informal discussion with an industry in Bangladesh, it was revealed that a good number of factories, especially SMEs, left the business (or the formal sector) as they could not sustain in the face of new compliance requirements from buyers and were not provided the necessary support to remain competitive while meeting compliance requirements. Such loss of entrepreneurship in the formal economy is alarming. Indeed, there should be recognition that better compliance and working conditions cannot be continuously demanded without support to manage subsequent increase in costs. Hence, as initiatives target improvement in compliance among garment manufacturers in Bangladesh, it is critical to simultaneously support improvement in productivity.

Being inclusive in initiatives is increasingly pertinent given expanding domestic consumer market. Targeting initiatives at manufacturers plugged into the global supply chains will become less effective overtime. Related to this is the ever increasing importance of obtaining employers' buy-in to initiatives in the sector to ensure sustainability and scalability of positive changes made.

II. **Improving productivity is a critical and pressing need given narrow profit margin on the back of cost increases on all fronts.**

Given increasing demand on factories, support is needed to strengthen factory management (process, financial, and people) and their business development skills, as well as in upgrading skills of the workforce, to improve efficiency, productivity and flexibility.

The potential for productivity increase through addressing factory processes cannot be undermined. A manufacturer in Vietnam which started lean manufacturing ten years ago and is continuously improving processes down to the granular level found that these improvements have enabled the factory to expand despite persistent cost increases. SMEs have more limitations in terms of resources. Hence, there should be targeted support for SMEs to improve their productivity through factory process improvement programmes.

III. Incremental and consistent achievements will build a solid and sustainable basis to create harmonious industrial relations.

Reality of the industrial relations climate calls for need to focus on building mutual trust before more advanced forms of industrial relations.

Trade unions in most of these countries, especially at national level, are fragmented and politicized. Competition between them also makes for difficulty in identifying a credible counterpart for employers to engage in collective bargaining. In such context, workplace cooperation is particularly relevant. Workplace cooperation systems and mechanisms have been found to develop employer-employee relations, retain climate conducive to productivity improvement, achieve and sustain economic growth, promote workers' participation in decision-making processes, improve quality of working life, and contribute to success and growth of enterprises.

Several countries have legislated workplace cooperation but their use has been limited due to several reasons, one of them being the lack of mutual trust between parties. Initiatives in the garment sector should look at building mutual trust between parties to enable effective workplace cooperation. Only when industrial relations climate becomes conducive and mature and capacities of parties are built that collective bargaining would be productive. Where collective bargaining takes place, it should also account for differences between enterprises within the garment sector as smaller enterprises may not have the same capacity as the larger enterprises which are represented by garment manufacturing associations. Enterprise-level collective bargaining may be more appropriate in some cases.

Another important reason for the limited use of workplace cooperation is the lack of knowledge of the implementers on how to effectively utilize and operate workplace cooperation mechanisms. Much more can be done to build capacities of implementers on how they can make workplace cooperation mechanisms work for their factories.

Furthermore, in many of these countries, implementation of laws are sporadic and their enforcement are weak, undermining the effectiveness of Collective Bargaining Agreements (CBAs). Rather than imposing CBAs and making parties go through the difficult and costly process of collective bargaining - results of which may not be respected and enforced – it would be more sensible to first aim at building harmonious industrial relations climate through other forms of social dialogue, such as workplace cooperation, to build trust and collaborations. In any case, initiative to engage in collective bargaining must come from the local social partners, with external support strictly technical and demand-driven.

IV. Industrial relations initiatives must be fully alert to the increasing changes in the labour market brought about by new technologies

Technologies will inevitably transform the workplace, be it through displacement of workers or new forms of work organization and employment. Organization of workers in this environment will naturally evolve. ILO, being at the forefront of employment and labour issues, is expected to lead conversations on how technologies will change industrial relations, and ensure that its industrial relations initiatives adapt with time.

V. Initiatives need to be especially mindful of claims of trade protectionism

It is crucial to ensure that initiatives, in seeking to ensure decent work, are not unintentionally feeding into any protectionist political discourse, real or perceived. Development partners can debunk any such claims by making sure that promoting workers' well-being goes hand in hand with industry's competitiveness, by giving equal emphasis on aspects that would raise productivity and enable enterprise growth. Ultimately, sustainable private sector growth is necessary for employment creation, sustainable enterprises and decent work.

Following proposes programmes and projects at factory and national level for improving productivity and competitiveness, as well as for promoting harmonious industrial relations climate. These proposals are based on needs collectively identified and validated by employers across Bangladesh, Cambodia, Indonesia, Myanmar and Vietnam.

3.1 Improving productivity and competitiveness of the garment manufacturing industry

Within the theme of productivity and competitiveness, needs can be categorized into three clusters of interventions.

Factory management and business development training programmes

Trainings on process management, business management and development skills, such as bookkeeping, knowledge and skills to access finance, financial management, and process efficiency improvements, are areas identified as useful programmes at factory level. Besides contributing to productivity in the factories, trainings on factory management could positively impact industrial relations as industrial disputes often sprang from escalating workers resentment over delay in payment of salary, which sometimes stem from weak financial management of factories.

Current ILO initiatives in the garment factories have very limited, or no support at all addressing productivity improvements directly, which are urgently required by factories in an environment of rising costs and stagnated prices offered by buyers. It is important to work with national employers' organizations to develop factory improvement programmes which will improve efficiency in production, such as by reducing wastage and improving product quality. Some larger factories have benefitted by investing in softwares and machines to zoom in at the granular level to identify specific areas for improvement and share the information collected with workers to enhance their productivity and product quality. Through national employers' organizations, developmental partners can find out more from such factories how productivity is raised through improvement to processes and systems implemented, identify the relevant support it can provide (possibly by partnering other agencies with such capability) to other smaller factories to enable them to improve their productivity. These programmes can be implemented by jointly involving managers/the management and the workers' representatives, thus expanding space for more workplace cooperation.

Developing skills of low- and mid-level managers

Managerial skills are currently in shortage among the local workforce in these countries. Management training for low- and mid-level managers, especially supervisors on factory floors, was requested by all employers interviewed, as these managers serve as interface between workers and the owners. Management training for mid-level managers should include competencies such as how to manage upwards to enable them to more effective advise top management on what is needed to improve relations. Managers also requested for trainings on how to incentivize and motivate workers, and how to reskill workers and retain skilled workforce.

National employers' organizations are interested in collaborating with development partners to build national skills training programmes, especially but not limited to those related to management skills, which are currently conducted by large companies in these countries but remain inaccessible to smaller firms. Employers' organizations are keen to work with ILO Bureau for Employers' Activities (ACT/EMP) to develop training programmes for apprentices and management trainees, which could incorporate materials on core labour standards as one of the modules.

To meet industry's skill needs, there is a firm demand for vocational training programmes in these countries to bring schools and industry closer. Some national employers' organizations such as the VCCI have started working with relevant partners in their countries to build and implement vocational training programmes on a small scale. This is an area where partnership with national employers' organizations can amplify both the breadth and depth of work on vocational training.

Collaborating with interested employers' organizations to improve image of garment manufacturing industry and the global apparel supply chain

Negative image costs businesses. Some employers' organizations such as VCCI are hence keen on collaborating with ILO ACT/EMP in research projects to demonstrate positive factory examples, given the negative image accorded to the garment manufacturing industry driven by some international campaigns which are making inaccurate claims or are biased in their methodologies. Additionally, employers are of the view that a more positive approach is needed in dealing with businesses in the industry. Excessive criticism of businesses may risk compelling them to leave supplier countries in question or seek to automate to reduce labour risk, which are counterproductive. More positive approach focusing on highlighting and sharing best practices to incentivize good behaviours should be emphasized.

Such support, even though sector-specific at the beginning, would help national employers' organizations to more effectively consolidate and take the lead on employer-labour issues in their countries, and their role as the key partner would enable work to expand to other sectors eventually for nationwide impacts.

3.2 Sustainably creating and promoting harmonious industrial relations climate in the garment manufacturing industry

There is a process for sustainably building harmonious industrial relations climate: first selecting non-controversial but relevant themes for dialogues; then creating platforms owned by local stakeholders, instead of only arranging a series of activities, for dialogues; and finally when mutual trust is built, a more conducive environment for negotiations is produced. State of affairs in selected countries for this research is such that the industrial relations environment is far from mature to enable effective collective bargaining. There is often outright misunderstanding of key concepts and processes. Lack of knowledge of both processes and potential outcomes has led to an acerbation of the IR environment.

There are still many opportunities for interventions to build up harmonious industrial relations sustainably. However, there should not be a rush into imposing collective bargaining when industrial relations climate is not yet mature. It can actually be a regressive step.

From the field research it is clear that employers welcome very much training to obtain better understanding of collective bargaining and relevant concepts included in collective bargaining. However, such trainings must be neutral rather than solely promoting collective bargaining. That has not always been the case and led to suspicion and mistrust.

<u>Building and promoting business case for harmonious industrial relations</u>

Sound labour relations have to be built up from within an organization first. While national employers' organizations are generally well-aware of the importance of a harmonious industrial relations climate, collaborations can be made with them to continue to build the business case at enterprise level to mainstream the understanding at the grassroot level. Such collaborations should be demand-driven, where the employers' organizations are consulted from the onset to help identify the relevant players to engage, find the best way for building the business case and socializing the companies. Some countries have laws mandating bipartite cooperation at enterprise level, such as Indonesia and Bangladesh. In such context, along with ensuring compliance with labour law on workplace cooperation, effort should still be made to induce interest in creating harmonious industrial relations.

<u>Strengthening capacity of staff in charge of industrial relations and employee relations</u>

Employers are generally interested to learn about how to work with increasingly vocal workers, manage differences, grievance and disputes at workplace. In many of the countries studied in this research, staff in charge of industrial relations in the companies may not necessarily have strong foundation of industrial relations as they often had not gone through specific training to build their knowledge and expertise in industrial relations. They are usually staff with good administrative and language skills, but not necessarily trained in industrial relations.

While ILO Better Work programme provides such trainings to those in the PICC, many factories remain outside of the programme which necessitates putting in place a nation-wide or at least sector-wide training programme for existing and future industrial relations practitioners. Increased work with national employers' organizations to develop programme to systematically train individuals on industrial relations, who can then be seconded to or employed by factories to improve industrial relations environment in the factories, is clearly needed. VCCI has started providing such trainings on behalf of big corporations in the footwear industry, which can be scaled up.

Creating topics and opportunities for social dialogue and workplace cooperation

There are still significant untapped areas for the role of social dialogue in factories to increase mutual trust between employers and workers. Currently, in countries such as Bangladesh and Indonesia, OSH has helped to build social dialogue at the enterprise level in the garment sector. Projects using OSH to build cooperation between employer and employees in factories, such as in Bangladesh, should continue and expand to institutionalize the platforms and achieve scale. Topics for social dialogue can also go beyond OSH as there are still many other non-interest-based areas where employers and workers can be jointly engaged. For example, social dialogue between employers and workers can include discussions over how to reduce wastage and improve product quality. To this end, factory improvement programmes which bring workers and management together for joint training and problem-solving can promote workplace cooperation in the process. Workplace cooperation at enterprise level can generate conditions which are enabling of healthy industrial relations climate.

To make workplace cooperation work, trainings should be provided to build capacities of implementers, primarily but not restricted to workers' representatives and the management representatives. There are such ILO initiatives which are currently ongoing, such as in Bangladesh, but they need to be expanded to reach out to more factories. Such trainings on workplace cooperation targeting implementers should be practical, clearly demonstrating to the participants how the mechanisms can be built and utilized according to their needs.

Creating more topics for bipartite or tripartite discussions is an area where development partners can work with national constituents to facilitate platforms for national discussion of topics such as future of work and skills development. For example, stakeholders interviewed in Indonesia (including government representatives, academics, APINDO and a trade union leader) all felt that taking social dialogue into topics such as future of work and skills development would help to start the process for parties to understand perspectives of one another, which would help to recast relationship between employers and trade unions. The stakeholders envisaged role of development partners as one of facilitating the platform owned by the national constituents, such as by providing neutral subject experts for topics chosen by the constituents for discussions. It is important that such platforms are treated as space for discussions and joint learning rather than debates.

3.3 Strengthening capacity of employers' organizations

Besides factory programmes targeting the implementers through partnership with national employers' organizations, there need to be more efforts to build the capacity of national employers' organizations as they understand the local context, and play the role in supporting businesses to create sustainable enterprises and decent work.

Sustained capacity building efforts can lead to a considerable footprint and contribution to national labour market institutional frameworks. Myanmar is an example of this.

For employers' organizations to be sustainable and to serve effectively as representative of employers as well as play the role as their thought leadership, solid Secretariats which go beyond administrative functions are important. Support for the capacity building of the Secretariats in research and advocacy, and provide trainings on soft skills such as communications skills, management skills and influencing skills is key. Topics such as macroeconomic development, skills development (i.e. various skills funding models and their pros and cons) and apprenticeship should be included in trainings for members of their Secretariats to enable them to engage in more issues affecting employers and guide employers more effectively, given labour and social issues interlink closely with economic issues. Future of work was specifically identified by national employers' organizations as a topic they would like to know more about to prepare their members for Industry 4.0, especially given not all enterprises have yet to grasp what future of work would entail for them and could use guidance from the employers' organizations to prepare for technological disruptions.

The work of capacity building of employers and workers organizations needs to be mainstreamed into any project with a clear focus on specific needs and cognizant of national/regional or sectorial circumstances. Ultimately if this component is incorporated in an effective and deliberate manner the likelihood of successful outcomes for any relevant project will be greatly increased.

Summary

1. Improving productivity and competitiveness		
Action point	Beneficiary	Remarks
1.1 Develop and implement factory-level programmes on management and business development	a. Enterprises b. Workers c. Employers' organizations (EOs)	Trainings for garment factories on topics such as process management, business development, bookkeeping and financial management. Enterprises benefit through productivity improvement; workers benefit from closing of management gaps which led to issues such as delays in payment and escalation of resentment; and EOs benefit through provision of the services. Where possible, joint training programmes (i.e. involving workers) should be conducted to bring management and workers

		together, providing them opportunity to engage in win-win collaborations.
1.2 Compile resource guide on how productivity improvements are made through simple adjustments in processes and management systems, to be distributed to enterprises.	a. Enterprises b. EOs	Enterprises benefit from the "tips" for how to improve productivity through "low-hanging fruits" and EOs benefit through better member engagement and services.
1.3 Collaborate with EOs to build management training programmes targeting factories	a. Enterprises b. Workforce c. EOs	Factories need people with managerial, communication and influencing skills, especially at the low- and middle levels. More in the workforce would benefit from more career paths and acquisition of managerial competencies. EOs would build up their capacities on the subject, which can strengthen their policy advocacy in the domain of skills.
1.4 Collaborate with EOs to build / support vocational training programmes to ensure better alignment between educational institutes and the garment industry, with eventual extension into other industries.	a. Enterprises b. Workforce c. EOs	ILO is already active in this in some countries, such as Bangladesh. More can be done on this area to scale up the impacts.
1.5 Collaborate with interested EOs to identify projects to improve international image of garment manufacturing industry where applicable.	a. ALL	Negative portrayal of garment manufacturing industry dominates the media, especially on labour and social issues. Projects led by ILO ACT/EMP to demonstrate that majority of employers in the industry practise responsible business will be useful.
2. Improving industrial relations and social dialogue		
2.1 Collaborate with EOs to build and strengthen business case for	a. Enterprises b. Workers	EOs are generally well-socialized on the topic of industrial relations, but less

harmonious industrial relations at the grassroots level		so among enterprises. Enterprises benefit from smoother operations in the factories and workers benefit from a healthier working environment. Such collaborations must be demand-driven and owned by EOs as they are best placed to understand how to build the business case for the garment factories.
2.2 Develop programme with EOs to train industrial relations managers	a. Enterprises b. Workers c. EOs	Knowledge of industrial relations is still lacking among the industrial relations practitioners. Many were not trained professionally. Such trainings will help to improve their performance. Working with EOs on this would allow them to also learn in the process and grow their networks.
2.3 Expand projects using OSH to build social dialogue	a. Enterprises b. Workers c. EOs	OSH is a topic that resonates well with EOs and enterprises, and benefit workers. It is also found to be a useful entry point for social dialogue and building mutual trust. EOs can strengthen their expertise in OSH.
2.4 Identify non-interest-based topics for social dialogue and create platforms owned by local stakeholders to engage in technical discussions on the topics identified.	a. EOs b. TUs	Create opportunities for bipartite discussions on issues such as future of work, broadening scope of engagement between EOs and TUs. Discussion on future of work should involve ILO taking the lead in guiding social partners on how it believes future of work would change workplace and industrial relations.

		Agenda should be set by the constituents. In some countries such as Indonesia, such platform already exists and they need to be revitalized.
2.5 Provide workplace cooperation trainings from theory to practice.	a. Enterprises b. Workers c. EOs	Activities should be practical, less classroom-based. Follow through with the participants to guide them in operationalizing the workplace cooperation mechanisms they built. Where such workplace cooperation mechanisms already exist as required by law, understand from EOs what enterprises' implementation gaps are to provide more targeted support. Allow EOs to also learn and compile knowledge on workplace cooperation in the process, to deliver such services on their own in the future.
3. Strengthening capacity of Employers' Organizations		
3.1 Trainings for Secretariat of EOs	a. EOs b. Partners seeking to drive projects targeting/involving employers	Effective Secretariat can better liaise with project partners to bring about success. Their effectiveness is pivotal for ensuring continuity in engagement. Subjects include both technical knowledge, such as on macroeconomic development and future of work, and soft skills, such as communication, management and influencing skills. Currently training for EOs sometimes do not go to staff in the Secretariat. Conduct trainings specifically

		targeting staff of Secretariat.

EXAMPLE OF A USEFUL PROGRAMME FOR EMPLOYERS: IN BUSINESS

Given the above, one example of the type of enterprise-level programme that would be useful is the new **ILO In Business Training Programme**, which would help address enterprise needs on productivity and skills, promote social dialogue and workplace cooperation, and enhance capacity of national employers' organizations. **In Business** is a new ILO peer learning programme designed to support SMEs which was developed by the Enterprise Department in collaboration with ILO ACT/EMP in Bangkok. It comprises tools that are easy to run, low-cost, relevant to business, and which can be provided by national employers' organizations as a service to members and potential members.

The initial topics included in the trainings targeted supporting SMEs and essentially align with needs identified by employers, such as marketing, quality control and productivity for small manufacturers, SME trade and investment in ASEAN, microfinance, supply chain management and logistics, cash flow forecasting, bookkeeping, reducing turnover, and reducing material wastage.

Recently two new directions for **In Business** tools have emerged. First, a range of soft skills training package on topics such as team work and team management, communications, target setting and time management are under development, for use in a project run by ILO Bangkok to support women in STEM sectors. Eventually it is foreseen that this set of In Business tools could encompass a considerable range of topics, allowing employers' organizations and affiliated sector and business associations to support member and potential member firms in strengthening managerial capacity.

The second range of **In Business** tools under development touch directly on topics covered earlier in this report, related to the strengthening of human resource capacity, raising productivity and improving operations in factories. Although only in a pilot phase, with tools focussed on topics of productivity, quality, reducing turnover and maximizing waste reduction in the garment sector, these tools could eventually cover a full set of topics related to the effective management of production facilities.

The potential of the **In Business** model of training, and its suitability to global supply chains, together with the need for scalability of impact across a dispersed network of suppliers, is highly relevant to this discussion. The **In Business** approach to training bypasses the need for and costs attached to expensive trainers or business specialists, requiring only facilitators to promote group-driven learning and to guide participants through a series of learning activities. Once familiar with the capacity-building model, factories could conceivably run a wide range of programmes on their own, without external intervention, boosting ownership of improvement efforts while allowing broad distribution across supply chains at low cost.

The training tools are essentially step-by-step guides for those in management, such as production managers and Human Resource managers potentially together with workers and their representatives, to work as a group through the modules. The modules, which can stand alone, also ensure the training is demand-driven as the participating companies can choose modules they find useful. The first generation of the tools have been successfully piloted in the Philippines, with tests of some of the production-focused tools piloted in Cambodia and Lao PDR. Other initiatives in the garment industry could consider integrating this approach to provide productivity improvement and promote social dialogue in the participating factories, especially given SMEs form the majority of suppliers in the garment industry. Other trainings offered under engagements in the garment sector, such as on negotiations, workplace cooperation and dispute resolution, could also emulate the approach used by this programme, which may be more effective than a few days of workshops targeting a limited number of employers held outside of enterprises, supported by high cost trainers.

4. Assessment of key initiatives in the garment industry

4.1 Better Work

Better Work Programme is a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) created in 2010 to engage with workers, employers and governments to improve working conditions and boost competitiveness of the garment and footwear industry through a combination of independent enterprise compliance assessments and social dialogue. The programme is currently funded by the Government of Australia through the Australian Agency for International Development (AusAID), the Netherlands Ministry of Foreign Affairs, and Swiss Secretariat for Economic Affairs (SECO). Better Work is running in 7 countries, four of which are in Asia. Factories participating in the programmes pay an annual fee (US$ 4,000 according to some factories) for the services, including assessment and advisory.

The following assessments of Better Work programmes are country-specific as the programmes can differ significantly in implementation across countries given the Chief Technical Advisers tries are given a broad mandate and discretion in the direction they steer the project. Better Work's leadership in Geneva, Switzerland does not control country programme managers tightly.

Vietnam

In Vietnam, there are currently 336 participating factories, including 260 companies in the South. In the second phase of the Project as of 2015, Better Work Vietnam (BWV) extends to the North provinces and to incorporate footwear factories. Main services provided to the participating enterprises include assessment, advisory and training. Like Better Work programmes elsewhere, it has a Performance Improvement Consultative Committee (PICC) governance model in factories where representatives of workers, union officials and employers discuss solutions to improve working conditions. In Vietnam, the project covers Ho Chi Minh City, Dong Nai, Binh Duong, and the North region of Vietnam. Better Work Vietnam is focusing on both continuing its support of enterprises in the export apparel industry and expanding services to the footwear industry during the 2014-19 period.

Employers interviewed considered Better Work Vietnam as a buyers' programme for workers and to that extent, they believe the programme has helped by improving workers' welfare. One manufacturer opined that the programme has also helped reduced audits faced by the company. The programme has also started to provide trainings on competencies such as managerial and leadership skills for the PICC members, which companies interviewed found useful, though they opined that more employees should benefit from the trainings.

However, employers remain sceptical of the impacts of BMW on productivity of factories. According to VCCI, the BMV reports published citing link between the programme and improvement in productivity lack specifics which made the business case rather weak. For example, VCCI is of the view that it would be helpful if BMV can show how exactly BMV has improved productivity, such as where the compliance to productivity link is found and case studies of the practices which enabled the link. Such information would also facilitate VCCI to build a guide on best practices to promote to employers. However, they are currently missing in BMW's reports. VCCI believes that if concrete findings are presented which clearly show how exactly increase in compliance and improvement in working conditions led to productivity, businesses would not hesitate to implement the recommendations of BMV.

Employers also felt that more could be done with and for employers. For instance, all employers identified managerial skills, especially those at the middle level and in factory floors, as crucial area needing development which are currently inadequately addressed by the programme. More could also be done for management by having genuine dialogues with them to understand the challenges they face and provide practical suggestions to help overcome the problems. One manufacturer posited that BWV, through its work with factories, should collect data and feedback to the government about the (ir)relevance of some of the laws for the garment industry. For example, every worker is entitled to a weekly day off on Sunday. In a factory, in tandem with machines' fixed scheduled operations, three working shifts were devised. They were: 6am to 2pm, 2pm to 10pm, and 10pm to 6am the next day. The last shift's operation on Saturday thus runs into first 6 hours of Sunday. As the law requires overtime payment for working on a day-off which is twice the normal wage, the manufacturer has to pay double the wage during the first six hours of Sunday even though workers are still receiving their day off of 24 hours starting from 6am on Sunday ending at 6am on Monday. According to the manufacturer, BWV is aware of the issue and the need for the law to be more flexible in such circumstances but has not been able to provide the feedback to the government.

Employers also felt that Enterprise Advisors of BWV do not have a standard approach in their assessments, with identical matter fetching different assessment results when audited by different Enterprise Advisors. Another issue concerns rigidity of the advisors in factory auditing.

Indonesia

In Indonesia, there are currently 190 participating factories located across 5 provinces each employing 100-9000 workers: Banten, Special Region Jakarta, West Java, Central Java and Special Region Yogyakarta. 95% of the factories are garment manufacturers. Better Work Indonesia (BWI) plans to use data collected from factories to inform policies, based on its belief that issues at factory level cannot be resolved without addressing the systemic issues. BWI plans to use data collected from factories to show the authorities that some of the requirements on factories are not applicable to the garment industry, such as the requirement for 21 items in the First Aid box and recommending that the government gives more space for garment industry to use short-term work contracts given the nature of the industry where order size is difficult to plan for. Recognizing that there has been insufficient emphasis on productivity, Better Work Indonesia team is looking for collaborations to deliver services on enhancing productivity of factories, such as LEAN manufacturing. Better Work Indonesia is also looking at ways to certify factories on OSH Management Systems, which is requested by the enterprises. Finally, to consolidate audits and reduce duplications in auditing, Better Work signed a new agreement with Fair Wear Foundation (FWF) on 18 May 2017 to streamline factory-level operations and offer business partners new benefits, according to a media release posted on Better Work's website[103]. FWF is an international multistakeholder initiative aimed at improving working conditions in the garment industry. It is particularly concerned with systematic implementation of laws in place on freedom of association, payment of a living wage, excessive working hours and legally binding employment; updating of and implementation of legislation on OSH; and women workers' health and workplace harassment. The collaboration between Better Work and FWF officially began with an 18-month pilot on 1 June 2017. Better Work Indonesia informed that the agreement with FWF - a body made up mainly of Dutch buyers and to a smaller extent, US buyers – is to recognize and use each other's audit reports.

Common refrain about Better Work Indonesia is the long list of assessment questions used by Better Work, inability of Better Work Indonesia to reduce number of audits factories must undergo, lack of productivity-improvement elements to date, and the experience with some Enterprise Advisors who were unable to go beyond a checklist approach to take into account contextual factors. Factories also felt burdened by the number of visits made by Better Work Indonesia's Enterprise Advisors within the span of a month.

Better Work is generally regarded by manufacturers as well as a government official interviewed as a buyers' programme (a perception also shared by the Director General of Labour). Some enterprises interviewed appreciated the programme for improving compliance and for the advisory approach to work with factories to improve their working conditions and employee relations. However, Better Work Indonesia urgently needs to strengthen its productivity component, as factories have limited scope to sustain cost increase from participating in the programme without simultaneous improvement to their revenue.

While Better Work Indonesia has good intention in partnering other audits such as Fair Wear Foundation (FWF), such partnerships should first consult with the Programme or Project Advisory Committee. This is important to ensure that partners of Better Work Indonesia have the right understanding of their mandates. One factory interviewed recounted issues with FWF interfering in termination of an employee by going to factory's buyers to get the factory to reinstate the said individual, when such disputes should be resolved via the established national dispute resolution process. Furthermore, partners such as FWF may not have the same kind of tripartite approach as ILO and may risk compromising the structure accepted by ILO's constituents. For example, while FWF's board includes many stakeholders, such as buyers, vendors, producers, foreign NGOs, thinktanks (Netherlands), observers and unions, national employers' organizations which are ILO's constituents are not included.

Bangladesh

Better Work Bangladesh (BWB) is the most recent of Better Work programmes, operating since 2014. BWB operates on two levels: factory level to improve working conditions and establish management systems in participating factories; and national structural level to

[103] https://betterwork.org/blog/2017/05/18/better-work-collaborates-with-fair-wear-foundation-to-improve-garment-factory-working-conditions/

assist in building constituent capacity to achieve structural, sustainable change in labour administration, industrial relations, and social dialogue systems. As of 31 December 2016, BWB has supported the establishment of Participation Committees (PCs) in factories, which is a workplace cooperation platform mandated by the Government of Bangladesh since 2006 but set up only in the last two years. BWB's relevance was affected by Accord and Alliance which more or less competed within the same space, even though the mandate of BWB is broader than safety (which is the special focus of Accord and Alliance) and BWB has a better structure in that it engages with the Government of Bangladesh.

BWB has about 120 factories employing almost 250,000 workers, but 28 factories reportedly dropped out of BWB citing, among other reasons, financial difficulties in meeting the registration fees[104]. According to the programme manager, Louis Vanegas, there are currently 150 factories registered in BWB and 15 brands and retailers sourcing from Bangladesh are supporting the programme. Key plans for BWB include building capacity of in-factory trade unions, PCs, and Safety Committees; institutionalizing BWB's compliance approach by involving government labour inspectors; solidifying partnerships with national constituents to play stronger role in governing and influencing labour market policies and build greater collaboration for dialogues among key stakeholders; considering establishment of an independent institution for institutional sustainability; strategic partnerships with other multistakeholder audit/compliance initiatives; and growing number of participating factories to 400 by end of Phase 2. Besides the collaboration agreement signed between Better Work globally and the Fair Wear Foundation (FWF) to consolidate audits in factories, BWB is close to signing a similar MOU with the Business Social Compliance Initiative (BSCI) - an initiative of the European industry body, the Foreign Trade Association, seeking to improve social performance of suppliers through audits, training and capacity building for both suppliers and participating brands based on a uniform set of social standards. BWB also coordinates its work with another ILO garment-sector initiative in Bangladesh on promoting social dialogue and harmonious industrial relations in Bangladesh RMG industry to avoid duplicating efforts, and to share materials and conduct joint trainings when possible.

In terms of activities with the garment manufacturing associations (GMAs), BWB will strengthen collaboration with BGMEA and BKMEA to reduce number of audits by buyers, non-compliant cases, and demonstrate that factories in the country can be responsible companies. The project document (PRODOC) submitted for the Bangladesh RMGP Programme, which has BWB as one of its components, suggested potential for involvement of GMAs in BWB through activities to hold buyers accountable: "where feasible, facilitate dialogue between key buyer partners and constituents about industry challenges" and "identify opportunities for buyers to source their production responsibly".

Similar to Indonesia, common refrain among employers is the long list of assessment questions, inability of BWB to reduce audits on factories, and lack of activities for factories to improve productivity. The PRODOC submitted also offers little clarity on activities which BWB will undertake to help factories to concretely improve productivity. The only mention

[104] Final independent evaluation of the RMGP published in April 2017.

of “productivity” in the PRODOC is about developing women workers’ professional skills “including trainings on productivity and efficiency improvement, leadership etc”. It was not clear what exactly the trainings on productivity are. According to the ILO RMGP Programme Manager, Tuomo Poutiainen, BWB urgently needs to resuscitate the productivity component by consulting and working with BEF, BGMEA, and BKMEA, to develop programmes for factories which will help them to increase their competitiveness.

Interviews with BEF and BGMEA suggested that BWB is generally regarded as a buyers’ programme and an audit (rather than a broader factory improvement programme). The inadequacy of BWB in addressing the practical needs of RMG factories, such as on developing grievance and dispute resolution mechanisms, is reflected by the desire of its participating factories to join the other ILO project on promoting social dialogue and industrial relations, which is currently inaccessible to them due to the agreement between BWB and the project to not overlap in the factories where they are implemented.

Cambodia

Better Work programme stemmed from ILO’s Better Factories Cambodia (BFC) project which was introduced in 2001. The project was originally linked to a trade agreement with the United States proving market access in return for improving working conditions in the garment sector, which expired in 2004. The trade agreement expired in 2004. Unlike Better Work programmes in other countries, Better Factories Cambodia is a mandatory programme.

The mandatory nature of BFC is the main cause of disagreement as it could interfere with buy-in of the programme from employers if proper consultations are not in place to build sound business case to stimulate willing participation. Employers are of the view that if the business case for participating exists – that the programme helps to improve productivity of factories – they will naturally be committed to ensuring its sustainability and success.

Another important issue for employers is the inability of the programme to reduce number of audits facing garment factories, contrary to its selling point at the inception that it would help to unify audits (at least on social compliance) and lessen burden on employers.

Finally, employers are of the view that the BFC programme has not sufficiently transferred knowledge to the local stakeholders. For a programme like BFC, one indicator of success is its ability to phase-out, as it would imply that factories are improving working conditions because they see the benefits of doing so, even when they are not required to. However, employers opined that the programme did not appear to have a phase-out strategy, and its continued expansion in operations, including recruitment of staff, is entrenching the programme into an institution, making it harder for it to plan for its exit. This creates a dynamic that contradicts with intention of developmental projects, which should be about building capacity of their partners to take matter forward on their own.

<u>Summary</u>

The main issue coming from the field work is perhaps not the strengths or weaknesses of the current BW and BFC programmes but rather what is missing. BW and BFC are in essence "compliance programmes" - supporting compliance with laws.

Training be to improve workplace relations, productivity or other topics is not core to these efforts. Such trainings and technical support efforts in these efforts do happen in BW/BFC programmes – but they – as evidenced from above – mixed in quality and consistency.

If BW/BFC is one strong "compliance leg" in efforts to support the sector in Asia it's clear that TWO additional legs are needed to support at factory level.

Leg II - a package specially designed to support productivity and competitiveness

Leg III – a package of workplace training to support effective workplace relations

Underwriting all THREE legs is a cross cutting approach based on social dialogue AND supporting social dialogue capacity building and dialogue based approaches.

4.2 Other key ILO initiatives in the garment sector

This report focuses on assessing key initiatives in the garment sector identified by employers in the countries selected for this study, particularly in Bangladesh, Indonesia and Vietnam where fieldwork was conducted[105].

Bangladesh

i. *Improving working conditions in the RMG sector in Bangladesh (RMGP Programme)*

Funded by Canada, the Netherlands, and the United Kingdom, with ILO contribution, the RMGP Programme is developed to support the National Tripartite Plan of Action on Fire Safety & Building Integrity and commitments made by the Government of Bangladesh to improve working conditions and workers' safety in the RMG industry. Key partners of the programme are: MoLE, Ministry of Housing and Public Works, National Tripartite Committee on Fire and Building Safety, BKMEA, BGMEA, BEF, the National Coordination Committee for Workers' Education (NCCWE), IndustriALL Bangladesh Council (IBC), and the Bangladesh University of Engineering and Technology (BUET). The programme has 5 components:

i. Building and Fire Safety Assessment
ii. Strengthen Labour Inspection & Support Fire and Building Inspection
iii. Build Occupational Safety and Health (OSH) awareness, capacity and systems
iv. Rehabilitation and skills training for victims
v. Implement Better Work programme in Bangladesh

The programme is now entering its second phase which will end in 2023. According to the PRODOC submitted by the ILO Country Office to the Government of Bangladesh for inputs, the main strategies for the second phase is to ensure factories engaged in remediation; provide governance support for effective regulation of industrial safety and labour inspections; improve OSH policies and regulations, relevant OSH institutions and practices;

[105] Brief discussion of some non-ILO initiatives in the garment sector is included as an Annex.

and improve working conditions and productivity through Better Work Bangladesh (BWB). Discussion of this programme in this document focuses on the elements relevant to employers. BWB, given its significance, was discussed separately.

Key plans

The following plans are drawn from the PRODOC:

In ensuring factories engaged in remediation, the Remediation Coordination Cell is formed to enhance capacity of regulatory authorities for building and worker safety, and as "PME – stop shop" for factory owners. BKMEA and BGMEA have committed to disallowing unsafe factories not engaged in remediation from exporting, and buyers are expected to support remediation and factory safety among supplier base.

The second phase will also consolidate and integrate knowledge management systems data and streamlining processes, train relevant personnel, and support the DIFE to establish a function-based organizational structure for labour inspection services. it will also support development of a National Action Plan on RMG and other high-risk industries through a tripartite process and seek to enhance capacity of government and employer OSH units to drive Safety Committee formation and operation, while enhancing ability of trade unions to support OSH at enterprise level. Support to employers' organizations and trade unions will include assisting development of training and information resources, building capacity of employer and trade union trainers, and assisting the roll-out of trainings by EOs and trade unions. It will also take on safety and welfare issues relating to women.

In terms of specific activities for employers, the project has set aside budget of US$90,000 to build capacity of OSH units at BEF, BGMEA and BKMEA to promote enterprise-level OSH management system (including lessons learned); US$35,000 to provide advisory and monitoring services to OSH units at BEF, BGMEA and BKMEA on Safety Committee functions; US$12,000 for documenting and capturing lessons learned and effective practices on OSH achieved through employers' involvement.

Assessment

In the previous phase, training of trainers (TOTs) took place which led to 8,038 middle managers and chief in floors of selected 585 factories trained. BEF appreciates the training and with the experience from phase 1, recommended the following: more training for Safety Committee members to enhance their capacity to operationalize Safety Committee, more OSH trainings for mid-level managers (due to departures of trained personnel from factories), and extension of the coverage of factories for training for both mid-level managers and workers given trainings have only reached less than 20% of factories in the RMG sector. Based on the PRODOC submitted by ILO Country Office, BEF did not feel that their recommendations, particularly related to more TOTs for factory middle managers and chiefs in floors, were clearly addressed.

ii. Promoting social dialogue and harmonious industrial relations in Bangladesh RMG ("SDIR project")

Funded by the Swedish International Development Cooperation Agency (SIDA) and the Danish International Development Agency (DANIDA), the SDIR project identified three outcomes: support Participation Committees (PCs) in 500 factories, develop capacity of the Department of Labour (DOL), and establishment of a Workers' Resource Centre (WRC). The project focuses particularly on building capacity of both workers and employers in factories on dispute resolution. The project targets 150 unionized and 350 non-unionized factories for trainings. To obtain participation of RMG factories, the project works with the GMAs to promote to factories (rather than going through buyers which is the approach taken by BWB).

Key plans

An employer-version of the WRC, ERC, is also envisaged, but it will be placed in the Centre of Excellence (COE), which was established by another ILO initiative in partnership with BGMEA for employer training, to leverage existing facilities. Through the COE, the project will conduct trainings on collective bargaining, negotiations and international standards, which will be subsequently delivered to factories.

ILO ACT/EMP Decent Work Country Specialist, Ravi Peiris, had requested the project for activities to enhance capacity of BEF to provide a new training service that is required by the RMG sector to lead to better workplace relations and higher productivity and efficiency in Bangladesh enterprises. The long-term objective of the project is to develop capacity of BEF to train 100 factories on workplace cooperation and grievance handling within a period of two years. In the short-term, training will be conducted for a candidate who will be the eventual BEF trainer. In Peiris' proposal, one of the key outputs of the project is the establishment of a unit within BEF called the "Enterprise Relations" which will collaborate and coordinate work with BGMEA and BKMEA, overseeing all training and program coordination within factories. A Trainers' network will also be a key output. However, the CTA interviewed expressed difficulty in accepting the activities proposed for BEF given its lack of access to RMG factories. BGMEA is considered a more qualified partner for the project to be able to deliver results quickly, since the project is expected to end in 2018.

Assessment

The project has not embarked on employers' activities given the employers' activities will be provided through the COE (more on COE in the next discussion), which currently 7 counts BEF, BGMEA and BKMEA as employer representatives on its board.

BGMEA has expressed strong interest in this project but was disappointed that the project will not be implemented in factories which are already participating in BWB. It appeared harder for BGMEA to promote the project to factories which are not in BWB because there is less socialization among non-BWB factories on the concept of workplace cooperation. However, from the project's point of view, it was sensible to reach out to the less initiated. In any case, factories should have the option of subscribing to programmes addressing their needs, and should not be denied the opportunity due to an internal arrangement agreed between project offices.

In terms of content, there should be more emphasis on grievance handling than dispute settlement to prevent unnecessary escalation of conflicts which could have been handled constructively.

iii. RMG Centre of Excellence Project ("CEBAI")

The project supported by SIDA and H&M started in 2014 and ended recently. The project's budget totalled US$ 1.54 million, with almost 50% funded by H&M. The goals for the project included establishing a Centre of Excellence (COE) that facilitates enhanced employer engagement in training, increasing the use of assessment and certification in the RMG sector, and improving access of disadvantaged groups and the working poor to training and higher incomes. The COE, in particular, will be the agency for skills development, and research and planning of the RMG sector. The project's strategy was to use enterprise-based training and skills development to meet quality and productivity requirements for export production. However, its mid-term internal evaluation report suggested the difficulty of executing the enterprise-based training as significant investment by employers are required. Issues around self-sustaining models remain.

<u>Key plans</u>

The COE is expected to work with the SDIR project to host the employer version of the "Workers Resource Centre" to provide trainings on dispute resolution to factories.

<u>Assessment</u>

Enterprises in the garment sector benefitted from industry-driven enterprise-based training.

BEF was not initially consulted for the project and not indicated as a collaborating partner in the PRODOC, but industry associations, primarily BGMEA and BKMEA, worked directly with the project and are considered employer beneficiaries of the project. This is now being rectified. Other relevant industry stakeholders, such as factory managers, buyers, worker representatives and Government, were said to be consulted..

According to the mid-term internal evaluation report, the project secured strong engagement by the BGMEA, which spent and committed significant financial and human resources for the physical establishment of the COE. BGMEA was reportedly keen to have a wider range of services provided by the COE, as it would like to shape the COE into a one stop centre that also strongly focuses on research for business development, producing studies and information catering to the immediate, short- and long-term needs of the RMG sector in Bangladesh and contributing to its competitiveness.

Indonesia

i. Promoting labour standards in global supply chains in Asia

The programme is a partnership between the German Ministry for Development Cooperation (BMZ) and the ILO, which provided for interventions in the garment sector across several countries in Asia including Indonesia, where the project targets West and Central Java. The programme's original concept note focused on problems cited as facing workers in the targeted countries, such as ineffective enforcement of labour standards, extreme international and inter-firm competition, weak institutions of collective bargaining and respect for freedom of association, and inadequate knowledge, understanding and strategic awareness of the effects of global sourcing on working conditions at national and factory levels. In Indonesia, the project strategy is promoting social dialogue among the tripartite constituents in policy issues, and enhancing collective bargaining between workers and employers at plant level. The project is entering its third phase now which will end in December 2018. APINDO currently sits on the Project Advisory Committee.

Key plans

The project's plan for phase 3 is the following: to provide training on effective collective bargaining to 10 new pilot enterprises, and continue coaching, upon request from, the existing 7 pilot enterprises in the process of reviewing and revising their collective bargaining agreements; conduct training on effective wage policies for wage councils in 7 districts and 2 provinces targeted by the project; conduct 2 studies, namely on the role of wage councils and on dispute settlement mechanism; and conduct workshops and seminars to promote social dialogue among the tripartite constituents in the issues of wages and collective bargaining. Companies' participation as pilot enterprises are fully voluntary. The project approaches potential companies through APINDO, API and Better Work Indonesia. It was APINDO who requested support at plant level to enhance the management's capacity in negotiation and collective bargaining through training. The project has also started promoting the plant-level approach since its implementation of phase 1, given vulnerability to politicization at higher levels. Training for the pilot enterprises were conducted by a team of 3 trainers representing the government, APINDO and trade unions. Twelve trainers have been selected, of which three are APINDO officials, one a management representative, one a government official, and seven trade union representatives.

Recognizing that there is still lack of trust between social partners in addition to limited capacity of trade unions and management representatives in conducting effective collective bargaining, the project currently focuses on providing training on negotiation and collective bargaining where both trade unions and management representatives are trained together. No specific activities were aimed at EOs or trade unions.

Assessment

One company with large factories in its group expressed positive experience with the project and found it effective in providing trainings on collective bargaining and negotiation. According to the company, the trainings have a good balance between educating on rights and responsibilities and encourage two-way communication between management and workers.

Vietnam

i. *New Industrial Relations Framework project*

Funded by Japan, the two-year project from 2016 to 2018 was aimed at building industrial relations institutions and practices based on freedom of association and effective recognition of the right to collective bargaining. The employer component relates to working with VCCI and VITAS in enhancing employers' capacity to engage in development of new labour laws and complying with them, as well as VCCI's members' compliance.

Key plans

The project was linked to bringing Vietnam's labour laws in line with relevant clauses in the TPP as Vietnam joins the trade agreement. With US withdrawal from the TPP, the Vietnam General Assembly has withdrawn the labour law out of agenda until 2019. As such, the project has now shifted its focus towards running a pilot to develop Collective Bargaining Agreement (CBA) for the food processing industry. VCCI warned the project that such pilots are headed towards failure because CBA is a very advanced level of industrial relations which Vietnam is not yet ready for. Instead, VCCI believes a more practical and gradual approach should be taken, starting with mapping out and identifying the players at the grassroot level given the complex and fragmented trade union scene on the ground. VCCI also opined that industrial relations practitioners in enterprises still lack the specialist knowledge and skills and resources at this stage should orientate towards building the capacity of these actors. VCCI Ho Chi Minh City is now supporting big corporations in the footwear industry to train industrial relations managers on themes such as communication and industrial relations. Development partners can build on this work to obtain bigger outreach.

Assessment

The new activities have not been implemented so no feedback is yet available. The project can drive more real impacts by taking onboard VCCI's views to focus first on building the foundation for industrial relations rather than prescribing collective bargaining without the necessary conditions in place for healthy industrial relations climate, which is essential for collective bargaining to be useful and effective.

Cambodia

i. Improving industrial relations in Cambodia's garment industry

The ILO-SIDA-H&M project of US$788,000 (40% funded by H&M) lasted from 1 January 2014 to 31 March 2017. It has two objectives: to increase enterprise-level dialogue and number of collective bargaining agreements in the garment sector, and to increase capacity for conciliators at central and provincial level to resolve disputes and promote collective bargaining.

Assessment

The project appears to be driven by one outcome, which is to increase the number of collective bargaining agreements (CBAs). The PRODOC specifically indicates '10 new CBAs every year' as one of the outcome indicators. Enterprise engagement – largely H&M factories – is also focused on collective bargaining training. It is uncertain if the project and its interventions have contributed to increased CBAs at this point. It is also unclear if the project had thoroughly assessed the readiness of the factories for CBAs, and addressed associated issues which may increase burden on employers.

Beyond the project, H&M introduced 'fair living wages' in one factory in Cambodia (and two in Bangladesh) under its global campaign in 2013 and announced that its suppliers should have pay structures in place to pay living wages by 2018[106]. Such symptomatic interventions should take into account needs and realities of local factories. In fact, more granular approach is needed to support enterprises in addressing root causes for bottom-up impacts which would be more sustainable. In relation to this, GMAC (along with other Garment associations across the region) has indicated that buyers, including H&M, often have conflicting pricing strategies between their sourcing department and CSR department, even though it positively acknowledges that H&M has increased orders from Cambodia over the years despite overall slowdown of the sector. In other words, faced with the same or sometimes falling prices offered by buyers, enterprises would need help in cost adjustment to be able to absorb additional cost from paying higher wages. Furthermore, it should be noted that garment sector workers are relatively high paid in Cambodia. For example, the workers are paid higher than teachers.

The project document suggests strong enterprise focus on H&M suppliers that are GMAC members. It is uncertain if the enterprise-related training is offered to factories which suffer from poor industrial relations climate. Project activities should be extended to factories where real industrial relations problems persist.

Overall, CAMFEBA and GMAC are of the view that development partners should seriously reflect on projects specifically funded by individual MNEs. They believe that funding from MNEs should support existing activities of the development partners rather than the launching of MNEs' individual projects, especially given that MNEs are buyers with commercial interests, which may be at odds with that of suppliers.

Myanmar

There are about 18 projects in Myanmar now and several engage with employers. This report discusses the garment sector industrial relations project funded by SIDA-H&M as it is most relevant for the scope and purpose of the report.

i. *Improving industrial relations in Myanmar's garment industry*

The ILO-SIDA-H&M project with budget of US$2 million (H&M contribution not specified in the PRODOC) is planned for three years from 2016 to 2019. The objectives are to enhance industrial relations in the garment sector in Myanmar through increasing capacity for sound industrial relations in participating enterprises that results in increase social dialogue, wages and improved working conditions; empowerment of women workers and their participation in social dialogue; and increasing capacity of social partners to deliver policy and services to members, and regular bipartite dialogue at sector level.

Activities at factory/enterprise level are focused on training of workers and managers. At the industry level, the focus is on supporting the Myanmar Garment Manufacturing

[106] H&M Roadmap to fair living wage:
http://about.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/Others/HM-Roadmap-to-fair-living-wage.pdf

Association (MGMA) as well as township and regional employer and workers' organizations where deemed position. At the national level, training and awareness raising activities targeting government officials and members of the Conciliation and Arbitration bodies would be implemented.

<u>Assessment</u>

The project has been delayed by over a year so assessment of the activities of the project is not possible at this stage. However, employers' experience thus far has been generally negative.

From the outset, there seems to be a lack of consultation between MGMA and the ILO and overall buy-in from MGMA has not been achieved. MGMA's stated reasons for not participating were: 1) H&M's involvement as a funder of the project and the lack of clarity around that; and 2) poor consultation, which led to ILO claiming that MGMA agreed to participate when it did not. The approach taken by this project was particularly unsettling for the national employers' organization, Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), and the industry association, MGMA. They felt that they were not properly consulted before the project was brought in, and that the project is pre-planned and imposed on the constituents. As such, despite what the PRODOC indicates, MGMA chose not to sit on the Project Advisory Committee nor participate in sector dialogue facilitated by the project. Their engagement will only be to attend some trainings run by the program.

The project seems to target H&M suppliers (15 H&M suppliers) primarily with the PRODOC suggesting that a wider target group (beyond H&M factories) will be established in the second phase. However, without concrete identification of potential partners (the PRODOC indicates inclusion of one to three additional brands) from the outset, questions arise on how realistic it would be to pull in new partners that will contribute to the funding of the project.

The project should take a supportive role of helping local organizations/factories grow and understand the different viewpoints that are grounded in differences between local businesses and H&M suppliers. Assessment on divide between local and international suppliers would be useful to understand the differing perspectives and to make the project more inclusive.

There should be better alignment between this project and the ACT/EMP project in Myanmar to enable attainment of some of the outputs set out by this project. For example, ACT/EMP project will conduct an enterprise survey to feed in to the 2017 minimum wage review process. The survey will collect business characteristics, such as wage growth and job creation in the export sector. Such information would be useful as the H&M-SIDA project also intends to collect enterprise information to ensure a broader and inclusive approach to project activities.

5. Conclusions

Employers' feedback to ILO initiatives can be distinguished into two categories: areas of focus and approach.

Areas of focus

Lack of focus on productivity

There are currently many factory improvement programmes but they are primarily outcome-based and focusing on compliance with labour laws and international labour standards. Programmes at the factory level are mostly about working conditions, which are clearly critically important but insufficient, as productivity is more than working conditions and there is a limit to how much working conditions can improve without improvement in productivity. Furthermore, issues with compliance and working conditions can often be traced to financial or factory management constraints, which failed to be addressed in outcome-based approach. Related to this is the impression that a piecemeal approach is adopted where the garment production ecosystem is not approached as a whole, risking overwhelming employers on compliance without commensurate support on productivity, or creating undesirable spill-overs. In short, carrots and sticks are not equally distributed.

Recommendations

Increase focus on programmes that mitigate practical challenges facing factories such as industrial system engineering training and advisory, business development skills, factory management including process, financial, and people management skills. Such programmes are requested by employers (as well as some industry observers and government representatives) across countries.

For areas which development partners considered as important but not identified by employers as areas in need of intervention, they should, from the onset, map properly what constitute typical arsenal of programmes from the perspective of their key themes, such as industrial relations, safety, skills, workers' rights, and link them to industry competitiveness and value for business.

Insufficiently preparing stakeholders for disruptions by technologies

With technological advancement already transforming global apparel supply chains, projects in the garment sector have not appeared to prepare for the changes ahead. It is unclear if those initiatives would remain relevant should there be more reshoring of productions and more automations replacing workers.

Recommendations

Verdict is not yet out on how technological advancements would affect the garment industry in Asia which mostly engage in low end of the production chain. More research for understanding how they would impact the industry (in terms of both revenue and employment impacts) is necessary, as well as how initiatives by developmental agencies can remain relevant and productive amidst changes brought about by technologies, ensuring that the industry remains competitive and capable of creating quality jobs.

National constituents found ILO ACT/EMP's research[107] on technological trends with potential impacts on ASEAN's textile, clothing and footwear sector useful, and expressed desire to see more of such initiatives. They believe that this is an area where ILO can provide technical expertise which would help their formulation of what technological advancement will mean to the industry and jobs, enabling them to engage in dialogues accordingly on the way forward.

Approach

Top-down approach rather than engaging local constituents from the outset as equal partners

One prevalent issue identified by all groups of stakeholders interviewed is the failure of projects to consult widely in a meaningful way from the outset. Many lamented the positioning of national partners as mere implementers and promoters of pre-planned programmes rather than constituents with understanding of local context and sensitivities who can offer valuable inputs to help shape projects for success, including influencing the project objectives.

Related to this is the impression among local stakeholders that projects are not sufficiently transferring knowledge and "know-how" to local stakeholders, preferring to engage external consultants who do not stay on to work with the local stakeholders to operationalize their recommendations.

Recommendations

Ensure sufficient discussions with constituents before project plans are drawn up. There must be flexibility to adapt project, including project objectives and design, in accordance with inputs of constituents. Where possible, let local partners drive projects to ensure capacity building. Developmental partners' role should be that of supporting and facilitating, as well as monitoring and evaluating progress made by the local partners.

For countries where local stakeholders have limited knowledge and capacity, there is much value to be reaped from having someone embedded in the partner and implementing organizations, instead of merely having trainers brought in to train the locals and leave, expecting the locals to take the knowledge forward to implement learnings on their own. For example, instead of activities such as a series of workshops to train enterprises on collective bargaining, it would be more useful to develop the capacity of someone from within a local organization (such as the employers' organizations) to go into the enterprises (with their agreement) and work with them step-by-step to identify and overcome obstacles to create an environment conducive to social dialogue. This "help them in doing" approach is crucial when there is a significant knowledge gap but is often missing.

Institutional building, such as bipartite or tripartite dialogue platforms, should be driven by demand of national constituents, and owned by national constituents.

[107] ASEAN in transformation: textiles, clothing and footwear: refashioning the future/Jae-Hee Chang, Phu Huynh, Gary Rynhart; International Labour Office, Bureau for Employers' Activities (ACT/EMP); ILO Regional Office for Asia and the Pacific. – Geneva: ILO, 2016.

Insufficient representation of and consideration for employers

Programmes are sometimes perceived as buyer-driven, some on behalf of a single company, with no upside for manufacturers, resulting in lack of buy-in from employers. This can be particularly damaging in terms of a longer-term relationship.

Recommendations

Sustainable private sector growth is necessary for employment creation and decent work. Any initiatives must take into consideration constraints of manufacturers, due to the business operating environment in their countries (such as weak infrastructure and inefficient port management), limitations in cost reductions due to weak backward and forward linkages and high cost of imported materials, and cap on gains due to poor negotiation and bargaining capacity of most manufacturers which are SMEs operating in a highly competitive industry.

One way to ensure considerations are given to the manufacturers is by sufficiently consulting them to understand the local landscape and their needs, thus developing programmes accordingly. This would also help to overcome the situation where manufacturers felt that they must participate in a programme to meet buyers' requirements instead of doing it because they see the value in the programme.

Tripartite constituents should be engaged and consulted first and foremost, and avoid adding too many stakeholders without strong reasons and prior consultations with tripartite constituents. Partnerships pursued should not significantly alter understandings and arrangements previously agreed, and representation of national employers' and workers' interests must be ensured.

Link initiatives to evolving trends to ensure their relevance and better appreciate macro environment facing impacted stakeholders, such as decline in prices for garments made, impacts of technologies on productions, and rising minimum wages.

The ILO has a specific department, namely ACT/EMP, that manages the relationships with employers' organizations. This department is uniquely positioned to manage the needs assessment form the employer side. ACT/EMP's involvement would assure the employer constituency that their perspectives are represented, given trust has been built.

Perceived lack of neutrality and objectivity in projects on industrial relations

Collective bargaining appeared to be promoted over other forms of social dialogue, which may in fact be more relevant given the reality of industrial relations climate in these countries and the capacities of the enterprises and the workers' representatives. For example, when workplace cooperation was discussed, it was emphasized that it cannot replace collective bargaining. There is often a lack of recognition that building mutual trust is key before collective bargaining can occur, and that collective bargaining is but one of the tools of social dialogue, rather than an end in itself.

Employers are interested to know more about collective bargaining and relevant concepts such as productivity in collective bargaining. However, they do not feel that the trainings provided are objective. For example, they opined that trainings often do not give equal importance to educating workers' on rights and responsibilities. Trainings on negotiations and collective bargaining often failed to clearly state both pros and cons of collective bargaining and acknowledge that employers can choose to or to not engage in collective bargaining, making employers feel pressured to adopt collective bargaining, in turn discouraging their participations which led to opportunities lost for more understanding of what collective bargaining is and how employers could use collective bargaining productively.

Some issues highlighted by employers regarding past industrial relations workshops organized are:

i. Case studies used to promote collective bargaining did not bring out its real value proposition. Rather, they come across as something employers must do. More attention should be given to demonstrate the business case.
ii. Conversations tend to centre around a slew of good examples rather than driven by evidence-based research.
iii. Insufficient focus on real issues in enterprises and open discussions on how workplace cooperation and collective bargaining could respond to these issues.

Recommendations

In any training offered concerning collective bargaining, trainers should clearly state freedom to or to not negotiate or engage in collective bargaining.

Trainings on collective bargaining should be neutral, presenting both pros and cons rather than solely promoting its implementation.

There must be a recognition that collective bargaining is considered a very advanced form of industrial relations which many of these countries are not yet ready for. More project should focus on workplace cooperation to enable dialogues and building of trust between employers and workers and their representatives.

More can be done to create space for bipartite dialogues on non-interest-based issues, which would help to create more understanding between employers and workers and their representatives. For example, support can be provided to local platforms for stakeholders to engage in discussions on themes such as future of work and skills development.

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Annex 1: Other relevant non-ILO initiatives in the garment sector

This short addendum is to briefly include other relevant initiatives in the garment sector which are chosen for two objectives. The Bangladesh discussion highlights some of the initiatives which garment employers drove or supported outside of ILO to give an understanding of the type of projects employers found useful. The Vietnam discussion highlights concerns employers raised about certain initiatives to give a sense of what employers' red-lines are, in addition to those described in the assessment of ILO initiatives. ILO initiatives which achieve similar effects as those highlighted in this section were discussed in the earlier part of this report.

Bangladesh

The CPD RMG Study 2016 titled "New Dynamics in Bangladesh's Apparels Enterprises: Perspectives on Restructuring, Upgradation and Compliance Assurance", implemented by the Centre for Policy Dialogue (CPD), was supported by the Embassy of Sweden, the German Society for International Cooperation (GIZ), Embassy of the Kingdom of Netherlands, and the FES Bangladesh, to collect data and analyse issues related to supply chain, compliance, working conditions and productivity. The study takes a whole of value chain approach, analysing granular data such as costs involved for compliance assurance to understand root causes affecting compliance and competitiveness. The advisory committee of the study is chaired by MOLE which provides overall guidance in the implementation. Members of the committee also include representatives from ILO, BGMEA, BKMEA, trade unions, major buyers and NGOs. BGMEA and BKMEA have been actively supplying factory data for the study.

BGMEA has recently launched a project called "Digital RMG Factory Mapping in Bangladesh", supported by the C&A Foundation, which will run until March 2021. A project advisory committee will be formed, which will include representatives from BGMEA, BKMEA, government, NGOs, and trade unions. The project aims to provide public disclosure on RMG factories to better inform buyers' decisions and rebuild the image of Bangladesh's RMG factories. Factory data and information to be featured on the digital map include operational status, number of workers (with male to female ratio), type of production (and production capacity if applicable), type of factory building structure, major buyers/brands engaged, distance to nearest hospitals and fire stations, and certifications.

Vietnam

The Core Labour Standards Plus (CLS+) project by Frieddrich-Ebert-Stiftung (FES), a political foundation in Germany focused on promoting social democracy, is aimed at promoting compliance with labour standards in trade agreements. As a first step, research were conducted in Vietnam and its findings regarding compliance with labour rights in global supply chains presented in a three-day workshop. In the garment sector in Vietnam, the research findings took issue with big brands taking the largest share of profits, causing suppliers to respond to price pressure by cutting labour costs.

VCCI has raised several comments in the workshop where findings from the research were presented, such as the sample used for the study not being representative and conclusions not reflecting reality. According to VCCI, the research's approach appeared to be one of finding evidence to affirm the "race-to-the-bottom" concept, and omitting evidence suggesting the contrary. VCCI has hence refused to participate further in the project.

Annex 2: List of interviewees (fieldwork in Bangladesh, Indonesia and Vietnam)

Name	Designation	Organization
Agung Pambuthi	Executive Director	The Employers' Association of Indonesia (APINDO)
Anne Patricia Sutanto	Vice President Director	PT. Pan Brothers Tbk
Lenny Thio	Compliance Manager	PT. Kahoindah Citragarment
Djauhari Sutiono	General Manager	PT. Kahoindah Citragarment
J. R Kim	President	PT. Good Guys
Ade Sudrajat	Chairman	Indonesian Textile Association (API)
E.G.Ismy	Executive Secretary	Indonesian Textile Association (API)
Elly Rosita Silaban	President	Federation of Garment and Textile Workers Union (Garteks)
Haryo Aswicahyono	Researcher in Department of Economics/ Manpower Policy Observer	Centre for Strategic and International Studies (CSIS)
George Martin Sirait	Researcher and Lecturer	University of Atma Jaya
Haiyani Rumondang	Director General for Industrial Relations and Workers' Social Security	Ministry of Manpower, Indonesia
Mohamad Anis Agung Nugroho	Operations Manager	Better Work Indonesia
Michiko Miyamoto	Director	ILO Country Office for Indonesia & Timor-Leste
Georginia M. Pascual	Project Technical Officer, Workplaces and Industries for Sustainable and Inclusive Growth	ILO Jakarta Office
Christinaus H. Panjaitan	National Programme Officer, Labour Standards in Global Supply Chains	ILO Jakarta Office
Nguyen Thi Nhu Y	Vice President	Dong Nai Federation of Labour
Bui Thi Ninh	Director, Bureau for Employers' Activities	Vietnam Chamber of Commerce and Industry (VCCI)

Nguyen Thi Tuyet Mai	Deputy Secretary-General	Vietnam Textile and Apparel Association (VITAS)
Nguyen Ngoc No	Manager (HR/Lean)	United Sweethearts Garment (Vietnam) Co. Ltd
Nguyen Trong Nghia	Manager (Accounting/Corporate Social Responsibility)	United Sweethearts Garment (Vietnam) Co. Ltd
Kee Seok Imm	Assistant General Manager	United Sweethearts Garment (Vietnam) Co. Ltd
Agnes Chua Bee Leng	Director	United Sweethearts Garment (Vietnam) Co. Ltd
Tran Dang Ngoc	HR Supervisor	D.E.M.Covina
Phan Hoang Nam	Compliance Manager	Chi Dat Garment
Farooq Ahmed	Secretary-General	Bangladesh Employers' Federation (BEF)
A.N.M. Saifuddin	Director	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Md. Rafiqul Islam	Additional Secretary (Labour)	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Miran Ali	Director	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Kondaker Golam Moazzem	Research Director	Centre for Policy Dialogue (CPD)
Anir Chowdhury	Policy Advisor	Access to Information Programme, Prime Minister's Office
Asad-Uz-Zaman	Policy Expert	Access to Information Programme, Prime Minister's Office
Md. Abdur Rahim Khan	Deputy Secretary	Textile Cell, Export Wing, Ministry of Commerce, Bangladesh
Tapan Kanti Ghosh	Additional Secretary	Ministry of Commerce, Bangladesh
Abu Hena Mostafa Kamal	Additional Secretary; Director of Labour	Department of Labour, Bangladesh
Shamima Nargis	Additional Secretary	Economic Relations Division
Louis Vanegas	Programme Manager	Better Work Bangladesh
Tuomo Poutiainen	ILO RMG Programme Manager	ILO Bangladesh
Mahandra G. Naidoo	Chief Technical Adviser, SDIR project	ILO Bangladesh

Chalres Bodwell	Enterprises Development Specialist	ILO DWT for East and South-East Asia and the Pacific