



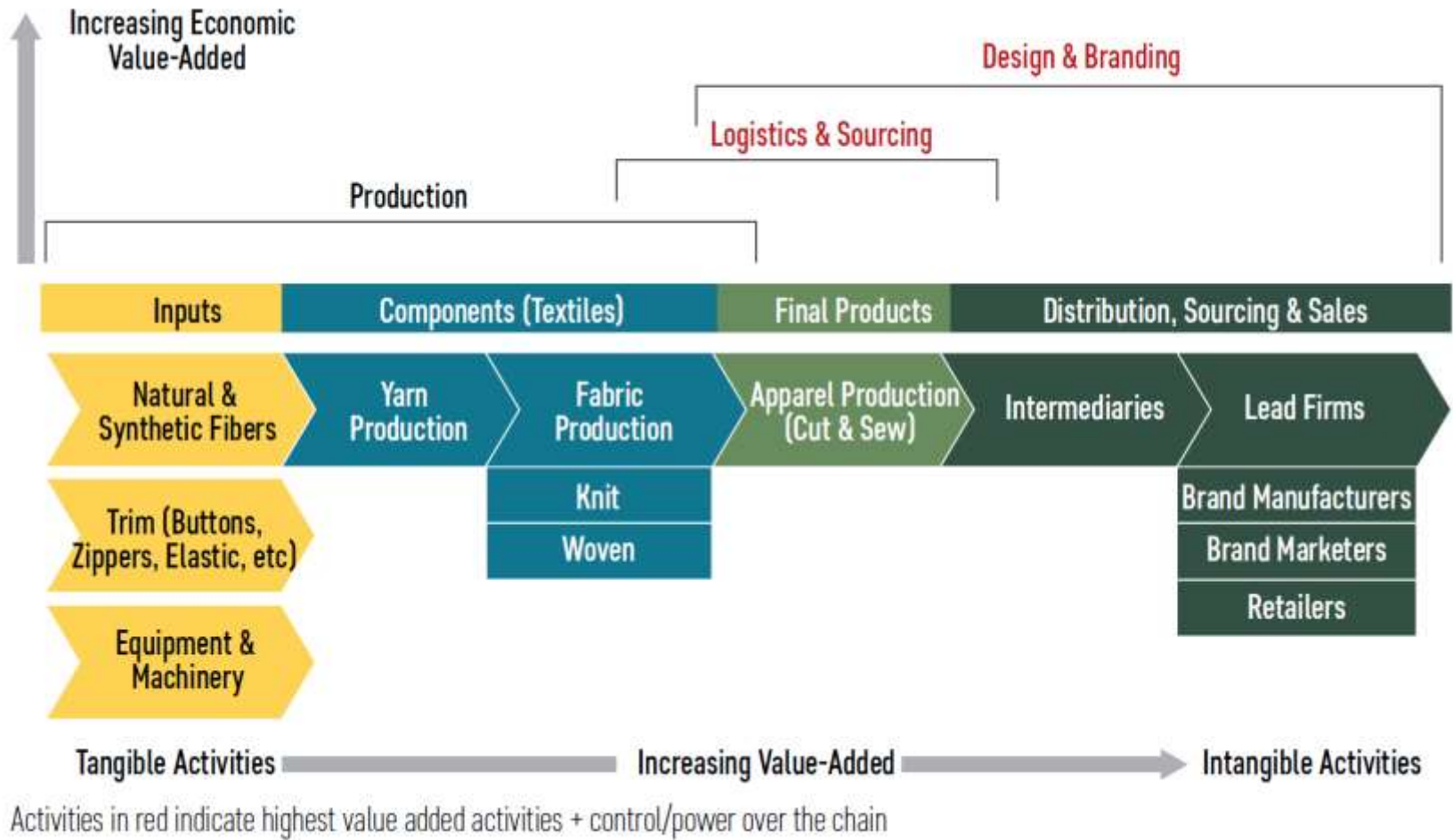
# **Apparel employment, trade, and economic development in South Asia**

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**Delhi, India | 29<sup>th</sup> April, 2016**

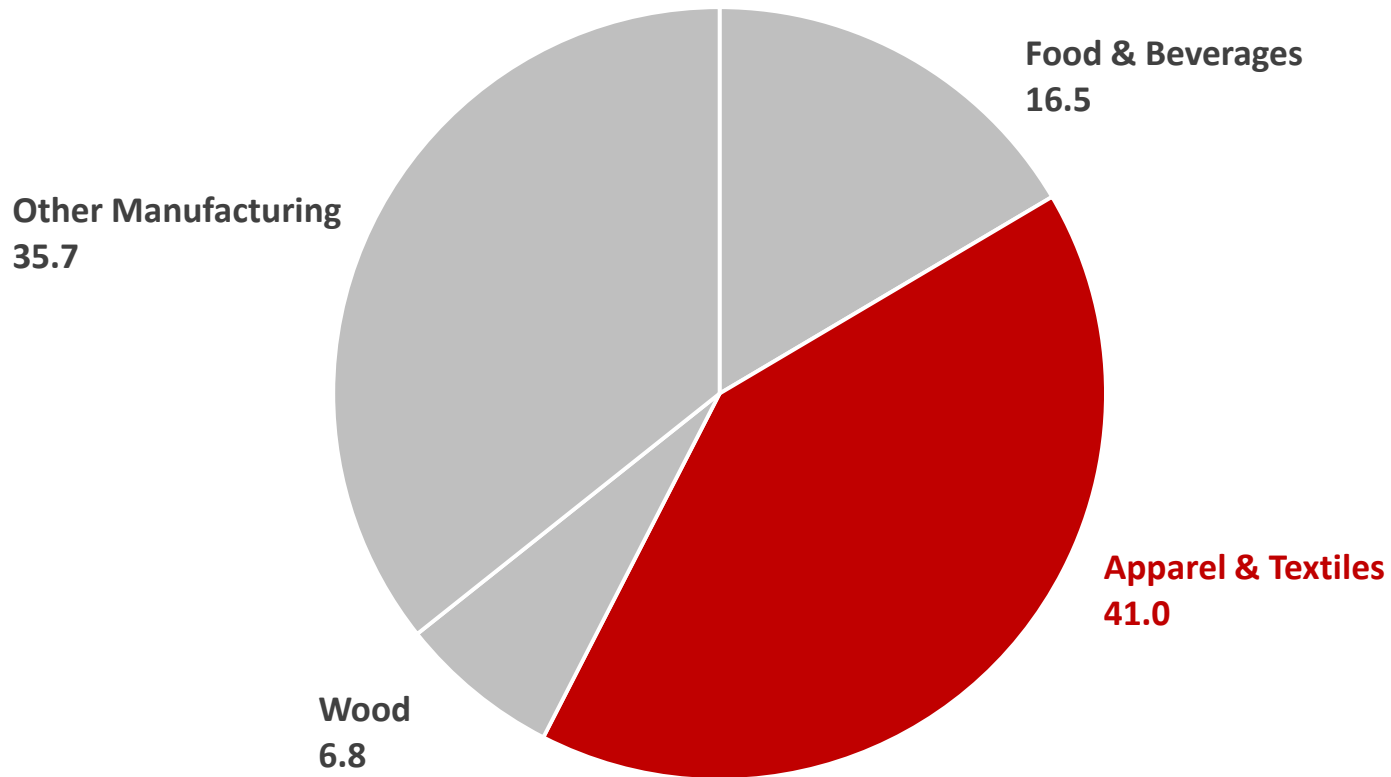
# Apparel production is organized in global value-chains



Source: *Stitches to Riches*

# Apparel is labor-intensive

It makes up 41% of manufacturing employment  
(with textile) in South Asian countries

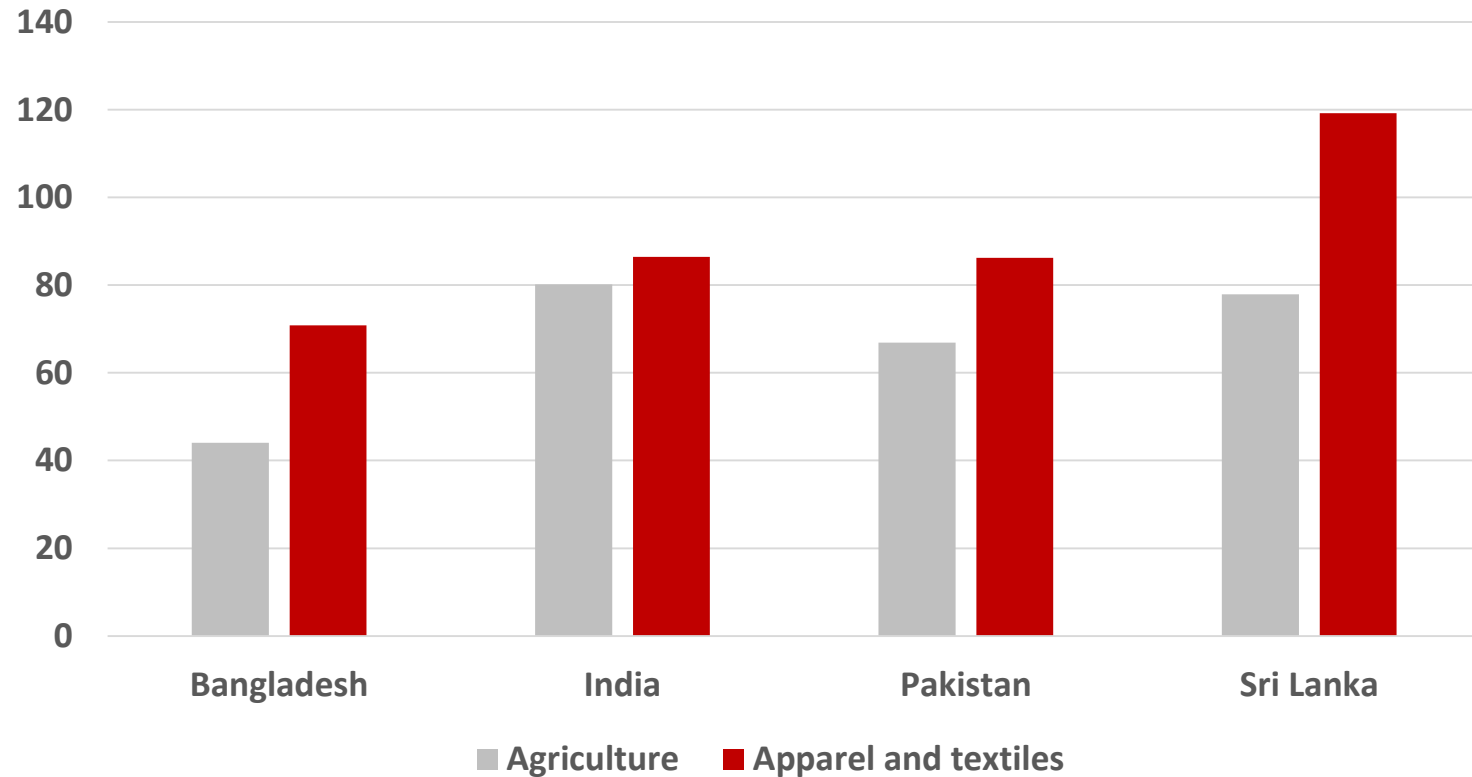


Source: Household and labor force surveys

# Apparel pays higher wages than alternatives

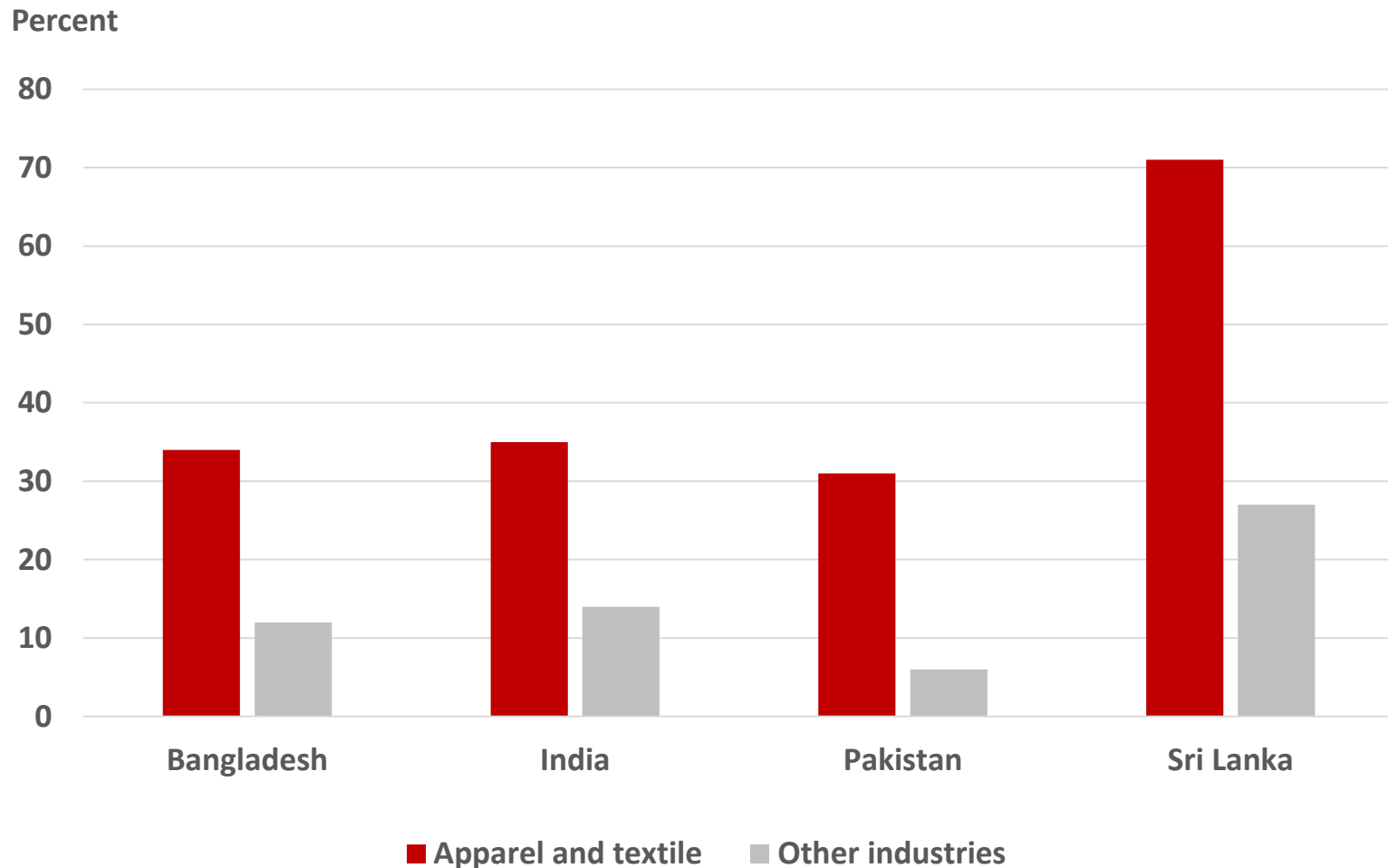
## Apparel wages are higher than agriculture

Monthly earnings,  
2012 USD



Source: *Stitches to Riches*, Chapter 4

# Apparel employs more female workers than other industries



Source: *Stitches to Riches*, Chapter 4

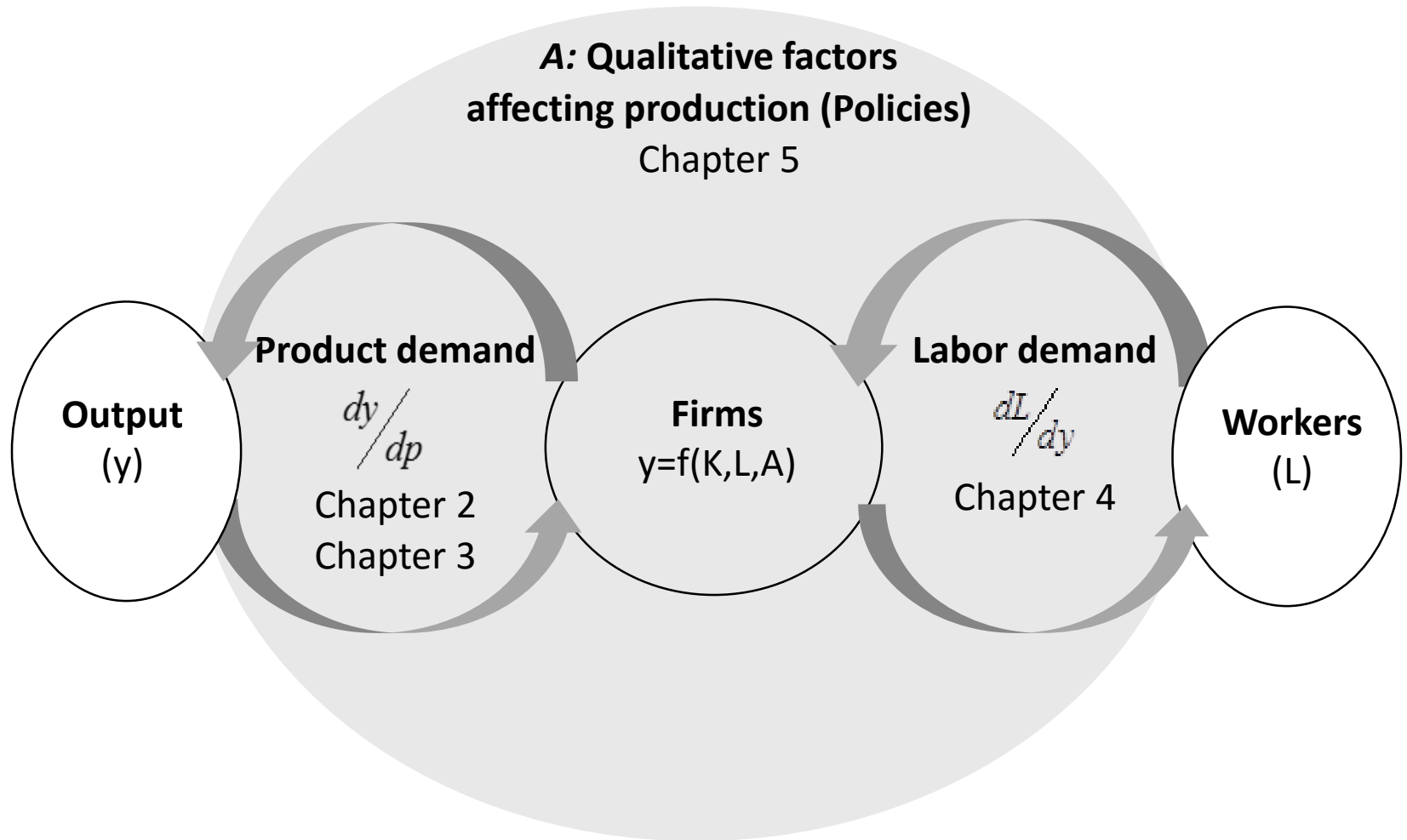
## South Asia is at a crossroads

- On one hand, **China is losing its cost advantage** due to higher wages; it is also **moving to higher value-added products**
- On the other hand, South Asian apparel producers face an environment of **increased competition and scrutiny**

## Question of the study

- How competitive are South Asian apparel producers in the global apparel market?
- How much of production shifting out of China can South Asia capture?
- What effect could increased exports have on employment?

# The Stitches to Riches framework

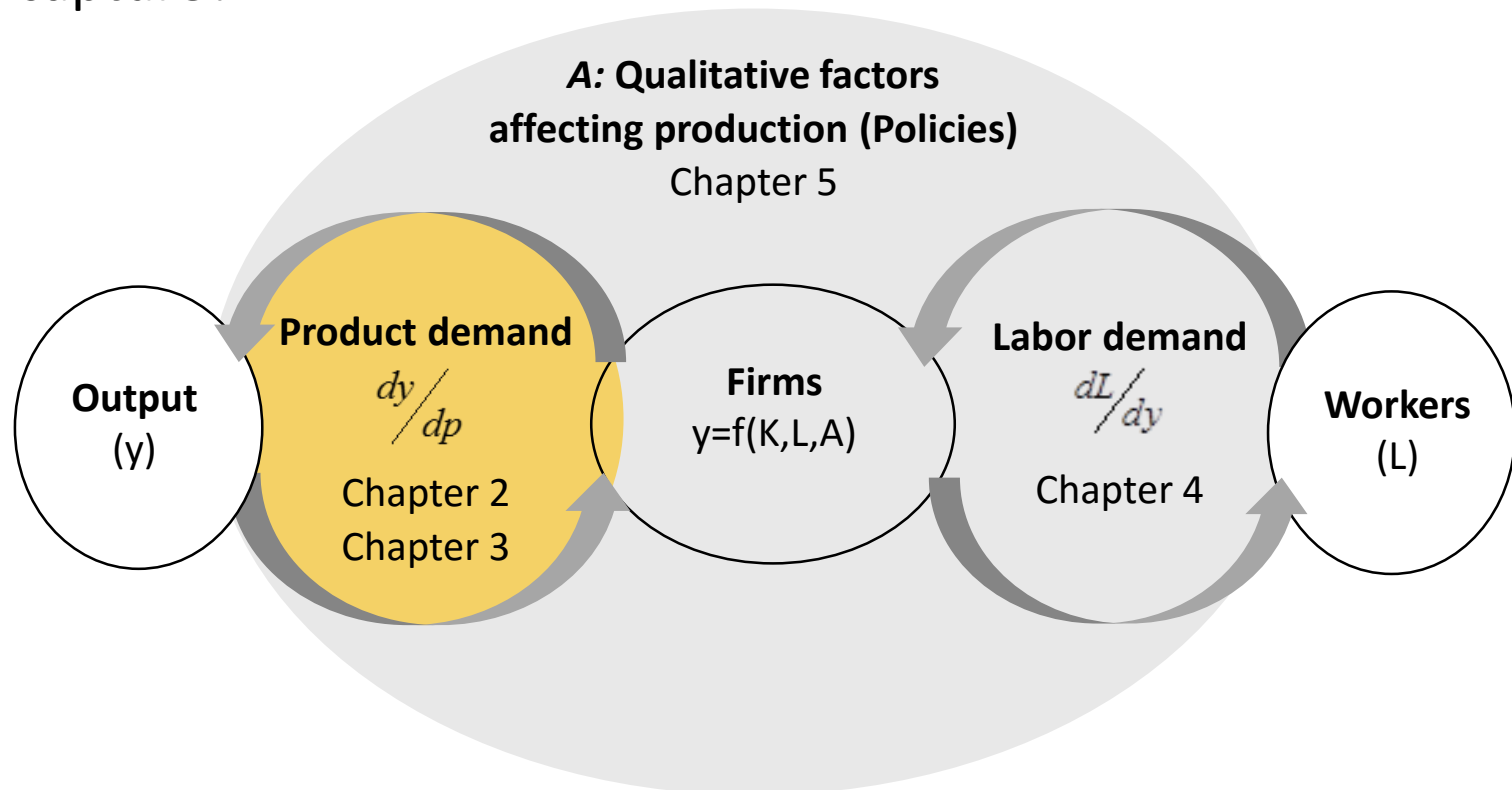


Source: *Stitches to Riches*, Chapter 1



# The Stitches to Riches framework

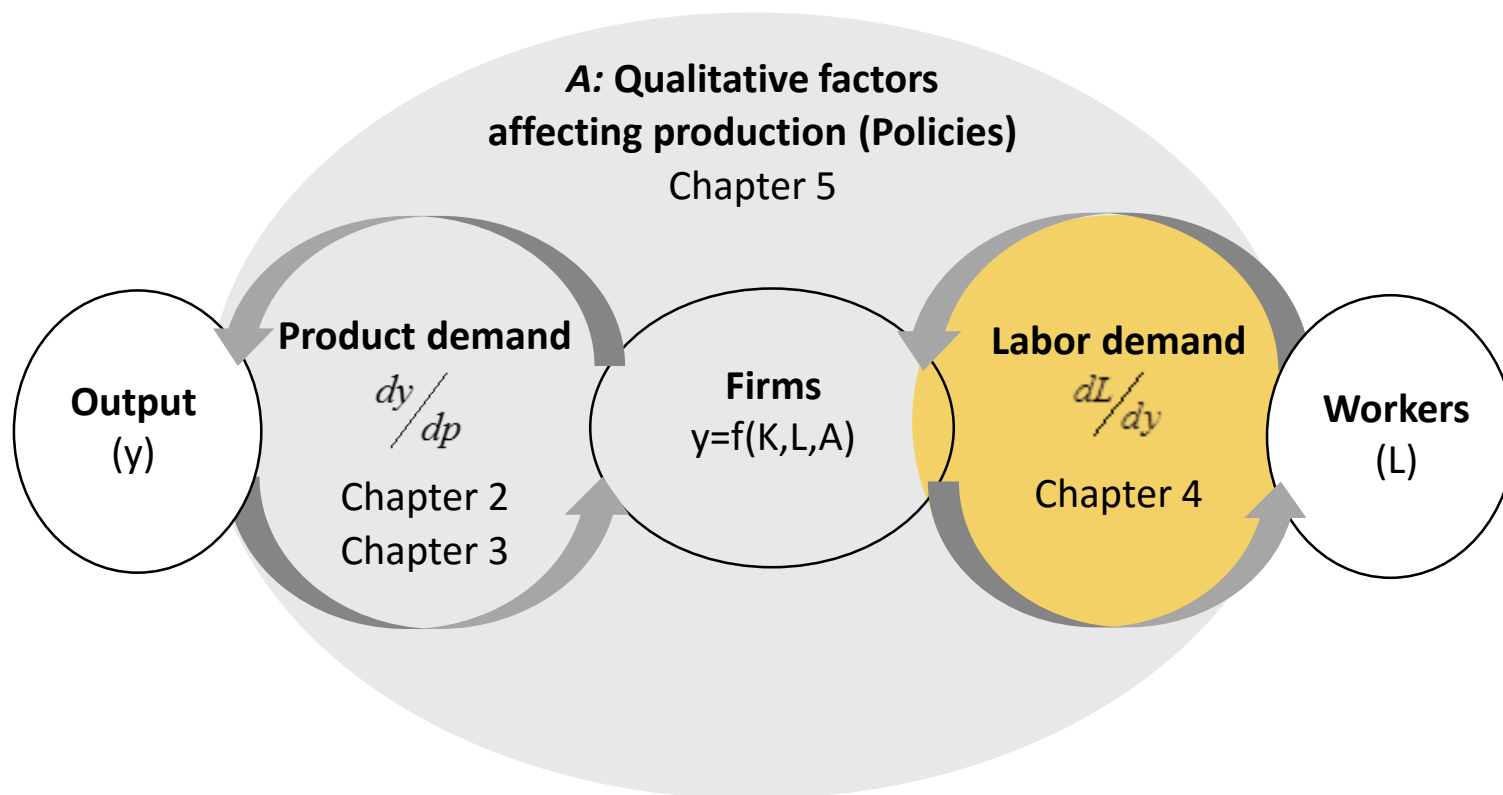
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Source: *Stitches to Riches*, Chapter 1

# The Stitches to Riches framework

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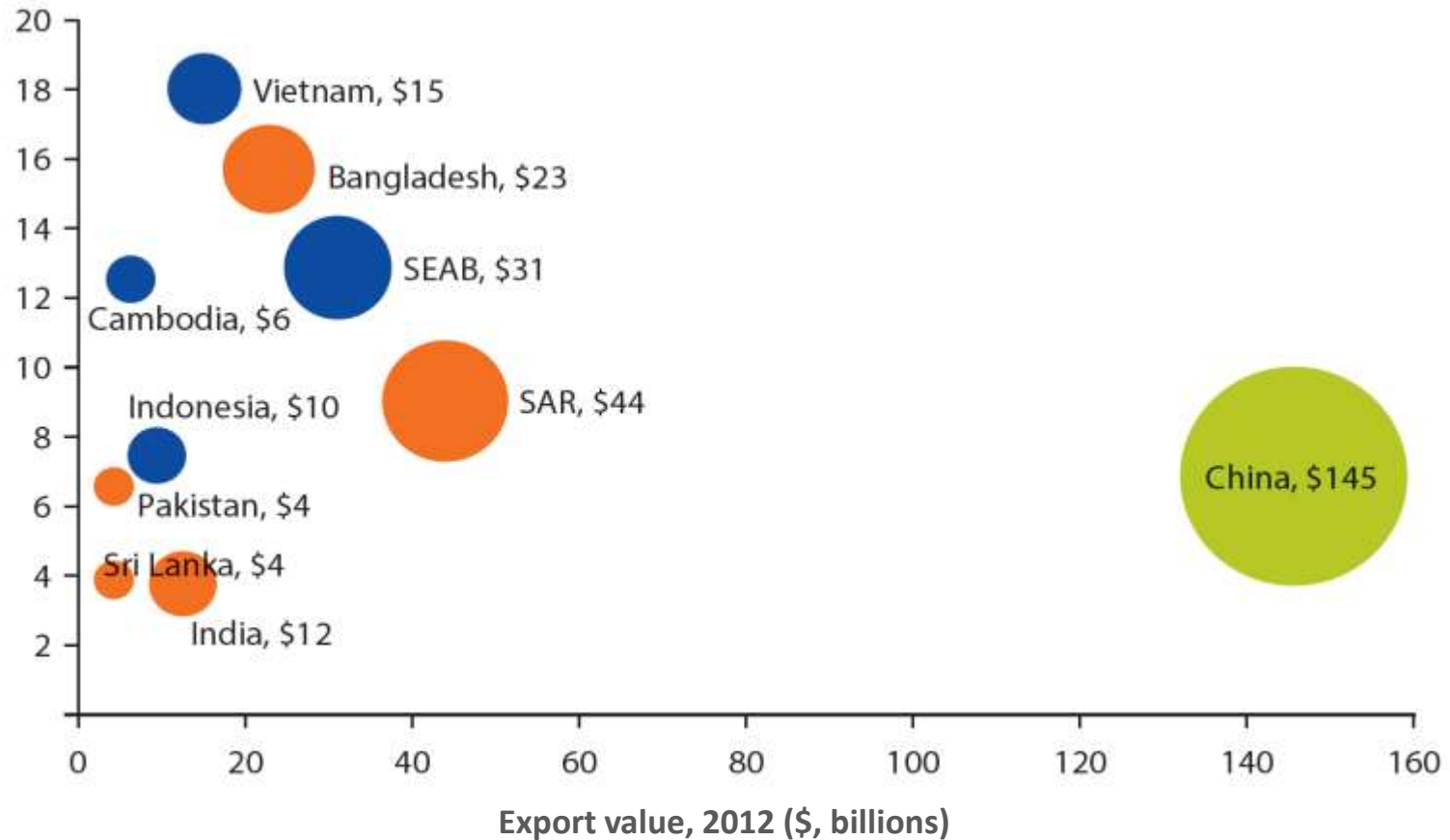
Source: *Stitches to Riches*, Chapter 1

# HOW COMPETITIVE ARE INDIAN APPAREL PRODUCERS IN THE GLOBAL MARKET?

[Benchmarking]

# India is gaining market share, but not as quickly as Southeast Asia

Compound Annual Growth Rate, 2005-12 (%)



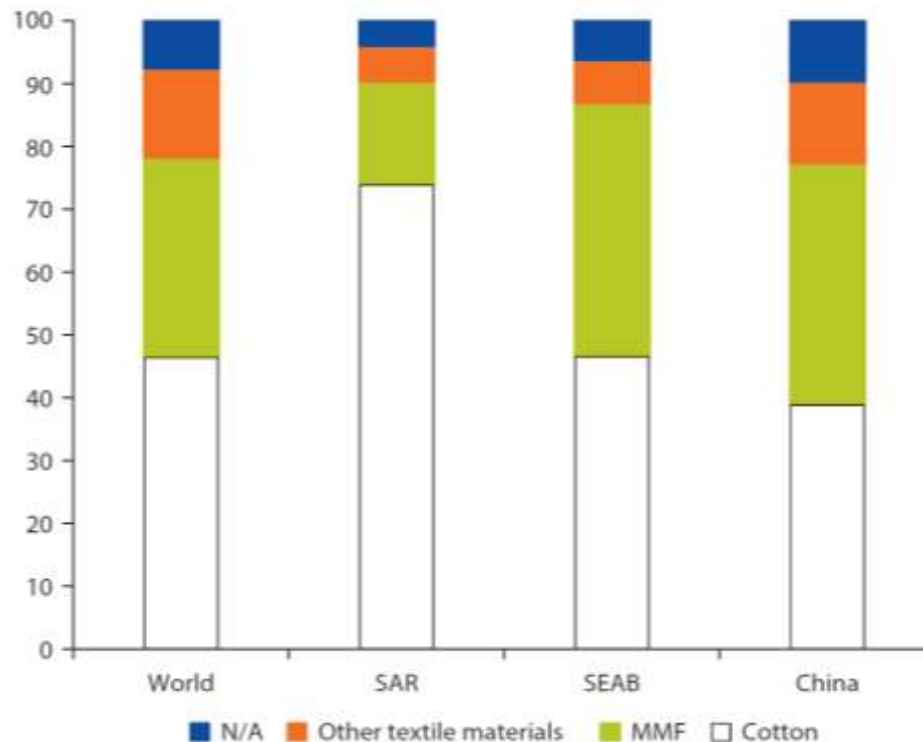
Source: COMTRADE data, *Stitches to Riches* Chapter 2

Note: SAR – South Asia Region countries; SEAB – Southeast Asian Benchmark countries

# Is India aligned with global buyers' demand?

India will need to increase apparel production in manmade fibers to stay competitive

Materials share of apparel exports, 2012 (%)



Source: COMTRADE data, *Stitches to Riches* Chapter 2

Note: MMF - manmade fiber; SAR - South Asian sample countries; SEAB - Southeast Asian benchmark countries. N/A indicates the material is not available in trade data classification definition.

# How do global buyers perceive India's production efficiency?

Despite low unit prices, buyers perceive India's costs to be high

Country	Cost competitiveness	Buyers' perceptions of:	
		Price (FOB)	Productivity
China	▲	▲	●
Bangladesh	●	●	◆
India	▲	◆	◆
Pakistan	●		
Sri Lanka	◆		
Vietnam	▲	●	▲
Cambodia	●	▲	▲
Indonesia	▲	◆	●

● Factor is not a problem     
 ▲ Factor may become an issue     
 ◆ Factor is likely an issue

Source: COMTRADE data, Global Buyers' Survey 2014, *Stitches to Riches* Chapter 2  
 Note: FOB – free on board.

# How do global buyers perceive India's production efficiency?

Southeast Asian countries are outperforming India on non-cost factors that buyers care about

**Buyer's perceptions of:**

<b>Country</b>	<b>Quality</b>	<b>Lead time and reliability</b>	<b>Social compliance and sustainability</b>
China	●	●	▲
Bangladesh	◆	◆	◆
India	◆	◆	◆
Pakistan	◆	◆	◆
Sri Lanka	●	▲	●
Vietnam	●	●	●
Cambodia	▲	▲	▲
Indonesia	▲	▲	●

● Factor is not a problem     
 ▲ Factor may become an issue     
 ◆ Factor is likely an issue

Source: Birnbaum 2013, Global Buyers' Survey 2014, *Stitches to Riches* Chapter 2

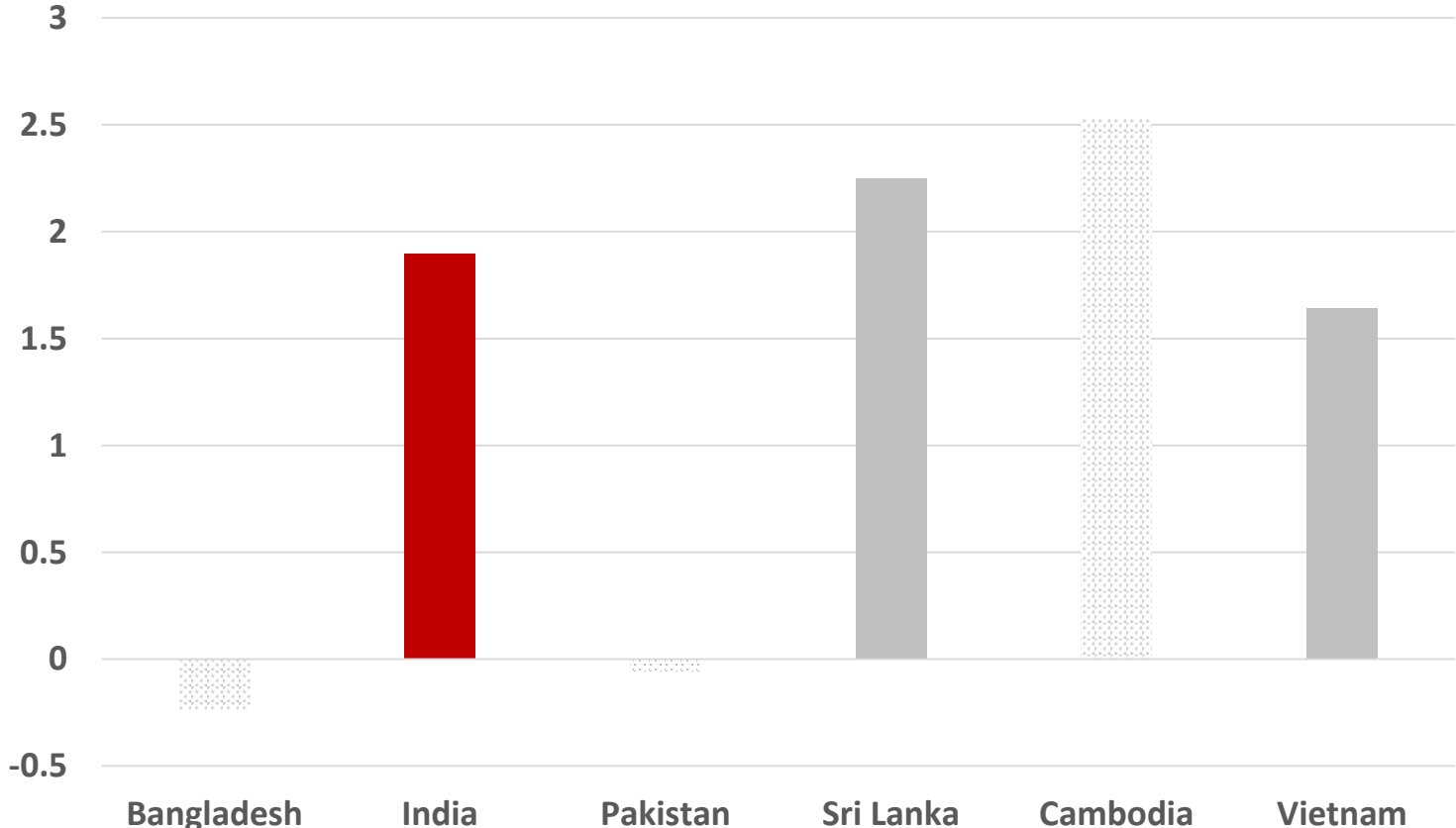
# HOW MUCH OF PRODUCTION SHIFTING OUT OF CHINA CAN INDIA CAPTURE?

[Responsiveness of exports to changes in  
prices]



# A 1% increase in Chinese apparel prices could increase EU demand for Indian apparel exports by 1.90%

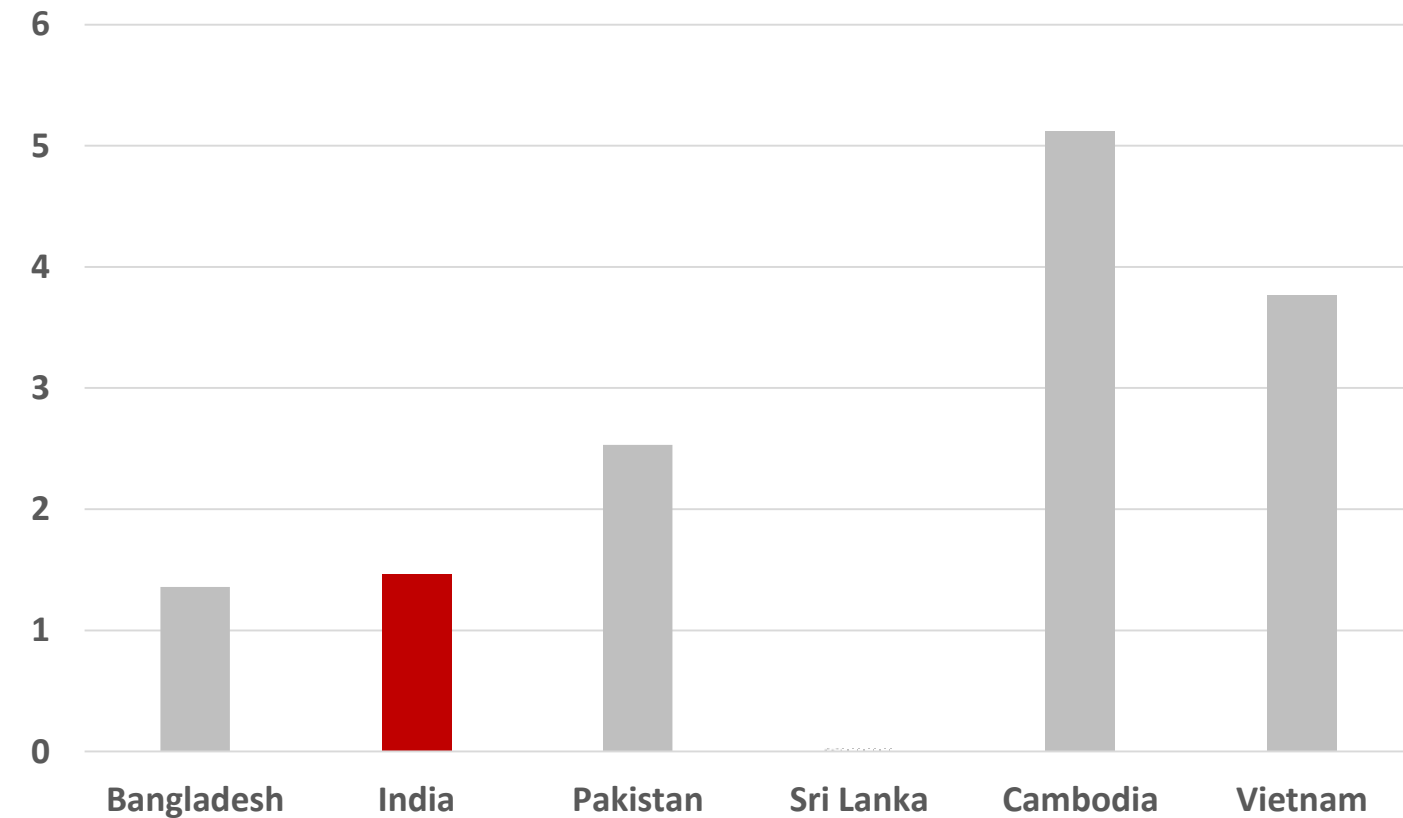
Elasticity of substitution, (% change)



Source: *Stitches to Riches*, Chapter 3  
Note: Pattern indicates results not statistically significant

# A 1% increase in Chinese apparel prices could increase US demand for Indian apparel exports by 1.46%

Elasticity of substitution,  
(% change)



Source: *Stitches to Riches*, Chapter 3

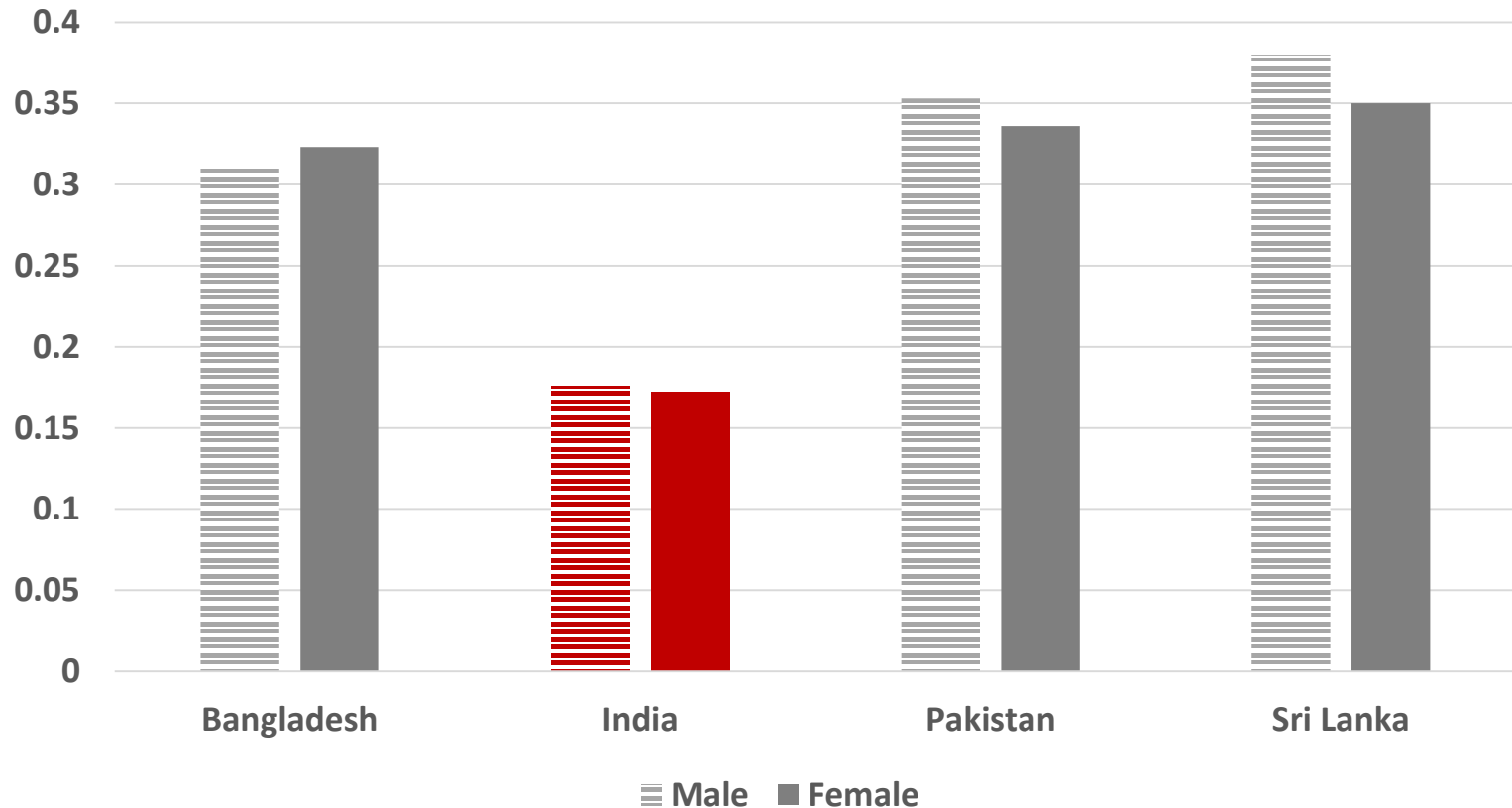
Note: Pattern indicates results not statistically significant

# WHAT EFFECT COULD INCREASED EXPORTS HAVE ON EMPLOYMENT?

[Responsiveness of labor demand to increases in output]

# A 1% increase in output could increase firms' labor demand by 0.17%

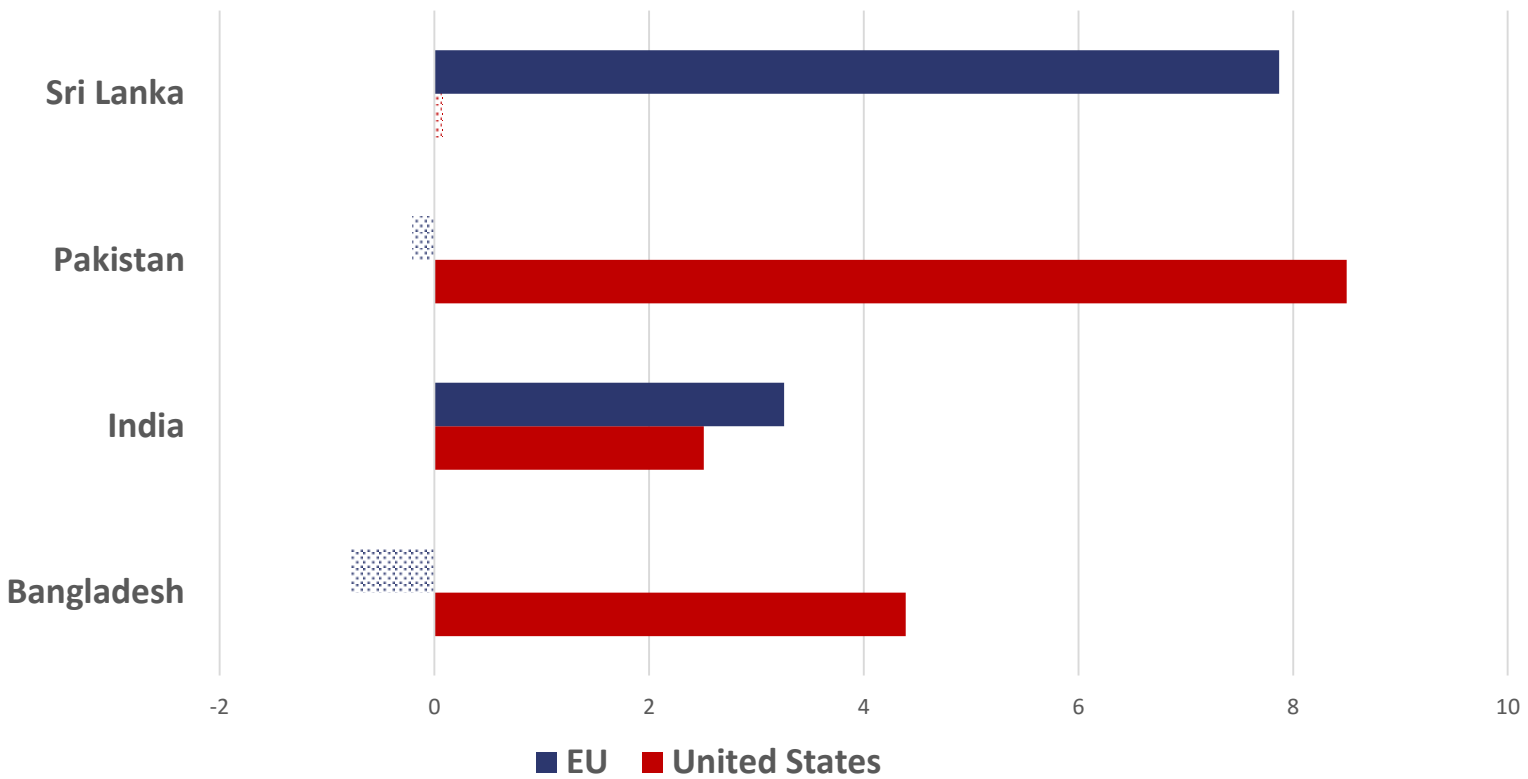
Firm labor demand elasticities,  
(% change)



Source: *Stitches to Riches* Ch. 4

# A 1% increase in Chinese apparel prices could increase firms' demand for female labor by 0.25 – 0.33%

Elasticity of jobs to prices, (% change)



Source: *Stitches to Riches*, Chapter 4

Note: Pattern indicates results not statistically significant

- A 1% increase in wages could increase female labor force participation by **19%**

# How can India increase the apparel sector's potential to create jobs?

- Increase integration between fiber-textile-apparel supply chain
- Leverage SMEs that have the flexibility to quickly adapt to fast fashion
- Leverage its pool of skilled workers to move up the apparel value-chain

# How can India increase the apparel sector's potential to create jobs?

- Reduce tariffs and import barriers to ease access to man-made fibers
- Increase market access for example through increased FDI
- Improve productivity and help firms growth by tackling complex policies.

# Stitches to Riches?

# THANK YOU

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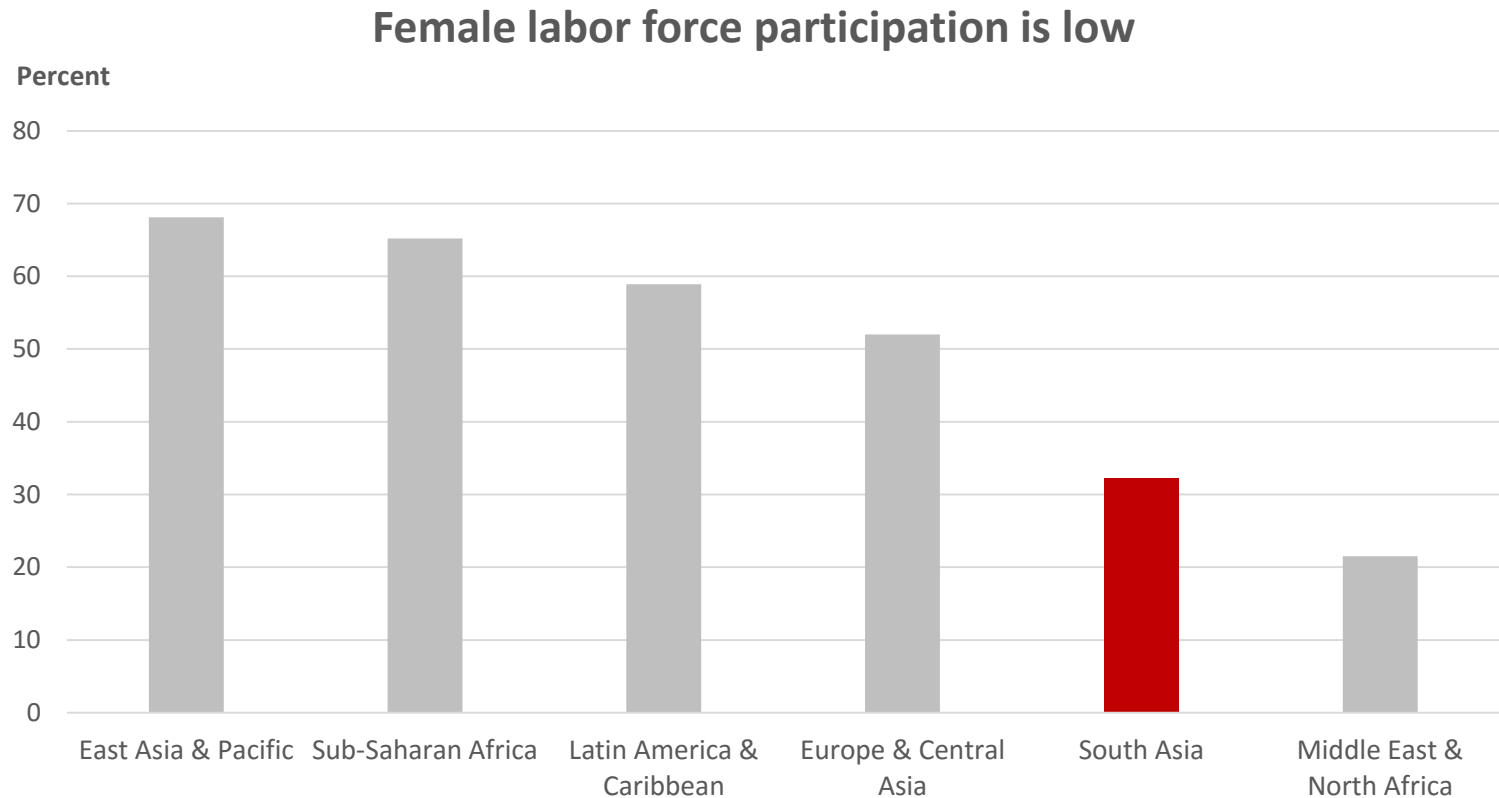
Report available at:

<https://openknowledge.worldbank.org/handle/10986/23961>



# South Asia needs to create jobs for its young people

- About 1 million individuals will enter the workforce every month for the next three decades



# South Asia needs to create jobs with low barriers to entry

The population has an average of 5.3 years of schooling

Median years of schooling

