

# Research Briefing Summary

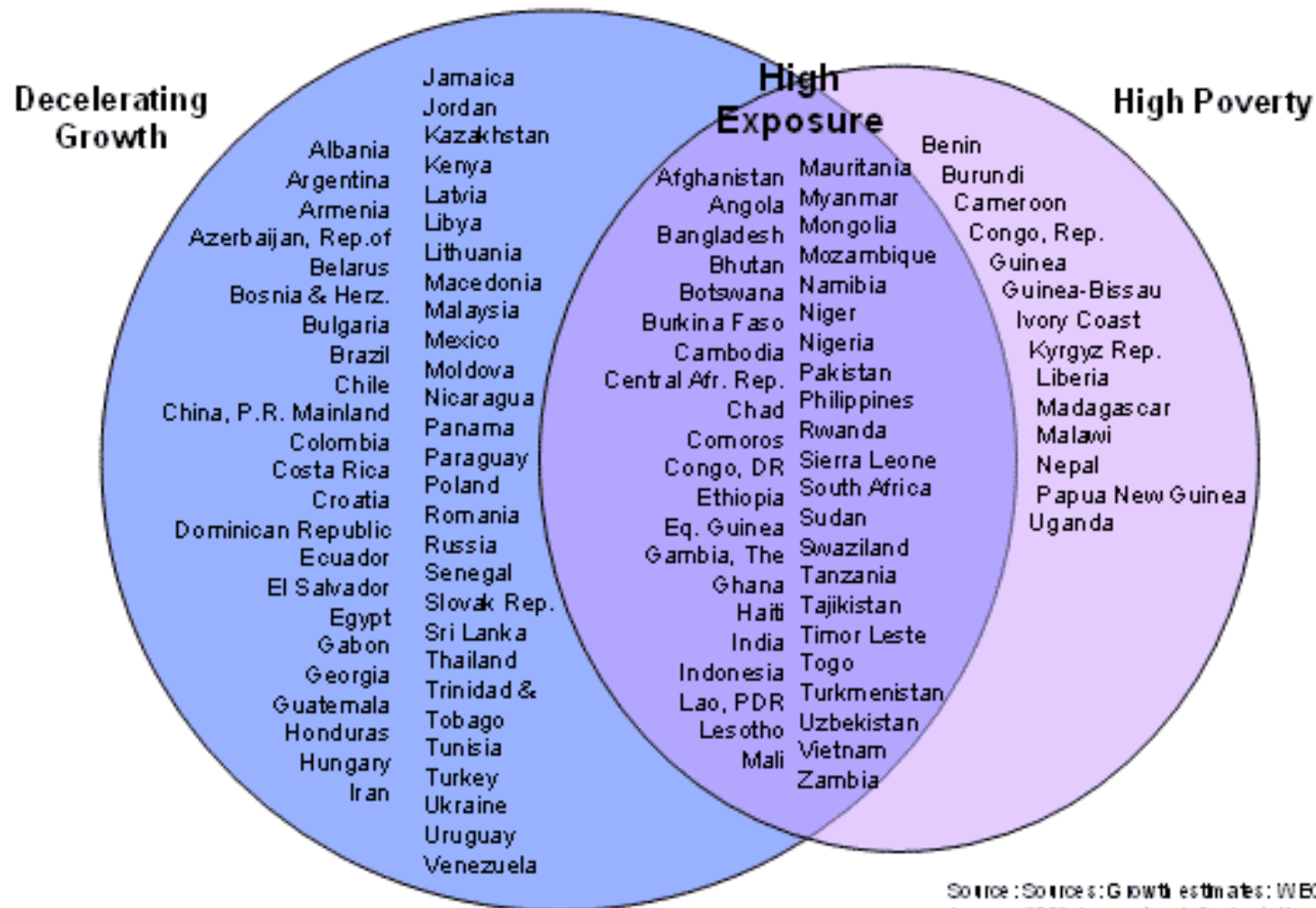
- Which countries are vulnerable?
- Which employers are vulnerable?
- Which employees are vulnerable?

# Which countries are vulnerable?

- Post MFA losers are losing trade faster than before.
- Post MFA winners are still gaining market share but losing absolute trade volumes.
- Suppliers in all countries are under stronger price pressure.
- Some countries (e.g. China) are making efforts to support liquidity and employment in their industries.

**The Bottom Line: This isn't like 2005 - suppliers in all countries are vulnerable.**

# Many garment exporters exposed



Source: Sources: Growth estimates: WEO January 2009 forecasts and Bank staff estimates. Poverty: 2008 WDI estimates for 2005.

# Which employers are vulnerable?

Various (conflicting) predictions about which factories most vulnerable:

- **Small factories** - losing sub-contracting work.
- **Full package operations** - have higher level of risk & working capital needs than CMT.
- **FDI investment factories** - proprietors can up and leave without paying back wages and severance.
- **Employers in countries struggling to be competitive** garment suppliers - already losing work, marginal profitability.
- **Employers in countries** that had been winners post-MFA. Had invested on expectation of growing demand.
- **Factories in countries with longer delivery times**, may lose out to those that can respond faster as buyers cutting inventory.

**Vulnerability does not appear to be limited to a particular location or type of factory.**

# Which employers are vulnerable?

## Individual risk factors

- High levels of debt, currency hedges gone wrong.
- Marginal profitability.
- Falling orders (partly related to country competitiveness, types of product/market niche served, but also to individual buyer-supplier relationship)
- Falling prices, lower lead times.
- Delayed payments, defaulted payments.

Most of the risk factors for closure are individualised to each employer, not by country.

# Which employees are most vulnerable?

- Women workers
- Migrant workers
- Informal, casual workers
- Workers without trade union representation
- Low-skill, new-hires, job-seekers
- Employees already laid-off
- Employees in factories struggling to remain profitable

# What next?

- Possible courses of action
- How to target?
- What criteria?
- What data do you need?

# Possible actions: social safety nets

Social Safety Net Programs		
General approaches	Approaches targeted at the working poor and those in vulnerable employment	Approaches targeted at job losers and new entrants who do not find jobs.
<ul style="list-style-type: none"> <li>•Direct cash transfers, food or other in-kind distribution</li> <li>•Public workfare jobs</li> <li>•General price subsidies</li> <li>•Fee waivers for essential services such as health or education</li> <li>•Microfinance and enterprise development support</li> </ul>	<ul style="list-style-type: none"> <li>•Shorter working hours and partial unemployment benefits</li> <li>•Training</li> <li>•Reduced labor taxes for those in low-wage employment</li> </ul>	<ul style="list-style-type: none"> <li>•Unemployment benefits and job guarantees</li> <li>•Active labor market programs and training</li> <li>•Microcredit and enterprise development support</li> <li>•Specific programs for vulnerable groups such as women, youth and migrant workers.</li> </ul>

# Targeting

- Apparel industry workers
- Unemployed, or in danger of being laid-off
- Particularly those in countries with poor social safety nets
- Particularly those with few other employment opportunities, high risk of poverty.

# How to target interventions?

## By Country?

- ❑ Because you have to start somewhere.
- ❑ Because particular countries are more vulnerable to job losses than others.
- ❑ Respond to national gaps in capacity than others to deal with this (industry support, social safety nets etc...)
- ❑ Identify productive sites for collaborative action (buyers interest, government support, ngo networks)
- ❑ Because the best way to mobilise action is through national level collaboration.

## By Employer?

- ❑ Because the best way to reach workers is in factories before or when they are made redundant.
- ❑ Because particular suppliers are more vulnerable than others.
- ❑ Because the quickest way to mobilise action is through supply chain relationships.

Need to discuss these (and other) premises for your actions, to determine best approach and criteria and data needed to do targeting...

on the next slide = my thoughts

# How to target interventions?

## By Country?

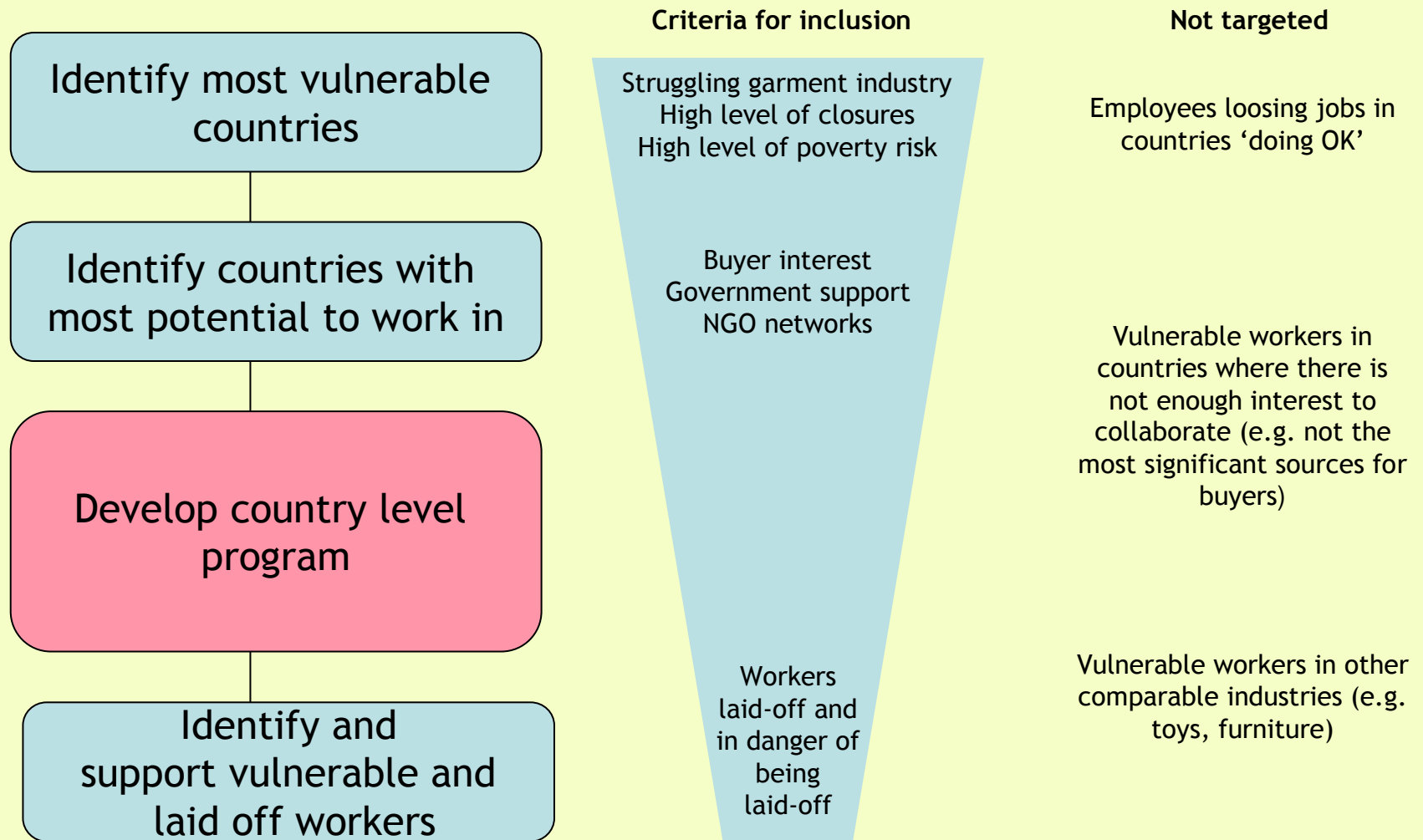
- ✓ Because you have to start somewhere.
- ❑ Because particular countries are more vulnerable to job losses than others.
- ✓ Respond to national gaps in capacity than others to deal with this (industry support, social safety nets etc...)
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## By Employer?

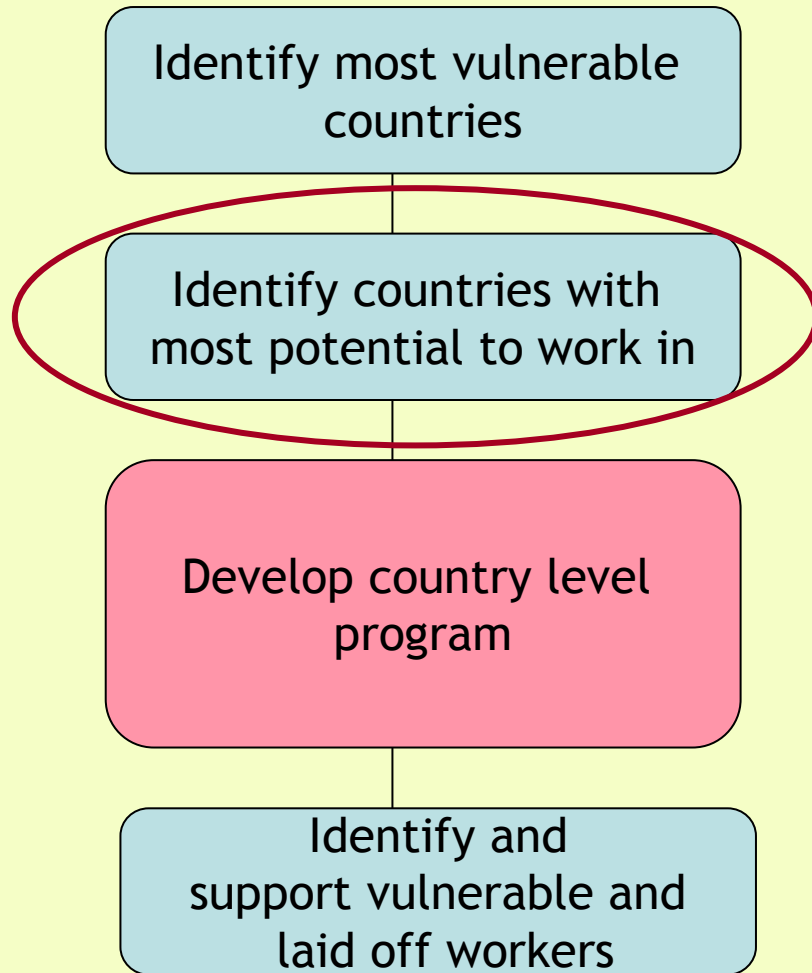
- ✓ Because the best way to reach workers is in factories before or when they are made redundant.
- ✓ Because particular suppliers are more vulnerable than others.
- ✓ Because the quickest way to mobilise action is through supply chain relationships.

Is this right?

# Targeting by country



# Targeting by country

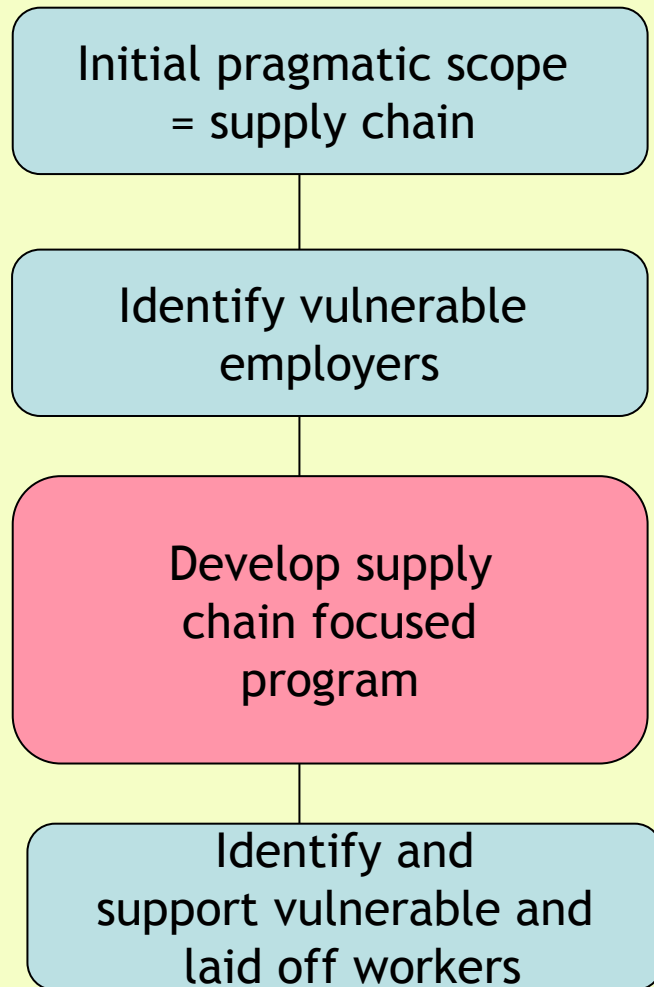


NB: this was the approach taken by the MFA Forum in 2005.

In practice this was the key question in determining which countries to work in = buyer interest.

This has been much slower and more difficult than initially expected - lack of effective carrots/sticks, stakeholders on all sides gaming, disengagement from commercial relationships and realities.

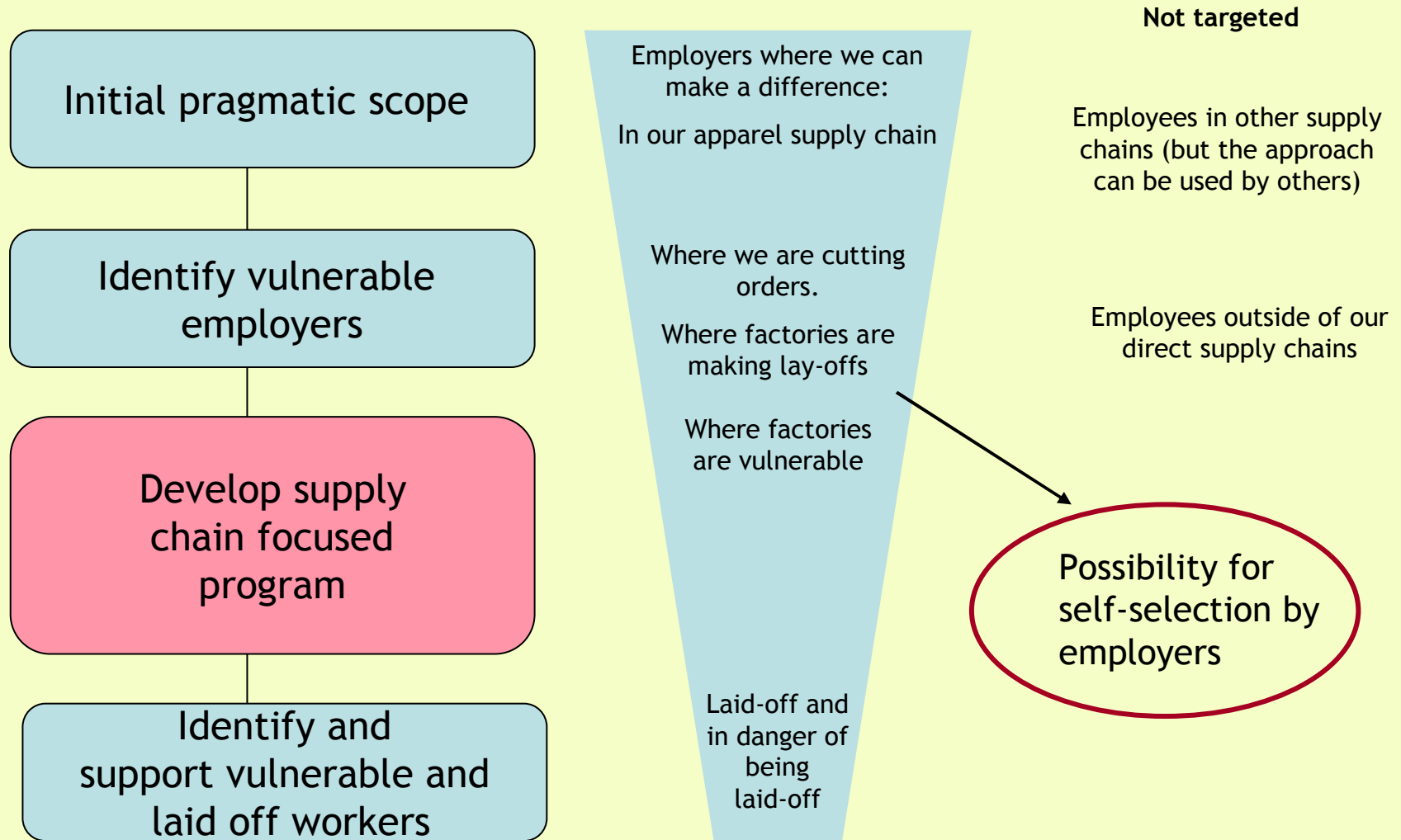
# Targeting by employer



## A better approach for 2009?

- Employers in all countries are vulnerable in this downturn
- Risk Factors are factory specific
- Best way to identify and reach workers before they are laid off is through factories.
- Collaborating through supply chain quicker, sharper, more focused and linked to commercial relationships than national level programs.

# Targeting by employer



# Setting criteria

## By Country?

- ❑ Identify vulnerable countries
- ❑ Identify countries with potential for collaboration
- ❑ Develop **early warning system** for identifying vulnerable employers in these countries.

“the easy bit” - we have data to do this, we can make predictions

## By Employer?

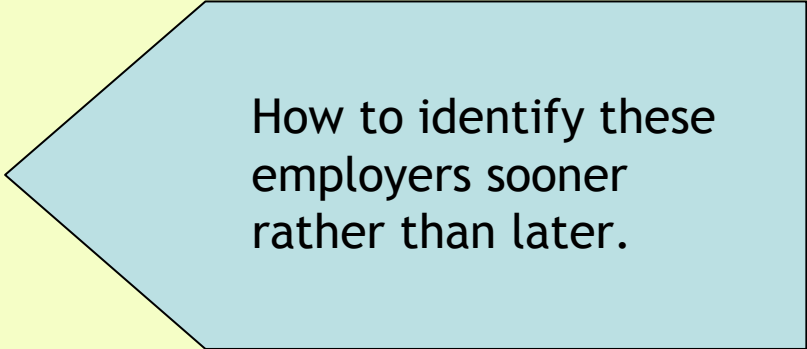
- ❑ Develop **early warning system** for identifying (and self-identifying) vulnerable employers in the supply chain.

“the hard bit” - in either case would need to do this, it is harder, data is less available and more sensitive.

# An EWS for supplier vulnerability?

## Risk Factors

- High levels of debt, currency hedges gone wrong.
- Marginal profitability.
- Falling orders (partly related to country competitiveness, types of product/market niche served, but also to individual buyer-supplier relationship)
- Falling prices, lower lead times.
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How to identify these employers sooner rather than later.

# What Data?

	Supplier vulnerability	Social vulnerability
Leading Indicators	<ul style="list-style-type: none"> <li>Retail performance</li> <li>Buyer intentions</li> <li>Buyer intelligence about supplier vulnerability</li> <li>NGO and trade union intelligence about supplier vulnerability</li> <li>Data on factory shipping manifests</li> <li>Stakeholder and expert predictions</li> </ul>	<ul style="list-style-type: none"> <li>General economic outlook</li> <li>Adequacy of existing social safety nets</li> <li>Poverty risk</li> <li>Compliance risk</li> </ul>
Lagging Indicators	<ul style="list-style-type: none"> <li>Trade data</li> <li>Reported closures</li> </ul>	<ul style="list-style-type: none"> <li>Reported lay-offs and conflicts</li> <li>Reported social impacts</li> </ul>

**What other data?**  
**What would be useful for identifying vulnerable countries? Vulnerable suppliers? Vulnerable workers?**

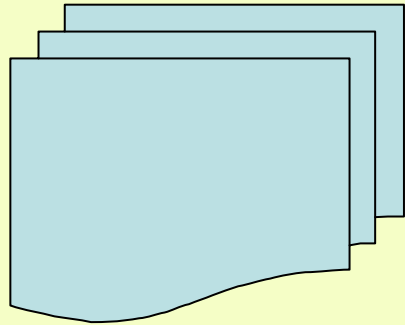
# Data availability: leading indicators

	Source (hard/medium/easy)	Level	Quality/reliability
Retail performance data	Industry news e.g. Retail Week	Industry, markets, products	Good, but difficulty is in interpreting implications for suppliers
Buyer intentions	Buyer survey	Countries	?
Buyer intelligence about supplier vulnerability	Potential buyer survey	Suppliers	? Commercially sensitive
NGO and trade union intelligence about supplier vulnerability	From networks	Suppliers	mixed
Data on factory shipping manifests	Commerical -e.g. Panjiva, Piers	Suppliers	May not be reliable, US only
Stakeholder and expert predictions	From networks, Interviews, industry and local news	Industry, markets, products, countries	Many predictions partial, driven by particular interests.
General economic outlook	Trackers e.g. EIU, USAID, World Bank	Countries	Good
Adequacy of existing social safety nets	Research, from networks	Countries	OK,
Poverty risk	Trackers e.g. USAID, World Bank	Countries	OK
Compliance risk	From networks - buyers, compliance initiatives		

# Data availability: lagging indicators

	Source (hard/medium/easy)	Level	Quality/reliability/usefulness
Trade data	Official databases	Country, product, markets	1-2 months in arrears.
Reported closures	From networks, press reports	Supplier, country	Mixed
Reported lay-offs and conflicts	From networks, press reports	Supplier, country	Mixed
Reported social impacts	From networks, press reports	Supplier, country	Mixed

# What data is most useful?

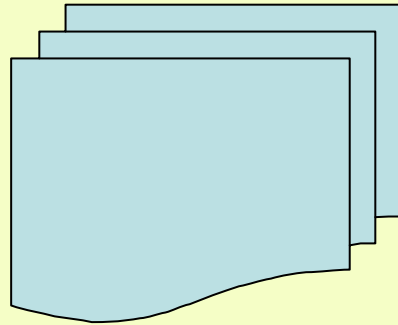


Initial briefing for April meeting:

Rapid research:

mainly easily available, lagging data

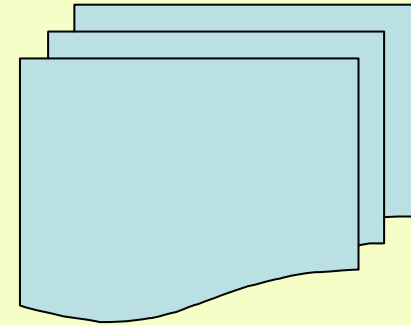
Outline current status, what we know, initial predictions being made.



Ongoing updates:

What information do you need to gather and share inform decision making in this program? - is it an EWS for industry, country or supplier level vulnerability?

What pathways do we need to build to get that information?



Future scenarios

What information is needed to build up long-term picture for the industry?

Who is credible to do this?

# A basic format for ongoing updates



Financial crisis impacts on the apparel sector: Update May 2009

## Retail performance

US and Europe data, key retailers

## Trade volumes

US and Europe monthly data summary

## Impacts on workers

News about closures, lay offs, conflicts

## News and comment

Reports of expert & stakeholder comments and predictions

News on social safety net programs, industry programs, stimulus packages etc...

Research

**Would something like this be useful? What else?**