

## Just Jobs in Global Value Chains: Inclusive Industrialization in ASEAN

### Workshop Summary

February 29, 2016

#### *I. Context*

Countries around the world – and particularly in Asia – have leveraged economic integration to drive economic growth. Since Gary Gereffi’s landmark paper in 1994, which first explained the organization of production into “global value chains” (GVCs), developing and emerging economies have begun to stake larger claims in the global economy as well as greater authority in the production processes that drive it.<sup>i</sup>

But despite the economic success of countries in regions like Southeast Asia, major challenges remain. Several countries in the region struggle to reconcile higher value added production with the need for more jobs and a competitive labor force. Others, unable to meet the challenge, do not diversify their economies and find themselves stuck in low-value added activities. All compete to claim their share of the global value chain in a landscape that has grown ever more crowded.

Meanwhile, greater industrialization and participation in global value chains has failed to reduce inequality or to improve working conditions for many. The Philippines and Malaysia, for instance, sit near the top of the OECD’s Global Value Chains Participation Index,<sup>ii</sup> but the Gini coefficient in both countries has remained the same suggesting that integration into global supply chains has not led to the broad-based prosperity in these countries that some had anticipated.<sup>iii</sup>

This is the backdrop against which the Sustainable Development Goal (SDG) #9 of the post-2015 development agenda calls for “promoting inclusive and sustainable industrialization and fostering innovation.” Yet the concept of inclusive industrialization remains vaguely defined. What is clear though is that employment and working conditions must be a cornerstone of inclusive industrialization.

The JustJobs Network is convening a research consortium with partners in the Philippines, Myanmar and Vietnam to conduct a two-year project assessing how employment and working conditions change as particular sectors in these nations integrate into global value chains. Through the course of this project, the research consortium will also delineate what inclusive industrialization means in an era of global value chains.

## II. *Workshop # 1: February 29, 2016 Bangkok, Thailand*

To this end, the JustJobs Network (JJN), together with the [the International Development Research Centre of Canada](#) and [the Asia-Pacific Research and Training Network](#) (ARTNeT) co-hosted a workshop on February 29, 2016. Twenty policy experts and researchers participated in the day-long workshop in Bangkok, Thailand. The goal of the workshop was to seek inputs into a proposed project titled *Just Jobs in Global Value Chains: Inclusive Industrialization for ASEAN*. The project will assess how participation in global value chains affects the quantity and quality of employment.

JJN outlined three broad goals of the workshop:

1. Identify gaps in the literature on Global Value Chains (GVCs)
2. Define ways in which this project will add value to the existing literature and discourse on GVCs
3. Develop a concrete plan with research partners to execute the project

Two presentations provided an overview of the current literature:

- Current Trends in GVCs by Atisha Kumar, Research Director, JJN. Available [here](#).
- UN ESCAP Research on Global Value Chains by Mia Mikic, Chief, Trade Policy and Analysis - Trade, Investment and Innovation Division, UN ESCAP. Available [here](#).

Following the presentations, the participants engaged in an active discussion.

### **1. Defining Inclusive Industrialization**

Several dimensions of ‘inclusive industrialization’ emerged during the course of discussion, including:

- Integration of less developed countries into GVCs
- Greater participation by micro, small and medium enterprises (MSME), which make up a large percentage of the manufacturing sector
- Technology transfer and economic upgrading
- Employment-rich industrialization, given the trade-off between economic upgrading and employment
- Greater distribution of economic gains and better working conditions for workers
- Emphasis on sectors that employ female workers
- Less restrictive intellectual property regimes in Free Trade Agreements that allow development of domestic research capacity

The research consortium agreed to explore each of these dimensions and arrive at a definition of inclusive industrialization during the course of the project.

## 2. Stakeholder Analysis

One of the proposed outputs of the project is a stakeholder analysis that will focus on three groups of stakeholders: the government/policymakers, firms and workers. The research partners also suggested that global brands and retailers should be included as stakeholders especially in the garments value chain. Using primary data from interviews, the analysis will examine what each of these stakeholders expect from GVC participation and whether integration in GVCs is helping meet their expectations.

There was general agreement that this would be a valuable exercise. Generally, macro datasets may not provide a detailed picture that captures the complexities of GVC participation, especially for developing countries. The stakeholder interviews would also provide useful insights into strategies and policies that successfully leveraged GVC participation to achieve ‘inclusive industrialization.’ For example, the interviews may highlight policies that helped governments enhance competitiveness and create jobs through GVC participation.

To limit the scope of the research, the analysis will not include domestic suppliers of exporting firms or domestic providers of ancillary services like transportation

## 3. Upgrading vs. Participation/Diversification

Two policy pathways for promoting “inclusive industrialization” were discussed extensively.

First, increasing (or diversifying) participation in GVCs even in low value added activities may be beneficial for countries. It may be possible to create more and better jobs without economic upgrading using the right set of policies – but this may not be sustainable. Developing countries need to avoid getting ‘trapped’ in low value added tasks. There is a high risk of these activities moving to the place with the lowest production costs, whether it is another developing country with lower labor costs or even a developed country using automated production technology.

The second policy direction is to upgrade economic activity within the same value chain. This can be achieved only if integration with the global economy is accompanied by domestic policies that promote trade facilitation, human resource development and social protection. At the same time, there is an implicit trade off in economic upgrading between expanding employment and enhancing productivity and technology adoption.

## 4. Choice of sectors

The researchers suggest examining two sectors across countries:

- a. **Apparel in Myanmar and Vietnam.** Vietnam presents an opportunity to study a low-income country that is successfully integrating itself into global value chains – particularly in the apparel sector. With increasing labor costs in China, serious concerns over workers’ safety in Bangladesh, and the imminent Trans-Pacific Partnership, Vietnam is poised to assume an even larger role in the global apparel industry. Myanmar, due to its availability of labor, has a comparative advantage in labor intensive

manufacturing. While Myanmar has been a participant in the apparel value chain since the 1990s, the growth of the apparel sector has suffered due to sanctions imposed on the military *junta* regime. With a democratically elected government currently in power, the apparel industry in Myanmar is in a strong position to grow.

- b. Small Electronics in the Philippines and Vietnam.** While the Philippines has been successful in building one of the world's largest electronics industries – accounting for about 43 percent of the country's exports in 2012<sup>iv</sup> – a movement up the value chain is required to increase the sector's competitiveness, reduce its vulnerabilities, and create higher-productivity employment. An upgraded product stream might include printers, projectors, scanners, digital cameras, photovoltaic cells, LEDs, rechargeable batteries for hybrid electric vehicles, and mobile digital devices.<sup>v</sup> Vietnam also exhibits high potential in the electronics sector. Between 2010 and 2014, Vietnam's exports of electronics have increased by a staggering 78% per year with the share of electronics in exports going up from 5% to 23%<sup>vi</sup>. Building on this success, Vietnam will be able to create additional jobs for its population.

Workshop participants from Myanmar, the Philippines and Vietnam provided valuable perspectives on each of the chosen sectors in their respective countries. These perspectives confirmed the economic importance of the selected sectors.

Participants proposed including the agro-processing sector in the study because, in most ASEAN countries, agriculture employs a large number of people but suffers from low productivity. Moreover, for some low income developing countries, agricultural products may be the only point of entry into GVCs.

## **5. Comparison between firms within the same sector**

The participants discussed whether the research could survey firms to determine the extent of their participation in GVCs and compare GVC participants and non-participant firms. A recently concluded survey of firms in the Philippines can be used as an example for surveys in other countries. The current survey does not include questions that would shed light on the quality of employment so extending the survey was also discussed.

Other than the abovementioned survey, research partners will share data collected for previous research as well as draw upon other available datasets such as national enterprise surveys and labor force surveys.

## **6. Outcomes of the project**

Some degree of caution is required in using evidence from specific country-sector pairs in making general policy prescriptions. Nonetheless, international comparison of the same sector across two countries will provide valuable insights for policy makers in both countries. The stakeholder analysis will also be a uniquely valuable exercise. Data collected for the purpose of this project will be very useful for future research, especially in Myanmar, where data availability is a challenge.

## 7. Next Steps

JustJobs Network will circulate a more detailed proposal (including an outline) to workshop participants.

JJN will solicit existing surveys, data sources and research from partners, specifically:

- Philippines firm-level questionnaire
- Myanmar garment sector survey details
- Myanmar research on agro processing
- Vietnam enterprise survey
- Other firm surveys from the selected countries

These will serve as inputs for the detailed proposal and framing paper.

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