PROMOTING FAIR WAGES, PRODUCTIVITY AND JOBS IN GARMENTS AND FOOTWEAR IN INDONESIA

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I. INTRODUCTION

The notion of fair wages is quite new in Indonesia. It refers to industry and company rather than government regulation of wages, based on the estimated minimum needs of households, and sometimes the capacity to pay, in a specific location or industry. In practice, the fair wage resembles the government's estimate of minimum living needs (*kehidupan hidup minimum*), which has been the mainstay of minimum wage policy in Indonesia since before the economic crisis in 1998.[1] However, fair wages have a different social dimension, apart from the national goal of improving worker living standards. They imply that private enterprise has an obligation in its wage policies not just to pay the official minimum wage. It should also to take into account the economic and social needs of their work force and the families of their workers..

The Indonesian government has taken a strong pro-labour stance in setting minimum wages (MW), based on minimum living needs, in recent years. It has signalled that the government, not private enterprise, has the responsibility for setting the wages of new workers (entry-level wages). There is some overlap in the government's approach to MW and the notion of fair wages set by private enterprise. However, there is still little understanding of how a fair wage regime might be introduced and implemented at the industry and company level. Internationally, consumer groups and NGOs have begun to push private enterprise, especially multinational corporations operating in low-wage industries, such as garments (apparel) and footwear, to formulate fair wage policies.[2] But it is not always clear how such policies might be integrated with national wage and welfare policies. Nor, in the Indonesian case, has there been much discussion of the potential costs of an aggressive fair wage policy for employment growth. This is

[1] It is also similar to 'living' wages, *kehidupan layak*, set out as a goal of wage policy to replace the KHM in the new Manpower Act passed in February 2003

especially pertinent at a time of relatively slow expansion of industrial production and exports in key job creating industries in Indonesia.

Thus, the paper places the discussion of fair wages in the context of national wage and employment policies, which have the reduction of poverty and improvement in labour welfare as their prime aims. The paper focuses on the garments and footwear industries. It argues that a fair wage policy can be important for labour standards in these industries, and in companies (and their contractors) like adidas-Salomon. But it needs to be carefully formulated in the context of past and present national wage policies. In addition, the current structure of employment and earnings in the industry has to be taken in consideration, as firms seek to restructure and gain a competitive edge in a strongly contested international market.

The next section of the paper looks briefly at the concept of fair wages and how they might be measured. We then deal with past and present minimum wage policies at a national level, and wage setting at lower levels of government under regional autonomy, and how these are related to fair wage policies. This third section also looks at some difficult issues in setting minimum and fair wages, especially determining an appropriate 'basket' of goods and the relevant target group, be it individual workers, households or extended families. The fourth section takes up fair wage issues in the context of low wages yet substantial past growth in employment in the garments and footwear industries. The key issue is how to reconcile the need for rapid employment growth with the objective of protecting workers through fair wages. The discussion in placed in a framework of a long-term, corporate objective of sustaining poverty alleviation among households working for the company.

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[2] See, for example, US Department of Labor (2000).

II. DEFINING FAIR WAGES: CONCEPTUAL AND EMPIRICAL CONSIDERATIONS

The notion of 'fair' or 'living' wages is not new for industrialized countries. Such concepts have long been considered in setting minimum wage standards for industries and even countries (Stark, 1981: 24-27). But such notions received increasing attention in developed countries, principally the USA, where the minimum wage has been considered too low relative to the capacity of industries to pay in specific industries, at a state and local level, in the 1990s (Follette, 1999). More recently, groups such as the Worker Rights Consortium and Social Accounting International, have used the notion of a fair wage to pressure firms in Third World countries to pay higher wages on moral and equity grounds. The main point of reference is the parlous living conditions and low wages in many of these countries compared with much of the First World.

The campaign by consumers and NGOs has focused on low-wage industries in the Third World that export to developed countries, and are dominated by multinational corporations. Garments and footwear have been prime targets, especially multinational companies such as Nike, Reebok and adidas- Salomon. The main concern of NGOs and labour groups from the North (and their counterparts in the South) has been low wages in these industries relative the price of the final product, and wages in developed countries.

While the concept of a fair wage might seem straight-forward, arriving at an unambiguous, operational measure of fair wages is far from easy. This is despite the seeming obvious nature of the problem of low wages, in a world where extreme poverty exists alongside unparalleled affluence, both within and across countries. Fair wages often means very different things to different groups of activists and stakeholders. Hence measures of fair wages can vary widely according to the precise definition adopted. At least four, quite distinct (but not necessarily mutually exclusive) approaches, might be taken:

- *The Local Cost of Living Approach*: Probably most common is the cost of living approach, where fair wages are defined in terms of the needs of a household or individual worker in their local community or region. Although it is intuitively appealing, we shall suggest later that it is quite difficult, in practice, to make cost of living estimates for an appropriate 'basket' of goods and household unit. An arbitrarily defined measure of basic needs may, moreover bear little relationship to actual wages paid by firms.

- *A Dollar Standard*. A much more simple approach, again based on concern for worker needs, is to set fair wages at some basic standard, such as one or two dollars a day – a standard that is frequently used as benchmark in international comparisons of poverty rates. Such a standard is attractive because it is easy to measure, and hence to set as the basis for a fair wages campaign. However, the dollar standard may bear only a tenuous relationship to the fulfilment of basic needs in a given region or country (one well known anthropologist once reminded us that Indonesian households purchase their goods in local markets, not in Washington, New York or San Francisco!). A dollar standard does not always reflect the actual value of goods to consumers in local markets, and does not necessarily signal changes in the local value of these goods over time. [3]
- *Capacity to Pay*. The capacity of companies to pay is one criterion which is loosely used in some definitions of fair wages. These might vary according to enterprise or industry characteristics, such as the size and ownership of firms, or the degree of competition within an industry. While taken into account, often implicitly, in collective bargaining over wages, capacity to pay is even more difficult to operationalise as a standard, especially given company control over basic information on its costs, revenues and profits.
- *Prevailing Wage Levels*. Finally, existing wage levels, often measured by average wages in a particular region or industry, is another criterion for setting fair wages. Such a measure is attractive in that it reflects actual 'labour market' circumstances, depending on the interplay of the demand and supply of labour in a given location. Average wages, however, may not be a very useful indicator of actual wages in a given company, given the tendency for wages to vary greatly according to industry and firm characteristics. This is especially true in poor countries and industries where foreign direct investment in prominent, and there is typically a wide range in the size and ownership patterns of individual firms.

The bottom line is that there is no easy way to define fair wages. All definitions have their advantages and disadvantages. Some are difficult to measure and are mostly useful as broad indicators in collective bargaining situations, rather than for establishing hard and fast rules for the precise measurement of a just or fair wage. Others are easier to quantify but have only a weak connection with local basic needs or wage levels. We will come back to these issues in the next section.

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[3] The price of many goods purchased by workers are determined by the local cost of living (usually influenced most by prevailing wage levels, rental values and the effectiveness of market forces and

III. MINIMUM WAGES, FAIR WAGES AND THEIR SOCIO-ECONOMIC IMPLICATIONS

Whatever definition of fair wages is adopted, it needs to be set in the context of national and regional wage and employment policies, which provide a framework for industry and company policies. We now turn to a review of this national and regional policy framework.

Government Minimum Wage Policy

National wage policy has focussed on the setting and implementation of a minimum wages (MW) from the early 1970s. The key features of minimum wage policy have been four-fold:

- the dominance of needs-based criteria for setting the minimum wage
- a belief that minimum wages should be to provide an adequate standard of living for the **majority** of workers, rather than acting as a **social safety net** for disadvantaged workers
- recognition of regional variations in both the cost of living and standard of living in the setting MW, and also a recognition of inter-industry variations within provinces in the capacity to pay
- a goal of rising real MW (the level of rupiah wages after adjusting for inflation) over time to reflect increasingly higher minimum standards, to bring about improved living conditions across the country.

From the early years, minimum wages applied to contract workers in government projects, initially in Jakarta and later spreading across the country. MW policy thus contrasted with the focus of most minimum wage systems first introduced in Europe and Australasia in the first half of the 20th Century which sought to set MW for disadvantaged workers or those outside ambit of the collective bargaining (Starr, 1981: 1-7). They were never viewed primarily as a social safety net in Indonesia. Rather, MW were seen as a

government policies). Price movements are often not well reflected in adjustments to exchange rates, which relate domestic currency values to dollar values.

standard for setting **the level of wages** for unskilled workers, initially for those working on government projects, and then increasingly throughout the private sector from the 1990s.

The standard for setting MW was needs-based, through various estimates of the basic needs of single and married workers. The key indicators were the minimum physical needs, and later the minimum living needs (*kebutuhan hidup minimum-KHM*) from 1996 onwards. The Ministry of Manpower viewed the KHM as a transitional phase, which would be followed by a higher standard, a fair or fitting standard of living (*kehidupan layak*) that would set the basis for implementation of a fair wage throughout Indonesia. Employment goals and economic conditions have always been stated as important factors to be taken into account in the setting MW (six criteria were set out by the Ministry as key considerations for MW revisions in 1996).[4] However, there have never been any detailed guidelines as to how employment or other goals might be explicitly taken into account by wage councils or provincial and district heads entrusted with wage-setting authority.

In recognition of large differences in the level of wages (and poverty) and cost of living across provinces, the government has never set a national MW. But until decentralisation of MW was introduced in 2001, the Ministry of Manpower in Jakarta retained control over setting of minimum wages in each province, and in specific industries across provincial basis. These revisions were based on the recommendations of provincial governors.[5] With decentralisation, provinces have been given the authority to set minimum wages, based on the recommendation of district-level government who are in turn advised by tripartite wage councils.

[4] Besides minimum needs, the criteria were cost of living increases, expansion of employment, the existing level of wages, employer and industry circumstances and the rate of economic growth at provincial level.

[5] The process was largely ad hoc until around 1990, when state paternalism, coupled with trade union repression, increasingly became a hallmark of labour policy. Successive Ministers of Manpower sought to ensure that MW were revised annually based on recommendations from regional wage (research) councils across all provinces. See Manning (1998: Chapter 8) for a discussion of labour policy during the Soeharto era.

What has happened to minimum wages over time? Real MW plummeted during the years of high inflation period of 1997-98, but then recovered quite quickly and rose steeply in many provinces in 2000-2002, partly in response to greater provincial and district autonomy in setting wages.[6] By 2003, with the passing of the Basic Manpower Act No. 13, there was already a move to change the goal posts through the introduction of a new standard for setting MW which would provide a more ‘fitting’ standard of living or a fair wage (*kehidupan layak*). However, the Bali bombings and associated economic slowdown led provincial governments to take a more conservative approach in wage negotiations in early 2003.[7]

The Impact of Minimum Wages: Earnings and Employment

Important concerns for public policy are the coverage and of minimum wages on actual wages, both within the modern sector and beyond, and the associated impact that rises in the MW has on employment. One way of estimating the influence of minimum wages is to compare the level of actual wages with the government standard. Such analysis reveals that the large majority of modern sector wage earners earned close to the minimum wage by 2000, in contrast to a situation a decade earlier when most earned less than the minimum wage (SMERU, 2001). In other words, minimum wages had become ‘binding’ for a relatively high proportion of modern sector workers, and especially for young workers inexperienced workers and females.

A second issue relates to the spread of minimum wages across various types of firm and industry. Research suggests that MW spread have relatively slowly beyond the modern sector. Wages in small and cottage industry are typically half or less of those in the modern sector. Enforcement costs are high and labour unions relatively weak in smaller enterprises, and hence implementation of the minimum wage is much less widespread

[6] Real MW – after adjusting for changes in the cost of living – remained low relative to minimum physical needs, even of a single worker through to the early 1990s. But they were then increased quite significantly across all provinces to the eve of the crisis in 1996-97, when the KHM for a single worker was introduced as a higher standard against which to measure the adequacy of MW. The KHM consists of a total of 43 items including food, garments, housing and other expenditures.

(SMERU, 2001).[8] Casual workers in the farm sector, or in small enterprises, who make up a significant share of total employment, are typically not covered by the minimum wage. In manufacturing, approximately one-third of all wage employees are in larger enterprises that employ 50 regular employees or more. For the economy as a whole, excluding government employees, the share of more protected workers is smaller, around 20-30%.

In short, implementation of an aggressive minimum wage policy is difficult in a 'dualistic economy' in which modern and traditional sectors operate side by side. In Indonesia, minimum wage policy appears to affect the wages of a relatively small share of all private sector wage employees.

Have rapidly rising minimum wages contributed less employment in Indonesia? The answer would seem to be yes for the modern sector in recent times. Research suggests that higher MW has probably contributed to slower employment growth, especially among young people and females (SMERU, 2001).[9] Modern sector workers earn higher wages but fewer tend to gain employment in 'better jobs' in firms in this sector, compared with low paid rural and informal work, because of the minimum wage.

If implemented widely, the effects of MW could be expected to be greater on employment in the traditional sector. First, technology tends to be relatively labour-intensive. Small-scale firms in Indonesia employ 5-10 times more workers used in large and medium scale firms for each $1000 or Rp. 10 million of sales.[10] Second, small-scale firms typically operate in highly competitive industries and hence earn lower levels of

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[7] On average, minimum wages were increased by just 14% across provinces in Indonesia in January 2003, and by only 7% in the national capital Jakarta.

[8] Field research by the SMERU team found that less than half of smaller enterprises paid minimum wages according to government regulations. Probably only around 40% of industrial workers are covered by the minimum wage and many fewer workers in lower paid, smaller service industries.

[9] These findings are persuasive, although the results have been contested by some observers. Some studies have suggested the MW have had a relatively small impact on employment, although the findings have been mainly for the period before the crisis in 1998. The SMERU study deals with MW effects from 1989-2000.

[10] See manufacturing survey data for Indonesia in 2000 and 2001 published in the Indonesia's Statistical Yearbook.

profit. For both these reasons, employees in the traditional sector are likely to be more vulnerable to unexpected increases wages.[11]

Advocates of minimum wages pin their hopes on two potential positive effects of the MW on employment, to compensate for the job losses in the modern sector. One is anticipated higher levels of physical productivity among workers, as a result of higher wages and a better standard of living.[12] The second is increased consumption in the informal sector, by higher-paid wage earners who enjoy the MW. It is argued that new spending in turn creates jobs for informal sector workers, and offsets any displacement of workers from the modern sector. However, in the Indonesian case, neither effect appears to have been strong enough to counter-balance the backwash effects on jobs lost in the modern sector.[13]

To sum up, minimum wages can increase living standards of some workers quite significantly. However, these effects have tended to be limited to the modern sector in Indonesia. Second, sharply rising MW appear to have slowed the expansion of modern sector jobs since the crisis. Third, the impact on productivity has been uncertain (see below). Finally, from the point of view of employment, an aggressive MW policy is harder to justify in the post-crisis and recovery phase, than before the crisis. Investment, output and employment have been growing much less rapidly in the modern sector than before the crisis.[14]

[11] Wage costs are 3-5 times higher per unit of value-added in smaller firm compared with large establishments. Thus a ten per cent increase in wages would raise total costs by 3-4% compared with 1-2% in larger-scale firms.

[12] Economic theory teaches us that productivity determines the level of wages in a competitive context. However under conditions of ‘surplus’ labour, wages in the modern sector are determined by the low supply price of labour from traditional sectors. High levels of productivity (related to superior management and more advanced technology) relative to wage are the main source of profits and capital accumulation in the modern sector.

[13] Indeed, there is evidence that minimum wages tend to be associated with lower earnings in the informal sector, mainly because people who lost their jobs are ‘crowded’ into informal sector jobs (Bird and Manning, 2002).

[14] Because of a more favourable investment climate, employment grew rapidly in the modern sector in the pre-crisis period, and labour shortages contributed to general increases in wages. Thus an aggressive MW policy adopted by the Soeharto government (under Manpower Minister Abdul Latief) did not have major backwash effects on modern sector employment. Because unskilled labour was generally in short supply, neither did it widen the gap in wages between the modern and traditional sectors to the same extent as after the crisis (Manning, 1998).

At the same time, the MW has only had a minor impact wages, and hence employment, in small-scale and cottage industry. One consequence seems to have been a sharper divide between wages in the modern sector and in traditional sectors. An important question for any company or region seeking to define a fair wage is how large might the disparity be without creating social tensions, and putting at risk the entire effort aimed at improving worker living standards.

Minimum Wages and Fair Wages

As noted in the introduction, while the notion of a minimum wage has a quite long history in modern-day Indonesia, the idea of a fair or living wage is new. It has gained currency most recently in debates and public action concerning the benefits and costs of globalisation, particularly in developed countries. Any application of the fair wage will need to take social and economic conditions in Indonesia into account.

The notion of a fair wage (or living wage) differs from minimum wages in three key ways.

- First, the concept of a fair wage is generally applied to a specific target population whose minimum needs are quite easily assessed. Thus a fair wage is typically defined for a particular city or region rather than a nation.
- Second, fair wages are typically defined to cover a wider range of consumption items, including savings, than minimum wages, which tend to be focused on 'minimum' needs.[15] Minimum wages are typically targeted to meet the needs of disadvantaged groups or seek to provide as a social safety net as a 'floor' to the level of wages.
- And third, in setting the MW, reference is only made to the KHM for a **single worker**.[16] Proponents of a living or fair wage, on the other hand, suggest that the

[15] By Ministry of Manpower decree, the measure of minimum living needs covers 43 items of expenditure, including allocations for housing (rent), social expenditures (entertainment) and transport. The KHM for the year 2002 was estimated at an average of Rp 422,000 nation-wide.

[16] Official estimates are also made for workers with families, although this measure has not been applied to setting the MW, in practice, mainly because the level has been below the KHM for single workers in Indonesia. This 'welfare' approach to wage setting can be traced back to the 1950s and 1960s when civil servants were provided with extra allowances for family members. There was a strong welfare component in widespread public enterprise wage systems that dominated the modern sector at the time (Manning, 1979).

> concept to should be extended to encompass the needs of total households, rather than individuals (US Department of Labor, 2000).

In what ways might these special features of the fair wage be interpreted, and what considerations need to be noted in the Indonesian context? I deal with each issue in turn

Regional Scope. Application of a fair wage to a group of companies with plants dispersed across regions can pose problems if the cost of living varies from location to location. Outside elite housing areas, these differences are not great between locations in the Greater Jakarta region, although costs of food and housing can vary substantially depending on the type of retail outlet and location.[17] Nevertheless, outside the Greater Jakarta region, any serious estimation of fair wages needs to take such regional variations into account.

Defining Basic or 'Living' Needs. The definition of *needs* that are to be included in the estimation of fair wages can be very broad. This raises two problems.

First, the large number of items makes estimation and revision of a minmum wage time-consuming and open to controversy in any negotiated process between stakeholders in estimating basic needs. The official Indonesian KHM covers 43 items for a single worker, and the some definitions of a fair or 'fitting' standard of living up to 55. The LP3ES study for adidas-Salamon suggested that some 70 items be included in a consumption basket to define fair wages. One government report suggests that unions and management arrived at very different estimates of the price of items in bipartite negotiations in 2001.[18] As is often the case in Indonesia, over-ambitious plans can founder because implementation capacity is found wanting.

[17] Prices of same quality consumer goods may vary from 10-20% between supermarkets and other retail outlets, because supermarkets tend to stock higher quality goods. Rental values in houses or boarding places are significantly higher in locations close to shopping areas and main transport routes.
[18] See Report on the Field Survey of Implementation of Minimum Wages in Jakarta, West Java and East Java, Coordinating Ministry of Economic Affairs, September 2002.

Second, the wisdom of including some items might be questioned, either on the grounds of inherent difficulty in estimating prices, or because there is a wide range in preferences as to whether some items might be considered as ‘basic’ needs. The cost of transport is one example, where fares vary significantly depending on where people choose to live. As mentioned, rental values can diverge a great deal also. In the case of rental values, the cost of a standard dwelling from the standpoint of actual conditions experienced by most unskilled wage workers in larger firms (rather than some more ideal circumstance) is not easily defined.[19]

Thus, it is desirable that the number of items included in the measure of basic needs be kept to a small number of important and essential expenditure, and that these items be clearly defined in terms of quality and other characteristics. This is especially the case if revisions in the value of basic needs and fair wages are to be made on a regular basis (once every year or two years). Estimates of the value of basic needs can be derived from an expert survey of a wide range of consumption goods contained in the budgets of a sample of factory workers. Selected items might then be chosen to act as proxies for revisions in the value of basic needs, and hence fair wages, from year to year, based on price increases and annual rates of inflation.[20] It should be noted, however, that estimation of price increases on an annual basis is best left to professionals in the local Statistics Office, rather than conducted (or negotiated) on an ad hoc basis by bipartite or tripartite committees.

Fair Wages for Whom? Third, and perhaps most difficult, is identifying needs with respect to households of different size and compositions. In the Indonesian case, minimum wages have typically been defined to cover the living costs of single employees, partly because of the problems inherent in setting and implementing MW policies for households of varying sizes. As noted, proponents of a living wage, on the other hand, suggest that the concept should be extended to encompass the needs of households, rather than individuals. One could envisage at least four different types of

[19] For example, the size of rooms, whether accommodation is shared, and the state of lighting and water facilities, etc..

[20] The items included in the index and their value might be reassessed each 3-5 years.

households which might conceivably used as a benchmark for setting for fair wages. They could be based on the needs of:

- Single workers
- An average household, defined and estimated as the average or the mean value of household needs in a particular region, irrespective of household composition
- An average household defined and estimated according to specific criteria, such as the most common (mode) household (for example, a household with two parents and one or two child).
- An average household, adjusted for estimated income earned from the participation of other household members in the work force.

A fair wage based on the average value of needs of all households in a region, raises the basic problem of the *endogeneity* of household size (and needs), with respect to wages and household income. That is, household size in a country like Indonesia tends to adjust to the level of income and wages of the primary income earner; the number of dependents is greater in households where the main earner receives wages above a basic subsistence standard. Dependents can encompass not only a spouse and children but parents and other family members, and vary according to the employment and income circumstances of the main bread-winner. Given that larger, foreign-owned firms and contractors, tend to pay higher wages than other establishments,[21] it is likely that employees in these firms will tend to have more dependents than workers of similar ages in other establishments.

Thus, for example, the fully supported sister of a single wage earner, who has come to the city to look for a job, or an aunt or uncle who is partly supported by a wage earner in one of the factories, might qualify as a dependent, in the same way as working or non-working spouses and children. An average measure of needs assumes that all dependents should be counted regardless of their relationship to the main wage earner.[22]

One simple solution to this problem is to survey the household composition of workers and define what might be considered an 'average' household (such as the wage earner,

[21] This was one finding of the LP3ES survey of adidas-Salomon contractors, in comparing wages with those in manufacturing more generally. It was also the finding of a similar study of Reebok contractors.

spouse and one child), and then to calculate basic needs of such a household as a basis for setting a fair, minimum wage for factory workers. Another possible approach is to set fair wages according to the needs of a single worker, and then top this up through the payment of spouse and child allowances.[23] Such a system is more equitable in that it rewards household with the highest level of needs. It also has the advantage of clearly specifying which household members are covered, and which are not covered, as dependents of the wage earner.

There are two shortcomings to a system of family allowances. First, it weakens the link between the level of wages and productivity of individual workers in an establishment. Second, it can lead to discrimination in recruitment against married workers with families. One partial solution is to limit the payment of allowances to a certain proportion of the fair wages of a single worker. For example, they may be set at a maximum of 10% higher than the fair wage for a married couple, and 20% higher for up to two children, with no special bonuses paid for additional dependents.[24]

To sum up, there is no single answer as to how fair wages might be defined in terms of the needs of individuals and households. However, there are some rules of thumb which might help guide the decision, with special reference to Indonesia:

- First, it is best to keep the rules as simple as possible. This means fewer rather than more items to be included in a basket of needs, and use of proxies where possible, rather attempting to estimate the cost of contentious items such as transport or entertainment.
- Second, a 'fair' wage needs to be realistic in terms of existing wage levels. While it might be considered just or fair from an outsider's perspective to raise wages

[22] In this context, remittances are also problematic as a component of 'social expenses', in the sense that payments are often made to parents or other kin.

[23] Such a system was common in Indonesia in the 1950s and 1960s, and is still part of the public sector wage system. Payments may be made in kind, such as a rice allowance, or as a percentage of basic wages, both of which have been features of the government wages system.

[24] Provided that administrative costs are not too high and potential problems of discrimination can be overcome (for example, by setting very clear guidelines for recruitment in collective bargaining agreements), this approach has much to recommend it in the setting of 'fair wages'. It is likely to impose less cost on employers who have a majority of young and single workers, and targets those most in need in terms of welfare components. However, it does not deal with the problematic issue of adjusting wages paid to workers in households where the employee is a secondary wage-earner, or his/her spouse already has a job.

substantially in a region or group of companies, such an approach can create major problems. It may put them at a disadvantage compared with competitors and threaten employment growth in the region or group of companies. A ‘fair’ wage is ultimately a relative, rather than an absolute concept. Existing wage levels in competing firms (and the living standards of workers in these firms) should be consideration in determining which items might be included or excluded from the list of basic needs, or which household members might be included in defining needs of an average household.

- Third, a different approach may well be needed for revisions to fair wages each year to that required to establish a benchmark for fair wages.[25] While welfare plays a considerable role in defining the benchmark, longer term survival of a firm will depend on flexibility in linking wage adjustments to productivity achievements, both for workers as a group and for individual workers. Similarly, adjustments in wages according to inflation need to be based on widely accepted cost of living estimates, where these are made by public authorities.[26]

IV. FAIR WAGES, EMPLOYMENT AND WELFARE: THE GARMENTS AND FOOTWEAR INDUSTRIES

The biggest problems in implementing fair wages, and the greatest potential conflict between a regime of fair wages, employment and poverty alleviation, occurs in labour-intensive industries such as garments and footwear. These industries tend to be highly competitive in the domestic markets, and increasingly internationally. Hence profit margins are slender. They also employ a high proportion of unskilled labour. For both of the above reasons, wages tend to be low. These two industries, indeed textiles more generally, are frequently referred to as ‘sweated’ labour industries and have been the prime target of fair wage and living wage campaigns.[27]

Low wages in garments and footwear in poorer countries have been particularly controversial. Their exports, first from Northeast Asia and later from Southeast and South Asia have penetrated developed country markets largely based on comparative

[25] The benchmark for fair wages may be adjusted, however, on a regular basis (every three to five years?), according to the changing needs of households over time.

[26] As noted, such estimates need to be undertaken by professional statistics agencies rather than by employers and employees, both of whom lack the necessary skills, and have an interest in the outcome.

[27] The industry group is most commonly referred to as the TCF industries – textiles, clothing and footwear – and are lumped together as one group in most international trade and production data on industrial output and employment.

advantage in wage costs.[28] This expansion contributed to major job losses during periods of rapid adjustment, in the USA, Europe and Australasia over the past three decades.

At the same time, paradoxically, footwear and apparel are two industries which offer the greatest potential for job creation and hence poverty alleviation, under conditions of rising demand in developed countries. In Indonesia, Each dollar of goods produced (and exported) provides more than three more jobs directly than all other industries, and closer to 10 times more jobs for the same value of output in more capital intensive industries, such as chemicals and machinery. To the extent that these industries provide jobs for poor and under-employed labour, their expansion potentially affects the living standards of prospects of a large numbers of disadvantaged households.[29] The major policy dilemma is how to guarantee TCF workers a fair wage, while at the same time ensuring continued employment growth through the encouragement of stable and profitable businesses in these industries

Garments and Footwear Industries in Indonesia

Expansion of garments and footwear industries has slowed in recent years after rapid expansion in the 1990s. However, they are still major industries in terms of employment in Indonesia and their continued growth should continue to provide a livelihood for many Indonesian families for a at least a decade.

Growth in garments and footwear in comparative perspective. The growth of garments and footwear industries played major role in exports and job creation in Indonesia from the period of 'deregulation' (trade and investment liberalisation) in the mid 1980s through to the Asian financial crisis in 1997-98. In the recent few years, however, they have faced difficulties and growth in exports and employment has been much slower.

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[28] See especially US Department of Labor (2000).
[29] In contrast, capital-intensive and protected industries (typically in chemicals, metals and machinery and mineral processing) tend to employ fewer unskilled workers but they pay higher wages. In addition to the employment of more skilled labour, they have the option of allocating some of their excess profits to higher wages. Unlike in garments and footwear, profitability is not necessarily threatened by higher than average

From the mid 1980s through to the crisis, the TCF industries were the ‘primadona’ of Indonesian industrial growth. From a small base in the mid 1980s, the value of garments (garments) and footwear exports grew rapidly at around 20% per annum, a phenomenal sustained increase over almost a decade. Outside oil and gas, garments was the single largest export commodity from Indonesia in 1995-96, accounting for around 15% of all manufacturing exports. However, the paths of the two industries have diverged in recent times. Whereas garments exports still continued to grow quite rapidly (around 7% per annum) after the crisis, reaching just under 5 billion in value in 2001, footwear exports stalled.

By 2001-2, garments and footwear industries accounted for around 20% of **employment** in large and medium industry and non-oil exports, although their share of **industrial production** in larger firms was a much smaller 6% (see Table 1). Value added, output and employment rose faster than the industrial sector average for all large and medium sized firms, and the increases were dramatic in the early years of deregulation through to the early 1990s (Table 2). The rapid growth in wages in the TCF industries is not so well known. While wages have been lower in TCF than in other more capital-intensive industries, such as metals and machinery, wages have grown strongly in this sector. Before the economic crisis in 1997-1998, wages grew faster per worker in textiles than in all other sectors, and increased quite significantly (at over 5% per annum), even after account was taken of the rate of inflation (Table 3).

The story after the crisis has been very different however. Employment hardly grew at all in manufacturing as a whole or in the TCF industries among larger firms from 1996, mainly due to the large loss of jobs during the crisis in 1998. Insofar as there was growth in jobs, it tended to occur in smaller firms, which had expanded much less rapidly than in larger firms in the pre-crisis period (Table 4). The value of real wages fell dramatically in 1997-98 as a result of the high rates of inflation experienced in Indonesia, and had not

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wage costs compared with competitors. Thus it is no accident that the strongest and most vocal trade union groups tend to be in such industries.

recovered to 1996 levels five years later. But like employment, they did improve after the huge loss in wage incomes during the crisis. In this regard, the pattern of adjustment of wages and employment to the crisis was similar in TCF industries to that in more capital-intensive industries.

The above figures report on the situation up to 2001, for which national data are available. Since then trends have been less favourable for employment.[30] There was a large fall in garments exports by around 20% in 2002, the largest annual decline since the mid 1980s.[31] Footwear was similarly hard hit. The flight of capital from labour-intensive industries has been highlighted by the exit of some foreign investors, especially Koreans, as well as by domestic firms in the garments and footwear industries. These issues came to a head in the second half of 2002 as the implications of large increases in minimum wages coupled with an uncertain economic environment became apparent to many investors.[32]

Although still a small proportion of some 500,000 workers reported to be employed in Korean companies, the closure of several high profile contractors, resulted in labor protests in 2002. One of the largest exporters, in which with a high proportion of sales was sourced in Indonesia in 1996, turned to factories in China and Vietnam Indonesia for new supplies of footwear in the latter half of the 1990s.[33] Footwear manufacturer and association head, Anton Supit reported that some 200,000 workers had lost jobs in the industry from mid 2000-mid 2002 (*Asian Wall Street Journal*, August 13, 2002). In garments, Great River, one of the countries largest exporters, reportedly shed some 5000 of its 15000 workers in the same period as a result of labor problems.

[30] See Alisjahbana and Manning (2002) for a discussion of these issues.
[31] These data are for January-November 2001 compared with same months in 2002 when export values fell from 4.8 billion to 3.5 billion.
[32] For example, the Malaysian Ambassador took the opportunity of Foreign Minister Badawi's visit to Indonesia in June to announce that Indonesia was pricing itself out of export-oriented, labour-intensive industries as competition for the much smaller flow of foreign investment intensified in the region, post-crisis. In August 2002, the Korean Chamber of Commerce reported that 36 companies had closed down in garments, footwear and toy-making in the preceding twelve months (*Jakarta Post*, August 23, 2002).
[33] Many of the new investors have set up in Vietnam whose share of exports of products was reported to have risen from 2% in 1996 to 16% in 2001-2002 (*Far Eastern Economic Review*, September 12 2002).

Nevertheless, despite this shift, several multinationals stressed their commitment to Indonesia (*Jakarta Post*, August 31, 2002). Shifts in sourcing their products from Indonesia were partly related to a less attractive investment environment compared with other countries in the past. However, jobs were also lost because of consolidation in all firms, both in Indonesia and abroad, as firms sought to promote fewer and more efficient suppliers, and shed less reliable and cost efficient suppliers of their products.

Characteristics of TCF Workers and Jobs. As in most other countries, these industries are typified by a concentration of younger workers with a quite low levels of skills, and were heavily dominated by females in Indonesia. Nearly two-thirds of employees in these industries were reported to be female, and well over half wage employees were aged less than 30 in the 1990s.[34] The above-mentioned issue of whether a fair wage should be set for families (based on all dependents) in an industry where the majority of employees are single is thus of some relevance to the TCF industry. In larger scale firms, workers have also tended to be better educated on average than many other factory workers in small and cottage industries located further from major industrial centres.[35]

Wages, on average, were low in TCF industries compared with workers in all large and medium firms. But compared with small-scale firms, wages in larger TCF companies were still quite high in Indonesia. As shown in Table 5, average wages in garments and footwear and other leather products were lower than the average in all larger firms (Rp. 546,000 and 577,000 respectively compared with Rp. 696,000 for all industries, per month). However, the difference was not as great as sometimes suggested by claims of 'sweated' labour in these industries, taking account of lower value added per worker in TCF companies, than the average for all industries (associated with a lower level of technology and associated skill compared with many other industries).

[34] See Manning (1998: p. 256).

[35] It is not surprising, therefore, that around 70-80% of employees in the five Adidas firms investigated by LP3ES in 2002 had at least a junior high school education, and 30-40% had completed senior high school (See Survey Report, November 15 2002, pages 2-3 and 2-4). By comparison, 62% of all wage workers in manufacturing in Indonesia had at least a junior high school education and 38% had completed senior high in 2001.

It is worth noting, moreover, that the greatest differences in wages (and value added) tend to be associated with scale and technology, rather than with industry characteristics per se. Thus, for example, average wages in **larger TCF** firms were still more than three times higher than the average for all **small TCF** firms. They were also considerably higher in larger TCF companies than in small firms in more capital-intensive industries, such as metals and machinery.[36]

Is there a future for garments and footwear industries in Indonesia? Are these sunset industries that will begin to phase out rapidly in coming years. And if so, why? Recent troubles faced by garments and footwear industries suggests that Indonesia may now seeing a gradual decline in these industries, that had played such an important role in output, export and employment growth in the past. More radical labour activists argue that Indonesia would be better off to rid itself of such low wage industries.

Such arguments run counter to economic and social realities, however, and to the model of economic development which saw living standards rise rapidly in many parts of East Asia in the latter half of the 20th century. As noted above, Indonesia still has a large labour 'surplus' population in low productivity jobs and the informal sector. A conservative estimate would suggest that some 50-60 million people, well over half the total work force are trapped in low productivity employment early in the 21st century.[37] As in Korea and Taiwan in the 1960s and 1970s, and in China today, rapid deployment of this population into higher income activities is one key channel for raising living standards and eradicating poverty.

Job creation in labour-intensive industries offer the greatest opportunity for the creation of 'better' jobs than those currently held in the informal sector and agriculture, and improvements in living standards. They provide far more jobs per unit of investment and output than capital intensive industries. At the same time, they contribute to much higher

[36] Thus, for example, average wages in TCF industries were Rp. 486,000 per month compared with 130,000 and 180,000 per month for all small-scale firms and all small-scale firms, respectively, in metals and machinery in 2000 (See The Indonesian Yearbook of Statistics, Manufacturing Statistics, 2000).
[37] Approximately two-thirds of all workers were self employed or worked in casual jobs in 2001.

productivity than traditional industries. As noted, Indonesia experienced very rapid employment growth in these ‘modern’ labour-intensive industries in the 1980s and 1990s. This was accompanied by both rising productivity in the work force, rising wages and falling levels of poverty. Rejection of this model of development will also mean rejection of the goal of seeking to improve living standards quickly for many Indonesians living below or close to the poverty line.

It is important to stress, however, that while some features of the ‘East Asian’ (and New Order) miracle growth strategy will need to be retained if ‘better’ jobs are to continue to be created, others should be discarded. Thus, for example, foreign capital is central to the growth of export-oriented industries, including labour intensive industries, as more intensive globalisation contributes to a ‘splicing’ of the product chain. But labour repression and flagrant transgressions of the labour law which were commonplace under the New Order is not a necessary condition for the success of this model of economic development.

Fair wages in Garments and Footwear

How can a regime of fair wages be implemented in larger garments and footwear firms without jeopardising employment growth? A clear distinction needs to be made between fair wages as an instrument of company strategy, on the one hand, and as a target of national policy on the other. The fundamental difference relates to ‘wage-productivity’ effects. Companies have a much greater opportunity to link improved wages and better working conditions to labour productivity or an increase in the value of output per worker. In contrast, government minimum wage policy, as a strategy for achieving better conditions for workers, can be a very blunt instrument for achieving improvements in labour productivity. Such a paternalistic policy achieved some success under the New Order government, when trade unions were repressed and the government turned a blind eye to abuse of labour standards. In the post-Soeharto period, it is much less obvious that the government should attempt to use wage policy as an instrument for improving

general living standards, especially in relatively low wage industries such as garments and footwear.

We have already noted that expansion of garments and footwear industries in different countries depends much on international competitiveness, especially in terms of labour productivity relative to wages. Indonesia is no exception, as these industries flourished through export expansion in the 1980s and 1990s. However, continued employment expansion and improved labour conditions now faces a major challenge from China and to a lesser extent Vietnam. It is generally believed that Indonesia is now suffering from competition with China in the TCF industries partly because of the uncertain investment climate, and partly because of high wage and labour protection policies pursued by the government, which have not been compensated by incentives to improve productivity (James et al., 2003).

Not only have official minimum wages been increased substantially: after adjusting for inflation, wages had recovered to above their pre-crisis level in rupiah terms and were very close to pre-crisis levels in dollar terms by the end of 2002 (see Table 3).[38] But the new labour protection law has probably increased the cost of employment at the expense of new jobs. It incorporates many of the components of the controversial severance pay decision of 2000 (KEPMEN 150) governing severance pay.[39] Firms producing in competitive industries such as garments and footwear have opted to reinvest, or expand their operations, in countries where these laws are less severe, or enforcement is less strict. This appears to be the case with China. Although daily wage rates are often higher in China, multinational investors have complained that the fixed costs of employment and more vigilant unions push up total labour costs in Indonesia.

[38] The average (unweighted) $ value of official minimum wages were lower than before the crisis for all of Indonesia. But the main centres of garments and footwear production are in the Jakarta, Bandung and Surabaya regions. In rupiah terms, real minimum wages were more than double pre-crisis levels in Jakarta by 2002 and around 30-50% higher in the Bandung and Surabaya regions.

[39] Some of the more radical aspects of Kepmen 150 (such as compensation for discharged workers involved in criminal acts) were dropped in the new Labour Protection Act (Act 13) introduced in early 2003. Dismissals have long been costly in the modern sector in Indonesia (in this respect the country has

Company responses to extensive government regulation tend to be detrimental to the interests of the majority of workers. These responses include greater employment of workers on short-term contracts, sub-contracting and ‘putting out’ of various stages of the production process, or reducing the number of workers through the adoption of new processes and machinery. It is precisely those workers in more labour-intensive and competitive industries such as garments and footwear who are most affected by such changes.

However, the main problem with the overly centralised determination of wages is the failure to draw a close link with productivity. The new labour law while giving emphasis to collective bargaining, still bears the mark of a paternalistic approach in which the government takes responsibility for setting labour conditions. Thus, while workers are encouraged to bargain with employers over wages and productivity, in practice there is often little incentive to do so from the standpoint of workers (PEG-USAID, 2002). Workers know that they can claim benefits set out in legislation, and can pressure the government into granting improvements in labour standards, without having to negotiate compensating improvements in productivity. It is not surprising that many companies report that output per worker productivity is considerably higher in garments and footwear industries in China than output in Indonesia.

Even more than in many other industries, continued expansion of employment in garments and footwear industries depends on linking wage increases to both average and individual productivity, once a fair wage standard has been established. Collective bargaining can set targets for output per worker, as a pre-condition for any general wage increases that exceed rises in the cost of living. Individual performance can be recognised through flexible bonuses, and through performance-based wage increments. Annual bonuses play a critical role in both rewarding and penalising according to performance, and at the same time adjusting the size of the wage bill according industry circumstances. Annual bonues, often accounting for up to 30-40% of total earnings,

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more in common with some South Asian countries than East Asia), and have become more costly, **relative to wage rates**, by regional standards.

historically played a major role in both Korea and Taiwan in providing an incentive for increased output, while at the same time allowing the firm to reward workers in good times, and reduce costs without laying off employees in difficult times.

One major concern of businesses in competitive industries, such as garments, is that fair wages based on the needs of worker families, rather than labour market realities, will price Indonesian firms out of international markets. Two broad principles need to be borne in mind.

First, as noted, such a policy needs to be realistic in terms of the existing level of wages **in labour-intensive industries**. While wages might be low in Indonesia compared with developed country standards, and they are quite a small share of total costs in modern sector firms, they are nevertheless a significant share of **value-added** in labour-intensive industry. Given that most material input prices (such as cloth or leather) are beyond the control of individual firms, a large increase in wage will significantly affects the profit share in value-added and hence competitiveness. Thus Table 5 shows that wages as a share of value added were high (around one-third of all value added) in both the garments and leather products industries, related to more intensive labour deployment in these industries.

Second, differences in average wages across countries should generally reflect differences in per capita income, as one rule of thumb for international comparisons. There is a close correlation between the wealth of a country relative to its population, and its capacity to pay wages based on its accumulated capital and resources. In the Indonesian case, this is broadly true for minimum wages and the minimum living needs index, which recovered in 2000-2002 after falling quite steeply during the crisis. Thus, for example, minimum wages were lower in $US terms than in Bangkok or the Manila than in Jakarta in 2002, but they were higher than in the relatively poorer cities of Asia such as Dacca in Bangladesh, Ho Chi Minh City in Vietnam, or Islamabad in Pakistan.

V. CONCLUSION

This paper provides a framework to discuss the introduction of a fair wage regime in garments and footwear factories in Indonesia. It focuses on factories producing for multinational companies, such as adidas-Salomon. The discussion has been set in the context of past and present government wage policies and Indonesia's experience in industrial expansion. We have focused on the potential for introducing a fair wage package while at the same time improving productivity. Implicitly, the argument assumes that achievement of the latter goal is essential to ensure sustained expansion in investment and employment in these labour-intensive industries. While the focus has been on Indonesia, many of the same arguments apply to other developing countries such as China and Vietnam, where similar consolidation to promote productivity growth is also occurring.

Our conclusion is that a vigorous fair wage policy is possible and could deliver significant benefits to workers, while at the same time supporting productivity and employment growth in industries such as garments and footwear. It is suggested, however, that the policy needs to be carefully designed. While there is understandable concern regarding the low wages in these industries, especially where well-known multinational companies are concerned, a sustainable fair wage policy is only possible if the improvements in wages and working conditions do not threaten incentives for raising productivity among workers.

Thus the components of a fair wage need to reflect a realistic assessment of the basic needs, rather than some idealised standard of living which might imply wage increases far in excess of existing standards. Similarly, introduction of a fair wage will need to deal with the thorny issue of what constitutes an appropriate household unit, on which the assessment of basic needs is based. For example, from the longer term standpoint of promoting investment and jobs, we questioned whether it is realistic to calculate the fair wage according to the needs of the entire worker's household, including non-nuclear family dependents.

We have suggested that policies should be directed towards ensuring that workers have a better living standard not just now but in 5-10 years into the future. This is particularly important given that export-oriented, labour-intensive industries are struggling to maintain their market shares in Indonesia. Wage policies can harm future job prospects if they seek maximum short-term gains without taking into account the need to sustain productivity improvements.

In this regard, we have also suggested that these labour-intensive, export-industries should not be viewed as having a limited future in Indonesia. They should be encouraged because they provide ‘better jobs’ than are enjoyed by most workers in Indonesia. Demographics and the still large pool of poor workers in much lower productivity and wage employment in rural areas dictate that garments and footwear factories can and should play a major role in helping raise living standards for several decades to come.

Thus a fair wage policy should take the perspective of helping to create of jobs and support investment in the future, so that the children of workers, as well as the workers themselves can have a better jobs in the future. Our comparison of employment across industries indicates that the more capital and technology-intensive industries, while important for national development, cannot hope to achieve the same impact on living standards. They simply do not create enough jobs.

Thus we have suggested that a judicious policy will be one which steers a middle path. It will need to find a balance between excessive dependence on market outcomes in determining wages and benefits, on the one hand, and stifling protectionist policies, which slow productivity growth, and ultimately harm the longer term viability of industries like garments and footwear.

Finally, it is worth noting that the experiment with a fair wage policy is important in giving private companies a greater role in social responsibility for their workers and their communities. While government investment is critical for social development (education, health and social security), public funds for significant improvements in social conditions will still remain scarce for many years. Similarly, policies such as a national minimum wage strategy is a blunt instrument for raising living standards of workers, and can backfire by discouraging investment and reducing jobs. Fair wages can make a difference by empowering workers to promote social improvement at a household and community level. It is hoped that the experiment in fair wages promoted by adidas in the case of Indonesia will have wider application for the advancement of social development, supported by other companies in the modern sector, both foreign and domestic.

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Table 1: Employment and Output in Major Large and Medium Manufacturing Industries, Indonesia. 2001

Industry	Employment ('000)	%	Output Value *Rp.Trillion*	%
Textiles	662	15.2	66	5.9
Food	597	13.7	92	3.0
Garments (garments/apparel)	**485**	**11.1**	**24**	**6.9**
Furniture&Timber	392	9.0	35	3.0
Rubberand prods	299	6.8	35	9.8
Leather prods/footwear	**279**	**6.4**	**15**	**5.6**
Tobacco	246	5.6	35	**2.4**
Chemicals	197	4.5	61	5.5
Non-met. Minerals	170	3.9	19	5.6
Radio,TV etc.	156	3.6	44	**3.8**
Fab. Metals	111	2.5	19	14.7
Paper	108	2.5	37	10.4
Sub-total	3702	84.8	481	76.5
Other industries	665	15.2	148	23.5
All Industries	4367	100	629	100

Source: CBS, Statistical Yearbook, 2001 (data from Survey of Large and Medium Manufacturing, various years).

Table 2: Growth in Employment and Value Added in TCF Industries, Indonesia, 1986-2001 (% per annum)

	Textiles, Garments & Footwear	Metals and Machinery	All Industries
Employment			
1986-1991	16.9	10.4	11.4
1991-1996	8.0	10.8	6.8
1996-2001	1.0	2.2	0.7
Value Added			
1986-1991	24.1	34.7	29.8
1991-1996	25.3	21.8	16.2
1996-2001	22.1	24.3	21.7

Source: See Table 1.

Table 3: Growth in Real Wages in TCF Industries and Metals and Machinery, Indonesia 1986-2001

	Textiles, Garments & Footwear	Metals and Machinery	All Industries
% Increase per annum			
1986-1996	5.3	3.8	4.1
1996-2001	-2.1	-1.2	-1.3
1996-1998	-17.9	-22.0	-18.0
1998-2001	8.5	12.8	9.9
Index (1996=100)			
1986	59	69	67
1996	100	100	100
1998	70	64	70
2001	90	94	94

Source: See Table 1.

Table 4 Annual Growth in Employment in Manufacturing by Scale of Establishment, 1986-2000/2001 (% p.a)

	Large and Medium	Small and Cottage	All Firms
1986-1991	11.4	6.3	8.1
1991-1996	6.8	4.6	5.5
1996-2000(01)*	0.9 (1.2)*	2.1	1.6

Source: See Table 1.

Table 5: Wages and Value per Worker in Selected Large and Medium Manufacturing Industries, Indonesia 2001

Industry	**Average Wages**		**Value Added per worker**		**Wages as a % of Value Added**
	Rp.000/worker per month	Index *(All Industry=1.0)*	Rp.m./Annum	Index *(All Industry=1.0)**	
Tobacco	443	0.64	63	1.22	8
Textiles	486	0.70	34	0.67	17
Garments (apparel)	**546**	**0.78**	**18**	**0.36**	**36**
Food	560	0.81	44	0.86	15
Furniture&Timber	563	0.81	33	0.63	21
Leather prods/footwear	**577**	**0.83**	**22**	**0.43**	**32**
Rubberand prods	624	0.90	34	0.67	22
Paper	742	1.07	79	1.54	11
Non-met. Minerals	811	1.17	47	0.92	20
Fab. Metals	832	1.20	65	1.26	15
Radio,TV etc.	1011	1.45	95	1.85	13
Chemicals	1440	2.07	121	2.35	14
Sub-total	635	0.91	45	0.87	17
Other industries	1036	1.49	103	2.01	12
All Industries	696	1.00	51	1.00	16

Source: See Table 1.

Table 6: Comparison of Nominal Minimum Wages in Various Cities of Asia, April 2002 (US$)*

Country/Major Industrial Centre	**Minimum Wages per Month**	**Rank per capita income**
Manila, Philippines	149	2
Bangkok, Thailand	94	1
Jakarta, Indonesia	63	3
Vietnam (Hanoi/Ho Chi Minh City)	58	5
Cambodia (Phnom Phen)	45	7
Pakistan (Islamabad)	31	4
Bangladesh (Dacca)	24	6

Source: PEG-USAID, Bappenas, Jakarta 2002.