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**Working Paper**

## Labour conditions in regional versus global value chains: Insights from apparel firms in Lesotho and Eswatini

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WIDER Working Paper 2021/145

## **Labour conditions in regional versus global value chains**

Insights from apparel firms in Lesotho and Eswatini

Giovanni Pasquali\*

September 2021

**Abstract:** We explore how decent work varies across Southern Africa apparel firms participating in global value chains (GVCs) and regional value chains (RVCs), respectively. We draw on cross-section survey data from 135 workers in 31 firms across Eswatini and Lesotho, two large apparel exporters serving both global and regional markets. We use a linear probability model to estimate how measurable standards and enabling rights vary depending on whether supplier firms participate in GVCs or RVCs. Our results show that whilst private audits are significantly more likely to take place among GVCs suppliers, these only reflect higher measurable standards in terms of paid sick leave, maternity leave, and production bonuses. However, no major difference emerges, with workers' conditions being fairly poor across GVCs and RVCs. Importantly, other factors such as ownership, country legislation, firm size, and gender are critical in explaining variations in decent work.

**Key words:** regional value chains, global value chains, decent work, apparel, Lesotho, Eswatini, firms

**JEL classification:** O55, J83

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## 1 Shifting geographies of trade and labour implications

Over the last decade, value chains have become more regional and less global (McKinsey and Co. 2019; World Bank 2019). This trend has been arguably accelerated by the recent COVID-19 pandemic (McKinsey 2020; Partner Africa and ETI 2021). The literature is nevertheless at an early stage in understanding the implications that the expansion of regional value chains (RVCs) in the global South has for workers in supplier firms (Barrientos et al. 2016). On the one hand, scholars foresee a ‘race to the bottom’ as consumers in the South privilege lower prices over quality and ethical considerations (Kaplinsky et al. 2011). On the other hand, recent studies point to the combined impact of public governance, retailers’ private codes of conduct, and public-private initiatives in favouring a ‘convergence trend’ in social and quality standards across the global South (Baldwin 2016; Godfrey, 2015; Guarín and Knorringer 2013; Pasquali 2021; Pickles et al. 2016). Overall, however, whilst the economic and social implications of global value chains (GVCs) for developing countries have been extensively researched (Coe and Yeung 2019; World Bank 2019), the literature is still at an early stage in understanding what shapes the same dynamics in RVCs in the global South and how these compare to traditional North-South global value chains (GVCs).

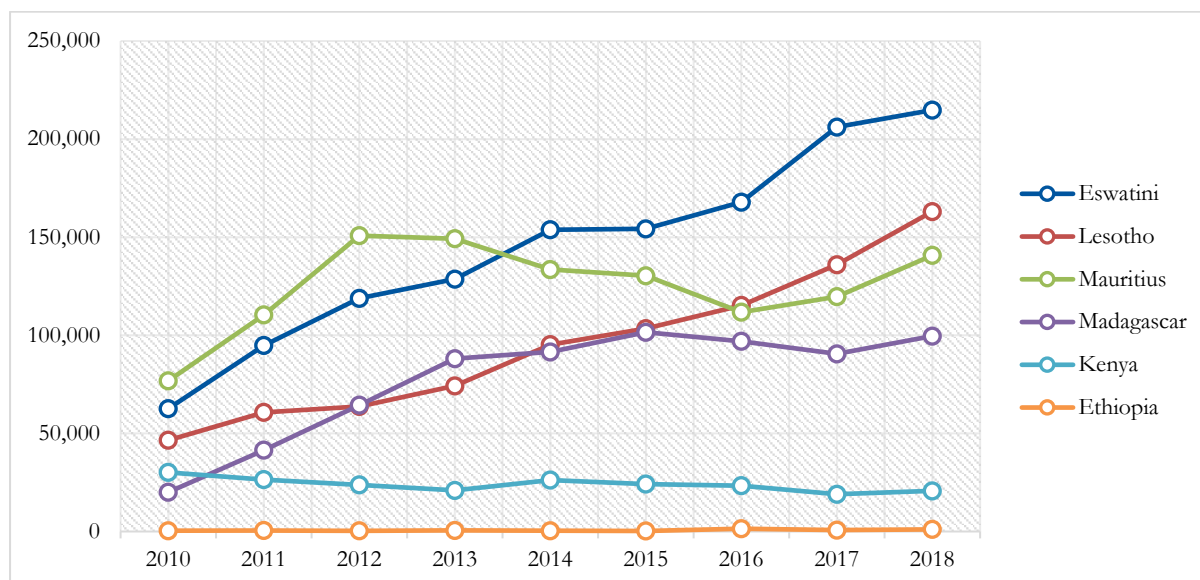
## 2 Eswatini and Lesotho’s apparel sector

This study explores this issue through a comparative analysis of apparel regional and global value chains in the Southern Africa region, where intra-regional apparel trade has grown fourfold over the last decade and constitutes an important driver of the local economy, especially in Lesotho and Eswatini (Morris et al. 2016; Pasquali et al. 2020). This trend has been driven by South Africa’s regional investments and outsourcing into neighbouring countries with lower labour costs and conducive investment policies (Pasquali et al. 2021). Since 2014, Eswatini has grown to become the main hub for the production of apparel traded regionally, immediately followed by Lesotho (Figure 1). Eswatini is the only country that survived the forced termination of its participation in apparel GVCs following its formal exclusion from the African Growth and Opportunity Act (AGOA) in 2015 (Figure 2).<sup>1</sup> Ever since, the Swazi apparel sector successfully switched completely to RVCs, experiencing only a modest impact on the number of jobs, firms, and total production (Pasquali and Godfrey 2021). Conversely, despite increasingly catering to RVCs, Lesotho remains an important actor in GVCs largely serving the US market; as per Figure 2, GVCs still account for about 70 per cent of Lesotho’s apparel production.

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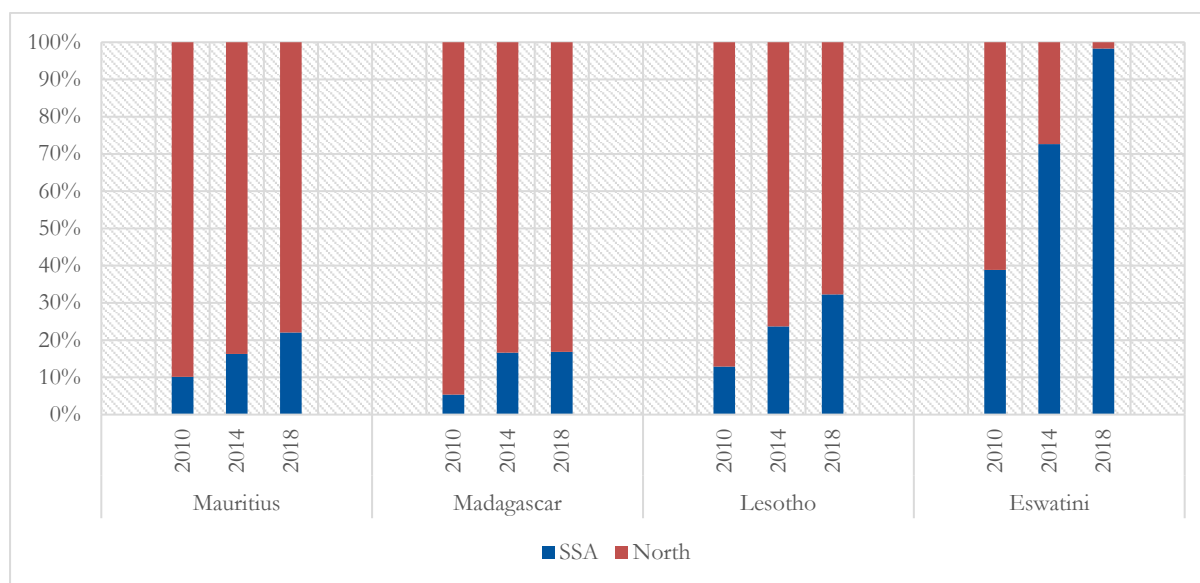
<sup>1</sup> The AGOA scheme allows duty-free access to the US markets to a number of African countries and it has long been considered the silver bullet underpinning the revitalization and growth of the apparel sector in SSA (Gibbon 2008; Pickles et al. 2015).

Figure 1: Exports to sub-Saharan Africa by top exporting countries (trend), thousand US\$



Source: author's calculations from UN-COMTRADE data.

Figure 2: Exports to sub-Saharan Africa and the North by top exporting countries (share of the total)



Source: author's calculations from UN-COMTRADE data.

### 3 Methodology: cross-section workers' questionnaires

We rely on cross-sectional data from questionnaires completed by 135 apparel workers operating as machinists in Eswatini (41) and Lesotho (94) between July 2019 and January 2020. Our survey entails a number of questions to assess decent work, which is our dependent variable. This includes indicators of *measurable standards* and *enabling rights*, the two key components of ILO's definition of decent work (Green Jobs Initiative 2012). Our indicators draw on previous studies assessing decent work through worker-level surveys in the global South (ILO 2009; Barrientos et al. 2011; Mayer and Pickles 2014; Godfrey et al. 2019). Concerning measurable standards, we focus on:

- (i) **wages:** a continuous variable expressed as the natural log (ln) of workers' wages in South African Rand (ZAR);
- (ii) **paid sick leave:** a dichotomous variable taking the value of 1 if workers have the right to fully-paid sick leave and 0 if they do not;
- (iii) **annual leave:** a continuous variable reporting the overall number of paid annual leave days workers are entitled to;
- (iv) **maternity leave:** a continuous variable reporting the overall number of paid maternity leave weeks female workers are entitled to; and
- (v) **healthcare facilities:** a dichotomous variable taking the value of 1 if workers have free access to healthcare services within the firm and 0 if they do not; and
- (vi) **production bonus:** a dichotomous variable taking the value of 1 if workers are regularly paid a monetary bonus for achieving production targets and 0 if they are not.

In relation to the enabling rights, we focus on the following variables:

- (i) **gender policy:** a dichotomous variable taking the value of 1 if workers report the presence of a gender policy within the firm and 0 if they do not;
- (ii) **sexual harassment policy:** a dichotomous variable taking the value of 1 if workers report the presence of a policy on sexual harassment within their firm and 0 if they do not;
- (iii) **occupational health and safety (OHS) committee:** a dichotomous variable taking the value of 1 if workers report the presence of an OHS committee in their firm and 0 if they do not;
- (iv) **unionization:** a dichotomous variable taking the value of 1 if workers report being part of a union actively organising the workforce within their factory and 0 otherwise; and
- (v) **relationship supervisor:** a dichotomous variable taking the value of 1 if workers acknowledge having a positive and constructive relationship with their supervisor and 0 if such relationship is either neutral or negative;
- (vii) **forced overtime:** a dichotomous variable taking the value of 1 if workers report being pressured into working overtime (independent of whether this comes at a higher pay rate, which is legally the case in both Lesotho and Eswatini) and 0 if they are free to choose whether to work overtime hours.

In addition to measurable standards and enabling rights indicators, we further assess the likelihood of workers' being subject to private audits assessing labour standards, as well as government labour inspections. Both private audits and government inspections are operationalised using dichotomous variables equal to 1 if workers report that such audits/inspections were regularly carried out at least yearly, and 0 if not.

Our independent variable is categorical and indicates the mutually exclusive groups to which the respondent belongs to in relation to their firm's value chain; i.e. GVC or RVC. Importantly, previous research has shown that workers conditions vary significantly in RVCs depending on whether suppliers' contract directly with South African retailers (i.e. direct RVCs) or they operate as subcontractor of a third-party intermediary known as *design house* (i.e. indirect RVCs) (Pasquali and Godfrey 2021). To distinguish direct and indirect RVC, we use a dichotomous variable equal to 0 whenever a worker works for a firm operating in indirect RVC and 1 when she/he works for a firm directly contracted by a regional retailer.

We further control for a number of variables that are likely to impact on decent work. These include workers' gender (computed as a dichotomous variable equal to 1 for male and 0 for female), seniority (computed as a continuous variable indicating the number of years workers have been spending with the firm), education (computed as an ordinal variable equal to 1, 2, or 3 depending on whether the worker attained primary, secondary, or tertiary education, respectively), age (computed as an ordinal variable equal to 1 for 18-34, 2 for 35-44, 3 for 45-54, and 4 for 55+). Previous studies have shown how female workers withstand significantly lower working conditions compared to men (Barrientos 2019), while seniority, education, and age can also significantly influence access to labour entitlements (Huynh 2016; Węziak-Białowolska et al. 2019; Bossavie et al. 2020).

We also control for firm size, computed as the natural log (ln) of the total number of employees in the firm where the respondent works. Larger suppliers are more likely to be targeted by civil society actors (including unions) and governments vis-à-vis issues related to workers' rights. Larger firms are also better equipped to develop more relational interactions with international buyers, which is likely to result into a higher probability of being subjected to private auditing (Corredoira and McDermott 2020). Furthermore, considering the vast literature linking ownership provenance to product characteristics in the apparel sector, skills' transfer, and overall economic and social upgrading (Morris et al. 2016; Morris and Staritz 2017), we introduce a dichotomous variable equal to 0 if the respondent works in a firm owned by an Asian employer (including 19 Taiwanese, three Chinese, and one Hong Kong owned firms), and 1 if this is owned by a Southern African employer (including 10 South African and 2 Swazi owned firms). Finally, to control for unobserved country-specific factors that may influence decent work (Pasquali et al. 2020), including (but not limited to) legislation on minimum wages, freedom of association and collective bargaining laws, overtime working regulations, and mandatory leave days, we use a dichotomous variable equal to 0 for Eswatini and 1 for Lesotho.

$$DW_s = \beta_0 + \beta_1 VC_s + \beta_2 \vec{x}_s + \epsilon_s$$

The empirical specification is presented in the equation above regressing the indicators for decent work ( $DW$ ), including both measurable standards and enabling rights, on the categorical variable *value chain* (VC) — with GVC as the reference category — and a vector  $X$  of control variables. The subscript  $j$  refers to the unit of analysis: the worker. The equation is estimated as a linear probability model (LPM) using ordinary least square.<sup>2</sup> We further estimate the same equation using the dummy variable for private audits and government inspections as dependent variables, with the same regressors.

#### 4 Results: descriptive statistics

The survey was completed by 135 workers, 41 in Eswatini and 94 in Lesotho. Of these, 83 were operating in GVC and 52 in RVC, of which 20 in indirect RVC and 32 in direct RVC. GVC workers were operating across 13 firms all located in Lesotho, whereas RVC workers were employed across 18 firms, 14 in Eswatini and four in Lesotho.

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<sup>2</sup> When regressors are categorical and the models include discrete probabilities, linear models are equivalent to logistic ones (Angrist and Pischke 2009: Chapter 3). In our case, a LPM is preferable to a logit or probit regression, as it further provides coefficients that can be directly interpreted in probabilistic terms.

As presented in Table 1, the majority of interviewed workers were female (reflecting the dominance of women among machinist workers), including 56.6 per cent in GVC and 71.2 per cent in RVC. Most of the workforce across both GVC and RVC completed primary education and is largely concentrated in the 18–34 and 35–44 age groups. Average seniority is of 7 years in GVC and 7.9 years in RVC. Both GVC and RVC supplier firms have similar sizes averaging 1,598 and 1,556 employees, respectively. Ownership is dominated by Asian entrepreneurs in GVC, largely from Taiwan and China, while about 42.8 per cent of entrepreneurs in RVC are South Africans or Swazis. This last figure is in line with recent changes that have taken place in the apparel sector within the SACU region, with Taiwanese firms originally selling into GVC increasingly shifting to serve RVC (Pasquali et al. 2020).

Table 1: Means and standard deviations of control variables

	<b>GVC</b>	<b>RVC</b>
Gender (male=1, female=0)	0.434 (0.499)	0.288 (0.457)
Age group (18-34=1, 35-44=2, 45-54=3, 55+=4)	1.482 (0.632)	1.718 (0.647)
Education (none=0, primary=1, secondary=2, tertiary=3)	1.768 (0.758)	1.564 (0.598)
Seniority (years with firm)	7 (4.949)	7.923 (5.541)
Firm size (employees)	1598.036 (1059.746)	1556.404 (1112.5)
Ownership (regional=1, Asian=0)	0 (0)	0.428 (0.499)
Indirect RVC suppliers (=1)	-	0.385 (0.491)

Note: standard deviations in brackets.

Source: authors' survey data.

The means and standard deviations (sd) for all decent work indicators are reported in Table 2 (sd in brackets). Furthermore, significant differences obtained by running OLS regressions with robust standard errors, are also reported. RVC workers' responses are compared to those of GVC workers. The plus symbols (+) next to the coefficients in column 4 indicate positive and statistically significant difference, while the minus symbols (-) indicate negative and statistically significant difference. The number of symbols (1, 2, or 3) reflects the level of statistical significance at the 1 per cent, 5 per cent, and 10 per cent level, respectively.

Wages in RVC are significantly lower than in GVC by about 275 ZAR. Access to paid sick leave is reported by 84.3 per cent of GVC workers, significantly more than the 69.2 per cent of RVC workers. Maternity leave is on average 6.99 weeks for workers in GVC, significantly longer than for workers in RVC who receive on average 3.38 weeks maternity leave. When it comes to accessing healthcare facilities at the workplace, 67.3 per cent of RVC workers report this being the case against 53 per cent of GVC workers – this result is only slightly significant at the 10 per cent level. Days of paid leave are also significantly higher among RVC workers who are entitled on average to 13.78 days compared to 11.90 days of GVC workers. Finally, GVC workers are significantly more likely to receive production bonuses than RVC workers, with 82.1 per cent of them acknowledging this being the case vis-à-vis 64.1 per cent in RVC.



Table 2: Means and standard deviations of dependent variables (statistical significance reported)

	GVC	RVC	
Measurable standards	Wage (ZAR)	2160.7 (231.025)	1835.038 (---) (264.609)
	Paid sick leave (yes=1, no=0)	0.843 (0.366)	0.692 (--) (0.466)
	Annual leave (days)	11.899 (3.963)	13.78 (+++) (1.670)
	Maternity leave (weeks)	6.985 (2.883)	3.38 (---) (3.030)
	Healthcare facilities (yes=1, no=0)	0.530 (0.502)	0.673 (+) (0.474)
	Production bonus (yes=1, no=0)	0.821 (0.386)	0.641 (--) (0.486)
Enabling rights	Gender policy (yes=1, no=0)	0.458 (0.501)	0.173 (---) (0.382)
	Sexual harassment policy (yes=1, no=0)	0.470 (0.502)	0.25 (---) (0.437)
	OHS committee (yes=1, no=0)	0.663 (0.476)	0.481 (--) (0.505)
	Unionization (yes=1, no=0)	0.916 (0.280)	0.423 (---) (0.499)
	Relationship supervisor (positive=1, negative or neutral=0)	0.543 (0.501)	0.5 (0.505)
	Forced overtime (yes=1, no=0)	0.361 (0.483)	0.576 (++) (0.499)
Audits	Private audits (yes=1, no=0)	0.912 (0.286)	0.3 (---) (0.463)
	Government inspections (yes=1, no=0)	0.246 (0.434)	0.686 (++) (0.469)

Note: standard deviations in brackets. +++, ++, + indicate positive and significant difference at 1%, 5%, and 10% levels, respectively. ---, --, - indicate negative and significant difference at 1%, 5%, and 10% levels, respectively.

Source: author's survey data; see text.

In terms of enabling rights, workers of firms selling into GVC are more likely to report the presence of gender policies (45.8 per cent in GVC vs. 17.3 per cent in RVC), sexual harassment policies (47 per cent in GVC vs. 25 per cent in RVC), and OHS committees (66.3 per cent in GVC vs. 48.1 per cent in RVC) than their counterparts working for RVC firms. Unionization is also significantly higher among GVC workers, with 91.6 per cent of positive response vs. 42.3 per cent for RVC workers. When it comes to evaluating their relationship with supervisors, no statistical difference emerges: 54.3 per cent and 50 per cent of GVC and RVC workers, respectively report having a positive relationship with their supervisors. Finally, 57.6 per cent of RVC workers report being forced into working overtime hours, significantly more than among GVC workers where this is the case for 36.1 per cent of workers. Concerning formal inspections and audits of labour rights, 91.2 per cent of GVC workers and 30 per cent of RVC workers report being involved in private audits evaluating labour conditions. Conversely, 24.6 per cent of GVC workers report government inspections; this is significantly less than the 68.6 per cent share among RVC workers.

Critically, with few exceptions (i.e., annual leave days and access to health facilities), this evidence suggests that, both in terms of measurable standards and enabling rights, workers of GVC suppliers feature significantly better compared to workers involved in RVC. However, as we

observed in Sections 2 and 3, there are several factors that impact decent work, including whether RVC are directly contracted by retailers or operate via design houses, the different regulatory environment of Lesotho and Eswatini, the origin of entrepreneurs, and a number of worker-specific characteristics such as education, age, and seniority. In the next section, we look at the results of our model which controls for these aspects.

#### **4.1 Regression results**

In Table 3, column 2, net of all control variables, we do not observe any significant variation in wages across GVC and RVC. Importantly, however, we find that male workers receive 10.4 per cent more than female workers, an extra year of seniority results in 0.7 per cent higher wages, South African employers pay 10.2 per cent higher wages than their Asian counterparts, and Lesotho wages are on average 24.3 per cent higher. The coefficients for gender, seniority, ownership, and country variables are all positive and significant at the 1 per cent level.

In Table 3, column 3, we observe that RVC workers are 41.6 per cent less likely to receive paid sick leave, this is significant at the 1 per cent level. Importantly, workers in indirect RVC are a further 26.1 per cent less likely to receive paid sick leave than those in direct RVC, with a coefficient significant at the 10 per cent level. Another important factor affecting access to paid sick leave is country, with workers in Lesotho displaying a 50.2 per cent lower probability than workers in Eswatini. This is significant at the 1 per cent level. Table 3, column 4, shows no significant difference in paid annual leave days across GVC and RVC. Other factors shaping the number of leave days granted to workers are seniority, firm size, ownership, and country. An extra year of seniority results in 0.20 more leave days, this is significant at the 5 per cent level. South African ownership is also linked with 2.15 more leave days, a coefficient that is statistically significant at the 1 per cent level. Again, country is an important determinant with firms in Lesotho giving 1.7 days fewer leave than firms in Eswatini. The country's coefficient is significant at the 5 per cent level.

Table 3, column 5, suggests that workers in RVC have 4.13 fewer maternity leave weeks, this is significant at the 1 per cent level. Critically, workers in indirect RVC are significantly worse off with 4.53 fewer weeks than workers in direct RVC. Country is again a determinant factor, with workers in Lesotho receiving 2.44 fewer maternity leave weeks than workers in Eswatini. This coefficient is significant at the 5 per cent level. In Table 3, column 6, access to healthcare facilities at workplace is 49.9 per cent higher among RVC workers. Yet, workers in indirect RVC are 76.3 per cent and 26.4 per cent less likely to have access to healthcare facilities than those in direct RVC and GVC, respectively. Both coefficients are significant at the 1 per cent level. Column 7 points to how workers in RVC are 54.9 per cent less likely to be offered a monetary bonus for meeting production targets than workers in GVC. Furthermore, bonuses appear to be more widely used in Eswatini than in Lesotho, where workers are 68.9 per cent less likely to receive them. Both coefficients for RVC and country are significant at the 1 per cent level.

Table 3: Measurable standards, OLS results

	<b>Wage (in wage ZAR)</b>	<b>Paid sick leave (yes=1, no=0)</b>	<b>Annual leave (days)</b>	<b>Maternity leave (weeks)</b>	<b>Healthcare facilities (yes=1, no=0)</b>	<b>Production bonus (yes=1, no=0)</b>
RVC	-0.001 (0.036)	-0.416*** (0.156)	-0.619 (0.665)	-4.132*** (0.576)	0.499*** (0.069)	-0.549*** (0.145)
Indirect RVC	0.063 (0.040)	-0.261* (0.143)	1.998 (1.406)	-4.526** (1.719)	-0.763*** (0.218)	0.230 (0.173)
Gender (male)	0.104*** (0.020)	0.059 (0.072)	1.030 (0.676)	-0.920 (0.649)	0.083 (0.090)	0.062 (0.077)
Age	-0.009 (0.013)	0.054 (0.055)	-0.699 (0.514)	-0.0248 (0.458)	-0.074 (0.065)	-0.087 (0.074)
Education	0.008 (0.012)	-0.030 (0.055)	-0.053 (0.504)	0.623 (0.431)	0.039 (0.065)	0.015 (0.043)
Seniority	0.007*** (0.002)	0.008 (0.008)	0.198** (0.070)	-0.049 (0.070)	0.001 (0.010)	0.001 (0.010)
Firm size	0.005 (0.014)	0.000 (0.053)	1.352* (0.685)	-0.147 (0.520)	-0.048 (0.080)	0.080 (0.074)
Ownership (regional)	0.102*** (0.034)	0.034 (0.135)	2.149*** (0.752)	1.262 (1.433)	-0.058 (0.147)	-0.013 (0.118)
Country (Lesotho)	0.243*** (0.047)	-0.502*** (0.165)	-1.695** (0.810)	-2.441** (1.045)	0.089 (0.149)	-0.689*** (0.150)
N	117	120	114	103	120	102
R <sup>2</sup>	0.50	0.16	0.25	0.36	0.22	0.26

Note: robust standard errors in brackets. P-values (\*\*\*, \*\*, \* indicate significance at 1%, 5%, and 10% levels).

Source: author's survey data; see text.

When it comes to enabling rights, Table 4, columns 2 and 3, shows no significant difference between GVC and RVC workers in terms of gender and sexual harassment policies. Yet, workers in indirect RVC are 31.5 per cent less likely to report the presence of sexual harassment policies than workers in direct RVC. For both gender and sexual harassment policies, firm size matters, with larger firms being significantly more likely to have such policies in place – though significance is only marginal at the 10 per cent level. Workers in Lesotho are also 58 per cent and 39.5 per cent more likely to report the presence of gender and sexual harassment policies, respectively. These coefficients are significant at the 1 per cent and 10 per cent levels, respectively.

Table 4, column 4, reveals that workers in RVC are 21.6 per cent more likely to report the presence of an OHS committee. This is significant at the 5 per cent level. However, this is only the case for direct RVC, since no workers operating in indirect RVC reports the presence of an OHS committee. Again, workers in larger firms are 27 per cent more likely to report the presence of an OHS committee. This is significant at the 1 per cent level. OHS committees appear to be 33.8 per cent more present among respondents in Lesotho, though this is only marginally significant at the 10 per cent level.

In terms of unionization, there is no significant variation between GVC and RVC direct (Table 4, column 5). However, workers in RVC indirect are significantly less likely to be unionised than both workers in GVC and RVC direct by 42.9 per cent and 40.2 per cent, respectively. The coefficient for RVC indirect is significant at the 5 per cent level. Interestingly, men are 10.8 per cent more likely to be unionised than women, and this is statistically significant at the 10 per cent level.

Understandably, seniority is positively correlated with unionization, as an extra year at work results in 1.4 per cent higher unionization rate – this is significant at the 1 per cent level. Ownership and country also matter. Workers in South African owned factories are 36.4 per cent more likely to be unionised than workers in Asian owned establishments, while workers in Lesotho are 52.1 per cent more likely to be unionised than in Eswatini. Both coefficients are statistically significant at the 1 per cent and 5 per cent levels, respectively.

Table 4, column 6, shows that the relationship with supervisors is not affected by whether the worker is operating in a GVC or RVC firm. What seems to matter the most is ownership, with workers in South African owned firms 40 per cent more likely to report a positive relationship with their supervisor vis-à-vis workers in Asian owned firms. This evidence, which is significant at the 5 per cent level, reflects previous research pointing to Asian firms hiring Asian supervisors with little knowledge of local language and customs (Morris et al. 2016; Morris and Staritz 2017). Finally, in Table 4, column 7, we do not find any statistically significant difference in terms of forced overtime between RVC and GVC workers. Here, the only aspects that seems to matter is firm size, with larger firms being significantly more likely to force their workers into overtime shifts – though this bear no meaning as to whether such overtime are paid at an increased rate as it is legally the case in both Lesotho and Eswatini.

Table 4: Enabling rights, OLS results

	<b>Gender policy (yes=1, no=0)</b>	<b>Sexual harassment policy (yes=1, no=0)</b>	<b>OHS committee (yes=1, no=0)</b>	<b>Unionization (yes=1, no=0)</b>	<b>Relationship supervisor (positive=1, negative/neut ral=0)</b>	<b>Forced overtime (yes=1, no=0)</b>
RVC	0.181 (0.178)	0.137 (0.186)	0.216** (0.106)	-0.027 (0.105)	-0.120 (0.172)	-0.023 (0.169)
Indirect RVC	0.041 (0.161)	-0.315* (0.168)	-0.256** (0.116)	-0.402** (0.154)	-0.032 (0.224)	0.195 (0.245)
Gender (male)	0.038 (0.093)	0.051 (0.093)	-0.049 (0.082)	0.108* (0.058)	0.139 (0.094)	-0.064 (0.095)
Age	0.011 (0.072)	-0.001 (0.073)	0.106 (0.073)	0.038 (0.040)	-0.127 (0.077)	0.029 (0.086)
Education	0.058 (0.063)	0.045 (0.065)	0.026 (0.058)	0.006 (0.030)	0.000 (0.062)	0.035 (0.064)
Seniority	-0.007 (0.010)	-0.006 (0.010)	-0.007 (0.009)	0.014*** (0.005)	0.024 (0.010)	0.006 (0.011)
Firm size	0.129* (0.069)	0.122* (0.069)	0.270*** (0.055)	0.020 (0.060)	-0.034 (0.074)	0.160** (0.079)
Ownership (regional)	0.081 (0.159)	0.393** (0.178)	0.197 (0.167)	0.364** (0.179)	0.400** (0.179)	0.181 (0.202)
Country (Lesotho)	0.580*** (0.196)	0.395* (0.226)	0.338* (0.188)	0.521** (0.199)	0.301 (0.197)	0.032 (0.234)
N	120	120	120	120	116	120
R <sup>2</sup>	0.19	0.18	0.32	0.47	0.15	0.07

Note: robust standard errors in brackets. P-values (\*\*\*, \*\*, \* indicate significance at 1%, 5%, and 10% levels).

Source: author's survey data; see text.

In Table 5, column 2, a clear ranking emerges regarding private audits of labour standards. Workers in RVC factories are 29.1 per cent less likely to report labour audits than workers in GVC firms. This result is significant at the 1 per cent level. Moreover, workers of indirect RVC firms are 53.8 per cent less likely to be subjected to private auditing than their counterparts at direct RVC firms. This coefficient is also significant at the 1 per cent level. In addition, male workers are 15.7 per cent less likely to report private auditing. This is significant at the 5 per cent level, and may depend on the fact that auditors prefer to interview female workers who are in a more fragile position. Importantly, workers in firms owned by South African are 28.2 per cent more likely to receive private audits than workers in Asian owned firms, while workers from Lesotho are 54.8 per cent less likely to report private audits compared to workers in Eswatini. Both ownership and country coefficients are significant at the 1 per cent and 5 per cent level, respectively. Larger firms are also more likely to receive private audits of the labour force than comparatively smaller firms.

Table 5, column 3, shows no significant difference in terms of government labour inspections between GVC and RVC workers. However, workers in indirect RVC are 40.5 per cent significantly more likely to report public inspections than workers in RVC and 40.8 per cent than workers in GVC. Possibly, this could reveal an attempt by governments to fill the private governance gap that exists in indirect RVC firms where private audits are practically non-existent (Pasquali and Godfrey 2021). Interestingly, male workers are 15.9 per cent significantly more likely to report government inspections than female workers, which is the opposite of what we observed for private audits. Whether there is a gender bias in government inspections would need to be determined with further research. Workers in larger firms and firms based in Lesotho are significantly more likely to receive government inspections, with coefficients that are significant at the 5 per cent and 1 per cent level, respectively.

Table 5: Inspections and auditing, OLS results

	Private audits (yes=1, no=0)	Government inspections (yes=1, no=0)
RVC	-0.291*** (0.073)	0.003 (0.094)
Indirect RVC	-0.538*** (0.178)	0.405** (0.203)
Gender (male)	-0.157** (0.078)	0.159** (0.065)
Age	0.027 (0.081)	0.041 (0.063)
Education	0.026 (0.049)	-0.063 (0.047)
Seniority	0.006 (0.008)	-0.006 (0.008)
Firm size	0.166* (0.086)	0.133** (0.053)
Ownership (regional)	0.282** (0.118)	0.001 (0.197)
Country (Lesotho)	-0.548*** (0.146)	0.593*** (0.178)
N	100	104
R <sup>2</sup>	0.38	0.35

Note: robust standard errors in brackets. P-values (\*\*\*, \*\*, \* indicate significance at 1%, 5%, and 10% levels).

Source: authors' survey data.

## 5 Conclusion

By focusing on Lesotho's and Eswatini's apparel value chain, this concept note has tried to shed further light on the social implications that shifting from global to regional value chains entails for suppliers and workers in the global South. It contributes to the literature on GVCs, increasing our understanding of how the emergence of regional value chains in the global South reshapes not only trade patterns but also decent work both in terms of measurable standards and enabling rights.

Overall, measurable standards appear to be higher for GVC than RVC workers in terms of paid sick leave, maternity leave and production bonus. Moreover, for paid sick leave, maternity leave, and access to healthcare facilities, workers in indirect RVC are further worse off than workers in direct RVC. Nevertheless, in terms of enabling rights, the gap is less pronounced – the only significant difference is that workers in RVC are more likely to report the presence of OHS committee. Again, however, workers in indirect RVC enjoy significantly lower rights than both GVC and direct RVC workers in relation to the presence of sexual harassment policies, OHS committees, and unionization. Our evidence further shows that workers in RVC firms are less likely to witness private audits of the labour force, this dynamic is more pronounced for indirect RVC where private labour audits are completely absent. Yet, we observe that such gap is partially filled in by a more significant presence of governments inspections among workforce in indirect RVC compared to both GVC and direct RVC.

Importantly, quantitative evidence from our model suggests that the gap between GVC and RVC presented in section 4.1 is critically impacted by factors beyond the geographical structure of the value chain. Among these, ownership, country, and firm size are critical. Particularly, workers in Asian owned firms report lower wages, fewer annual leave days, a lesser probability of having sexual harassment policies in place, lower unionization rates, worse relationships with supervisors, and a lower probability of being audited. In terms of measurable standards, compared to workers in Eswatini, Lesotho workers have higher wages, but fewer annual and maternity leave days, lower access to paid sick leave, and a lower probability of receiving production bonuses. In terms of enabling rights, Lesotho workers are associated with a higher probability of reporting the presence of gender and sexual harassment policies, OHS committees, and higher unionization rates. Workers in Lesotho are also more likely to report government labour inspections than workers in Eswatini. Whilst firm size does play a major role in measurable standards, we find that it matters more for enabling rights. Larger firms are more likely to have a gender and sexual harassment policy, and an OHS committee in place. Workers in larger firms are also more likely to be audited and receive government inspections. We also find that workers' gender and seniority matter. Women receive lower wages, are less likely to be unionised, and report government inspections. Yet, they are also more likely to report private audits. Seniority is positively correlated with wages, annual leave days, and unionization rates.

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