

# GOOD PRACTICE

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## Promoting social dialogue in garment global supply chains

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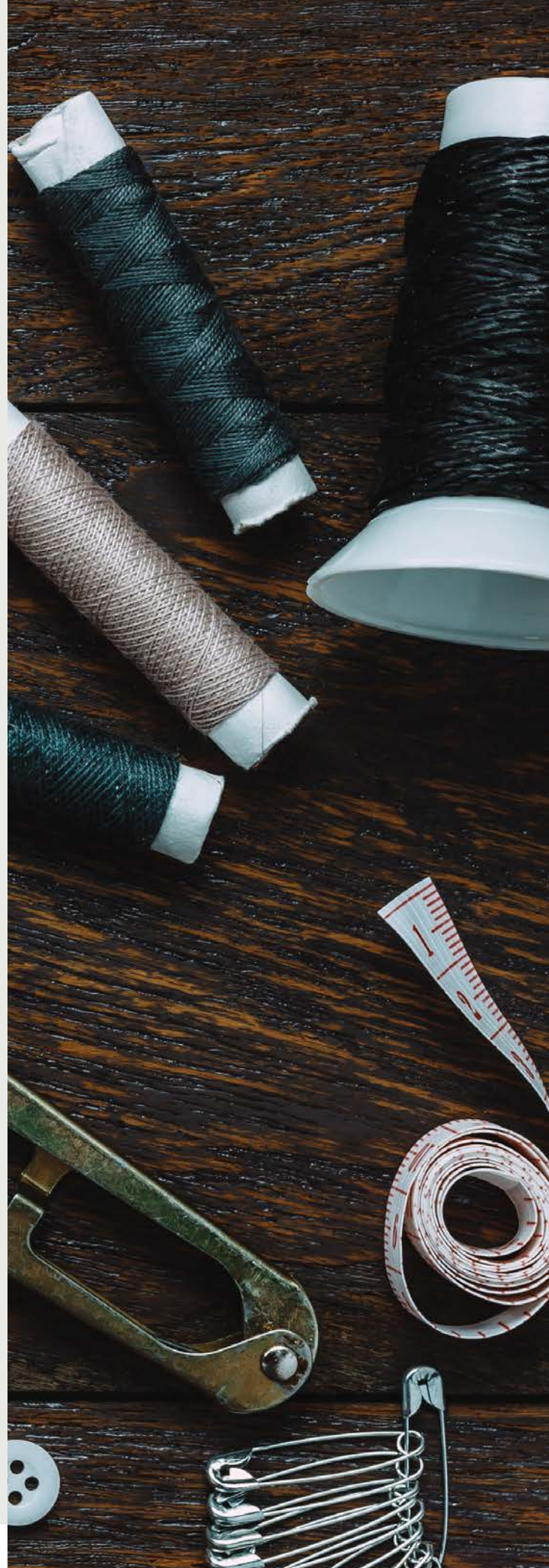
GLOBAL DEAL

## INTRODUCTION

Achieving social dialogue in garment supply chains presents many challenges. Those regions where the downstream parts of the global supply chains are often located may lack both a tradition of social dialogue and the institutions that support it. With limited experience of social dialogue being available, suppliers and workers may not always be fully aware of its benefits, or familiar with the tools used in the process of social dialogue, and it therefore remains little used.

This is a missed opportunity, not only for workers but also for business, as social dialogue has proven to be a potential driver of stability, productivity and business performance. Social dialogue helps to avoid disruptive and costly conflicts by managing issues as they arise. By involving workers in organisational change, it can bring about a process that is smoother and more productive. By raising worker's voice, it provides management with valuable information and insights from workers themselves. By fostering a more stable work force, it allows important savings on hiring and re-training of staff. In short, a stronger business emerges when workers and management work together.

This good case practice describes the actions that Fair Wear Foundation, a partner of the Global Deal, is undertaking in order to break through the potential stalemate in negotiations and achieve more social dialogue and better industrial relations in global garment supply chains.



## IDENTIFYING THE HURDLES

**Fair Wear Foundation, when joining the Global Deal, committed to identify the difficulties social dialogue is facing in the global supply chains of the garment industry.**

To that end, Fair Wear Foundation, along with CNV Internationaal and Mondiaal FNV, engaged with Cornell University to conduct a review of the state of social dialogue in ten major garment producing countries (Bangladesh, Bulgaria, Cambodia, Ethiopia, Honduras, India, Indonesia, Mexico, Myanmar and Vietnam). Published in the first half of 2021, this research reveals several hurdles to social dialogue.

A basic condition for social dialogue to take place is that workers have the possibility of freely organising themselves into bodies that raise their collective voice and represent their interests. The research however describes how freedom of association and the union formation process in the countries mentioned above is often resisted by, among other things, dismissing workers, closing factories, imposing onerous registration requirements or banning trade unions from industrial zones.

Reluctance to collective bargaining can also be a major hurdle, with for example “collective pacts” and co-opted and non-unionised workers sometimes being used to avoid negotiating with independent trade unions. Legally-mandated enterprise-level dialogue systems do exist in six out of the ten countries analysed, but often these are not enforced by labour inspectorates, do not function properly or are dominated by management. National tri-partite social dialogue processes are fragile, as they depend on the approach of the government in power.

Hurdles also exist on the side of workers themselves. As the tradition and culture of

hierarchical authority is jointly shared by management as well as by labour, workers are often hesitant to raise their voice or to openly engage in a dialogue with management. Moreover, workers may be unfamiliar with the concepts and techniques of social dialogue including, for example, the key tool of a collective bargaining agreement. Finally, meaningful social dialogue is prevented by the fragmentation of trade unions and/or the domination of certain trade unions by political forces.

Despite attempts by brands to support and promote social dialogue, more still needs to be done. Research shows that a lack of transparency, duplication of practices and lack of true understanding of the root causes of violations led to a lack of sustainable improvements from brand led initiatives. Successful initiatives have been implemented at factory-level in support of enterprise-level social dialogue, but tend to lack a focus on freedom of association and collective bargaining.

Furthermore, suppliers themselves face hurdles and economic constraints due to structural features of the industry and pressure from buyers. When facing pressure for lower prices and shorter delivery times, suppliers in turn exert pressure on workers, and this dynamic undermines social dialogue and effective industrial relations. Additionally, the ownership structure of suppliers, including an increase in foreign-owned enterprises who are less invested in local social systems, can result in less willingness to engage in social dialogue.

## INNOVATIVE SOCIAL DIALOGUE PRACTICES

**Fair Wear Foundation's analysis demonstrates that the hurdles described above are challenging, but at the same time not impossible to overcome. There are several cases where the establishment of a lasting social dialogue have succeeded.**

An example of organising workers at the factory-level and having the trade union recognized as a partner to bargain with is the Fruit of the Loom garment factory in Jerzees, Honduras. An organisation drive that was started in 2007 initially ran into major difficulties. In 2009



however, after an international campaign convincing 132 universities in the US to reconsider their commercial contracts with Fruit of the Loom, a collective agreement with the trade union CGT was negotiated. This so-called Washington Agreement allowed workers to organise in all factories owned by Fruit of the Loom in Honduras. It also set up a dispute resolution mechanism, with a mediator given the responsibility of resolving disputes. In addition,

a Supervisory Committee was also created to ensure compliance with the agreement, allowing union representation. This Supervisory Committee consisted of two representatives from Fruit of the Loom, two representatives from the trade union CGT, the mediator and one neutral person. Meeting every three weeks, it discusses labour relations in the different factories to provide guidance on how to improve industrial relations. In addition, senior- and middle-level plant management received training on freedom of association and on collective bargaining. The most important aspect of the Washington Agreement is the legal protection it offers by granting competence to US courts in case of a breach of the agreement. As a result of all of these initiatives, two collective bargaining agreements on improving wages and working conditions were reached between the Honduran CGT and the multinational Fruit of the Loom in 2011 and 2015.

Social dialogue can also be introduced by involving multiple employers from the same sector in a collective agreement. In August 2017, the first multi-company agreement was negotiated in Indonesia. It covers ten garment factories from the Subang region, six trade unions and around 17,000 workers, and grants more rights to pregnant workers including longer maternity leave. This multi-company agreement originated from the West Java Social Dialogue Forum (WJSDF) which was initiated in 2013 and brings together the trade union representatives from Garteks KSBSI, employer representatives

from APINDO West Java, and government officials from the West Java Department of Manpower and Transmigration. In 2014, the WJSDF took up the idea of pursuing a multi-company agreement and started contacts and negotiations with individual factory owners. Several factors then combined to produce a successful outcome. Supported by the Dutch trade union CNV, training on social dialogue was provided. Together with continuous discussions within the WJSDF, and helped by the fact that both local government and the employers' organisation were supportive of the process, trust between the different parties was gradually built and this eventually led to the signing of this multi-employer collective agreement. Besides creating trust, getting workers to become familiar with the instrument of collective bargaining also helped, as previously there had only been one collective agreement among the 700 factories in the region. At the same time, discussing the possibility of a multi-employer agreement led employers to understand that the standardisation of wage and working conditions across participating factories resulting from such multiple-employer bargaining would prevent individual factories from poaching workers from each other.

Honduras also presents an interesting case when it comes to sector-level bargaining. Starting in 2010, the three main trade union confederations came together to form the Network of Trade Unions of the Honduran Maquila (RSM-H by its acronym in Spanish). This network originated from regional meeting that was organised by

the Trade Union Institute for Central America and the Caribbean (ISACC) with the support of CSI, CSA, FOS of Belgium, 3F of Denmark and the Solidarity Center, with the idea of exchanging experiences with the maquila sector in Honduras, Nicaragua and El Salvador. By joining forces, the RSH-M is able to engage in bi-partite negotiations with the Honduran Maquiladora Association (AHM) and come to collective agreements on setting minimum wages for the garment sector. Bargaining rounds started in 2011, took place again in 2014 and most recently in 2018. In the latter agreement, the minimum wage for the factories in the sector was increased by 38% over five years. Moreover, social dialogue does not limit itself to the setting of a minimum wage through collective agreements. Besides promoting a training module on the freedom of association and collective bargaining with around 121 training sessions, covering over 3,000 workers, RSM-H and AHM have also implemented pilot programs for community childcare, worker



health programs, and affordable housing. Currently, collective agreements between RSM-H and AHM benefit over 55,000 workers.

Furthermore, during the COVID-19 pandemic, the RSM-H engaged in tri-partite dialogue with the Honduran Maquila Association (AHM) and Government of Honduras, and was able to negotiate payments to workers of two weeks' of full wages during the country's initial lockdown. Additionally, in April 2020, the network was able to negotiate a solidarity contribution where workers would receive USD 250 monthly – USD 100 from employers and USD 150 from the government. These achievements testify to the success that a well-established culture of social dialogue can deliver.

A final case study is the Bangladesh Accord, negotiated after the 2013 Rana Plaza disaster. It is a prime example of social dialogue creating collaborative institutions, which in turn support further social dialogue dynamics. Signed by more than 200 international brands, two global unions, eight trade federations of Bangladesh and four international NGOs, it aims to improve safety for the two million workers in the country's readymade garment sector by, among other things, democratically electing health and safety committees in all factories and making workers aware of their rights through an extensive training program. At the centre of the Accord is the commitment by brands to work with their suppliers to secure financing, maintain orders, and ensure renovations and repairs to make factory buildings safe.



## LESSONS TO BE LEARNED

**Six lessons can be drawn from these experiences on how to start up social dialogue, despite the hurdles faced.**

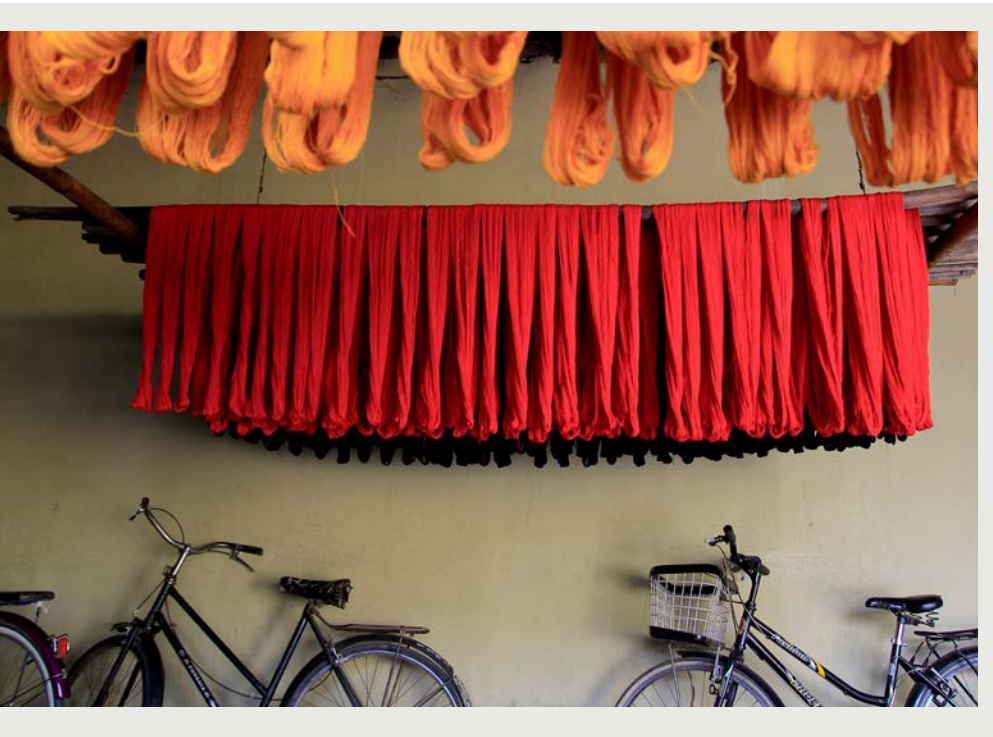
First, transnational networks and international support are important. In almost all of these cases, local attempts to set up social dialogue were supported by international key players. These include global union federations, trade unions from specific countries, civil society organisations, or foreign government agencies. These players mobilise public opinion to influence relevant international buyers, set up training to share their expertise on social dialogue, use provisions in trade agreements to push for structural change, or provide direct and important leverage with international buyers and brands, getting directly involved in mitigating breaches to social dialogue and labour rights in their global supply chain.

A second lesson is that cooperation works. This is illustrated by the example mentioned

above of minimum wage agreements in export processing zones (maquiladoras) in Honduras. One factor that is the basis of this successful case is the fact that the three Honduran textile unions were able to set aside their differences and work together since 2010 as a Network of Trade Unions of the Maquiladora. They were thus able to overcome a situation of (political) fragmentation and improve their position and credibility as a social partner.

Trade agreements that include labour provisions can also support social dialogue - the other factor at work behind the Honduran sector agreement. Responding to a 2012 complaint on the widespread violation of labour rights that was issued in the framework of the Central American Free Trade Agreement (CAFTA),

a Labour Rights Monitoring and Action Plan was developed and implemented starting from 2015 between the Honduran Ministry of Labour and Social Security and the US Department of Labor. Under this plan, labour law provisions in Honduras are much better enforced by mobilising and supporting social inspection services but also by using remediation plans and spaces for dialogue between the State and plaintiffs in case the remediation plan was not respected. Moreover, a seven million dollar budget was allocated by the US Department of Labor, investing in projects that strengthen





social dialogue. As a result of all of these actions, openness to social dialogue improved, in particular in the maquila sector.

Training workers and managers on how to conduct social dialogue is essential. It creates trust between management and worker representatives and helps to put the usual stereotypes aside. As noted in the experiences with the Subang multi-employer agreement in Indonesia, training also helps to introduce workers with social dialogue concepts such as the meaning and implications of a collective bargaining agreement.

The respect and enforcement of the fundamental right of workers to organise and undertake collective bargaining is crucial. The recent reform of labour law in Mexico illustrates this. That reform requires workers to approve of trade unions and collective agreements through secret ballot elections, in which a majority of workers needs to vote in favour

for the agreement to be valid. Mexico is thus breaking with the widespread practice of local conciliation boards registering so-called "protection contracts". The latter are drawn up between some union leaders and management without workers themselves being aware of the agreement, thus providing management with much discretion on wages, working hours and employment conditions.

Finally, success breeds success. Good case examples multiply and influence practice in other factories. In the case of Honduras, the experience gained with the Washington Agreement and the Fruit of the Loom led to more unions negotiating collective agreements. With wages in the Fruit of the Loom factories increasing by 19% because of collective bargaining agreements, worker organising spread to other factories in the sector. Currently, 53% of workers in the garment of Honduras are covered by a collective bargaining agreement.





## CONCLUSION

While major parts of the global economy and its supply chains are characterised by institutions and traditions that are far from conducive to social dialogue, the research commissioned by Fair Wear Foundation and partners describes several cases where it proved possible to establish and sustain effective social dialogue.

The conclusion from these cases is that both a top-down and a bottom-up approach need to be combined in order to overcome pre-existing hurdles against social dialogue. This in turn requires the participation and support of all actors across the supply chain.

To unblock the stalemate at local level, international leverage is essential. Such international leverage may take different forms such as social dialogue clauses in trade agreements or mobilising the power of the multinational headquarter in terms of its procurement and investment.

At the same time, local action is indispensable. The local institutional environment should respect and enforce social dialogue-related fundamental labour rights. It is also important to build up the capital of trust that is necessary to overcome resistance to social dialogue. This can be done by providing training to local management and workers to improve their understanding of how social dialogue can be made to work.

The synthesis and country reports from the Social Dialogue in the 21st Century Project can be found [here](#).

## THE GLOBAL DEAL FOR DECENT WORK AND INCLUSIVE GROWTH


The Global Deal is a multi-stakeholder partnership that aims to address the challenges in the global labour market to enable all people to benefit from globalisation. It highlights the potential of sound industrial relations and enhanced social dialogue to foster decent work and quality jobs, to increase productivity, and to promote equality and inclusive growth. The Global Deal welcomes governments, businesses, employers' organisations, trade unions, as well as civil society and other organisations to join the partnership.


Check the [full list of partners](#)


## GOOD PRACTICES FROM GLOBAL DEAL PARTNERS

The Global Deal encourages its partners to share examples of effective and innovative experiences in the area of social dialogue. These are published on the website in a repository that enables knowledge sharing and facilitates peer learning, helping Global Deal partners and other actors to improve social dialogue and sound industrial relations. It provides a valuable resource that illustrates different forms of social dialogue from a variety of regions and countries. Partners are welcome to send relevant experiences and working practices to the Global Deal Support Unit.

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