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The Dialogue Approach – Benefits, Success Factors, Results

How Dialogue between Managers and Workers Improves Social,
Environmental and Economic Performance in Garment Factories in Asia



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The Dialogue Approach – Benefits, Success Factors, Results

Over the past ten years, factory-level dialogue between workers and management has been established as a pillar of improving social, economic and environmental sustainability in textile and garment factories in the Asian region. To build on the transformational potential of dialogue approaches, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has created the Multi Stakeholder Dialogue for Change project. The aim of the project is to analyse the different dialogue approaches and filter out a common core, which constitutes the

essence of this development tool. To reach this goal, the project evaluates the range of experiences that have been gained in the garment industry in Asia on models, feasibility and effectiveness of the different approaches. This publication is based on a first study carried out within the framework of the project, and the outcomes of an international conference held on 15 November 2018 in Phnom Penh, Cambodia. Looking ahead, the project serves as a starting point to scale up the dialogue approach as a mechanism for sustainable development.

WHAT IS THE DIALOGUE APPROACH?

Dialogue approaches can be defined as formats through which members from different stakeholder groups are brought into direct exchange, to co-operatively identify challenges and jointly develop solutions. In contrast to a confrontational approach, which often causes strikes on the part of employees or lack of acceptance by management, this interaction enables workers and management to devise ways of improving working conditions that are jointly implemented and accepted by all. The dialogue approach helps to build trust between workers and managers, to overcome mutual information gaps, and to develop direct actions for smarter production processes and better working conditions in a joint and participatory manner.

Benefits of the Dialogue Approach

Within the **dialogue approach**, aspects raised by managers and workers are jointly discussed, and improvement measures are identified by both sides. Involving all parties in the process increases motivation and the likelihood that improvements will be implemented, resulting in better social, environmental and economic performance in the factories. International buyers and brands in turn benefit from being able to rely on compliant suppliers along their value chains.

The dialogue approach provides **workers** with a direct communication platform to discuss issues with factory management. Through training, workers are encouraged to speak up and can increase their negotiation skills, leading to a more powerful participation in decision-making processes. Workers further benefit from safer and more decent workplaces as a result of the implementation of agreed measures.

If **factory managers** have no contact with the workers, they miss an important source of improvement. It is usually the workers who know best which measures have the greatest impact. Through the exchange, managers can transform workers' experiences into opportunities for efficiency gains and productivity increases. This becomes most obvious when costs can be reduced through higher efficiency in material, energy or water usage. The dialogue process can further lead to a decrease in employee turnover, a decline in absenteeism and increased workers' morale and motivation.

International buyers and brands can set a benchmark for decent working conditions and limited negative environmental impact. They can comply with their responsibility for socially fair and greener production, which enhances the brand's image and value.



Business sustainability can only be achieved through social upgrading. This is even more important than upgrading technology or products. The focus needs to be on our workforce.

Muhammad Ejaz, Senior Manager, Crestex, Pakistan



Social dialogue has to replace social audits. The social audit industry is currently worth 80 million UK pounds a year. Once producers buy in the social dialogue approach, buyers must also see what is in it for them. Investing in social dialogue isn't just a CSR measure, it's also a smart business decision, as it reduces the costs of social audits.

Debbie Coulter, Ethical Trading Initiative

Principles and Processes

The dialogue approach is based on **four principles** that are essential for the success of the method and its implementation.

1
The 1st principle addresses the **establishment of a participatory system** in the factory. Cross-hierarchical participation and communication allows taking into account the input of both middle management and workers, thus ensuring that views from different angles are captured. As a result, workers are motivated to actively contribute to decision-making processes, which helps to increase their overall work satisfaction.

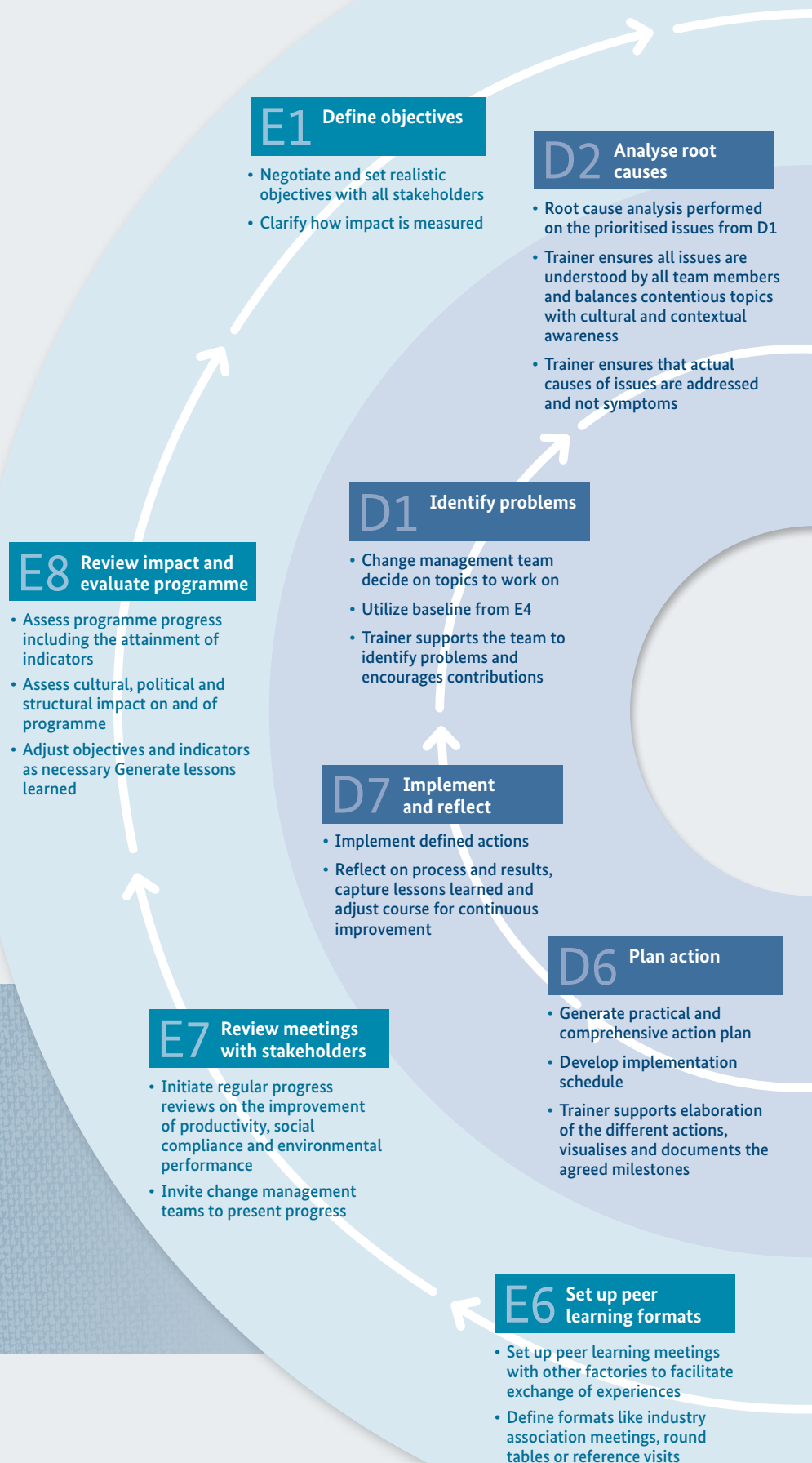
2
The 2nd principle calls for **joint and enduring commitment and ownership** of the dialogue process. The commitment of both management and workers to jointly, open-mindedly, and continuously identify opportunities for improvement is crucial for successful dialogue. Moreover, managers and workers themselves must take responsibility for the dialogue process – they know the factory's issues and its local context; it is up to them to decide on improvement measures.

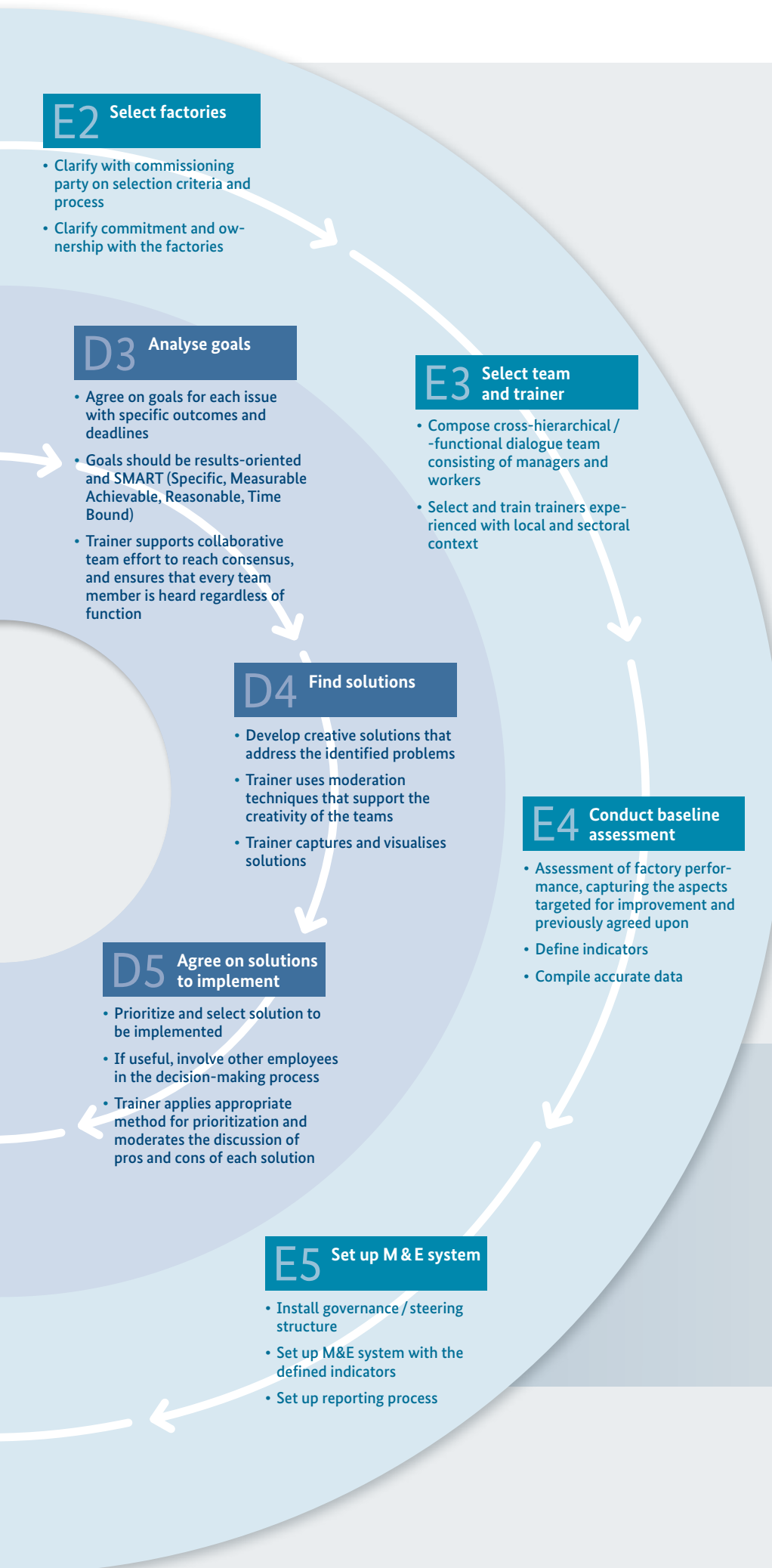
3
The 3rd principle requires **continuity and follow-up** of the dialogue process. Considering that the factory is set up for long-term operation, a continuous improvement process based on dialogue should accompany the factory's development. As such, dialogue should be integrated as an inherent part of the factory's structure.

4
The 4th principle addresses the **concept of action learning** as a practice-oriented and efficient learning method. The approach has proven to be very effective for concrete problem-solving in heterogenous teams through joint development of direct actions. The constant reflection upon implementation efforts further provides the opportunity to adjust the course and improves the team members' problem-solving capability.

THE PROCESS CYCLES

The implementation of the dialogue approach pursues two process cycles that mutually reinforce long-term change and scalability. The **Enabling Cycle (E Cycle)** defines agreed objectives and commitments among the stakeholders, sets the necessary preparations, provides accompanying systems and evaluates the dialogue process. As the core process of the dialogue approach, the **Dialogue Cycle (D Cycle)** conducts a cross-hierarchical, cross-functional process of issue identification and solution development that applies action learning to establish sustainable change. While the Enabling Cycle is temporary in nature, the Dialogue Cycle should become a continuous improvement process in the factory.





The E Cycle

The E Cycle can be initiated and driven by international brands, retailers and buyers, by factory owners and trade unions, or as part of development cooperation programmes.

The E Cycle is a prerequisite for the successful implementation of the D Cycle. Once entirely performed, the E Cycle can be finished after successful completion of the first D Cycle.

The D Cycle

The D Cycle provides a communication platform between workers and managers to jointly identify and address social, environmental and economic issues at factory level.

The D cycle is based on the above four principles; it is hence practice-oriented and will result into a continuous improvement process (CIP).

The first completion of the D Cycle takes 12 to 18 months, depending on the factory's specificities.

Measuring Results and Monitoring Progress

The reasons for systematic monitoring and measuring of the dialogue process are manifold. From an **operational perspective**, the applied action learning method implies regular reflection on which intermediate results are required. From an **institutional perspective**, demonstrated improvement increases the confidence in the dialogue approach among managers and workers, and can be further expanded to other factories. From a **brand perspective**, measurable enhancement of workers' working conditions and sustainability of production reduces supply chain risks and produces evidence of its efforts to foster sustainability.

To ensure commitment of all parties involved, setting up a monitoring and evaluation system should be done with the same **participatory approach** as the dialogue process itself. In concrete terms, this means that worker representatives and managers jointly agree upon objectives and indicators. Another success factor is that indicators should be understandable and transparently communicated to management and worker representatives. Workers should further be involved in the baseline assessment, and although initial transparency might be limited, it is expected to grow as dialogue progresses.

Although certain improvements cannot be measured metrically, it is recommended to apply a clear **set of quantifiable data**, as numbers provide a more distinct and less interpretable message. The indicator set should cover the various impact spheres including social, environmental and economic performance.

Individual perceptions of workers and managers on changes can be quantified through ordinal scales (e.g. 1 to 10). Highly sensitive topics such as incidents of discrimination could additionally be ascertained through a range of personal interviews or anonymous surveys.

The **monitoring and evaluation process** should define steps on data collection and analysis, responsibilities, frequency and reporting formats. Through an M&E tool including a timeline, indicators and milestones, progress can be made visible at all stages of the process.

Exemplary topics and indicators for the three dimensions of sustainability



INCREASED WORKPLACE SATISFACTION

- Annual employee turnover rate
- Satisfaction rate on a scale from 1 to 10 (employee survey)

INCREASED FEMALE PARTICIPATION

- Number of women in worker committees
- Number of female line managers / supervisors and women in management positions

IMPROVED SAFETY ON FACTORY FLOOR

- Number of workplace accidents

INCREASED PAY

- Workers' average take-home pay

IMPROVED WORKING CONDITIONS

- Average temperature at factory floor



SAVINGS IN ENERGY CONSUMPTION

- Power consumption

DECREASE OF MATERIAL WASTE

- Amount of material waste

INCREASE IN CHEMICAL SAFETY AND REDUCTION OF NEGATIVE IMPACTS OF WASTE WATER TO THE ENVIRONMENT

- Safety measures in place, amount of chemicals and waste water



INCREASED RAW MATERIAL PRODUCTIVITY

- Raw material input per production unit

INCREASED ENERGY EFFICIENCY

- kWh per production unit

HIGHER PRODUCTION EFFICIENCY

- Number of sick leave days of workers
- Error rate in production lines

Success Factors of the Dialogue Approach

Based on dialogue projects implemented thus far, GIZ has developed a set of success factors essential to the achievement of the dialogue objectives. It is crucial to consider all mentioned preconditions, as these are interlinked and can have negative mutual influences if not properly addressed in the dialogue preparation.

1 Clarify the Purpose of the Dialogue Approach at Factory Level

- The objectives should be clear and aligned between managers and workers;
- To avoid misunderstandings, it might be useful to mention what purpose the dialogue approach does not have.

2 Ensure Continuous Commitment from Management

- Management commitment should comprise general support from top management as well as from middle management and supervisors through continuous and active participation in the dialogue process;
- The extent to which management is willing to back significant changes should be clarified;
- Management should confirm that workers are provided an active and respected role in the decision-making process.

3 Ensure Proper Worker Representation

- Workers should independently decide who will represent them in the dialogue process;
- Workers participating in the dialogue process should ideally reflect different groups and voices in the workforce (e.g. male and female workers, minorities, etc.);
- Workers should be literate, where possible have leadership skills and ideally be familiar with the factory's workflows.
- The role and participation of existing worker representation structures should be clarified;
- If existing, factory-level trade unions should be actively involved and represent workers in the dialogue process.

4 Ensure Continuous Participation of Worker Representatives

- Top management should confirm that the same worker representatives will be allowed to participate in activities related to the dialogue process during working hours without facing any disadvantages as a result;
- Workers should raise the importance of continuous attendance in the trainings and workshops.

5 Ensure Brand Commitment

- Brands, retailers and buyers should provide permanent commitment to the dialogue process – regardless of changes in order volumes;
- Brands, retailers and buyers should consider contributing financially to the dialogue process.

6 Select Trainers with Appropriate Experience

- Trainers should have experience in moderating and implementing dialogue processes;
- Trainers should further be familiar with the specific environment (country, language, work processes, labour rights, etc.).

7 Provide Technical Advice where needed

- To solve some of the issues discussed, advice from technical experts might be needed. This is especially true when it comes to questions of safety or environmental challenges (e.g. chemical management including protection of workers or electrical safety and energy efficiency).



Ensuring Sustainability

Assuming that each production entity strives for long-term economic sustainability, the dialogue approach can be used as a tool to establish a culture of change and continuous improvement across all levels, accompanying the factory over its whole lifetime. Various activities should be considered to strengthen the sustainability of dialogue.

Institutionalize Dialogue

Dialogue should be incorporated as an inherent part of the factory's structure. This includes the establishment of a dialogue team with permanent members representing both management and the workforce, an agreed meeting frequency and documentation, and the responsibility for steering a continuous improvement process.

Maintain Visibility

The dialogue team should create awareness among workers and managers on dialogue and provide the opportunity to propound ideas and concerns. Improvement measures should be announced by the dialogue team, and the implementation supervised.

Disseminate Success Stories

The effectiveness of the dialogue approach ought to be proven. Achieved objectives and benefits resulting from dialogue should be demonstrated internally and externally. Fact sheets, press releases and online videos can be used as part of the factories' and brands' PR activities.

Share Experiences

Experiences with the dialogue process should be exchanged with affiliated companies and with other factories who have participated in a dialogue programme. These experiences can also be shared with multipliers such as business associations or training institutions. Brands and retailers can furthermore replicate the dialogue approach with suppliers in other locations.

CASE STUDY



At the beginning, we were reluctant to work with GIZ as our company was already doing well – we thought we were the best! However, making simple changes has led to big results, and we will continue in this direction: empowering workers, respecting their rights and treating them as company assets, and being more profitable in return.

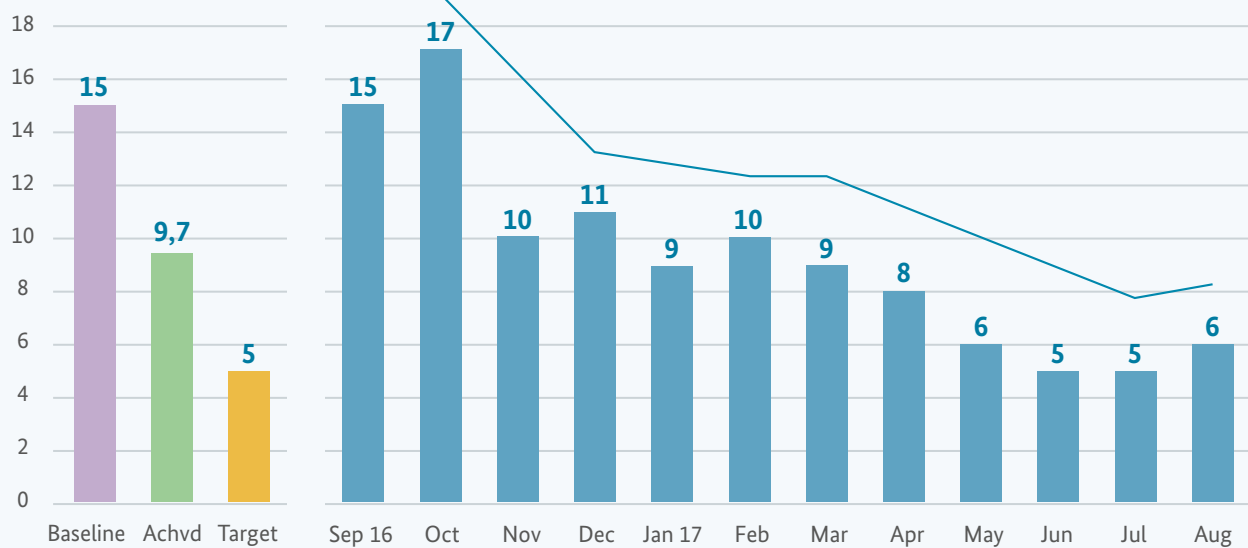
Muhammad Ejaz, Senior Manager, Crestex

Dialogue for Compliance at Crestex, Pakistan

The Dialogue for Compliance project at home textile manufacturer Crestex aimed at upgrading economic and social standards in the factory. The dialogue implementation included six training sessions over a period of one year and a study tour of state-of-the-art garment factories in Sri Lanka. Implemented measures include the application of lean tools, process optimization, technology upgrading, and the improvement of the work environment (light, humidity, temperature, chairs).

To measure the results of the dialogue project, Crestex conducted a baseline assessment and defined a comprehensive set of indicators. Between the baseline and final evaluation, the approach resulted in a total productivity increase of 19% – despite the previously installed ISO 9001 and ISO 14001 systems. Workers' overtime was reduced by 12%, absenteeism by 5%, and salaries were gradually increased by 53%.

Reduction of absenteeism in working days per month during Dialogue for Compliance project phase



CASE STUDY

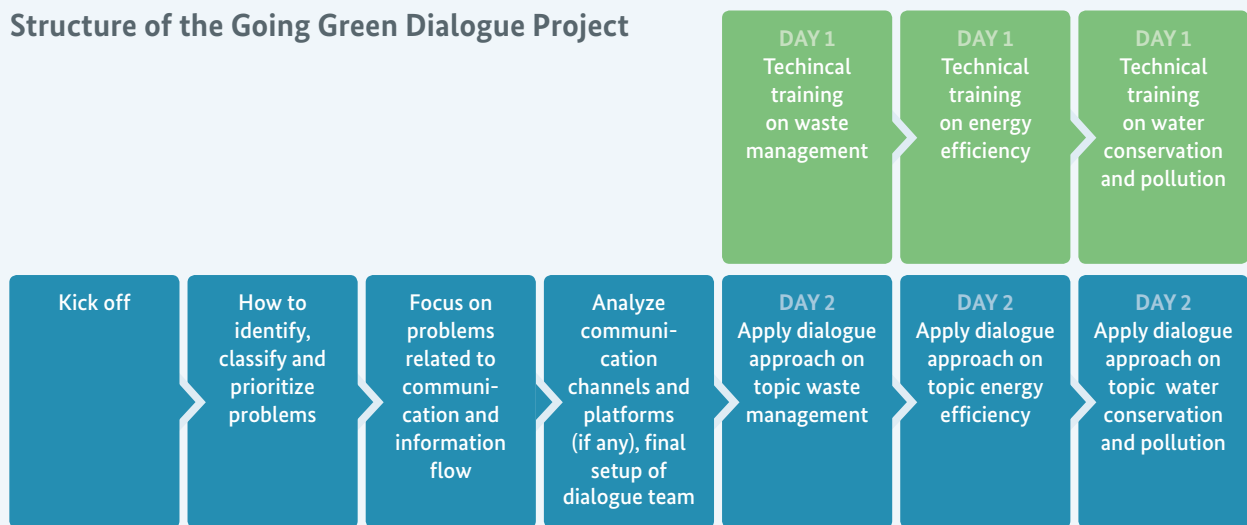
Going Green Dialogue in Cooperation with H&M Group, Myanmar

The Going Green Dialogue project shows that factory-specific needs are paramount in defining the concrete objectives of dialogue. Going Green Dialogue has focused on improving environmental standards at factory level, while leaving space to discuss and solve social issues raised by the workers. After an initial training-of-trainers, three participants were recruited to conduct one kick-off and six dialogue trainings jointly with GIZ's international consultancy SUSA Sustainability Agents over the period of one year. After the first three training sessions, technical trainings on waste management, energy efficiency and water conservation flanked the dialogue approach. First, technical input was given by SMART Myanmar, an EU

funded project that specializes in sustainable production. Afterwards, the dialogue approach was used to apply the newly acquired knowledge in the factory.

The three participating factories elaborated 18 action plans; 13 were fully implemented and five partially implemented at the end of the project period. Workers report improved waste management and better relationships between managers, workers and the trade union. Further, 61% state a strong improvement of the workplace atmosphere, and 95% wish to have more dialogue trainings.

Structure of the Going Green Dialogue Project





The best outcomes arise when we focus on the needs of one particular factory: There is no 'one size fits all' approach.

Hannah Ringwald, SUSA Sustainability Agents

CASE STUDY

Dialogue for Safer Transport in Cooperation with adidas, Cambodia

The Dialogue for Safer Transport pilot project illustrates how dialogue can solve substantial issues that have been disregarded due to an unclear distribution of responsibilities. Many garment workers in Cambodia have no alternative but to ride in open trucks to commute to the factories, exposing them to a high risk of road accidents. GIZ and adidas have piloted a dialogue process to find solutions to road safety at factory level. Dialogue trainings in four different adidas supplier factories were provided to newly established road safety committees – made up of representatives of management, workers and, where possible, drivers. The committees then discussed issues

and mapped out concrete roadmaps to pilot solutions at factory level. Further, the project aimed to identify and disseminate successful measures that can be replicated and scaled up in other factories.

The first results of this project highlight the importance of establishing communication channels with drivers, of raising workers' awareness on road safety through film screenings and announcements and adopting a cost-sharing approach in the interventions – e.g. subsidizing the costs for helmets or upgrading of trucks or associating them with certain safety procedures. To ensure ongoing improvements, having a clear structure for transport safety (whether through a dedicated road safety committee or integrated within another existing committee), with roles and responsibilities for management, workers and drivers is also seen as crucial.



Commitment of all supervisors and managers is essential, but it is also fueled by the brands' commitment.

Mirjam Marquard, GIZ SLSG Cambodia



adidas

CASE STUDY

Social Dialogue Programme in Cooperation with Tchibo, Myanmar



Dialogue is the beginning of change: How much courage do we have to talk about difficult situations and act upon them?

Gladys Tang, Senior Social Responsibility Manager, Tchibo

In Myanmar, workers have limited resources and channels for taking their concerns to the management. Equally, managers often lack the experience to engage with workers and their representatives. The Social Dialogue Programme aims to support managers and worker representatives of four factories to jointly work on improving working conditions. The focus is on four pillars: Develop communication and negotiation skills; remove barriers and facilitate mutual trust building; enable self-help structures in the factories and create replicable training models; prepare for and allow collective bargaining on factory level.

Following the principles of transparency and openness, confidence, consent and sharing, the project has been designed and implemented together with the Confederation of Trade Unions of Myanmar (CTUM) and in consultation with IndustriALL Global Union. The implementation phase included trust-building through regular joint workshops with union members and factory management representatives as well as individual preparation meetings at each factory, facilitated by Ethical Trade Consultancy

Impactt, followed by two offsite worker training modules on labour law, dispute settlement law and a training on workers' rights by CTUM. The programme also included management-specific training.

Through the Social Dialogue Programme, trade union members, worker representatives and factory managers were encouraged to openly exchange their views and discuss their challenges – for many participants a first-time experience. This has enabled participants to acknowledge different perspectives and has fostered mutual understanding.



GIZ'S FABRIC PROJECT

The project Promoting Sustainability in the Textile and Garment Industry in Asia (FABRIC) is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, which works on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

To successfully shape the desired economic growth in Asia's textile and garment production in a sustainable way, many parties need to be involved. GIZ's FABRIC project brings together people from the Asian industry, public sectors, NGOs and from international buyers, promoting knowledge transfer and cooperation. FABRIC is working in Bangladesh, Cambodia, Myanmar, Pakistan, Vietnam and together with China to strengthen an industry that offers quality jobs, protects the environment and contributes to economic growth.



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