

Summary of session discussion 18 Nov 2015

Beyond auditing: Effective ways to address human rights violations in garment supply chains

Organizer:

Council on Ethics for the Norwegian Government Pension Fund Global

Panel:

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Kalpona Akter, Executive Director, Bangladesh Center for Workers Solidarity (BCWS)

Scott Nova, Executive Director, Worker Rights Consortium, USA

Margreet Vrieling, Head of Verification, Fair Wear Foundation, the Netherlands

Ken Loo, Executive Director, the Garment Manufacturers Association in Cambodia (GMAC)

Moderator:

Mark Taylor, Research Director, Fafo, Norway

Short introduction and background to the session

By Johan H. Andresen, Chair, Council on Ethics

The Council on Ethics has so far researched garment manufacturers with production facilities in countries where poor working conditions appear to be widespread, such as Cambodia and Vietnam. The initial on the ground-research was based on interviews with workers outside the factory premises. Severe labour violations and a number of illegalities were found at all factories, consistent with reports by the ILO, NGOs and others who have investigated the industry. It is obvious that audits, which are carried out by buyers are not enough to prevent labour rights violations from occurring. What should be expected from major garment buyers to prevent and mitigate human rights violations in their supply chain?

The panellists discussed the following questions:

- What is the single most important measure (not requirement) a buyer can implement to improve working conditions?
- To what extent has a small buyer leverage to improve working conditions at a factory that has many customers?
- Assuming that some buyers are more responsible than others; do differences in buyer practices have impact on the working conditions in the factory?
- How can workers be involved in driving change and under which conditions?
- Is there a business case for creating better working conditions at the factories?

The lack of social dialogue is one of the main obstacles to improving working conditions at the factories.

Audits give a glimpse of the condition in the factory at a specific point in time, and do not provide remediation. Social dialogue between workers and the employer is needed, and brands can contribute to build structures for and encourage this. A social dialogue hinders conflict and provides opportunities for capacity building, the discussion of the rights and obligations for employers, as well as mechanisms for conflict resolution. However, a brand, even if it is a large buyer cannot do this alone; it is necessary to partner with other brands. It is also a responsibility of the supplier to improve working conditions at the factory. It is urgent

to discuss on a global level how different unions in different countries can build capacity to engage with employers.

The right to organize is embedded in every byer's Code of Conduct, but still it is often impossible for workers to bargain collectively, in spite of unions. Workers then seek other means to achieve gains, such as engaging in mass protests which has been an instrument to increase wage. In Cambodia, the number of trade unions, often 4-6 at the factory level is a challenge, and it hinders collective bargaining. Trade unions do not respect agreements made by other unions which makes it difficult to reach collective agreements for all the workers at the factory. The high number of unions is in the interest of employers that are against collective bargaining, as the negotiations then become impossible.

Leverage is a question of priorities and will

A brand's leverage to improve working conditions depends on the quality of the business relationship between the brand and the supplier and the added value of corporation with other brands and a neutral third party who can verify practices and mediate between a brand and the supplier.

Brands use leverage effectively towards their suppliers, but not so much to improve conditions. Price and delivery speed is more important than influencing factories to improve working conditions. The behaviour of brands has to change, and they need to prioritize efforts on improving working conditions. Industry led codes of conduct are a process of corporate self-regulation which do not produce much change. The Bangladesh Accord, which is a legally binding agreement between brands and unions to improve safety at factories, is successful and more effective than voluntary agreements. Increased transparency could also enable external actors to drive change through pressure and incentives.

Suppliers and their need to focus on profits and the role of consumers

In the short term, the factories must focus on profit. If a factory does not make profit, it has to close. In Cambodia, the labour costs of the added value at the factory level account for 70 per cent of costs. Ultimately, consumers have to drive the change. A 5 cent increase in the price of a T-shirt would amount to significant wage increases for garment workers. However, it was also argued that this is not a question about consumer preferences, but the distribution of profits. There is an uneven distribution of power within the supply chain, and the labour costs of a product are small.

Consumers do not set prices, but brands do. Increase of wages has to be included in the pricing structure of brands. Consumers are willing to pay more, and they will turn away from a brand which has a bad reputation. Consumers are playing a positive role in the long term, but consumer pressure is different in different countries. There are bad industry practices, and brands do have a responsibility, but there are also other actors. The factories also have a responsibility.