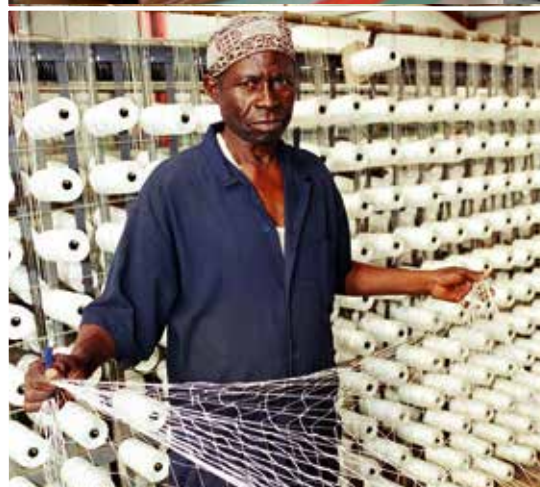


Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries



GDFTCLI/2014

INTERNATIONAL LABOUR ORGANIZATION

Sectoral Activities Department

Wages and working hours in the textiles, clothing, leather and footwear industries

**Issues Paper for discussion at the Global Dialogue Forum on Wages and
Working Hours in the Textiles, Clothing, Leather and Footwear Industries
(Geneva, 23–25 September 2014)**

Geneva, 2014

INTERNATIONAL LABOUR OFFICE, GENEVA

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Preface

This paper is intended to serve as a basis for discussion at the Global Dialogue Forum on Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries. At its 319th Session (October 2013), the ILO Governing Body decided that the Forum would be held from 23 to 25 September 2014, would be composed of ten Worker and ten Employer participants, selected after consultations with their respective groups of the Governing Body, and would be open to all interested governments; and that representatives of certain intergovernmental and international non-governmental organizations would be invited to attend.¹ Its purpose is to discuss ways to address wages and working hours in the textiles, clothing, leather and footwear (TCLF) industries, taking into account the national contexts and the related international labour standards, with a view to adopting points of consensus that would inform future policy development. The previous meeting relating to these industries was held in 2005.²

This paper, published under the authority of the International Labour Office, includes information from sources including ILO publications, academic studies and statistical databases. It was prepared by the Sectoral Activities Department (SECTOR), with contributions from the Conditions of Work and Equality (WORKQUALITY) and Governance and Tripartism (GOVERNANCE) Departments.

¹ ILO: *Sectoral Activities Programme 2012–13 and 2014–15*, Governing Body, 319th Session, Geneva, Oct. 2013, GB.319/POL/4.

² Tripartite Meeting on Promoting Fair Globalization in Textiles and Clothing in a Post-MFA Environment (Geneva, 24–26 Oct. 2005).

Contents

	<i>Page</i>
Preface.....	iii
1. Recent trends and challenges in the TCLF industries.....	1
1.1. Background.....	1
1.2. Production.....	2
1.3. Trade.....	6
1.4. Employment trends.....	9
2. Wages and working hours in the TCLF industries.....	13
2.1. Wages.....	13
2.2. Working hours.....	19
2.3. Labour inspection/administration.....	24
2.4. Private compliance initiatives.....	26
3. Social dialogue and labour relations.....	28
3.1. Social dialogue.....	28
3.2. Collective bargaining agreements.....	29
3.3. Global framework agreements.....	32
3.4. Innovative mechanisms.....	33
4. Concluding remarks.....	35

1. Recent trends and challenges in the textiles, clothing, leather and footwear industries

1.1. Background

1. Until the 1980s, the clothing and footwear industries – apart from haute couture – mass-produced standardized styles that did not change much from one season to another. The majority of production of materials and final goods took place relatively close to end consumers. The United States and many European countries had flourishing TCLF industries. Business was supply driven, production cycles were predictable, the supplier base was usually regional and relatively stable, and seasonal collections were divided into two (spring/summer and autumn/winter).
2. In the 1990s, TCLF retailers started expanding their product ranges. The combination of more fashionable designs, the development of distinct brands and the move towards lower production costs overseas proved a profitable formula.¹ Strong competition pushed retailers to consolidate, which enhanced buying companies' negotiating power. Clothing and footwear brands and retailers began to move production offshore and to outsource manufacturing in search of low-cost labour and production opportunities. Today, competition between brands and retailers is sharper than ever, and most clothing companies design and market their products in developed countries and subcontract production to manufacturers in developing countries. The number of collections per year has increased significantly in the past 25 years, with some fashion brands offering up to 20 collections each year.
3. The shift towards faster and more flexible production and lower prices was accelerated in the textiles and clothing industries by the phase-out of the Multifibre Arrangement (MFA) in 2005. The end of the quota system that had governed trade since 1974 exposed the industries to global competition, and to greater rivalry for foreign investment and employment generation opportunities among production countries. The clothing industry was impacted most directly, with less dramatic change in textiles production because it is less prone to quick shifts in production locations. Industrial textiles production is capital intensive, and production and handling processes require access to large amounts of energy and natural resources, such as water. Textiles generally require a more skilled workforce. Global changes also took place in the leather and footwear industries, but development was more gradual, as the leather and footwear industries were not governed by a global trade agreement.
4. The economic crisis of 2008 exacerbated some existing industry weaknesses, such as the financial vulnerability of locally-owned small and medium-sized firms that had been the backbone of the TCLF industries. The erosion of the financial position of international brands and retailers, and a simultaneous drop in consumer demand in key markets – the United States and Europe – resulted in an increasingly competitive and unstable international business environment. Competition was felt hardest at the supplier level, and the crisis led to several bankruptcies among textiles, clothing and footwear manufacturers, and in some cases among brands and retailers. Workers were often left without

¹ G. Gereffi and O. Memedovic: *The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries?*, sectoral studies series, UNIDO, Vienna, 2003.

retrenchment payments, and in some cases without their wages.² The former International Textile, Garment and Leather Workers' Federation (ITGLWF) reported that around 8,000 textiles, clothing and footwear production units were closed after 2008. This resulted in a loss of 11 million jobs and in short-time work for 3 million workers around the world.³ While there are currently signs of growth, the global economy is not yet growing at a pace that will create enough decent jobs to restore pre-crisis employment levels.⁴

5. As a result of increased competition and global and industry-specific challenges, the TCLF industries are increasingly divided into high-end and low-end (so called "value") production and brands. High-end production comprises factories that use better technology and more skilled workers. These factories have a higher degree of multi-stakeholder initiative engagement.^{5, 6} Conversely, low-end or value production is dominated by considerable price focus and often poor working conditions.

1.2. Production

6. Today's global economy, and specifically the TCLF sector, is characterized by geographically dispersed production and rapid market-driven changes. Millions of jobs have been created in the TCLF sector in developing countries, especially for women, and some countries have benefited greatly.⁷
7. The TCLF sector is shaped predominantly by large companies that decide what is produced, where and by whom, with production moved quickly from one country or region to another. Public policies are therefore important, and governments can create a conducive environment that enables TCLF growth, while ensuring a social framework that combines appropriate regulation, law enforcement and capacity building for local companies.⁸ The potential impact on economic growth depends on two main factors, in which government policies have an important role to play: will such growth enable learning and upgrading, and is the business and institutional environment in the country supportive of company-level learning and investments in technical skills development? The capabilities and competencies of local companies are key to benefiting from and upgrading TCLF growth.⁹

² M. Forstater: *Sectoral Coverage of the Global Economic Crisis: Implications of the Global Financial and Economic Crisis on the Textile and Clothing Sector*, Geneva, ILO, Sectoral Activities Department, 2010.

³ *ibid.*

⁴ World Bank: *World Development Report 2013: Jobs*, Washington, DC, 2012.

⁵ M. Hess: *Global production networks and variegated capitalism: (Self-)regulating labour in Cambodian garment factories*, Better Work Discussion Paper Series, No. 9. Geneva, ILO, 2013.

⁶ R.W. Jones: *Interpreting (non-)compliance: The role of variegated capitalism in Vietnam's garment sector*, Better Work Discussion Paper Series, No. 11. Geneva, ILO, 2013.

⁷ United Nations Conference on Trade and Development (UNCTAD): *World Investment Report 2013: Global Value Chains: Investment and Trade for Development*, United Nations, New York and Geneva, 2013.

⁸ *ibid.*

⁹ *ibid.*

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8. Current production in the textiles and clothing industries is complex to manage because there are multiple actors of various sizes, in geographically dispersed locations, and production includes numerous steps and activities that must be performed in sequence within a limited time frame.¹⁰ Furthermore, the textiles and clothing industries are characterized by high volatility, low predictability¹¹ and generally low profit margins.¹² Subcontracting is common, intermediaries bring down costs, and production lead time plays an increasingly important role.^{13, 14} Competition is high at all levels, and players are constantly seeking ways to decrease costs and maintain or improve profit margins. Industry experts predict that brands that are also retailers will face smaller margins and rising costs,¹⁵ and that more retailers will go out of business or have to reduce their operations.¹⁶ Brands and retailers are seeking more flexibility in design, quality, delivery and speed to market to be competitive. Figure 1 shows how textiles and clothing production is organized today.

¹⁰ K. Fernandez-Stark, S. Frederick and G. Gereffi: “The Apparel Global Value Chain: Economic Upgrading and Workforce Development”, in G. Gereffi, K. Fernandez-Stark and P. Psilos: *Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries*, Duke University, North Carolina, 2011.

¹¹ M. Bruce and L. Daly: “Buyer behaviour for fast fashion”, in *Journal of Fashion Marketing and Management*, Vol. 10(3), 2006, pp. 329–344.

¹² M. Bruce, L. Daly and N. Towers: “Lean or agile: A solution for supply chain management in the textiles and clothing industry?”, in *International Journal of Operations and Production Management*, Vol. 24(2), 2004, pp. 151–170.

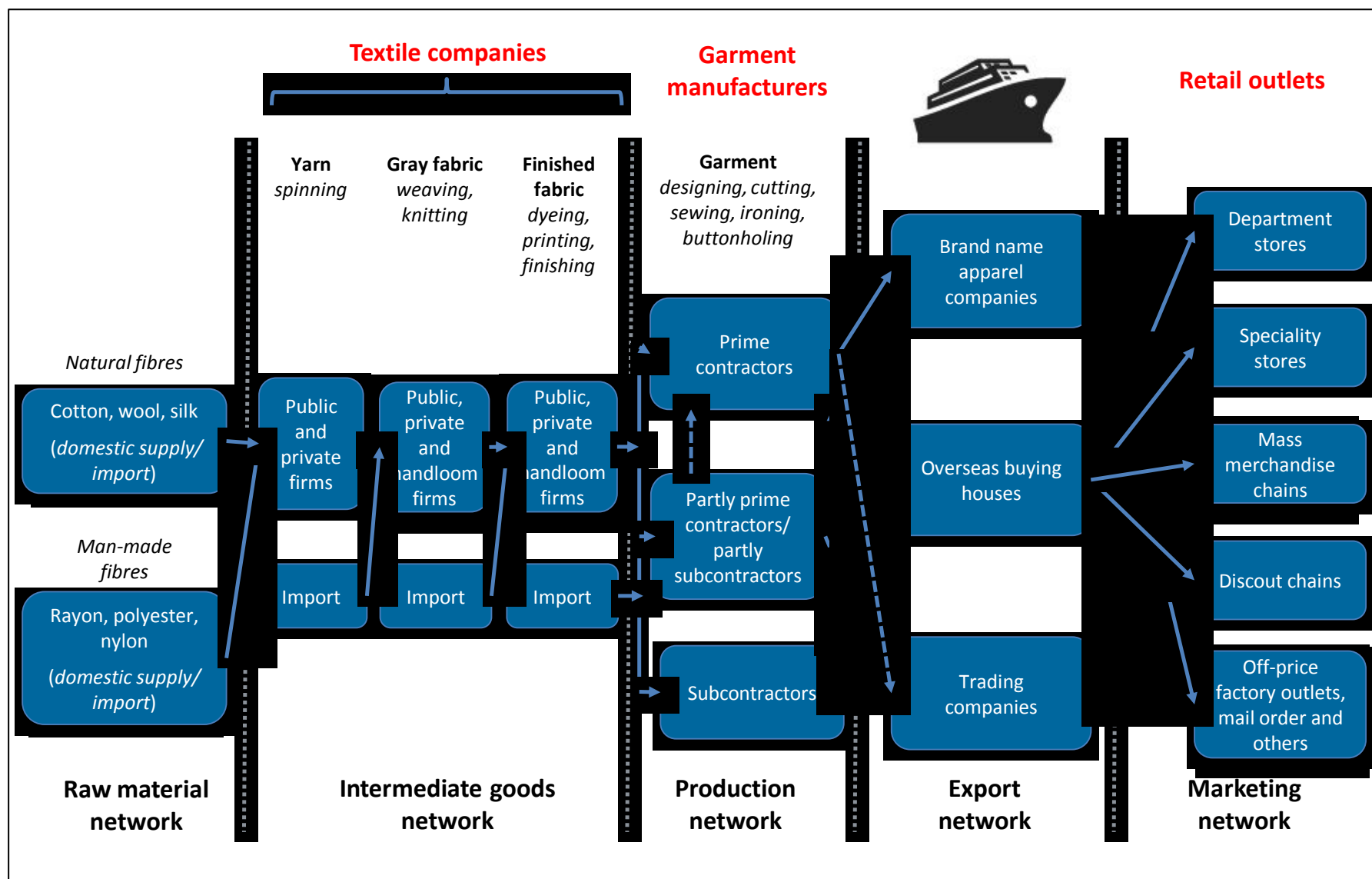
¹³ A. Rossi: “Does Economic Upgrading Lead to Social Upgrading in Global Production Networks? Evidence from Morocco”, in *World Development*, Vol. 46, 2013, pp. 223–233.

¹⁴ R. Masson et al.: “Managing complexity in agile global fashion industry supply chains”, in *International Journal of Logistics Management*, Vol. 18(2), 2007, pp. 238–254.

¹⁵ I. Kenneally: “New Sourcing Survey: Expect Rising Costs and Narrowing Margins”, in (online) *Sourcing Journal*, 24 Mar. 2014, <https://www.sourcingjournalonline.com/tag/merchandise-margin>.

¹⁶ Stealing Share: “The retail space: An in-depth study of where the industry stands now”, <http://www.stealingshare.com/pages/The%20Retail%20Space:%20An%20in-depth%20study%20of%20where%20the.htm>.

Figure 1. The textiles and clothing industries supply chain



Source: M. Martin: *Creating Sustainable Apparel Value Chains: A Primer on Industry Transformation*, Geneva, Impact Economy, 2013, <http://www.impacteconomy.com/en/primer2.php>.

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9. According to the United Nations Industrial Development Organization (UNIDO), the industry value added¹⁷ grew by 2.1 per cent in textiles, 3.9 per cent in clothing and fur, and 3.9 per cent in leather, leather products and footwear from 2005 to 2011.¹⁸ Four countries benefited most from global shifts in production locations – China, India, Brazil and Indonesia increased their value added significantly in all TCLF subcategories – their domestic demand having increased due to recent improvements in standards of living and purchasing power. While China, India and Indonesia also produce considerable amounts for export, Brazil's production is mostly for domestic consumption.
 10. The 15 major producer countries for textiles in terms of world total value added¹⁹ changed little from 2005 to 2009, but their share of value added changed significantly within a short period. The United States, Japan, Republic of Korea, and key production countries in Europe saw reductions in their value added, in many cases by more than 30 per cent. On the other hand, countries that gained from the abolition of the quota system had growth rates of 35 per cent or more. The biggest growth took place in China (65 per cent).
 11. There were more changes in clothing industry value added than in textiles production. Clothing value added in Brazil, India and Indonesia grew by over 100 per cent from 2005 to 2009. China's growth rate was 66 per cent. European countries and the United States saw a considerable decline in just four years. This decline was most pronounced in the United Kingdom where value added in clothing declined by 63 per cent.²⁰
 12. Leather and footwear processing has moved away from Europe and the United States. In India it grew by over 100 per cent and in the Russian Federation by 46 per cent. Brazil and Mexico increased their value added in leather by one fifth. Other leather producers have experienced stagnating or declining production. Changes in footwear production echo changes in leather production. Indonesia, China and Brazil increased their production between 72 per cent and 84 per cent, while Mexico increased by 23 per cent. The biggest increase was in India (+114 per cent). Footwear production has mostly declined in Europe, with the exception of Romania (+10 per cent), and it has remained stagnant in the United States.
 13. Like the clothing industry, the footwear industry is labour-intensive, split between high- and low-end production, and includes many small and medium-sized locally-owned manufacturers. Transnational Asian manufacturers manage production for most footwear brands globally (particularly in athletics footwear). The industry experienced the financial

¹⁷ Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is the contribution to GDP made by an individual producer, industry or sector, <http://unstats.un.org/unsd/snaama/Introduction.asp>.

¹⁸ UNIDO: *International Yearbook of Industrial Statistics*, table 1.9: Annual growth of value added of divisions, selected country groups, 2000–05 and 2005–11, Vienna, 2013, pp. 80–81.

¹⁹ The figures used for value added in this paper are based on the UNIDO *International Yearbook of Industrial Statistics*, Vienna, 2013 (CD-ROM). However, data does not include important producers, such as e.g., Bangladesh, Pakistan, Viet Nam, Cambodia and Thailand.

²⁰ UNIDO, op. cit.

crisis and rising costs since 2009, with falling revenues putting pressure on manufacturing wages and working conditions.²¹

1.3. Trade

14. TCLF industries exports grew faster than manufacturing value added in 2000–11.²² In 2010, China overtook the European Union (EU) as the biggest textiles and clothing exporter in the world, and became the number one in the four industries – literally the world’s TCLF factory. In 2012, China exported 33 per cent of world textiles, 38 per cent of clothing, and 60 per cent of leather and footwear, and despite signs that production is moving to lower cost countries, it remains the most important TCLF producer and exporter globally.
15. Since trade liberalization, the total value of textiles and clothing exports increased from 480 billion to 709 billion between 2005 and 2012,²³ representing 4 per cent of total merchandise export worldwide; clothing accounted for US\$423 billion and textiles US\$286 billion.²⁴ Despite trade liberalization and the large number of producer countries, the world’s textiles and clothing industries are concentrated in few countries.

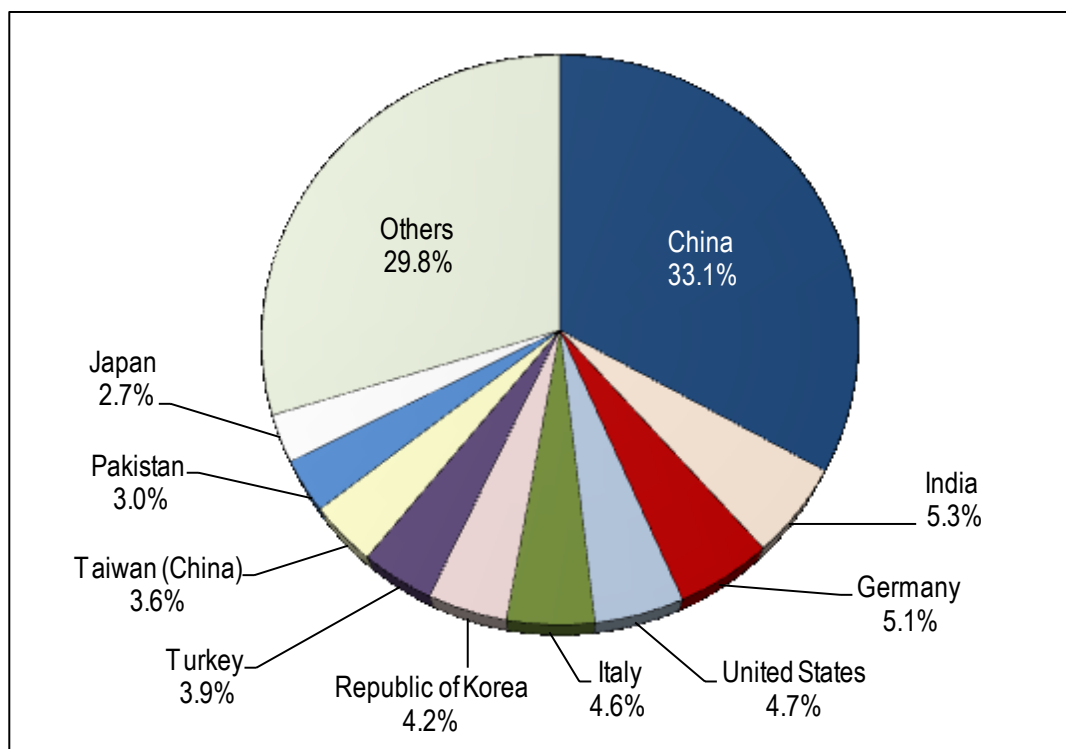
²¹ IBISWorld Industry Report: *Global Footwear Manufacturing: C132I–GL*. IBISWorld Industry Report, 2010. *ibid.*

²² World Trade Organization (WTO): *World Trade Report 2005: Exploring the links between trade, standards and the WTO*, Geneva, 2005, and *World Trade Report 2013: Factors shaping the future of world trade*, Geneva, 2013.

²³ *ibid.*

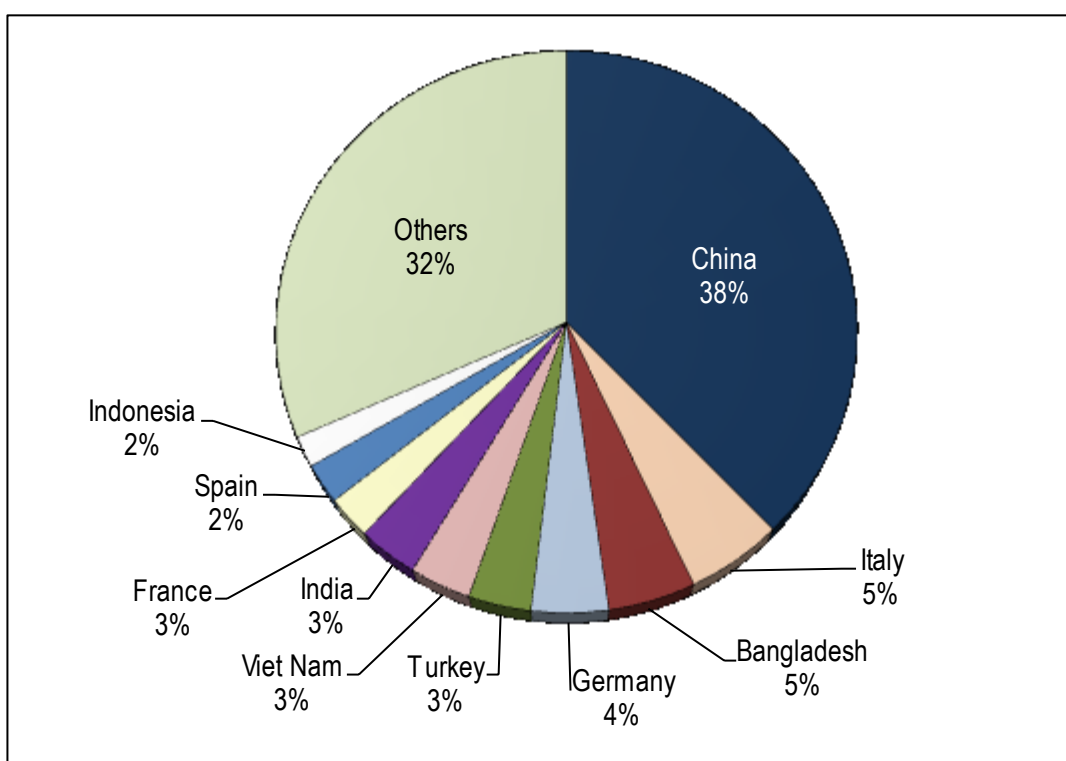
²⁴ *ibid.*

Figure 2. World's top 15 textiles exporters: Share of world's total textiles exports, 2012



Source: Graphic based on WTO table: "Country merchandise trade by commodity (textile) 2012".

Figure 3. World's top 15 clothing exporters: Share of world's total clothing exports, 2012



Source: Graphic based on WTO table "Country merchandise trade by commodity (clothing) 2012".

16. Many national economies rely on the clothing industry: 88 per cent of total exports from Haiti, 79 per cent from Bangladesh, 58 per cent from Lesotho, 52 per cent from Cambodia, 43 per cent from Sri Lanka, 38 per cent from Honduras, 36 per cent from El Salvador, 31 per cent from Mauritius, 20 per cent from Madagascar, 18 per cent from Tunisia, 17 per cent from Pakistan, 15 per cent from Morocco, 13 per cent from Jordan, 12 per cent from Viet Nam and 10 per cent from Turkey²⁵ are linked to the clothing industry.
17. While trade has expanded, clothing prices have actually decreased. For instance, in China prices were reduced by 30 per cent prior to the end of the Multifibre Arrangement,²⁶ and the average price of garments imported by the United States from China in 2013 was lower than in 2008.²⁷ Garment prices in Bangladesh decreased by 40 per cent in mid-2000.²⁸ Similar price reductions have also been reported in other countries.^{29, 30}
18. More than half the world's clothing retail is concentrated in North America and Europe. North America represents 25 per cent, Western Europe 27 per cent, Eastern Europe and Turkey 10 per cent, Japan and the Republic of Korea 13 per cent. The rest of the world represents 25 per cent of the total.
19. The global leather trade has followed the same growth pattern as textiles and clothing, with production moving steadily towards low-cost countries, notably in Asia, since the 1990s. Leather is currently estimated as a US\$10 billion industry per year.^{31, 32} While the production of hides and skins, and pre-tanning processes occur throughout the world, the production of finished leather is geographically more contained. Almost 70 per cent of finished leather comes from only ten countries, with four countries dominating the industry: China, India, Italy and Republic of Korea.³³
20. Asia dominates footwear production; over 85 per cent of the trade is concentrated in China, India, and Central and South-East Asia. China is currently the largest producer of footwear, accounting for 60 per cent of world production; India and Turkey make up about

²⁵ *ibid.*

²⁶ R. Welford and S. Frost: "Corporate social responsibility in Asian supply chains", in *Corporate Social Responsibility and Environmental Management*, 2006, Vol. 13(3), pp. 166–176.

²⁷ M. Flanagan: "The Flanarant: Can you choose your productivity philosophy?", in *just-style*, 17 Feb. 2014, http://www.just-style.com/comment/can-you-choose-your-productivity-philosophy_id120682.aspx.

²⁸ J. Harley and N. Faiz: *Assessing the impact of purchasing practices on code compliance: A case study of the Bangladesh garment industry*, MFA Forum, 2007.

²⁹ G. Lopez-Acevedo and R. Robertson (eds): *Sewing Success? Employment, Wages, and Poverty following the End of the Multi-fibre Arrangement*, Washington, DC, World Bank, 2012.

³⁰ American Apparel and Footwear Association: *Publications and Statistics*, 2014, <https://www.wewear.org/industry-resources/publications-and-statistics/>.

³¹ I. Leach and R.T. Wilson: *Higher value addition through hides and skins*, FAO Diversification booklet 8, Rural Infrastructure and Agro-Industries Division, Food and Agriculture Organization, Rome, 2009.

³² FAO: *World statistical compendium for raw hides and skins, leather and leather footwear 1992–2011*, Commodities and Trade Division, Rome, 2011.

³³ *ibid.*

10 per cent; Viet Nam, Thailand and Indonesia account for 13.2 per cent. Brazil is the largest South American manufacturer with 6.5 per cent of total production. Europe's share is declining and has moved towards expensive and medium-priced shoes. Luxury footwear is still dominated by European companies globally, and is selling well internationally. Europe's share of world footwear production is 5.3 per cent, while the United States represents only 2.5 per cent.³⁴

1.4. Employment trends

21. TCLF industries are crucial for employment in many low-income countries. Value added, productivity and employment growth are interlinked and follow a pattern of recent changes in the TCLF industries.
22. Table 1 indicates the number of people employed in textiles and clothing, according to available data from UNIDO.^{35, 36} However, differences with other sources, ranging from hundreds of thousands to tens of millions for some of the main textiles and clothing producers, demonstrate the need for better employment data.

Table 1. Formal employment in the textiles and clothing industries – Main producers

Country	Employment in textiles industry	Employment in clothing industry	Total employment in textiles and clothing industries	Year
China	6 700 000	4 501 100	11 201 100	2010
India	1 379 264	862 689	2 241 953	2009
Viet Nam	195 551	844 069	1 039 620	2010
Brazil	308 155	671 356	979 511	2010
Indonesia	498 005	464 777	962 782	2009
Thailand	311 554	345 835	657 389	2006
Turkey	265 957	329 584	595 541	2009
Pakistan	438 657	62 388	501 045	2006
United States	290 804	130 340	421 144	2008
Italy	182 177	199 001	381 178	2008–09
Sri Lanka	35 264	260 308	295 572	2010
Japan	137 772	137 665	275 437	2010
Mexico	83 674	163 118	246 792	2010
Egypt	130 815	103 268	234 083	2010
Taiwan (China)	114 253	87 261	201 514	2006
Romania	27 763	154 547	182 310	2010
Republic of Korea	87 868	76 701	164 569	2008

³⁴ IBISWorld, op. cit.

³⁵ UNIDO: *International Yearbook of Industrial Statistics*, Vienna, 2013, CD-ROM.

³⁶ Caution should be exercised when comparing data across countries because figures are from different types of sources and refer to different time periods and classification versions, and may have different coverage.

Country	Employment in textiles industry	Employment in clothing industry	Total employment in textiles and clothing industries	Year
Morocco	34 026	129 508	163 534	2010
Poland	49 688	109 253	158 941	2009
Portugal	47 463	97 516	144 979	2009
Philippines	16 853	105 875	122 728	2008
Germany	76 676	43 775	120 451	2009
Bulgaria	11 631	99 998	111 629	2010
Spain	43 948	62 181	106 129	2009
France	49 002	48 701	97 703	2009
Malaysia	29 982	54 512	84 494	2010
United Kingdom	55 250	28 056	83 306	2009
Jordan	3 797	33 683	37 480	2010

Source: UNIDO: International Yearbook of Industrial Statistics, Vienna, 2013, CD-ROM.

23. Employment in the clothing industry in Bangladesh increased by 40 per cent, in Cambodia by 20 per cent, in India by 48 per cent, in Pakistan by 8 per cent and in Viet Nam by 52 per cent in the period 2004–08.³⁷ Exact figures for China are not available, but growth has been significant. At the same time, other countries saw a decline in their textiles and clothing employment levels: in Mexico by 34.8 per cent, in Morocco by 7.7 per cent and in Sri Lanka by 12 per cent.³⁸ Since 2005, 80 per cent of jobs in the TCLF industries in the United States have been lost.³⁹
24. The TCLF industries have a strong tradition in Europe, and the continent produced the majority of the output in the world from the eighteenth century until 2010.⁴⁰ Job losses in the industries had already begun before 2005, but Europe held its position as the leading textiles and clothing manufacturer and exporter in the world until 2010. The Multifibre Arrangement phase-out, the financial crisis and increases in labour, raw materials and transport costs have had a major impact on job losses in Europe, where the textiles and clothing industries have lost 50 per cent of jobs over the past decade.⁴¹ Employment has fallen by over 55 per cent in Spain, France, Germany, Czech Republic and the United Kingdom, with the largest drop of 67 per cent being seen in the United Kingdom.⁴² In Poland, Romania, Portugal, Bulgaria, Czech Republic, Lithuania and Greece, the clothing

³⁷ Lopez-Acevedo and Robertson, op. cit.

³⁸ *ibid.*

³⁹ United States Department of Labor Bureau of Labor Statistics: *Employment in Apparel Manufacturing*, 2012, <http://www.bls.gov/spotlight/2012/fashion/>.

⁴⁰ WTO: Statistics database, time series in textile and clothing manufacturing, 2005–12, <http://stat.wto.org/Home/WSDBHome.aspx?Language=> (data retrieved in Oct.–Nov. 2013).

⁴¹ R. Adinolfi and T. Andersen: “Task 1: Survey of the situation of the European textile and clothing sector and prospects for its future development”, in *In-depth assessment of the situation of the T&C sector in the EU and prospects*, final report ENTR/2010/16 prepared for the European Commission, Enterprise and Industry DG, Brussels, Oct. 2011.

⁴² *ibid.*

industry is still an important source of employment (5–15 per cent), and accounts for up to 10 per cent of total manufactured products.⁴³ Despite the fact that the textiles and clothing industries in Europe have had to lay off a high proportion of their workforce, they still employ 1.8 million workers.⁴⁴ These industries play a more important role in the economies of the new Member States and candidate countries than in those of the EU-15. Similar employment patterns can be seen in the leather and footwear industries in Europe and many jobs have been moved to lower-cost countries. The TCLF industries in Europe today are relatively fragmented and consist of small and medium-sized enterprises. Companies with fewer than 50 employees account for more than 90 per cent of the workforce and almost 60 per cent of the value added.⁴⁵ The average European clothing company has ten workers.⁴⁶

25. Worldwide, the leather industry employs an estimated 1.1 million workers, while footwear employs 4.2 million, according to UNIDO.⁴⁷ However, industry and government sources point towards closer to 6 million workers employed in the leather industry⁴⁸ and 7.1 million in footwear.⁴⁹
26. According to industry sources,⁵⁰ China accounts for 53.4 per cent of global employment in the footwear industry; India and Central Asia (Turkey) for 12 per cent; South East Asia for 19.8 per cent; Europe for 5.2 per cent; Brazil for 4.9 per cent and rest of South America 0.6 per cent; Africa, the Middle East and Oceania for 2.2 per cent; and the United States for just 1.9 per cent.

⁴³ *ibid.*

⁴⁴ Euratex, the European Apparel and Textile Confederation, http://euratex.eu/uploads/media/keyfigures_2012.pdf.

⁴⁵ M. Scheffer: “Task 7: Synthesis report for the European textile and clothing sector”, in *In-depth assessment of the situation of the T&C sector in the EU and prospects*, final report ENTR/2010/16 prepared for the European Commission, Enterprise and Industry DG, Brussels, Dec. 2012.

⁴⁶ Adinolfi and Andersen, *op. cit.*

⁴⁷ UNIDO: *International Yearbook of Industrial Statistics*, Vienna, 2013, CD-ROM.

⁴⁸ Italian companies employed 136,000 workers in 2013: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Employment_by_enterprise_size_class_manufacture_of_leather_and_related_products_%28NACE_Division_15%29_2010_A.png&filetimestamp=20130507064002.

Brazil employed 104,000 workers in Jan. 2014: <https://www3.bcb.gov.br/sgspub/consultarvalores/consultarValoresSeries.do?method=consultarValores&optSelecioneSerie=1598&dataInicio=31%2F12%2F1962&dataFim=09%2F11%2F2031&selTipoArqDownload=2&hdOidSeriesSelecionadas=1598>.

India employs 2.5 million people. Council for leather exports. India. <http://www.leatherindia.org/about-council/industryatGlance.asp>.

Formal Chinese firms employed almost 3 million workers. International Food Policy Institute, 2012. McMillan, M., <http://www.ifpri.org/sites/default/files/publications/gsspdn22.pdf>. The Role of Foreign Investment in Ethiopia’s Leather Value Chain: Lessons for Ghana. IFPRI, Washington, DC, 2012.

⁴⁹ IBISWorld, *op. cit.*

⁵⁰ IBISWorld, *op. cit.*

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27. Young women with relatively low skills comprise a high share of employees in the clothing industry, which is often one of the few accepted forms of contractual labour for women in many developing countries. Women represent on average 68 per cent of the workforce in the clothing industry, 45 per cent in textiles, and 46 per cent in the leather and footwear industries,⁵¹ and in some countries women can constitute as much as 90 per cent of the employees in these industries. Caution needs to be exercised with average figures, as they vary significantly between countries, and UNIDO also notes that only a limited number of TCLF production economies report data on female employment at industry level.⁵²
28. Working conditions in the clothing industry and some industry practices can be particularly challenging for female workers.^{53, 54} Informal and home-based work is more common among women than men. Long and unpredictable working hours and safety concerns make it difficult for women to combine family responsibilities with work. Low wages, weak collective bargaining opportunities and lack of equal pay for work of equal value can make women vulnerable to exploitation inside and outside the workplace. Poor or non-existent maternity protection and various forms of violence, abuse and harassment are still present in the TCLF industries.

⁵¹ UNIDO: *International Yearbook of Industrial Statistics*, Vienna, 2013, CD-ROM. Data does not include important producers, such as Bangladesh, Pakistan, Viet Nam, Cambodia and Thailand.

⁵² *ibid.*

⁵³ M. Fontana and A. Silberman: *Analysing Better Work data from a gender perspective: A preliminary exploration of worker surveys with a focus on Vietnam*, Better Work Discussion Paper Series No. 13, Geneva, ILO, 2013.

⁵⁴ ILO: *Gender equality at the heart of decent work*, Report VI, ILC, 983rd Session, Geneva, 2009.

2. Wages and working hours in the TCLF industries

29. Wages and working time have a direct impact on the lives of workers and the competitiveness of companies. An essential aspect of the ILO's work is the development of international labour standards that assist governments in establishing national legislation to regulate wages and working hours, and provide employers' and workers' representatives with a solid legal framework for collective bargaining and other forms of negotiation.

2.1. Wages

30. Wage regulation and wage setting have been an integral part of the ILO mandate from its outset. The Preamble of the ILO Constitution of 1919 and the Declaration of Philadelphia of 1944 call for "policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection". The right to "just and favourable remuneration" that ensures an existence worthy of human dignity was recognized as a fundamental human right in The Universal Declaration of Human Rights in 1948. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, as amended in 2006, refers to the need for multinational enterprises (MNEs) to respect wage levels and "provide the best possible wages, benefits and conditions of work, within the framework of government policies". In 2008, the ILO Declaration on Social Justice for a Fair Globalization, unanimously adopted by the International Labour Conference (ILC), stated that "achieving an improved and fair outcome for all has become even more necessary" and recalled the ILO's obligation to promote the objectives of "full employment and the raising of standards of living, a minimum living wage and the extension of social security measures to provide a basic income to all in need".
31. The ILC has adopted 12 specific wage Conventions and Recommendations, of which the following concern the TCLF sector:¹

Current ILO Conventions and Recommendations on wages
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- | |
|---|
| <ul style="list-style-type: none">■ Protection of Wages Convention, 1949 (No. 95) and Recommendation, 1949 (No. 85)■ Minimum Wage Fixing Convention, 1970 (No. 131) and Recommendation, 1970 (No. 135)■ Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173) and Recommendation, 1992 (No. 180) |
|---|

32. Convention No. 131, which has been ratified by 52 member States, requires States party "to establish a system of minimum wages which covers all groups of wage earners whose terms of employment are such that coverage would be appropriate". In determining and reviewing periodically the level of minimum wages, member States must consider "the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups", as well as "economic factors, including the requirements of economic

¹ Other ILO standards also provide guidance on wage fixing. See ILO: *General Survey of the reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135)*, Report III (Part 1B), ILC, 103rd Session, Geneva, 2014, paras 13 and 14.

development, levels of productivity and the desirability of attaining and maintaining a high level of employment". The establishment, operation and modification of minimum wage systems need to be carried out in full consultation with employers' and workers' organizations. They also require the adoption of "appropriate measures, such as adequate inspection reinforced by other measures", to ensure the effective application of minimum wages provisions. Recommendation No. 135 supplements the Convention and presents, inter alia, a number of mechanisms that can be used to set minimum wage rates, including statute, decisions of the competent authority, decisions of wage boards or councils, industrial labour courts or tribunals, or collective bargaining agreements having the force of the law.

33. Convention No. 95 and its accompanying Recommendation No. 85 on the protection of wages specify the form and manner (where, when, how) of the payment of wages, to provide the fullest possible protection to workers, while Convention No. 173 and its accompanying Recommendation No. 180 include provisions on wage protection in cases of the insolvency or closing down of an enterprise. By April 2014, these Conventions had been ratified by 97 and 21 member States, respectively.
34. Above all, respect to the fundamental principles and rights and, particularly, to Conventions Nos 87 and 98² on freedom of association and collective bargaining are essential for ensuring wage protection. The Equal Remuneration Convention, 1951 (No. 100), and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), provide the necessary protection to women against the elimination of any sources of discrimination and other abusive practices.
35. The General Survey on minimum wages systems,³ submitted for discussion at the ILC in June 2014, highlights that minimum wage provisions need to be legally binding, that it is prohibited to pay less than the minimum wage and that minimum wage-setting mechanisms are ineffective unless their implementation is ensured in practice.
36. Minimum wage components vary considerably among countries, but some national laws specify that the prescribed minimum wage should correspond to normal working hours.⁴ Roughly half of the 150 countries surveyed by the ILO have a system where minimum wages are set by the government after consultations with a specialized body.⁵ In some European countries, collective bargaining is commonly used for minimum wage setting. Minimum wages may be determined by sector, which is the case of TCLF producers such as Cambodia, El Salvador, Guatemala, Honduras, India, Mauritius, Morocco, Nicaragua

² By April 2014 the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), had been ratified by 153 member States, and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), by 164 member States.

³ ILO: *General Survey of the reports on the Minimum Wage Fixing Convention ...*, op. cit. See also the outcome of the discussion in ILO: *Provisional Record* No. 13 (Part 1), ILC, 103rd Session, Geneva, 2014, pp. 41–45. Available at www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_246781.pdf.

⁴ *ibid.*

⁵ ILO: *Working Conditions Laws Report 2012: A global review*, Geneva, 2013.

and South Africa.⁶ Indirect discrimination is still prevalent, and minimum wages set at industry level tend to be lower for industries that mainly employ women.⁷

37. Regardless of national laws that set minimum wage rates and stipulate that information should be made available to both workers and employers, research indicates that compliance with wage legislation is often low in the sector.^{8, 9} For instance, a study on wages carried out in respect of more than 100 suppliers in ten Asian countries¹⁰ found that nearly one fifth of the observed companies reported having to postpone wage payments, more than half reported underpayment of wages, mostly for overtime, and almost half of the companies did not pay social security contributions. One of the important conclusions of the study is that workers have to work very long hours to earn even the legal minimum wage. This problem is not limited to Asia: a study in the US clothing industry found that 43 per cent of workers did not receive their legal minimum entitlement, and 71 per cent did not receive overtime payments.¹¹
38. The need for more flexibility and the pressures on labour costs have also led to an increased informalization of the TCLF industries. To save costs, companies in many countries minimize their formal workforce and subcontract work to lower tiers. While permanent workers are usually covered by national wage legislation, informal workers are often not. Informalization often impacts women more than men and this is quite a common practice in several countries, such as Brazil, China, India, South Africa,¹² Morocco and Romania.¹³
39. The regulation of piece-rate work directly concerns the TCLF industries. Remuneration at the piece rate or by task work could lead many workers to work long hours to earn the minimum wage, which is equivalent to performing unpaid overtime work. Some countries, such as Cambodia, Madagascar and Morocco,¹⁴ have adopted specific piece-rate national legislation to protect workers from abusive piece-rate practices.

⁶ ILO: *General Survey of the reports on the Minimum Wage Fixing Convention* ..., op. cit., pp. 75–76.

⁷ *ibid.*, p. 84.

⁸ International Finance Corporation (IFC) and ILO: *Better Work: Stage II: Global Compliance Synthesis Report 2009–2012*, Geneva, 2013.

⁹ See also U. Rani et al.: “Minimum wage coverage and compliance in developing countries”, in *International Labour Review*, Vol. 152/3–4, Geneva, ILO, 2013.

¹⁰ D. Vaughan-Whitehead: *How “fair” are wage practices along the supply chain? Global Assessment in 2010–11*, working paper for ILO/IFC Better Work Conference. Washington, DC, 2011.

¹¹ A. Bernhardt et al.: *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America’s Cities*, Chicago, Center for Urban Economic Development, 2008.

¹² C. Tilly et al.: *Final Report: Informal Worker Organizing as a Strategy for Improving Subcontracted Work in the Textile and Apparel Industries of Brazil, South Africa, India and China*, Institute for Research on Labor and Employment, University of California, Los Angeles, 2013.

¹³ L. Plank, A. Rossi and C. Staritz: “What Does ‘Fast Fashion’ Mean for Workers? Apparel Production in Morocco and Romania”, in A. Rossi, A. Luinstra and J. Pickles (eds): *Towards Better Work: Understanding Labour in Apparel Value Chains*, London, Palgrave Macmillan, 2014.

¹⁴ ILO: *General Survey of the reports on the Minimum Wage Fixing Convention* ..., op. cit., p. 82.

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40. Recent international and national debates on minimum wages have focused on their coverage and application as well as on the level at which they should be set to provide a fair income to workers and to determine the right balance for businesses. The European Commission recommended that Member States should establish “decent sustainable wages” and “setting minimum wages at appropriate levels”. Living wage¹⁵ initiatives have been launched by the Governments of Germany and the Netherlands,¹⁶ trade unions¹⁷ and non-governmental organizations.^{18, 19} Other actors have conducted campaigns to raise awareness about low wages in the TCLF industries.²⁰ Other initiatives have also emerged to help improve wage practices along the supply chain.²¹
41. The renewed interest in minimum wages has generated a pressing need to know how to set and operate minimum wage policies and systems. This has translated into an increase in constituents’ requests for technical assistance from the Office. Specific advice is provided to member States (for example, Lesotho, 2012; Bangladesh, 2013; Cambodia, requested 2014) to strengthen their institutional capacity to implement evidence-based wage policies. The International Training Centre of the ILO also holds regular training workshops on effective wage policies in Turin and in the regions,²² and the ILO *Global Wage Report* provides a review of the latest trends in minimum wages as well as evidence-based policy analysis.
42. Although real average wages increased slightly in 2011 at the global level,²³ wages in the textiles and clothing industries reportedly continue to be low. According to UNIDO’s *Industrial Development Report 2013*, global average wages in the clothing industry are 35 per cent lower and in the textiles industry are 24 per cent lower than the manufacturing industry average wage.²⁴ In some production countries the minimum wage remains below

¹⁵ The “minimum living wage” is not regulated or defined by a specific standard, although the term was used in the 1944 Declaration of Philadelphia and the 2008 ILO Declaration on Social Justice for a Fair Globalization. Nonetheless, a living wage should not be seen as a substitute for union rights, minimum wages or collective bargaining.

¹⁶ The Ministry of Foreign Affairs of the Netherlands, the German Federal Ministry for Economic Cooperation and Development (BMZ), and the German Round Table on Codes of Conduct: *Report of the European Conference on Living Wages*, 25 and 26 Nov. 2013, Berlin, Feb. 2014.

¹⁷ IndustriALL Living Wage Campaign, <http://www.industrialall-union.org/issues/social-justice-and-globalization/living-wage>.

¹⁸ The “Wage ladder” has also been retained by the Fair Wear Foundation, see: *Living Wage Engineering: A study by Fair wear Foundation*, http://www.fairwear.org/ul/cms/fck-uploaded/documents/fwpublications_reports/LivingWageEngineering20141.pdf.

¹⁹ Notably the Asian Floor Wage campaign: <http://www.asiafloorwage.org/>.

²⁰ E. Harbour and C. Sharples (eds): *Tailored Wages: Are the big brands paying the people who make our clothes enough to live on?*, Clean Clothes Campaign, Mar. 2014.

²¹ See the “Fair Wage Approach” in D. Vaughan-Whitehead: *Fair Wages: Strengthening Corporate Social Responsibility*, Cheltenham, Edward Elgar, 2010.

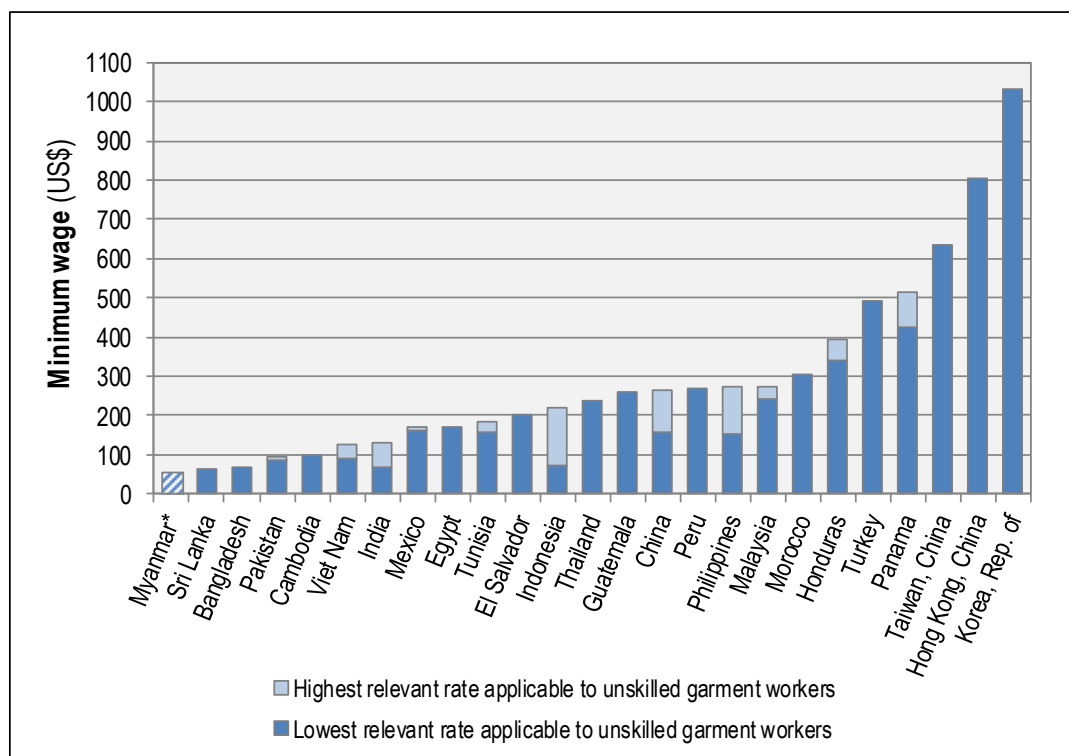
²² Training was organized in Johannesburg in 2011, Amman in 2012 and the South Pacific in 2013.

²³ ILO: *Global Wage Report 2012/13: Wages and Equitable Growth*, Geneva, 2013.

²⁴ UNIDO: *Industrial Development Report 2013: Sustaining Employment Growth: The Role of Manufacturing and Structural Change*, Vienna, 2013.

the national subsistence minimum.²⁵ Figure 4 illustrates minimum wage levels in the clothing industry in the top production countries, excluding developed countries.²⁶

Figure 4. Minimum monthly wages in the clothing industry in 2014, selected countries



* Temporary rate for industrial zones, currently under review. Source: ILO compilation based on national sources. ILO Regional Office for Asia and the Pacific/Regional Economic and Social Analysis Unit, 10 Feb. 2014.

- 43.** Many of the top 20 producers in the world, such as Bangladesh, Viet Nam, India, Pakistan, Cambodia and Sri Lanka, have the lowest minimum wages in the industry. Figure 4 distinguishes between the highest and lowest applicable rates. In Indonesia, China, Philippines, Viet Nam and India there are considerable differences between these two rates.

²⁵ Vaughan-Whitehead: *How “fair” are wage practices ...*, op. cit.

²⁶ Data reflects variations by enterprise size and, where applicable, by province, region or State for the main production locations. For countries that set hourly and daily minimum wages, these are converted into monthly rates on the assumption of a 48-hour workweek and six working days per week, unless a monthly equivalent was calculated by national authorities. The salary in Myanmar is the temporary minimum wage for industrial zones, and has been included owing to its potential importance as a future clothing producer.

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44. In developed economies, minimum wages varied between €752 (US\$1,042) in Spain ²⁷ and €1,445 (US\$2,001) in France, ²⁸ while in Italy and Germany there is no universal minimum wage – wages are set by sectoral collective bargaining. ²⁹ Germany has decided to adopt a national minimum wage as of 1 January 2015.
45. Salary levels in the TCLF industries remain generally low, and there is little variation between the industries. According to UNIDO, textile industry wages are marginally higher than wages in the clothing and footwear industries, and footwear industry wages are slightly higher than clothing industry wages. ³⁰
46. Better Work studies^{31, 32} indicate that low wages are often accompanied by other labour issues. There is variation between countries, but the highest rates of non-compliance across countries are in respect of paid leave (for example requests that were not approved or that were discouraged, and lack of appropriate payment to women workers), social security and other benefits, and inaccurate payments and insufficient wage information. ³³

²⁷ Eurostat. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=0&language=en&pcode=tps00155>.

²⁸ Eurostat. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_mw_cur&lang=en.

²⁹ ILO: *Working Conditions Laws Report 2012*, op. cit.

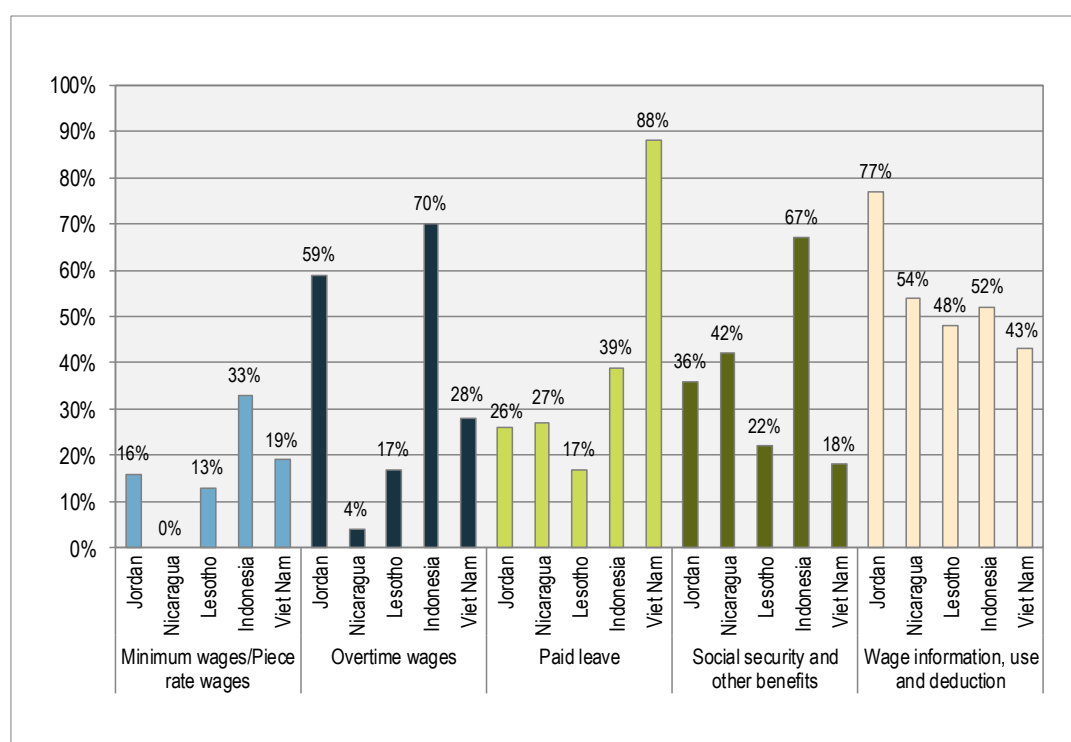
³⁰ UNIDO: *International Yearbook of Industrial Statistics*, Vienna, 2013, CD-ROM.

³¹ IFC and ILO: *Better Work: Stage II ...*, op. cit.

³² Arianna Rossi et al. (eds) *Towards Better Work. Understanding Labour in Apparel Global Value Chains*. Palgrave Macmillan, 2013.

³³ For more detailed information, see IFC and ILO: *Better Work: Stage II ...*, op. cit.

Figure 5. Non-compliance levels with wage and benefits payments in factories assessed by Better Work (selected countries' baseline) ^{34, 35}



Source: Better Work compliance data (excludes Cambodia and Haiti). ³⁶

47. In many developing countries, women may be less mobile than men and unable to move to other industries where general working conditions and salaries are better and may thus experience greater downward pressures on general working conditions and salaries. A 2012 World Bank study on women's salaries in the clothing industry in Cambodia and Sri Lanka found their wages dropped immediately following the MFA phase-out. Although wages improved later, **they never regained their pre-MFA phase-out levels.** In Cambodia, women earned 26.6 per cent less than men in 1996, 13.3 per cent less in 2004–08, and 11.5 per cent less in 2009. In Sri Lanka, women earned 40 per cent less than men in 2002, 55 per cent less than men in 2006, and 44 per cent less than men in 2008. ³⁷ A study covering over 100 clothing factories in Asia (including Sri Lanka) during the

³⁴ For information on the minimum wage in Haiti, please refer to IFC and ILO: *Better Work Haiti: Garment Industry, 8th Biannual Synthesis Report under the HOPE II Legislation*, Better Work Haiti, 2014.

³⁵ In this figure, “leave” includes annual holidays, weekly rest periods, sick leave, maternity/paternity leave, breastfeeding breaks and any other leave that is covered by the national law. Payment of annual leave is included under paid leave in figures 5 and 6.

³⁶ For detailed information on non-compliance criteria and calculations for each country, see www.betterwork.org.

³⁷ Y. Savchenko and G. Lopez-Acevedo: *Female Wages in the Apparel Industry Post-MFA: The Cases of Cambodia and Sri Lanka*, Policy Research Working Paper 6061, The World Bank, Poverty Reduction and Economic Management Network, 2012.

period 2008–10³⁸ found no wage discrimination for similar work between male and female workers, but indicated that men commonly occupy managerial and supervisory positions in clothing and footwear factories, or positions that require specific skills, and may therefore receive higher remuneration.

2.2. Working hours

48. The principle of the eight-hour day and 48-hour week, as maximum normal working hours, has been internationally established since 1919, when the first ILO Convention was adopted. Since then, the ILO has adopted another 21 Conventions, 18 Recommendations and one Protocol on working time.³⁹

ILO standards on working time most applicable to the TCLF sector

Hours of work, weekly rest and paid leave

- Hours of Work (Industry) Convention, 1919 (No. 1)
- Weekly Rest (Industry) Convention, 1921 (No. 14)
- Forty-Hour Week Convention, 1935 (No. 47)
- Holidays with Pay Convention (Revised), 1970 (No. 132)
- Reduction of Hours of Work Recommendation, 1962 (No. 116)

Night work

- Night Work Convention, 1990 (No. 171) and its Recommendation, 1990 (No. 178)

49. The Hours of Work (Industry) Convention, 1919 (No. 1), introduced a maximum standard working time of 48 hours per week and eight hours per day, with the exception of limited and well-circumscribed cases.⁴⁰ Some of the biggest TCLF production countries have not ratified Convention No. 1.⁴¹ The General Survey on hours of work,⁴² submitted for discussion by the ILC in June 2005, noted that although internationally established limits on working hours contribute to the creation of the conditions for fair competition between countries, and international standards with respect to hours of work are required to provide effective protection to workers, Convention No. 1 does not fully reflect modern realities in the regulation of working time. The report mentioned that obstacles to ratification are related mainly to the Convention's requirements, which are seen as overly prescriptive, rigid and fitting poorly to current demand for greater flexibility.

³⁸ Vaughan-Whitehead: *How "fair" are wage practices ...*, op. cit.

³⁹ Some standards were withdrawn, shelved or are outdated. See full list at <http://www.ilo.org/dyn/normlex/en/>.

⁴⁰ Exceptions include: variable distribution of working hours within a week (Article 2(b)), shift work, (Article 2(c)), continuous processes (Article 4); and preparatory, complementary or essentially intermittent work (Article 6, para. 1(a)).

⁴¹ Convention No. 1 has been ratified by 52 countries.

⁴² ILO: *General Survey of the reports concerning the Hours of Work (Industry) Convention, 1919 (No. 1), and the Hours of Work (Commerce and Offices) Convention, 1930 (No. 30)*, Report III (Part 1B), ILC, 93rd Session, 2005, Geneva.

50. However, the need for internationally accepted standards on hours of work has increased with globalization. Internationally established “rules of the game” contribute to creating conditions for fair competition among countries, so that no country has a comparative advantage in the international market.⁴³ National limits on working hours, or lack of them, have a wider impact, and the ILO Constitution notes that the failure to adopt humane labour conditions in a given country is an obstacle to other countries that wish to improve their own conditions.
51. In 2011, the ILO Tripartite Meeting of Experts on Working-time Arrangements⁴⁴ discussed the changes and new arrangements applicable to hours of work. The report for discussion at the meeting listed a set of principles that should be applied to regulate working time, which are highly relevant for the TCLF industries.

Key principles on working-time arrangements

- Need for daily, weekly and perhaps annual limits on working hours
- Importance of keeping overtime exceptional, limiting the number of additional hours and providing adequate compensation
- Right to regular and uninterrupted weekly rest
- Right to paid annual leave
- Need to keep night-time work exceptional and warranting special protection
- Importance of enterprises' needs in respect of flexible working-time arrangements
- Right to collective bargaining and the full and genuine consultation of employers' and workers' representatives on working-time regulation
- Need for an effective labour inspection system or other enforcement measures to prevent and punish abusive practices

52. ILO Conventions and Recommendations provide a broad framework for national legislation, and legal provisions that limit excessive working hours have been regularly incorporated into national labour codes. The majority of countries surveyed (150) by the ILO⁴⁵ legislated on normal hours of work, maximum weekly working-time, overtime remuneration and annual leave. The ILO *Working Conditions Laws Report 2012* gives an overview of the working-time legislation in the TCLF production countries.
53. In many developed countries, 40-hour working weeks, or less, are considered the norm, but over half of the countries in the ILO working-time database have legislation that allows workweeks that exceed 40 hours.⁴⁶ Some TCLF production countries, such as India, Myanmar, Pakistan and Sri Lanka, have no universal limitation on working hours, but legislate on a sectoral basis and in some cases by region or State.⁴⁷

⁴³ *ibid.*

⁴⁴ ILO: *Working time in the twenty-first century*, report for discussion at the Tripartite Meeting of Experts on Working-time Arrangements, Geneva, 17–21 Oct. 2011.

⁴⁵ ILO: *Working Conditions Laws Report 2012*, op. cit.

⁴⁶ *ibid.* Data from the ILO working conditions laws database is collected from national legislation governing working time.

⁴⁷ *ibid.*

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54. A recent ILO study estimated that 22 per cent of the global workforce, or 614.2 million workers, still work more than 48 hours per week.⁴⁸ Working hours vary across countries and are often correlated with development level, type of economic activity, gender and age. In the past 50 years, there has been a general tendency around the world to limit the legal workweek to 40 hours, but actual hours worked are often longer, especially in developing countries.
55. Normal workweeks in European countries are 40 hours or shorter. In most middle-income countries, working hours fall within the 48-hour limit; workers work longer hours in clothing industries than in textile manufacturing;⁴⁹ and, men usually work longer hours than women.
56. Nonetheless, in developing TCLF producer countries major problems persist in relation to excessive working hours and the provision of adequate rest and recuperation periods, including weekly rest and paid annual leave. To deal with fluctuations in demand, shorter lead times, falling prices and increased competition, many suppliers try to minimize costs by keeping a smaller group of higher skilled workers as regular employees.⁵⁰ In peak periods, they work excessive overtime with the help of temporary contract workers and subcontracting.⁵¹
57. Overtime is also linked to wage levels. According to a multi-country study⁵² on the clothing industry, workers had to work overtime in order to earn wages that would sustain them and their families, and overtime was consistently paid below the legal requirements. Lack of social dialogue, poor general communication between workers and managers, and workers' lack of knowledge about their legal rights in such areas as overtime calculations were reportedly common. The study concluded that on average factory workers worked more than 60 hours per week, and in 88 per cent of cases more than six days in a row.⁵³
58. Excessive overtime was found in all clothing factories assessed by the Better Work Programme in various countries.⁵⁴ Figure 6 indicates that regular hours are not respected; working hours exceed legal limits and workers are not provided with the required weekly rest period. Non-compliance findings may also stem from working-time records that do not reflect hours actually worked.

⁴⁸ S. Lee, D. McCann and J. Messenger: *Working time around the world: Trends in working hours, laws and policies in a global comparative perspective*, London and Geneva, Routledge and ILO, 2007.

⁴⁹ ILO Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK) database, years 2008–10.

⁵⁰ S. Barrientos, G. Gereffi and A. Rossi: "Economic and social upgrading in global production networks", in *International Labour Review*, Vol. 150, No. 3–4, Geneva, ILO, 2011.

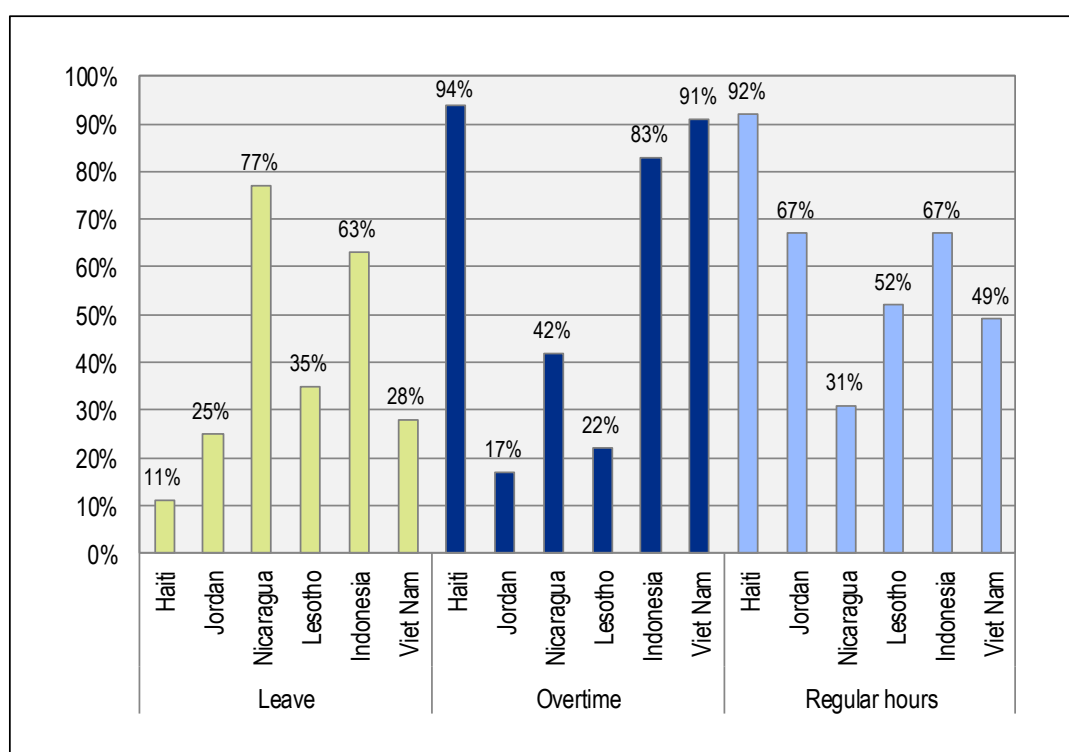
⁵¹ M. Anner, J. Bair and J. Blasi: *Towards joint liability in global supply chains: Addressing the root causes of labor violations in international subcontracting networks*, Pennsylvania State University, 2013.

⁵² Vaughan-Whitehead: *How "fair" are wage practices ...*, op. cit.

⁵³ Similar results were found in the 2011 study by R. Smyth et al.: "Working hours in supply chain Chinese and Thai factories: Evidence from the Fair Labor Association's 'Soccer Project'", in *British Journal of Industrial Relations*, Vol. 51(2), pp. 382–408, 2013.

⁵⁴ IFC and ILO: *Better Work: Stage II ...*, op. cit.

Figure 6. Working-time non-compliance rates in factories assessed by the Better Work Programme (selected countries' baseline) ⁵⁵



Source: Better Work compliance data (excludes Cambodia). ⁵⁶

- 59.** Recent research estimates both the short- and long-term consequences of excessive working hours for workers and employers, as well as for society as a whole. ^{57, 58} Excessive hours of work impact on workers' health, well-being and workplace safety, and can cause unforeseen indirect costs for companies in the form of accidents, injuries, absenteeism, lower productivity, and high worker turnover with the consequent recruitment of new employees and their training costs. ^{59, 60}
- 60.** In addition to the risks for workers' health, fatigue has a direct effect on workplace safety and on productivity and product quality: "the risk of occupational injury is doubled when

⁵⁵ In this figure, "leave" includes annual holidays, weekly rest periods, sick leave, maternity/paternity leave, breastfeeding breaks and any other leave that is covered by the national law. Payment of annual leave is included under paid leave in figures 5 and 6. A common non-compliance finding concerning regular hours across all factories is working hours exceeding legal limits, and employers not providing the required weekly rest period.

⁵⁶ For detailed information on non-compliance criteria and calculations for each country, see www.betterwork.org.

⁵⁷ Lee, McCann and Messenger, op. cit.

⁵⁸ ILO: *Working time in the twenty-first century*, op. cit.

⁵⁹ J. Seo: *Excessive overtime, workers, and productivity: Evidence and implications for Better Work*, Better Work Discussion Paper Series No. 2, Geneva, ILO, 2011.

⁶⁰ P. Tucker and S. Folkard: *Working time, health and safety: A research synthesis paper*, Conditions of Work and Employment Series, No. 31, Geneva, ILO, 2012.

employees work more than 12 hours per day and goes up by over 40 per cent over ten hours in a given day”^{61, 62}.

The ILO/IFC Better Work Programme

Better Work – a partnership between the ILO and the International Finance Corporation – combines expertise of the ILO in social dialogue, labour standards and the application of labour standards, with those of IFC in private-sector development. Operational since 2009, Better Work covers almost 1,000 factories and over 1 million workers in Haiti, Indonesia, Jordan, Lesotho, Nicaragua and Viet Nam, as well as through the Better Factories Cambodia programme. A recently launched programme in Bangladesh will greatly increase the number of factories and workers assisted.

Each country programme establishes a national tripartite Project Advisory Committee, chaired by the Government and including the social partners, which approves a compliance assessment tool used as the basis for monitoring working conditions in garment factories. It ensures relevance to national and sectoral priorities, reviews operations, and advises on key issues and engagement with national institutions. In some countries, the Project Advisory Committee also serves as a social dialogue forum for sectoral issues.

Better Work aims to improve compliance with labour standards and competitiveness by assessing the compliance of factories with national labour laws and ILO core labour standards, and by providing the necessary training, tools and support to factories to enable them to make the required changes. Better Work works closely with factories and leading brands to improve fundamental rights and social protection in the workplace. Better Work engages directly with governments, investors and business associations to increase awareness of adherence to labour laws and on the importance of social dialogue in order to ensure decent work in the sector. It also collaborates with national labour inspection systems to improve compliance at workplace level.

Better Work's approach emphasizes building the capacity to employers and workers to identify and predict potential labour problems and take effective action to resolve them. The programme helps establish enterprise-level worker/management committees to develop, implement and monitor improvement plans to ensure labour compliance at workplace level. Such committees are legally required in some countries. Better Work takes care to distinguish between the role of these bodies and the role and activities of trade unions. Trade union representatives are selected by the relevant union(s) or elected through a transparent, accountable process at the enterprise, without interference from management.

2.3. Labour inspection/administration

61. The main responsibility for the implementation of wages and working-time legislation lies with governments.⁶³ Ensuring compliance with national law requires labour administration and inspection systems that have efficient and effective methods of governance and management and can establish broad partnerships.⁶⁴ Strengthening workplace compliance through labour inspection is one of the ILO's eight areas of critical importance recently established by the Governing Body.
62. Labour inspection and administration systems operate in a rapidly changing environment that is well exemplified by the TCLF industries: dramatic changes in production patterns, work organization, employment structures and relationships; labour migration; outsourcing; extended and complex global production systems; and the expansion of the

⁶¹ L. Golden: *The effects of working time on productivity and firm performance: A research synthesis paper*, Conditions of Work and Employment Series, No. 33, Geneva, ILO, 2012.

⁶² Tucker and Folkard, op. cit.

⁶³ ILO: *General Survey of the reports on the Minimum Wage Fixing Convention ...*, op. cit.

⁶⁴ Resolution concerning labour administration and labour inspection, adopted by the ILC in June 2011.

informal economy. The 2011 ILC resolution concerning labour administration and labour inspection calls for sound labour inspection systems that can expand their coverage to all workers in an increasingly diverse global workforce, including workers in supply chains and export processing zones. The resolution supplements relevant ILO Conventions and Recommendations,⁶⁵ which provide the main guidance for labour administration and inspection operations.

63. Compliance with minimum-wage and working-hours legislation remains a considerable challenge in the TCLF industries in many countries. Government action is required to improve working conditions in the TCLF industries, since governments have the legitimacy to enforce labour legislation and protect workers' rights.⁶⁶
64. Several TCLF producer countries – including Ethiopia, Honduras, Indonesia, Italy, Mexico, Nicaragua, Philippines, Portugal, South Africa, United States and Viet Nam⁶⁷ – have increased the number of labour inspectors, and labour inspection systems have improved in TCLF producer countries such as Bulgaria, El Salvador, Indonesia, Lesotho, Mexico, Philippines, South Africa and Viet Nam.⁶⁸ In Cambodia, a National Occupational Safety and Health Programme has strengthened cooperation among agencies that work with occupational safety and health, by holding regular meetings and exchanging experiences to develop joint action programmes.⁶⁹ The ILO has been collaborating with some of these countries to build institutional capacity and improve collaboration with other compliance agencies and with social partners.
65. Some countries have also enhanced labour inspector training, by adopting budgeted training plans and upgrading the training curriculum. In Viet Nam, for instance, the Ministry of Labour, Invalids and Social Affairs worked intensively on the revision of its inspection curriculum and on equipping trainers with more effective facilitation skills. These master trainers then delivered Training of Trainers courses to inspectors from across Viet Nam to build their capacity to work specifically with the garment industry.⁷⁰ Training is also provided at the International Training Centre of the ILO in Turin, which developed a labour inspection training manual in 2010 covering labour inspection principles, policies and strategies, and providing practical tools and methodologies for inspectors (which is available as distance-learning modules).⁷¹

⁶⁵ The Labour Inspection Convention, 1947 (No. 81), and its Recommendation, 1947 (No. 81), and the Labour Administration Convention, 1978 (No. 150), and its Recommendation, 1978 (No. 158), define the role, functions, organization and basis of national labour administration and inspection systems.

⁶⁶ ILO: *Labour administration and labour inspection*, Report V, ILC, 100th Session, Geneva, 2011.

⁶⁷ *ibid.*

⁶⁸ ILO: *Labour administration and labour inspection*, op. cit., 2011.

⁶⁹ *ibid.*

⁷⁰ The programme is supported by Better Work, which is currently developing the next phase of roll-out to additional inspectors from across the country, aiming to enhance the inspectorate's ability to have a positive impact on enterprises.

⁷¹ ILO: *Labour administration and labour inspection*, op. cit., 2011.

Strengthening labour inspection in Bangladesh

Labour administration and inspection in the TCLF industries has received considerable attention in the aftermath of the tragic factory fires and factory collapse in Bangladesh. Workers' and employers' representatives have called for additional resources for labour inspectors, and MNEs are also increasingly vocal about the need for enhanced labour administration in countries where they operate, and for recognition that solid labour inspection and administration form the foundation for good governance.

Consequently, the Government of Bangladesh decided to upgrade the office of the Chief Inspector of Factories and Establishments to a department as an important step in the implementation of one of the commitments agreed by the Government in the National Tripartite Plan of Action on Fire Safety and Structural Integrity and the EU–Bangladesh Global Sustainability Compact. The Government intends to increase the number of labour inspectors to 200 in the short term, rising to 1,000 in the long term. This is a significant step towards improving safety and workers' rights in the garment industry in Bangladesh. The upgrading of the inspection services is a significant milestone in our joint efforts to strengthen the capacity of the Government and of employers' and workers' organizations to address working conditions, safety and workers' rights issues in Bangladesh.

The ILO Country Office for Bangladesh is preparing detailed plans for the development of the capacity of the new directorate, including training the new inspectors during the next three years.

Source: ILO Dhaka: Press release, Feb. 2014.

2.4. Private compliance initiatives

66. Private compliance initiatives (PCIs) are voluntary initiatives that monitor compliance with corporate social responsibility (CSR) requirements and established laws.⁷² CSR requirements and codes of conduct are typically inspired by ILO core Conventions and PCIs often overlap with mandatory legal requirements. Pressure from trade unions and non-governmental organizations for over two decades has made PCIs and CSR commitments virtually unavoidable for reputation-conscious clothing and footwear firms. CSR-driven PCIs have expanded their scope over the last decade and multiple forms have emerged in the TCLF industries, with various quality levels. In the TCLF industries alone, there are some 30 organizations⁷³ that have included social and labour issues on their agendas.
67. Despite the increasing number of PCIs, such initiatives alone fail to deliver better or safer working conditions. They may support labour inspection functions in certain areas, but do not have the same mandate or the power to substitute it. More partners are gradually recognizing that labour inspection ultimately performs the fundamental function of labour law enforcement. Given the large variation in the skills and resources of labour inspectors from country to country and the variety of PCIs, there is a need to find effective forms of cooperation. Such cooperation includes decisions on applicable standards, credibility of results, frequency of visits and questions on the transparency of the inspection results.

⁷² ILO: *Labour inspection and private compliance initiatives: Trends and issues*, background paper for the Meeting of Experts on Labour Inspection and the Role of Private Compliance Initiatives (Geneva, 10–12 Dec. 2013). These include internal and external auditing systems, public reporting systems (e.g. UN Global Compact, Global Reporting Initiative, Fair Factories Clearinghouse), certification and labelling initiatives (e.g., SA8000, Worldwide Responsible Accredited Production), management systems-based approaches, and initiatives that combine elements from above (e.g. Better Work, Global Social Compliance Programme, Ethical Trading Initiative, Clean Clothes Campaign, Worker Rights Consortium, International Labor Rights Forum, Better Cotton Initiative).

⁷³ International Trade Centre statistics; Better Work: internal research, Mar. 2013.

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- 68.** The report for the discussion at the ILO Meeting of Experts on Labour Inspection and the Role of Private Compliance Initiatives (December 2013) highlighted that understanding the relationship between national and private standards creates consistency, and can be important for effective PCI operations. The ability of labour inspectorates to provide the scope and level of service needed for well-functioning labour inspection systems is currently limited, and PCIs cannot guarantee full compliance either. PCIs are not necessarily contradictory to public labour inspection and can contribute to better working conditions, but the potential roles, drawbacks and benefits of labour inspectors and PCIs need to be evaluated carefully.⁷⁴ The report also advocated the “commitment approach” being used by the ILO/International Finance Corporation (IFC) Better Work Programme to promote compliance with labour standards.
- 69.** PCIs that include multiple stakeholders have become increasingly common in recent years. They involve companies, consumer groups, workers’ organizations, campaign groups, academia and other social actors, and in some cases UN agencies (ILO, UNIDO, UN Global Compact and International Trade Centre), as well as global financial institutions (IFC).⁷⁵ Some initiatives are moving away from purely audit and code of conduct compliance to more aspirational, developmentally oriented approaches, with a focus on long-term improvements in labour conditions.

⁷⁴ ILO: *Labour inspection and private compliance initiatives*, op. cit.

⁷⁵ The Global Social Compliance Programme cooperates with ILO Better Work, UNIDO, the UN Global Compact and the International Trade Centre.

3. Social dialogue and labour relations

70. The increasing number of labour disputes ^{1, 2, 3, 4, 5, 6} in several TCLF-producing countries highlights the need for more mature industrial relations and social dialogue among social partners. The recent example of Bangladesh, where ILO constituents have come together, shows the importance and usefulness of social dialogue for addressing the specific needs of the industry and providing immediate responses.

3.1. Social dialogue

71. Social dialogue can produce sustainable change and promote decent and productive work. The TCLF industries have been profoundly transformed in the past few decades, and social dialogue plays a key role in addressing accelerating globalization, shifting employment patterns, increased insecurity and ongoing financial pressures.
72. Full and genuine consultation among employers' and workers' organizations is essential for improved working conditions and settling minimum wage rates, which should not be decided solely by the government. The best guarantee for social cohesion is minimum wage rates resulting from full consultation with social partners. ⁷ Social dialogue requires an environment that promotes freedom of association, the right to collective bargaining and the existence of strong, independent and capable social partners. To enhance constructive engagement between the partners both globally and locally, workers' and employers' representatives should work together in mutual respect and trust and should share information openly to improve working conditions and wages in the TCLF industries and to promote fundamental principles and rights at work.

¹ ILO and IFC: *Better Factories Cambodia: Thirtieth synthesis report on working conditions in Cambodia's garment sector*, Geneva, ILO, 2013.

² China Labour Bulletin, Strike Map, <http://www.numble.com/PHP/mysql/clbmape.html>.

³ A. Shaheen, M.Z. Raihan and N. Islam: "Labor Unrest in the Ready-Made Garment Industry of Bangladesh", in *International Journal of Business and Management*, Vol. 8, No. 15; 2013, <http://www.ccsenet.org/journal/index.php/ijbm/article/viewFile/25661/17243>.

⁴ *Better Work Vietnam Newsletter*, No. 5, Jan.–Apr. 2012, <http://betterwork.com/vietnam/wp-content/uploads/Better-Work-Vietnam-Newsletter-N%C2%B05-Jan-Apr-2012-en.pdf>.

⁵ L. Barrie: "Egypt: Thousands of workers strike for minimum wage", in *just-style*, 13 Feb. 2014, http://www.just-style.com/news/thousands-of-workers-strike-for-minimum-wage_id120684.aspx.

⁶ Vaughan-Whitehead: *How "fair" are wage practices ...*, op. cit.

⁷ ILO: *General Survey of the reports on the Minimum Wage Fixing Convention ...*, op. cit.

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73. There is a genuine desire by social partners to launch new forms of social dialogue. The European Textile and Clothing Sectoral Social Dialogue Committee⁸ was established in 1999 to discuss key issues faced by the industry, notably concerning relocation of production to other regions. In collaboration with the European Commission, workers and employers established a Skills Council Committee⁹ to design a strategy on reskilling the workforce in Europe.
74. In Viet Nam, worker/management committees have been established in participating factories to jointly improve working conditions, which have been at the core of the Better Work Programme's factory-based operations. The workers elect their representatives and dialogue provides the basis and structure for sustainable change. Based on the results achieved, the revised labour law now includes provisions on workplace cooperation through regular bipartite dialogue meetings at the workplace, involving equal numbers of workers' and management representatives. The Better Work Programme is also working with both the Viet Nam General Confederation of Labour and the Viet Nam Chamber of Commerce and Industry to build the capacity of workers' and employers' representatives to fully engage in the process to ensure that the new mechanism reaches its full potential.¹⁰

Bipartite council in Morocco

In 2002, the Government of Morocco and the ILO launched a Decent Work Pilot Programme in the Moroccan textiles and clothing industries. The goal of the Programme was to improve productivity in the textiles and clothing industries through decent work. With the support of an ILO Action Programme, a textiles and clothing industry-specific bipartite industrial council was created to enable employers and trade unions to discuss industrial problems and to find joint solutions. The bipartite industrial council encouraged cooperation, helped resolve conflicts among employers and workers, improved social policies, promoted decent work and the application of core labour standards, and monitored economic and social developments in the industries.

Source: ILO Action Programme, Improving competitiveness in the textile, clothing and footwear sector through the promotion of decent work, ILO, 2013.

3.2. Collective bargaining agreements

75. Labour unrest in the TCLF industries in several countries has been linked to wages, hours of work and working conditions. In some cases, protests over grievances have turned violent, causing loss of life and severe injuries,¹¹ while some prolonged protests have halted production and affected deliveries. Employers estimate significant losses in such cases, as on several occasions factories have been forced to close, notably in Cambodia and Bangladesh.¹² Indonesian workers have also called for improved wages and for

⁸ European Commission: *Sectoral social dialogue – Textile and clothing*, Employment, Social Affairs and Inclusion, <http://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=1858>.

⁹ European Skills Council: Textile, Clothing, Leather, <http://europeanskillscouncil.t-c-l.eu/eng/EuropeanSkillsCouncil.aspx>.

¹⁰ Better Work: *Case Study: Better Work Vietnam shows path for labour law reform*, <http://betterwork.org/global/?p=3795>.

¹¹ Better Factories Cambodia: Latest News, <http://betterfactories.org/?cat=11>.

¹² L. Adendorff: "Cambodia and Bangladesh count the cost of disruption", in *just-style*, 15 Jan. 2014, http://www.just-style.com/analysis/cambodia-and-bangladesh-count-the-cost-of-disruption_id120336.aspx.

factory closures.¹³ Dismissals in Honduras, El Salvador and Nicaragua, and labour disputes in Haiti, China, India, South Africa and Lesotho¹⁴ have also created unrest in the TCLF industries.

76. In Cambodia the number of strikes increased by 170 per cent between 2010 and 2012.¹⁵ Strikes failed to follow the agreed legal protocol, which establishes that the right to strike can be exercised only when all peaceful methods for settling the dispute with the employer have already been exhausted, or when the Arbitration Council has not handed down a decision within 15 days. Since 2005, workers in the TCLF industries have held a series of strikes in Viet Nam, culminating in almost 1,000 strikes in 2011 and 400 in 2012.¹⁶ In 2013, a ground-breaking amendment was made to the Vietnamese labour code, which now calls for worker/management committees in all enterprises to serve as a mechanism for social dialogue. The new labour code covers all industries and enterprises and approximately 8–10 million workers.¹⁷
77. Collective bargaining in the TCLF industries¹⁸ varies greatly between regions and countries. It is well established in Europe, where trade unions and employers participate actively in the process.¹⁹ In Austria, Belgium, Germany, Finland, France, Italy, Netherlands, Romania, Sweden and Slovenia it covers more than 80 per cent of the TCLF workforce, and in Denmark 70 per cent. However, only 20 per cent of the workforce is covered by collective bargaining in Hungary, Ireland, Lithuania, Luxembourg, Poland, Slovakia, Spain and the United Kingdom.
78. Collective bargaining in the TCLF industries in other regions presents a different picture. Decentralized or enterprise-level collective bargaining is the most common approach in East Asia.²⁰ Unlike in Europe, collective bargaining coverage is significantly lower than union density in clothing and footwear production countries such as Indonesia, Thailand and the Philippines. Canada, Japan and the United States are characterized by single-employer bargaining, and have lower collective bargaining coverage rates compared with countries where bargaining is conducted at higher levels and where employer organizations

¹³ Better Work Indonesia: *Media Updates*, <http://betterwork.org/indonesia/?cat=9&paged=2>.

¹⁴ International Union League for Brand Responsibility: *2013: A year in victories for garment workers worldwide*, http://www.union-league.org/2013_victories.

¹⁵ IFC and ILC: *Better Factories Cambodia: Thirtieth synthesis report*, op. cit.

¹⁶ *Better Work Vietnam Newsletter*, No. 5, Jan.–Apr. 2012, <http://betterwork.com/vietnam/wp-content/uploads/Better-Work-Vietnam-Newsletter-N%C2%B05-Jan-Apr-2012-en.pdf>.

¹⁷ Better Work: *Case Study: Better Work Vietnam shows path for labour law reform*, <http://betterwork.org/global/?p=3795>.

¹⁸ Unions do not all represent textiles, clothing, leather and footwear industries collectively, but TCLF industry boundaries are sometimes indistinct, and definitions overlap.

¹⁹ European Foundation for the Improvement of Living and Working Conditions (Eurofound): *Representativeness of the European social partner organisations: Textiles and clothing sector*, Dublin, 2013.

²⁰ Y. Youngmo: *A comparative study on industrial relations and collective bargaining in East Asian countries*, Geneva, ILO, 2009.

and union federations are strong.²¹ In Lesotho, minimum wages are negotiated by the Wages Advisory Board at the industry level and published for all employers to see and follow. Anything beyond the minimum wage can be negotiated at the factory level.²² Some textiles and clothing producer countries, such as Egypt, Morocco and Mauritius, have introduced laws that promote the registration of social partners and the binding nature of collective bargaining agreements.²³

79. In Cambodia, where union density in clothing and footwear factories is relatively high, each union has the right to bargain collectively with employers, while the majority union that represents over 50 per cent of the workers in the factory may conclude an agreement applicable to all workers. Minority unions can still negotiate their own collective agreements but these will apply only to their members. This has led to unions competing over their bargaining rights and to scattered collective bargaining coverage. A similar phenomenon can be observed in Indonesia and in the Philippines. The clothing and footwear industries in Cambodia have a combination of minimum wage negotiations at sectoral level, government intervention and enterprise-level bargaining.
80. Another important textiles and clothing manufacturer, Bangladesh, has seen a major shift in freedom of association and collective bargaining for textiles and clothing workers. The Government of Bangladesh recently amended the country's Labour Act, deleting a provision that previously allowed factory owners to veto the participation of individual workers in a union. Collective bargaining in India has remained limited in its scope and coverage because much of the workforce in the TCLF industries falls outside legal structures. Brazil has well-developed labour relations, active unions and a supportive Government, but the collective bargaining system remains highly fragmented and competitive.²⁴ In Mexico, most bargaining occurs at the enterprise level.²⁵ In South Africa, industrial relations and collective bargaining remain strong, and tripartite bargaining councils are central to collective bargaining in the industries.²⁶
81. Negotiations between the unions, brand sportswear companies and their first tier suppliers in Indonesia led to the signing of a unique Freedom of Association Protocol in 2011.²⁷ The Protocol provides detailed guidelines on what freedom of association will mean at the factory level. The Protocol is still in its initial stage, but observers have noted that it has, so

²¹ Organisation for Economic Co-operation and Development (OECD): "Collective Bargaining: Levels and Coverage", in *Employment Outlook 1994*, ch. 5, <http://www.oecd.org/els/emp/2409993.pdf>.

²² Better Work: *Lesotho: Baseline Report: Worker Perspectives from the Factory and Beyond*, Geneva, ILO, 2012, p. 9.

²³ R. G. Koçer and S. Hayter: *Comparative study of labour relations in African countries*, Working Paper 116, Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam, 2011.

²⁴ A. Cardoso and J. Gindin: *Industrial relations and collective bargaining: Argentina, Brazil and Mexico compared*, Geneva, ILO, 2009.

²⁵ *ibid.*

²⁶ R. Grawitzky: *Collective bargaining in times of crisis: A case study of South Africa*, Working Paper No. 32, DIALOGUE, Geneva, ILO, 2011.

²⁷ See the text of the Protocol at http://www.ituc-csi.org/IMG/pdf/FOA_Protocol_English_translation_May_2011.pdf, accessed 28 June 2014.

far, led to improved labour relations and social dialogue, and increased the number of collective bargaining agreements.²⁸

Better Work Viet Nam teamed up with the Viet Nam Chamber of Commerce and Industry to offer quarterly industry seminars on technical issues to 150 factories currently participating in the programme. During the last quarter of 2011, the organizations jointly hosted a seminar on effective negotiation and collective bargaining, taught by experts from the ILO Country Office for Viet Nam (CO-Hanoi) and the ILO Regional Office for Asia and the Pacific in Bangkok. The goal of the training was to support factories in enhancing mechanisms for better workplace cooperation and joint problem-solving and to decrease incidents of wildcat strikes in the industry. The two organizations also jointly hosted an end-of-year event for factories focused on forecasts for the apparel industry for 2012.

Source: Better Work Viet Nam Newsletter Jan.–Apr. 2012, No. 5.

3.3. Global framework agreements

- 82.** Global framework agreements (GFAs) emerged in 1988 as a new mechanism to regulate industrial relations in the globalized world of work. They are instruments agreed between MNEs and global union federations concerning labour conditions and employment relations in MNEs and their suppliers, intended to ensure respect for standards in all countries of operation of the MNE. Sectoral trade unions from the home country of the MNE usually participate in negotiating the agreement. GFAs offer unions direct engagement with MNEs and improved ability to promote decent work, freedom of association and collective bargaining worldwide. At the same time, they offer MNEs improved social dialogue, industrial peace, and enhanced relations with political and economic decision-makers.
- 83.** In general, GFAs enshrine fundamental principles and rights at work and core ILO Conventions, and may include labour standards on wages, safety and health, and skills training. GFAs are implemented, monitored and negotiated with workers' representatives. In this sense, they differ from other types of unilateral compliance initiatives and monitoring arrangements, such as codes of conduct and CSR initiatives.²⁹
- 84.** A total of 142 agreements had been negotiated by March 2014,³⁰ but so far only two textiles and clothing MNEs have signed GFAs. In 2004, UNI Global Union and Hennes & Mauritz AB (H&M) signed a cooperation agreement to secure and promote fundamental workers' rights at H&M's workplaces worldwide. Inditex and the former ITGLWF signed a GFA in 2007 covering core labour standards, occupational safety and health, regular employment, human rights, and environmental awareness in the supply chain. The agreement stated, in relation to wages and working hours, that Inditex would ensure that its suppliers paid wages that, as a minimum, complied with the legal minimum or the collective bargaining agreement, and that met workers' basic needs. Wages should be paid on time and not be withheld for any reason, and workers should receive written and

²⁸ SwedWatch, *Play fair – a campaign for decent sportswear, Has the first agreement between multinational companies and local unions strengthened freedom of association in Indonesia?* http://www.swedwatch.org/sites/default/files/swedwatch_-_fair_play_-_eng.pdf, accessed 28 June 2014.

²⁹ K. Papadakis (ed.): *Shaping Global Industrial Relations: The Impact of International Framework Agreements*, Advances in Labour Studies, Geneva, ILO and Palgrave Macmillan, 2011.

³⁰ European Commission: Database on transnational company agreements, <http://ec.europa.eu/social/main.jsp?catId=978>, accessed 19 Mar. 2014.

comprehensible wage information. Inditex also committed itself to ensuring that its suppliers should not work more than 48 hours per week or 12 hours per day, and that workers should receive adequate rest periods and compensation for overtime.³¹ An agreement on fundamental labour rights and decent work was subsequently signed in 2009 and a further agreement, on the involvement of unions in monitoring respect for workers' conditions at supplier enterprises was reached in 2012 with IndustriALL (which superseded the International Textile, Garment and Leather Workers' Federation).

85. These GFAs enabled the application of a new system of industrial relations³² between the parties. Nonetheless, companies may face criticism regarding their ability to ensure implementation of labour standards by their suppliers.³³

3.4. Innovative mechanisms

86. The tragic factory fires in Pakistan and Bangladesh in 2012, and the Rana Plaza factory collapse in Bangladesh in 2013 that killed almost 1,200 workers, were the tipping point that brought together various stakeholders to improve labour practices in the textiles and clothing industries. Those tragic accidents called world attention to the working conditions of garment workers in general. Since then, enhanced cooperation between tripartite constituents and other stakeholders has resulted in the negotiation of new and innovative labour agreements.
87. The Accord on Fire and Building Safety in Bangladesh, commonly known as “the Accord” was signed on 13 May 2013. It aims at implementing reasonable health and safety measures to ensure a safe and sustainable Bangladeshi ready-made garment industry for a period of five years.³⁴ Thus far, 150 international companies have signed the Accord, covering over 2 million workers and 1,700 factories. Factory inspections began in January 2014. The ILO acts as the “neutral chair and facilitator” for IndustriALL, UNI Global Union, Bangladeshi trade unions and private companies.
88. On 25 July 2013, the Government of Bangladesh and representatives of Bangladeshi employers' and workers' organizations signed the National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Ready-Made Garment Sector of Bangladesh, the main framework document for improving working conditions in the garment industry.³⁵ Key activities include assessment of the structural integrity and fire safety of ready-made garment factory buildings; strengthening labour inspection; worker and management training on occupational safety and health and workers' rights; and providing assistance to workers with disabilities. A high-level tripartite committee, chaired by the Secretary of the Ministry of Labour and Employment, is responsible for monitoring, implementing and

³¹ Inditex International Framework Agreement, <http://www.industriall-union.org/sites/default/files/uploads/documents/GFAs/Inditex/inditex-gfa-english.pdf>.

³² D. Miller: *Global social relations and the limits and possibilities of transformative CSR in outsourced apparel supply chains: The case of the Inditex IFA*, Newcastle, University of Northumbria, 2009.

³³ *ibid.*

³⁴ The Bangladesh Accord website, <http://www.bangladeshaccord.org/faqs/>.

³⁵ The Plan builds upon the National Tripartite Plan of Action on Fire Safety in the Ready-Made Garment Sector of Bangladesh signed on 24 March 2013, in response to the Tazreen factory fire, and the Joint Tripartite Statement adopted on 4 May 2013 in the wake of the Rana Plaza tragedy.

updating the Plan of Action. The ILO is assisting in the implementation and coordination of the Plan of Action and has developed a three-year programme to improve working conditions in the ready-made garment sector to support this. It is also responsible for managing the Rana Plaza Donor Trust Fund, which provides compensation to the injured workers.

- 89.** In addition to the Accord and the Plan of Action, a group of North American retailers and brands joined together to develop and launch a further initiative. The Alliance for Bangladesh Worker Safety in July 2013 is an industry-driven, binding, five-year undertaking to improve safety in Bangladeshi ready-made garment factories.³⁶
- 90.** The Accord is a landmark in industrial relations in the clothing industry. It is not a voluntary multi-stakeholder initiative but a legally binding agreement that many companies voluntarily signed, bringing together different partners to work jointly for a common goal: to ensure transparent compliance with safety conditions in the country's garment sector.
- 91.** In response to international requests, the ILO launched the Improving Working Conditions in the Ready-Made Garment Sector Programme to improve factory-building safety and workers' rights and conditions in Bangladesh. It comprises building and fire safety assessments, rehabilitation and skills training for workers, occupational safety and health awareness training for workers, supervisors and managers, and the strengthening of labour inspection and support for fire and building inspection (through legislative and policy formulation and training to improve inspection systems and gender awareness among labour inspectors).

³⁶ The Alliance for Bangladesh Worker Safety website, <http://www.bangladeshworkersafety.org/>.

4. Concluding remarks

- 92.** The TCLF industries have experienced rapid growth and increased public attention in recent years. This paper has suggested that, in line with ILO standards on wages and working hours, guidance should be provided on how to enhance respect for these while helping to build sustainable enterprises and improve employment prospects.
- 93.** The purpose of the Global Dialogue Forum on Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries is for Government, Worker and Employer participants to discuss ways to address wages and working hours in the TCLF industries, taking into account the national contexts and the related international labour standards, on the basis of suggested points for discussion. As a result, points of consensus are expected to be adopted by the meeting that will guide future action by the ILO and its Members.