

LINKING COLLECTIVE BARGAINING WITH INTERNATIONAL PURCHASING PRACTICES

ACT was jointly created by global companies and trade unions out of the recognition that lasting improvement of wages and working conditions can best be achieved through national collective bargaining at industry level supported by international purchasing practices. International brands and retailers signed a Memorandum of Understanding with IndustriALL, the global trade union federation representing garment, textile and footwear workers, to ensure the payment of a living wage through their purchasing practices.

Engaging in this process offers national manufacturers, trade unions and governments the opportunity to collaborate with global garment and retail brands that are committed to support efficient employment relations and substantial and continuous wage growth in the sector.

COLLECTIVE BARGAINING AT INDUSTRY LEVEL: A WIN-WIN COOPERATION

Tailor-made solutions for flexibility and security

Business needs the opportunity to respond timely to economic changes while workers should not be living in a world of daily economic insecurity. Collective bargaining at industry level – also often called sectoral collective bargaining - combines this dual need for flexibility and security.

Collective bargaining at industry level gives employers and workers the freedom to negotiate tailor-made solutions and ensures that commonly agreed standards become binding for everyone.

It is better suited than detailed laws to offer efficient solutions specific to the nature of the industry.

Collective Bargaining at Industry Level

Subjects can include:

- Skill Development
- Job Classification
- Wages
- Working Time
- Health and Safety
- Maternity Protection

Procedural divisions:

- Full Respect of Freedom of Association
- Agreed Negotiating Procedures
- Mediation In Case of Impasse
- Monitoring and Compliance Clause
- Industrial Peace Agreement
- Dispute Settlement Mechanism

ACT

Level playing field

Sectoral collective bargaining sets a level playing field where competitive advantages cannot be won through substandard working conditions. Workers in the sector are entitled to the wages and benefits negotiated in the collective bargaining agreement independently of their specific employer. Predictability and transparency of wage increases offers business the stability that is needed for longer term investment.

Wage scales

Collective bargaining at industry level allows a wage setting process in a competitive environment where productivity gains can be fairly shared between employers and workers. It also enables the bargaining parties to agree on a continuous process of upgrading the industry and improving wages and working conditions.

Collective bargaining agreements can provide for agreed wage scales to be introduced that set the wage for specific job or skill categories that are common across the sector. A pay system based on wage scales helps to retain qualified and experienced staff and offers new recruits a career path.

A stable and skilled workforce

Standards applicable throughout the industry reduce staff turnover rates as workers have fewer incentives to move from factory to factory in order to benefit from factory- based wage differentials.

More stable workforces allow for investment in skills development and personal planning. When workers do move between factories, their skills and seniority can continue to be recognised.

Social peace and constructive relations between employers and workers

Determining wages and working conditions at enterprise level is time consuming and potentially conflictual.

Setting wages through a negotiation process at industry level takes this potential for conflict out of the workplace and allows for a professional and structured wage setting process.

A negotiated solution helps to build the necessary trust between workers and employers to find joint solutions that address the specific needs of the industry.

Rewarding innovation and productivity

Setting the same wage rate across the industry means that wages will reflect the average efficiency in the sector. Hence enterprises will have a strong incentive to increase productivity and lower unit labour costs.

A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime).

ACT definition of a living wage



Setting and raising the wage floor for the entire sector is a major productivity driver for the industry as a whole. Factors such as innovation, industrial upgrading and skills development instead of wage competition will become the key determinants of business success.

ENABLING CHANGE: ACT COUNTRY SUPPORT COMMITMENTS

ACT develops country-specific sourcing commitments to support producing countries that are the first to engage in negotiating a collective bargaining agreement at industry level.

COMMITMENT NO. 1

Preferred destination of sourcing

ACT brands will make countries with a collective bargaining agreement at industry level a preferred destination for sourcing and investment for a defined period of time. Based on a consultation process, ACT will agree specific sourcing commitments for each country that have high priority for suppliers and can be implemented by buyers.

COMMITMENT NO. 2

Support of and compliance with collective bargaining agreement

ACT brands will ask their suppliers to actively support the collective bargaining process. Compliance with the standards of the collective bargaining agreement at industry level will be requested from suppliers.

COMMITMENT NO. 3

Improve purchasing practises

ACT brands will undertake self-assessments and share these findings with suppliers to identify and change purchasing practices that are an obstacle for suppliers to move towards a living wage.

They are committed to improve their purchasing practices including terms of payment, forecasting and planning.

COMMITMENT NO. 4

Strengthen long-term partnerships

ACT brands will ensure that their purchasing practices support long term partnerships with manufacturers which enable and reward progress to paying a living wage.

COMMITMENT NO. 5

Incorporate higher wages into purchasing price calculations

ACT brands will incorporate the higher wages as a cost item in their purchasing price calculations.

COMMITMENT NO. 5

Engage with governments

ACT members (brands and trade unions) will work with governments to promote the idea that the full respect for freedom of association and the implementation of a living wage is supported through different government policies.

REQUIREMENTS

These country support commitments will become effective upon signature of a collective bargaining agreement at industry level negotiated between independent employers' organisations and trade unions at country level that meets the following basic requirements:

- a. Wage growth covering inflation plus productivity growth and a negotiated collective bargaining component;
- b. Full respect of freedom of association;
- c. A robust monitoring and enforcement mechanism.

The commitments offer the chance to overcome the economic constraints of purely national solutions. ACT members brands will be held accountable for the commitments through a Memorandum of Understanding signed with IndustriALL, the global union representing garment, textile and footwear workers worldwide.

HOW DOES COLLECTIVE BARGAINING AT INDUSTRY LEVEL WORK?

Employers' organisations and trade unions both need to be mandated by their members to negotiate a collective bargaining agreement about wages and working conditions at industry level on their behalf. If there is more than one trade union or employers' organisation, a joint bargaining council can ensure that all relevant organisations are represented in the process. These are the parties to the agreement.

Based on their knowledge of the economic situation of the industry and the needs of the workers, the parties can negotiate an agreement balancing the different interests and expectations. The parties can include in the negotiations any issue they want to be subject of an agreement. They are free to negotiate the terms of the new agreement, as long as the finally agreed terms are not lower than the standards set by national law. This also includes provisions about dispute resolution, mediation, arbitration as well as monitoring and enforcement of the agreement.

The parties can agree cost efficient, speedy and clear dispute resolution mechanisms according to their needs and priorities. Governments can support the coordinated wage setting through extension mechanisms. By making the provisions negotiated by representative organisations of employers and workers legally binding for the entire industry, governments can promote an equitable, innovative and productive sector based on fair competition.

WHAT DOES COLLECTIVE BARGAINING AT INDUSTRY LEVEL REQUIRE?

Several factors need to be in place to enable collective bargaining at industry level:

- A commitment by employers and trade unions – to negotiate in good faith.
- An enabling regulatory framework set by the government.
- Full respect of freedom of association.
- Mutual respect and the recognition of the legitimate interests of each party.
- The will to conclude and implement an agreement plus the commitment to no disputes over the content of the agreement once it is signed.

NEGOTIATING SOLUTIONS

It is essential for fair and sustainable outcomes that the actors at country level are in the driving seat to determine the wages and working conditions in the industry. At the same time, substantial and lasting improvements are impossible without changes in purchasing prices and practices of international buyers. That's why the ACT approach brings together all relevant actors to achieve a sustainable and productive garment industry.

The ACT Approach to Collective Bargaining

