

ACT

From COVID-19 to Living Wages

ACT 2020 Update

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Editorial Letter

2020 is closing as one of the most difficult years for the garment and textile sector in decades. In the first half of 2020, exports from some key garment-producing countries in the Asia Pacific region dropped by approximately 70% as a result of store closures and financial uncertainty. For manufacturers and workers, the impact of the market contraction was coupled with mandated factory closures in many cases. The ongoing impact of COVID-19 on workers and their families around the world is a stark reminder that upholding the rights of workers remains one of the most critical challenges to the garment and textile industry.

Though a shock to the industry, the pandemic only exacerbated known structural issues in the sector and reinforces the urgent necessity for supply chain social dialogue that brings employers, trade unions and brands to the same table. Structures are very hard to build in a crisis – they need to exist and to have generated trust before disputes arise or a crisis hits. ACT's mandate to drive towards collective bargaining by building supply chain social dialogue enabled brands, trade unions and employers to immediately discuss the implications of the pandemic.

This year, core ACT building blocks and long-standing areas of work found a new articulation and importance. ACT dialogue platforms, work promoting freedom of association agreements and dispute resolution mechanisms provided practical tools and the infrastructure to protect workers and keep communication channels open during the crisis.

The road out of 2020 will not be easy, but it is an opportunity for the industry to change course. We should not assume that the textile and garment industry that emerges on the other side of COVID-19 will automatically choose this path. We hope that what ACT has learnt and the challenges we faced in 2020 would help to demonstrate that a fair, stable industry might be realised through prioritising the rights of all stakeholders on the way.



Executive Director
Jennifer Schappert

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1. The ACT Approach

We believe a fairer fashion industry is possible – but only with real commitment.

What is ACT?

ACT is an agreement between 21 global brands and IndustriALL Global Union in pursuit of living wages for workers in textile and garment supply chains. We believe that collective bargaining at industry level, enabled by freedom of association and responsible purchasing practices, is the most realistic pathway to making an impact on wages.

ACT Member Commitments include:

- Brands will:
 - work to ensure that purchasing practices support long-term partnerships with manufacturers
 - ensure that purchasing practices facilitate the payment of a living wage
 - exchange necessary information regarding strategic supplier factories with IndustriALL.
- Brands and IndustriALL will:
 - design strategies on how to proactively promote freedom of association
 - provide capacity building on freedom of association and collective bargaining
 - advocate that industrywide collective agreements be registered and legally enforceable under national laws
 - make joint approaches to governments in support of higher minimum wage outcomes
 - work with factories and IndustriALL-affiliated unions in priority countries to bring them together to negotiate towards a living wage.

TURKEY

BANGLADESH

MYANMAR

CAMBODIA

Where We Work

Bangladesh

19 brands

2020 work: Dispute Resolution Mechanisms, COVID-19 Action Plan, CBA Options and Strategy

National Dialogue Partners: BGMEA, global brands, trade unions, IndustriALL

Cambodia

17 brands

2020 work: Purchasing practices in practice, COVID-19 Action Plan, CBA Options and Strategy

National Dialogue Partners: GMAC & employer working group, global brands, trade unions, IndustriALL

Myanmar

11 brands

2020 work: FOA Guideline, Dispute Resolution Mechanism, COVID-19 Action Plan, CBA Options and Strategy

National Dialogue Partners: employer working group, global brands, trade unions (IWFM), IndustriALL

Turkey

17 brands

Dialogue Partners: global brands, IndustriALL

Our Members

Arcadia

ASOS

BESTSELLER



ESPRIT

G-STAR
RAW



INDITEX



NBROWN
GROUP PLC

NEW
LOOK

next

Pentland

PRIMARK



TESCO

TOPSHOP
TOPMAN

zalando



The Basic Elements of a Living Wage



What is a Living Wage?

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).

We cannot go from zero to 100 on collective bargaining at industry level. We have to build the structures, trust and mechanisms to get there.

The ACT Model

ACT was created out of the recognition that collective bargaining at industry level is the mechanism best suited to creating lasting improvement of wages. Collective bargaining at industry level is the process by which a binding agreement can be reached that covers workers and employers across an industry on a range of issues, including the payment of a living wage.

While achieving living wages through collective bargaining is feasible, it is also ambitious, requiring nothing short of a transformative approach to the way that the industry operates and what it prioritises.

ACT's global footprint can be mapped against a series of strategic building blocks designed to create the conditions necessary to successfully support the negotiation of collective bargaining agreements and secure living wages.

These steps, pursued simultaneously by ACT members in priority garment-producing countries, are prerequisites for creating the type of industry that can pay living wages.

The ACT Model



ACT works to create the conditions necessary to successfully negotiate collective bargaining agreements at industry level in priority garment-producing countries.

* In 2020, ACT established dispute resolution mechanisms to support access to remedy on wages and freedom of association, building the foundations for negotiation and keeping dialogue relevant for all actors. ACT members are looking at the role that ACT will play going forward.

2. Supply Chain Social Dialogue

Supply Chain Social Dialogue is ACT's core operating principle and ensures that all industry actors – trade unions, manufacturers and global brands – are involved as equal parties in identifying challenges and finding joint solutions.

Dialogue structures, with a firm commitment to representation, are the foundational building block across all ACT priority countries. Too often, programmes designed to improve the industry and protect the rights of workers have been top down, without meaningful participation of affected stakeholders.

Ensuring that manufacturers, employer representatives, trade unions and brands are at the same table is the cornerstone of the ACT model and has been critical

to achieving agreements on freedom of association and dispute resolution. Low wages, lack of freedom of association and poor purchasing practices are industry challenges that will only be addressed when the voices of all industry actors in the global supply chain are engaged.

We also recognise that we require solutions to achieve our goals and requirements, including all actors, not limited to ILO, governments, brands, unions, suppliers and their relevant constituencies.

Country supply chain social dialogue

Who:

Employer representatives;
trade unions; IndustriALL Global Union;
ACT brands sourcing from the country;
Government (where appropriate as part
of tripartite dialogue).

What:

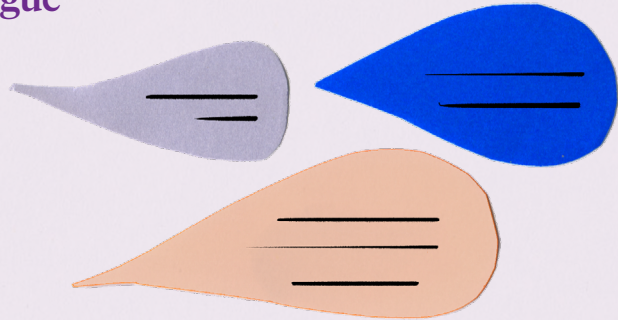
Develop joint work programmes on
freedom of association, purchasing
practices and a pathway towards
collective bargaining and living wages

How:

- Brand-Employer-Trade
Union dialogues
- Technical working groups

Guiding principles:

- Parties engage in discussions in good faith
- Dialogue should be respectful and constructive
at all times
- All parties have the right to bring proposals and
share their perspectives without fear of prejudice
and retribution
- Confidentiality



Case Study: Social Dialogue and COVID-19

In March, the COVID-19 pandemic accelerated through the garment, footwear and textile industry, leaving no link in the global supply chain unaffected. The rapid shutdown of the global garment industry generated and amplified pressure down the supply chain on suppliers and factories and the workers they employ. Widely reported instances of poor worker safety practices, pressure on freedom of association, the gap in payment to workers and the lack of remuneration for laid-off staff were driven, in part, by the pressure placed on employers.

Supply chain social dialogue structures established through ACT prior to the pandemic have created an important platform for keeping communication open to share information and work towards joint solutions. This does not mean that joint solutions come quickly – or are always found. But without such structures, any joint action would potentially be impossible. COVID-19 has demonstrated not only the necessity for such dialogue structures but also the need to strengthen them.



Munir Long Time/AFP

Case Study: Bangladesh

ACT engagement in Bangladesh had begun ahead of the pandemic in late 2019 through a series of consultations with trade unions, suppliers and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). The consultations resulted in the formation of a joint working group of the BGMEA, IndustriALL, IndustriALL Bangladesh Council and ACT brands sourcing from Bangladesh.

As soon as the implications of a global pandemic began to reverberate through the supply chain, the ACT working group provided a critical platform for sharing information, in an environment where available information was changing rapidly. The ACT dialogues also became a vehicle to engage in discussions between trade unions, suppliers and brands aimed at finding joint solutions to the challenges posed by the crisis. ACT Brands, BGMEA and representatives of IndustriALL Global Union and its national affiliates agreed to a COVID-19 Joint Work Plan, which identified a set of key priorities that needed to be tackled jointly in response to the crisis. Since then, the national stakeholders, brands and IndustriALL have worked closely to implement the work plan, including monitoring that all legal entitlements, wages and bonuses have been paid to workers and agreeing an interim dispute resolution mechanism. The working group continues to discuss ACT purchasing practices, transparency and monitoring of retrenchment benefits for workers.

3. Purchasing Practises

Purchasing practices are the ways in which global retailers and brands interact with manufacturers when sourcing and buying products.

Poor purchasing practices can significantly contribute to downward pressure on wages, increased overtime and further engender instability in a supply chain already plagued by intense international and local competition. While improving purchasing practices alone will not deliver living wages, they are nonetheless an essential piece of the puzzle in enabling wage increases across supply chains and respect for workers' rights. Key parts of the Global Purchasing Practices Commitments by ACT brands, for example, aim at ensuring that prices paid by brands enable the payment of real wages (including wage increases) and benefits, as well as the wages, benefits and all other labour-related costs agreed in a collective bargaining agreement. As such, they are a prerequisite to achieving living wages across the garment and textile sector.

Establishing and monitoring responsible purchasing practices are also part of a company's due diligence responsibility. The OECD Due Diligence Guidance states that a company should "assess and prevent its contribution to harm through its price negotiations and purchasing practices".¹

ACT Global Purchasing Practices Commitments

In 2018, ACT adopted Global Purchasing Practices Commitments. ACT member brands have committed to implementing these purchasing practices commitments progressively across their global supply base by the end of 2023. A full list of ACT purchasing practices commitments can be found online.

¹ <https://mneguidelines.oecd.org/oecd-due-diligence-guidance-garment-footwear.pdf>

ACT Purchasing Practices Impact

1. Prices include wages as itemised costs

- Allows for a more transparent and fact-based costing of products.
- Brands and suppliers can see if and how wage increases have been incorporated into price negotiations.

2. Fair terms of payment

- Ensures that all orders are paid according to fair terms of payment, where potential penalties for late delivery are explicit at the outset and no retrospective discounts can be expected.

3. Better planning and forecasting

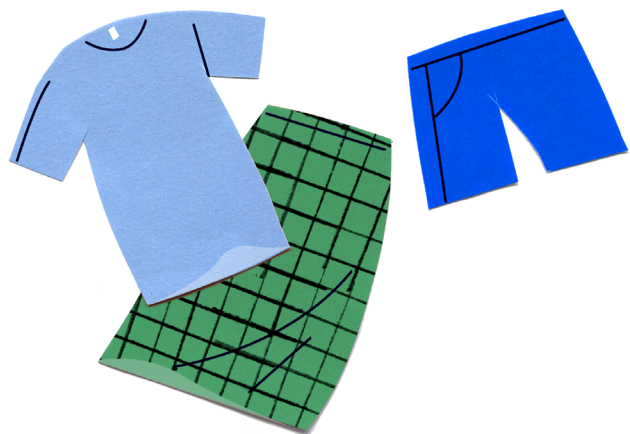
- Increases the predictability of orders, reduces last-minute changes and allows brands to work closely with suppliers to manage capacity throughout the year.

4. Training on responsible sourcing and buying

- Ensures that all brand teams are trained on responsible sourcing and buying and that suppliers are aware of the brands' purchasing practices commitments and related policies.

5. Responsible exit strategies

- Protects workers from the negative impact of sudden exits, including job losses, due to idle capacity and opposition to unionisation and collective bargaining.



Monitoring

Purchasing Practices Self-Assessment (PPSA):

Survey of brand internal teams designed to assess a brand's purchasing practices and progress on the implementation of the purchasing practices commitments. The first round of surveys was launched in 2017 and helped to identify the key purchasing practices improvements needed to support the development of living wages. These became the Global ACT Purchasing Practices Commitments.

Purchasing Practices Assessment (PPA):

Survey of suppliers designed to assess ACT brand purchasing practices. The PPA is mirrored as much as possible to the PPSA. The two surveys in conjunction therefore provide a comprehensive view of the brands' approach to buying their clothes.

Accountability and Monitoring Report:

All ACT member brands will annually report on progress towards agreed targets. The reports are corroborated with findings from the PPA and PPSA. A baseline report of ACT member purchasing practices data is scheduled for Q2 2021.

Complaints and Dispute Settlement Mechanisms:

ACT members agreed to a mechanism for stakeholders to make complaints regarding a brand's purchasing practices and commitments under the ACT MoU. ACT is in discussion with employers and trade unions in ACT priority countries about how best to develop the mechanism at country level.

Case Study: Purchasing Practices and COVID-19

As the industry looks to rebuild in and post COVID-19, responsible purchasing practices commitments have taken on a new sense of urgency. At the outbreak of COVID-19, it was quickly apparent that ACT's current global purchasing practices commitments did not take a crisis context into account. In April, ACT brands communicated their policies for the payment of orders in production to trade unions and the BGMEA. Additional requests for COVID-19-specific purchasing practices were raised by suppliers and trade unions through ACT country dialogues. As a result, ACT brands committed to communicating any possible projections for the following months and the overall business and stock situation. ACT brands also committed to taking responsibility in cases in which a supplier has incurred a fabric liability as a direct result of order amendments. The crisis also emphasised the need for responsible price negotiations. ACT brands are currently rolling out the implementation of the [ACT labour costing protocol](#).

4. Freedom of Association

Freedom of Association (FOA) is the internationally recognised human right of workers to form and join organisations of their own choosing.²

FOA is a prerequisite to collective bargaining and an enabler of higher wages in and of itself. Respect of FOA provides workers with the voice and representation to negotiate collectively with employers on terms and conditions of work, including wages and benefits. One of the core commitments between ACT member brands and IndustriALL Global Union is to design strategies on how to proactively promote freedom of association.³



² ILO Convention No. 87, United Nations, Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework. 2011.

³ ACT MoU, Framework for Action

Case Study: Myanmar

Why Myanmar?

It is hard to overstate the importance of the garment industry to Myanmar's stability and development. Garments are the country's leading export good – making up almost 40% of the country's total exports. Over 500,000 workers are employed,⁴ 80% of whom are women.

However, the growth of Myanmar's garment and footwear industry has outstripped the development of the legal and industrial relations infrastructure necessary to protect workers and ensure the future stability of the industry.

AOT member brands account for approximately 40% of garment exports from Myanmar and are sourcing from an estimated 80% of Myanmar's garment-exporting factories.

The Myanmar FOA Guideline

Freedom of association is still a relatively new concept in Myanmar. Disputes over freedom of association are a primary reason for industrial conflicts, strikes and disruptions to production. One instigator of these conflicts has been the lack of clarity in the law on what freedom of association means in practice, resulting in differences of interpretation between employers and workers quickly escalating into conflicts. In April 2020, ACT Members enacted the Myanmar Freedom of Association Guideline to address these issues.

Throughout the negotiation meetings, we have been able to build trust and understanding between each other. The Guideline is a framework that every factory can use to have a clear and predictable way of engaging with trade unions. This can help to stabilise the business.

Paul Zhubo
Spokesperson, the Employer Working Group

⁴ https://7day.news/detail?id=198159&fbclid=IwAR22PYL5lkHkcolrfL2eWVoJWYXi_Kem90DTyOkzeQp4zEYmUooxZfvadRo

ACT facilitated the negotiation and agreement of the Myanmar Freedom of Association Guideline between an Employer Working Group of ACT brand suppliers and the Industrial Workers Federation of Myanmar (IWFM), with facilitation and technical support from the ILO. Importantly, as an agreement between employers and trade unions, it reflects the interests of both parties. ACT brands support the FOA Guideline by integrating compliance with it as a business requirement. The Myanmar FOA Guideline also provides a point of reference regarding the importance of social dialogue and its potential in a future sectorwide agreement. The FOA Guideline covers all ACT brand suppliers in the country, accounting for 80% of the Myanmar garment export industry.

Rights and responsibilities clarified in the Myanmar FOA Guideline

- Right to Freedom of Association, including recognition of basic labour organisations that are in the process of registration
- Process for joint meetings between management and trade unions
- Release and facilities for trade union activities
- Dismissal procedure
- Collective bargaining mechanism and negotiation process
- Strikes, lockout and picketing
- Standards of conduct for management and trade unions
- Support for factory business activities
- Implementation and monitoring

4. a. Dispute Resolution Mechanisms for Freedom of Association

Robust dispute resolution mechanisms play an integral role on the pathway to collective bargaining at industry level.

Investing in effective mechanisms not only ensures the efficacy of industry agreements, but it also builds the institutional knowledge and experience for negotiating, a vital skill for collective bargaining.

Dispute Resolution Mechanisms:

1. Ensure dialogue is relevant.

In contexts where dispute resolution processes are not available or effective, creating avenues to handle disputes builds trust and meets the real needs of manufacturers and workers.

2. Build foundations for negotiation.

A primary objective of dispute resolution is to promote collective bargaining and the practice of negotiation. Dispute resolution mechanisms are one of the most effective avenues for building trust between industry stakeholders – an indispensable asset for negotiating collective bargaining agreements at industry level.

3. Help to prepare for collective bargaining agreements.

Dispute resolution mechanisms are necessary for any collective bargaining agreement. However, such mechanisms do not adequately exist in many countries. Building the groundwork now for effective dispute resolution can help to build the structures for a collective bargaining agreement in the future.

4. Support ACT's objectives in terms of wages and respect for freedom of association.

Dispute resolution mechanisms are processes that enable remedy on wages and FOA violations.

5. Are an international mandate.

Access to remedy is the third pillar of the UN Guiding Principles.

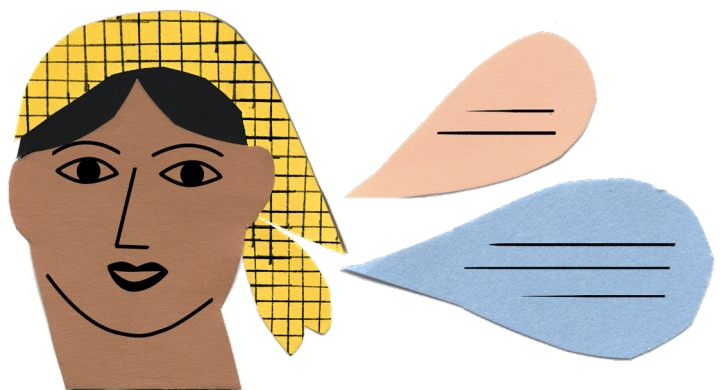
Case Study: Myanmar

Pilot Dispute Resolution Mechanism for the FOA Guideline

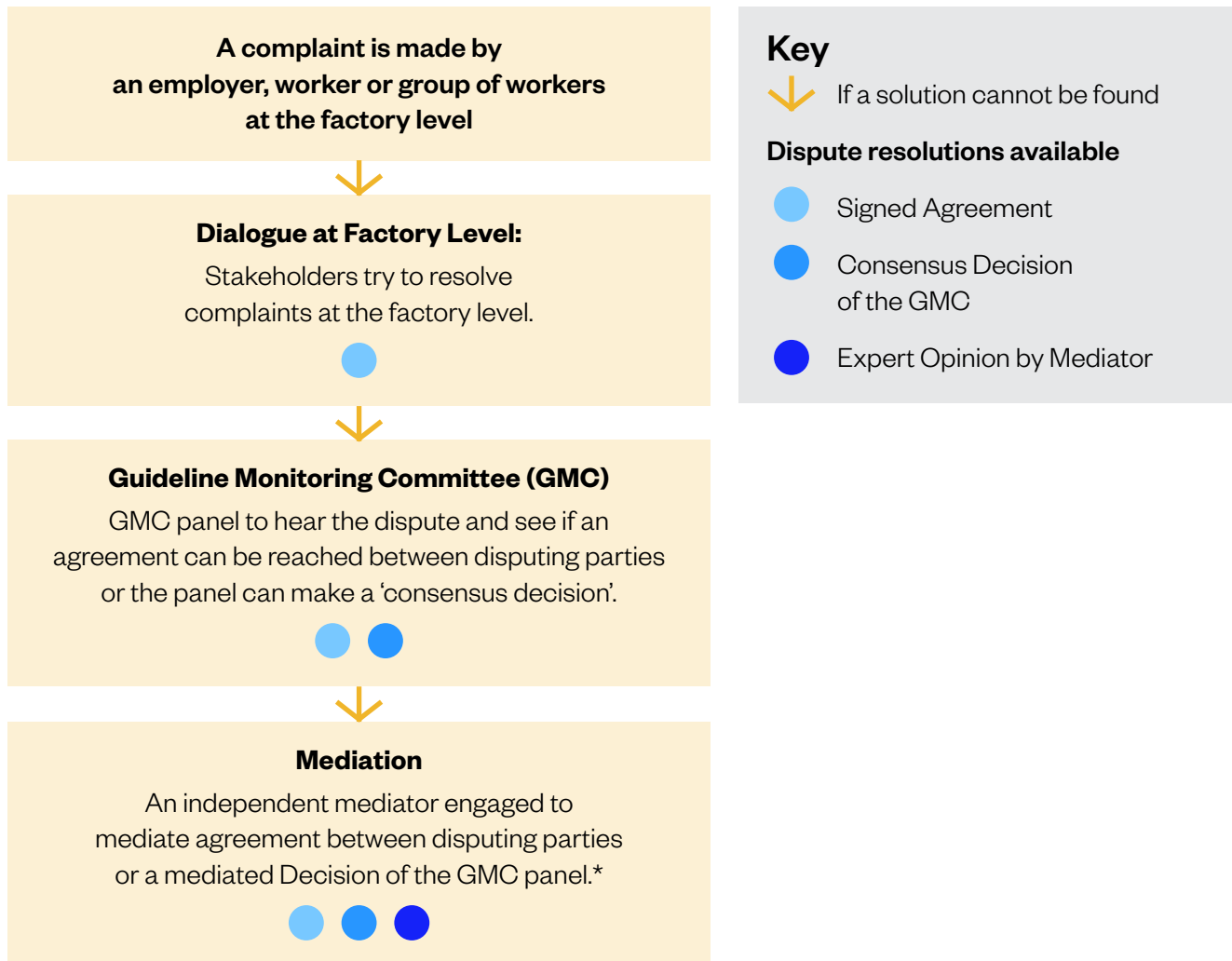
From May to August 2020, ACT facilitated the negotiation and agreement of a framework dispute resolution mechanism (DRM) for the Myanmar FOA Guideline between the Employer Working Group of ACT brand suppliers and IndustriALL affiliate IWFM, with technical support from the ILO. The purpose of the DRM is to ensure that disputes over the FOA Guideline's implementation can be heard and resolved in a fair and predictable manner.

The development of the DRM was guided by the principle that long-term solutions will not be found in a top-down model. The parties on the ground using the mechanism – manufacturers and trade unions – should be driving its design to ensure a legitimate, accessible, predictable and trustworthy process that is embedded in the national context and acknowledged by the government. The ILO's technical facilitation helped to ensure that the mechanism is aligned with international standards. The role of ACT members is to guarantee the effective implementation of the mechanism and its outcomes by using joint leverage, upholding any agreements reached through the mechanisms with their suppliers and monitoring outcomes. ACT's support of dispute resolution in Myanmar recognises the role of national institutions and does nothing to undermine existing national avenues for dispute resolution.

The DRM was piloted from September to December 2020. The parties agreed to hear a limited number of cases during this period in order to adequately test the mechanism. A review process will kick off in January 2021 to assess the DRM against the effectiveness criteria of the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises for grievance mechanisms.



Pilot Dispute Resolution Mechanism Process



* For cases in which the mediation step of the Framework DRM has been exhausted, and a consensus by the GMC panel has not been reached as to whether a violation of FOA has taken place, the parties to the FOA Guideline will seek to establish an appropriate mechanism for arbitration after the pilot phase. Arbitration as a component of the final DRM has not been negotiated.

Resolving disputes in a pandemic

The period of negotiating and piloting the DRM for the FOA Guideline fell in the midst of the COVID-19 pandemic. As a consequence, an interim process was fast-tracked to ensure that cases concerning wages and freedom of association could be escalated to ACT members with a view to using joint leverage to resolve them as quickly as possible. In total, the interim process between ACT members facilitated the resolution of over ten cases.

Case examples from the interim dispute resolution process

At Kamcaine Manufacturing:

An agreement was reached with the employer to reinstate 57 workers, including all seven executive members of the union.

At Glory Fashion:

A mutual agreement was found between workers and management to reinstate three trade union leaders.



Contact Details

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