

Extending Labor Standards to Informal Workers at the Base of Global Garment Value Chains: New Institutions in the Labor Market

Meenu Tewari
mtewari@unc.edu
November 8, 2017

Ever since work became splintered and distributed across the globe through highly mobile value chains, a central concern among labor advocates and regulators has been: how and under what conditions can good labor practices and safe working conditions be extended to the most vulnerable workers in lower tiers of global value chains? These spaces at the base of global supply chains are often hidden from view by layers of opaque, contingent and exploitative contractual ties that create new informalities at the bottom of even the most formalized production networks. A wave of recent industrial accidents—factory fires and building collapses—many of them in the garment districts of Bangladesh (e.g., Tazreen, Rana Plaza, but also elsewhere), has focused fresh attention on this dilemma.

On the one hand, after more than twenty years of experimentation with private voluntary forms of regulation that emerged in the mid-1990s in the wake of anti-sweatshop movements in the US and later Europe, there is widespread agreement today that company codes of conduct and their elaborate monitoring systems, though important, are generally unable to reach beyond the top tiers of global supply chains. Private systems have evolved from the auditing-policing model of the late 1990s-early 2000s, to the more consultative and collaborative model of global partnerships and multi-stakeholder engagement of the last fifteen years (ETI, SAI, Better Work, FLA, WRC, The Alliance and the Accord). Despite these efforts there has been limited success in enforcing labor protections in lower tiers of global chains, let alone beyond them. One global trade unionist associated with a multi-stakeholder initiative went so far as to say that the CSR business had done little more than generate a “\$60 billion industry... Imagine what could have happened if those funds had gone to the workers, we wouldn’t still be trying to define what a living wage should look like.”¹

At the same time, it is also true that without any private regulation there would be many more Tazreens or Rana Plazas. Therein lies the dilemma for the world of private governance: how to ensure a wider socialization of safe and improved working conditions that can reach further and deeper down the value chain, and even beyond it, in the face of intensified competition, short lead times, low margins, relentless price pressures and the powerful search for low costs.

On the other hand, and despite important advances, national and sub-national governments have also found it equally challenging to enforce or scale up the extension of formal protections and labor laws to the many tiers of informal work associated with both export and domestic production. Indeed, many countries are caught within dualistic debates about the effects of labor market regulation. Do regulations add to labor market rigidity, and thus “cost jobs”, or does undermining labor welfare undermine long term growth of productivity and hence employment? The outcomes of these debates, which turn upon the notion that low factor costs act as a draw for

¹ Interview, LB, 2011.

foreign investment, have in effect had the opposite effect of what either side would hope for: weak or passive enforcement of even existing laws and a proliferation of contingent, unprotected, contractual work.

These meta narratives and debates, however, obscure the interesting but messy ways in which change is actually taking place on the ground: through many local, ongoing experiments that signal the emergence of new institutional processes in the labor market that may be better able to diffuse inclusive work practices more widely among the hard to reach informal and less visible segments of global export chains. Indeed, these varied and emergent trajectories seem to shape patterns of upward mobility for workers while also improving firm performance.

I report briefly on three examples of such emerging institutional arrangements in the labor market from my own work in the garment industry in India. These efforts are works in progress with many gray areas, but together they show that a variety of actors – *unions*, *global buyers*, and *governments* are experimenting with new ways of organizing work such that good labor practices are extended not only to chain-involved workers but to the wider communities, or area-based labor markets within which value chains touch down or are embedded.

An important pattern that cuts across all the examples is the locus of these inclusive efforts: while ultimately rooted in issues related to workers' economic lives and working conditions, these efforts do not always originate on the factory floor. Rather, they originate in the social sphere of workers' lives and in the places where workers live. Likewise, the focus is not on any one individual firm, but on the places and area-based labor markets from which those workers are drawn.

1. Unions organizing informal workers successfully in the face of neoliberal pressures.

The first example comes from the recent work of unions such as the New Trade Union Initiative (NTUI)² that have successfully organized informal workers (in garments, services, domestic work, agriculture) and won important gains for them, despite the prevailing policy rhetoric in favor of market liberalism, labor market reform (loosening of rigid regulations) and the general view that unions are a burden on firm competitiveness in an era of flexible production. But these successes do not track old union expectations of confrontations with management, or of traditional forms of shop floor organizing, or of tripartite bargaining. Unions such as NTUI have succeeded by addressing the issue of labor rights in new ways. They reject protectionism as a response to globalization and hold the view that given the internationalization of work, it is the global supply chain, rather than the nation-state alone, that is the appropriate arena for organizing labor rights: 'Effective organization [today] demands a fundamental realignment of labor to the global supply chain, and not only the nation state.'³ This has led NTUI and its associated unions such as the Garment and Textile Workers Union (GATWU) to focus on two strategies simultaneously: (i) They have focused their organizing efforts on the first-tier (India-based)

² A federation of party-independent unions that emerged in the early 2000s and became officially federated in 2005.

³ Interview with Ashim Roy of NTUI, cf. Tewari 2010, Footloose capital, intermediation and the search for the 'high road' in low wage industries, in Posthuma and Nathan 2010.

suppliers of global brands, rather than 3rd or 4th tier suppliers lower down the chain, as well as on stores and outlets of the global brands themselves. Their (aspirational) goal is to ensure a *living* wage at the first tier level, which they expect will cascade down the supply chain allowing lower tier suppliers to comply with the minimum wage. ‘If you leave Tier 1 to be minimum wage compliant, you can forget about getting Tier 4 to comply with the minimum’ (Interview with Ashim Roy, 2006). NTUI has also joined hands with other global trade unions to fight for an Asian wage floor to prevent a regional race to the bottom.

(ii) What is even more striking is the path that NTUI (and GATWU) have taken towards shop-floor organizing. In its work on the garment sector in Bengaluru, for example, NTUI first began its work *at the level of the community, outside the shop floor*. It built a working-women’s non-profit organization in the garment clusters around Bengaluru and focused its attention on building social alliances with a variety of institutions (universities, local government) to help provide basic services to local workers (water, creches, even proposing to build locally run laundries to help manage the workload of the garment workers in these communities).⁴ This helped NTUI and GATWU not only win local trust and but to also build leadership and organizational capacities among the local garment workers through social engagement and tutelage. Many of the leaders that emerged from this process later went on to organize the shopfloors of the firms they worked in. Through their work (and negotiations) on the inside, and cluster wide protests and picketing of the top tier firms organized by NTUI and GATWU on the outside, the union won important minimum wage raises for *all* workers in the sector, as well as fairer cost of living increments to wages, among other gains at the workplace. While these workplace gains were important, of equal importance to the lives of the workers were the social services that NTUI’s area based foundation (a separate non-profit) brokered through collaborative alliances, materially improving the quality of life of the women who worked 16 hour shifts in the garment factories.

The coupling and intertwining of concerns relating to both the social and economic lives of the workers has been central to NTUI’s successful organizing efforts. The actual form this takes varies by sector, but the embedding of the economic in the social is a pattern that cuts across all its efforts.

2. *IKEA’s area-based (territorial) efforts to upgrade social standards in its carpet belt.*

A similar approach was followed by IKEA India as it sought new ways to keep its carpet making factories in North India child-labor-free. IKEA’s approach was two-fold: One was to integrate its CSR and sourcing divisions to ensure that all orders placed were compliant from the start, or that the divisions were working with the suppliers to make them compliant before procurement was escalated. This was in contrast to its earlier (and more common) bifurcated monitoring and policing model that operated independently from sourcing. The second part of their approach was to step away from focusing only on their core suppliers and put the onus on them to be (child-labor) compliant. Rather, IKEA decided to put in place a wider set of alliances that would help them *make all the communities in their entire carpet making region child-labor free* by

⁴ This approach is similar to the work and progressive politics of the Industrial Areas Foundation (IAF) that Paul Osterman has written about. (See *Gathering Power*, 2002).

trying to remove the incentives among households in the region to put their children to work. To achieve this IKEA did not simply “throw money at the problem.” They built a series of alliances with a variety of actors: university professors, WHO and UNICEF’s India offices, other NGOs and most importantly with district administrators and state government officers to bring in a variety of existing programs related to health, education, school lunches, and social security. They had identified the presence of punishing debt as the deeper, root cause that led families to send their children to work. They worked with the state government and UNICEF to help build self-help groups where through small savings local women could accumulate enough to open bank accounts and borrow at lower interest rates to pay off higher debt loans. They also worked with UNICEF to build bridge schools to help prepare the children to get back to school.

This work was not restricted to the households of workers who were directly employed by IKEA’s supplier factories. It involved working with all households in the carpet-making belt – irrespective of current connection to IKEA’s work. (They were all “potential workers”/suppliers). The goal was to help make progress in eliminating (or at least blunting) the conditions in the entire belt that generated the incentives on both the supply and demand side for the use of child labor in production. (Akin to Locke’s root cause arguments 2013). IKEA did not act alone, but worked with a wide slate of partners, including several public sector institutions. The efforts are a work in progress, and they bore mixed success, but in the orchestrating of many services and existing public (and multilateral) programs on households in the region, many important benefits were brought to the communities that did not exist before. These have spilled over widely across the communities in IKEA’s supply belt, far beyond those involved directly in its supply chain (Based on interviews with IKEA’s New Delhi office, 2005, 2009).

3. Networked contracting at the bottom of garment export chains.

The final example comes from an experiment in Mewat district, over an hour from Gurgaon and two hours from New Delhi in North India. A novel partnership was forged in this region in 2008-2009 when a leading global buyer (Gap Inc.), came together with the government (Ministry of Women and Child Development), a socially embedded NGO (Society for the Promotion of Youth and Masses or SPYM, which had worked with the ministry in the region for 15 years organizing local women in self help groups), and two exporters from the Gurgaon region to connect local home-based hand embroiders in two communities of Mewat directly with export markets. The arrangement included an effort to bring the women embroiders out of their homes and into a community work space organized by SPYM so as to provide decent working conditions and ensure that they worked in a child-labor-free work setting, all within a short walking distance from their homes. The network of collaborators, led by Gap, invited one exporter to become associated with each community. The exporters (who were interested in child-labor-free embroidery) agreed to train the workers, place orders, oversee the initial work, pick up the finished work and make regular payments based on the total hours put in and monitor the quality of the work.

Gap and the government oversaw the arrangements mainly to ensure that minimum wages were paid (pro-rated as piece rates) to each worker based on the hours they worked, in a fair, timely and transparent way. The NGO, SPYM, had already worked with the government for over fifteen years to organize these communities around self-help groups and set up private bank

accounts for workers. The workers therefore received payment directly in these accounts. SPYM retained 20% of the payment of each order to cover its overhead expenses and operating costs (rental costs of the space, supplies). While Gap gave two installments of \$5,000⁵ to get the network going, the idea was that so long as orders kept coming in, the program would be self-sustaining.

The work center was not membership based. It was open to the entire community and anyone interested in working there was able to do so based on the time they had, with the only condition that work not be taken home, and that they open a bank account if they did not already have one.

At its peak, by early 2010, about 800 women had been trained; those that worked collectively produced 200,000 pieces of work, earning on average between Rs. 1,500 and Rs. 5,000 per month depending upon the hours they put in. Together they brought in nearly Rs. 2 million into the region in just the first six months of the program, using the funds to retire debt, send their children to school (or to better schools) and defray family expenses.⁶ The program worked well until the middle of 2010 when the effects of the recession led to a reduction in orders, eventually leading to some attrition in the ranks of workers. There was also churn within Gap and the government. Despite the churn, the program survives, albeit at reduced strength. By 2011 both its exporters had returned with some orders, and SPYM was looking for domestic buyers.

Even if the program eventually does not survive, skills have been left behind and it has provided a model to learn from. And two aspects of the experiment are striking. First, this program, like the others described, was once again an area-based, labor-market-wide effort that was open to all residents in the targeted region. Like the others, but even more so, there was a strong role of the government in orchestrating the program with a major global buyer, Gap. The surprise (to me), however, was that the ministry involved was not one that one would expect to be associated with a business-led partnership. It was not the labor ministry or an economic ministry, but a social sector ministry, the Ministry of Women and Child Development.

Social bureaucracies are often relegated to second-tier status in the pecking order of state power, seen as agents of welfare or ‘mere’ redistribution. But the role of the Department of Women and Child development was not incidental in this experiment. Their prior work with the households in the region over many years had helped establish a foundation of trust and social ties on which an economic, market-making partnership could be anchored later on when an opportunity presented itself. This layering aspect of the Mewat partnership suggests that the economic role of social bureaucracies is often overlooked or undervalued, but can play an important role in building economic security and accountable work at the base of garment export chains – as well as at the bottom of the domestic labor market.

The second point to note is that the partnership that the ministry forged with Gap is an example of the kinds of public-private collaborations that are born out of the *weakness* rather than strength of the large and powerful global buyers (as Judith Tendler often pointed out to her students). In this case Gap sought out the Ministry of Women and Child Welfare after trafficked

⁵ Given the context, this is a rather small amount.

⁶ Interview with former Director of Global Partnerships, Gap, 2011; see Tewari 2017 for details.

child labor had been found in one of its North Indian supplier factories. The public shaming that followed and the company's inability to handle on its own the trafficking problem that had crept into its supply chain, led Gap to turn to the government for help and collaboration: "The very fact that we have 94% of the work force in the informal sector... How much ever you try and basically shift or change the composition of the crust, pumping in millions and millions of dollars, you are rarely able to penetrate deeper... it is so critical for the private sector to actually join hands with the government because if we talk about scale... it is time we stop measuring effort and started measuring impact. For this we need the government."⁷

* * *

In sum then, this brief note draws attention to recent experiments that suggest the need to look closely at territorial or spatialized strategies of diffusing labor standards as a complement to sectoral and more universal strategies of labor protection. These strategies straddle the complex intersections between the social and economic lives of workers and help build new institutions that can nurture stability in this layered and socially embedded middle ground.⁸ The role of the state is going to be essential in sustaining these processes and determining the nature of outcomes. Such a state regulates, learns and collaborates, and it holds open a space for relational mediation between firms, labor and civic actors to jointly reach workers in the lowest tiers of global subcontracting systems—workers that are hard for any single actor to reach, in sustained ways, on its own.

⁷ Interview with former Director of Global Partnerships, Gap, 2011.

⁸ Brazil is an excellent example where the state has succeeded in strengthening labor regulations (via the Latin model – See Piore and Schrank) while helping a growing number of low income, low skill workers transition from the informal to the formal sector through a combination of industrial policy, labor and training policies and its social welfare (Bolsa) programs. (See Andrew Guinn 2017).