

# CODES AND COMPLIANCE UNDER SCRUTINY

## A Final Report of the Joint Initiative for Corporate Accountability and Workers' Rights (JO-IN) Turkey Project

### Executive Summary

Six organizations working in the field of social compliance and worker rights agreed to cooperate:

- to increase the effectiveness of and to reduce duplication among multi-stakeholder approaches to the implementation and enforcement of codes of social conduct within global supply chains;
- to seek areas for closer collaboration among the six; and
- to investigate the role of voluntary codes of labour practice in improving conditions for workers and their families within global supply chains.

Turkey was chosen as the location of a first initiative to advance this cooperation in a practical context. The inter-relationship between the detailed demands of local project activities and the broader perspectives of global cooperation became a key organizational challenge.

The various codes of the participating organizations were consolidated into a single draft 'Common Code'. Wording was agreed that afforded the highest levels of worker protection. Different approaches among the project partners for implementing the code were acknowledged.

It was agreed that the project in Turkey would focus on devising and measuring effectiveness of different approaches to remediation of important social non-compliances. Baseline assessments would be undertaken of garment factories supplying to global brands that were members of the multi-stakeholder institutions (MSIs) involved in the project. The assessments would focus on three core topics – freedom of association, wages and working time – that were identified as the most frequent elements of non-compliance in the sector. Remedial action plans would be drawn up and implemented to address issues brought out in the initial assessments. The effectiveness of different remedial approaches would finally be measured by re-assessments of the factories following these interventions.

Supply factories proved reluctant to become involved in an exercise whose direct benefit to them was unclear and that held some risk of exposure to criticism. Particular concern was shown that the project would seek to encourage unionisation. Brands were not prepared to insist that their suppliers participate. Only six factories ultimately did so.

Local stakeholder involvement was sought via an outreach seminar and by the establishment of a Local Working Group comprising representatives of the six participating factories, three national trade union federations in the sector, NGOs and government departments. Local representatives of the global brands also joined this grouping. Considerable progress was made by this group in advancing from rhetorical confrontation towards social dialogue in the course of the project. This was seen as one of the most positive outcomes.

International stakeholders were represented in an International Advisory Committee that developed a beneficial two-way communication.

The Steering Committee involved itself in considerable detail as regards definition of protocols and parameters for the assessments that were to take place in the factories. Discussion around the issue of 'Living Wage' resulted in the development of a 'Wage Ladder' that allows wage levels to be plotted over time against various objective criteria. Time taken over the preparatory stages of the project, however, detracted from its ability to deliver on a reduced timescale for the central component of remedial action.

Information gathered during the baseline assessments showed some common problem areas:

- A negative approach towards freedom of association issues among some managers and a hesitancy among workers to discuss this issue
- heavy use of sub-contractors both in-house and externally in a continuous production chain

- worker ‘coaching’ in the face of social assessors (in one factory workers were specifically told by management to refuse interview by JO-IN off-site assessors)
- heavy workforce turnover in several instances
- extensive double book-keeping in regard to social security payments
- some low wage issues
- associated excessive overtime working in many instances

Remedial action was discussed and agreed with factories and brands and featured a three-phase strategy:

1: Attend to the basic compliance problems.

2: Address the problems of a negative ‘climate’ for freedom of association identified in the assessments.

3: Begin to address also (in a realistic manner appropriate to JO-IN’s limited capacity and lifespan), broader issues which are underlying causes of non-compliances at workplace level e.g.:

- the absence of an industrial relations policy and practice for the sector
- the absence of management systems (at some suppliers) which would enhance capacity to pay better wages and control hours-of-work more effectively
- buyer pricing and ordering systems which impact negatively on suppliers’ capacity to pay better wages and reduce overtime

Following a period of some six months during which suppliers and, where appropriate, brands carried out work around these issues, re-assessments were carried out at the participating factories. Despite differences in coverage between both sets of assessments, some interesting findings emerged:

- raised awareness of and positive interest in encouraging training around freedom of association among managers;
- some decrease in overtime, but at the cost of increased worker stress from poorly designed productivity systems;
- wage payments were more regularised in some instances. But evidence surfaced of widespread double and triple book-keeping for the purpose of under-paying social security insurances and for hiding overtime rates even at the top level of the supply chain.
- two of the six companies in the study had outsourced extensive production to sub-contractors, either external, or in-house. Some had extensive outsourcing in other countries.

Research was separately conducted into issues affecting the internal Turkish supply chain of sub-contractors. This showed that brand approved workshops enjoyed better working conditions across the range regardless of their size. But global price competition bore down heavily upon working conditions lower down the supply chain. A national strategy seemed called for that would engage all actors in the sector. Brands could help by eliminating uncertainty and developing longer-term relationships based on trust within which to develop product and social quality.

Research using the newly-developed ‘wage ladder’ concept demonstrated the pressure exercised on wages in the sector by global price competition. This suggested a comparative decline in real wages with some workers receiving below the legal minimum wage.

Tangible results of the project locally included a heightened awareness and interest in freedom of association issues and training and an improved social dialogue between key protagonists. More profound were the changes brought about among the members of the Steering Committee and their respective organizations. The JO-IN Forum was formed at the close of the official project period as an ongoing platform for discussion and collaboration among the project participants. The purpose of the JO-IN Forum is to

- Promote international consensus on good practice in the field of corporate responsibility for labour rights in supply chains
- Encourage greater collaboration for the implementation of good practice.

In addition to completing outstanding aspects of the Turkey project, the Forum participants will continue to review the Common Code as a base for seeking closer correlation among their codes.

The JO-IN project represents an important first step in cooperation among the key code implementation organizations and has created momentum for ongoing collaboration.

## **(Disclaimer)**

*The body of this Final Report has been written by a single participant in just part of the JO-IN process. As a result, many of the observations, comments and conclusions contained within the report represent personal opinions of the writer. The writer accepts responsibility for any inaccuracies or unintentional misrepresentations in the text..*

*For this reason also the opportunity has been given for Steering Committee Members and other Stakeholders involved in the project to add their own comments to this report in a separate section to which the attention of readers is also drawn.*

*Vic Thorpe,  
JO-IN Project Chair  
October 2005 – December 2007)*

## **1. CONTEXT**

### **A joint approach to shared problems**

A series of common challenges confront those deploying codes of conduct to support and extend worker rights and to improve working conditions along the increasingly complex supply chains of globalized production. In February 2003 the Ethical Trading Initiative (ETI) convened a London meeting of six leading code initiatives:

Clean Clothes Campaign – Netherlands (CCC)  
Ethical Trading Initiative – UK (ETI)  
Fair Labor Association – USA (FLA)  
Fair Wear Foundation – Netherlands (FWF)  
Social Accountability International – USA (SAI)  
Worker Rights Consortium – USA (WRC)

The ensuing discussion identified the following challenges and opportunities:

- The limited existence and capacity of local partner networks
- The variable quality of current social auditing
- Audit fatigue/multiple audits
- Buying practices of the global brands and the lack of long-term incentives for supplier compliance
- Management of information (including transparency and two-way feedback)
- Lack of common standards, language and definitions
- Need to share good practice in remediation and sustainable improvement
- Need to engage government or to identify where there is leverage in other authorities

These factors have raised questions among some commentators (e.g. from Dara O'Rourke's *'Monitoring the Monitors'*, MIT, 2000, through to the ETI's own 2006 *Impact Assessment 'Do Workers Really Benefit?'* and its *'Getting smarter at auditing: Tackling the growing crisis in ethical trade auditing'*) regarding the credibility of code-based work as an effective tool for improvement of working conditions. Despite a decade of code monitoring and attempted implementation, the impact of globalized production continues to bear down hardest upon those at the bottom end of the supply chain hierarchy.

Addressing these challenges was seen as a priority for the six code-based initiatives. Although contact between some of the participants had been minimal in the past, this meeting was able to agree on the need for collaboration to face common challenges in social compliance development. Over-arching objectives were agreed. Formally stated, these were:

- to maximize the effectiveness and impact of multi-stakeholder approaches to the implementation and enforcement of codes of conduct, by ensuring that resources are directed as efficiently as possible to improving the lives of workers and their families;
- to explore possibilities for closer co-operation among the organizations; and
- to share learning on the manner in which voluntary codes of labour practice contribute to better workplace conditions in global supply chains.

To give practical expression to these goals a joint project was proposed. This would give an opportunity for useful exchange of knowledge and experience, to define and test a ‘best practice’ model of code implementation (including awareness-raising, training, remediation, etc) and to engage local partners on the ground in this endeavour.

Selection of a geographical location for this exploratory project required balancing certain key criteria:

- Significant coverage and leverage in the market by both US and European brands associated with the four multi-stakeholder initiatives (ETI, FLA, FWF and SAI)
- Stable trade unions and social partners, receptive to and capable of co-operation with such an endeavour
- A co-operative or receptive government
- An industrial environment not overcrowded by existing projects in labour rights and code implementation and where none of the MSI participants had significant programs on the ground;
- A relatively stable political and economic environment free of outright civil strife

After consideration, three possible locations - Thailand, India and Turkey – emerged as favourites. Of these, Turkey was finally chosen as combining relatively more of the desired elements, as industry experts who were consulted considered that Turkey was less likely to suffer from the ending of the Multi-Fibre Agreement in January 2005 than either of the other short-list countries.

Despite an apparent growth in Turkey’s apparel exports since the beginning of 2005, intense global competitive pressure has led to some important ‘hollowing out’ of indigenous production capacity. Circumstantial evidence gathered during the assessments suggests that a trend towards external production.– for example, in Egypt, Jordan, Moldova, Bulgaria and elsewhere - has begun a process in which some leading Turkish firms are increasingly becoming ‘agents’ rather than manufacturers. Some industry sources claim that calls for improvements in wages, hours and working conditions under these circumstances will exacerbate the relative ability of Turkish-based manufacturing to survive.

The situation of trade unions and NGOs in Turkey’s garment sector also proved to be weaker than expected, while the concept of ‘social partnership’ is largely absent from Turkish industrial relations.

The choice of Turkey for this study has consequently given an opportunity to study the effectiveness of social compliance code implementation under conditions of market stress and to initiate some capacity building among potential social partners. If some positive effect could be shown under conditions of relative decline in market share, a strong case would be made for the overall effectiveness of this approach.

### **The pilot project – a test bed for co-operation: plan, aims and deliverables**

It was finally agreed that the co-operation would therefore take the form of a focused project based in Turkey with broader objectives and implications. From the outset, these objectives operated at two levels:

- Level 1: To deploy and to examine the practical effectiveness of co-operation among the six code initiatives in improving the lives of Turkish garment workers.
- Level 2: To bring the various organisations into a common reference frame in order to advance understanding of code implementation through this closer co-operation and to share learning.

Maintaining a balanced perspective between these twin sets of aims became a major challenge for the project as it unfolded.

The project design initially outlined clear objectives, indicators for success and outputs to describe conclusions of the work. These are summarized in the following table:

**Table 1: JO-IN Project Objectives**

	<b>Objectives</b>	<b>Indicators</b>	<b>Outputs</b>
<b>a</b>	To improve conditions and observance of labour rights for garment workers and their families in a specified number of Turkish garment producing facilities.	<i>Determination by workers that there have been improvements in one or more areas of factory life</i>	<b>Final Report</b> documenting experience and improvements in workplace standards
<b>b</b>	Delineate the points at which the participating multi-stakeholder organizations might avoid duplicative efforts; where they might reinforce each other; and where the efforts of some of the organizations might complement the efforts of other organizations in the project.	<i>Comprehensive identification and analysis of any similarities and differences between the various organizations in respect of the implementation of workplace standards identified as priorities.</i>	<b>Final Report</b> to highlight similarities and differences between the MSIs with concrete recommendations on how duplication can be avoided and where MSIs might reinforce each other
		<i>Demonstrated and documented incidences of cooperation between organizations during the trial in Turkey.</i>	Agreement to common terminology in <b>Final Report</b> .
		<i>Agreed language and terminology to describe code implementation.</i>	Publication of a <b>Common Code</b> .
		<i>Convergence on a set of workplace standards that doesn't require any of the multi-stakeholder initiatives to weaken their respective commitments to helping workers.</i>	
<b>c</b>	Demonstrate to buyers, suppliers, trade unions, NGOs and other stakeholders how they might take advantage of the compatibilities and complementarities.	<i>Demonstrated interest by buyers, suppliers, trade unions, NGOs and stakeholders to take advantage of compatibilities and complementarities.</i>	<b>Joint training package</b> for stakeholders on the methods and approaches of the different MSIs and how stakeholders can take advantage of these.  Interim <b>participant seminars</b> with stakeholders and end of project <b>conference</b> for two-way feedback.  <b>Final Report</b> to detail how buyers, suppliers, trade unions, NGOs and other stakeholders can take advantage of complementarities.
<b>d</b>	To identify jointly with Turkish stakeholders the roles that MSIs and local stakeholders can play in implementing codes of conduct.	<i>Determination by stakeholders that MSIs can assist them in achieving improvements in working conditions.</i>  <i>Ongoing relationships between MSIs and with one or more Turkish stakeholder organization.</i>	<b>Final Report</b> to describe respective roles and experience during project and outline principles for stakeholder consultation.
<b>e</b>	Agree (to the extent possible)	<i>Agreed-upon guidelines, protocols</i>	<b>Final Report</b> describing

	on good practice in application of codes of conduct through pooling experiences to test out different methodologies.	<i>and principles of good practice (for all parties) in the implementation of codes of conduct.</i>  <i>Stakeholders share determination that identified “good practice” leads to improvements in their lives.</i>  <i>“Good practices” are adopted by relevant multi-stakeholder organizations.</i>	good practice in code implementation.  <b>Published guidelines</b> on freedom of association and collective bargaining, wages and hours of work.  <b>Follow-up report</b> on the extent to which good practices have been adopted by relevant MSIs.
<b>f</b>	Disseminate lessons from the experience, in regard to process, content, results and good practice.	<i>Documents and guidelines published on website.</i>  <i>Timeliness and breadth of dissemination of publications and report.</i>	End of project <b>conference</b> .  <b>Final report</b> documenting learning and good practice in code implementation.
<b>g</b>	Identify areas for future collaboration	<i>Actual occurrences of collaboration.</i>  <i>Proposals for ongoing collaboration.</i>  <i>Commitment by one or more of the multi-stakeholder initiatives to reinforce efforts of other members in the group.</i>	<b>Final Report</b> with proposals of models of future cooperation.

This Final Report will summarize the extent to which the project in Turkey has achieved these objectives and will attempt to draw learning from the experience for consideration in the wider context.

### The project partners and their constituencies

The six code implementation organizations participating in this joint project all have in common their role in promoting, monitoring/reviewing and implementing codes of labour standards throughout the global supply chain; but their diversity in regard to constituency, structure and operational goals is considerable. The following table (Table 2) compares the governance, monitoring practices and funding sources of the six initiatives:

**Table 2: Governance, Monitoring and Funding of the Six Project Initiatives**

Initiative	Members/Governance					Sector	Monitoring	Disclosure of Audit Reports	Funding
	Brands	Trade Unions	NGOs	Govt.	Univer sities				
<b>CCC</b>	No	Yes	Yes	No	No	Apparel	External investigation via stakeholders, off-site interview and local groups	Full public disclosure, depending on the agreement of local groups	Government grants; grants from non-profits
<b>ETI</b>	Yes	Yes	Yes	Yes	No	Multi-sector	No – member companies report audit results annually	Aggregate data on voluntary basis	Government and project grants; company membership fees
<b>FLA</b>	Yes	No	Yes	No	Yes	Mainly Apparel	3%-5% of supply chain annually by FLA	Anonymous reports accessible	Company membership fees; university

							accredited groups; some off-site visits; some unannounced visits		membership fees; foundation grants
<b>FWF</b>	Yes	Yes	Yes	No	No	Apparel	10% of facilities over 3 years by FWF country teams; all worker interviews off-site	Only with workers and their representatives	Company membership fees; trade union membership fees; grants from non-profits
<b>SAI/SAAS</b>	Yes	Yes	Yes	Yes	Yes	Multi-sector	Full certification audit every 3 years, plus 6 monthly 'surveillance' of certified facilities by accredited certification bodies. Some off-site worker and stakeholder interviews; one mandatory unannounced visit every 3 years	Internally only. Aggregate data available on voluntary basis	Government grants, Company membership fees; certification body fees; training income; foundation grants
<b>WRC</b>	No	Yes	Yes	No	Yes	Apparel	Investigation without company approval by ad hoc local groups and WRC staffer Lengthy unannounced investigation procedure includes all off-site worker and stakeholder interviews	Full public disclosure.	University membership fees; foundation and government grants

This wide diversity of structure and approach gave rise to many opportunities for comparison and evaluation. The participant organizations did not pursue these opportunities explicitly as a route to identifying good practices leading to efficiency. Actual interactions within the Steering Committee, however, did open up differing emphases in compliance ideology that would not have been so thoroughly explored by any other process. The longer-term impact of this sheltered form of mutual exposure in advancing understanding among the participant initiatives could prove to be at least as great as the more formal outputs.

## 2. PROJECT ACTIVITIES

### Chronology

A project Steering Committee was established comprising the principals of the six organizations or their supplementaries<sup>1</sup>. An independent Chair was chosen<sup>2</sup>. After a rigorous recruitment process an international project manager, Susan Hayter, was appointed in May 2004 on secondment from the International Labour Office (ILO) to exercise executive control of the programme, with a Turkish co-ordinator, Ayse Ozer, handling day-to-day liaison and practicalities on the ground.

<sup>1</sup> Steering Committee Members were: CCC – Ineke Zeldenrust; Dan Rees (ETI); Rut Tufts/Auret van Heerden (FLA); Frans Papma/Sjef Stoop/Jantien Meijer (FWF); Alice Tepper-Marlin (SAI); and Scott Nova (WRC).

<sup>2</sup> ETI Chairperson, Alan Roberts, was elected and served as JO-IN Chair until December 2004. In October 2005, Vic Thorpe, Co-ordinator of the Just Solutions Network, became Chair of the project until its conclusion.

The Interim Report (covering project activity up to end September 2006 in greater detail) identified six main stages in the development and implementation of the project, as expressed in the table below. Readers interested in more information regarding the preparatory phases of this project are directed to the Interim Report that is available via the JO-IN website [www.jo-in.org](http://www.jo-in.org).

**Table 3: Project Timelines**

<b>Interim Report</b>	<p><b>Stage 1:</b></p> <p><b>Laying the Groundwork</b></p> <p>(Feb 2003 – Oct 2004)</p>	<ul style="list-style-type: none"> <li>▪ Agreement among the six to cooperate</li> <li>▪ Parameters for cooperation set</li> <li>▪ Turkey selected as site of pilot</li> <li>▪ Negotiations around draft Common Code</li> <li>▪ Initial drafts of project design and disputes resolution process</li> <li>▪ Initial fundraising and recruitment of international project manager</li> </ul>
	<p><b>Stage 2:</b></p> <p><b>Involving Stakeholders</b></p> <p>(Oct 2004 – Oct 2005)</p>	<ul style="list-style-type: none"> <li>▪ First consultation meetings with local stakeholders in Turkey, Nov 2004</li> <li>▪ JO-IN draft Common Code finalized</li> <li>▪ MSI-member brands, and later facilities, invited to participate in project</li> <li>▪ Extensive negotiations around project design and implementation</li> <li>▪ Research on Code compliance issues in Turkey</li> <li>▪ Consultation with international stakeholders in the US, July 2005</li> </ul>
	<p><b>Stage 3:</b></p> <p><b>On-the-ground Preparations</b></p> <p>(Oct 2005 – Sep 2006)</p>	<ul style="list-style-type: none"> <li>▪ Consultation meeting with local &amp; international stakeholders in Turkey, Oct 2005</li> <li>▪ Additional documentation drafted in response to stakeholder feedback</li> <li>▪ Development of protocols for assessments/worker interviews</li> <li>▪ JO-IN assessment team selection and training</li> <li>▪ Delivery of training seminar for local stakeholders in Turkey</li> <li>▪ First meeting of Local Working Group, Sept 2006</li> </ul>
<b>Final Report</b>	<p><b>Stage 4:</b></p> <p><b>Assessments and Analysis</b></p> <p>(Oct 2006 – Feb 2007)</p>	<ul style="list-style-type: none"> <li>▪ Nomination of International Advisory Panel members</li> <li>▪ Second meeting of Local Working Group, Nov 2006</li> <li>▪ Offsite interviews and onsite factory assessments</li> <li>▪ Research on subcontracting and supply chains in Turkey</li> <li>▪ Third meeting of Local Working Group; first International Advisory Panel meeting; international meeting to consider assessment findings</li> </ul>
	<p><b>Stage 5:</b></p> <p><b>Remediation and Re-Assessment</b></p> <p>(Feb 2007 – November 2007)</p>	<ul style="list-style-type: none"> <li>▪ Remediation efforts in participating facilities</li> <li>▪ Living wage discussions</li> <li>▪ Subcontracting study and report</li> <li>▪ Ongoing consultations with local and international stakeholders</li> <li>▪ Follow-up / Impact assessment</li> </ul>

## Stage 6:

### Analysis, Reporting, and Decisions about Next Steps

(Dec 2007 – April  
2008)

- International conference about project findings
- Final report summarizing project learning, best practice guidance, and outcomes of subcontracting and complaints studies
- Revisit the draft Common Code, based on project findings
- Decisions about next steps on the part of local stakeholders in Turkey and JO-IN internationally

## Common Code and Implementation

Convergence towards a Common Code emerged as a key component of the cooperation between the project partners. Although all the codes of the participating organizations are derived from a common set of international norms, there are notable variations in language and approach with regard to the three problem elements that were to be the focus of assessment. It was therefore necessary to agree a common code that would be followed for the factory assessments. At the same time, it was hoped that the code, once tested, might become the foundation of a preferred standard code for adoption by the participating organizations and by others operating in the social compliance marketplace. Some called for the adoption of such a common code to help reduce wasteful and expensive duplication of effort and ‘audit fatigue’ among suppliers. It was also agreed that the common code should aim to lead a ‘race to the top’ for better standards of worker rights and conditions, rather than a race to the bottom, in response to the downward tendency of globalization. Where variations existed between code approaches, the version offering the highest level of protection to workers was adopted for the new common code.

Despite the apparent similarity among the codes of the participants, agreement on content of the common code for this project proved lengthy and difficult for the Steering Committee. Substantial work was done by an independent committee of three experts (comprising Dwight Justice, ICFTU, Neil Kearney, ITGLWF, and Achim Lohrie, Otto Versand) and final agreement on a draft code was only reached in July 2005. A copy of the JO-IN Draft Common Code is included as an appendix to this document. (See Appendix 1).

A key variable among the six compliance initiatives is their different approaches towards implementation of their codes. The following elements were initially identified by the project participants to be components of the implementation process:

- a. Stakeholder consultation and involvement (trade unions, NGOs, local government, industry associations, and local communities).
- b. Exercise of leverage by the buyer in its relationships with suppliers for the latter to comply with the code.
- c. Attention to buying practices that may hinder fair working conditions and the ability of the supplier to comply with the code.
- d. Training and education of workers and management (both supplier and factory level) and communication on a range of matters such as code content, industrial relations, potential long-term business benefits, facility improvement, health and safety, etc.
- e. Complaints systems and industrial relations systems (i.e. collective bargaining and negotiation mechanisms), including education for workers and management on how these systems are best used, and the commitment of the supplier and buyer to engage in dialogue with workers and respond to complaints in a reasonable and timely manner.
- f. Investigation/assessment/audits of workplace conditions (and of the extent to which code standards are complied with). This includes off site interviews and detailed and independent investigations.
- g. Monitoring by sourcing companies of implementation and code compliance systems (including management systems) in each supplier.
- h. External, independent verification that the implementation process is underway; that it is progressive; and that it is robust, in terms of both processes and results. Such verification must be credible to all stakeholders.

- i. Clear and transparent code implementation systems and timely communication to workers, other stakeholders and the general public about key aspects of the code implementation process, such as public reports on performance of these implementation systems and findings on factory conditions.

The relative weight to be given to each of these components, however, was a matter of some debate within the Steering Committee and no clear agreement was possible on what might constitute the ideal process for implementation. However, in order to progress the project, it was clearly necessary to examine what mix of these elements might yield the greatest improvements for specific compliance problems by devising a common framework for assessment.

Practical factory assessments would be undertaken against the agreed common code. Problems identified during these first baseline assessments would be addressed by documented remediation efforts and a re-assessment phase was planned to gather evidence of any significant improvement arising from specific remediation paths chosen. Consideration of results, it was hoped, would help to define good practice in implementation, remediation and complaints resolution.

Initial research into the Turkish garment industry, led by FWF with input from the other initiatives, as well as consultation with local stakeholders in October 2004, had identified three key areas of compliance under-performance in the sector:

- freedom of association and the right to bargain collectively
- remuneration, and
- working time

It was decided to focus the factory assessments on these known problem topics.

By July 2005 it was agreed that cooperation between the participant bodies would concentrate on achieving consensus around remediation of the key problems that beset the industry and that had been identified as priorities. The following steps were agreed for a revised trial project:

- A baseline assessment would be undertaken of conditions in selected factories with special attention given to the three code elements listed above
- Results would be analyzed
- Remediation plans would be discussed and agreed to address specific compliance issues revealed by the assessments
- Remediative action would take place under observation
- Follow-up re-assessments would check the effectiveness of action taken

## **Suppliers**

For their part, Turkish garment supply factories associated with the participating brands were interested in the reduction of audit duplication. Lists of supplier factories submitted by the participating brands were considered by Steering Committee members who were prepared to sign a statement of confidentiality (all except the representative of WRC, whose statutes were based on the principle of public disclosure). An initial list of factories was selected for assessment, balanced according to criteria such as their links to the participating brands, the type and size of their facilities, length of supply relationship, trade union presence, and so on.

In the course of the Stakeholder Consultation held in October 2005, suppliers raised a number of concerns:

- The relationship between buying functions and compliance functions of brands was frequently not coordinated and integrated. Pressure from technical departments of the brands has big implications for wages and hours of work, so an involvement by brands in any remediation work around these issues was essential.
- Brand pricing policies are very important to any discussion on 'living wages'. Brands speak with suppliers about comparative wage rates across their supply chain as an element of competition. Yet there is a sharp discrepancy between the pricing policies of brands and what they expect local factories to pay their workers. This pressure on prices is increasing. Turkish employers even have problems to meet high social insurance premiums. Any attempt to meet a realistic 'living wage' would require a co-

coordinated effort by brands and government to support the factories' drive for productivity by stable long-term supply contracts on the one hand and a reduction in social insurance on the other.

- Universal adherence to a common code of conduct, together with clear guidance on its implementation would greatly assist this effort.
- The factories approached for this study were largely at the top end of the compliance league. Some felt that unfair competition from non-compliant factories should be penalized by brands as a priority rather than seeking further changes from high performing factories.

The JO-IN project team responded to suppliers that these issues either were already part of the project design, or would be added to its objectives. In particular, it was agreed that the project would look at how sourcing practices by the brands might support their ability to pay 'living wages'.

These and other concerns were addressed in a negotiated 'terms of engagement' that were discussed in detail in a series of visits by JO-IN staff (assisted by some local brand representatives, notably those of GAP and Nike). During this added consultation, suppliers again raised objection to being used as subjects of 'experiment' and flagged up a series of further difficulties:

- There was a perceived lack of incentive to suppliers for the inconvenience and risk of participation in the project. Some indicated that a guarantee of stable orders throughout the project period would help.
- Suppliers were concerned that the program did not appear to fulfill their desire to see a reduced number of audits. Without prior consultation with the suppliers themselves, it had been unilaterally decided to place supply factories at the front and centre of investigation, charged with making any changes and incurring costs.
- Deep-seated mistrust of and animosity towards trade unions is prevalent in the Turkish garment sector. The project was seen by several factories as a thinly-disguised plan to force them to deal directly with the unions, with whom they preferred to deal via the legal system.
- Lack of clarity about the definition and intent surrounding the 'living wage' compounded the existing problems with meeting brand demands for lower prices, particularly since the project organizations themselves seemed unable to agree what constituted a 'living wage'.
- The idea of an 'assessment' seemed to most suppliers simply yet another audit in a sector already overburdened by auditing.
- The issue of reporting and who would have access to assessment reports also surfaced as a concern.

Terms of engagement for suppliers were revised in an attempt to address concerns about greater consultation, confidentiality and the treatment of key assessment topics. After considerable dialogue around these issues between the MSIs, the brands and suppliers, just six factories demonstrated a willingness to remain in the project from this point forward.

## **Stakeholder Involvement and Consultation**

One of the key concerns that the project partners had identified for attention by this project was the limited existence and capacity of local partner networks. It was hoped to develop guidance for good practice in setting up sustainable linkages with social actors at local level that could provide input to and feedback on project work.

A Stakeholder Consultation conference was held in Istanbul, Turkey, on October 3<sup>rd</sup>, 2005 to discuss the project and its planned activities. The event was attended by over 60 national and international stakeholder representatives, and invited participants to respond to the following questions:

- Are you satisfied with the consultation process, or would you like to be consulted in a different way?
- What obstacles do you see to achieving a positive outcome from the project?
- What ways do you see to overcome these obstacles?

Feedback from these working sessions allowed protocols to be developed for the involvement of key groups in the project.

### *Local Working Group*

"The need for clear communication with, and ownership by, local stakeholders" was prioritized by the project participants from the very first meeting. Stakeholder engagement guidelines were drawn up by September 2003

to provide a framework for consultations in Turkey and were developed as the project advanced. Bi-lateral consultations took place with local supply factories and their industry associations, with the three trade union federations involved in the sector, with labour-related NGOs with an interest in the garment sector (women's groups, labour support groups and community groups) and with governmental bodies, such as the Turkish Department of Labour, the Labour Inspectorate and chambers of commerce. A series of personal visits by the local JO-IN co-ordinator and by visiting members of the project partner organizations, a regular update on project activity, plus summaries of relevant project decisions and requests for feedback were undertaken to enhance communications.

Despite the importance accorded this aspect of the project's work, however, it was not until September of 2006 that a formal structure – the Local Working Group – was established for this essential activity. This appears to have been primarily because stakeholders had previously indicated a strong preference for bilateral consultations and a certain lack of understanding for the mission of the project partners. The notion of anything approaching 'social dialogue' was found to be absent from the Turkish industrial scene. Indeed, some stakeholders within the same apparent category (e.g. trade unions) were not in the habit of meeting with one another, let alone conducting an open discussion with employer groups. Employers, on the other hand, were found in general to be contemptuous of the opinions and suspicious of the motives of trade unions and shied away from any attempt to bring them into the same discussion framework. Meanwhile, Turkish law dating from the period of military rule during the 1980's discourages formation of social NGOs of any character that might imply a political agenda. Labour-associated groups were therefore non-existent or extremely weak partners for dialogue at industry level.

In July 2006 training sessions were held for local stakeholder groups with the intention to give more information about the aims and intentions of the project organisations. Separate sessions were held for company representatives on the one hand (1-day training) and for trade unions, NGOs and government representatives (labour inspectorate) on the other (2-day training). Training content focused on describing the mission, work, structure and governance of the six project partners, on the objectives and design of the JO-IN project and on the operation of complaints mechanisms. This training aimed to exhibit the value of the six initiatives involved in JO-IN and how they might be utilized effectively to address noncompliance issues in Turkey. During the extra day for trade unions, NGOs, and government representatives, participants learned about complaints mechanisms among the six and used hypothetical examples to strategize best approaches to using these tools.

In September 2006 the first full meeting of the Local Working Group (LWG) was convened. At the outset problems of communication were encountered – particularly between company and trade union representatives. A protocol was drafted and agreed that clarified the purpose and processes of the LWG. As the project began to deliver practical subject matter from the factory assessments, however, and as participants became more familiar with their counterparts, the LWG became a genuine medium for exchange of experience and mature dialogue.

A workshop session of the full LWG was arranged in May 2007 with the three main stakeholder groups caucusing separately. Feedback from the groups provided some valuable insights into key problems in Turkish industrial relations:

- Clothing manufacturers raised the need to develop an industry-wide solution to compliance issues that would involve more professionalism from both employer associations and trade unions
- Local representatives of the brands raised the need for training in freedom of association issues not only for workers but also for managers to raise awareness of the importance of this issue;
- Global brands themselves spoke of the need for a locally-based grievance handling system to tackle problems as they arise as near to the point of production as possible and to avoid escalation;
- The trade union/NGO group highlighted the need for an approach by employers and brands to government for a fair legal framework for freedom of association. Codes of conduct, they felt, would be no more than token if workers had no access to structures outside the workplace to help them address grievances. In particular, they called on JO-IN to organize a series of trainings on FoA – for both workers and management - with direct trade union involvement.

Wider discussion highlighted a number of major concerns on the part of participants, for example:

- Connections along the global supply chain are real, and impact social compliance unavoidably. Placing sole blame onto one or other point along the chain is not fair, and will not lead to solutions

- Suppliers and Brands have to work in stronger partnerships, and suppliers have to increase their efficiencies and compliance through better-trained managers
- NGOs will need to help unions – who are currently weak on-the-ground in Turkey - with compliance training
- The failure of the Turkish State to deliver on workers’ rights (in law, and in practice via the inspectorate) places additional burdens on civil society
- Codes of conduct must be taken seriously, and not used as smokescreens: elements within codes which no-one intends to implement should be taken out, so that code compliance becomes a serious matter, and not just a PR exercise
- A “mature” industrial relations system must be the goal in Turkey. In such a system, “standards of representation quality” must be expected of unions too, and if they meet such standards they must have rights of access to workers to help deal with workers’ concerns
- Bodies such as the JO-IN member organizations must help by developing localized avenues for workers to bring forward their complaints e.g. workers must be able to complain in their own language to local monitors who can be trusted by workers to maintain confidentiality.

As a result of the clear concern among the different groups regarding Freedom of Association (FoA) issues, the Steering Committee circulated an advisory note to all stakeholders pointing out that the practice of constructing management-led worker committees did not meet ILO requirements for FoA any more than would a direct instruction from an employer to workers to join a trade union.

The transition of the Local Working Group from a sounding board for time-worn confrontational rhetoric to a forum for mature debate between different interests on matters of real importance to improving the working climate inside the Turkish garment industry is one of the clearest gains of the project. Nevertheless, the progress made in this context appears to be insufficient to encourage the group to become an ongoing focus for mature social dialogue without further external support. The Steering Committee reluctantly concluded in its consideration of JO-IN continuity in August 2007: *“the LWG is not a body which will self-convene after JO-IN winds up. They are a group of local stakeholders, with different - sometimes overlapping – interests which JO-IN has convened, firstly in order to consult them, and secondly to see what consensus might become visible i.r.o local sustainability of JO-IN initiatives. JO-IN has consulted effectively and perseveringly, but the level of engagement and consensus across the full range of stakeholders is still not such as to permit self-continuity of the forum.” (IPM Report to JO-IN SC, 06/08/07)*

Reasons for this included resource and professional capacity issues. The existence of a ‘Turkish Round Table’, connected to an industry-led CSR compliance project driven by the BSCI, and with similar membership from industry and local trade unions, seemed likely to continue to hold the key social partners in a framework of dialogue while funding lasted. Optimism that this would lead to a self-sustaining social dialogue absent external funding and government encouragement is low, however.

### *International Stakeholders*

#### Brands

A rationalization of compliance auditing and the development of a common code were important elements attracting interest in the project from global buyers – or brands – who were members of the various multi-stakeholder project organizations. The brands expressed concern about confidentiality of supplier information and the expectations in the common code that employers should adopt a ‘positive stance’ towards trade unions and should apply a ‘living wage’ (undefined). A suggestion that brand representatives should be included in the governance of the project was not agreed, but ‘terms of engagement’ were negotiated leading to agreement from just seven brands to participate. Participation implied a willingness to encourage (but not to force) their suppliers in Turkey to volunteer for inclusion in the assessments. Participating buyers, in recognition of supplier commitment to code compliance and best practice, undertook to continue their business relationship with supplier participants for the duration of the pilot, barring a breach of contract. However, they were unable to guarantee a stable level of orders during this time – a fact that several suppliers found fell short of granting the necessary incentive.

Some suggest that the biggest issue in recruiting brands to the project was a lack of faith in its ability to deliver. “There was a general sense among brands that the project had too many cooks in the kitchen, and yet they did

not have a seat at the table. They also considered the goals too broad and ambitious” suggests one comment from within the Steering Committee. Most brands advised significantly sharpening the focus of the project and ensuring that the project had adequate resources to complete its mission.

Important also is the underlying relationship that is revealed between MSIs and their member brands. It is impossible for an MSI to oblige any brand to act outside its general compliance strategy. Brands clearly chose not to exercise leverage over suppliers or to grant special financial incentives for participation in the project. Whether this reflected their sympathy with suppliers’ lack of confidence in the ability of the project to deliver useful results on the ground or simply recognition of supplier independence is a matter of judgement.

### International Advisory Panel

Requests from both brands and from international trade union interests for closer involvement in governance and direction were voiced early in the project’s development. The Steering Committee resisted inclusion of these interests on the grounds that multiple stakeholder groups were already included in the governance mechanisms of the MSIs. From the outset the project participants were clear that they would on no account establish yet another initiative, but would bring together the current leaderships to improve effectiveness and collaboration.

After a stakeholder consultation in November 2005, however, the decision was taken to establish an International Advisory Panel (IAP) comprising two representatives of the global brands, two representatives of international trade union organizations and two representatives of international NGOs. The group would select its own chair. The remit of this panel would be to advise the Steering Committee on aspects of the JO-IN project considered to have global significance, such as the potential adoption by participating MSIs of a common code of conduct, and the development of benchmark implementation and remediation systems for such a code. The brands were advised to form a caucus group that could select its representatives for participation in the panel.

Activation of the IAP was much delayed by discussion over representation also of supply factories at international level. At the suggestion of the LWG an invitation was sent to the International Apparel Federation (IAF) to which some national suppliers were affiliated. Eventually, however, the IAF itself decided that it was not sufficiently representative of the national supplier group to participate. No other mechanism for involvement was developed. In the event, a first conference call of the members of the IAP did not take place until February 2007, followed by one more teleconference and two face-to-face meetings in conjunction with conferences of the JO-IN stakeholders and its Steering Committee in May and in December 2007.

Communications were maintained by the project secretariat with all participating brands and with the other constituents of the IAP by distribution of relevant documents and by direct contact from time to time. Other routes of information flow towards the brands included their involvement in the various MSIs as well as via their local representatives in the Local Working Group and around issues arising in their supplier factories related to the project.

### **The Assessments**

The heart of the project on the ground in Turkey was planned to be the assessment process:

1. An initial assessment of the participating factories against the three key elements of the JO-IN common code (Wages, Hours and Freedom of Association) to give a baseline.
2. An analysis of any issues raised by the assessments
3. A consultation with the factories, brands and other local stakeholders to devise appropriate corrective action to advance conditions towards a higher compliance level
4. An action phase during which these agreed corrective actions could be undertaken in the factories
5. A re-assessment of the factories to show how far the chosen corrective action had actually improved conditions in comparison with the initial assessment findings.

In the outcome, this practical field phase was entirely condensed into the final twelve months of the project’s life. It had taken more than three years of discussion, debate, negotiation and compromise between and among the project principals themselves and the various stakeholder interests involved to reach this point. As a result, the time for carrying out any substantial remediation work or for measurable results to show was very limited.

In order that the baseline assessments should be conducted in as consistent a fashion as possible between the different factories, a very detailed assessment protocol was developed with extensive consultation, feedback and review by brands and other stakeholders. The level of detail included:

- a full worker interview questionnaire for use by the assessment team
- an explanatory note on the contentious topic of the 'living wage' to ease the concerns of brands and factories
- an 'information protocol' describing how the project would deal with sensitive information derived in the course of the assessments

(These documents are available at the JO-IN website [www.JO-IN.org](http://www.JO-IN.org)).

The process envisaged prior background research being undertaken by JO-IN staff with brands and their local representatives, local trade unions, NGOs, academics, community organizations, religious groups, women's groups, newspapers/journalists and local labour and social security departments. Previous audit reports of the participating supply factories would be reviewed in order to familiarize the JO-IN and its assessment team with historical development in each case. Particular attention was paid to the issue of confidentiality.

The Steering Committee went to some lengths to set out criteria for selection of the team of independent assessors. A trawl for assessors via local stakeholders, universities and auditing firms produced a shortlist of some 25 candidates. Unfortunately, it proved difficult to find people possessing the full range of qualifications. The process of selection also clashed with the departure of the project's second manager, Sebastian Van der Vegt. In the absence of a project manager, the calibration briefing for the selected assessors was led by the local project co-ordinator and the lead assessor.

As a result, management of this process and of the initial assessments that followed was not as rigorous as had been foreseen in the project planning and this fact impacted heavily on the quality of the baseline assessments. In particular, the preparatory work by the Steering Committee in preparing detailed protocols and questionnaires was set aside by the assessment team in favour of "relying upon their professional experience" using the protocols as a guide only. For example, the assessment protocol called for consultation with local and regional trade unions and NGOs to gather information on common issues in the region and any specific instances of known problems that might arise. Because of time pressure and the absence of direct project management during the crucial period, this contact was cursory at best and yielded little or no data.

The initial assessments of the six participating factories took place between November 2006 and January 2007 in a series of three day visits. Assessments were carried out against 56 key indicators. According to the Trial Project design, the assessment was expected to look '*at the overall state of the labour conditions in the factory but to the three main items in more detail. The baseline assessment would also contain a description and analysis of the relationship between the buyer and supplier, both in economic terms and in terms of code implementation. It would also assess past remediation and what remediation is currently underway. The base line assessment plus the reports on the follow-up per factory would also provide input for the special research topics:*

- *Use of complaints mechanisms;*
- *Experiences with workers interviews;*
- *If and how subcontractors are used and involved in code implementation.'*

The issue of worker interviews had occupied much discussion time within the Steering Committee; one stated goal of the project had been to gather data on the comparative effectiveness of different methods of worker interviewing. A specific worker interview protocol had been developed as guidance. The expectation was that the assessments could also draw some conclusions regarding the effectiveness of specific interview methods and contrast information received via off-site as opposed to in-factory interviews.

Particular difficulty was encountered in finding local interviewers who had any experience of off-site interviewing techniques. It had been agreed that the on-site and off-site interview teams should be separate groups as specific skill sets were needed. In the event the off-site interviews were conducted by a two-person team composed of university post-graduates associated with the Home-Based Women Workers NGO, while the on-site assessors were three professional social auditors. An earlier idea to include a technical specialist on productivity issues in the factory team was dropped as being a complicating factor.

Factories had been asked to provide lists of their workers with contact details to facilitate the off-site interview process. It had been planned to conduct off-site interviews prior to the factory assessments so that any issues raised by the interview process could be checked against evidence in the factories. Some of the factories were not prepared to provide this data and claimed that workers did not want to be disturbed at home on these matters. Negotiations around the issue of release of workers' contact details therefore delayed the start of the whole process still further. On-site assessors requested also another calibration/preparatory meeting prior to the factory visits to clarify some points which were mentioned previously. It was stressed also that conducting assessment during Ramadan wasn't convenient and it was suggested to skip the factory visits to the end of Bayram. While on-site assessors stated that the first week of November was suitable to start factory visits for them, some of the off-site interviewers were concerned about time availabilities after September because of their duties at the university.

Because of these delays some of the selected assessors became unavailable. This "availability" factor in practice tended to over-ride other questions such as the desired quality of the assessors, and the desired procedure for reporting. Under the time pressures mentioned above, and the absence of firm project control in the preparatory stages, this baseline assessment phase showed a strong tendency to follow standard industry social audit practices, given the background of the assessment team.

It appears that the assessments were also viewed by the factory management as yet another buyer audit. Some factories proved increasingly unco-operative when they perceived that the assessment process lacked brand leverage. These reactions also affected the willingness of workers to respond in the interview situation through coaching or fear of reprisal. Some worker interviews off-site at one factory revealed that sophisticated coaching had taken place, including a written briefing sheet handed out to workers with the indication that a negative statement could impact the factory's reputation, its order level and, by implication, employment. The planned data collection from previous social audit reports also fell short of expectations. Brands mostly felt that these reports were the property of the suppliers. When the suppliers were consulted, however, some refused to hand over the reports, and some gave only brief summaries. Yet other reports were noted to be lacking in any real content that could inform the assessment teams.

Whether because of time pressures, lack of coordination or incapacity of the assessment teams, comparisons between on-site and off-site findings were not structured in the assessment reports. Despite some off-site reports of excessive overtime working at one site, for example, on-site investigation did not seem to pursue these suggestions with sufficient rigour. Some important clues given in the off-site interviews were not carried forward into the on-site assessments. Despite these shortcomings the reports still seem to have been more comprehensive than most of the previous audits that were done in these factories. A follow-up meeting with the audit teams to confer on the results had to be dropped – partly because the lead auditor had already gone on to other work and partly because the focus of the project had shifted towards remediation work in a shortened timescale.

Despite these setbacks, the information gathered during this phase showed some common problem areas:

- A negative approach towards freedom of association issues among some managers and a hesitancy among workers to discuss this issue
- heavy use of sub-contractors both in-house and externally in a continuous production chain
- worker 'coaching' in the face of social assessors (as mentioned above, workers in one factory were specifically told by management to refuse off-site interview with JO-IN assessors)
- heavy workforce turnover in several instances
- extensive double book-keeping in regard to social security payments
- some low wage issues
- associated excessive overtime working in many instances

A frequently-heard complaint from management was that delays in brand approvals, late design changes, and pricing pressure contribute heavily to their inability to manage most of these compliance issues. On the one hand, it was pointed out, brands' compliance staff call for higher wages with less overtime for the workforce; on the other, purchasing staff of the same brands put increasing pressure on pricing with each new round of orders, citing global market competition.

Despite the lack of rigour evident in the first baseline assessment process, the Steering Committee noted that the assessments were not intended to replace an audit but were meant to function as a "reality check" and to offer a

means for comparing factory conditions in broad terms across the sample, allowing best practice and sub-standard practice to be seen. In this sense, the assessments were deemed sufficient for the task.

### Consultations on Corrective Action

As foreseen in the project design, consultation took place with the factories themselves and with the brands sourcing from them, as well as with the individual MSIs with whom the brands had membership, regarding specific actions to be undertaken to address the key issues found in each factory. This process of root cause analysis and corrective action (termed ‘remediation’ by the project participants) was addressed as follows: ‘Micro-level’ issues : (a) with regard to basic “compliance” issues, such as provision of pay stubs by employers; (b) climate issues, addressing whether workers have space to express their voice; and ‘Macro-level’ issues: the “big picture” issues, such as broader industrial relations issues, and the management systems governing production.

It was agreed to approach the remediation process not only as a factory improvement program, but in the context of a supply chain strategy. The JO-IN project aimed to work with the factories, with the buyers, with other local stakeholders (among whom, notably, the workers) to improve the workplace and to develop good practice. There should be less an expectation of “total compliance” with specific code criteria and more an expectation of continuous improvement. The involvement of wider stakeholder groups (employer associations, government and trade unions) in the confirmation of this general approach and in the formulation of a series of appropriate responses was agreed. A forward plan was proposed to progress this work as set out in the following table:

**Table 4: Remediation Process**

“Micro” focus	Comments & Suggestions
1. JO-IN to contact participating suppliers, offering 1 on 1 meetings to discuss any matters arising from the assessment phase of the project, and to clear the way for the remediation phase	It should be clarified that the assessments were not audits. There is no intention to blame suppliers for the past. The assessments provide a reality check as a baseline from which to seek improvements on the 3 JO-IN areas.
2. JO-IN to contact participating brands for 1 on 1 discussions on their supplier company (or companies) remediations	If brands agree, a joint meeting with the participating brands, as a group, should also be held to discuss possible synergies
3. JO-IN to convene 1 on 1 meetings together with supplier factories and their brands for opening discussion of a remediation plan.  Several such 1 on 1 meetings may be required before final agreement on a remediation plan is reached.  Later, all-supplier meeting(s) may be useful, where there are common problems or potentialities	At this meeting, any existing worker representation at the facility should be included. If there is an emergent worker representation structure, consideration should be given as to the value of its inclusion in discussions.  Some remediation may be started immediately, without long discussions.  Training options available to suppliers must be clarified
4. JO-IN to convene a meeting with the Labour/NGO sub-group of the LWG to discuss their concerns re poor involvement in the JO-IN process to date, to obtain clarity on their suggestions and to develop a plan for better inclusion of this sub-group in the remediation phase	Participating suppliers to be informed about this meeting in advance, and any concerns they may have re confidentiality must be fully discussed.  Developing trust amongst all participants is a priority JO-IN focus.
“Macro” focus	Comments & Suggestions
5. Meet a.s.a.p. with factory Z senior management to take a leadership role in JO-IN, both as a “best practice” company on micro issues, and also as an	Initial, positive meeting

industry leader for macro issues	
6. Open discussions with ITKIB and TCMA to explore ways in which better Human Resource practices/advocacy can be incorporated into their future planning	Cross check with Government trade department for synergies
7. Clarify with Government Ministry for Social Security and Labour as to their plans for labour market regulation	Arises from government representative's comments about "self policing"
8. Convene an international conference in Istanbul, on international and Turkish examples of favourable productivity resulting from better-quality interaction between social partners at both micro and macro levels	International Advisory Panel to be invited, as well as SC, LWG member (expanded representation) and other interested parties (academics etc.)
9. Continue research on Turkish garment industry production chain, with special focus on sub-contractors and prevailing working conditions, and factors affecting these	Scoping study for JO-IN's second research area (Complaints & grievance systems available to Turkish workers)

It was against this background that a meeting took place in early February of 2007 between the Steering Committee and the Local Working Group to review the general findings of the assessments (still within strict guidelines on confidentiality). The strategy for advancing remediation activity was adopted as set forth in the above table.

In a wide-ranging discussion leading to consensus, various suggestions and concerns were expressed, e.g.

- Local actors must be fully involved in executing the project
- Some education/training on FoA seems essential, given the low levels of understanding that prevail in Turkey
- JO-IN in Turkey, the MSIs, the suppliers, and the brands should devise a remediation strategy
- A structured opportunity for the labour sub-group (unions, NGOs) to be informed and to make inputs should be built in
- Root causes of non-compliance with standards are not located only *within* suppliers, so a "macro" element is needed in a remediation strategy
- JO-IN cannot "parachute in" trade unions into supplier factories. The focus would need to be on developing conditions in which workers could choose their representatives and representative forms freely and without obstruction. Misperceptions about JO-IN's role in this must be addressed
- Should JO-IN attempt to address current weaknesses in Trade Union practice in Turkey?
- Developing an ombudsman-type role and better grievance procedures might provide an interim step towards better FoA, and Labour should be invited to consider options
- Synthesis reporting (which respects confidentiality concerns) can be used to allow all stakeholders access to information about processes while remediations proceed, and public disclosure of names can be addressed at a later stage
- JO-IN must, in responding to the macro-dimensions of the Project, guard against being too ambitious in terms of capacity, and also – as a point of principle - guard against being too interventionist or "imperialist"

An easy-to-read flowchart covering this process was presented to the six participating factories at the first meetings. Some factories took issue with specific findings of the assessors, but only one factory (factory Z) effectively backed away from further involvement in the remediation process, claiming that it already outperformed the majority of its peers and could handle any remediations without recourse to outside help. The factory also made the point that its voluntary participation in the project at the outset was in view of assisting progress towards a reduction in audit overlap and fatigue – aims that it did not see being fulfilled by the project in practice.

As the only factory in the study with a trade union presence, both trade union and management of factory Z appeared combined in their opinion that they needed no outside assistance to continue on their path of constant

improvement. This was rather unfortunate, since the factory had earlier hoped that it could play a leading role in the assessment process because of the direct involvement of the trade union and its relative large size and high profile. The following table summarizes responses of the participating factory management to specific issues raised by the assessors.

**Table 5: Factory Responses to Assessments**

<b>X</b>	<b>Z</b>	<b>V</b>	<b>W</b>	<b>U</b>	<b>Y</b>
<p><b>Wages:</b> cannot increase as company is not in profit. Could consider a “Wage Policy” to include Profit-sharing formula, once profitable again.</p> <p>Profit-sharing plan linked to consumer-led poverty-alleviation premium</p> <p><b>Hours/OT:</b> Could re-structure company (to be more profitable) if brands regularise orders.</p> <p>Workers want OT to make up for low wages; Wage Policy should meet this problem. Hours is an issue mostly with brands’ sourcing practices. Need to meet with brands Sourcing people to find solutions.</p> <p><b>FoA:</b> Willing to allow free choice of</p>	<p><b>Wages:</b> Satisfied with own current “improvement” strategy. No need to change things for JO-IN Project</p> <p>Believes Wages/OT/FoA best managed by overall “quality” approach</p> <p><b>FoA:</b> In-house union not a JO-IN</p>	<p><b>Wages:</b> Will guarantee minimum 10% increase based on expected productivity Gains.</p> <p><b>Hours/OT</b> to be kept within limits by better systems</p> <p><b>FoA:</b> Will set up elected worker</p>	<p><b>Wages:</b> cannot increase as currency crisis squeezing profits.</p> <p><b>Hours/OT:</b> Depends on improving sub-contractors on basics of management. Propose project for 1 year on Manager-Trainer (funded by brands &amp; govt.)</p> <p><b>FoA</b> Will support 1 workers’</p>	<p><b>Wages and Hours:</b> Aims to improve management systems, to give better productivity which will allow for better wages and make OT unnecessary.</p> <p><b>Hours/OT</b> seen as a brand-related problem, so needs brand discussions</p> <p><b>FoA:</b> Have installed a worker-rep</p>	<p><b>Wages:</b> has already given own workers a 30% increase at start of 2007.</p>

<p>representation. Need training on FoA for both management and workers.</p> <p><b>General:</b> JO-IN to help with research: how do high-fashion brands manage orders</p>	<p>issue. JO-IN should seek to improve national unions' service to members.</p> <p>JO-IN must not become a "Trojan Horse" for trade unions</p> <p><b>General:</b> Plans to continue with development of effective self-assessment system to guarantee ongoing social compliances. Aims to reach "global" standard</p> <p>Willing to teach others about effective management of sub-contractors' social compliances</p>	<p>committee. Process and training to be done by local university.</p> <p>Company policy handbook to state workers free to join any association they want.</p>	<p>rep per sub contractor, in joint council with all local stakeholders.</p> <p>Request training for this. Maybe get 2<sup>nd</sup> support manager for social compliances, as part of project.</p> <p><b>General:</b> Brands must support moves to improve social compliance by orders, not just demand more quality</p>	<p>system after assessment and it is meeting regularly.</p> <p><b>General:</b> Requests training support for all 3 JO-IN focus areas. Willing to involve worker reps in all improvements areas</p>	<p><b>General:</b> Aims to address the social compliance problems in its major sub-contractor by buying that company.</p> <p><i>Overall approach is to accept the JO-IN assessment findings but not make proposals, and rather wait until JO-IN makes proposals.</i></p>
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A second stakeholder consultation meeting around the remediation process was held on 15<sup>th</sup> May 2007. A number of inputs was developed by SC members to this meeting addressing important elements that had emerged from the assessments to that point, notably an initial discussion paper on Brand Purchasing Policies as a factor in compliance; a presentation on the FoA climate in Turkey, benefitting from input provided by the Labour Working Sub-Group; and an approach to wage improvement tracked by the 'Wage Ladder' concept. Working groups of the stakeholders – both as distinct groups and as mixed groups – gave extensive feedback.

Arising from discussions at this meeting on the negative climate in Turkey around workers' right to freedom of association, the Steering Committee issued a clear statement of its combined view of the trend for suppliers to try to meet social compliance criteria by establishing management-led worker committees:

*"Workplace committees to represent workers' interests, which are set up by employers, do not comply with the minimum requirements of the ILO Standard on Freedom of Association", it stated. It also felt obliged to note: "The statement: "JO-IN expects employers to ensure that their workers join trade unions," is completely incorrect. For employers to force their employees to associate, or not associate, is a contravention of the ILO Standard on Freedom of Association.*

*JO-IN has noted indications from some JO-IN-participating suppliers that they intend to set up worker committees. Others have already done so. However, International experience over many years has shown that such committees tend to be an obstacle to Freedom of Association rather than a help. JO-IN is therefore strongly advising against the setting up of such committees by employers.*

*The correct handling of worker representation, and the correct structuring of worker representation systems in terms of the ILO Standard for Freedom of Association, will form a core element in any agreed training programs that emerge from the current JO-IN Remediations Phase discussions, involving all Stakeholders."*

Calls for further work by JO-IN – both among workers and among employers – around FoA issues were voiced by both trade union and other stakeholder groups. An initial decision to produce yet another JO-IN guidance document on FoA in its international context was superseded by a decision to concentrate available resources on a direct intervention in the participating factories to raise awareness of the relevant aspects among management and to gain their agreement to a facilitation of FoA training for their employees.

## **Remediation**

The remediation process featured a three-phase strategy:

1: Attend to the basic compliance problems (e.g. observance of legal minima) identified in each of the 6 JO-IN workplace assessments, by providing a list of these to the individual suppliers, and by requesting them to attend to these pending a JO-IN re-assessment later in the year. Brands would be requested to support this process, in line with their normal compliance monitoring processes.

2: Address the Freedom of Association "climate" problem, identified in the assessments, and confirmed in LWG discussions, as a prevailing lack of understanding and implementation of this standard.

3: Begin to address also (in a realistic manner appropriate to JO-IN's limited capacity and lifespan), broader issues which are underlying causes of non-compliances at workplace level, and which – if not addressed – will tend to render "remediations" at factory level unsustainable e.g.:

- the absence of an Industrial Relations policy and practice for the sector
- the absence of management systems (at some suppliers) which would enhance capacity to pay better wages and control hours-of-work more effectively
- Buyer pricing and ordering systems which impact negatively on suppliers' capacity to pay better wages and reduce overtime

Suppliers were requested, as part of the JO-IN remediation proposals, to adopt a transparent wage policy, including an *in principle* commitment to payment of a Living Wage, so that the question of distribution of gains from (e.g.) improved productivity can remain under the spotlight.

Working hours problems were dealt with on a factory-by-factory basis (since the excessive overtime problem varied across the different suppliers) and was linked to the development of better planning systems. JO-IN offered to facilitate discussions between suppliers and the relevant brands to grapple with purchasing policies and scheduling of orders. (In the one instance where this offer was taken up, however, the factory management appeared to lose impetus in face of its client.)

At the same time, it now became apparent that much of the remediation work would not show results or, in some instances even be completed, before the project was scheduled (and funded) to conclude. The need to

undertake a re-assessment phase prior to project wind-up that could identify changes following remediation efforts therefore became a pressing problem.

### *Freedom of Association training*

As individual remediation efforts advanced around the issues raised in the baseline assessments, direct visits were undertaken by the JO-IN Chair and the Project Manager to managers of the five participating factories that had expressed a certain willingness to hear the JO-IN case for training in freedom of association. Presentations were made on the need for Turkey's garment industry to embrace the wider concept of 'social quality' in order to gain a competitive edge in the globalized market. The place of FoA at the centre of compliance was discussed at length together with a number of case examples showing factory-level benefits from development of a culture of dialogue between management and workers that could help solve problems at the point where they occurred.

There was a favourable response from the five factories on that ground. Although effective implementation of a FoA project of this kind would be a long and time-consuming process, stretching beyond the timeline of the project, managers expressed willingness to provide time for the workforce to receive training if it could be arranged. Later separate consultation meetings with brands and the Labour group also sought to promote FoA training in Turkey (for all stakeholders) as an output of the project.

This positive response required the Steering Committee to consider how such training might be developed, funded and delivered in the longer term, after conclusion of the present project. It was agreed that there was a need to both build local capacity, but also to make the training replicable. It became evident during these discussions that several of the partner organizations were already considering how to undertake their own initiatives on FoA capacity building in the future. Further discussion about both the specific needs of the Turkish stakeholders and also for the wider development of FoA training was slated for follow up with one goal being to avoid competition for funds and for local stakeholders. Owing to the compressed timescale for this realization and decisions, it was not possible to develop a JO-IN training module at the close of the project, but this will feature as an area of future cooperation among the JO-IN organizations.

### **Re-Assessments**

By the time the project could engage in its re-assessment phase (mid-end November 2007) the original assessors were unavailable, being already engaged in other work. In view of problems perceived in the quality of the baseline assessment reports, it was decided to engage new assessors whose expertise was already known. Two new on-site assessors were suggested by members of the Steering Committee who had witnessed their work in other contexts. The JO-IN staff worked closely with the new on-site assessors and with an off-site interviewer who had worked on the first assessments to agree approaches and to identify key issues for comparison with findings from the baseline assessments.

For the lead-up to the re-assessments the JO-IN staff built on learnings (including those arising from earlier mistakes). There was management continuity over 10 months, plus discussions with suppliers and other stakeholders regarding the remediation work. There was also feedback pouring in from the commissioned research.

The format adopted by the Project Manager for preparing the re-assessment was:

1. Re-scan the original reports, noting areas of concern
2. Factor-in information obtained (i.e. deeper or new, or reflecting changes) from the remediation process discussions (especially the agreements reached with suppliers 1-on-1 as to what remediation efforts they would undertake), and draft a brief list of focus questions for the re-assessors
3. Discuss this material with re-assessor team, also asking for their comments/insights, and asking them to crosscheck against the original reports as they scanned these in preparation for the re-assessment
4. Finalise the focus areas/questions with the re-assessors, following their feedback from 3)
5. Re-assessors produce a template for their assessments, incorporating the 2-pager focus areas listing
6. On-site assessors incorporate into their on-site questions the results of the off-site interviews, and cross-check with the off-site assessor
7. Refine questions as the re-assessment process continued (i.e. team meetings were held during the re-assessments to reflect on what was emerging, and to adjust process/methods etc where needed)

The Re-Assessors were tasked, while focusing on the specific questions, with also being alert to the general situation at each factory.

It was noted by both the off-site and on-site assessors that the off-site interviews gave crucial information without which some issues would never have been detected:

- That workers had been coached at 'Y' (during the factory audit that took place *before* the offsite worker interviews this had not been discovered).
- that workers at 'X' are very angry at not getting tea
- that workers at 'X' had tried to get organised in a union
- that work pressure is a big problem at 'Z'

The team agreed that offsite worker interviews have most value if they are done before the audit, to inform the on-site inspectors, but only if the on-site auditors take enough time to review the results and to discuss them with the interviewers. This was done in the case of the re-assessments, but had not been done during the initial assessments, with resulting loss of vital clues.

Perhaps as a result of this closer working relationship and clearer guidance, the resulting reports were considerably more comprehensive and comprehensible than the original assessments, despite the fact that the re-assessments were conducted in the space of just one day. Although intended to concentrate on the issues that had already been noted in the first assessment round and that had been subject to remediation efforts, these re-assessments also flagged up a series of matters that had not been picked up previously.

As the comparison chart (Appendix 2) shows, some interesting findings emerged from the re-assessments. (Positive changes are indicated in yellow; negative findings (some new) are indicated in red; 'no change' items are left unhighlighted):

1. Some awakening of interest around the vital issue of freedom of association was evident in management circles. Although positive responses on this point may owe much to the fact that JO-IN had very recently spent time in the factories trying to convince managers of the worth of employee dialogue systems, there is also evidence of structural change having begun during the remediation stage. In at least one instance, this was no more than the appointment by management of worker representatives, but in others it seems to have involved genuine free elections for the first time among the workforce.
2. Poorly introduced 'Lean' systems appeared to decrease overtime, but were blamed by workers for greatly increased work stress. Most of these systems were no more than work 'speed up' drives forced on by high production targets. The full philosophy of 'lean production' with its insistence on work environment improvement, worker empowerment and dialogue was not apparent. All that remains is an insistence on increased production.
3. The fact of scrutiny within the JO-IN study appears to have helped regularize wage payments in some instances. However, the widespread evidence of double and triple book-keeping for the purpose of under-paying social security insurances and for hiding overtime rates is striking at this top level of the supply chain to global buyers. If the companies participating in this study are the top tier suppliers, what does this say about compliance further down the chain?
4. Two of the six companies in this study demonstrated the tendency to move out of direct production altogether and to outsource activity to sub-contractors, either external, or in-house, and to invest in cheaper, less regulated industrial environments. For those remaining inside Turkey, Anatolia beckons as a new location for outsourced production. But others are seeing their future in Egypt, Bulgaria, and Moldavia, while keeping management, technical and finishing operations in their Turkish base. The implication of these moves for employment in the sector is already being realized.

## Research into Sub-Contracting

A commonly accepted estimate for the distribution of garment production in Turkey claims that about 80 per cent of production takes place in the unregistered sector. If problems of pay, overtime working and freedom of workers to join together to improve their conditions are encountered among the self-selected and registered top tier suppliers who formed the sample for this project, how must conditions be at the lower levels of the production hierarchy?

To answer this question and to uncover reasons why such a large portion of the industry operates outside regulation, a research study was undertaken of 'Business Relationships and Working Conditions in the Lower Layers of the Istanbul Garment Industry'. Conducted by Drs Şule Daldal and Sezin Aydemir of Marmara University Departments of Labour Economics and Sociology, this research was conducted in parallel to the assessment and remediation work during the period October 2006 – July 2007 and was presented to the final JO-IN Conference in December 2007. By the end of the project this work had not been thoroughly reviewed and approved by the project Steering Committee, but is reported here for the sake of information and completeness.

The research was performed on three levels:

- i. Structure of the supply chain, the hierarchy itself, dependency relationships, power relationships.
- ii. An analysis of the conditions of workers at different points in the chain.
- iii. Analysis of the positioning and problems of companies in different parts of the chain and within the environment of international competition.

Sub-contractors, with which main suppliers work and which are in the first level of garment supply chain, were not included within the research framework, since the wider JO-IN project was already occupied with them. The research concentrated on middle and small scale workshops in the lower levels with which the exporter firms (suppliers) work. These undertake cutting, sewing, colouring, printing, ironing and packaging.

Interviews were conducted across some 40 producers for brand supply chains including: 23 sewing workshops, 2 dye houses, 2 embroidery workshops, 2 ironing-packaging workshops, 2 gem decoration workshops, 2 collar and buttonhole workshops, machinery and equipment importers, 2 agency firms, plus home interviews with 16 female workers, 7 male workers and 13 home-based women workers.

The characteristics of the garment supply chain are clear. Brands are at the top of the chain. Agency firms rank below the brands and work directly to brand orders. As a result the large scale agency firms' perspective for profitability is not limited within Turkey. Some have acquired global business status and have the capacity to leave any country viewed as being unprofitable and to move elsewhere. Currently, some agency firms and exporter firms in Turkey are becoming merely subcontracting trackers of lower cost trends in such countries as Egypt, Jordan, Turkmenistan and Azerbaijan.

Agency firms, ranking below exporter firms in the chain, usually take responsibility for production directly. The coordination of the whole production chain falls to these firms. It is possible to group exporter firms in three separate categories by their capacity for flexibility:

- The most flexible form is based completely on working with subcontracting workshops with no production undertaken by the exporter firm; and this form is gaining momentum in the sector. The purpose of this system, in which workshops are made to compete fiercely on price, is usually to find and organize the cheapest price.
- A newly emerging, flexible model gathers several small workshops under the roof of a single export firm. This model is more successful in terms of compliance to working conditions. These workshops are subject to audit by the brands and have the characteristic of being 'OK'ed' (approved) workshops. They can more easily adapt to the changing demands of the market. They are suitable to sector-wide expansion as an alternative model in view of both their social compliance and flexibility.
- Another type consists of exporter firms that accommodate all production units in-house, thus becoming integrated facilities, and that have relatively bigger capital power, technology, facilities and knowledge accumulation. The research demonstrated that, despite their bid to become internationally recognized, some of these firms still employ numbers of unregistered workers. It would appear that they maintain flexibility in an unstable market structure and strike the balance between price and cost via this unregistered, flexible portion of the workforce.

The dye houses, printing workshops, embroidery processors, spangle-gem decorators, sewing workshops, collar, buttonhole workshops and ironing-packaging workshops are located at different points along the production chain and differ from one another in terms of capital- and labour-intensiveness. Dyeing, printing and embroidery workshops are, for example, more technology- and capital intensive production units. The nature of the work varies according to the different operations. On the one hand, there are computer-assisted machines, and on the other hand, that part of the work which requires unskilled labour has led to the employment of cheap, unskilled and unregistered workers.

The research showed an industry in crisis: increasing costs were trapped beneath a lowering price ceiling imposed by brands in response to global sourcing options. Profit margins claimed by some factory owners to have been as high as 75 per cent just ten years ago were now reported to have dropped to around 5-6 per cent, with a survival level of 25-30 per cent being required.

This dominant economic factor perpetuated an unregulated free market for labour in the sector, being among the most labour-intensive for the majority of its operations and paying the lowest wages. Only ten per cent of workers in the sector are officially registered for payment of social security and tax purposes. Casual labour featuring unmarried young women and young men who have not yet completed military service is typical for the sector. As a result labour turnover is high, with two years being considered long service and workers changing jobs to gain 10YTL more in their pay packet. Trade union activity was found to be entirely absent from this level of operation.

Turkish official statistics declare a so-called ‘starvation wage’ as being the lowest wage needed to give a sufficient calorific intake for survival, plus necessary basics for the support of life, such as housing and energy supply. A ‘starvation wage’ level for a family of four of 656YTL was stated by the trade union federation, Turk-Is, in September of 2007 and a poverty line of 2,136YTL. Against this wages of 350-450YTL with overtime were found among ordinary workers, with foremen earning 1000-1200YTL. Standard working hours averaged 50 per week, rising to 60-70 hours with overtime, against a legal maximum of 45 hours a week maximum with a limit of 270 hours of overtime annually. Home-based workers hold an unstable position in the labour market with intensive overtime working, low wages and bad physical conditions.

While owners of the larger workshops could lead a middle class lifestyle, owners of small and medium sized enterprises had living standards little different from their workers. Many are trapped by debt and cannot sell their workshops in a declining market.

It was clear from the research that ‘OK’ed’ (brand approved) workshops enjoyed better working conditions across the range regardless of their size. Social compliance audits were seen as a driver for positive change, albeit at low level. However, the cost of compliance was found by some to outweigh any gains from having a direct relationship with brands. This was especially so, since it was felt that there are many brands who do not conduct rigorous social audits and who are happy to work with non-approved workshops.

Overall labour cost levels of US\$12 per day make it impossible for Turkey’s garment sector to compete internationally on price alone. Knowledge, experience, infrastructure, technology, speed to market, quality and creativity in an integrated package still make for an attractive sourcing solution. Higher levels of social compliance would yield competitive advantages in limiting brand risk.

In this struggle for survival social conditions are deteriorating under cost pressures, bearing down heavily upon the lower end of the production chain which is the mainstay of the sector. A free market economic policy and lack of any national strategy for the sector have created alternative options for survival:

- workshops coming together under one exporter
- rationalization of the supply chain into ‘OK’ed’ workshops, to ensure sufficient stability for social compliance
- introduction of true (as opposed to false) ‘lean’ production models to develop a skilled, stable and empowered workforce with advanced social conditions

At national level an industry forum that engaged all actors in the sector could develop a rationalization strategy for survival of a garment industry in Turkey, albeit considerably reduced. Brands could help by eliminating uncertainty and developing longer-term relationships based on trust within which to develop product and social quality.

## **Complaints System Research**

In light of the above research, it is not surprising that a smaller, pragmatic study of complaints procedures and grievance systems in the Turkish garment sector came to the conclusion that such systems were generally unavailable to Turkish workers. Again, this research was incomplete by the time the project concluded and was not reviewed nor approved by the project Steering Committee. It should be seen an output of the project,

however, in the sense that it is the result of work undertaken by the staff of JO-IN in Turkey with stakeholder assistance and input.

Interviews with ten social compliance officers of global brands, suppliers, all three sector trade unions, state and regional Labour Department officials, the local ILO office, dismissed workers, labour law experts, assessors and auditors, were supplemented by review of legislative measures, reports of trade unions and MSIs, the JO-IN's own assessments and material supplied by experts. The focus of the research was on specific cases wherever possible

The role of the brands and the MSIs in promoting solutions to grievance handling via codes and compliance monitoring is a delicate one. It was to inform thinking on these issues that the complaints research was planned and carried out. Apart from finding the right balance between different complaint structures and procedures, the operation of a complaint procedure poses a lot of challenges to brands and MSIs/campaign organisations, among them:

- Complaints often deal with very sensitive issues, sometimes concerning a single individual or groups of workers whose livelihoods are directly at stake.
- Unrealistic expectations may be raised with workers who may be made to think that all of their problems will be solved by outsiders.
- Complaints often arise from confused and tangled situations where it is not easy to establish whether the complaint is justified and/or that the complaint is dealing with a situation that relates to the labour standards in the code.
- Operating a complaint procedure is therefore very resource intensive and can hardly be planned or budgeted.
- The need for dealing with a complaint in a structured and thorough manner often conflicts with the urgency of dealing quickly with a situation.
- The need for transparency that MSIs/campaign organisations subscribe to may conflict with the personal safety of the complainant, or in a case involving a potential collective conflict, with the need to prevent an escalation of the conflict.
- In cases where the complaint procedure deals with a supplier, the ultimate threat of pulling out as a customer only makes an impact if the brand takes a considerable share of the total production of the supplier

Different forms and methods of complaints procedures have been developed to deal with these challenges. For instance, providing workers in factories with the telephone number of a local person who deals with complaints; or the possibility to write to the international office of the MSI/ campaign organisation.

In practice, however, the research showed that seeking a solution via the relevant brand or MSI was a distant reality for most workers, due to complicated procedures and the time taken to get a result. Brands would tend to rely on the factory to solve its own issues first and would shy away from any involvement if the case went to the courts. Both these routes also tend to rely on local in-factory mechanisms to deal with the bulk of problems. Functioning in-factory mechanisms however hardly exist, even in the 'top' supplier factories which are supposed to have them, as is the case for the JOIN participating factories

It is an axiom of good industrial relations that grievances and complaints are best dealt with as near as possible to the point where the problem occurs. For this reason, codes of conduct usually stipulate existence of a functioning grievance or complaints mechanism in the workplace. In conjunction with independent and effective worker representation, such systems can assist in maintaining a calm approach to problem-solving.

With trade union density at around two per cent in Turkey's garment sector, this approach to grievance handling is absent from most workplaces. The labour market pressure on individual workers to keep quiet and keep their job is considerable, absent an active mechanism to defend their interests vis-à-vis an employer.

Although legal procedures exist in Turkey's industrial relations system, as in most other countries, the length of time taken to process complaints, the likelihood of being sacked during the waiting period and the relatively minor compensation for wrongful dismissal, make this route unattractive to the average non-union worker. Owing to understaffing of government systems, research showed that average waiting times for officially lodged complaints via the legal system were:

- complaint to inspection, 2-3 months

- reporting back to the court, 4-6- months
- court process – 1-2 years plus the likelihood that any finding would be challenged by an employer and moved to a higher court with an even longer wait.

Given that the basic assumptions underpinning the normal complaints and grievance handling processes are not applicable in Turkey, notions of ‘open door policies’ and suggestion boxes, promoted by some brands, are ineffective. Without a reliable worker representation system at the workplace, the individual with a grievance will struggle to find a safe channel for her/his complaint. The research appeared show that only ten cases were pursued by brand involvement since 2004, and only two of these had any MSI involvement. This finding was disputed by some participating organisations, but no other data were forthcoming to rectify the impression.

The message of the research was clear: if there is no effective remedy for workers at the top of the supply chain, there is little chance that such mechanisms protect workers at the base. The most effective form of support would be an active and independent worker representation system. Once again, the core issue of freedom of association emerged as the necessary response to allowing workers an avenue of expression.

## The Living Wage

The JO-IN Draft Common Code includes the requirement for employers to pay a ‘living wage’: *Workers shall have the right to a living wage. Wages and benefits paid for a standard working week shall, as a floor, always comply with all applicable laws, regulations and industry minimum standards and shall be sufficient to meet basic needs of workers and their families and provide some discretionary income. The level of wages and benefits will be reviewed on a regular basis. Freedom of collective bargaining will be respected.*

While all but one (FLA) of the participants in the project had similar provision within their own codes, agreement over what constitutes a ‘living wage’ in any given country or district and how that figure should be calculated caused extensive debate and confusion within the Steering Committee, but resulted in no agreed conclusion. Opportunities to clarify this question through open debate with stakeholders were missed or avoided and a planned seminar on the topic never did take place.

This problem initially caused a road-block for the project – if the ‘living wage’ cannot be calculated, how can it be measured, much less implemented?

Finally, the Steering Committee was able to combine around an ingenious solution, fathered by Rut Tufts, FLA’s representative to the Steering Committee, before his sad and untimely death in May 2006. The ‘Rut Tufts Wage Ladder’, as the project christened this solution, enables various levels of wage payment to be plotted on a scale to show comparative effects and positioning resulting from specific proposals. This tool was used throughout the remainder of the project to trace and compare wage statistics and has given the opportunity for important findings.

The “wage ladder” offers a benchmarking system for charting factory progress in improving wages. This tool was used during the JO-IN assessments in three ways:

- To chart the various living wage measurements and definitions used by the different organizations to give participants a clear idea of the monetary values assigned to the different wage standards quoted by the six participating organizations. This included negotiated wages as per CBA in the garment factories. The reported average wage of garment factories in Turkey were also charted on the ladder to provide context
- Factory wage levels were charted on the wage ladder, based on information collected during assessments. The project did not compare current wages against *one* determined wage level, but rather against *various* levels currently used or aspired to by the JO-IN organisations.
- During the remediation stage after the assessments, the ladder was used as a system to measure factory progress in improving wages.

The objective was simply to move factories “up the ladder” by increasing workers’ wages over time.

An academic research team, supervised by Professors Ahmet Insel of Galatasaray University and Fikret Adaman of Bogazici University, was engaged to complete the detailed comparative work on the basis of confidential aggregate information direct from participating suppliers. Figure 1 below demonstrates the main results of the JO-IN wage ladder research as at December 2007. This data, obtained from factory management, was discussed with the JO-IN re-assessment auditors and put into an appropriate form to build the wage ladder chart. Some queries have been raised about this data by Steering Committee members, but the findings have been confirmed by the research team concerned, though not officially approved by the SC itself.

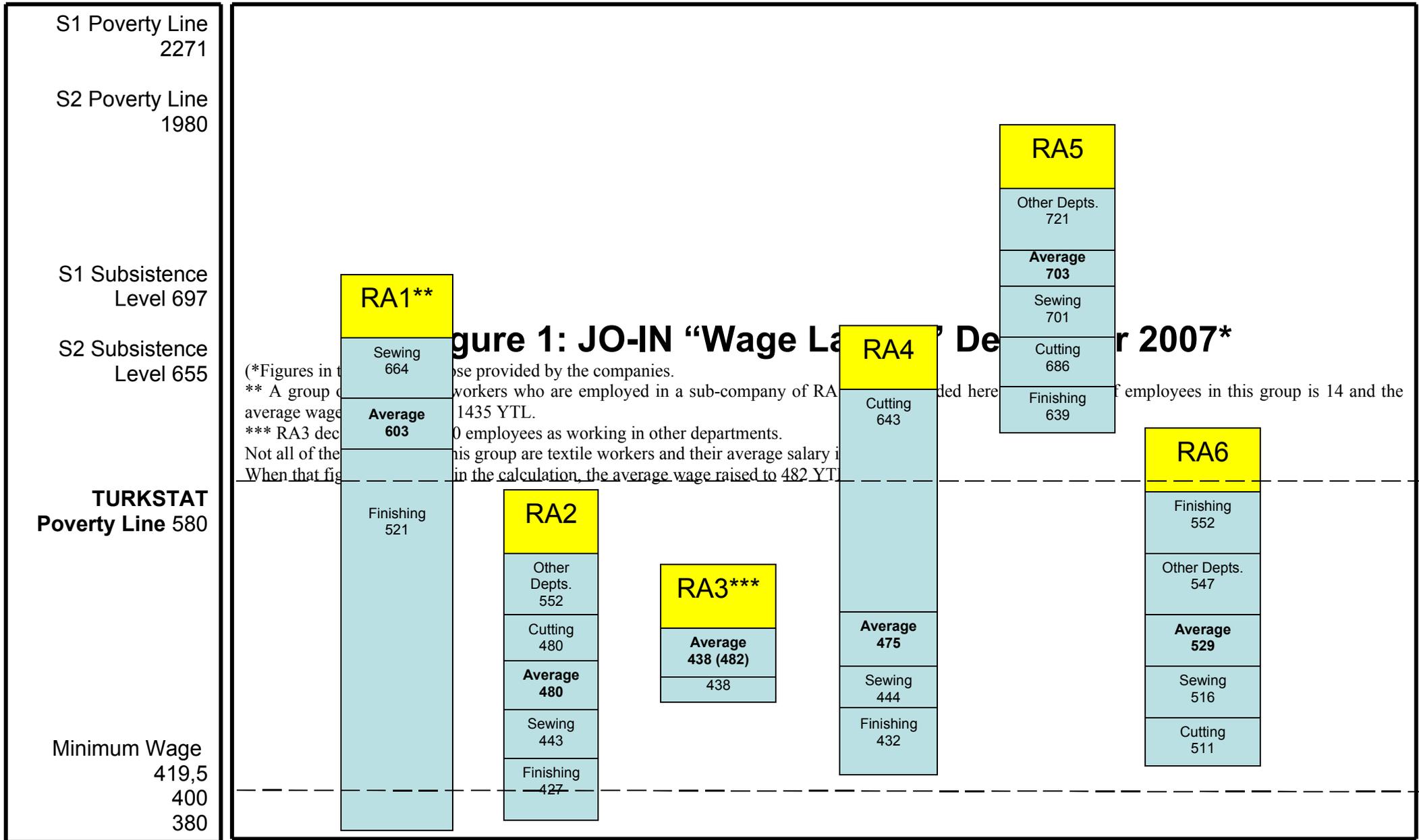
Each column in the chart corresponds to a firm whose name is kept confidential. Each department within those six firms is presented in separate boxes within the columns and the average salary of the workers in a particular department is noted in the respective box. The length of the boxes is different since the wages of the workers who are employed in the same department vary. For instance, in the finishing department of RA1, where the average wage is 521 YTL, the wages of some workers are below minimum wage whilst there are some other workers who are paid above the TURKSTAT poverty line.

Determining the poverty line and subsistence level has always been a controversial issue in Turkey. While the figures put forward by trade unions are considered to be overblown by certain groups, TURKSTAT figures are claimed, by workers and trade unions, to be below the real poverty line. There is indeed a significant discrepancy between different figures at hand. In order to be able to reflect that debate on the chart, the poverty line figures displayed are those proposed by two national trade unions, which appear based upon the most reliable research on this issue, together with the figures published by the Turkish Statistical Institute (TURKSTAT).

Figure 2 shows average household size for the workers in the six factories (in yellow boxes), together with the average number of employed persons in each family (in blue). This comparison shows the average number of people that each worker has to support from her/his income.

The trend for wages of production workers in Turkey's garment sector, arising from international competition and downward pressure on prices, is clearly demonstrated by Figure 3. Data here is collected from the books maintained by the factories for their own accountants, to avoid misinterpretation in the event of any double book-keeping problems. Figures for 2006 have been adjusted for 2007 inflation as estimated by TURKSTAT (8.86%) to show a 'real wage' figure. In all but one factory (the highest paying) the trend is downward. Some participants at the JO-IN Final Conference in Bogazici University found these results surprising, since wage rises normally match (retrospective) inflation rates. However, these data were collected during the JO-IN studies between August and December 2007 and compare directly with wages for the corresponding period of 2006, reflecting an accurate like-to-like comparison.

Figure 4 shows the difference in 'total wage' when invoiced costs of transportation and free meals are taken into consideration. This alone raises the factories above the minimum wage level. Data showing the situation of the lowest paid 10 per cent of the workforce in each factory (Figure 5 - based upon employers' own data) demonstrated that all were beneath the TURKSTAT official poverty line, with the lowest paid ten per cent of workers at two of the factories falling just below the minimum wage level.



Household Size &  
Average Number of  
Employed People  
per Household

7

6

5

4

3

2

1

RA1  
5

RA2  
4

RA3  
3,7

RA4  
5,2

RA5  
4

RA6  
3,9

RA1  
2

RA2  
2

RA3  
1,9

RA4  
2,4

RA5  
1,8

RA6  
2,3

Figure 2: Household Structure of Clothing Workers

S1 Poverty Line  
2271

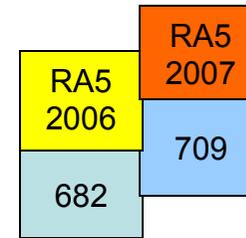
S2 Poverty Line  
1980

S1 Subsistence  
Level 697

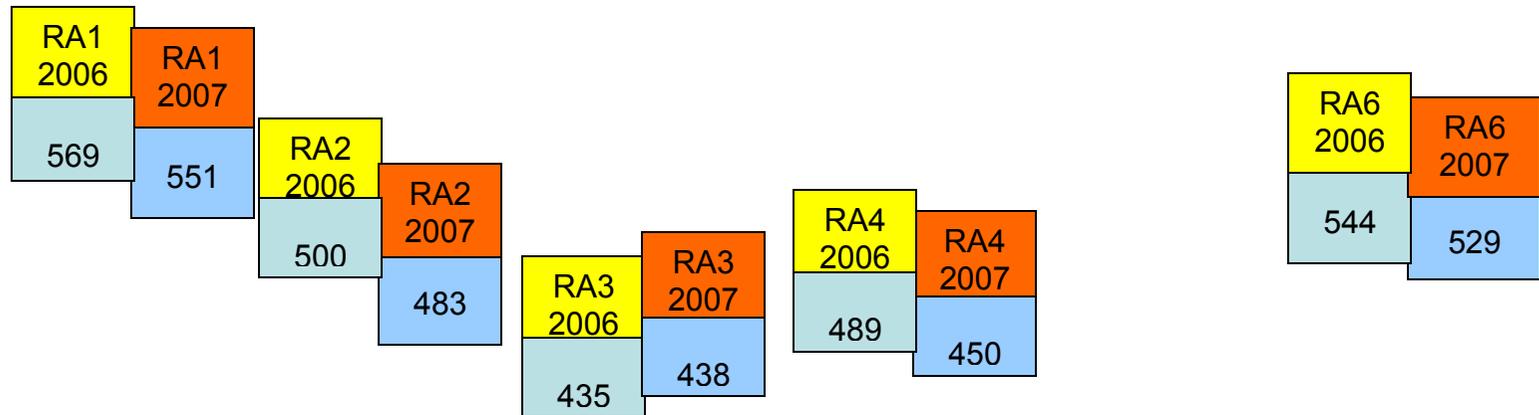
S2 Subsistence  
Level 655

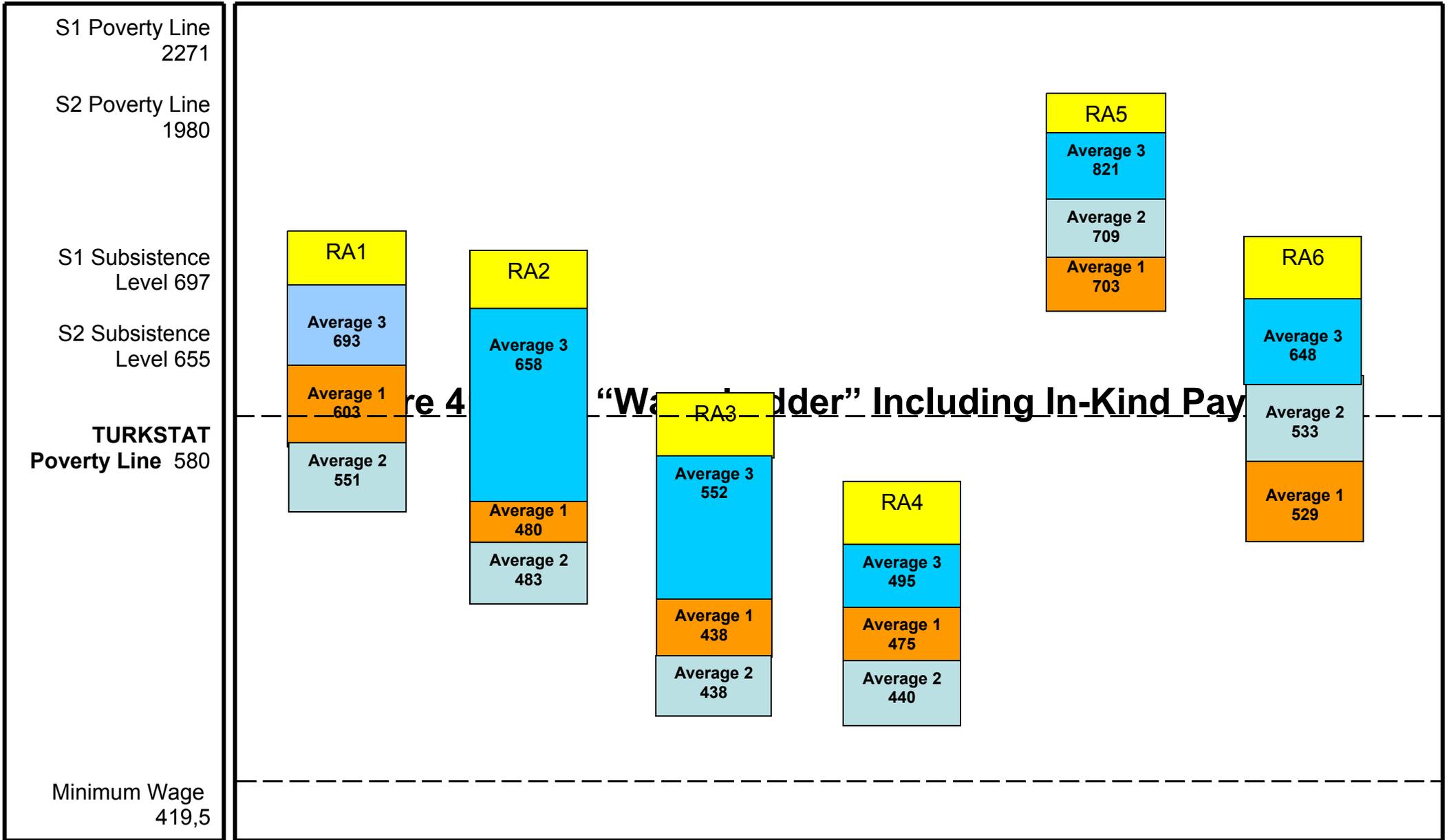
TURKSTAT  
Poverty Line 580

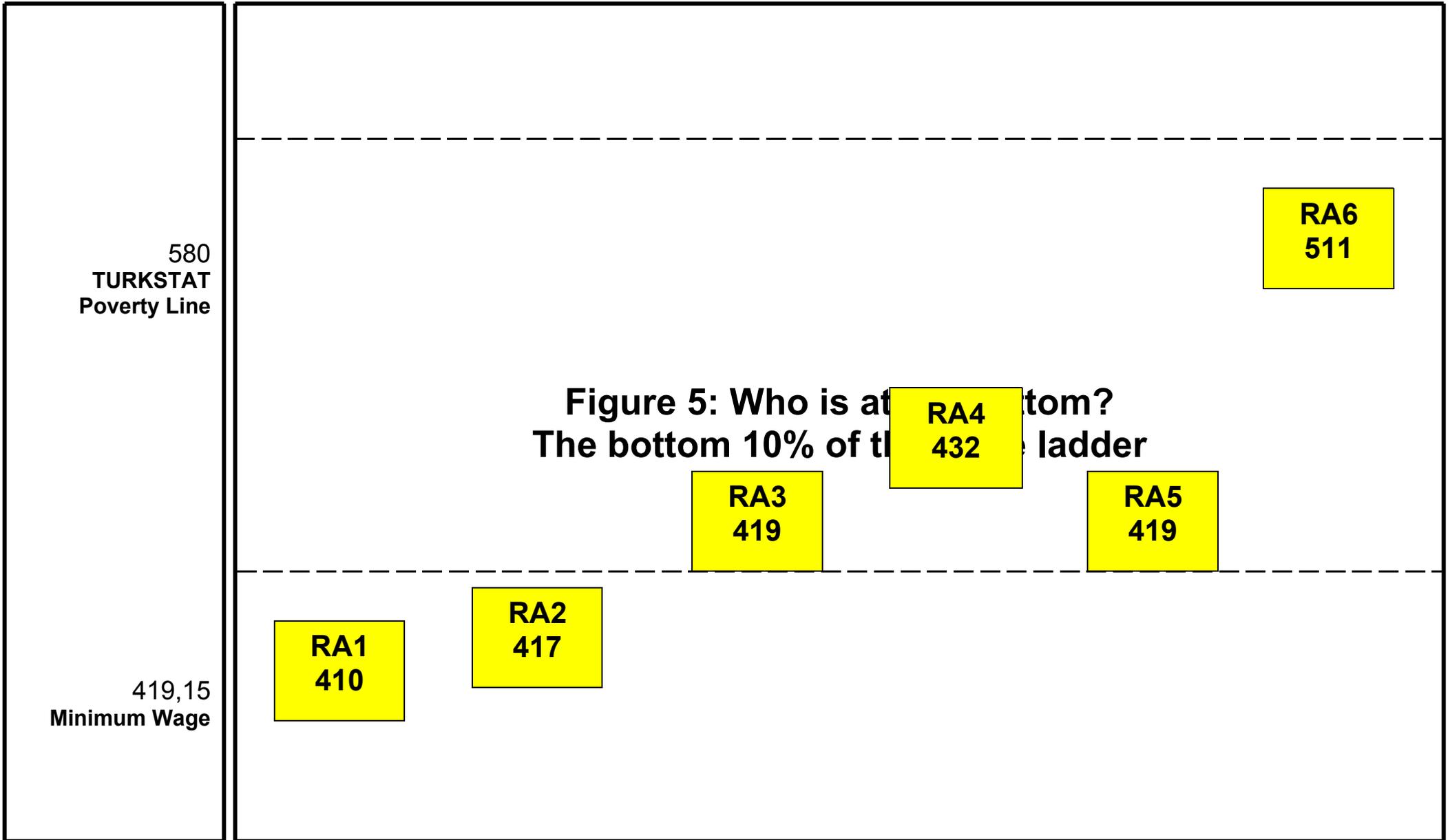
2007 Minimum  
Wage 419,5  
400  
380



**Figure 3: JO-IN “Wage Ladder”: Changes over One Year**









### 3. WHAT OUTCOMES HAS THE PROJECT DELIVERED?

The JO-IN project established some very clear objectives to measure its effectiveness at the outset. These will be taken one by one and measured against outcomes.

**Objective 1.** To improve conditions and observance of labour rights for garment workers and their families in a specified number of Turkish garment producing facilities.

Indicator: *Determination by workers that there have been improvements in one or more areas of factory life*

The short action phase left to this project made measurement of substantive improvements in specific factories difficult. Remediation on issues such as freedom of association and wages begun in July 2007 could hardly be expected to show improvement within four short months. Nonetheless, demonstrable improvements are evident from responses of company managers to the core issue of freedom of association and from the election of some worker committees that took place during the period in response to JO-IN assessors' suggestions. An improvement in that area would enable workers to bargain more openly for better conditions of work. A programme of training could be expected to build from this hopeful base.

As seen above, wages in the factories studied actually declined on average over the period, when measured against inflation. An upward trend in wages – especially at a time of intense international competition - would require substantial changes in productivity or in brand pricing policy, or in both. Neither of these could be expected to show results in the project timescale. However, calls for assistance in upgrading productivity were made to JO-IN who provided some technical assistance in that direction to two of the companies. (These efforts are ongoing, and at the time of writing, their effectiveness is unknown.) The project also drew the attention of brands to the issue of worker stress arising from high-pressure production systems, some of which purported to be examples of 'lean production' methods, but which lacked essential elements of flexible work organisation and worker empowerment.

The regularization of wage payments and correction of some earlier irregularities in overtime pay was also noted as a welcome feature, probably resulting from project scrutiny. Whether this translates to a lasting improvement depends also on the ability of workers to make themselves heard through a functioning representative system.

The beginning of social dialogue between the key social partners was a tangible outcome of the project's Local Working Group. If this process continues, it could lead to the development of an industry forum to develop a badly-needed national strategy for rationalization and survival.

Hopefully, the most lasting improvement for workers will be the added focus on Turkish realities and the learning by brands and MSIs about the Turkish workplace. The resulting development of close contacts between these bodies and local stakeholders can lead to better communications and more effective support strategies.

**Objective 2.** Delineate the points at which the participating multi-stakeholder organizations might avoid duplicative efforts; where they might reinforce each other; and where the efforts of some of the organizations might complement the efforts of other organizations in the project.

Indicators:

- a. Comprehensive identification and analysis of any similarities and differences between the various organizations in respect of the implementation of workplace standards identified as priorities.
- b. *Demonstrated and documented incidences of cooperation between organizations during the trial in Turkey.*
- c. *Agreed language and terminology to describe code implementation.*
- d. *Convergence on a set of workplace standards that doesn't require any of the multi-stakeholder initiatives to weaken their respective commitments to helping workers.*

The JO-IN Draft Common Code (see Appendix 1) was agreed at a relatively early stage of the project. Aiming to lead a 'race to the top' in code compliance, it used as its basis elements from among the participant codes that gave the highest levels of protection to workers. The code has since been adopted by a number of commercial brands and has been used by the MFA Forum to promote improved compliance in the export garment industry of Bangladesh.

The experience of developing the code has caused the participant organizations to examine their own codes more closely and to seek greater convergence. The formation of the JO-IN Forum will allow collective review of the Draft Code in order to establish a 'best practice' reference code. This process began with a workshop in Geneva in 2008 and will involve experts from the ILO and the JO-IN International Advisory Panel in its work.

As the project unfolded it became clear that the world of code implementation systems is a competitive one. This was consequently an area where the least progress was made between the participating organizations. Extravagant hopes of some at the outset for some agreement that would bind the code organizations into a common operational framework were seen as premature at best. Differences and similarities of the participating organizations were listed early in this report. The effect of separate systems of governance and accountability was a brake on some cooperative possibilities.

However, there was a clear agreed statement from the Steering Committee regarding the components of implementation systems (referred to earlier), even though the prioritizing of elements within a system could not be agreed. When finally issued, the JO-IN Draft Code of Labor Practice was obliged to note:

*"An implementation system is a necessary, integral and inseparable part of a Code of Labour Practice.*

*Elements of an implementation system at the level of the*

*Company or of its suppliers, contractors and sub-contractors shall include a*

*commitment to the Code and communication thereof, a management system,*

*internal monitoring, worker education and training, independent verification, a*

*complaints mechanism and public reporting. It should be noted that as of the date of approval of this draft*

*code, there is no consensus among the participating organizations as to the proper design or usage of each element outlined above, nor of whether the combination of those elements is in and of itself sufficient to achieve the Code's objectives."*

It was primarily questions of implementation emphasis that caused such delay and disruption to the project. However, practical cooperation in finding workable compromises in order to allow joint activity to advance was striking. It was from one such compromise that the 'Wage Ladder' sprang.

**Objective 3. Demonstrate to buyers, suppliers, trade unions, NGOs and other stakeholders how they might take advantage of the compatibilities and complementarity.**

*Indicators: Demonstrated interest by buyers, suppliers, trade unions, NGOs and stakeholders to take advantage of compatibilities and complementarities.*

A special training seminar in 2006 was arranged to introduce local stakeholders to the participant code organizations. As a result of this and the close working relations that developed throughout the project, there was a considerable increase in mutual understanding and in strategic thinking about the deployment of complementarities.

The formation of an effective Local Working Group and, later, of an International Advisory Panel brought closer involvement between stakeholders and project organizations throughout the work. The joint stakeholder conferences held in Istanbul gave an opportunity for two-way feedback on many of the issues that were surfaced by the project and opened new opportunities for dialogue. Interaction with both groups enabled an easier relationship to develop that will form the base of ongoing productive communication.

The need to develop good communications with local stakeholders was a key aim of the project. Although it seems unlikely that the Local Working Group will continue in its present form without JO-IN financial and administrative support, the contacts made will form a good base for any future bi-lateral work.

Numerous discussions on topics arising in the course of the project demonstrated the ease with which information could be exchanged and the value available from the JO-IN organizations in raising some issues for wider scrutiny. When conflict arose within one multinational company (Paxar) during the course of the project, for example, most of the JO-IN members became involved in finding a solution in close discussion with local and international players. All stakeholders learned from this and other interactions how to use the complaints systems of the MSIs, campaigning organizations, and brands in complementary ways to greater effect, whilst reinforcing these with better grievance systems at the base and use of available legal means.

**Objective 4.** To identify jointly with Turkish stakeholders the roles that MSIs and local stakeholders can play in implementing codes of conduct.

*Indicators: a. Determination by stakeholders that MSIs can assist them in achieving improvements in working conditions.*

*b. Ongoing relationships between MSIs and with one or more Turkish stakeholder organization.*

The relations developed with local stakeholders have demonstrated the serious intent of the MSIs in using their influence with brands and the public to assist improvement within the global supply chain. Factories discovered that they could access technical assistance with productivity issues via the MSIs and obtain a hearing for their difficulties with brand pricing policy. Trade unions and workers in the factories found new allies in their bid to drive improvements at a time when global competition threatened a reversal.

Regular interactions via the Local Working Group and the outreach workshop in July 2006 deepened understanding and eased communications among all parties. Most of the MSIs have developed closer links with the local stakeholders as a result of the project. Relations with local compliance officers of the brands have also been opened up more thoroughly for both the MSIs and local stakeholders.

In addition, the JO-IN Turkish LWG will be invited to consider and make proposals regarding its own continuity, in whatever format will maintain its multi-stakeholder character and its effectiveness as a forum for discussion and collaboration across the various interest groups represented within it.

**Objective 5.** Agree (to the extent possible) on good practice in application of codes of conduct through pooling experiences to test out different methodologies.

*Indicators: a. Agreed-upon guidelines, protocols and principles of good practice (for all parties) in the implementation of codes of conduct.*

*b. Stakeholders share determination that identified “good practice” leads to improvements in their lives.*

*c. “Good practices” are adopted by relevant multi-stakeholder organizations*

The Steering Committee members, all leaders of very busy organizations, gave priority to working out numerous detailed protocols and terms of reference to guide the implementation of the project elements, demonstrating their commitment to this objective. In addition to the Draft Common Code itself, protocols were developed in regard to:

- Assessments and Re-Assessments methodology and principles
- Assessment Interview forms for workers and for managers
- Guidance on Records Assessments
- Guidance on Remediation Process
- TOR for Local Working Group, for Supplier engagement, for International Advisory Panel
- Stakeholder Engagement Guidelines
- An Explanatory Note on the Living Wage
- A Joint Statement on Freedom of Association
- A Paper on Brand Purchasing Policies

(All the above documents are publicly available via the JO-IN website at [www.JO-IN.org](http://www.JO-IN.org)).

The JO-IN Forum will provide an opportunity for further joint activity in this direction as the Turkish Local Working Group considers the issue of continuity of an effective local multi-stakeholder forum.

**Objective 6. Disseminate lessons from the experience, in regard to process, content, results and good practice.**

*Indicators: Documents and guidelines published on website.*

*Timeliness and breadth of dissemination of publications and report.*

A project website [www.jo-in.org](http://www.jo-in.org) has been maintained throughout the life of the project, featuring regular quarterly news briefings that were also circulated electronically to interested stakeholder and others, as well as general documentation and reports of key events. These documents are available at the website for public scrutiny and to inform other efforts to advance best practice.

The Final Conference, held at Bogazici University 11<sup>th</sup> December 2007, was attended by a large cross-section of stakeholders – both local and international. The proceedings of that conference have also been published on the organization's website. Efforts will be made to secure independent publication of key research, such as the study of sub-contracting, results of which were delivered to that conference and that will be further refined in the ongoing work of the JO-IN Forum.

An Interim Report of project activity was published that covers the period to September 2006 in detail and is completed by this Final Report. For those interested in more detail of the preparation phase of the project a reading of the Interim Report is strongly recommended.

**Objective 7. Identify areas for future collaboration**

*Indicator: Actual occurrences of collaboration.*

*Proposals for ongoing collaboration.*

*Commitment by one or more of the multi-stakeholder initiatives to reinforce efforts of other members in the group.*

The fact that the Steering Committee stayed intact throughout the four years of the project's life demonstrates a determination to collaborate on the part of the JO-IN participants, despite often difficult discussions on issues touching on organizational sensibilities. Specific collaboration occurred among the Steering Committee members on a constant basis to draft and comment upon papers, protocols and terms of reference.

Some specific examples of cooperation emanating from the JO-IN experience that have been notified at the time of writing include:

- ETI and SAI have agreed a memorandum of understanding to cooperate in key areas of work, including developing more credible audit protocols. This is expected to become a significant work package in the next few years.
- It is now standard practice for most of the participant organisations to seek help from other MSIs when a complaint in one supplier factory affects brands that are members of more than one MSI. The watershed for this was the cooperation that occurred around the problem arising in one key Turkey-based supplier, Paxar, during the course of the project.
- FWF and ETI are currently liaising over new approaches to implement the 'living wage' and to validate the code implementation efforts of their corporate members.
- FLA and FWF are considering joint support for a resource person in Turkey to inform and advance their work in that country.

Resources of the ETI were used to kick-start the project and have been the backstop to sometimes shaky funding in the latter stages also. ETI's Director continues to play a coordinating role in ongoing collaboration among the six code bodies as convener of the continuing JO-IN Forum.

The JO-IN Forum has been created as an ongoing platform for discussion and collaboration among the project participants. The purpose of the JO-IN Forum is to

- Promote international consensus on good practice in the field of corporate responsibility for labour rights in supply chains

- Encourage greater collaboration for the implementation of good practice.

Its agenda includes the following aims:

- Seek common agreement among members on standards and good practice concerning the implementation of codes of conduct and promote this widely
- Be a catalyst for the sharing of learning and good practice between member organisations
- Enable members to exchange advice and information about code implantation issues
- Identify common issues or projects that members wish to collaborate on in order to increase their effectiveness.
- Seek rapid co-operation in order to respond to complaints from workers about employment practices of suppliers to buying companies of more than one JO-IN member organisation.

The scope of activities of the JO-IN forum is

- Organising meetings in which members can pursue the aims of the JO-IN Forum.
- Revising and promoting the JO-IN Code within member organisations and beyond.
- Identifying collaborative initiatives that two or more members wish to develop and implement. This includes co-ordinated action to address complaints of poor labour practices in the supply chains.
- Lobbying on issues that are in the common interest or all members of JO-IN.

While JO-IN members are encouraged to use the forum to collaborate, the JO-IN Forum itself will not be used as the management committee or governance structure for any joint projects that emanate from the group. Those will be governed through the individual members' own organisations. JO-IN is not registered as a separate legal entity and cannot raise funds or employ staff. It has been decided that during 2008 membership shall be restricted to the existing JO-IN partners who choose to co-operate.

The International Advisory Panel that was established for the JO-IN Turkey Project will continue to advise JO-IN on policy matters of international significance.

These arrangements will be reviewed in 2009.

The priorities of the JO-IN Forum in 2008 will be

1. To conclude incomplete elements of the Turkey project by September 2008 in order to maximise opportunities for learning from the project
2. To collectively review the Draft JO-IN Code and to establish a JO-IN Reference Code. This process was started at a workshop in Geneva in 2008 and will involve experts from the ILO and the JO-IN International Advisory Panel. The purpose of reviewing the JO-IN Code is to establish a reference code that JO-IN organisations will strive to incorporate in their own codes and that may also impact more widely on others deploying codes to reinforce worker rights..
3. Five of the JO-IN organisations are in the process of reviewing their own organisation codes or have plans to review them in the course of 2008. The review of the JO-IN code is envisaged as the first step to drive convergence in the revision of each member's individual codes. Further co-operation to ensure consistency in this process will be explored.

In principle, JO-IN partners are also interested in further exploring collective approaches to improving respect for Freedom of Association and the Right to Collective Bargaining through the Forum.

## **4. LEARNING BY DOING**

### **Competitive Collaboration**

From early in the project, Steering Committee members found themselves on the horns of a dilemma. As noted earlier, the project had been designed with twin aims:

1. To deploy and to examine the practical effectiveness of co-operation between the six code initiatives to improve the lives of Turkish garment workers.
2. To bring the various organisations into a common reference frame in order to advance understanding of code compliance development through this closer co-operation and shared learning from one another.

Constant 'interference' occurred between these twin aims, as preparation for on-the-ground activity inevitably raised issues considered to be of structural or 'political' significance to one or other of the participating organizations. At times the intended open exchange of experience became a dogged defence of entrenched organizational positions. As a result, considerable project time was consumed throughout by the need to fashion a 'liveable' consensus between the various code organizations around issues and approaches within the project that were discovered to be charged with a higher level of significance.

On June 11<sup>th</sup>-13<sup>th</sup> 2005, a meeting was convened at the M.I.T. in Boston, USA, under the tutelage of a pair of professional facilitators (the project's first independent Chairperson, Alan Roberts, having resigned in the previous December). By that time the project had already been under discussion for two years and four months, funding had been raised, terms of reference agreed for the participation of brands and their suppliers, local stakeholders contacted and research undertaken into the situation in the Turkish garment sector. Under pressure to clarify their goals, the Steering Committee finally enunciated a more focused plan – to concentrate cooperation between the participating organisations on the remediation of the three most difficult code elements.

Considerable assessment of auditing technique and its problems had already been undertaken by other researchers and all the organizations had an interest in defining good practice without any proprietary complications. Although this solution was probably the only way to move the collaboration forward, it did damage the standing of the project in the eyes of the brands and suppliers, who had hoped for a concentration of effort on fewer codes, fewer monitoring systems and perhaps fewer code implementation organizations to simplify a crowded and costly market in social compliance. The shift of focus onto the controversial supplier issues of freedom of association, working time and wages led to an almost catastrophic fall-off in the number of willing participant factories. But it did also allow the over-riding objective of collaboration between the project organizations to survive.

## **Project control**

### **- Timing**

Delays, occasioned by the need for each organization to establish its own principled position in relation to every new aspect of the project, disrupted actualization on the ground in Turkey. The need to induct three different project managers in the course of the project and the inevitable ‘bedding in’ period that followed each new appointment also caused a lot of delay, as did getting the participation of brands and suppliers. Discussion and micro-management of assessment protocol drafts, terms of engagement, and key principles bogged down the Steering Committee for months and years. Baseline assessments were undertaken almost four years after the project was first discussed. The supposed focus of the revised project – comparison and testing of a menu of remediations - was so constrained by time that proper testing was impossible. There was no time to develop balanced alternative scenarios for specific problems that might have allowed a comparison to be made as to which approaches showed greater effectiveness. The outcomes of most remediation work were in any case unlikely to become visible or measurable by the time re-assessment work had to be undertaken.

Overall it is also evident that the project plan was just too ambitious, given the realities of ideological differences and key players geographically separated by continents and by heavy travel schedules. As a result, timelines were established that were not realistic to deal with the broad-ranging and important issues that the group tried to tackle.

### **– Staff burn-out**

This situation had its effect also on the project staff. Three International Project Managers (IPM) had to be recruited in the course of three years and three months. All complained of the strong tendency of the Steering Committee to micro-manage every aspect of the project work and felt undermined by it.

The natural expectation of each IPM was that they were hired to transform into action the overall strategy of the project within the guidelines well established by the Steering Committee, but that executive decisions would be left to them. Absorbed as they were by the considerable challenges of maintaining momentum on the ground, the wider reality of the project – what might be termed ‘Getting to know you’ – was less appreciated by the IPM’s. At root it seems to have been the project design itself that was at fault. The attempt to pursue twin aims in tandem – the global collaboration agenda alongside the local cooperation in practical remediation – was too broad a spread to be handled within a single project scope. The strain on staff resulted from the need to manage a local project in place while the broader exercise in inter-organisational collaboration was played out at the level of the Steering Committee.

### **- Audit quality**

The assessments and re-assessments showed a capacity problem in the auditing profession in Turkey that has come to be accepted as a given by many observers of social compliance monitoring worldwide. The first round of assessments was conducted by professionals recruited from the general social compliance marketplace, yet the gaps in reporting around issues of freedom of association, for example, and the difficulties encountered in marrying off-site with on-site data mirror criticisms that are fairly widespread in the industry. Time pressure on audit days was less intense in this project than in many standard code audits, yet there appeared to be insufficient time for in-depth reporting of the type originally envisaged by the Steering Committee. Desk research conducted into previous audit reports at the factories showed that these often presented shortcomings that were at least as serious as those present in the first JO-IN baseline assessments. This also suggested that perceptions of inadequacy were mostly a reflection of a general problem in the industry. Nevertheless, the hand-picked team of experts that undertook the re-assessments produced considerably more profound results in less time.

One probable reason for this was the assumption by the first assessment team that certain industry non-compliances were so much a part of local industrial culture as to be beyond redress and therefore irrelevant to the assessment. By contrast, the members of the second, re-assessment team were specifically selected for their knowledge of and regular application of international standards in a variety of national environments. This underlines the difficulties inherent in calibrating an equivalent approach to international standards among

different local audit teams and mirrors a common problem facing global brands that are effectively seeking risk assurance across a geographically and culturally diverse range of suppliers.

## **- The Big Picture**

Clearly something much bigger than a development project in a single country was happening here. The participant organizations were settling into a new cooperative mode and establishing their credibility towards one another and towards their constituents via this project. In the long view, the time taken up by discussion of principles was time well spent. Agreement on fundamental compromises and learning to dialogue with one another in a measured and meaningful manner was a necessary step to cooperation. To forge ahead and risk moving key players out of their organizational comfort zone would have been the greater calamity. This basic work will not have to be done again and it has created a launch pad for future activity among and between the code organizations. The decision to seek continuity through an ongoing JO-IN Forum is a major (arguably **the** major) achievement of this project. The materials developed by and through the JO-IN have started broader debate around a number of key issues for the future development of social compliance. There is a clear potential for this group to build on its 'think tank' potential as a forum in which to debate public policy approaches.

Despite problems of timing, some valuable work has also been completed inside Turkey:

- The beginnings of a dialogue between the social partners was boosted;
- It was proven that the anti-FoA culture among hard-pressed entrepreneurs can be impacted by a focused discussion that relates the issue to their real problems;
- Communications were opened between local stakeholders and the project organizations that will continue and can form the basis of future work;
- Local brand staff have achieved a better understanding of the complexity of social relations in production and will approach their task with a broader brush in future;
- A message of hope was given to Turkish workers that their struggle is not invisible and that there are allies who can help

## **Governance and Stakeholder Involvement**

The decision by a group of multi-stakeholder organizations to exclude from direct management of the project the key interested stakeholders – brands, suppliers, unions and NGOs – seems at first sight a contradiction. On the other hand, this would likely have falsified the contact between the MSIs and the campaign organizations and might well have prevented the intimate discussion on content during which new inter-organizational relationships were forged.

As it was, there was some tension during the project on the part of both local and international stakeholders at being 'shut out' of key operational decisions, despite the fact that many of the international stakeholders are already members of boards of governance of the relevant MSIs. Although stakeholder consultation guidelines were drawn up as early as September 2003, as a framework for consultation, the LWG was not formally established until September of 2006 after complaints about poor information flow from the JO-IN were voiced. Local stakeholders, unused to social dialogue, had earlier refused any common platform. Thanks to consistent work by local staff, local brand representatives and the MSIs sufficient interest and confidence was built over the period to turn this thinking around. Equally, it was often difficult to get necessary feedback from local stakeholders at key moments.

At international level, trade union and brand representatives who had largely devised the JO-IN draft code on behalf of the Steering Committee, felt that they were not being kept in the loop on an issue that was of major importance to them. The International Advisory Panel was created to meet this need and its role in counselling the Steering Committee – especially in regard to possible future cooperation – proved its worth.

## **The Limits of Influence**

By contrast, the limits of MSI influence over their brand members were quite well demonstrated by this project. Despite entreaties from the Steering Committee for brands to bring pressure to bear upon their Turkish suppliers to participate in the project, there was a clear decision by the concerned brands not to 'strong arm' the suppliers

with whom they had close ties to force their participation. Over-reliance on this route to ensure supplier involvement in the project was at least one reason why it proved impossible to attract a more extensive and representative cohort for this study. Originally the project had envisaged a clear set of priorities by which supply factories would be chosen for participation:

- Membership of MSIs (preferably more than 2)
- Integrated facilities - vertical manufacturing
- Mix of current and potentially new suppliers
- Unionised and non-unionised sites
- Growing rapidly and expected to be at less risk of downturn at end of MFA
- Sites where the brands differing levels of influence but nevertheless where we believe there is leverage (longevity, size etc)
- Cyclical nature of supply (seasonal product vs flow production)
- Variety of sizes (small, medium and large), including formal and informal
- Logistics (concentrated area)
- Local stakeholder involvement (including workers)
- Some in response to a complaint
- Unauthorised suppliers/subcontracting

In the outcome, the project was confined to just six residual factories. The need to keep these factories in the project also at times constrained the Steering Committee's choices.

### **Purchasing Practices and 'Living Wage' Implementation**

As the project progressed, suppliers frequently complained that pricing pressure from buyers' purchasing departments clashed with the sometimes expensive requirements of social compliance officers. Given a choice, suppliers had to favour price over compliance to stay in business in an increasingly competitive global market. Initial research undertaken by the ETI and submitted to the Steering Committee summarized the following reasons advanced for this situation:

- Lack of long-term and/or direct relationships with suppliers
  - Switching frequently between suppliers
  - Withdrawing from suppliers when labour-standard violations are discovered, instead of working with the supplier to become compliant
  - Sourcing through agents and mid-chain suppliers who do not provide information on suppliers and workers down the chain
- Demands for increased levels of flexibility/seasonality
  - Affecting suppliers' ability to provide secure and regular employment
  - Influencing levels of overtime and undermining code requirement for voluntary overtime
  - Forcing suppliers into outsourcing labour or using informal or contract labour
  - Increasing costs for suppliers (e.g. higher number of smaller shipments, air shipments rather than sea shipments)
- Shortening delivery times
  - Short delivery times resulting in increased levels of overtime
  - Placing same-day orders (most common for air-freighted fresh produce) creates erratic and unplanned overtime for workers in pack houses
- Lowering price and price negotiations
  - Lowered price can result in
    - Reductions in wages
    - Not remunerating overtime at premium rate
    - Cutting corners in health and safety
    - Outsourcing labour (e.g. using contract labour)
- How prices are negotiated can also have an impact

- Using online auctions puts suppliers in tough competition on price, but without ensuring that labour standards are met
- Using price-cutting promotions to hit the supermarkets' sales targets or demanding complex packaging and labelling requirements without paying more, both leave suppliers to bear the cost of lower prices paid.
- Decision-making processes/critical path management
  - Changing and delaying samples without extending shipping deadlines, often results in excessive overtime and sub-contracting
  - Breaking agreed orders at the last minute forces suppliers to turn to wholesale markets.

The ETI document suggested a variety of practical responses to these problems:

- Relationships with suppliers
  - Make 'good or improving labour standards' an equally important criterion to quality and delivery in selecting and assessing suppliers.
  - Give approved suppliers – with good or improving labour stands – preferred supplier status and work towards buying only from approved suppliers (and supporting them in the approval process)
  - Build stable long-term relationships with suppliers, so they have the incentive to invest in improving labour standards – and if meeting those standards requires higher prices, continue to source from that supplier
  - Support suppliers where necessary in building their managerial capacity, and ensure that workers benefit from any productivity improvements
  - Give suppliers opportunities to provide feedback on the pressures that they face without jeopardising their contractual relationship.
- Minimising the impact of flexibility and seasonality
  - Increased sophistication in forecasting to reduce last minute demands
  - Separate forecasting from buying teams alone
  - Increase use of 'when it's gone, it's gone' promotions
  - Managing production outside supplier peak periods
  - Using IT tools
- Setting and sticking to realistic delivery times
  - Ensure that internal procedures for placing orders do not create excessive or un-agreed time pressures for suppliers
  - Share order-scheduling information with suppliers to enable them to plan better
  - Repay the costs incurred by suppliers due to significant delays and changes made by the buying company in the process of placing orders.
- Negotiating fair prices
  - Full cost models by buyers – e.g. taking into account impact on customer services teams of particular products etc
  - Modelling supplier costs – to identify if a supplier is pricing a product too low
  - Open book accounting and price engineering
  - Ensure that pricing is compatible with the supplier meeting international labour standards, including:
    - Where the risk of price fluctuations is carried by the supplier, pay a price that reflects that additional risk;
    - Ensure that price negotiation methods do not undermine the feasibility of the supplier complying with those standards
- Improving the decision-making process/critical path management
  - Better understanding of the costs of failure in the supply-chain clarifying roles and responsibilities
  - Improving communication among all those involved in the buying process
  - Simplifying decision-making

- Segmentation – sourcing complex products from local and/or tried and tested suppliers
- More active enquiry from suppliers – proactively seeking clarification
- Cultural training for buyers
- Organisational culture shifts to support all of the above
- Considering organisational integration for buying teams
- Ensuring in-house expertise on ethical issues, and making those staff equal in corporate hierarchy to buyers
- Training buyers to be aware of the possible impacts of their negotiations on labour standards.
- Changing performance assessment/ incentive system to include elements such as: innovation, quality, ethical standards, team working
- Developing good, open long-term supplier relationships

Flagged up for future study was the concept of a ‘social compliance premium’ payable by brands to fully compliant suppliers. The key issue for compliance, however, would be to find or to create mechanisms by which any price premium could be shown to be demonstrably passed on in improved working terms and conditions.

While there was no clear agreement over what constitutes a ‘living wage’, there is no doubt that the levels of wages paid in most of the Turkish garment industry do not meet the criteria of supplying sufficient income to meet the basic needs of the average worker and her/his dependents. Any successful compliance programme will need to address this unalloyed fact without prevarication or confront the reality that global sourcing will seek out lowest cost producers wherever they may be and will inevitably leave economic and social disarray in its wake, to be addressed as a development issue. In this scenario, social compliance would be no more than the band-aid that may help alleviate the worst excesses of an amoral market system.

### **Future Development of Code Implementation**

Any response to the latter situation requires the rapid development of empowered social and economic mechanisms that can assist government in negotiating a forward strategy for those parts of industry that can survive the global competitive onslaught alongside an alternative deployment plan for those that cannot. Key among these mechanisms are the self-defence organizations of labour. If social compliance can do one thing to ease the shift in global sourcing patterns, it will be to facilitate the creation of democratically governed worker organizations that can help secure a place for the working population in the design of future development options.

The results of work around freedom of association issues and findings from the separate research studies on sub-contracting and industry structure, complaints and grievance systems, and on wages, all tend to the conclusion that the traditional patterns of compliance monitoring are not sufficient to change workplace culture against the pressure of global economic imperatives. Workers’ freedom to express their needs to their employer without fear and to negotiate over improvements in their quality of life is at the heart of social compliance. Yet the exercise of that freedom is severely constrained even in the top tier suppliers, after many years of social compliance inspections. While the research into conditions among lower level suppliers did find that brand approved (‘OK’ed’) factories tended to be better than non-associated factories, it also described an overall industry scenario where these specks of hope were swamped in a sea of 80 per cent unregistered workers who have no social security benefits and no right to join trade unions. Complaints mechanisms of the brands and MSIs were found to be too remote from workplace realities, while the absence of any functioning grievance system at the factory, coupled with the weakness of the trade unions in the sector, leaves the average worker virtually unprotected. Finally, poverty level wages showed an actual declining trend against inflation under downward pricing pressures from global buyers.

This project marks a common recognition by the code implementation bodies that they need to operate on a broader canvas. The outcome is all the more hopeful in that it has been arrived at jointly and shows every sign of developing a joint approach towards the strategic awakening that is urgently needed.

**STAKEHOLDER COMMENTARY** (to come from feedback process)

## **Appendix 1**

### **Joint Initiative on Corporate Accountability and Workers' Rights Draft Code of Labour Practice**

#### **A. PURPOSE**

This Code of Labour Practice and the accompanying implementation framework address labour practices and working conditions in the manufacture of garments and athletic footwear. It sets out the rights of workers and responsibilities of companies in a common framework aimed at improving, monitoring and verifying the labour practices and working conditions in production facilities.

This Code of Labour Practice specifies minimum requirements to enable a company to:

- a) develop, maintain, and enforce policies and procedures in order to manage labour practices in their own operations and in those of their suppliers, contractors, subcontractors and licensees;
- b) take identifiable and credible steps to demonstrate to interested parties that policies, procedures and labour practices comply with the provisions set out in this Code.

Companies to which this code applies assume responsibility for ensuring that these policies, procedures and practices are at a minimum consistent with international labour standards and international human rights and to respect the principles contained in the following international instruments:

ILO Convention 1 (Hours of Work - Industry)

ILO Conventions 29 and 105 and Recommendation 35 (Forced & Bonded Labour)

ILO Convention 81 (Labour Inspection)

ILO Convention 87 (Freedom of Association)

ILO Convention 98 (Right to Collective Bargaining)

ILO Conventions 100 and 111 and Recommendations 90 and 111 (Equal remuneration for male and female workers for work of equal value; Discrimination in employment and occupation)

ILO Convention 122 (Employment Policy)

ILO Convention 131 (Minimum Wage Fixing)

ILO Convention 135 and Recommendation 143 (Workers' Representatives)

ILO Convention 138 & Recommendation 146 (Minimum Age)

ILO Convention 154 (Collective Bargaining)

ILO Convention 155 & Recommendation 164 (Occupational Safety & Health)

ILO Convention 159 and Recommendation 168 (Vocational Rehabilitation & Employment/Disabled Persons)

ILO Convention 175 (Part time work)

ILO Convention 177 and Recommendation 184 (Home Work)

ILO Convention 182 and Recommendation 190 (Worst Forms of Child Labour)

ILO Convention 183 (Maternity Protection)

ILO Convention 190 and Recommendations (Safety and Health in Agriculture)

Universal Declaration of Human Rights

The United Nations Convention on the Rights of the Child

The United Nations Convention to Eliminate All Forms of Discrimination Against Women

The provisions in this Code of Labour Practice constitute minimum standards only. One of the purposes of this Code is to promote strong local governance of the employment relationship at the point of production in accordance with international labour standards, the relevant national legislation and collective agreements governing production facilities in the garments sector.

This Code is a private mechanism for regulating labour practices and promoting respect for international labour standards in supply chains in the garment sector. It is not a substitute for international intergovernmental cooperation or international labour standards. Nor is it a substitute for national law and the enforcement thereof or for systems of industrial relations (involving trade unions and collective bargaining). Where national and other applicable law and the workplace standards in this Code address the same issue, the provision that is the highest workplace standard will apply.

Notwithstanding the above, the provisions in this Code assume that companies in the supply chain comply with the law and that work is performed in the context of a legally recognized employment relationship, or by persons who are legally recognized as self-employed. Where this is not the case, measures should be taken to bring the employment relationship within the legal and institutional framework since this Code should in no way be regarded as a substitute for, or replacement of, national law and national institutions.

## **B. SCOPE**

The Company to which this code applies, be it a brand, factory or production facility, recognizes its responsibility for all workers in the supply chain involved in the production of items that the company manufactures, merchandises or retails, whether or not such workers are direct employees of the company concerned, of suppliers, of licensees, of contractors and sub-contractors, or are themselves independent subcontractors (including home workers (1)). It encompasses all workers in the supply chain regardless of their employment status.

*(1) For the purposes of this Code, the term “supplier” will mean any enterprise that provides the Company with the final product or with materials or products used in the final product; the term “licensee” will mean any enterprise who as part of the contractual arrangement with the Company uses the name of the Company or its recognized brand name; the term “contractor” will mean any enterprise that contracts with the company to perform work or provide services; the term “subcontractor” will mean any enterprise or independent person who contracts with the contractor, with a sub-contractor or with an agent of the contractor or subcontractor (such as is often the case of home workers).*

Every company to which this code applies has the responsibility to ensure that all work that it has the ability to directly control is performed under conditions that meet the provisions of this Code of Labour Practice. Every such company is obligated to take identifiable and credible steps to ensure that all work performed by its suppliers, contractors and sub-contractors is also performed under conditions that meet the provisions of this code of labour practice. This obligation extends to these suppliers, contractors and sub-contractors, and any work which they may in turn sub-contract. In other words, the obligation of an enterprise to ensure that labour practices and working conditions in its suppliers, contractors and/or sub-contractors meet the provisions of this Code shall be extended in such a way as to cover the entire supply chain, regardless of where an enterprise may be relative to other enterprises in any supply chain.

## **C. WORKPLACE STANDARDS**

### **FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING (Relevant ILO conventions are: No. 87, 98, 135 and 154 - Relevant ILO Recommendation 143)**

The right of all workers to form or join trade unions of their choice and to bargain collectively shall be recognised and respected. The company shall recognise the trade union(s) of the workers' choice. The company shall adopt a positive approach towards the activities of trade unions and an open attitude towards the organisational activities of workers.

No worker, or prospective worker, shall be subject to dismissal, discrimination, harassment, intimidation or retaliation for reason of union membership or participation in trade union activities.

The company shall ensure that workers' representatives have free access to all workplaces to carry out their representation functions and shall not, without justification, impede access for union organisers to employees.

### **FORCED LABOUR**

**(Relevant ILO conventions are: No. 29 and 105 - Relevant ILO Recommendation: No. 35)**

Forced labour, that is any work or service exacted under the threat of penalty or for which the person concerned has not offered himself or herself voluntarily including prison and bonded labour, shall not be used. Workers shall not be required to lodge 'deposits' or identity papers with their employer and shall be free to terminate their employment after reasonable notice. Workers shall be free to leave the factory at all times and the freedom of

movement of those who live in employer controlled residences shall not be restricted.

### **CHILD LABOUR**

**(Relevant ILO conventions are: No. 138 and 182 - Relevant ILO Recommendation No. 146 and 190)**

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

The company shall establish, document, maintain, and effectively communicate to personnel and other interested parties policies and procedures for remediation of children found to be working in situations which are prohibited by the ILO Convention No. 138 and Convention No. 182. The company shall provide adequate, financial and other, support to enable such children to attend and remain in education until no longer a child.

The company shall not expose young workers under the age of 18 to situations in or outside of the workplace that are likely to jeopardise their health, safety or morals. This includes night work.

### **NON-DISCRIMINATION**

**(Relevant ILO conventions are: No. 100, 111 and 183 - Relevant ILO Recommendation: No. 90 and 111)**

The company shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, discipline, termination of employment, retirement or any other terms of employment based on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, pregnancy, family responsibilities, trade union activities or membership, disability or age.

The company shall not interfere with the exercise of the rights of workers to observe tenets or practices, or to meet needs relating to on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, trade union membership, disability or age.

Women and men shall receive equal remuneration for work of equal value, equal evaluation of the quality of their work and equal opportunities to fill all positions open. No behaviour that is sexually coercive, threatening, abusive or exploitative, including gestures, language and physical contact, shall be allowed.

The right of all individual men and women to decide freely the number, spacing and timing of their children, to attain the highest standard of sexual and reproductive health and to make decisions concerning reproduction free of discrimination, coercion and violence shall be fully respected. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees. Workers will not be forced or pressured to use contraception. Companies shall provide appropriate services and accommodation to women workers in connection with pregnancy, childbirth and nursing.

Workers shall have all entitlements and protection provided in national law and practice with respect to maternity. Workers taking maternity leave shall be entitled to return to their employment on the same terms and conditions that applied to them prior to taking leave and they shall not be subject to any discrimination, loss of seniority or deduction of wages. While an individual is absent from work on maternity leave, the company must not give her notice of dismissal or give her notice of dismissal at such a time that the notice would expire during such absence.

### **WAGES**

**(Relevant ILO conventions are: No. 95 and No. 131. Relevant ILO Recommendations are: No. 131 and 135)**

Workers shall have the right to a living wage. Wages and benefits paid for a standard working week shall, as a floor, always comply with all applicable laws, regulations and industry minimum standards and shall be sufficient to meet basic needs of workers and their families and provide some discretionary income. The level of wages and benefits will be reviewed on a regular basis. Freedom of collective bargaining will be respected.

Deductions from wages shall not be made for disciplinary purposes, nor shall any deductions not provided for by national law be permitted without the

express written permission of the worker concerned.

All workers shall be provided with written and understandable information about their employment conditions, including wages and benefits, before entering employment. The particulars of their wages shall be provided to the workers concerned for the whole pay period each time they are paid.

Remuneration shall be rendered either in cash or check form, in a manner convenient to workers. Wages and other benefits shall be paid on a regular and timely basis.

## **WORKING HOURS**

**(Relevant ILO conventions are: No. 1)**

The company shall comply with applicable laws and industry standards on working hours, whichever offers greater protection. The regular workweek shall be as defined by law but shall not exceed 48 hours. Workers shall be provided with at least one day off after each six consecutive days of work, as well as public and annual holidays. All overtime work shall be voluntary, shall not be demanded on a regular basis, shall be reimbursed at least at such a premium rate as required by law and under no circumstances shall exceed 12 hours per employee per week.

In those countries where a premium rate for overtime is not legally required, workers shall be compensated for overtime at a premium rate at least one and one half of their regular hourly compensation rate.

## **HEALTH AND SAFETY**

**(Relevant ILO conventions are: No. 155 - Relevant ILO Recommendation 164)**

The company, bearing in mind the prevailing knowledge of the industry and of any specific hazards, shall provide a safe, hygienic and healthy working environment and shall take adequate steps to prevent accidents and injury to health arising out of, associated with or occurring in the course of work, by minimising the causes of hazards inherent in the working environment.

Men and woman workers shall not be exposed to hazards, including glues and solvents, which may endanger their reproductive health.

The company shall appoint a senior management representative who will be responsible for the health and safety of all workers, and be accountable for the implementation of the Health and Safety elements of this code.

The company shall establish a safety and health cooperation committee with worker representative participation. All workers shall receive regular and recorded health and safety training, and such training shall be repeated for new and reassigned workers. A worker shall have the right to remove herself or himself from imminent serious danger.

The company shall establish systems to detect, avoid or respond to potential threats to the health and safety of all workers.

The company shall provide, for use by all workers, access to potable water and clean toilet facilities, and, when necessary, suitable facilities for food storage.

The company shall ensure that accommodation, where provided, is clean, safe, and meets the basic needs of the workers.

**Employment relationship**

Work performed must be on the basis of a recognised employment relationship established through national law and/or practice.

The obligations to workers under labour or social security laws, and regulations arising from the regular employment relationship, shall not be avoided through the use of labour-only contracting, subcontracting or homeworking arrangements or through apprenticeship schemes where there is no real intent to impart skills or to provide regular employment. Nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

### **Abuse**

Every worker will be treated with dignity and respect. The company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion, threats of physical abuse, unusual punishment or discipline, sexual or other harassment, intimidation and verbal abuse. Such conduct shall give rise to disciplinary or other action in accordance with established procedures

#### **D. IMPLEMENTATION OF THE CODE OF LABOUR PRACTICE**

An implementation system is a necessary, integral and inseparable part of a Code of Labour Practice. Elements of an implementation system at the level of the Company or of its suppliers, contractors and sub-contractors shall include a commitment to the Code and communication thereof, a management system, internal monitoring, worker education and training, independent verification, a complaints mechanism and public reporting.

It should be noted that as of the date of approval of this draft code, there is no consensus among the participating organizations as to the proper design or usage of each element outlined above, nor of whether the combination of those elements is in and of itself sufficient to achieve the Code's objectives.

Determining the most effective means of code implementation is a central subject of the Turkey Garment Project and the trials that will be conducted in the course of the project. It is expected that the project will yield substantial insight on this subject and on the different elements of code implementation outlined above.

A Company to which this Code applies will utilize a comprehensive implementation system to implement this Code of Labour Practice. This may be the one the company is currently employing, or one of the implementation systems advocated by the organizations participating in the project.

## Appendix 2

### JO-IN Re-Assessments Synthesis Report, November 2007 (All participant suppliers included)

Current Situation Regarding Known Issues Identified in Original Assessments								
Indicator	U	V	W <sup>3</sup>	W 2,3,4,5	X	Y <sup>4</sup>	Y1	Z
Cooperation	OK	OK	OK	OK	Refused employee interviews due to claimed production disruption	Proven 'coaching' of employees	Proven 'coaching' of employees	Refused off-site interviews
Production Data	Refused	OK	Company does not produce itself, but gave full data on output from contractors	OK	OK	OK	OK	OK
Operating licence	No	OK	OK	No	OK	OK	No	OK
Outsourcing	Small use of approved sub-contractor only	Some Good data provided. Some homeworkers	Extensive. Full data given		Only approved sub-contractors used	Some unauthorised sub-contracting claimed and suspected.		Increasing production in Moldova and Bulgaria. Downsizing Turkish factory. (12% reduction in one year), plus two new in-house sub-contractors
In-House Sub-contracting	No	No	Yes - two	These companies are In-house sub-contractors		Now merged	In-house contractor now merged	Two new in-house sub-contractors apparently without social compliance oversight.
Overtime working	Limited OT exceeds daily limit when worked	Some mandatory OT  Some reports of working	Some excessive OT  Some mandatory OT	Some excessive OT  Some mandatory OT	Some excess OT but correct payments	Third payroll covers irregular OT hours		Some improvement in overtime levels attributed to introduction of 'Lean'

<sup>3</sup> This supplier operates with 4 very small sub-contractors (W2, W3, W4, W5) on the premises

<sup>4</sup> This supplier operates with its major sub-contractor (Y1) on the premises

		through breaks						production  Workers claim 'Lean' working has increased stress and working through breaks  Unpaid training time still a problem
Apprentices	OT worked by apprentices – no change	Apprentices work same hours as other workers	Some excess hours worked	Some excess hours worked		Apprentices work as other workers	Apprentices work as other workers	N/A
Verbal Abuse	Some reports (New Issue)	No	No	No	Some reports (New Issue)	Specific reports – no change	No	Supervisors shouting at workers due to productivity stress
FoA	Worker rep system in place. Management seeking FoA training for workers. No written procedure.	Positive attitude to improvement at management level and functioning representative system	Little awareness. Recent selection of worker reps (not free election) Recently introduced grievance system	Little awareness. Recent selection of worker reps (not free election) Recently introduced grievance system	Positive on FoA training  Recently freely elected workers committee  No special role training given. Poor feedback	Elections for Worker reps held in May 2007/ Workers mostly aware.  Not very effective.	Workers not aware of any elections for worker rep.  No effective system.	Most workers interviewed do not remember any trade union election taking place. No regular information flow. Widespread dissatisfaction with union protection.
Path for Grievances	Some via supervisors; some via worker reps	Worker reps	Supervisors		Some problems	supervisors	Supervisors. Inappropriate grievance system	No change – still via supervisor rather than union.
Wages	LMW paid Company awaiting assistance via JO-IN to raise productivity in order to increase wages	Wages correctly paid and understood by workers  No real increase	On time payment.  No real increase.  No 'favouritism' observed.	No real increase. Some irregularities on OT payments (New Issue)	No real increase.  Workers still don't understand very complicated system of payment	No real increase.  Payment regularity improved. But some sub-minimum wages paid. Triple book-keeping		Above LMW., No evidence of claimed sackings and re-hirings at LMW.  CBA bonuses recently paid in part – rest

								outstanding since 2005  Delayed severance payments
Social security payments/Registration	<b>Compliant</b>	<b>Compliant</b>	Double books – social security paid on minimum wage only	Double books – social security paid on minimum wage only		Triple book-keeping	Triple book-keeping	No social security payments made since May 2003
Annual Leave	No annual leave committee (New Issue)	No Annual leave committee (New Issue)	Some irregularities (New issue)	Some irregularities	Some holiday irregularities. No annual leave committee			Still complaints regarding annual leave arrangements
Production Stress	N/A	Best 'Lean' system observed but still using incorrect downtime measurements, leading to increased working tempo	N/A	N/A	Complaints regarding stress due to 'Lean' production methods	N/A	N/A	Poorly administered 'Lean' system causing increased work stress  Terminations increased due to business reasons
OHS Issues	OHS Committee functions poorly. Many ohs issues noted. (New Issue)		Several OHS problems and incorrectly structured ohs committee	Several OHS problems and incorrectly structured ohs committee	Several new OHS issues; No crèche facility on site	Incorrect and non-functional OHS committee  Several ohs problems	Incorrect and non-functional OHS committee  Several ohs problems	Several systemic health & safety problems noted – e.g. absence of records, poor training, missing health checks.