



Global Companies Global Unions !

A Study Circle Leader Guide

**for use
with the ITGLWF video**

Acknowledgements

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Introduction

Globalisation is today the driving force in the world economy. It now affects everyone.

Five years ago there were around 40,000 multinational enterprises with 250,000 subsidiaries worldwide. Today, the number of global companies has increased to 60,000 with more than 700,000 subsidiaries employing 125 million workers.

Nowhere is globalisation more apparent than in the textile, clothing and footwear industries, where production is carried out in 160 countries for export into the markets of only about thirty nations.

As many as ten different countries may have contributed to the production of any single garment we are wearing. The cotton grown in Senegal, spun in Pakistan, woven in Turkey, cut in Germany, stitched in Tunisia, the thread from Ireland, the buttons from China, the labels from Indonesia, the packaging made in Mexico, the garment finished in Malta.

In addition, much of the production is now carried out in Free Trade Zones, where national labour legislation either doesn't apply or is ignored by employers and the authorities. More than 27 million workers are now employed in such zones.

This competition, fragmentation of production and lack of respect for basic worker rights is having a major impact on workers in the sector, presenting major challenges for trade unions, including global union organisations such as the International Textile, Garment and Leather Workers' Federation.

To face these challenges trade union organisation and membership must be expanded and strengthened, the representation of those so organised improved, and every member actively involved in the democratic life of their union. To defend workers' rights in a globalised economy, trade unions will also have to globalise their activities, targeting global companies for organising and bargaining.

The targets should include European, US, Taiwanese and Korean based global companies, including those who contract, sub-contract and licence. The aim must be to build an organising strategy throughout the companies involved, including those in the importing countries, and to seek to conclude international framework collective agreements with each global company.

The real task here is to engage global companies and to make them accountable. While working to secure international framework agreements with such companies, unions need to make full use of the Codes of Conduct that many have adopted to force adherence to international labour standards

Change will have to come at local, national and international level. Indeed, the watchword for the future might be, 'think local, act global – think global, act local'.

In this era of globalisation, there is an urgent need to build strong trade union organisations locally, nationally, regionally and internationally. If this effort fails, exploitation will have free rein and workers will be in real danger of seeing a union-free world – a world of exploitation where young women will continue to drop dead at their machines, where children not much older than babies will toil rather than go to nursery and where global companies will ride roughshod over national governments and the international institutions. Workers cannot afford such failure!

Neil Kearney
General Secretary
ITGLWF

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Global Companies

The global textile, clothing and footwear industry is characterised by complex supply relationships, which exist between different types of multinational companies operating upstream and downstream in what is known as the **supply chain**.

Upstream in this chain there are multinationals which specialize in the manufacture of **raw materials** (e.g. Du Pont (USA) Far Eastern Textiles (Taiwan), yarn and components (Coats plc (UK)), fabrics (Arvind (India); Nien Hsing (Taiwan)) and components (YKK (Japan)).

These supply products to **manufacturers**, which may wholly or partially own their production facilities. Vanity Fair (USA), which specializes in jeans-wear, lingerie and work-wear still owns most of its domestic and overseas production but is constantly restructuring and moving its factories to low cost locations. Levi Strauss (jeans-wear) is another example but increasingly is seeking to **outsource** its work.

The new breed of multinational is the **merchandiser**, which owns marketing and design but subcontracts all of its production to low cost overseas suppliers. In some cases these **suppliers** are themselves multinational operations e.g. Nien Hsing, Tuntex. Some suppliers may be no more than **assembly** operations engaging in what is known as cut, make and trim or **CMT**.

Multinationals in Textiles Clothing and Footwear

		Apparel merchandisers
		Retailers
		Apparel Manufacturers
		Suppliers
		Buying agents/supply chain managers Trading companies/import export firms

Globalisation has also led to the rise of the **multinational retailers**, Wal-Mart, Marks and Spencer H&M, which sell both their own **private labels** as well as those of the **merchandisers** and **manufacturers**. In some cases retailers and merchandisers will enlist the services of multinational **supply chain managers** such as Mast Industries (USA) or Li & Fung (Hong Kong) which can source a complete consignment on behalf of a client from a number of suppliers.

As Naomi Klein says in the video, in today's global market the brand name has become everything.....

"The thinking that has taken hold now is that if you really want to remain competitive what you need isbrand identity, as opposed to the products that you manufacture... And this has profound implications for workers around the world and for labour unions because what it essentially means is that manufacturing ...is just seen as less important for these meaning driven, brand driven companies."

Naomi Klein (Author of No Logo)



So what brands do you produce ?



Activity : Finding out about brands

Aims : to develop an awareness of your company's customers

Task : Bring in as many labels/logos as you can which are used in your factory to attach to the garments/ footwear you make.



If no labels/logos are attached try and find out where your garments are sent to be labeled.

Make a list of the brands/labels and see if you can find out which countries they are sent to and which companies they belong to.

If you are a textile worker, see if you can find out which countries and companies the fabric is sent to.

Enter these in the table below :

Your company's name

Label/ brand	Country of destination	Company which owns the label
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Global Supply Chains

Multinationals in textiles clothing and footwear operate in quite complex relationships with each other. This relationship is often called the **supply chain**.

The product you make may be manufactured on behalf of a **retailer** like *Target*, or *K-Mart* or *Walmart* or a **merchandiser** such as *Nike* or *Adidas*.

The supply relationship here is called **outsourcing**. Here the contractor, i.e. the retailer or merchandiser, subcontracts the work out to a supplier/manufacturer, rather than undertake the work themselves.

In some cases these companies may have direct links to suppliers. In other cases they may go through a **buying house** and/or a **supply chain management company**, which has the contacts to reliable supplier companies.

Let us look at a simple example :

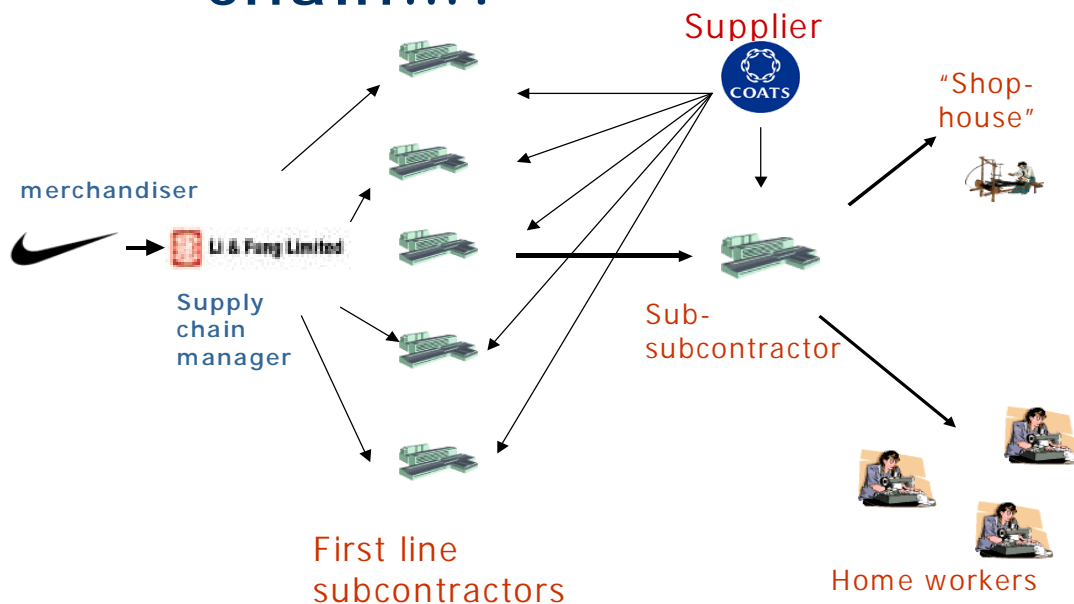
Nike, a merchandiser, may enlist the services of a supply chain manager like **Li and Fung** which in turn has contacts with hundreds if not thousands of supplier companies. Li and Fung may split the order for, say, sports apparel between 5 **sub-contractors** in 5 different countries in order to meet deadlines and source different markets.

Nike and **Coats** have a co-sourcing agreement whereby any goods made on behalf of **Nike** must be assembled using **Coats** thread. So each sub-contractor will be contractually bound to take supplies of thread from **Coats**.

The sub-contractors may themselves outsource or **sub-subcontract** part of the garment assembly such as embroidery or stone-washing to a specialist company, or quite simply to a factory which can do the work more cheaply. Some work may be put out to **home-workers** or small workshops.

Your company could be part of an overall supply chain which might look like this one below, in which it becomes increasingly difficult to find out how workers are being treated.

The subcontracting chain....



In the video we can see how this translates geographically in the case of a pair of jeans carrying the **Lee Cooper** label. Sold in the UK these jeans are assembled in Tunisia from components which come from all over the world.

Activity : Mapping your company in the supply chain

Aims : to develop an awareness of your company's position in the global supply chain

Task : Look at the diagrams on pages 9 and try to build a similar picture starting with your factory in the middle. You will need to ask questions at work to find out where the raw materials come from and where the finished product goes to.

Ask your management for final destination information or check with the transport department. You will need to put names and paces in the boxes as far as possible.



Bangladeshi workers at a shirt factory in an Export Processing Zone

It's a case of almost the dog chasing its tail. Today it might be Vietnam. Tomorrow it's Cambodia. The day after it's Laos. Wherever it's possible to get the cheapest labour costs, that seems to be where the new kings of industry, that is the retailers and merchandisers, are hunting for their produce.

Neil Kearney



During the last 20 years there has been a massive movement of jobs from the North to the South. But the intensity of the global competition is such that the newly created jobs in some countries are now being replaced by even lower paid jobs **within** the developing world. And it's not just a question of wages. Unfortunately for reasons we can understand, a greater problem is the absence of trade unions representation and collective bargaining. For multinationals one of their aims is to find a workforce that is easily exploitable.

In an effort to encourage foreign capital, governments throughout the world have set up Export Processing Zones. Fenced and guarded they often offer foreign investors zero taxes and substantial subsidies. Many exempt employers from national employment laws & health and safety regulations. It is estimated that 27 million people currently work in over 1000 EPZ's in more than 80 countries. Inside people are working up to 15 hrs a day. They are overwhelmingly female and young and subject to draconian discipline. Basic rights are routinely denied.



An EPZ in El Salvador



The giant Ramatex plant in the newly created EPZ in Windhoek , Namibia. Thanks to proactive organising on the part of the union there all the first intake of workers –some 1800 have become members.

Ramatex is an example of a multinational, which is exploiting the provisions of the US Africa Growth and Opportunity Act passed in 2000 which permits textiles and garments to be exported from sub-Saharan Africa to the USA quota and duty free providing they use US and African made textiles and/or yarn. The company, Malaysian in origin and with a track record of anti union policies has helped itself to generous subsidies offered by the Namibian government in return for the creation of several thousand jobs. As the company commenced recruitment, young women trainees have been forced to take pregnancy tests, have been subjected to bullying by their trainer/managers and have a struggle on their hands to form themselves into a union. In addition many inhabitants of Windhoek are concerned about the environmental impact of this factory complex on the overall water supply and services.

They don't know about the unions because they are young and usually the employers pay for this type of worker because they are obedient and don't think about unions....

*Akiko Gono : Regional Secretary
ITGLWF Asia Region*



Activity : Organising Young Workers

Aims : To get you thinking about ways of reaching young workers

Task : Discuss the following in small groups

What specific ideas do you have for making your trade union attractive and relevant for young women

Without doubt organising succeeds best when there are issues which affect the workers you are intending to organise. Most certainly there is no shortage of issues along the supply chains of the major multinationals in our sector .

Let us look at some of these issues in a bit more detail



Women workers line up in a garment factory in El Salvador

Activity : Why we need to organise 1

Aim : to develop an awareness of wage exploitation in the supply chains of multinationals

Task : The diagram below details the number of steps required to assemble a garment in a factory based in an Export Processing Zone in the Dominican Republic and the time allowed for this

Look at the information and then answer the questions underneath

Anatomy of a Nike Children's Sweatshirt



5 Steps



11 Steps



6 Steps



Total time allowed

6.6 minutes



Sent to the Dominican Republic for assembly

Source : National Labour Committee

If the hourly rate in the EPZ in the Dominican Republic is 70 cents How much on average does a worker earn for each sweatshirt made?

The sweatshirt retails in the US for \$22.99

What does a worker earn expressed as a percentage of the retail price?

Activity : Why we need to organise 2

Aims : to develop your problem solving skills

to get you to think how local problems can be tackled globally

Task : In the video you have heard about Peter Kavundi.

Here is Peter's story.

Peter worked as a sewing machinist in a company called J.A.R., which opened in a new Export Processing Zone in Nairobi, Kenya to take advantage of the Africa Growth and Opportunity Act.

JAR has over 1000 workers and produces jeans with the Jordache and Gasoline labels. Peter is a member of the Textile and Tailors' Union of Kenya and has been assisting the union in its efforts to organise the workforce. After collecting more than 500 signatures and achieving the required percentage to trigger the recognition procedure, the company began to harass Peter.



Peter Kavundi goes through the list of new members with John Nyandiga , General Secretary of the Tailors and Textile Workers Union of Kenya

First they try to query his efficiency and quality at work but on both counts he was able to hold his own. At the same time management began to intimidate his fellow-workers, threatening to sack them if they do not resign their union membership and offering money to those who revoked their membership.

One morning at 9:30am the production manager approached Peter at his workstation, accompanied by 2 policemen who roughly manhandled him upstairs to an empty room in the factory where he remains detained under armed guard all day without lunch until 4.30 pm. Then he was driven to police headquarters, where he and a

He then has to spend a night in a police cell before being released following protests by his General Secretary to the Ministry of Labour and pressure from the national trade union centre.

Peter was informed that he had been sacked.

Task :

If we are to do something for Peter and maintain pressure in this recognition campaign what action should we take

- at local / national level
- at regional level
- at international level

what further information are you going to require to assist you in this?



Activity : Why we need to organise 3

Aims : to develop an awareness of the exploitative nature of the supply chain in textiles clothing and footwear.

to give you practice in working with figures

Task : Look at the example below and try and work out what you earn per item or part item you make. In some cases you may know because you are paid by the piece.

Try and find out what the ex factory price of the item is. The try and find out the retail price.

Divide your pay

- a) by each piece
- b) by the ex factory price
- c) the retail price

Anatomy of a \$100 track shoe



What is being done ?

The ability of multinationals to pass the responsibility for wages and working conditions down the supply chain has its limits. The disclosure of major human rights abuses and violations of trade union rights by trade unions and NGOs (non governmental organisations) has forced those multinationals, which subcontract their production to issue their own corporate codes of conduct in an effort to get their suppliers to agree to certain minimum employment standards.

Crucially, these codes are unenforceable. Often they have not even been translated into the local language or even made available to the workers. They rarely make reference to the freedom of workers to organise trade unions or the need to pay all workers a “living wage”. They will involve some form of internal **monitoring** process by which management substantiates that it operates according to the code laid down by the client or prime contractor, and an external audit involving an inspection by a third party – a process known as **verification**.

The **International Labour Organisation** has attempted to provide a legislative framework by establishing a number of minimum labour standards which have been adopted, but not always implemented, by most countries in the world. The key elements are:-



- **Freedom to join trade unions**
- **Freedom to bargain collectively**
- **Ban on slave and bonded labour**
- **Ban on Discrimination**
- **Elimination of Child Labour**
- **Payment of a Living Wage**
- **Limits on working hours**
- **Decent working conditions**

International Framework Agreements

Because the only dependable way to ensure a decent employment relationship for workers along the supply chains of multinationals is through recognised trade unions and collective bargaining rather than through monitoring and verification, it is vital that we enter into dialogue with global companies to establish International Framework Agreements. The purpose of these agreements is not to deal in detail with the issues that have to be negotiated locally. Their function is to provide the framework to enable such negotiations to commence and to proceed, concentrating primarily on freedom to organise and the right to bargain collectively.

Such agreements, which exist in other industries, have already been negotiated in our sector but this has generally been at a level **above** the enterprise :



In Europe, for example, there is the multi-employer charter negotiated between the **ETUF-TCL**, the European regional organization of the ITGLWF and **EURATEX** – the European employers association for the textile and garment industry.

There is the **FIFA** code negotiated FIFA and representatives of the international trade union movement, from the International Confederation of Free Trade Unions **ICFTU**, the International Textile, Garment and Leather Workers Federation **ITGLWF**, and the International Federation of Commercial, Clerical, Professional and Technical Employees (**FIET**). This code was intended to apply to employers via the World Federation of Sporting Goods Industries. (**WFSGI**)

There is the multi employer **Australian Home-workers Code of Practice** negotiated between the Textile Clothing and Footwear Union and representatives of the retail and manufacturing sectors.



Triumph International's Code of Conduct

Based on the

“Corporate Image of TRIUMPH INTERNATIONAL”

and the “Charter of the European Social Partners of the Textile-
and Clothing Sectors”

the Management of TRIUMPH INTERNATIONAL

and the European Works Council of TRIUMPH INTERNATIONAL

Framework agreements negotiated above the level of the company and plant can assist affiliates but are difficult to implement and need focussed application in each enterprise for them to be effective.

One example of an agreement being negotiated with a specific company is **Triumph International**.

Although it is referred to as a ‘code of conduct’, the Triumph agreement was negotiated following sustained campaigning by the **ITGLWF**, the IGMetall (our German affiliate), and NGOs – in particular the Clean Clothes Campaign – to cease production in Myanmar (Burma), where the military regime has repeatedly violated workers rights particularly in relation to freedom of association, collective bargaining and forced labour.

In addition to requiring multinationals to disclose the locations of all their suppliers, adherence to international framework agreements would place a condition on all contracts between a multinational and its suppliers - large and small, worldwide and local to abide by a schedule of agreed labour standards and undertake to correct any breaches in those standards.

The full text of the Triumph and the ITGLWF draft international framework agreements can be found in the Annex.

Using Framework Agreements



Bangladesh garment workers hold a union meeting

The **ITGLWF** believes that the most effective way to advance and protect worker rights and terms and conditions at work is through strong trade union organization. International framework Agreements could assist us in organizing workplaces so that employers have to engage in collective bargaining. On the other hand, we may need to have good trade union organization in order to force multinationals to concede to an international framework agreement.

Activity : Developing an Organising Strategy

Aim : to develop your ability to think strategically

Task : In small groups discuss the following question

How would you see an international framework agreement being used to assist national trade unions to organize workers?

What would be the key steps in an organizing strategy

International Framework Agreements— Some principles

1. They should be **negotiated** (in the case of multi stakeholder initiatives there should be bona fide trade union involvement).
2. They should be as **representative** as possible of those workers affected by its terms.
3. They should **disclose** the **locations** of owned production and those of suppliers, licencees, subcontractors and franchise holders.
4. They should contain a schedule of employment norms or **standards** to which each party mentioned in 3. above is expected to adhere. This should at least be **based on the ILO Conventions and OECD guidelines**.
5. Primacy of place should be given to the principles of **freedom of association** and **collective bargaining** as the most effective method for dealing with employment relations issues along a supply chain.
6. There should be a **management implementation system**.
7. There should be a **procedure for monitoring** the application of standards.
8. There should be a procedure for **independently verifying** the information provided by the monitoring process.
9. There should be a periodic **impact analysis** and a procedure for **corrective action**.
10. Provision should be made for at least one **annual review meeting** to establish an **ongoing dialogue** between senior management of the multinational and the relevant trade union body or bodies – usually the ITGLWF and/or its regional body and where appropriate one or more affiliates represented in the headquarters of the MNC.

ITGLWF Policy on Multinational Enterprises



The **ITGLWF** will:

- promote cooperation between affiliates dealing with the same multinational enterprises;
- in conjunction with its regional organisations, develop a dialogue with multinational enterprises with a view to concluding international framework agreements relating to trade union organisation and collective bargaining as well as to information and consultation rights;
- promote the creation of world-wide company councils within individual multinational corporations;
- actively participate in the debate on the social responsibility of business;
- seek to be represented where standards of implementation, monitoring and verification of codes of conduct covering labour practices are set;
- exert pressure on multinational manufacturers, merchandisers and retailers to set down guidelines on workers' rights for their own operations and for those of their suppliers, contractors and sub-contractors, such guidelines to reflect all of the fundamental principles of the ILO, including the right to form trade unions and to bargain collectively and preferably be in the form of a framework agreement negotiated through the trade union movement, or, where this cannot be achieved, in the form of a multi-party sponsored corporate code of conduct reflecting all of the fundamental principles of the ILO;
- encourage affiliates to make use of such framework agreements and codes of conduct as a tool for organising workers and improving working conditions;
- campaign to ensure that a uniform approach is adopted to the content of codes of content, and that companies adopting such codes put in place a system of implementation, internal monitoring and viable independent verification, with regular impact assessments;
- campaign to ensure that codes of conduct are not used as a substitute for effective labour legislation, nor as an alternative to union organisation;
- demand that companies externally sourcing their production provide full disclosure of their suppliers worldwide.

Useful addresses

International Textile Garment and Leather Workers' Federation,

Rue Joseph Stevens 8
1000 Bruxelles
Belgium
www.itglwf.org

Tel. 00 322 512 2606

International Confederation of Free Trade Unions

International Trade Union House
155 Boulevard Roi d'Albert
1210 Brussels
www.icftu.org

International Labour Organisation

CH-1211
Geneva 22
Switzerland
Tel : 00 22 7997912
www.ilo.org

Trade Union Advisory Committee to the Organisation for Economic Cooperation and Development

26 Avenue de la Grande Armée
75017 Paris
France
Www.tuac.org



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