

**ILO-OECD Roundtable on  
Responsible Supply Chains in the  
Textile and Garment Sector**

# **SESSION SUMMARIES**

**29-30 September 2014**

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International  
Labour  
Organization



This document serves as reference material for the ILO-OECD Roundtable on Responsible Supply Chains in the Textile and Garment Sector taking place in Paris on 29-30 September 2014.

It has been prepared by the ILO and the OECD and it contains summaries of the following sessions as well as background reading materials:

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Organization

The International Labour Organization (ILO) is a specialised agency of the United Nations, with 185 member States and a unique tripartite structure providing a platform to advance decent work for women and men through the promotion of rights at work, decent employment opportunities, enhanced social protection and strengthened dialogue on work-related issues. The Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration) was adopted by governments, workers' and employers' representatives and comprises recommendations addressed to enterprises, governments, and employers' and workers' organisations. Its principles are based on international labour standards and cover the areas of general policies, employment, training, conditions of work and life, and industrial relations. The ILO Helpdesk for Business on International Labour Standards provides assistance to business on how to align their policies and practices with principles of the MNE Declaration.

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The OECD Guidelines for Multinational Enterprises are recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from adhering countries. They are the most comprehensive set of recommendations on responsible business conduct promoted by governments in existence today, covering all major areas of business ethics, including information disclosure, human rights, employment and industrial relations, environment, bribery and corruption, consumer interests, science and technology, competition, and taxation. The Guidelines are also the only government-backed international instrument on responsible business conduct with a unique implementation mechanism.

[mneguidelines.oecd.org](http://mneguidelines.oecd.org)

## Principle resources

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The session summaries for this event build on the following instruments and resources.

- *OECD Guidelines for Multinational Enterprises*, OECD Publishing, (2011). <http://mneguidelines.oecd.org/text/>
- *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)-4<sup>th</sup> Edition*, ILO, (2006). <http://www.ilo.org/mnedeclaration>
- *ILO Helpdesk for Business on International Labour Standards*, ILO. <http://www.ilo.org/business>
- *Tools and resources for Business on International Labour Standards*, ILO. <http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/lang--en/index.htm>
- *NCP Report on Implementation of the OECD Guidelines in the Textile and Clothing Sector*, French National Contact Point for Implementation of the OECD Guidelines for Multinational Enterprises, (2013). <http://www.tresor.economie.gouv.fr/File/398811>
- *Report on responsible business conduct in the textile and garment supply chain: Recommendations of the Italian NCP on implementation of the OECD Guidelines for Multinational Enterprises*, Italian National Contact Point for Implementation of the OECD Guidelines for Multinational Enterprises, (2014). <http://pcnitalia.sviluppoeconomico.gov.it/en/news/item/301-report-on-responsible-business-conduct-in-the-textile-and-garment-supply-chain>

## Tripartite action at the country level: experience from Bangladesh

29 September 2014, 11:45 – 13:15

Note prepared by the ILO

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### Background

On 24 April 2013 the Rana Plaza building collapsed in Dhaka Bangladesh, claiming the lives of over 1,100 garment factory workers. This disaster, the Tazreen factory fire and other workplace accidents that preceded it brought factory building safety and working conditions in Bangladesh to the attention of the international community and put the spotlight on the government and the international ready-made garment (RMG) sector.

The ILO reacted quickly to the tragedy and deployed a high-level mission to Dhaka to meet with the government and social partners who agreed to address factory safety and working conditions, and to develop a tripartite protocol to ensure compensation to victims of occupational accidents. The **National Tripartite Plan of Action (NTPA) on fire safety and structural integrity** followed, supported by a three year ILO programme (RMGP) to improve working conditions in the RMG sector in Bangladesh. The plan aimed to ensure structural and fire safety inspections for all RMG factories in the country, build occupational safety and health capacity, and provide rehabilitation and training for the victims of the Rana Plaza tragedy.

Several important collaborative initiatives also emerged in response to the tragedy.

- The **Sustainability Compact** between the EU, Government of Bangladesh and the ILO agreed in July 2013, and supported thereafter by the US, builds on measures agreed in the NTPA and seeks to improve labour rights, in particular freedom of association and the right to collective bargaining, as well as working conditions and factory safety. The Compact has assigned a co-ordinating and monitoring role to the ILO.
- The private sector launched initiatives to conduct factory safety assessment and improve building safety and working conditions in the form of the **Accord on Fire and Building Safety**, signed by global unions and over 150 fashion brands and retailers, for which the ILO serves as neutral chair, and the separate **Alliance for Bangladesh Worker Safety** composed of 26 apparel companies in the US which has developed the five-year Bangladesh Worker Safety Initiative, aimed at improving safety in factories used by its members. The ILO, with the Government of Bangladesh and social partners, are coordinating efforts amongst these initiatives, based on a common standard of inspection.
- The **Arrangement and Donors Trust Fund** to pay employment injury benefits to Rana Plaza victims and their families was developed in September 2013 when representatives from the government of Bangladesh, and national and global representatives of the RMG sector, employers, trade unions and NGOs, came together to form the Rana Plaza Coordination Committee (CC), with the ILO as neutral chair. The “Arrangement” established a claims process based on ILO standards on employment injury. The awards, calculated by an independent experts and confirmed by reputable Commissioners, are funded by contributions from any company, organization or individual wishing to support the delivery of financial and medical support to the Rana Plaza families. The Fund is currently short of its estimated target and fundraising is ongoing.

While these initiatives provide grounds for optimism, much remains to be done. For example, ambitious inspection and auditing programmes restrict implementation and compliance follow-ups in order to be effective and, in particular, to reach factories beyond first tier suppliers. Additionally strong coordination amongst the initiatives continues to be needed to achieve synergies and avoid unnecessary overlap.

### Session objectives

This panel will explore how the experience of bringing together responses, strategies and interests of government and industry and labour representatives into a national Plan of Action served to leverage initiatives including by other interested stakeholders, to address deficits in decent working conditions at the sourcing end of the supply chain. This panel will seek to identify lessons learned from the Bangladesh experience for tripartite action elsewhere.

## Discussion questions

- What can we learn from the Bangladesh experience about how tripartite action can mobilise responses outside the country to assist the garment sector in other sourcing places along the supply chain?
- How important is a unified framework for progress in the sector and what lessons can be learned about facilitating alignment of interests among tripartite actors and other interested stakeholders? Is there potential for building such frameworks to achieve progress in other sourcing places where they are absent?
- What does the Bangladesh experience tell us about drivers and challenges in the dynamics toward better coordination among disparate CSR efforts?

## Background resources

- *National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Ready-Made Garment Sector in Bangladesh*, Ministry of Labour and Employment, Government of the People's Republic of Bangladesh, (2013). [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/genericdocument/wcms\\_221543.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/genericdocument/wcms_221543.pdf)
- *ILO, EU, Bangladesh government adopt new compact on garment factory safety*, ILO, (2013). [http://www.ilo.org/global/about-the-ilo/activities/all/WCMS\\_217271/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/activities/all/WCMS_217271/lang--en/index.htm)
- *Improving Working Conditions in the Ready-Made Garment Sector (RMGP) Programme in Bangladesh*, ILO, (2013). [http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS\\_226453/lang--en/index.htm](http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_226453/lang--en/index.htm)
- *Accord on Fire and Building Safety in Bangladesh*, organisation website. <http://bangladeshaccord.org/>
- *Alliance for Bangladesh Worker Safety*, organisation website. <http://www.bangladeshworkersafety.org/>
- *Rana Plaza Arrangement for Payments to Victims*, organisation website. <http://www.ranaplaza-arrangement.org/>

# Textile and garment sector supply chains: challenges and opportunities for responsible business conduct

29 September 2014, 14:45 – 16:30

Note prepared by the OECD

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## Background

The nature, scope and speed of globalization in the past two decades have resulted in far-reaching structural changes to international business presenting new opportunities as well as strategic challenges for enterprises and their stakeholders. At the same time the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the UN Guiding Principles on Business and Human Rights (UNGPs) have introduced new expectations of business to operate responsibly. The textile and garment sector have responded to these expectations, alongside increased pressure from consumers and other stakeholders, through improved risk assessment and management systems, but such efforts have not been without challenges.

## Positive global impacts of the textile and garment sector

The global textile and garment sector has had numerous positive impacts including contributing to increased foreign investment and economic growth in developing economies, technology and skills transfer to emerging economies and the provision of employment to millions of workers globally, particularly women.<sup>1</sup>

## Risks associated with systemic issues

Although the textile and garment sector is an important economic driver it also features several salient characteristics that have the potential to generate social and environmental risk.

- **Complex, dynamic supply chains with a predominant focus in low-income economies** makes risk management and oversight challenging.
- **A strong reliance on low-income, unskilled labour** gives buyers flexibility in sourcing decisions resulting in short-term orders and contracts being favoured over long-term sourcing agreements. Short-term and rapidly changing business relationships reduce incentives to companies to invest resources towards social and environmental compliance at a factory level.
- **The strong seasonal nature of the sector and the quick pace at which products are taken from design to production** contributes to excessive working hours or outsourcing of production to non-certified suppliers during peak demand periods.<sup>2</sup> Furthermore, the low cost and high volume turnover associated with fast fashion can result in negative impacts on the environment including, over-use of natural resources and intensive agricultural practices, high volume pollution, use of chemicals, and discharge through the manufacturing process and landfill waste.
- **The need to keep costs low in order to be competitive on an international market** has resulted in suppliers competing on the basis of price. Down-ward price pressures through the supply chain can result in cost-cutting measures and insufficient investment into safe working conditions, decent, wages, and adherence to national and enterprise social and environmental policies.

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<sup>1</sup> Keane, Jodie and Dirk Willem te Velde *The role of textile and clothing industries in growth and development strategies*, Investment and Growth Programme Overseas Development Institute, (2008).

<sup>2</sup> Merk, Jeroen, *From Code Compliance to Fair Purchasing Practices: Some Issues for Discussion, Paper written for CCC Round Table on Purchasing Practices*, Clean Clothes Campaign, (2005).  
<http://www.cleanclothes.org/resources/publications/05-05-fair-purchasing-practices.pdf>

## Responses to identified issues

Numerous initiatives have been launched in response to these challenges with varying levels of success.

- Buyers have adopted more **robust internal policies that align with international guidelines** and have begun to develop **comprehensive due diligence management systems**.
- International organisations and civil society have partnered with governments in countries with a large manufacturing sector to **strengthen labour policy and regulations**.
- Numerous **multi-stakeholder initiatives** involving government, worker organisations, civil society and industry have been founded to develop collaborative solutions to shared challenges.
- Finally, **consumer education and information provision** on ethical sourcing is contributing to a growing demand for products that are produced in compliance with high environmental and social standards.

## Challenges to progress and responses

While much effort and resources have already been invested in responding to social and environmental challenges, critical questions need to be answered in order to develop a path forward.

- Is additional **clarity and consensus on expectations** needed in the textile and garment sector regarding responsible business conduct in light of the UNGPs, OECD Guidelines, ILO MNE Declaration and various additional existing policies?
- How can extreme variations in **capacity and resource constraints** across different stakeholders and contexts in this field be addressed and responded to?
- How can regulatory oversight and enabling conditions be fostered to strengthen responsible business conduct in this sector?
- How can or should **efforts be co-ordinated** across relevant actors? How should **responsibility be shared** amongst actors within a supply chain, as well as amongst sector peers? How can enterprises collaborate on shared risks while also maintaining accountability over their own risk assessment and management?
- How should **structural challenges** that continue to characterise the sector—dependence on fast production, low prices and unskilled labour—be tackled?

Reflection on the above questions will be instructive in designing new approaches to maximising the benefits and minimising the risks stemming from this sector.

## Session objectives

The objectives of the session include:

- Understand the systemic challenges of the textile and garment sector that impede ethical sourcing.
- Identify capacity gaps in responding to the above challenges.
- Identify best-practices and opportunities for overcoming current capacity gaps.

## Discussion questions

- Given the range of issues to overcome in this sector, where should use of resources be prioritised?
- What have been the underlying reasons for the benefits or shortcomings of existing initiatives?
- What general systemic challenges to the sector are not given enough attention?
- In light of economic realities, will effective reform come from addressing systemic challenges or mitigating the risks that stem from these challenges?

## Background resources

- *ILO Conventions and Recommendations*, ILO. <http://www.ilo.org/normlex>
- *ILO Global Dialogue Forum on Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries (23-25 September 2014)*, ILO. [http://www.ilo.org/sector/activities/sectoral-meetings/WCMS\\_241471/lang--en/index.htm](http://www.ilo.org/sector/activities/sectoral-meetings/WCMS_241471/lang--en/index.htm)
- ILO Resource Guide on Occupational safety and health in the textiles, clothing, leather and footwear sector, ILO. [http://www.ilo.org/safework/industries-sectors/WCMS\\_219033/lang--en/index.htm](http://www.ilo.org/safework/industries-sectors/WCMS_219033/lang--en/index.htm)
- *Better Work Programme*, organisation website, <http://betterwork.org/global/>
- *Environmental and Social Management Systems (ESMS) Implementation Handbook –TEXTILES & APPAREL*, The International Finance Corporation, World Bank Group, (2014). [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/publications/esms\\_implementation\\_handbook-textiles\\_apparel](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/esms_implementation_handbook-textiles_apparel)
- *Guiding Principles on Business and Human Rights*, Implementing the United Nations “Protect, Respect and Remedy” Framework, United Nations Human Rights Office of the High Commissioner, United Nations, (2011). [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)



## Role of the state to protect: enforcing the law and implementing international standards

29 September 2014, 17:00 – 18:45

Note prepared by the ILO

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### Background

The responsibility rests with the State to ensure the protection of the rights of workers to decent working conditions, safe and healthy workplaces and well-functioning industrial relations, through the enactment of national laws and the effective administration and enforcement of those laws. The government fulfils this role through adoption of necessary legislation and the development of labour administration and labour inspection systems, to which all enterprises operating in their territory are subject. In many parts of the world, however, government systems and national laws are insufficient to meet the regulatory and enforcement challenges presented by complex supply chains that often involve multiple layers of subcontracting crossing state boundaries. Due to a variety of pressures and incentives, many enterprises sourcing from contractors in countries that lack sufficient laws to protect worker rights, or capacity to administer and enforce them, have put in place private verification and auditing systems in response to those pressures. In such cases, suppliers are obliged to obey national law as well as comply with the buyers' requirements which, although prevalent in the textile sector's extensive supply chains, have not prevented the persistence of poor working conditions.

The state's obligation to respect and protect human rights and fundamental freedoms and to prevent human rights abuses by third parties, including abuses of workers' rights, is well recognised under international human rights law and international labour standards. The State's duty to protect is reaffirmed in the first pillar of the UN Guiding Principles for Business and Human Rights (the UNGPs) and in the ILO MNE Declaration. States are also encouraged under the MNE Declaration, the OECD MNE Guidelines, and the UNGPs to set clear expectations for businesses to respect human rights in their activities abroad.

Subcontracting and outsourcing practices have grown because they can create efficiencies and reduce costs, as well as shift to subcontractors the responsibility for compliance with state regulation including of workers' fundamental rights, terms and conditions of work and social security. This business model often fosters a race to the bottom and the bottom is often located in states with inadequate laws to protect workers and/or the lack the capacity to enforcement them. The economic importance of the sector in providing employment and revenue in some countries can further lead to less stringent action in response to violations by States with an interest in supporting the industry.

Consequently, States with important supply chain activity are confronted with many challenges in carrying out their role to administer and enforce laws and implement international standards in such areas as occupational health and safety, collective bargaining, wages and hours, immigration, child labour, taxation, social security, and non- discrimination. These include:

- how to draft laws that are responsive to the compliance challenges presented by supply chains;
- how to apply existing laws when contracts extend beyond state borders; how to effectively enforce regulation of this business model ;
- how to utilize government incentives, such as licensing and permitting authority, public contracting authority, trade agreements and treaties;
- how to exercise the primary role of the State while recognizing the complementary role of private standards of conduct, voluntary and mandatory, related to corporate responsibility, to achieve compliance with public regulations;
- how to effectively engage workers and employers and their representatives to meet the challenges presented by often complex and attenuated supply chain relationships.

Past and ongoing approaches, including collaboration among governments and between public and private actors across the supply chain will be considered in exploring effective practices in such situations.

## Session objectives

This session will discuss state responses and strategies needed to strengthen the role of the State in protecting workers' rights by meeting the challenges presented by complex supply chains in the textile and garment sector.

## Discussion questions

- Are there ways in which states that regulate enterprises upstream and states that regulate enterprises downstream in the supply chain can work in collaboration to achieve compliance along the supply chain and fulfil each state's duty to protect?
- How can states more effectively leverage private incentives and private interventions to make progress on labour law compliance challenges?
- What are some innovative state regulatory, enforcement and compliance responses to the compliance challenges presented by complex supply chains in textiles and garment sectors?

## Background resources

- *Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework, Pillar 1: State Duty to Protect*, United Nations Human Rights Office of the High Commissioner, United Nations, (2011).  
[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
- *OECD Declaration and Decisions on International Investment and Multinational Enterprises*, OECD.  
<http://www.oecd.org/daf/inv/investment-policy/oecddeclarationanddecisions.htm>
- *ILO Resource guide on labour inspection*, ILO.  
<http://www.ilo.org/public/english/support/lib/resource/subject/labourinsp.htm>
- *Labour administration and labour inspection, General Discussion at the 100th Session of the International Labour Conference (June 2011) of the ILO*.  
<http://www.ilo.org/ilc/ILCSessions/100thSession/on-the-agenda/labour-administration/lang--en/index.htm>
- *Public labour inspection and private compliance initiatives: Trends and issues – back group report prepared for the meeting of experts on labour inspection and the role of private compliance initiatives (ILO, Geneva, 10-12 December 2013)*. [http://www.ilo.org/labadmin/events/WCMS\\_230788/lang--en/index.htm](http://www.ilo.org/labadmin/events/WCMS_230788/lang--en/index.htm)

## Due diligence in the textile and garment sector

Note Prepared by the OECD

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### Introduction

Under the 2011 revised OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, enterprises are encouraged to carry out risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts.

Due diligence goes beyond simply identifying and managing material risks to the enterprise itself, to include the risks of adverse impacts that are either caused by or contributed to the enterprise, or are directly linked to their operations, products or services by a business relationship.<sup>34</sup>

The due diligence process generally involves establishing strong company management systems, identifying and assessing risks along a supply chain, designing and implementing a strategy to respond to identified risks, as well as engaging with relevant auditing and assurance as appropriate and publicly reporting due diligence. It is an ongoing and dynamic process.

The social and environmental risks of the textile and garment sector are well documented and include risks related to the following:

- occupational health and safety
- child and forced labour
- contracts and human resources
- labour rights
- discrimination
- wages and benefits
- working time
- responsible water management
- chemical use
- intensive agricultural practices
- pollution and discharge through the manufacturing process
- landfill waste

While the above risks exist throughout the textile and garment supply chain, degrees of risk may vary across business relationships and geographical regions. All responses, however, should address risk at two levels 1) specific incidents or negative impacts should be addressed through risk management and response (e.g. compensation where appropriate, continuing trade through the course of measurable risk mitigation efforts), and 2) the systemic challenges contributing to risks should be addressed through broader management systems (e.g. training for factory management).

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<sup>3</sup> OECD, *OECD Guidelines for Multinational Enterprises*, OECD Publishing. Commentary and General Policies, paragraph 14, (2011). <http://dx.doi.org/10.1787/9789264115415-en>

<sup>4</sup> The term 'business relationship' includes relationships with business partners, entities in the supply chain and any other non-State or State entities directly linked to an enterprises' business operations, products or services.

## A. Creating management systems and adopting policy

30 September 2014, 8:30 – 10:00

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### Background

Creating strong management systems is the first step in creating strong due diligence processes and involves developing the policies, the information systems, operating procedures and training requirements necessary in order to conduct effective due-diligence. Experience has demonstrated that effective management systems go beyond top-down compliance monitoring to also include proactive strategies to address known risks or impacts. Core components of a management system include:

- Adopting and clearly communicating with business partners and the public a **company policy** that incorporates the standards against which due diligence is to be conducted consistent with international standards.
- Promoting employee awareness of company policies and **structuring internal management to support supply chain due-diligence**.
- **Strengthening company relationships with suppliers** to ensure commonality of policies and due diligence practices across business partners.
- **Strengthening company relationships with peer companies and external** stakeholders to collaborate on building common systems, procedures and standards.
- Establishing a company-level, or sector-wide, **grievance mechanism** as an early warning risk-awareness system.

### Approaches to management systems

Company management systems may vary in form and approach according to the culture of an enterprise, its capacity levels, operating structure and the context in which it operates. Some potential approaches are listed below.

- **Alignment of internal business units on responsible business conduct:** Some companies have fostered alignment with standards related to responsible business conduct by linking the key performance indicators of procurement with the key performance indicators of ethical sourcing. Streamlining information systems between units can likewise lead to alignment on goals.
- **Restructuring human resources:** Companies have reported that relationship building between buyers and suppliers is easiest to facilitate when buyers have responsible business conduct staff in supplying countries. In light of this, enterprises are re-evaluating where decision making responsibilities should lie (i.e. at headquarter level or at the regional level) in order to respond to pressing local challenges while also aligning systems across sourcing countries.
- **Strengthening relationships with suppliers:** Establishing strong relationships between business partners throughout the supply chain can be important for operating efficiencies as well as for promoting responsible business conduct. For example, developing long-term relationships with strategic suppliers in order to strengthen communication and trust between business partners can lead to commonality of policies across business partners and continuous improvement towards policy implementation.
- **Capacity building:** Many companies have pursued capacity building initiatives including worker engagement, management training and factory improvement, in order to build the capacity of strategic suppliers to adhere to company policies.

## Challenges

Despite strides made in the sector, and innovative approaches to management systems, challenges do remain.

- **Securing buy-in and resources:** Securing upper-management buy-in and the necessary allocation of human and financial resources across all companies in the supply chain, including retailers, buyers, intermediaries and suppliers, can be difficult. This is particularly true for smaller actors or actors operating with minimal budgets. Furthermore operating in internal or external contexts with a weak culture of responsible business conduct can make securing buy-in and resources particularly challenging.
- **Structural Challenges:** Systemic issues including, insecure relationships between buyers and suppliers due to a reliance on external agents and/or due to frequent shifts in production sites, low levels of awareness amongst workers on their rights, and poor purchasing practices that conflict with commitments to ethical sourcing, can all hinder adherence to policies on responsible business conduct.<sup>5</sup>
- **Lack of consensus on responsibilities:** Currently there is a lack of consensus among buyers, suppliers and external stakeholders on where the burden of responsibility falls for improved labour and environmental conditions. Operational realities on the ground as well as capacity levels should be taken into account when designing and implementing strategies to respond to ongoing risks.

Further knowledge sharing around best-practices in developing and implementing effective management systems is necessary to improve sector environmental and social standards.

## Session objectives

The objectives of the session include:

- Understand the challenges to adopting company policies in the textile and garment supply chain.
- Identify the core components of an effective due diligence management system in the textile and garment sector.
- Identify current capacity gaps and best-practices in establishing and implementing effective management systems.

## Discussion questions

- What are the core components of effective management systems? How do, or should these systems differ across the supply chain, including across brands, retailers, intermediaries, suppliers, raw material production?
- Lack of co-ordination in this sector can result in redundancies, including excessive auditing, overlapping social labelling initiatives and capacity building. How can these responses be better co-ordinated across relevant peer companies and organisations without outsourcing responsibility?
- At a company level, what business units need to be involved in developing and implementing effective management systems and how can adequate buy-in be achieved?
- Certain challenges in this sector cannot be addressed by industry alone. How should companies and other stakeholders, including governments, collaborate to address larger challenges such as assuring inadequate infrastructure, living wage, labour rights and worker well-being?

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<sup>5</sup> See session summary for textile and garment sector supply chains: challenges and opportunities for responsible business conduct (pp 6) and fair pricing and placement of orders (pp 18) for more information.

## B. Risk assessment and management

30 September 2014, 10:00 – 11:15

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### Background

Risk assessment and management includes the process of identifying and assessing risks in the supply chain in addition to designing and implementing a strategy to respond to identified risks and impacts. Risk assessment should be flexible enough to identify new or potential risks in the supply chain due to changes in the political, natural, or operational environment. Failure to detect risk in one instance does not mean that the due diligence systems of an enterprise are not generally effective, but due diligence systems should include a process of lesson learning when risks or other issues are brought to their attention. Due diligence systems should then be flexible and adjusted accordingly to make it more likely to identify similar risks in the future.

The prevalent risks common to poor working conditions or environmental impacts in the textile and garment sector have been well documented; however identifying and responding to specific violations or instances of non-compliance to policies or standards remains challenging. The extent of the challenge forces us to question where the specific shortcomings lie: Do information gaps persist on the identification of risks? Are there challenges with compliance assessment processes? Or is a redesign of approaches to risk management necessary?

### Identification of risks

As noted, while general risks in this sector are well documented, information gaps continue to persist for a number of reasons. For example:

- **Country-specific risk identification:** The global spread of the supply chain across diverse countries makes country-specific risk identification crucial to proper due-diligence. However, while risks within the sector are well documented, region or country-specific risks are may be less understood.
- **Gaps in supply chain mapping:** While supply chain mapping is increasingly becoming common practice within the sector, complexity and illegal or informal subcontracting practices make it difficult to map the most risk-prone business partners.
- **Non-reporting:** Perceived or real threats of negative consequence (e.g. loss of job, loss of purchasing) can lead to non-reporting of impacts, making identification of specific violations of policy challenging.

### Compliance monitoring and assessment challenges

While information gaps present challenges to risk identification, problems with the compliance assessment process can result in a lack of identification of actual impacts on the ground. Presently, supplier audits are the most commonly used mechanism in the sector for identifying and responding to risks throughout a supply chain.<sup>6</sup> However, the effectiveness of supplier audits has been questioned.<sup>7</sup>

- **Misrepresentation:** There are numerous reasons why auditing data may not accurately reflect the situation in a workplace including, workers being prepped by management to provide *correct* responses, lack of freely chosen workers' representatives, announced factory visits, model factories and fraud in accounting and reporting.
- **Limited scope:** The depth of audits can be insufficient to adequately identify risks and impacts. For example, audits only represent a snapshot of a production site at a given time and generally do not

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<sup>6</sup> Within the apparel sector they are used by 53% of companies compared to 29% of companies which use performance incentives and only 15% which rely on corrective action.

*ESG Issue Report: Identifying Environmental & Social Risks in Supply Chains*, MSCI, (2013).

<http://www.forum->

[ng.org/images/stories/Publikationen/msci\\_Identifying\\_Environmental\\_and\\_Social\\_Risks\\_in\\_Supply\\_Chains.pdf](http://www.forum-)

<sup>7</sup> Pruett, Duncan, *Looking for quick fix, How weak social auditing is keeping workers in sweatshops*, Clean Clothes Campaign, (2005). <http://www.cleanclothes.org/resources/publications/05-quick-fix.pdf>

extend to second tier suppliers that may be linked to operations through illegal subcontracts. They may also fail to assess the extent to which respect for freedom of association and the right to collective bargaining exist.

- **Auditing fatigue:** The high-frequency of audits place extensive financial and time burdens on suppliers. However, joint auditing efforts risk outsourcing responsibility of companies and also may not be tailored to their specific policies and priorities.

In addition to rectifying some of these shortcomings auditing mechanisms can be supported by additional measures to improve risk identification and assessment.

### Redesigning risk assessment and management

Compliance monitoring and assessment is a necessary part of risk assessment and management could be combined with other proactive approaches to ensure a more dynamic and engaged risk assessment process. Allocation of resources and time to creating an environment of trust and open dialogue can help enable this type of more dynamic risk assessment and management process. For example:

- **Grievance mechanisms and workers hotlines** are two approaches to providing workers with an opportunity to report impacts without fear of negative consequences.
- **Worker groups and strengthened dialogue between workers and management** may be helpful in establishing increased trust and solutions in the workplace.
- **Training and capacity building** are often used to increase worker and management awareness on worker rights.
- **Assurances against negative economic consequences** such as dismissal or cancellation of orders and contracts based on reporting of violations as well as **dialogue between multinationals and sourcing employers and workers** can represent strategies to strengthen trust and reporting between buyers and suppliers.
- **Global framework agreements** are an instrument negotiated between a multinational enterprise and a Global Union Federation in order to establish an ongoing relationship between the parties and ensure that the company respects the same standards in all the countries where it operates. Global framework agreements have been pursued by some companies, but they are not prevalent throughout the sector.

Furthermore the relationship between impact identification and response could benefit from further examination.

- **Risk assessment tools that take into account the underlying causes of lack of compliance** rather than only target identification of impacts, may help provide guidance for response and remediation strategies, inform proactive initiatives to prevent further risks, as well as provide some guidance as to whom the obligation to respond and rectify should fall.
- **Response strategies to potential risks** that are discussed and negotiated ahead of time with relevant actors can help in assuring appropriate and timely action is taken once negative impacts are identified.

Insights from various stakeholders within this sector will be valuable in identifying the most effective and practical approaches to addressing these issues.

### Session objectives

The objectives of the panel are the following:

- Understand where challenges to risk identification remain and how these can best be addressed.
- Identify the systemic challenges to compliance assessment and management and how these can best be addressed.
- Identify how auditing mechanisms can be complemented with other approaches.

- Identify capacity gaps amongst actors to respond to systemic challenges.
- Identify opportunities for partnerships between stakeholders to promote effective risk assessment and management.

### Discussion questions

- How is social and environmental risk management integrated into broader enterprise risk management and supply chain management systems? Are these risks considered a part of regular risk assessment? Are they emphasised in a separate procedure?
- What are the current capacity gaps that different stakeholders are facing in risk assessment and management?
- We know that collaborative risk management systems do exist. Have these approaches been effective? If so, what are the barriers to increased participation?
- Does the optimal way forward involve working towards addressing identified flaws in auditing mechanisms or prioritising moving beyond auditing to different types of risk assessment?

### Background resources

- *Guiding Principles on Business and Human Rights, Implementing the United Nations “Protect, Respect and Remedy” Framework*, United Nations Human Rights Office of the High Commissioner, United Nations, (2011). [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
- *ILO Conventions and Recommendations*, ILO. <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>
- *Environmental and Social Management Systems (ESMS) Implementation Handbook –TEXTILES & APPAREL*, The International Finance Corporation, World Bank Group, (2014). [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/publications/esms\\_implementation\\_handbook-textiles\\_apparel](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/esms_implementation_handbook-textiles_apparel)



## Industrial relations: freedom of association and collective bargaining

30 September 2014, 11:00 – 13:00

Note Prepared by the ILO

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### Background

The right to freedom of association is particularly relevant to the textile and garment sector given the sector's reliance on low-skilled labour combined with well-documented risks in the supply chain related to occupational health and safety, precarious working relationships, discrimination, unfair compensation, and excessive overtime. The tragedy of Rana Plaza reinforced the crucial need for workers to be able to voice grievances and concerns without the threat of negative repercussions. In this respect, the President of the OECD National Contact Points included the respect of core labour rights amongst his recommendations in response to the Rana Plaza tragedy, and highlighted the promotion of freedom of association and the key role that can be played by workers' organisations in maintaining vigilance over working conditions and the level of safety at the workplace, as well as drawing attention to lacunae in remedial action. The increasing number of reported labour disputes in several textiles and clothing manufacturing countries highlights the need for more mature industrial relations and social dialogue among social partners.

Both the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the OECD MNE Guidelines highlight the importance of respecting freedom of association and collective bargaining for both workers and employers. An overwhelming number of countries have ratified the two core ILO Conventions on the subject: 153 have ratified the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and 164 have ratified the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

Freedom of association and collective bargaining are enabling rights which play a significant role in united action to ensure respect for the three other categories of fundamental rights (freedom from forced and child labour and the elimination of all forms of discrimination), as well as consolidate efforts to ensure safe and healthy working environments. A 2007 joint study between the WTO and the ILO underscored the positive benefits of social dialogue via workers' and employers' organisations, including the facilitation of broad social support for economic reforms as well as more equitable distribution of the burdens and benefits from trade liberalisation. Rights to freedom of association have also benefitted business by increasing worker engagement, resulting in increased quality, productivity and performance.<sup>8</sup> Nonetheless, free trade zones promising union-free environments continue to be defended as a necessary means to attract foreign investors, even though the ILO MNE Declaration and the OECD MNE Guidelines provide that special incentives to attract foreign investment should not include any limitation of these rights.

The numerous obstacles to freedom of association and collective bargaining in law and in practice constitute important challenges to ensuring responsible supply chains in the textile and garment sector. They can impact severely on overall due diligence efforts by multinationals, with negative repercussions on consumer perceptions. The respect for these rights has received heightened attention over the years from many different actors, including from enterprises taking initiatives to actively promote freedom of association and collective bargaining rights in their supply chain.

### Session objectives

With representatives from the key international employers' and workers' organisations (IOE and ITUC), a major multinational player in the garment sector, key thinkers in academic research on industrial relations and the practical on-the-ground experience of an OECD National Contact Point, this panel will aim at airing the major concerns and challenges to making constructive industrial relations a common practice in the garment sector and a consistent part of due diligence processes in the supply chain.

## Discussion questions

- From varying perspectives, what is the value that can be brought to the workplace of freely chosen collective representation and harmonious labour relations, especially in the textile and garment sectors?
- Why are freedom of association and collective bargaining rights often the least supported of the fundamental rights at work?
- What challenges need to be addressed at the national level through legislative measures, enforcement and practical interventions, as well as capacity building for relevant actors?
- What role can enterprises play in supporting freedom of association and collective bargaining?
- How have trade unions and related civil society organisations promoted recognition for these fundamental rights and provided capacity building support to their member organisations?

## Background resources

- *ILO Helpdesk for Business on International Labour Standards: Freedom of Association*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/WCMS\\_DOC\\_ENT\\_HLP\\_FOA\\_EN/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_FOA_EN/lang--en/index.htm)
- *ILO Helpdesk for Business on International Labour Standards: Right to Collective Bargaining*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/WCMS\\_DOC\\_ENT\\_HLP\\_CB\\_EN/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_CB_EN/lang--en/index.htm)
- *Tools and resources for business on freedom of association*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS\\_145017/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS_145017/lang--en/index.htm)
- *Tools and resources for business on collective bargaining*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS\\_144814/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS_144814/lang--en/index.htm)
- *Digest of decisions and principles of the Freedom of Association Committee of the Governing Body of the ILO, Fifth (revised) edition*, ILO, (2006). [http://www.ilo.org/global/topics/freedom-of-association-and-the-right-to-collective-bargaining/WCMS\\_090632/lang--en/index.htm](http://www.ilo.org/global/topics/freedom-of-association-and-the-right-to-collective-bargaining/WCMS_090632/lang--en/index.htm)
- *Report III(1B): Giving globalization a human face* (General Survey on the fundamental Conventions), ILO, [http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS\\_174846/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS_174846/lang--en/index.htm)
- *ILO Conventions and Recommendations: ILO Conventions Nos. 87, 98 and 135; ILO Recommendations 91, 92, 94, 113, 129, 130 and 198*. <http://www.ilo.org/normlex>
- *Wages and Working Hours in the Textiles, Clothing, Leather and Footwear Industries*, ILO, (2014). [http://www.ilo.org/sector/Resources/publications/WCMS\\_300463/lang--en/index.htm](http://www.ilo.org/sector/Resources/publications/WCMS_300463/lang--en/index.htm)
- *OECD Guidelines for Multinational Enterprises, Employment and industrial relations*. OECD Publishing, (2011). <http://mneguidelines.oecd.org/themes/employment-and-industrial-relations.htm>
- *Business & Freedom of Association Briefing, Business and Human Rights Resource Centre*, (2013). <http://business-humanrights.org/sites/default/files/media/documents/business-and-freedom-of-association-briefing.pdf>

## Fair pricing and placement of orders

30 September 2014, 14:00 – 15:30

Note Prepared by the OECD

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### Background

There is increased understanding of the significant role that purchasing practices<sup>1</sup> can play in enabling or hindering improved environmental and labour conditions in the textile and garment supply chain including access to safer working conditions, worker benefits, restrictions on overtime, and reduced environmental impact.

### Risks associated with pricing and purchasing practices

Current prevailing purchasing practices within the textile and garment sector due to fast fashion and low-cost pricing models have been said to generate the following risks:

- Poor purchasing practices—including insufficient lead times, rush orders, and delays—have been demonstrated to result in increased instances of factory overtime or outsourcing of production to non-certified suppliers.<sup>2</sup>
- The push for low cost production has resulted in unstable business relationships between buyers and suppliers as buyers quickly shift production from factory to factory and even country to country in an effort to secure the lowest price point.
- Price pressures are also commonly understood to be a driver behind low wages of workers in this sector.
- Suppliers often posit that the purchasing practices of buyers and the downward push in pricing makes financial investments in improved environmental and labour conditions challenging or even impossible.

### Challenges to fair pricing and fair placement of orders

While these risks are generally well-recognised, significant challenges exist when considering any potential reform of current practices in the sector, most notably:

- **Staying competitive:** Efforts towards what has come to be known as *fair pricing*, or the pricing of products according to operational realities, are said to be impeded by the need to keep costs low in order to be competitive on an international market. This is especially true for large-scale, low-cost retailers that represent a huge market share and rely on a business strategy of cost cutting and economies of scale to provide products at bargain rates.
- **Implementation:** Even if a fair pricing model could be established without negatively impacting global competitiveness it is unclear how this could or should be done in practice. Allowing a top-down approach where buyers set prices they determine to be fair risks failing to take into account local operational realities. An approach in which other stakeholders are engaged in the process could help to ensure operational realities are understood, however pricing issues can be complex and dynamic and thus may be difficult to negotiate multilaterally.
- **Appropriately transferring benefits:** It is difficult to assure that any additional revenue gained through fair pricing will be applied to increased wages for workers, investment in safe working

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<sup>1</sup> Purchasing practices refer to how buying companies organise the ordering, manufacturing and purchasing of their products from suppliers.

<sup>2</sup> Merk, Jeroen, *From Code Compliance to Fair Purchasing Practices: Some Issues for Discussion, Paper written for CCC Round Table on Purchasing Practices, Clean Clothes Campaign, (2005).*  
<http://www.cleanclothes.org/resources/publications/05-05-fair-purchasing-practices.pdf>

conditions, or other needed areas. Likewise modifications to purchasing practices to allow for longer lead times and stability will not benefit workers if such changes result in the acceptance of additional orders rather than reduced rates of overtime.

- **Competition law issues:** Another barrier is the potential for legal issues to arise under competition law. Because several brands often source from a shared supplier, assuring fair pricing and agreement on purchasing practices at a factory level must involve sector –level coordination. Some competition lawyers have advised that such collaboration may be considered a violation of competition law, as it can have impact on prices and therefore result in issues around price fixing. The validity of such concerns has not yet been answered conclusively and could likely vary throughout different legal jurisdictions.

## Potential approaches

Suggested responses to these challenges have ranged from reforming internal company management systems and sector standards to attempting to reform consumer purchasing preferences.

- **Internal alignment:** Greater internal alignment between purchasing and responsible business conduct (RBC) units within buyer enterprises has been said to better ensure that purchasing practices do not inadvertently conflict with the company’s responsible business conduct commitments.<sup>3</sup>
- **Promoting efficiency within purchasing systems:** Streamlining internal communications and decision making processes, ensuring that lead times reflect real manufacturing capacity prior to the placement of orders, and revising production schedules to reflect changes made mid-production cycle are additional strategies for assuring that lead times are realistic.<sup>4</sup>
- **Changing costing models:** Currently, costing models in the apparel sector are based on a model of compound price escalation in which the price paid at each point in the supply chain is calculated based on the price quoted at the previous step, rather than true cost considerations. It has been proposed that changing sector practice in this regard could mean that certain increases in costs, through payment of higher wages for example, would not necessarily result in a significant competitive disadvantage based on pricing.<sup>5</sup>
- **Ethical consumerism:** Studies indicate the movement towards fast-fashion has increased consumer demand for current clothing trends at a low price point.<sup>6</sup> However, it has also been reported that some consumers are becoming increasingly aware of how their consumption decisions impact the environment and workers.<sup>7</sup> For example, 2010 Eurobarometer survey showed that almost 40% of Europeans were willing to pay more for products whose production preserves the environment, respects social conditions or help contribute to development in low-income countries.<sup>8</sup> Reflection is needed on whether socially conscious consumerism represents a niche market, generally limited to upper middle class, or whether there is an opportunity to promote and ingrain these consumer demands more widely.

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<sup>3</sup> Business for Social Responsibility (BSR) (2007), *Beyond Monitoring: A New Vision for Sustainable Supply Chains*. [https://www.bsr.org/reports/BSR\\_Beyond-Monitoring-Report.pdf](https://www.bsr.org/reports/BSR_Beyond-Monitoring-Report.pdf)

<sup>4</sup> *Bridging the Gap Between Commercial and Ethical Trade Agendas, in Ethical trade: shaping a new agenda, Briefing Paper no. 5*. Ethical Trade Initiative (2005). <http://www.ethicaltrade.org/sites/default/files/resources/Bridging%20the%20gap.pdf>

<sup>5</sup> Anne Lally (2012), *Climbing the Ladder to Living Wages*, Fairwear Foundation, <http://www.fairwear.org/ul/cms/fck-uploaded/documents/policydocs/ClimbingtheLadderReport.pdf>

<sup>6</sup> Cachon, Gérard P., Robert Swinney, *The Value of Fast Fashion: Quick Response, Enhanced Design, and Strategic Consumer Behaviour*, The Wharton School, University of Pennsylvania and the Graduate School of Business, Stanford University, [http://opim.wharton.upenn.edu/~cachon/pdf/FastFashion\\_R2\\_v3.pdf](http://opim.wharton.upenn.edu/~cachon/pdf/FastFashion_R2_v3.pdf)

<sup>7</sup> Carrigan, M. and de Pelsmacker, P. (2009), *Will ethical consumers sustain their values in the global credit crunch?*, *International Marketing Review*, Vol. 26 No. 6, pp. 674-87.

<sup>8</sup> (2010), *Special Eurobarometer 357*, European Commission, *International Trade Report*. [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_357\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_357_en.pdf)

Determining the path forward to respond to known challenges and incorporate best-practices will require a critical assessment of which approaches are both realistic and effective.

## Session objectives

The objectives of the panel are to:

- Understand the systemic challenges that are resulting in poor purchasing practices and identify opportunities to overcome these barriers.
- Understand the challenges to establishing a fair pricing model and identify opportunities for the sector to move towards fair pricing.
- Identify best practices to ensure that the benefits of improved pricing and placement of orders are reflected in better environmental and labour conditions.
- Understand the role of consumers in driving prices and discuss best practices for shifting consumer behaviour.

## Discussion questions

- Are we seeing an increase in demand, through increased purchasing, from factories that have absorbed the financial burden of creating safe and healthy workplaces (e.g. Sri Lanka)?
- What are the most realistic solutions to moving towards fair pricing? Changing costing models from compound price escalation to supply chain pricing? Charging a premium to consumers for ethical practices? Increasing efficiency in other parts of the supply chain? Other?
- How can we assure that the benefits of improved pricing and placement of orders are reflected in better working conditions, particularly given the long and often complex supply chains that exist in the textile and garment sector and the fact that single brands generally account for just a fraction of factory production?
- The effects that procurement practices can have on working conditions have been well documented. Furthermore, there are cost benefits to companies that streamline processes to make sourcing practices more efficient and 'fair', yet challenges persist. What are the continued barriers to adopting more efficient purchasing practices?

## Background resources

- *Bridging the Gap between Commercial and Ethical Trade Agendas, in Ethical trade: shaping a new agenda, Briefing Paper no. 5.* Ethical Trade Initiative (2005). <http://www.ethicaltrade.org/sites/default/files/resources/Bridging%20the%20gap.pdf>
- *Climbing the Ladder to Living Wages, An update on FWF's Living Wage research 2011-2012,* Fair Wear Foundation, (2012). <http://www.fairwear.org/ul/cms/fck-uploaded/documents/policydocs/ClimbingtheLadderReport.pdf>
- *Taking the lead: A guide to more responsible procurement practices.* Tradecraft UK, the Chartered Institute of Purchasing and Supply. [http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/policy\\_reports\\_taking\\_lead.pdf](http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/policy_reports_taking_lead.pdf)

## Child labour in textile and garment supply chains

30 September 2014, 15:45– 17:00

Note Prepared by the ILO

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### Background

ILO estimates indicate that globally some 264 million children in the age groups 5-17 are in some form of employment. 168 million of these are considered to be in child labour, accounting for almost 11 per cent of 5-17 year olds. About half of them, some 85 million, are engaged in hazardous work, with serious threats for their physical and mental health.<sup>1</sup>

“Child labour” refers to work undertaken by children below the relevant legal minimum working age, defined by the ILO Minimum Age Convention, 1973 (No. 138), as well as the worst forms of child labour defined by the Worst Forms of Child Labour Convention, 1999, (No. 182). The “worst forms of child labour” comprise: (a) slavery and forced labour, including child trafficking and forced recruitment for armed conflict; (b) the use of children in prostitution and pornography; (c) the use of children in illicit activities; and (d) any activity or work by children that, by its nature or conditions, is likely to harm or jeopardise their health, safety or morals – often referred to as “hazardous work”.

The ILO’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration) explicitly calls upon enterprises to respect the minimum age for admission to work and to take immediate and effective measures within their own competence to secure the elimination of the worst forms of child labour as a matter of urgency.<sup>2</sup>

Child labour is often associated with economic sectors with a high degree of informality. Agriculture continues to be by far the sector with the highest incidence of child labour, accounting for 59 per cent of all those in child labour, equalling over 98 million children. The estimated percentage of child labour in industry (including manufacturing) amounts to 7.2 per cent.<sup>3</sup>

Child labour has been documented in specific stages of the textile and garment supply chain, such as cotton seed production, harvesting, yarn spinning and home work. Moreover there are some specific characteristics that increase the potential of child labour in this sector:

1. Textile and garment supply chains are **primarily sourcing from low-income countries** with high rates of poverty. Low wages for adult workers - and piece rate systems - often lead to children working to supplement family income. In certain cases, especially where birth registration is not universal, children hide their real age or provide counterfeit documents making age verification procedures very challenging.

2. **The reliance on cotton as a raw material: Agriculture is the sector where most of child labour can be found. This sector is characterised by limited** coverage in national labour legislation, many family undertakings with children performing unpaid work in family enterprises or to supplement family production, limited unionisation, low capacity of labour inspectors to cover remote rural areas, continuity between rural household and the workplace, traditions of children participating in agricultural activities from a young age (linked with poor OSH knowledge among parents) make the problem of child labour in agriculture difficult to address.<sup>4</sup>

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<sup>1</sup> ILO (2013), *Marking progress against child labour: Global estimates and trends 2000-2012*, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_221513.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_221513.pdf)

<sup>2</sup> MNE Declaration, para 36.

<sup>3</sup> ILO (2013), *Marking progress against child labour: Global estimates and trends 2000-2012*, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_221513.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_221513.pdf)

<sup>4</sup> *Child Labour in Agriculture*, The International Labour Organization website, <http://www.ilo.org/ipec/areas/Agriculture/lang--en/index.htm>

**3. The use of intricate stitching**, including beading, sequencing, and embroidery, requires work to be done by hand which is often **outsourced to home-based suppliers**. In many cultures children are erroneously thought to be better skilled at intricate stitching due to their small hands. Furthermore, homeworkers often receive piece rates which generate inadequate income to support their families. Work conducted in the home is often informal and therefore difficult to map and monitor.<sup>5</sup>

Business has a critical role to play in understanding how their operations impact children's right to be free from child labour, and in taking measures to avoid negative impacts. There is a growing consensus among different stakeholders including business, that private voluntary initiatives such as codes of conduct and auditing are not enough to institute sustainable, real change in supply chains. Even when social audits are conducted competently, they have little effect in addressing the systemic causes of child labour in supply chains such as inadequate state enforcement of labour laws, limited decent work opportunities for parents, weak education systems, a prevalent informal economy, and a lack of organised worker presence and social dialogue. More and more businesses, industry and employers' organisations, trade unions, civil society organisations and governments are seeking new forms of engagement to address the problem. Partnerships between various actors are increasingly being fostered in an attempt to address these multi-faceted challenges in a more unified and effective manner to make a developmental impact at the country level.

While many businesses, industry initiatives and organisations have accumulated experience in understanding and detecting child labour, addressing it remains a challenge. ILO estimates indicate that the number of children in hazardous work - by far the largest share of the worst forms of child labour - declined by half during 2000 to 2012, from 171 to 85 million<sup>6</sup>. In addition, the decline in all types of child labour was most marked between 2008 and 2012, when it fell from 215 million to 168 million. While this decline is encouraging, eliminating child labour in the near future would require a substantial accelerated effort at all levels.

### Session objectives

The objectives of the session is to generate and share information on innovative approaches and good practices in addressing child labour in supply chains of textiles and garments, and to discuss effective ways for addressing the remaining challenges. The types of interventions needed at different levels of the supply chain, and the roles and responsibilities of each stakeholder will also be discussed.

### Discussion questions

- How can businesses engage with their suppliers and other stakeholders to institute real change in their supply chains?
- Cross-sector and public-private sector collaboration: What are some examples of innovative collaborative approaches in eradicating child labour in the supply chains in the textile and garment sectors?
- What are the responsibilities of governments in addressing the problem? What roles do industry and employers' organisations, trade unions, civil society and other stakeholders play in addressing child labour in the supply chains of textile and garments?
- How can companies in the textile and garment sector combat child labour while at the same time help young women and men secure decent work?
- Child labour is in many cases a systemic (rights-based) development challenge. Does business have a role in addressing broader systemic challenges, and if yes, what would be their specific role?
- Child labour age verification systems: what are their potential and limitations?

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<sup>5</sup> *Homeworker Briefing*, Ethical Trade Initiative (ETI)(2013).  
<http://www.ethicaltrade.org/sites/default/files/resources/Homeworkers%20and%20homeworking.pdf>

<sup>6</sup> Ibid.



## Background resources

- *ILO Helpdesk for Business on International Labour Standards: Business and Child Labour*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/WCMS\\_DOC\\_ENT\\_HLP\\_CHL\\_EN/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_CHL_EN/lang--en/index.htm)
- *Tools and resources for business on child labour*, ILO. [http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS\\_DOC\\_ENT\\_HLP\\_CHL\\_TOO\\_EN/lang--en/index.htm](http://www.ilo.org/empent/areas/business-helpdesk/tools-resources/WCMS_DOC_ENT_HLP_CHL_TOO_EN/lang--en/index.htm)
- *Eliminating Child Labour—Guides for Employers*, available in multiple languages, Bureau for Employer's Activities, ILO. <http://www.ilo.org/public/english/dialogue/actemp/whatwedo/projects/cl/publ.htm>
- *ILO-Global Compact Child Labour Platform*, ILO. <http://www.ilo.org/ipec/Action/CSR/clp/lang--en/index.htm>
- *ILO International Programme on the Elimination of Child Labour*. <http://www.ilo.org/ipec>
- *Minimum Age Convention, 1973 (No. 138)*, ILO. [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)
- *Worst Forms of Child Labour Convention, 1999 (No. 182)*, ILO. [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_ILO\\_CODE:C182](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_ILO_CODE:C182)
- *Report III(1B): Giving globalization a human face (General Survey on the fundamental Conventions)*, ILO, [http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS\\_174846/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS_174846/lang--en/index.htm)







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