

## Chapter 7

# Recommendations

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### 7.1 Brands, retailers and manufacturers

**Brands, retailers and manufacturers should identify, prevent and mitigate risks and negative impacts** in their supply chain, in accordance with the United Nations Guiding Principles on Business and Human Rights.<sup>178</sup> This means that companies need to proactively look into the human rights risks of their activities, including their supply chain and business relations, and develop strategies to address these risks. Due diligence requires that business enterprises have policies and processes in place through which they can both know and show that they respect human rights in practice. Showing involves communication, providing transparency and accountability to individuals or groups that may be impacted, as well as to other relevant stakeholders.

- ❑ **Supply chain mapping:** Brands and retailers should focus on gaining full understanding of their supply chains. This includes second and further tier suppliers, subcontracted units, down to the informal sector. This includes, for example, spinning units both within vertically integrated suppliers and stand-alone yarn and fabrics suppliers. Companies should map their entire supply chain and provide transparency about their supplier base.
- ❑ **Transparency** is an important prerequisite for enabling different actors along the supply chain to address labour rights violations and improve working conditions. Brands and retailers should share information about first- and further-tier suppliers, including factory names, possible alternative factory names, locations, whether they are strategic suppliers, the duration of the supplier relationship, etc.
- ❑ **Identifying risks:** The labour rights and human rights abuses described in this report are not unique to the five spinning mills investigated for this report. Problems relating to forced and bonded labour in the South Indian textiles and garments industry have been known for years. SOMO and ICN have been reporting about these problems for many years, as have other Indian and international NGOs.<sup>179</sup> There is now ample evidence about the widespread labour rights violations that are plaguing the Tamil Nadu textiles and garments industry. In particular, the presence of migrant workers among the workforce and the lodging of these workers in factory hostels should be red flags for companies sourcing from these regions. Hostel workers are in a vulnerable position, as their freedom of movement may be severely restricted. Also, they may be forced to work excessive hours. Needless to say, the absence of contracts between employer and employees, as well as the absence of pay slips, should be taken seriously by buying companies.
- ❑ **Ensure ILO labour standards are adhered to**, with special emphasis on: freedom of association and the right to collective bargaining (ILO Conventions 87 and 98); no use of forced labour, including bonded or prison labour (ILO Conventions 29 and 105). No use of child labour (ILO Conventions

138 and 182); the right to a safe and healthy work environment (ILO Convention 155); No excessive working hours (ILO Convention 1) and; the right to a living wage (ILO Conventions 26 and 131).

- ❑ **Respect for trade union rights.** Buying companies have a role to play in ensuring that independent trade unions can play their designated roles. First and foremost, the right of workers to form and join trade unions and to bargain collectively should be protected and respected. These enabling rights permit workers to defend their rights, voice grievances and negotiate wages, as well as improving recruitment and employment conditions. Buying companies should support and facilitate the training of management, workers and workers' representatives (both separately and jointly) in freedom of association, collective bargaining, labour-management relations, child labour, etc. Such training should be delivered by trade unions or credible labour rights organisations.
- ❑ **Cooperation with other civil society stakeholders:** In order to be able to adequately identify and address human rights and labour rights risks, close cooperation with local stakeholders, such as civil society organisations, is necessary. The complexities of the South Indian textiles and garment industry, where cultural notions may be used to justify the curtailment of human rights, are best understood by local actors.
- ❑ Ensure **the establishment of genuine and credible grievance mechanisms** at both buyer and supplier level. To deal with workers' needs and complaints, grievance procedures should be put in place. Such grievance procedures should meet the following core criteria: legitimacy; accessibility; predictability; equality; compatibility with internationally acceptable rights; transparency. Complaint procedures should provide a basis for of continuous learning and improvement.
- ❑ **Increase leverage:** In addition to cooperation with local trade unions and other civil society stakeholders, cooperation with other buyers is crucial. The average garment company may spread its orders over hundreds of changing suppliers. Long-term relationships with suppliers are rare. Due to these purchasing practices, brands and retailers have seen their leverage vis a vis suppliers decrease. Lack of leverage cannot be an excuse for inaction. If a company lacks leverage, it should take steps to increase its leverage, for example, by joining forces with other buyers, preferably in a multi-stakeholder setting.
- ❑ **Monitoring and improvement beyond first-tier suppliers:** Brands and retailers should accept a broad definition of supply chain responsibility beyond the Cut Make and Trim (CMT) phase to include not only the end assembly phase but also preceding steps, including the spinning and weaving phases. Consequently, social auditing, monitoring and corrective actions should not be limited to the end-manufacturing units, but need to be extended up the supply chain, to the yarn and textile mills, and the cotton fields.
- ❑ Companies should **communicate openly about monitoring and improvement processes;** including reporting about specific audit findings, corrective action plans and progress in action. Companies should facilitate independent verification with strong involvement of trade unions and NGOs.

- ❑ **No 'cut & run':** Buyers should refrain from discontinuing relations with suppliers on the basis of noncompliance. To 'cut and run' is not an effective way of impressing upon suppliers that they should improve labour conditions. It is preferable for a company to first use available leverage, either as an individual company or, if necessary, together with other companies, to ensure that human rights are respected.
- ❑ Multi Stakeholder Initiatives and Corporate Social Responsibility initiatives like ETI and BSCI should see to it that their member companies have proper due diligence procedures in place and implement the codes of the initiatives.
- ❑ Buying companies should – ultimately – **reform their business practices**. The purchasing practices of buying companies should enable – and not inhibit – respect for labour rights at their first- and further-tier supplier. This includes:
  - A pricing policy that takes into account the social and environmental quality of sourced products, enabling suppliers to avoid using child labour and to employ adults instead, offering them a living wage and decent working conditions.
  - Building long-term, stable buyer-supplier relationships.
  - Good 'labour rights sensitive' production planning, including reasonable supply lead times, predictability of orders and minimising last-minute changes.
  - Effective communication with suppliers about specific orders, including required technical skills and capacity.

#### The corporate responsibility to respect human rights also applies to manufacturers:

- ❑ **Supply chain mapping:** Like buyers, manufacturers should gain a full understanding of their supply chains, down to the informal sector. In the case of the researched vertically integrated manufacturers in Tamil Nadu, this is about suppliers of raw cotton, yarn, fabrics or materials and sundries that are not fabricated within their own enterprise. Identifying cotton plantations should be part of this.
- ❑ Manufacturers should **apply supply chain transparency** and publicly share information about their corporate structure, including the precise location of different units. Local garment and textile producers should make available information regarding human resource policies, including information on the size of the workforce, the methods by which workers are recruited, by which brokers, whether the workers are lodged in hostels, the location of such hostels, the number of hostels residents, etc. Up-to-date information about suppliers and buyers should be shared publicly.
- ❑ Local manufacturers should **respect trade union rights**. Independent trade unions should be able to play their legally mandated roles. Freedom of association and collective bargaining are key to ensuring that workers' rights are fulfilled. Manufacturers should allow local trade unions and representatives of local labour groups to have access to workers.
- ❑ Manufacturers should have **genuine and credible grievance mechanisms** in place. Company-level grievance mechanisms are one way for workers to get their problems heard and remediated. Negotiations between trade unions and companies are obviously preferred, but often textile workers in Tamil Nadu do not have access to this option. In the absence of mature industrial

relations, as in the case of the five researched companies, grievance mechanisms are important. The possibility of complaining anonymously and without repercussions is a crucial feature. Grievance mechanisms may never be used to replace the legitimate process of unionisation.

- ❑ Manufacturers should ensure that workers who are accommodated in hostels run by the company and/or on company premises enjoy **full freedom of movement**. Workers should be allowed to go where they want, without chaperones and unhindered. Workers should be allowed to make contact and meet with people according to their own wishes and judgements, including family and friends in the first place, without hindrance or supervision by their employer.
- ❑ Manufacturers should pay a **living wage**. A living wage is a wage paid for a standard working week meeting the basic needs of workers and their families and to provide some discretionary income. Basic needs include costs like housing (with basic facilities including electricity), nutrition, clothing, healthcare, education, drinking water, childcare, transport, and savings. The best way to determine an actual amount is through a continuing process of sound social dialogue between local social partners. The Asia Floor Wage Alliance – an alliance of Asian trade unions and labour groups who have calculated a living wage formula for Asia – calculated that a monthly living wage for India is INR 16,290.96 (€200).
- ❑ Manufacturers should ensure that **social security** obligations are fulfilled. This includes the employer's mandatory contribution to the Employees' Provident Fund and the health insurance scheme ESI. Workers should be informed about their rights and benefits and should be provided with the required information to access these benefits (e.g. PF account number, information about how to gain access to their PF savings).
- ❑ Lump sums built up of withheld wages or Provident Fund contributions are unacceptable. Lump sums can only be acceptable when they are bonuses on top of wages and not linked to restricting freedom to leave.
- ❑ Saving facilities offered by employers to workers can only be acceptable with the free, prior and informed consent of the concerned individual worker. It is important that such saving-schemes are handled by an independent third party.

## 7.2 Governments on the producing and buying end of the supply chain

Governments on the producing and buying end of the supply chain should in the first place ensure that the rights of workers are protected – through appropriate policies, regulation and adjudication.

### The Indian government should:

- ❑ Ratify all relevant ILO Conventions, in particular ILO Conventions with regard to freedom of association and collective bargaining, as well as with regard to child labour.

- ❑ Develop, implement and enforce national labour and human rights laws and legal regulations, in accordance with international norms and standards to address labour issues described in this report. This should include a provision that makes it mandatory for companies to recognise and interact with trade unions. Equally important is an effective labour inspection and oversight of proper functioning of the Employees' Provident Fund Organisation in the interest of workers. After the expected approval by the Indian Parliament of the amended Child Labour Act, the Indian government must implement and enforce the Act and eliminate the use of hazardous girl child labour in the mills.

#### **The Tamil Nadu State Government should:**

- ❑ Adopt a constructive attitude towards the stalled efforts to come to a tripartite agreement on a minimum wage for textile workers.
- ❑ For the protection of textile workers, and in particular apprentices, look into and improve existing labour regulations, e.g. Apprenticeship Act.
- ❑ Play a constructive and facilitating role towards bringing together corporate and non-governmental stakeholders in order to discuss and resolve on-going labour issues in the Tamil Nadu textiles and garments industry.

#### **Governments at the buying end of the supply chain should:**

- ❑ Develop regulations that oblige companies to be transparent about their supply chain and report about their due diligence procedures. To ensure a level playing field, such measures should be taken at the national and European level.
- ❑ Take measures to ensure that companies domiciled in their territory/jurisdiction respect human rights throughout their supply chains. This includes mainstreaming corporate accountability requirements into existing governmental instruments that provide support to companies.
- ❑ Introduce legislation that holds companies domiciled in their territory/jurisdiction accountable for human rights violations throughout their supply chains.
- ❑ Raise concerns on labour rights violations in bilateral contacts with the Indian Government and support efforts by the Indian or Tamil Nadu government to address those.
- ❑ Ensure an effective sector-specific corporate accountability-covenant with business enterprises that operate in the garment sector. Such agreement should be enforceable and based on human rights due diligence processes to identify, prevent, mitigate and account for how they address their impacts on human rights. The covenant should be reached with the involvement of civil society organisations and should include compensation for victims. The corporate accountability agreement should contain mandatory public reporting on the due diligence process, the entire supply chain, production facilities and investments.
- ❑ Facilitate access to remedy, the third pillar of the United Nations Guiding Principles on Business and Human Rights, in countries where brands have their headquarters. This should be a final resort for workers.