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New institutions in the labour market

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

There is widespread agreement today that company codes of conduct and their elaborate monitoring systems, though important, are generally unable to reach beyond the top tiers of global supply chains. There is also general consensus that voluntary codes alone, without management commitment and retraining, have limited impact on factory workers (e.g., Richard Locke's painstaking 2013 study). Private systems have evolved from the auditing-policing model of the late 1990s and early 2000s, to the more consultative and collaborative model of global partnerships and multi-stakeholder engagement of the past 15 years (the Ethical Trading Initiative (ETI), Social Accountability International (SAI), Better Work, the Fair Labour Association (FLA), the Worker Rights Consortium (WRC), and the Alliance and the Accord). Despite these efforts, there has been limited success in enforcing labour protections in the lower tiers of global chains, let alone beyond them. One global trade unionist associated with a multi-stakeholder initiative went so far as to say that the CSR business had done little more than generate a "\$60 billion industry ... Imagine what could have happened if those funds had gone to the workers, we wouldn't still be trying to define what a living wage should look like" (personal interview, Lakshmi Bhatia, 2013, referring to discussions with the late Neil Kearney, former Secretary of the FLA).

At the same time, it is also true that without any private regulation, there would be many more Tazreens or Rana Plazas. Therein lies the dilemma for the

world of private governance: how to ensure a wider socialisation of safe and improved working conditions that can reach further and deeper down the value chain, and even beyond it, in the face of intensified competition, short lead times, low margins, relentless price pressures and the powerful search for low costs.

On the other hand, and despite important advances, national and sub-national governments have also found it equally challenging to enforce or extend formal protections and labour laws to the many tiers of informal work associated with both export and domestic production. Indeed, many countries are caught within dualistic debates about the effects of labour market regulation. Do regulations add to labour market rigidity, and thus “cost jobs”, or does undermining labour welfare undermine the long-term growth of productivity and hence employment? The outcomes of these debates, which turn upon the notion that low factor costs act as a draw for foreign investment, have in fact had the opposite effect of what either side would hope for: weak or passive enforcement of even existing laws and a proliferation of contingent, unprotected, contractual work.

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

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

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

Unions organising informal workers successfully in the face of neoliberal pressures

The first example comes from the recent work of unions, such as the New Trade Union Initiative (NTUI),¹ that have successfully organised informal workers (in

garments, services, domestic work, agriculture) and won important gains for them, despite the prevailing policy rhetoric in favour of market liberalism, labour market reform (loosening of rigid regulations) and the general view that unions are a burden on firm competitiveness in an era of flexible production. But these successes do not track old union expectations of confrontations with management, or of traditional forms of shop floor organising, or of tripartite bargaining. Unions such as NTUI have succeeded by addressing the issue of labour rights in new ways. They reject protectionism as a response to globalisation and hold the view that, given the internationalisation of work, it is the global supply chain, rather than the nation state alone, that is the appropriate arena for organising labour rights: “Effective organisation [today] demands a fundamental realignment of labour to the global supply chain, and not only the nation state.”² This has led the NTUI and its associated unions such as the Garment and Textile Workers Union (GATWU) to focus on two strategies simultaneously. First, they have focused their organising efforts on the first-tier (India-based) suppliers of global brands, rather than third- or fourth-tier suppliers lower down the chain, as well as on stores and outlets of the global brands themselves. Their (aspirational) goal is to ensure a *living* wage at the first-tier level, which they expect will cascade down the supply chain allowing lower tier suppliers to comply with the minimum wage. “If you leave Tier 1 to be minimum wage compliant, you can forget about getting Tier 4 to comply with the minimum” (personal interview with Ashim Roy, 2006). NTUI has also joined hands with other global trade unions to fight for an Asian wage floor to prevent a regional race to the bottom, including joining with the Asian Wage Floor Alliance. Second, even more striking is the path that NTUI (and GATWU) have taken towards shop-floor organising. In its work on the garment sector in Bengaluru, for example, NTUI first began its work *at the level of the community, outside the shop floor*. It built a working women’s non-profit organisation in the garment clusters around Bengaluru and focused its attention on building social alliances with a variety of institutions (universities, local government) to help provide basic services to local workers (water, creches, even proposing to build locally run laundries to help manage the workload of the garment workers in these communities).³ This helped NTUI and GATWU to not only win local trust but also build leadership and organisational capacities among the local garment workers through social engagement and tutelage. Many of the leaders who emerged from this process later went on to organise the shop floors of the firms they worked in. Through their work (and negotiations) on the inside, and cluster-wide protests and picketing of the top tier firms organised by NTUI and GATWU on the outside, the union won important minimum wage raises for *all* workers in the sector, as well as fairer cost of living increments to wages, among other gains in the workplace. While these workplace gains were important, of equal importance to the lives of the workers were the social services that NTUI’s area-based foundation (a separate non-profit) brokered through collaborative alliances, materially improving the quality of life of the women who worked 16-hour shifts in the garment factories.⁴

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

IKEA's area-based (territorial) efforts to upgrade social standards in its carpet belt

A similar area-based approach was followed by IKEA India as it sought new ways to keep its carpet-making factories in North India child labour-free. IKEA's approach was two-fold. First, was to integrate its corporate social responsibility (CSR) and sourcing divisions to ensure that all orders placed were compliant from the start, or that the divisions were working with the suppliers to make them compliant before procurement was escalated. This was in contrast to its earlier (and more common) bifurcated monitoring and policing model that operated independently from sourcing. The second part of their approach was to step away from focusing only on their core suppliers and put the onus on them to be (child-labour) compliant. Rather, IKEA decided to put in place a wider set of alliances that would help them *make all the communities in their entire carpet-making region child labour-free* by trying to remove the incentives among households in the region to put their children to work. To achieve this, IKEA did not simply "throw money at the problem". They built a series of alliances with a variety of actors: university professors, the World Health Organization (WHO) and UNICEF's India offices, other NGOs (non-governmental organizations) and, most importantly, with district administrators and state government officers to bring in a variety of existing programmes related to health, education, school lunches, and social security. They had identified the presence of punishing debt as the deeper, root cause that led families to send their children to work. They worked with the state government and UNICEF (United Nations Children's Fund) to help build self-help groups where, through small savings, local women could accumulate enough to open bank accounts and borrow at lower interest rates to pay off higher debt loans. They also worked with UNICEF to build bridge schools to help prepare the children to get back to school.

This work was not restricted to the home-based workers who were directly employed by IKEA's supplier factories. It involved working with all households in the carpet-making belt – irrespective of their current connection to IKEA's work (as they were all "potential workers"/suppliers). The aim was to help make progress in eliminating (or at least blunting) the conditions in the entire belt that generated the incentives on both the supply and demand side for the use of child labour in production (akin to Locke's (2013) root cause arguments). IKEA did not act alone, but worked with a wide set of partners, including several public sector institutions. The efforts are a work in progress, and have had mixed success, but in the orchestrating of many services and existing public (and multi-lateral) programmes on households in the region, many important benefits were brought to the communities that did not exist before. These have spilled over

widely across the communities in IKEA's supply belt, far beyond specific factories and home-based carpet weavers supplying directly to IKEA or its supply chain. The beneficiaries included all weavers in the region, whether or not they currently supplied to IKEA (based on personal interviews with IKEA's New Delhi office, 2005, 2009).

Networked contracting at the bottom of garment export chains

The final example comes from an experiment in Mewat district, over an hour from Gurgaon and two hours from New Delhi in North India. A novel partnership was forged in this region in 2008–09 when a leading global buyer (Gap Inc.), came together with the government (Ministry of Women and Child Development), a socially embedded NGO (Society for the Promotion of Youth and Masses or SPYM, which had worked with the ministry in the region for 15 years organising local women in self-help groups), and two exporters from the Gurgaon region to connect local home-based hand embroiderers in two communities of Mewat directly with export markets. The arrangement included an attempt to bring the women embroiderers out of their homes and into a community workspace organised by SPYM so as to provide decent working conditions and ensure that they worked in a child labour-free work setting, all within a short walking distance from their homes. The network of collaborators, led by Gap, invited one exporter to become associated with each community. The exporters (who were interested in child labour-free embroidery) agreed to train the workers, place orders, oversee the initial work, pick up the finished work and make regular payments based on the total hours put in and monitor the quality of the work.

Gap and the government oversaw the arrangements mainly to ensure that minimum wages were paid (pro-rated as piece rates) to each worker based on the hours they worked, in a fair, timely and transparent way. The NGO, SPYM, had already worked with the government for over 15 years to organise these communities around self-help groups and set up private bank accounts for workers. The workers therefore received payment directly into these accounts. SPYM retained 20 per cent of the payment of each order to cover its overheads expenses and operating costs (rental costs of the space and supplies). While Gap gave two instalments of US\$5,000 each⁵ to get the network going, the idea was that as long as the orders kept coming in, the programme would be self-sustaining.

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

At its peak, by early 2010, about 800 women had been trained; those who worked collectively produced 200,000 pieces of work, earning on average between 1,500 and 5,000 rupees per month, depending upon the hours they put in. Together they brought in nearly two million rupees into the region in just the

first six months of the programme, using the funds to retire debt, send their children to school (or to better schools) and defray family expenses.⁶ The programme worked well until the middle of 2010 when the effects of the recession led to a reduction in orders, eventually leading to some attrition in the ranks of the workers. There was also churn within Gap and the government. Despite the churn, the programme survives, albeit at reduced strength. By 2011, both its exporters had returned with some work orders, and SPYM was looking for domestic buyers.

Even if the programme eventually does not survive, the skills have been retained and it has provided a model to learn from. And two aspects of the experiment are striking. First, this programme, like the others described, was once again an area-based, labour market-wide effort that was open to all residents in the targeted region. Like the others, but even more so, there was a strong role of the government in orchestrating the programme with a major global buyer, Gap. The surprise (to me), however, was that the ministry involved was not one that would be expected to be associated with a business-led partnership. It was not the labour ministry or an economic ministry, but a social sector ministry, the Ministry of Women and Child Development. However, as Marty Chen pointed out, this finding is not likely to be surprising to activists who have long worked in the trenches with informal women workers: “as the labour and economic ministries would not necessarily recognize home-based women workers and not see them as worthy of a business partnership” (Chen, personal communication, 2019).

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

The second point to note is that the partnership that the ministry forged with Gap is an example of the kinds of public-private collaborations that are born out of the *weakness* rather than strength of the large and powerful global buyers. In this case, Gap sought out the Ministry of Women and Child Development after trafficked child labour had been found in one of its North Indian supplier factories. The public shaming that followed and the company’s inability to handle on its own the trafficking problem that had crept into its supply chain, led Gap to turn to the government for help and collaboration:

The very fact that we have 94% of the work force in the informal sector ...
However you try and basically shift or change the composition of the crust,

pumping in millions and millions of dollars, you are rarely able to penetrate deeper ... it is so critical for the private sector to actually join hands with the government because if we talk about scale ... it is time we stop measuring effort and started measuring impact. For this, we need the government.

(Interview with Lakshmi Bhatia, former Director of Global Partnerships, Gap, 9 July 2011)

In sum, this chapter draws attention to recent experiments that suggest the need to look closely at territorial or specialised strategies of diffusing labour standards as a complement to sectoral and more universal strategies of labour protection. These strategies straddle the complex intersections between the social and economic lives of workers and focus not only on individual shop floors, but beyond them to area-wide sectoral labour markets. In inverting the pathway of organising from the places of social reproduction – where workers live – to their workplaces, these strategies help build new institutions that can nurture stability in a layered and socially embedded middle ground between workers' social and economic lives.⁷ These strategies are collaborative as well as customised, but workers and their allies do not hesitate to resist, though the sphere of resistance is different and strategic, aimed at higher level, branded actors rather than the local supplier. The role of the state is going to be essential in sustaining these processes and determining the nature of outcomes. Interestingly, social bureaucracies, and not just economic or labour ministries, are important allies. Such a hybrid state regulates as well as collaborates. It learns, and holds open a space for relational mediation between firms, labour and civic actors to jointly reach workers in the lowest tiers of global subcontracting systems – informal and invisible workers who are hard for any single actor to reach on its own in sustained ways.

The broader point is that at a time when firms are restructuring deeply, it is insufficient to limit the struggle for workers' safety and welfare to the workplace alone. It is important to bridge labour relations, labour sociology, industry studies and institutional explorations of the role of the state in how outcomes for labour play out. Spatialised, territory-based strategies (and institutions) described here offer important lessons about how to organise for labour *welfare* and not just for workplace safety alone.

Notes

- 1 A federation of party-independent unions that emerged in the early 2000s and became officially federated in 2005.
- 2 Interview with Ashim Roy of NTUI. See Tewari (2010).
- 3 This approach is similar to the work and progressive politics of the Industrial Areas Foundation (IAF) that Paul Osterman has written about (Osterman 2003).
- 4 This struggle has, however, not always extended to home-based workers contracted by factories.
- 5 Given the context, this is a rather small amount.

- 6 Interview with former Director of Global Partnerships, Gap, 2011; see Tewari (2017) for details.
- 7 Brazil is an excellent example where the state has succeeded in strengthening labour regulations (via the Latin model, see Piore and Schrank 2018) while helping a growing number of low-income, low-skilled workers transition from the informal to the formal sector through a combination of industrial policy, labour and training policies and its social welfare (Bolsa) programmes (see Guinn 2019).