



Second anniversary Partnership for Sustainable Textiles
Mr Gilbert F. Houngbo Deputy Director-General for Field Operations and Partnerships
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I would like to start by thanking Minister Dr Müller and Dr. Bernhard Felmberg for inviting me to speak on behalf of the International Labour Organisation on the second anniversary of the Partnership for Sustainable Textiles.

The ILO and the German Government enjoy an excellent partnership, and we are very grateful for the financial support to a number of ongoing projects that target different topics in the complex area of global supply chains.

May I also congratulate the members of the Partnership on your impressive progress in attracting more than 180 partners to commit to implementing your ambitious agenda. Your vision of a sustainable textile industry is inspiring and of great relevance in today's globalized economy and the social justice mandate of the ILO.

It is undeniable that since the break of the millennium significant progress has been made towards a more just and sustainable world. For example, the proportions of extremely poor and undernourished people in the world have fallen by almost half.

Much of this progress has been driven by in the rise of global trade including the enormous growth of jobs within global supply chains. We have seen production globalising at increasing speed delivering millions of jobs to people and places that badly need them, facilitating new investment and economic linkages that have driven dramatic increases in economic growth.

The Challenges

Yet if our vision is of a sustainable textile industry within a just and inclusive global economy, it is also clear that huge challenges remain.

Every day, 6,300 people die from occupational accidents or work-related diseases. That is more than 2.3 million deaths per year. ILO estimates that over 300 million workplace injuries in the world of work every year. The annual cost of this daily adversity is estimated at 4 per cent of global GDP.

There are still 168 million children in child labour worldwide. More than half of them are employed in hazardous work. About 60% of these children work in agriculture, including the cotton supply chain.

ILO estimates that 21 million people are victims of forced labour.

Globalised trade challenges governments to adapt their policies, and capacity to effectively regulate labour markets. Law enforcement is often not sufficient in the places where garments and other products are made. National governments can feel vulnerable to competing pressures, including the need to retain and attract investment from globalised industries that have choices about where to source their product. For these reasons, representatives of governments, enterprises, workers and civil society have turned to the ILO for guidance on how to achieve conditions of decent work in global supply chains. This year at the International Labour Conference, the nations of the world together with the social partners began a politically contentious but much needed discussion about what needs to be done to ensure that the ever-increasing organization of production in global supply chains contributes to the promotion of decent work.

While many people have benefitted from economic growth it is also true that inequality has significantly increased including in those economies that have benefitted most from global trade. The garment sector is no stranger to this accusation. Criticism continues of low wages and long working hours in unsafe working conditions.

Recent developments within Europe and the United States indicate that here too, there is growing resentment that globalisation is not delivering quickly enough for some groups of people. The value of international trade is being questioned.

The consequences of these developments at this moment are unpredictable yet, ladies and gentlemen, I think we can conclude that if there was ever a time for a new and bolder vision for a sustainable global textile industry, surely that time has come.

The Vision of a Sustainable Textile Industry

Recognizing the complexity of global challenges, last year the world leaders adopted the Sustainable Development Goals. The SDGs aim to eradicate poverty and hunger by the year 2030, to create decent work and inclusive economic growth for all and to reverse environmental destruction. It is ambitious because it needs to be.

The Goals are a promise between nations of the world but to be achieved they require the action of business and alliances of interests such as the Partnership for Sustainable Textiles. It is encouraging that an increasing number of global garment companies are aligning their corporate responsibility efforts with the Goals.

At ILO we believe that the global textile industry could be a tremendous driver for sustainable development and inclusive growth. It is an industry with a massive global workforce about 80% of whom are women, 50% are under the aged of 25 and many are migrants. These are the people at the bottom 40% of the global poor for whom we must find productive employment. Over the next decade the garment sector will provide a first job to millions of people like this. If those jobs are good jobs, the industry will lift tens of millions of people out of poverty and make a massive contribution to the development of inclusive economies across the world.

The way forward – what do we know?

ILO has worked closely with the garment industry for most of the past two decades. We currently engage with almost 100 global retailers and brands, work in over 1500 manufacturing facilities employing over 1.7 million people. We have partnerships with over 30 global garment companies and provide expert technical advice on issues such as wages, industrial relations, working hours, safe workplaces and productivity. We also build partnerships between business and governments and social partners to promote decent work outcomes.

What does our experience tell us about the preconditions for a sustainable garment industry?

Lesson 1. Social dialogue drives sustainable change.

ILO has found that where workers can organise, better working conditions emerge, productivity increases and business prospects for international buyers improve.

Sound industrial relations and the right to organise mean developing mechanisms through which regular exchanges can be held and where workers do not feel threatened to express their concerns. Local workers' representatives are best placed to assess working conditions, safety risks and responsible conduct in factories. We have ample evidence that workers' organisations are more likely to raise safety and other concerns than individual workers.

Strong industrial relations is not only the basis of peace and security; it is a foundation of a predictable production process and security and reliability of supply. Wage levels and other working conditions are best determined through functioning mechanisms of industrial relations in which workers and employers are free to join an organisation to bargain on their behalf. This after all has been a pillar of Germany's industrial success.

It is of course the case that developing and emerging countries have not yet established mature structures of social dialogue comparable to the German context. A key challenge for the businesses and partnerships such as Partnership for Sustainable Textiles is how corporate responsibility programmes can be implemented in a way that supports stronger social dialogue. The ILO supports governments, workers and employer's organisations in developing countries in building such dialogue mechanisms, including in the garment sector. One good example of supporting such dialogue mechanisms is Germany's own initiative with ILO's collaboration in Bangladesh, which promotes tripartite exchanges and provides opportunities for workers, employers and government representatives to visit Germany and study the social dialogue and employment injury protection programmes.

Lesson 2 Better Work is also better for business and empowering women is central to the change process

Investing in good working conditions is often perceived as a cost. Yet we have learned that better working conditions is actually key to improved competitiveness. A recent impact assessment of

the Better Work Programme by Tufts University reveals how improving working conditions drives productivity and profitability in the garment sector. In those factories in Vietnam with better working conditions, workers complete their work up to 40 minutes faster each day. Such factories benefit from other competitive advantages such as increased order size and more stable relationships with buyers. Since the beginning of the programme, 65% of the participating firms have seen a rise in total sales, 62% have increased their production capacity and 60% have expanded employment.

Time and again we have learned that enabling women to participate fully in the workplace is a key driver for improving productivity and working conditions. For example, training female supervisors in leadership and communication skills was shown to improve workplace safety, reduce the likelihood of stress or harassment for workers while increasing factory productivity by up to 22 per cent.

We also know that the opposite is true. Poor working conditions and unsafe working environments affect not only workers but also have a negative impact on labour productivity and business opportunities. Where work injuries and occupational diseases occur, where relationships between workers and managers are poor, production in manufacturing industries is slow and quality suffers. Producers are unable to meet requirements of higher value markets, buyers become frustrated because of unmet demand for quality and reliability, and eventually shift their focus to other sources.

3. The social protection floor is affordable and pre-requisite to a sustainable garment industry

The garment sector has an unenviable reputation for poor safety and the series of high profile accidents in recent years has further heightened public concern. The industry has a poor track record in providing for adequate employment injury protection in compensating victims of accident in a timely and equitable manner.

Poor legal protection and weak social security systems in garment producing countries leave workers, employers and international brands vulnerable when catastrophic failures occur such as those in Rana Plaza, or the Tazreen and Ali Enterprise Baldia fires in Bangladesh and Pakistan respectively. Experience has shown the important role for a neutral broker establishing compensation schemes in each of these accidents. The ILO has played such a role on a number of occasions, most recently in the settlement of the compensation scheme for the victims of Ali Enterprises in Pakistan.

The lesson on each occasion is that a robust national employment injury scheme would have protected both workers and industry far better. ILO advises many members states on the development and implementation of such schemes – as we are now doing in Bangladesh in collaboration with Germany – and these scheme can be implemented at very low cost in the garment sector.

4. Business practices can improve or undermine decent working conditions

While business in the garment industry have done much to improve working conditions there is also evidence that business practices can have negative impacts. ILO research has found for example a strong correlation between late placement of orders by the customer and excessive overtime in manufacturing facilities. The longer the time period between shipment of the order by the manufacturer and payment by the customer, the more likely it is that that workplaces will be non-compliant on payment of wages to workers.

The costs of decent work include decent wages, social insurance coverage and investments in a safe and healthy working environment. A key question for the industry is how these costs are factored into the business model including pricing negotiations, order placement and production planning and other aspects of the partnership between buyer and manufacturer. This is a challenge for businesses in the garment supply chain and a challenge for business leadership on which civil society is increasingly focussed. The advantage of such initiatives as the Partnership for Sustainable Textiles is that they can have a strong peer effect, show-casing the good practices that drive and do not undermine decent work outcomes.

5. Strong collaboration at every level of the industry is needed to promote sustainable change in working conditions.

In the recent past we have seen how strong collaboration between business and trade unions and NGOs can help achieve scaled change. Following the collapse of Rana Plaza in 2013 that industry faced a crisis of confidence in the building and fire safety of its factories. The Bangladesh Accord brought together over 200 companies with 2 global unions and NGOs to establish a common approach to inspecting and remediating the facilities. Together with Alliance and the programme of the

Bangladesh Government over 3000 facilities have been inspected and have either fully implemented or are in the process of implementing required improvements. This cooperation harnessed global business to leverage tens of millions of dollars of investment to speed the improvement process. Business has continued to trade.

This example points to the power of collaboration that may be needed in the future. The design of the Partnership for Sustainable Textiles responds to this need for a broad, coordinated action and we welcome the inclusion of social partners and civil society among the key stakeholders. Many of the problems in the sector do require a strong partnership approach including with governments, manufacturers and trade unions in producer countries. There is a need to build strong partnership down the supply chain and across each producer market to deal effectively with the complexity of the issues the sector faces.

One of the striking features of the Partnership for Sustainable Textiles is its conviction to extend right down the supply chain to places where social and environmental challenges can be most pronounced. The garment supply chain is characterised by many different value added processes such as cotton farming, ginning, milling of fabric, dyeing and other subcontracted processes such as including homework. In many developing countries, there are millions of home-based workers supplying textile factories and other small businesses that may work informally in the production process. Their conditions are often at the worst. Partnership with national institutions is needed to extend the protection of labour rights to these workers too.

While ILO has been broadly successful in promoting ratification of international labour conventions into national labour law implementation of law remains hugely challenging. National and local authorities may have few means to build their capacity to enforce laws while employment practices develop quickly in supply chains.

The strong commercial incentives for high levels of compliance in the garment sector create opportunities for greater public private collaboration at the national level. CSR cannot be an alternative to strong governance of labour markets. National authorities have the final responsibility and should

have the means to build up their own capacities to play assume their primary responsibility in ensuring that national legislation and fundamental rights at work are effectively enforced.

We must therefore devise ways in which business can play its role in respecting labour laws while government is also supported to strengthen its duty to protect its citizens. As Professor John Ruggie put it when devising the UN Guiding Principles on Business and Human Rights the answer may lie in finding the “smart mix” between private and public interventions.

Conclusions

In conclusion, the global textile industry is well positioned to make a huge contribution to inclusive and sustainable economic growth in many countries if it can ensure jobs in the supply chain are good jobs. There is growing evidence that good working conditions are a smart investment for firms that want to become more profitable and competitive in the supply chain. Global Business has a responsibility to ensure that it has the business models and partnerships with firms in the supply chain that can provide decent work. Here there is work to do!

A sustainable textile industry is not just the business of business. The vision demands the active participation of government and workers organisations too who have their own responsibilities to deliver. Regulatory frameworks and the regime to enforce them must be strengthened in producer countries. Strong industrial relations is not just a destination of sustainability but a driving force to achieve it. National social protection schemes, such as employment injury insurance, covering all workers are both affordable and needed by all stakeholders to ensure the industry meets the needs of all.

The biggest lesson that we have learned from ILO’s work is that when we align the smart mix of incentives for workers and employers in the supply chains with the interests of a fair and inclusive society, then remarkable changes happen. We believe that the Partnership for Sustainable Textiles has the potential to make a significant difference and we stand ready to provide our expertise in this area. I look forward to continuing this engagement and wish you every success for today’s annual meeting. On behalf of the ILO I would like to wish the Partnership for Sustainable Textiles a happy second birthday!