

Better Work or 'Ethical Fix'? Lessons from Cambodia's Apparel Industry

by *Dennis Arnold*

The global apparel industry is characterised by low wages, poor occupational health and safety, and restrictions on freedom of association. These problems persist in spite of numerous corporate social responsibility initiatives, consumer campaigning for improved labour rights, and trade union organising in industrialising countries. In the wake of the Rana Plaza collapse in Bangladesh on April 24, debates over the 'race to the bottom' for cheap and flexible labour have re-emerged. For example, Disney corporate representatives, who terminated sourcing to Bangladesh in late 2012 in response to a spate of factory fires, were quoted in a recent article saying the company would consider allowing its licensees to produce in Bangladesh if the country implemented the ILO's Better Work programme, which uses ILO monitoring of factories in Cambodia as its model (Greenhouse 2013). Dan Rees, director of Better Work, is quoted in the same article saying before his organisation would get involved in Bangladesh, the country needed to enact stronger labour protection and stop suppressing trade unions.

The seeds of the Better Work programme in Cambodia were planted in 1999, when the US and Cambodian governments initiated the 3-year US-Cambodia Textile and Apparel Trade Agreement. It was extended for another three years, ending on the same day as the MFA phase-out on 31 December 2004 - the MFA consisted of non-tariff bilateral quotas established by developed countries to protect domestic industry. Along with the US-Cambodia Trade Agreement, an independent but complimentary factory monitoring project, later named Better Factories Cambodia (BFC) was established in 2001 involving the ILO, the Cambodian government, garment manufacturers, and trade unions. The BFC's initial purpose was to inform US import quota allocation decisions. If labour conditions in Cambodia's factories improved, the country was granted increased US market access under the Multi fibre Agreement (MFA). US market access was the carrot, and ILO monitoring the stick.

Initiatives stressing the importance of labour protection and trade union rights are a step in the right direction. Yet the Better Work's approach to such issues requires further examination. A joint programme of the ILO and the World Bank's International Finance Corporation (IFC), Better Work mediates global brand and retailers' needs to address reputation risk, with calls from labour activists for increased factory monitoring and space for workers to organise and join trade unions of their choosing. Cambodia is the programme's flagship. Based on experiences in Cambodia, Better Work is now also operating in Haiti, Indonesia, Jordan, Lesotho, Nicaragua and Vietnam, with plans to expand further in coming years. But how much 'better' is work in factories engaging in this programme? Has

it actually empowered workers to achieve better wage and working conditions, or is it yet another high profile 'ethical fix' mechanism for brands to protect their images? Drawing on the Cambodia case, this article seeks to answer these questions. After an overview of recent debate on the BFC programme, the article looks at structural factors delimiting workers' potential to negotiate a living wage in Cambodia. The article concludes that the efforts should be geared towards redistributing wealth and power in favour of workers.

A carrot but no stick

The BFC programme has been much lauded, but since the end of global MFA quotas under the WTO in 2005, serious cracks have emerged in the system. Research has shown that the ILO has lost its power of enforcement with the elimination of global quotas (Arnold and Toh 2010). Increased US market access drove many of the factory level improvements associated with the early years of the project. As Jill Tucker, BFC's chief technical advisor declared recently "At present, BFC monitors all garment export factories but has no enforcement powers to address violations. Where it is our role to identify the areas of non-compliance, the power to directly enact changes lies with buyers and factories. BFC's presence has assisted in many positive developments in Cambodia's garment industry [but] we do not have any influence over issues that buyers and factories do not prioritise."

Lacking power of enforcement, BFC has been criticized for playing into global retailers and brands desire to protect their image, while the ILO and World Bank continue to promote it as a model of decent work in global supply chains. Sourcing in Cambodia has been used as a 'showcase' for corporations' ethical commitment. Is the model as effective as these players claim?

Structural factors and (dis)empowered workers

Cambodia's garment and shoe factories have become notorious for mass fainting; over 4,000 workers have fainted at work over the past two years. Fainting is attributed to numerous factors, with overwork and mal- or undernourishment commonly cited by ILO researchers and Cambodian NGOs and trade unions. An underlying factor is real wages have *decreased* over the past decade, due to rising costs in Cambodia, forcing workers into excessive overtime shifts. In the meantime, global brands and retailers have kept a safe distance from wage negotiations in Cambodia, claiming they are a matter of national interest. In Cambodia a tripartite body, the La-

bour Advisory Committee, meets on an ad hoc basis to determine wage increases. The Committee comprises a state that has consolidated political power through 'electoral authoritarianism', and an employers association that is openly hostile to both independent trade unions and the BFC programme.

Cambodian garment workers' potential to negotiate a decent wage and other critical issues is closely related to the balance of forces between these stakeholders. BFC is peripheral to wage negotiations because these are outside of its mandate; the buyers engaging in the programme are further removed from workers' wage concerns. The institutional overcrowding of garment trade unions in Cambodia, one result of the US-Cambodia Trade Agreement that created space for plant-level unions by compelling factories to take part in factory monitoring (Arnold and Toh 2010), further complicates national level tripartite negotiations. Despite exceptionally high unionisation rates in Cambodia's garment industry, standing at roughly 60%, an average of 1.7 trade unions per factory, with 29 garment trade union federations in the country, workers have limited ability to promote their interests. Independent trade (pro-worker) unions contend that this can be attributed to workers' precarious position vis-à-vis employers, the state and even most trade unions - a majority of which are controlled by the ruling Cambodian People's Party (CPP), employers, or are 'entrepreneurial organisations' seeking kickbacks from employers (Arnold 2013).

Cambodia has an institutional overcrowding of unions, combined with the decoupling of an international CSR paradigm of labour rights monitoring from workers' and independent unions' interests. This constellation of relations is embedded in a country experiencing rapid economic growth marked by increasing inequality and instability generated by regional economic dynamics driven by highly volatile garment production for global markets. For example, employment in garment and shoe manufacturing has fluctuated from 350,000 in 2008, to 297,000 in 2009, up to roughly 400,000 in 2013. These structural forces tightly delineate workers' agency. Workers' response to this configuration is marked by increasing frequency of strikes, many of which are led by 'real' unions, indicating, despite numerous obstacles, the ability to undertake industrial actions has emerged. The number of strikes in 2012 nearly quadrupled from 2011, to 134. Labour unrest, combined with regular images in the media of fainting factory workers, has generated much attention in recent national elections.

In May 2013 the monthly minimum wage increased from \$61 to \$75 per month, well short of a 'survival wage' of \$100. Garment workers' concerns has been a key campaign point for the opposition of Cambodia National Rescue Party in the lead up to the July 2013 elections - with opposition leader Sam Rainsy promising a \$150 per month minimum wage if elected. In response to garment workers' support for the opposition, on 26 August the ruling Cambodia People's Party (CPP) promised to revisit wage negotiations by 2014. Thus, it is a critical juncture for garment workers and trade unions, to use their leverage as a voting bloc to pressure

both parties in government to deliver on calls for better wages. Better Work could make a significant contribution by seeking apparel buyers' commitments that a decent wage would not induce capital flight - a longstanding concern of the Cambodian government that views cheap labour as its competitive advantage in the Asia regional division of labour.

The BFC initiative has become nonbinding and unenforceable. With MFA quota phase out in 2005 corporate enforcement of monitoring has become voluntary, further diffusing brand and retailer responsibility to ensure living wage and decent work in supply chains. Despite the fanfare surrounding the BFC, workers have gained little at a time when the 'Cambodia model' has gone global under the Better Work banner. By implementing non-binding programmes that offer carrots without wielding a stick, poverty wages and precarious work continue to be the norm in Cambodia's garment factories. This has generated widespread protests. Needed are binding mechanisms that contribute to empowering workers with independent unions utilising their collective labour power to negotiate living wages. Such efforts can be effective if situated in broader efforts to redistribute wealth and power in favour of workers - rather than create new forms of dependency by privileging image risk mitigation as a primary mechanism to deliver on workers' rights.

Dennis Arnold is Assistant Professor at the University of Amsterdam, Department of Human Geography, Planning and International Development. Drawing on research in Cambodia, Myanmar, Thailand and Vietnam, Dennis' work focuses on labour, migration and citizenship; global production network analysis; and borderlands of continental Southeast Asia. His papers are available at:
<http://uva.academia.edu/DennisArnold>

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