

Our demands

FACTORY CLOSURES

What do labour rights groups expect from retailers, manufacturers, and government?



With the demise of the import quota system,

companies – retailers, brands and manufacturers – are restructuring their global supply chains and manufacturing networks with little regard for the negative impacts on workers, communities or countries. While a few brand sensitive companies are willing to discuss how to minimize the negative impacts of restructuring and consolidation, the vast majority refuse to even consider whether they have an obligation to justify their decisions to workers or communities that will be negatively affected.

The challenge for trade unions and labour rights NGOs

faced with the fallout from the quota phase-out is to continue to demand that companies maintain production and orders in their communities, while at the same time responding to specific factory closures by demanding that the companies responsible provide adequate compensation and support to workers to allow them to make a transition to other suitable employment.

Preventing Closures

Prior to factory closures actually taking place, we should be lobbying government for regulations requiring companies to justify any decisions concerning factory closures or significant layoffs, and demanding that such regulations be strictly enforced.

Companies should be required to disclose financial information to justify their decisions to close facilities, shift production to other locations or move production out of the country. The fact that labour costs are lower in another location or country should not be considered a justification to close a factory that is or could be profitable.

Clearly companies should be pressured to maintain production and orders in factories that provide decent work, comply with codes of conduct, national labour law and international labour standards, or are willing to work with buyers, trade unions and NGOs to meet those standards, and in particular, to maintain production and orders in factories with functioning independent trade unions.

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Clothing Manufacturers

What should we demand of manufacturers when they announce they are closing one or more of their production facilities?

- Consider all possible ways to avert retrenchment/closure, with the full involvement of worker representatives where they exist.
- If one or more closures cannot be avoided, consolidate production in-country rather than closing all production facilities in the country.
- Provide workers with all of the information they need to understand the current financial or other conditions motivating the firm to downsize, and to be able to protect their interests while bearing in mind the issues facing the firm. The information should be provided well enough in advance so that the workers' representatives have time to formulate alternative strategies. The competent authorities should also be notified so that they may mediate, take preventative measures or prepare to take mitigating action.
- If retrenchment is to occur, give adequate advance notice of redundancies and the rationale or criteria for redundancies to individual employees, to employee representatives where they exist, and to the relevant governmental authorities.
- Where there is a functioning trade union or worker organizing taking place at the factory at the time of announcement of layoffs or closure, publicly communicate the reasons for the layoffs or closure and make clear that worker organizing or trade union activity is not responsible for the redundancies or closure.
- Develop and clearly communicate a retrenchment plan, in consultation with employee representatives where they exist, which, at minimum, includes fulfilment of all legal obligations and payments owing to the workers and full respect for the workers' legal rights, and further mechanisms to address the adverse impacts on workers and their community. The plan should be clearly communicated and posted for easy reference, with avenues for workers to ask questions and seek clarifications.
- If there is no trade union within the factory, ensure that workers are able to elect a workers' committee to represent their interests in any retrenchment plans.
- To ensure the closure is being carried out in accordance with the retrenchment plan, top management should establish channels for workers to confidentially express any concerns or problems they may be experiencing, especially concerning fulfilment of legal obligations and payment of all monies owed.
- Ensure that all legal obligations to workers are fulfilled and that workers are paid their full monetary entitlements in retrenchment according to the law.
- Do not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal benefits from the company.
- Ensure pregnant workers and workers with significant medical conditions receive adequate compensation commensurate with their situation.
- Resolve any outstanding disputes with workers involving monetary entitlements.
- Ensure that all workers have access to prompt and professional assessment of their health at the end of their employment through appropriate national medical facilities to determine whether there are any work related health problems, injuries or disabilities.
- Wherever possible, ensure that workers receive social security coverage for a reasonable period following the termination of employment.
- Where the employer owns other factories in the country give retrenched workers the opportunity to transfer to these facilities on a priority basis at a comparable wage to their prior employment.
- When overseas migrant workers are retrenched ensure that these workers enjoy equality of treatment with other workers and that every effort is made to secure alternative employment within the country. If this is not possible, then ensure the workers are repatriated with all costs covered, including recruitment fees.
- Where alternative employment cannot be secured, provide active assistance for workers in searching for new employment and training – for example promote and facilitate workers' access to job banks and retraining programmes if they are retrenched. Ensure that these programmes are accessible and meet the need of all groups in the workforce, e.g. women, migrant workers.
- Keep workers on the payroll, even after they have become redundant, for a transitional period of training and job search assistance.
- Provide financial counselling to workers to prepare them for loss of income and livelihood, and assist them in planning how to use their severance payment.
- Provide adequate economic support for the establishment of a small business or worker co-operative enterprise to workers who request such assistance.
- Extend eligibility for skills training and entrepreneurship development opportunities to family members.

Governments

What should we demand of government to protect workers' rights and interests in the event of factory closures?

- Legislate to ensure that workers are paid before other creditors in case of insolvency.
- Provide social safety nets for laid off workers, including unemployment insurance, adequate severance benefits, and social security coverage for the worker and his/her family members for a reasonable period of time after the termination of employment.
- Engage with brands which have served notice to exit the country to review the impact of their withdrawal on the industry, economy, workers and their communities and put a plan in place to address likely impacts.
- Monitor the closure of factories ensuring that management and/or investors act within the law in all respects, especially in terms of meeting legal requirements to workers including social security/pension payments and severance pay. Strengthen labour inspections and enforcement through local arbitration boards.
- Where necessary impose sanctions including embargos on any shipments of machinery or goods from the factory/country to ensure that workers receive legal severance pay and other legal entitlements.
- Minimize financial or other obstacles to workers seeking legal redress for unresolved disputes over the employer's legal and financial obligations.
- Prioritise the promotion of opportunities for employment including training and job banks for displaced workers in the remaining and/or new textiles and garment factories, or in other industries where job opportunities are more advantageous to workers.

Clothing Buyers

What should we demand of retailers and brands when they decide to stop placing or reduce orders to factory and their decision will likely to result in substantial retrenchment and/or closure?

- Give sufficient notice to the factory owner of the ending of the business relationship to allow the owner to engage in a consultation process with the workers, and monitor the consultation process.
- Where there is a functioning trade union or worker organizing taking place at the factory at the time of the reduction in orders, publicly communicate the reasons for a reduction in orders and make clear that worker organizing or trade union activity is not responsible for the reduction in orders to the factory.
- Consolidate production in-country rather than ceasing all orders to the country. Buyers should maintain production in the country unless the buyer no longer markets the product, or the product in question is no longer being manufactured in the country concerned.
- Monitor supplier adherence to national laws regarding retrenchment of workers or closing down of a facility, and take necessary steps to ensure that workers are fully compensated in line with national law.
- Advocate to the government for fulfillment of all legal obligations and payment in full of all legal benefits to displaced workers.
- Withhold final payments to the factory until it is confirmed that all legal obligations to workers have been met. If necessary, re-direct payments to workers when legal obligations to workers have not been met by the employer.
- Where all efforts to ensure that the supplier provides full legally required compensation to the displaced workers fail, and where government fails to take appropriate steps to ensure that those payments are made, fully compensate the workers for the monies owed.
- Work with other buyers, the suppliers and where relevant their parent companies and the national government, trade unions and NGOs to develop mechanisms to provide retraining and opportunities for employment for displaced workers in the remaining and/or new textiles and garment factories, or in other industries where job opportunities are more advantageous to workers.
- Where migrant workers are involved, work with the supplier, the employer and the government(s) concerned to ensure that they are redeployed within the country where possible, or repatriated with all costs covered.