

**Going beyond Social Auditing:
Towards a comprehensive and participatory monitoring structure by
enabling in-house dialogue between management and workers**

REPORT

International seminar, Friday June 29 2007
International Trade Union House, Boulevard du Roi Albert II, 5
1210 Brussels, Belgium

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Recognising the limited impact of social auditing, in November 2005, IRENE (International Restructuring Education Network Europe - www.irene-network.nl) and FDHT (Fondation des Droits de l'Homme au Travail – www.fdht.org) organised an international seminar in Brussels entitled, '**From Social Auditing to Compliance Results**'. This seminar, with over 40 participants from trade unions, NGOs, social auditors and business, looked at options for going 'beyond social auditing'. Participants considered what is needed to improve current social auditing systems, to give workers a voice, strengthen trade unions and improve in-house dialogue structures within companies.

A number of other projects (in particular, those run by Sustainability Agents - www.sustainabilityagents.com) have also looked at the same issues, and recent experience with East European apparel industry suppliers has shown that promoting social dialogue in some supplier factories has empowered workers and strengthened trade unions. In November 2006, funding was secured from the European Commission (DG Employment, Social Affairs and Equal Opportunities), and from FDHT, to organise two expert workshops and a European seminar to look at the issues in more detail. The project has two aims: to look at the experience of improving dialogue structures in supplier factories; and to develop criteria for establishing in-house dialogue between management and workers using effective auditing and monitoring structures. Project partners are: ETUF:TCL (European Trade Union Federation of Textiles, Clothing and Leather); the Balkan Institute for Labour and Social Policy; FDHT; and IRENE.

The first expert meeting was held in March 2007. Fifteen participants, representing NGOs, trade unions, social auditors, industry experts from EU member states attended. Their experience on improving social dialogue structures was used as the basis for this European Seminar, held in Brussels in June 2007. Thirty-five participants from EU member states, Macedonia and Turkey attended, representing trade unions, NGOs, social auditors, industry experts and suppliers.

The initial round of introductions from participants provided practical insight into key issues, ideas and problems. For example: '*social dialogue creates a climate for good working conditions*'; '*all the issues raised by a social audit disappear once the audit is over*'; '*we need to look at the gaps that social auditing leaves behind, for example, who has ownership of in-house dialogue?*'; '*how do we move social auditing away from the perception that it is 'policing?*'; '*social dialogue is an important mechanism to keep communication going*'; '*small companies have no interest in social dialogue as they face too many difficulties in remaining competitive*'; '*social dialogue is the most sustainable tool currently available as it ensures all stakeholders take part*'.

Peter Pennartz, IRENE, chaired the day and during the morning session there were contributions from Bulgarian and Romanian managers and trade union representatives, relating their experiences in projects promoting in-house dialogue structures between managers and employees.

Mr Costica Baci, Commercial Director, Confectii Vaslui, Romania, gave the first presentation on behalf of management. His company has been participating in a project that aims to develop in-house social dialogue since 2005.

He opened by referring to the external factors that affect how companies operate, including legal regulations, environmental standards (including codes of conduct), civil society pressures, and unpredictable trends. These external factors provided an important framework for how management and workers approached the issues tackled by this social dialogue project.

The project established the following structure: a Social Dialogue team, made up of two management and two union representatives; a Company Committee of Social Dialogue; plus Local Committees of Social Dialogue. The Company Committee had the main role, gathering information on employees' problems, which were submitted anonymously. The Committee then analysed problems raised, and came up with solutions which were implemented.

Problems raised included: low wages, overtime, working conditions, and lack of dialogue.

Actions implemented included: improved work-place management; training for workers; improved working climate (temperature and humidity); better equipment; an in-house radio station, and the installation of the internet to communicate company performance information.

Achievements to date include: increased wages; improved working conditions; improved communication, with the dialogue benefiting both management and workers; and partial reduction in overtime working.

Mr Baci went on to comment on the problems unpredictable events and trends create. For example, many workers have left the company and moved to other sectors, or have left Romania altogether because of better pay. He concluded by saying that social dialogue is an important strategy to help face these challenges.

There was a request for more information about the committee structures and Mr Baci explained that, although unions had been active since 1965, the social dialogue project has developed better communication between management and employees because of the less formal structures. The Social Dialogue team was set up by the Board of Directors and the unions. This team made proposals to the Board of Directors to set up committees at company level and within the local companies. Each Local Committee, in workplaces with over 30-40 people has four members, including the workplace manager and trade union representative. The local committees really are the 'brain of the social dialogue project' as this is where workers' problems are collected (in weekly two hour meetings) and plans for action drawn up.

The discussion then touched on how social dialogue can be use as a tool to improve competitive advantage in new member states where workforce migration is causing major problems.

Mr Vasile Derzsi, Trade Union leader, ConfStar Baia Mare, Romania continued with the trade union perspective on a social dialogue project conducted by the German government with subcontractors of multinational companies. He observed that there are always tensions when unions are active in companies, but other problems emerge without unions, including a lack of dialogue.

He felt that the project in his company had a number of positive outcomes and it is clear that large companies need to accept social dialogue as a key element for progress and as a way to manage workers' daily problems. The project demonstrated that it is possible to ask questions about workers' problems in different ways because what is needed is 'a meeting of minds' between management and workers. Mr Derzsi concluded by stressing the importance of follow-up, which, he said, is essential to ensure actions are implemented and sustained.

Ms Ivelina Koleva, Creations - Production Organiser, Bulgaria, then talked about the benefits of social dialogue, pointing out that improved communication enables both sides to find the best way forward and improve company efficiency and profits. She stressed the importance of workers' involvement in the process as this leads to new ideas and better decisions being taken to solve problems.

Social dialogue can have weaknesses without regular discussion and feedback to the workers. Training for workers and management concern for worker motivation is also important. Ms Koleva stressed the need for employers and employees to share the same goals to reach the best results in the process. In addition, the success of social dialogue can be threatened if there is a lack of confidence in the process, or a lack of organisation, or if personal information is leaked. She also made the point that social dialogue is both expensive and time-consuming.

Ms Koleva explained that her company did not have a trade union as there is only 70 staff, but the social dialogue structure has become very important as they are audited by H&M twice a year. She added that they face the same problems as other companies, in particular with overtime, but said it was very difficult to avoid this because of the pressure from supplier contracts and the need to remain competitive.

Ms Koleva was asked about the structure of the social dialogue team and she explained that there is a group of three workers (the Supervisor, herself and a middle manager). This group discuss problems raised and they try to take decisions together. The project has also set up an Improvement Circle Group where workers can discuss problems, and these are related through middle management to senior management.

Ms Rosica Marinova, Light Industry Trade Union of the Labour Confederation 'Podkrepa (Support)' explained how the project they were involved in has led to better working relations and dialogue, higher remuneration and improved competitiveness for the company. Although the challenges of keeping a level of trust between workers and employers, constructive engagement by the workers, and compliance with labour legislation, need constant attention. She went on to describe the social dialogue project structure which has established groups of Circles for Improvement amongst workers in the same jobs. These Circles meet voluntarily and deal with labour relations and production problems.

Ms Marinova pointed out that social dialogue can fail if it does not adequately address labour relations and gave the example of where effective organising in a Circle for Improvement had a negative effect on management. Workers in this particular company ended up having to set up a trade union in order to have their grievances addressed. She was then challenged about the need to set up the trade union and she explained that the workers were on the minimum salary and, despite the in-house dialogue structure, demands for higher wages resulted in the company refusing to pay workers at all. It was at this point, she said, that they needed the formal union structure to seek a resolution. She concluded by saying there is a need to combine the tools that are available. Social dialogue is useful, but formal structures and 'a common voice' are required to ensure sustainability.

Finally **Mr Ali Rafatov, Nitex, Bulgaria** talked about his company of 700 workers and their experience with social dialogue. He explained how they lost their workers when many other smaller and more flexible companies appeared and offered better working conditions. They had to face the new realities and improve working conditions, increase salaries etc. He feels that social dialogue is important because it can engage the workers in the operative management of the company and this involvement can lead to more motivation to improve the competitive edge of the company. He did however point out that old habits are hard to change and it is very difficult to encourage people to express their opinions in this way.

Based upon the above presentations the following SWOT analysis can be made:

SWOT-analysis: The In-house Dialogue Approach
Summary of presentations from the second session of the seminar Going Beyond Social Auditing, June 29, 2007, Brussels

Strengths

- Compliance awareness: directions for action
- Working on problems that really matter to workers
- Active involvement of workers , increased workers' motivation, empowerment of workers, workers' organisation (as a driving force)
- Improved communication skills & relations between workers and managers, supervisors and workers, managers and managers, workers and workers, management and TU, etc.
- Improved work climate: problems are conceived in advance
- More detailed information on compliance than audit could give
- Better working conditions: Increased wages, reduced overtime
- Improved productivity and quality, less idle time, less absenteeism, improved organisation of work
- Superior market position, reputation and competitiveness for producers
- Flexibility of the approach (content &

Weaknesses

- Difficult to implement when no unions/workers' speakers exist
- unions/workers' speakers do not talk to managers (no two way communication, no regular and continuous dialogue)
- managers fear workers' empowerment
- workers do not understand profits and benefits
- lack of loyalty of workers
- no common goals existing
- a climate of trust can not be established
- compromises are not found
- process is individual-related
- Contradiction to audit demands
- Does not fully grasp the problems
- limited impact on macro economics, limited impact on buyers-suppliers relation
- Limited funding to multiply approach, no continuous support, no

structure) to be adjusted to factories needs

follow-up projects scheduled for current projects

- Lacking support from European union leaders

Opportunities

- A way to find a strategy to rise to the challenges
- Stop work migration (specific Romania)
- To handle workers' daily problems
- Big international traders could foster in-house dialogue
- Combination with other methods to fully grasp the problems
- Competitive advantage in the market
- Main instrument of CSR for producers

Threats

- Misuse to avoid social compliance (mitigate conflicts)
- Too strong focus on economic aspects
- Lacking framework requirements (macro level)
- Tensions between management & TU when weakly implemented, lack of confidence
- Confidentiality: Private information could be spread around
- Money and time consuming

Participants spent the afternoon in Working Group sessions looking at how best to introduce and structure in-house dialogue: **Group 1** considered what is needed to ensure workers' involvement and how to introduce self-sustaining in-house dialogue structures; and **Group 2** tried to define the criteria for in-house dialogue structures. Summaries of each session were given in the plenary and these are reported as bullet points below:

Group 1: Determine what is needed to ensure workers' involvement and empowerment. What is needed to introduce self-sustaining in-house dialogue structures?

- There is no Western best practice to reproduce in Eastern Europe
- **Social dialogue should include:**
 - issues for management – productivity etc
 - workers' issues – wages etc.
- Need to interest both parties – so better to look at everyday difficulties in the workplace that don't threaten either party too much. Have to create trust
- **Who should take part:**
 - Need to distinguish between social dialogue projects with external cooperation, involving a mediator; and those without external intervention that are only promoted internally
 - Need to address who to invite to take part - senior management, middle management, workers representatives, trade unions, workers etc.
 - Selection criteria should be based on existing structures – for example, trade unions, worker representatives, Equality Circles etc
 - Possible to elect worker representatives just for a social dialogue project
- **How Social Dialogue should take place (proposed model)**
 - Need to visualise the debate between trade unions and worker representatives
 - Have worker groups on specific everyday problems eg. Health & Safety. When solutions are not found, the problem goes to a higher level eg. middle management; if can't make decision here, goes on to senior management
 - Committee structures need considering – eg. all same level or mixture of workers and middle management. What is the role of trade unions? Do workers understand problems better than trade unions?

Group 2: Define criteria for in-house dialogue structures between management and workers in the framework of comprehensive and participatory monitoring and improved social audit

- Enhance dialogue
 - with buyers
- Somebody has to pay
 - eg. investment of production time
- In-house dialogue needs time
- Confidentiality vs transparency
 - both
- No substitution for trade unions

- involve unions if possible
- Parallel social auditing/ monitoring needed
 - discrimination (trade union membership, gender etc)
 - overtime
- Protection of workers

In the concluding session participants said that the seminar had been useful. The opportunity to compare experience and share practical learning from the pilot projects was very helpful. There was a request for more documentation on current experience and Sebastian Siegele, Sustainability Agents (www.sustainabilityagents.com), said that there are reports of their Romanian and Bulgarian dialogue projects. Reports on the Romanian and Bulgarian projects can also be found at www.oar.ro. Additional information and the report on the Bulgarian dialogue project can be found at: www.coc-runder-tisch.de (menu: content/pilot projects and scroll down).

Peter Pennartz concluded by reminding participants that there would be a further expert meeting in September or October in Sofia to evaluate this seminar and take the work forward. In response to a proposal from the floor, he said, written inputs that participants wanted to submit on the issues raised by this seminar would be welcome, and could be submitted to the meeting in September. He stressed that this was purely voluntary and it was agreed that Mariana Petcu and Mitzi Pascual-Zaruk would prepare a format for submission and a deadline for contributions would be set. Finally, he thanked everyone for their active involvement saying that the mix of participants and the valuable contributions from the delegations from South East Europe had been key to the success of the seminar.

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