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Mahreen Khan

Worker Voice and Labor Standards

Study of Participation Committees in Supply Chains



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Worker Voice and Labor Standards: Study of Participation Committees in Supply Chains

Mahreen Khan*

Abstract: Empirical work on the efficacy of transnational regulatory initiatives provide limited evidence on the impact of voice. Meanwhile, industrial relations theory argues that worker voice matters by creating a mechanism to address working conditions. I bring together these two scholarships in studying worker-management participation committees established as part of International Labor Organization's Better Work Program in Jordan, Vietnam and Indonesia. I analyze the association between the committees and outcomes on factory violations by breaking down the functional features of committee selection. My findings show that union representation and fair elections matter for aggregate violation index while gender representation and management support are relevant for specific violation subsets. These findings confirm prior literature, in particular those which emphasize the role of unions in supplementing mandated committees.

Keywords: worker voice; supply chains; participation committees

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Introduction

Globalization, referring to an expansion of the product and capital markets across national boundaries, is cited as one of the leading causes of the transforming nature of employment relations in industrialized and emerging economies (Chaykowski and Giles 1998). The phenomenon of "fissurization" as discussed by Weil (2014), which has led to the growth of precarious forms of work in the advanced economies is mirrored in global supply chains. These issues become magnified in the context of the low-cost production sites located in developing countries that are also associated with the worst forms of labor violations (Kucera and Sari 2019) and weak institutional histories.

Consequently, there has been a growing number of private transnational initiatives, often motivated by catastrophic disasters, activism and consumer pressure (Seidman 2007), that aim to mitigate these violations and ensure safe working conditions. While these initiatives have focused on enforcement and efficacy with regards to compliance with the respective codes of conduct, they have often minimized the role of worker voice in their implementation given the buyer driven approach of these initiatives. The International Labour Organization's (ILO) Better Work program (BWP), as an example of a transnational initiative, differs from most in their feature of having mandated worker management committees as a tool of facilitating worker-management dialogue in the factories where they operate. The BWP also bases their evaluations of non-compliance on international labor standards and national law rather than setting their own code of conduct. This creates a unique opportunity to study the role of facilitating voice in creating enabling conditions for raising issues of violations with

codes in apparel supplier factories in the developing country context.

The literature in the field of industrial relations suggests that voice plays an important role in determining workers welfare (Kochan 1980). Worker voice in an organization can lead to improvements in decision-making, dispute resolution (Budd and Colvin 2008), and productivity (Morrison 2014). Voice is a standard of employee participation when considering an employment relationship alongside efficiency - a standard of economic performance, and, equity - a standard of treatment (Budd and Colvin 2008). Voice can also create enabling conditions for raising issues of compliance in the context of factories in globally dispersed supply chains (Pike and Godfrey 2015). However, despite the importance of voice in the industrial relations scholarship, the processes of globalization, financialization, and technological change have contributed in weakening the mechanisms for providing worker voice in many contexts (Locke, Kochan, and Piore 1995; Chaykowski and Giles 1998; Kochan, Riordan, et al. 2019). Traditional forms of worker voice, such as unions, have declined in the US (Western and Rosenfeld 2011; Katz, Kochan, and Colvin 2015) and other industrialized countries (Ebbinghaus and Visser 1999). Similarly, unionization and collective bargaining mechanisms have historically been limited in scale in the context of developing industrial nations (Freeman 2010) with significant resistance to freedom of association from employers and state institutions in most cases.

Empirical studies show that moderating effects of management’s response to union (Pohler and Luchak 2015) and joint worker-management decision-making processes (Black and Lynch 2001) can positively impact productivity in unionized contexts. A large part of research on collective employee voice facilitated by labor unions (Freeman and Medoff 1984) focused on outcomes specific to compensation, benefits, and productivity (Bennett and Kaufman 2004). Non-union forms of employee representation where voice is the implicit mechanism in empowering workers while having received some recent attention in the context of developed countries (T. A. Kochan et al. 2019), still remain largely unexplored especially in developing country contexts. Also, past research provides limited empirical evidence in establishing the link between enabling voice in firms through worker engagement and subsequent links with

violations with factory codes of conduct.

As a way to bridge the empirical gap in the literature, I propose to study the effects of establishing joint management-employee representation bodies that can facilitate worker voice in factory settings under the auspices of ILO’s BWP. The entities in question are called Performance Improvement Consultative Committees (PICCs), which are joint management worker committees, modelled after the European Works Councils (*Better Work Report* 2013) set up in BWP factories in Vietnam, Jordan and Indonesia specifically. PICCs are designed to provide a platform that enable workers and management to come together to discuss a range of workers’ rights, that is, violations of the local labor law and/or ILO Conventions, thus serving as means of facilitating forums for worker-management discussion that can lead to greater worker voice.¹

The creation and subsequent meetings of the PICCs are initiated and often mediated by the BWP enterprise advisors (EA) with the ultimate goal to make the PICCs self-sustaining institutional entities. However, there is broad mistrust of such platforms in providing adequate voice to workers due to the misalignment of power between workers and management and the risk of worker representatives acting as double agents (Charlwood and Pollert 2014; Bryson 2004; Freeman and Medoff 1984). Recent research on Vietnam’s wildcat strikes in the apparel sector indicated that PICCs characterized by certain institutional features could potentially contribute to lowering strikes by mitigating the risk of management capture (Anner 2017). Thus, the effectiveness of PICCs as institutional tools for creating credible worker voice is contingent on its ability to demonstrate features that indicate independence from management while also having support from management for their existence and functioning. The details of these characteristics are yet to be explored extensively in existing literature.

In my paper, I build on this line of research by studying the institutional characteristics of PICCs in further detail and how specific characteristics are associated

¹A more detailed table distinguishing between PICCs and traditional trade unions is provided in *Table 10-2* in the Appendix.

with changes in reported violations with compliance standards. I use detailed quantitative datasets, collected by BWP EAs to analyze the association of PICC characteristics with reported violations in factory standards over time. I find that representation of unions and fair electoral process in PICC selection contribute significantly in the reported level of aggregated violations. Gender representation and management support for PICC operations are important for specific subsets of violations. Country-context effects show how PICC characteristics are associated with different types of violations with the effects of union representation being more prominent in Indonesia and Vietnam, where unions have more influence relative to Jordan. These findings confirm prior literature, in particular those which emphasize the role of unions in supplementing mandated committees and reinforces the need to include unions as part of remediation processes at the factory level, an issue that has been particularly relevant following the 2013 Rana Plaza crises in Bangladesh and the distinction between the operations of the Bangladesh Accord and Alliance (see Donaghey and Reinecke 2018 for a full discussion).

This is a novel finding in the literature for multiple reasons. Firstly, the continued challenge of unions to be established globally have spurred a debate in whether other forms of worker representation at factories can serve as alternative forms of worker voice in the employment relationship. My results suggest that while PICCs can be such an option, the effectiveness of PICCs in addressing issues of violations is contingent on certain conditions including union representation. Secondly, given the limited empirical work exploring the link between worker engagement and working conditions in developing countries, these results add to our understanding of factories in the literature on global supply chains. Finally, there is some consensus in the industrial relations (IR) literature that institutional context matters for unions to be successful (Weil 1996; Kochan, Dyer, and Lipsky 1977; Amengual and Chirot 2016) and the findings of the paper align with these results while also providing a more nuanced understanding of the characteristics that matter most for them to be effective, namely, union and gender representation in the PICCs membership; fair electoral process for PICC creation; and, support of the factory management for

establishing and operating PICC meetings.

I proceed with the paper as follows. The next section, provides a deeper exploration of the three strands of literature where I aim to contribute meaningfully. I then provide a background of the ILO Better Work Program along with a brief overview of the three country contexts. In the following section, I describe the data and the methodology used to answer the question and in particular how I use two sources of factory data to link PICC characteristics with violations reported on factory standards. I subsequently provide an overview of the results along with a discussion on the finding before concluding.

Literature Review

I look towards contributing to three strands of literature, which form the basis for my research questions:

- *Within factories, is there an association between the changes in violations of standards and the existence of PICCs?*
- *How are specific institutional characteristics of PICC associated with aggregated and sub-clusters of violations with factory standards?*

In studying the BWP, an initiative primarily situated in the context of regulation of codes of conduct in global supply chains, I first look to the relevant research that studies this phenomenon, which use qualitative and quantitative methodologies to study enforcement of codes of conduct by firms sourcing from developing countries. This literature offers examples of how to operationalize health, safety and other workplace conditions using findings from factory audits. However, this research has been limited in investigating worker voice mechanisms since the buyer-driven nature of most initiatives tend to minimize the role of the workers. Consequently, I present Industrial Relations (IR) theory, which posits the importance of voice in the context of the employment relationship. In doing so, I present some relevant findings in IR research that focus on unions and works councils as the primary means of worker voice in developed industrialized nations.

Finally, I also contribute to a specific subset of the supply chain literature that focuses on the International Labor Organization's (ILO) multi-country initiative on improving working condition in factories, the Better Work Program (BWP). The latter serves an important basis for presenting the program outcomes while highlighting

the gaps from the perspective of worker voice outcomes while also describing the scope conditions for the findings.

3.1 Global Value Chains, Enforcement and Worker Engagement

The tripartite model of IR relies on the state as a force for mediating the inherent conflict in the relationship between employers and workers (Kochan, Katz, and McKersie 1994). However, this structure breaks down in the context of global supply chains as a result of the state being unable or unwilling to legislate and enforce standards. The issue of worker welfare and worker voice is particularly germane in the context of labor intensive buyer-driven commodity chains prevalent in industries like low-end electronics, footwear and apparel industries where the suppliers tend to be located in the Global South. In light of this restricted state capacity, the past decades have seen an increase in the number of multi-stakeholder governance initiatives (including companies, NGOs, unions, industry bodies and/or international organizations) to regulate workplace standards (Risse-Kappen 1995; Bartley 2007). However, while private compliance mechanisms are theoretically ideal for ensuring improved working conditions and safe supply chains, in reality they are limited by the lack an external enforcement mechanism (Budd 2004; Locke 2013; Locke, Amengual, and Mangla 2009).

A number of scholars have studied the efficacy of various private transnational regulatory initiatives and the conditions that have contributed to their respective successes or failures. Outcomes have largely focused on improvements in working conditions with respect to a set of relevant corporate codes of conduct and a focus on firm performance. There has been limited attention on the extent of worker engagement as part of these initiatives and consequently in the subsequent analyses. This is often a consequence of the design of the initiatives themselves, which being buyer driven, rely less on worker engagement as a mechanism for driving change in

the compliance with codes of conduct. There are some exceptions and ILO's BWP and the Bangladesh Accord for Fire and Building Safety¹ are examples of the such initiatives. Furthermore, the countries themselves often have weak institutional histories of worker engagement and competing for contracts on price with other low-cost producers under non-trivial power asymmetries in favor of the lead firm (Locke 2013).

While some research in the field highlights the importance of incorporating worker participation as an important dimension for implementing OSH regulation in firms (Tucker 2013; Weil 1996), most have shown significant skepticism on the efficacy of voice generating mechanisms in the context of the global South. Bryson (2004) expresses concern that non-union representative voice may not be "*genuinely representative of employees and independent of management*" (ibid.: 230) while Yu (2008) in a case study of a Reebok factory in China found the "employee-elected trade union installed through codes implementation operated more like a "*company union rather than an autonomous workers' organization representing worker interests*" (ibid.:513). Still others find that workers using non-union voice mechanisms may not be protected against management retaliation (Kidger 1992); that workers engaged in cooperative approaches lack power to bring about more than very modest changes (Lund-Thomsen and Lindgreen 2014; Terry 1999); or, that workplace voice mechanisms are only effective with "less serious problems" rather than for more serious infringement of workers' rights (Charlwood and Pollert 2014). The studies suggest that management-initiated voice mechanisms in factories can be limited in their ability to adequately empower workers to affect working conditions and a deep dive of the institutional features may serve to enrich the findings.

A set of studies by Locke and coauthors explore the complementarities between state and private regulation. The papers have studied initiatives led by buyers based in developed countries to bring about enforcement with codes of conduct in factories in their supply chain. Links between factory conditions and labor relations have

¹As noted in the Accord website, ahead of the expiration of the 2018 Bangladesh Transition Accord on 31 May 2021, UNI Global Union, IndustriALL Global Union, and a negotiating committee representing leading fashion brands reached a tentative agreement to extend the current commitments of the 2018 Accord for three months as negotiations continue for long-term plans.

been highlighted by (Distelhorst, Hainmueller, and Locke 2017) in the study of Nike's lean intervention in apparel supplier firms in 11 countries. A study of the BWP in Indonesia by (Amengual and Chirot 2016) further highlights the importance of institutional complementarities for worker-based outcomes by showing that BWP can reinforce the state when unions are mobilized.

While the papers mentioned provide us with the context of the origins of private regulation and their limitations as regulatory bodies to ensure compliance with factory standards, this literature largely overlooks the issue of worker engagement as part of these initiatives.

3.2 Relevant Studies on Voice in Industrial Relations (IR) Theory

The concept of voice has multiple interpretations depending on the discipline and one that has been extensively explored in the context of the theoretical and empirical work in IR. Seminal work by (Budd 2004) presents voice as "the opportunity to have meaningful input into decisions" (ibid.: 23). He places equity, efficiency and voice as the three vertices of the triangular employment relationship (ibid.: 30), where they act as potentially competing but equally important objectives of the employment relationship. Consequently, according to Budd (2004), the society should care about employee voice not as a means for achieving productive efficiency - in fact, the enabling of voice for ensuring industrial democracy and the autonomy of human dignity as well as efficiency objectives.

Democratizing the workplace can enable workers to influence the employment relationship and impact important workplace conditions such as compensation and benefits (Freeman and Medoff 1984:19-20), and, occupational health and safety amongst others (Weil 1996). However, from the employers perspective the impact of providing workers greater voice may come as a double-edged sword with improvements in productivity accompanied by reduced profits and lower returns to capital (ibid.:19-20).

These trade-offs are well theorized in the neoclassical models and studied empirically in the context of the industrialized nations. The following section reviews some of these studies that operationalize voice using different institutional settings and establish its importance in affecting firm outcomes, thus highlighting the gap in the literature.

Unions, works councils and health safety management committees are some of the modes of worker voice studied in the IR literature. The relevance of the specific institutional form depends often on economic and political policies in the respective countries. Unions have dominated the US as the primary means for worker voice while works councils have been more prevalent in complementing the union activities in the European context.

Prior research in the field of IR has focused on studying efficacy of unions on firm and worker outcomes. In (Freeman and Medoff 1984) seminal work, *What do unions do?*, the authors describe in detail how unions bargain and the effect they have on wages, productivity and profits. Broadly speaking, unions help improve wages and productivity but maybe costly to employers with regards to profits and capital returns. Bennett and Kaufman (2004), in a review and update on the state and function of unions explore the crucial question of how unions affect wages, productivity, efficiency and welfare in the context of the firm. Similarly, the majority of research on unions focused on firm-based outcomes since the question of the trade-off between voice and productive efficiency has been long in public debate. For example, Cooke (1992) investigated the effectiveness of an employee participation program on product quality in only management and joint union-management settings. His findings make a clear case for worker representation in the form of joint worker-management settings on the selected outcome measures.

In European countries, and in particular in Germany, a model of works councils have long been established as part of society as a means of resolving conflict in the employment relationship (Frege 2002). Consequently, there is a rich literature looking into the co-determination model of the German works councils. Frege (ibid.) provides a detailed review of the theoretical and empirical work with a focus on firm outcomes.

Enabling worker voice in the co-determination model is theorized to improve the nature of employment relations at the firm-level (Freeman and Lazear 1994; Rogers and Streeck 1994) and the functioning of internal labor markets (Aoki 1994; Freeman and Medoff 1984). This is in contrast to the neoclassical theories that predict firm inefficiencies resulting from increased worker participation in management.

The empirical findings are inconclusive in establishing the impact on firm outcomes. Studies by (Addison, Kraft, and Wagner 1993) find that works councils are negatively associated with gross firm investments with ambiguous effects on remuneration while (Backes-Gellner, Frick, and Sadowski 1997) show that works councils benefit both workers and firms. Similarly, qualitative studies find that the results are affected by the strength of work councils, where more participative firms with egalitarian control can improve the effectiveness of the works councils (Bartölke et al. 1982). Some research also has shown complementarities between unions and works councils in enabling enforcement of better working conditions (Müller-Jentsch 1995; Behrens 2009; Pfeifer 2014). The link between works councils, worker voice and violations with workplace standards remain to be shown in systematic quantitative empirical studies.

Furthermore, the decline in unionization witnessed in developed industrialized nations has been accompanied by a slow take-up of collective bargaining mechanisms in the employment relations construct in developing countries. While this phenomenon maybe partly a result of the knock-on effects of the developed counterparts, the outcome is more often a result of weak institutional environment in these contexts. Thus, enforcement of standards has been privatized from the buyers' side, largely in response to consumer advocacy (Bartley 2007) and activism (Seidman 2007).

Recent attention has been diverted to alternative worker-management constructs with a call to develop middle range theories incorporating alternative new forms of worker voice into traditional models of IR (Tapia, Ibsen, and Kochan 2015; T. A. Kochan et al. 2019) with implications for industrial relations contexts globally. By studying worker voice facilitation in the context on developing countries, which continues to be understudied in the traditional industrial relations literature, the findings

of the paper can significantly contribute to the understanding of these contexts.

3.3 ILO's Better Work Program Related Studies

In this section, I focus specifically on studies that analyze the impact of ILO's Better Work Program (BWP), the empirical setting of my study. BWP operates in eight countries, most of which have significant limitations on freedom of association. This is further exacerbated by the power dynamics favoring the large multi-nationals that source from the smaller suppliers as a consequence of their economic power. Consequently, workers in these populous countries, operating in an industry that require relatively low skill levels find themselves at a disadvantageous position with limited means to voice their rights. Tri-partite initiatives like the Better Work try to re-balance the power in favor of the workers with varying levels of success and the first two papers address the role of BWP in affecting worker voice in factories.

In a study situated in BWP Lesotho, (Pike and Godfrey 2015) uses findings from focus group discussions to understand PICCs and how they affect worker related outcomes. Their results show that while the PICCs appear to make impact at the onset, the effect tapers off with time. PICCs are positively associated with improvement in worker-management communications relations and increased reporting on violations against discrimination and freedom of association. However, PICCs are also associated with deterioration in attention with regards various training programs focusing on issues like HIV/AIDS and OSH. They find increased interference in union activities. The results maybe summarized in saying that the efficacy of PICCs deteriorates over time; factories divert resources from other training purposes, although this may taper off over time, and reports on certain types of violations may increase at the onset. This ambiguity in the PICC effects indicate a need for further exploration of PICCs in other BWP countries.

While Pike and Godfrey (ibid.) studies worker-based outcomes of PICCs, questions remain as to how much of the Lesotho results are relevant in other country contexts and how the PICCs vary with regards to its characteristics. The latter is analyzed

in greater detail by Anner (2017) and Anner (2018), which investigate the role of the PICCs in mediating wildcat strikes in Vietnam. His findings indicate that *well-functioning* PICCs could contribute to lower strike rates under specific conditions that relate to the formation and governing of PICCs. Anner (ibid.) identifies four criteria for a *well-functioning* PICC: fair electoral process of PICC members; appropriate representation of workers in the PICC; protection of members from management retaliation; and, empowerment of workers to address serious non-compliance issues.

My paper sheds light on the specific characteristics of PICCs that can enable them to be effective at raising and addressing issues in BWP factories specifically with regards to violations in working standards. These results are not only in line with the study by (Bartölke et al. 1982) on German works councils but they also show that PICCs exhibiting characteristics of fair union and gender representation, fair electoral process and management support for their activities can be more effective in raising and addressing issues at the workplace. The paper makes the case that PICCs may matter for worker-based outcomes conditional on the institutional features that signify their independence.

In order to highlight the importance of BWP as a global initiative and situate the importance of studying factories that subscribe to this initiative, it is also important to bring to light the firm-based impact of the program. BWP is largely a voluntary program that has been marketed to supplier factories based in developing countries in order to help them secure relationships with reputation conscious buyers (Oka 2016; Robertson et al. 2011) in ways similar to other transnational initiatives (Distelhorst, Locke, et al. 2017). Despite fears of increased inefficiency and fear of firm closure, Brown, Dehejia, and Raymond (2016) show the contrary: their results suggest that improvements in factory standards increase the probability of plant survival along with improved productivity outcomes and work effort. Furthermore, the BWP interventions may induce factories to experiment in human resource management innovations that are both more humane and more efficient, which may also be implicitly driven by improved worker-management relations (Robertson et al. 2011).

Overall, the Better Work studies, which form a subset of the studies in the previous

section on Global Supply Chains, provide evidence that indicate that Better Work can lead to some improvements in factory compliance and productivity. Reputation conscious buyers play a significant role in determining the outcomes and even suppliers at the lower end of the supply chains can see some shift upwards in the baseline of their standards. The quantitative empirical evidence in favor of improved worker outcomes are limited especially with regards to worker engagement. My paper fills this gap by analyzing data that connects PICC characteristics to different types of reported violations of factory standards, thus improving BWP's understanding of the workings of the PICCs in different country settings.

3.4 Summing up

Budd's triangular formulation of the employment relationship has an equity vertex that relates to outcomes observed while the voice vertex relates to the participatory process for the workers (Budd and Colvin 2008). I look at the interaction of these two dimensions - that is, does enabling the voice process lead to more equitable outcomes from the employee perspective in the context of the ILO BWP.

I use *Figure 10-1* to illustrate the predictions between voice and reported violations of factory standards following from the prior scholarship in these areas. I describe this framework moving from left to right. In my research, I look into the PICCs, which operationalize voice in the context of BWP factories. The PICCs are tools for facilitating worker voice, which forms the vertex of the triangular relationship with equity and efficiency. The PICCs have the potential to facilitate workers' voice and impact their ability to confront and resolve issues relating to various aspects of working conditions with management. These factors together comprise the full index of violations with factory standards. When worker voice is significantly activated as a consequence of the PICC characteristics described in the maroon arrow in the middle, reported levels of violations can increase or decrease. The yellow boxes break up the sub-clusters of the violations index.

While past studies have focused on industrial settings in the Western world where

the institutional setting offers greater support on enforcement of local labor laws, there is ambiguity on how bi-partite worker management committees perform in the context with weaker institutions prevalent in the countries in my study. My paper fills that gap by offering some magnitude of the degree of association between PICC characteristics and violations with factory standards and shedding light on the PICC features that are most influential. This can help in better designing how standards are implemented in similar contexts and the role of workers in establishing sustained changes in factory behavior.

Institutional Context

4.1 Background on BWP and PICC Formation

The Better Work Program (BWP) is form of private transnational regulatory initiative with the goal to assist supplier firms in global value chains to improve practices based on core ILO labor standards and national labor law. Unlike most such private initiatives, BWP is implemented with a strong emphasis on social dialogue to improve worker-management cooperation and ameliorate working conditions. Additionally, BWP bases their evaluations of non-compliance on international labor standards and national law rather than setting their own code of conduct as is the case in most private initiatives. This is a consequence of its tripartite nature - BWP is a partnership between the International Labour Organization (ILO) and International Finance Corporation (IFC) as well as the government in the respective countries. Although it is primarily a voluntary program ¹, where supplier firms pay for BWP advisory services, in practice, they are often steered by the buyers in advanced industrialized countries to join the program.

BWP was launched in August 2001 in Cambodia, scaled up as a global program and has since then been working in nine countries: Bangladesh, Cambodia, Egypt, Ethiopia, Haiti, Indonesia, Jordan, Nicaragua and Vietnam. It motivates supplier firms to participate in the program by helping them to meet the international labor standards and national law thus helping them achieve social compliance demands of

¹As noted in the BWP website, it works as a mandatory program (required/driven by the government) in which all apparel factories are covered in Cambodia, Haiti and Jordan while it is voluntary in all other countries of operation.

global buyers by improving conditions for workers, and helping firms become more competitive. BWP focuses on labor intensive industries having large numbers of vulnerable workers in developing countries - primarily the apparel sector. The project includes advisory visits focusing on training and capacity building as well as audit assessments of factory's compliance with safety and labor standards.

The Performance Improvement Consultative Committees (PICCs) - a joint management worker committee are mandated as part of all BWP globally. Consequently, they were set up in factories in Vietnam, Jordan and Indonesia under the auspices of the International Labour Organisation's (ILO) Better Work Program (BWP). The committees are a form of activating worker-management dialogue in factories covered by the program and as such, where unions are present in factories, they are required to be represented in the PICCs. The goal of the PICCs is to create a platform that enables dialogue between workers and managers so they interact under full bipartite representation. The Better Work (BW) factories generally experienced five to six assessment cycles in each country of operation. The PICCs are generally created during the second assessment of the factories by the BW enterprise advisors. Once formed, the quality of the PICCs may vary across the factories across a range of variables including: appropriate and adequate union representation in PICCs; freedom of the PICCs in the candidate selection and electoral process; representation of women in the PICCs in proportion to the gender ratio of the employees in the factory; and, ability of the PICCs to meet independently in the absence of the better work advisors and factory management's decision to incorporate the deliberations of the PICCs as part of their decision-making. There has been some prior research assessing the impact of Better Work on various firm-based outcome measures, which have been detailed in the earlier section.

Better Work believes that good PICCs, modeled after the European Works Councils, create an atmosphere of dialogue that spills over to other areas (*Better Work Report* 2013). Consequently, and in line with the predictions of the Weil (2014) analogy of the "Fixing Broken Windows" concept, when workers and managers start to bring up non-compliance issues through PICCs, they simultaneously develop tools

and power to resolve conflict. Thus, there is an assumption that PICCs have spillover effects in creating a culture of participation (Anner 2018).

While the broader objectives and goals of BWO remain consistent across the country programs, every country has its own employment relations history and institutional framework, which creates some variation in the specific details of implementation. A high-level overview of the industrial relations and some key BWP features are provided below for each of the three countries covered in the study.²

4.2 Country Profiles

Indonesia

The industrial relations dynamics in Indonesia went through three major phases, Old Order (1945-65); the New Order (1965-98) and the post-New Order (1998-present), that are briefly summarized here. A full detailed analysis is provided in (Rupidara and McGraw 2010). Although union activity flourished due to the freedom given by the Old Order to the labor movement, the era of Suharto regime saw a dramatic shift towards a more centralized control and restriction on labor activity. The state sponsored Federation of All Indonesia Workers' Unions enjoyed monopoly status by aggregating all former unions under its umbrella and in control of the ruling party thus serving as an advocate the government's rather than the workers' voice. Industrial relations was placed under the tight control of the central government: strikes were banned in vital industries and military interventions used in coercive measures to control union activities and ensure industrial peace. Furthermore, the regime legitimized their approach by combining their restraining labor approach with the broader national rhetoric of Pancasila, calling it Pancasila Industrial Relations (Hubungan Industrial Pancasila, HIP) which further perpetuated state control in the country's populace.

Fortunately, despite the states measure to control the labor movement, grass-roots organizations led by students, labor-NGOs and alternative unions, continued to thrive

²Note that each country has detailed reviews of the specific details of each country program, which are available for further reference on the Better Work website: <https://betterwork.org/>.

and came to fruition with the Asian financial crises of 1997 that culminated in the fall on the Suharto regime. In line with the democratization of the state at the national level, the IR system underwent significant reforms with the ratification of eight ILO core conventions of which Convention No.87, 1948 on Freedom of Association and Protection of the Right to Organize was the key one that resulted in the rise of labor activism and the rapid growth of trade unions including the re-emergence of multiple labor unions and the emergence of independent federations and confederations.

With reduced restrictions to entry, unions flourished and there are over 100 unions formally in existence at national level³. Despite the dramatic increase in numbers, increasing membership remains a challenge for the unions and reports of declining union density were reported in recent years exposing thee challenges for unions to remain effective in promoting true worker voice at the workplace.

The BWP in Indonesian factories is an opt -in regulatory program to introduced in 2011. Since its introduction, the program has enrolled over 130 garment factories that employ approximately 200,000 workers (one-third of all garment workers). The program is nationally embedded through its Project Advisory committee (PAc), which includes representatives from the Ministry of Manpower and Transmigration (MOMT), employers, and unions. While unions representation is mandatory in the PICCs, there is variation as to how early in the BWP cycle they were incorporated in the PICC structure.

Vietnam

The Vietnam industrial relations dynamic is significantly influenced by the political regime of the socialist, one-party system under the rule of the Vietnamese Communist Party. Although Vietnam underwent transition from its centralized economic planning system towards a global market economy after the mid-1980s it remains a socialist-oriented market economic system, with the state still largely in control over the management of the economy. The political backdrop plays a significant role in

³According to the ILO, based on the trade union verification in 2016 published by the Government, there were 14 Confederations and 115 Federations at the national level, while the number of unions at the enterprise level were 7,294 and the total union membership 2,717,961.

shaping Vietnam’s IR system as detailed in (Collins et al. 2011) and summarized below.

Vietnam’s acceptance into the WTO in 2006 saw a growth in foreign owned enterprises combined with privatization and disaggregation of monopolistic state-owned enterprises. This led to growing tensions amongst the workers. Since the pre-reform era IR system was theoretically consistent with the socialist ideology of collectivism, Vietnam’s IR system lacked mechanisms for bargaining. During this period, a single national union – the Northern Confederation Red Union– colluded with the government to represent these ‘common’ worker-management interests.

Eventually, a new Charter on the role of unions (1989), and a Labor Code (1994) which established worker rights and minimum working conditions, and allowed unions to engage in bargaining and negotiations with management were issued. This formalization of the role of unions led to a growth in the number of unions in Vietnam. One of most important legal implications of this code is that it provides a formal system for the resolution of individual and collective labor disputes through conciliation and arbitration, and gives employees the right to strike on paper at least in the case of a collective labor dispute. The role of unions in Vietnam has thus shifted. It is now more clearly identified as working in the interests of the workers, at least on paper.

However, their influence has been relatively limited as the government has sought to protect the traditional (or socialist) ideology, because they have no coherent organizational base. The new values have since then shaped the country’s approaches to labor relations and to the organization of labor management relationships. Despite its membership of the ILO, the state is yet to ratify Conventions 87 on freedom of association and right to organize. Convention 98 on the right to organize and collective bargaining was only ratified in 2019 and remained un-ratified for the period of the study.

Better Work started operations in Vietnam in 2009 as an opt-in program, and provided supports more than 400 export-oriented factories employing over half a million workers – some 21 percent of the industry’s workforce, mainly in the Ho Chi Minh area. Since March 2012, union representatives on the Better Work Vietnam PICCs

have been directly elected from the factory floor. As with the case of Indonesia, there is variation as to how early in the BWP cycle they were incorporated in the PICC structure. Due to the nationally

Jordan

Despite lacking some of the typical comparative advantages of other garment producing countries such as populous work force, low minimum wage and indigenous experience in textile production, Jordan's garment manufacturing sector flourished as a consequence of the establishment of qualifying industrial zones (QIZ) in 1997 and a preferential trade arrangement implemented by the United States that gave Jordanian products manufactured in the QIZ significant tariff advantages.

With the rapid expansion of Jordan's garment industry and accompanying low participation rate of local workers, migrant workers from the surrounding countries were brought in to fill the gap under the *kafala* system. Migrant workers now comprise about 75 percent of the industry workforce. Under the *kafala* system of employment sponsorship, rights are severely restricted with the sponsoring employer holding significant power over the workers by controlling their legal status in the country and discretion over the payment of compensation.

The significant proportion of migrant workers posed challenges for Jordan's employment relations dynamic. At the national level, the General Federation of Jordanian Trade Unions, established in 1954 and constituted by 17 unions, is in charge of advocating on behalf of workers. However, its impact and influence is limited because of limitations on the unions' independence and power under Jordanian law. Furthermore, Jordan has not ratified ILO Convention 87 on the Right to Freedom of Association, and there are several legal limitations on unions freedom to organize and self-govern. More importantly the laws on unions discriminate between workers of Jordanian and foreign origins. It was only in 2010 that migrant workers were granted the right to be members of the union, although they still do not have the right to form their own unions or to vote or have a say in union governance or run for office.

A 2005 AFL-CIO report and a labor expose led by an American labor rights orga-

nization in 2006 combined with a large decline in exports during the Great Recession forced Jordan to address its challenges in employment relations. BWP started their activities in Jordan in 2008, in the wake of Jordan's employment relations crises. BWP in Jordan operates primarily in the garment industry with a goal to establishing decent work conditions in the sector and address the pervasive violations in worker rights that plagued the industry.

While BWP is voluntary in Vietnam and Indonesia, enrolment is mandatory in Jordan.⁴ While there has been some initial tension between existing unions, employees and BW officers and distrust over PICCs, the establishment of the collective bargaining agreement (CBA) in 2013 resolved some of the tension. The CBA requires all factory workers to be union members, which potentially poses some unintended consequences such as decreases the incentives and motivation for unions to organize and ensure that their members are active and engaged, which are reflected in the country specific results for Jordan detailed in the later sections. A full detailed version of the summary of the Jordanian industrial relations as it pertains to the garments sector and the development of BWP in Jordan can be found in (Kolben 2019).

⁴According to BWP website, it is mandatory for garment factories and subcontractors exporting to the US and Israel, and for eligible manufacturing enterprises in the chemicals, plastics and engineering sectors. Garment factories exporting to the EU market under the relaxed rules of origin (RoO) are also enrolled with Better Work Jordan.

Data and Methodology

5.1 Data

I use two distinct datasets that contain observations at the factory level for the three countries that are a part of the Better Work Program: Indonesia, Vietnam and Jordan. While the program operates in eight countries, I focus on analyzing the programs in these three countries due to availability on PICC quality data.

5.1.1 Dataset on PICC Characteristics

The first, which I will refer to as the PICC dataset, comprises of factory level observations for each assessment cycle of the Better Work Program (BWP). The data is coded from the detailed assessment reports that are conducted by the BWP enterprise advisors in first three rounds of the program cycle, where each cycle corresponds roughly to one calendar year. The information from the reports were coded into binary data to indicate in which round of the report a PICC was created and whether it conformed with the PICC quality characteristics. Thus, each line of observation represents the PICC characteristics recorded for each factory in each report of the cycle. A total of fourteen variables are used to describe the characteristics of the PICC. The most basic variable indicates if a PICC exists, while the remaining thirteen are various indicators of PICC quality.

The BW team has identified a total of eight criteria for determining the quality of the PICCs, which include: i) adequate union representation; ii) democratic process in election of PICC worker's representatives; iii) fair representation of female workers in

proportion to factory's female workforce; iv) management support for PICC activities (includes regularity of meetings, ability to convene in the absence of BWP representatives, relaying PICC's deliberations to workers, adequate training for PICC members, and consideration of PICC deliberations in management decision making). Thirteen variables were used to measure these eight criteria. So, for example, if *Factory X* had a PICC that was created in the second cycle of the intervention then it would be coded as 1 in that period and stay as 1 for any subsequent reports in later cycles. Similarly, each of the remaining thirteen characteristics would be coded as 0 or 1 depending on whether the respective PICC met with each of the quality dimensions.

An important point to note here is that for the period covered in the analysis of the paper, all the PICC characteristics described above were assumed to remain the same. While these characteristics could potentially change over time, for the period for which the reports were available, there was negligible variation in the measures of PICC quality observed, thus validating the assumption of non-variability. However, a longer term analysis of this data in the future can change this assumption to include a more dynamic measure of PICC quality. For this current study, I draw conclusions based on the PICC characteristics at the onset of the program and subsequent effects on reported violations.

I draw parallel between the PICC characteristics to the four criteria for determining PICC quality in (Anner 2017), namely, fair election of PICCs, adequate representation; protection from management retaliation; and, sufficient empowerment. I aggregate the thirteen variables in my dataset to create a single index of PICC quality. The index is created as a sum of the variables that represent the following characteristics and act as indicators of PICC quality: appropriate and adequate union representation in PICCs; fair process in PICC elections; representation of women in the PICCs in proportion to the gender ratio of the employees in the factory; and, management supports the operation of the PICCs. I check for internal consistency for the selected factors using the Cronbach's Alpha measure to test if the chosen characteristics are a reliable measure for the respective quality. The table of the alpha score is provided as *Figure 10-3* as an indication of the internal consistency of the

variables chosen to be summed together as an index. I note that this measure is adequate at approximately 0.76 and greater than the acceptable level of 0.6.

5.1.2 Dataset on Violations

The second dataset is also at the factory level and contains findings from compliance audit assessments carried out by BWP enterprise officers. I refer to this as the "violations" dataset. The data collection period spans from 2009 to 2015 depending on the country. There is on average ten to thirteen months between the assessments, so on average there is an assessment for each cycle of the program. Since the start time for the factories are staggered, I refer to the first year of intervention and data collection as cycle 1 and so forth. The responses are coded as binary with 1 being an indicator of non-compliance. I first create a full index of reported violations by aggregating all the measures of violations that incorporate all different aspects of the audits including compensation, health and safety, working hours/time, child and forced labor, freedom of association and collective bargaining, discrimination, disciplinary practices, and other worker protection/environment. I also take a subset of the violations measures for which there are sufficient observations across the observation cycles and create a set of indices in the following categories: health and safety; unions and bargaining; work time; and, other worker protection. These sub-categories are constructed based on internal consistency using a Cronbach-Alpha greater than 0.7. The indices are created by summing the indicators in each of the sub-clusters. The details of the components of these sub-clusters are as follows:

- The indicator for health and safety includes: Violations with regards to chemicals substances, emergency preparedness, hazardous work, health services and first aid and OSH management systems.
- The indicator of collective bargaining includes: violations against union operations, collective bargaining and dialogue against discipline and disputes.
- The indicator for violations of work time includes: violations against the following variables: leave, paid leave, overtime and regular hours.

- The indicator for worker protection includes: welfare facilities, working environment and worker protection.

Figure 10-4 provides the summary characteristics for the main PICC variables I construct for the three countries. PICCs exist in the majority of factories in each country. Once created, which generally happens within the first 2 cycles, they continue to exist over time. The PICC quality is assumed to remain the same over time.

In all cases, an increase in the index indicates a worsening of the violations and a deterioration in the compliance conditions. *Figure 10-5* shows the distributions in the sub-clusters of the violation index for each country. The extent of violations recorded in all of the sub-clusters are low reflecting some of the limitation of this form of data collection. The violations are recorded by BWP enterprise officers during compliance visits and there is often a tendency for under-reporting violations. For example, if we look at the measures relating to unions and bargaining, we know based on research (Anner 2017, Amengual and Chirot 2016) and widespread media reports, that violations against freedom of association are common in the case of Vietnam and Indonesia. However, the BoxPlots in *Figure 8-4* show very low medians and small distributions reflecting the case of under-reports consequently any significant changes that are found in the analysis are likely to be lower-bounds. Health and safety related measures tend to have higher reported violations given many of the measures can be directly observed by the surveyor. Work hours may suffer from under-reporting as well due to lack of record keeping while workplace conditions may not always be directly measured or maybe temporarily manipulated prior to inspections (such as cleaning bathrooms). Jordan has lowest reports of violations in sub-clusters while Indonesia has the highest reports of violations.

While there maybe a general under-reporting seen in these and other compliance reports, these exist in all three contexts and thus the effect of union representation on reported violations is of special relevance in this study. Furthermore, an indication of worker voice in this context can be seen through an increase rather than a decrease in the number of reported violations.

The alpha score table for the full violations index is provided in *Figure 10-6*. Once

again, the alpha score is approximately 0.8 and greater than the acceptable level of 0.6, indicating internal consistency for the index.

5.1.3 Merged Data Descriptions

The final dataset is created by merging the PICC and violations datasets described above. I use BoxPlots in *Figure 10-7* to compare the distribution patterns in the PICC quality and the violations indices for each country respectively to get an understanding of how the averages of the two main indices compare across the three countries - indices were normalized for ease of comparison. Overall, the median level of violations recorded is relatively low - below 0.5 for all three countries. However, in cross country comparisons we find that Jordan has the lowest level of violations while Indonesia has the highest. These patterns are in line with the context of the respective countries. Jordan, as a whole, has fewer factories with fewer workers, which focus on more high-end products relative to the other two countries. Indonesia, with a more populous labor force, has greater number of factories that are larger and focus on a broader range of products (*Better Work Report 2015*). The plot of the PICC quality index paints a slightly different picture. The highest quality PICCs seem to be in Vietnam, while those in Jordan and Indonesia are roughly comparable with Jordanian PICCs faring slightly better than Indonesia, although with much greater variance.

I also look at the trends in the mean PICC quality and violations indices over time in each of the countries using BoxPlots in the next three figures *Figures 10-8 to 10-10*. In Jordan, the median violations fall over the first five cycles but picks up slightly afterwards, while PICC quality seems to generally improve over time but dips off in the last cycle. Similarly, in Vietnam, the violations fall over time but show an increase in the last cycle while the median PICC quality seems to vary little over time. In Indonesia, the violations fall over all the cycles and the trend is stronger than in the previous two. The PICC quality shows some improvement over time although the trend is less dramatic.

In *Figure 10-11*, I plot the factory means in the violations index versus the PICC quality for each country respectively to get an understanding of the variation and

the broad correlation patterns. The figures show that while there is some negative correlation between the two variables in all the three countries, that is, higher PICC quality is negatively associated with lower levels of violations, the association is fairly weak in all three cases. Jordan has a tight distribution in the coefficients. In Vietnam, all factories have PICCs and are in the middle to top end of the PICC quality distribution.

While these illustrations give us some idea of the changes in violations over time, they suggest small if any association between PICCs and violations. Consequently, the the regression analysis with fixed effects described below provide a more detailed understanding of the link between PICC characteristics and sub-clusters of violations.

5.2 Methodology

I use the merged datasets for Vietnam, Indonesia and Jordan to understand the association between PICCs and reported violations in labor and health and safety standards in factories. In particular, I answer the following questions:

- Within factories, is there an association between the changes in violations of standards and the existence of PICCs?
- How are specific institutional characteristics of PICC associated with aggregated and sub-clusters of violations with factory standards?

I use the following regression estimation with two-way fixed effects to answer this question:

$$Y_{it} = \alpha + \beta_1 PICC_{it} + \beta_2 PICCQualInd_{it} * PICC_{it} + \gamma_t + \eta_i + ctry_k + \epsilon_{it} \quad (5.1)$$

where, the left hand side is a the standardized measure of the (full and subset of) reported violations index for factory i at time t ; the first term on the right hand side is the constant; the second term is a binary indicator of whether a PICC is present or not in the factory i at time t ; the third term is the main independent variable which

is the index of PICC quality interacted with the presence of the PICC; the fourth term captures the time fixed effects; the fifth term captures factory fixed effects; and, finally the error term.

$$Y_{it} = \alpha + \beta_1 PICC_{it} + \beta_{2,j=1} PICCQualInd_{j=1,it} * PICC_{it} + \dots + \beta_{2,j=X} PICCSubInd_{j=X,it} * PICC_{it} + \gamma_t + \eta_i + ctry_k + \epsilon_{it} \quad (5.2)$$

In *Equation 2*, I replace the main independent variable, the PICC quality index, with a subset of PICC characteristics, which are measures of the PICC's institutional features. They are as follows:

- UnionsRep: Aggregates indicators, which shows if a union is present in the factory and it is represented amongst the PICC members;
- ElectionsFair: Aggregates indicators, which denote if the PICC elections were held without interference from management, multiple candidates were present and the workers had free choice in candidate selection;
- GenderRep: Indicates if the female ratio in the PICC is presentative of the female ratio in the factory;
- ManagementSupport: Aggregates indicators, which tell us how much the factory management supports the PICC processes and includes measures that show: if PICC members receive training on how to implement the PICC; workers are released from duty to attend PICC meetings; PICC meetings take place regularly and even if no BW officers are present; both workers and management take turns to chair meetings; and, management incorporate PICC deliberations in their decision making.

An estimation of *Equations 1 & 2* enables me to makes predictions on the following questions within BWP factories, over time, within countries:

- Are PICCs – on their own - related to change in the violations index within factories over time? On average, does variation in the quality of the PICC move the needle on the violations?

- How are different PICC characteristics related to the sub-clusters of violations and how do these results vary between the three countries?

In addition to the regression analysis mentioned above, I complement my results with some descriptive analysis some of the cases based on written factory reports from Indonesia and Jordan to enable readers to get a more in-depth understanding of the some of the results of the analysis, which are presented in the Appendix.

Results and Discussion

6.1 Results

The results of the regressions from the specifications in *Equations 1 & 2* are presented in *Tables 8-1 to 8-3* for the pooled country sample and *Tables 8-4 to 8-6* for the country specific samples. In *Table 8-1*, I present the results from *Equation 1*, the regression of the violation index on the PICC quality index. In *Column 1*, I only keep the binary variable that a PICC exists as dependent variable for comparison purposes. The results indicate that having a PICC is associated with no significant effect on violations within factories. In *Column 2*, I include the aggregated index for PICC quality and its inclusion of leads to some negative effects on the aggregated violations, although the results are weak and not significant.¹ While this result gives us some indication that PICCs that are of high quality, as captured by the PICC quality index, may move the needle on violations, the effects are not significant on the aggregated levels.

In *Table 8-2*, I report the results of the regression from *Equation 2*. The analysis breaks down the main components of the PICC index in order to disentangle the effects of specific PICC characteristics on reported violations of factory standards. The objective is to see if the lack of significant results as seen above are consistent for all aspects of the PICC or if certain characteristics of PICCs are actually effective in changing reported violations. Furthermore, I am able to quantitatively test the

¹Note that indices are created by aggregating binary variables that record violations against the Better Work compliance criteria. Consequently, a more negative value of the index indicates an improvement in compliance (or a fall in violations) while a higher value indicates the contrary.

validity of the PICC features presented in Anner (2017).

In all three columns of *Table 8-1* the dependent variable remain the same, that is, the natural log of the full violations index. In *Columns 1-4*, I specifically look at the independent contributions of each aspect of PICC feature on the aggregated violations index and find that only PICCs elected through fair elections impact violations. However, in Column (4), when I include all the four different features of PICC quality, both union representation in the PICCs and PICCs elected through fair electoral process effect violations index albeit in opposite direction. Given that all indices are standardized, the results can be interpreted as follows: a one standard deviation increase in the union representation in PICCs is associated with a 0.132 standard deviation increase in the violations index on average while for a similar change in the fair elections index, there is a 0.171 standard deviation decrease in the violations index on average.

In *Table 8-3*, I present the results from the regression in *Equation 2*, where the main independent variables remains as the four components of PICC quality for all the regressions in *Columns 1 to 5*. The dependent variable changes in each column. The first column takes the full index for the violations variables as the dependent variable and results correspond to *Column 5* in *Table 8-2*. The subsequent models in *Columns 2 to 5* then in turn take each of the sub-clusters of the violations separately as the dependent variable, namely: health and safety (H&S); collective bargaining issues (Bargain); measures for protecting workers such as welfare facilities (Protection); and, violations in working hours (Work Hours). As before, I take the standardized indices to enable me to interpret the results as one standard deviation changes for comparability of results.

In the case of the *H&S* sub-cluster, the PICCs featuring fair electoral processes for PICCs and gender representation are most effective in reducing reported violations. In case of collective bargaining issues, management support for PICC operations are significant for reducing violations. Conversely, for violations relating to worker protection and work hours, union presence in PICCs is significant and is associated with a rise in the reported number of violations. Work hour violations are reduced

by fair electoral process of PICCs.

The breakdown of the analysis by the PICC components provides a more detailed illustration of the PICCs effects on various types of violations. Union presence and fair election of PICCs being the most relevant and drive the total reported violations in opposing directions. To summarize, fair electoral process of PICCs are most relevant for resolving health and safety and work hours violations; gender matters for improving health and safety while management support for collective bargaining bargaining. Finally, union presence in PICCs increase the reported number of violations for work hours and worker protection. The opposing effects of PICC characteristics on reported violations is significant since they can account for the null effects of the aggregated PICC quality index while also revealing areas for further investigation of the PICC functioning process.

The cross-country results are largely reflected in the factories in Indonesia *Table 8-4*, which account for more than half the factories in the pooled sample. For the full index on violations, union representation and fair electoral process are the two most relevant PICC features. Union presence in PICCs increase the reported number of violations for work hours and worker protection, and gender effects violations reported in all categories to some degree, either by increasing or decreasing the reported violations. Fair electoral process of PICCs are somewhat significant for resolving health and safety and work hours violations.

For factories in Vietnam that account for about one-sixth of the sample, *Table 8-5*, union and gender representation are the two most relevant PICC features that increase reported index of aggregated violations significantly. Health and safety; work hours and worker protection related violations are impacted by union and gender representation and fair electoral processes of PICCs while collective bargaining issues are not impacted by any measures of PICC characteristics in the context of Vietnam.

Finally, for factories in Jordan, *Table 8-6*, adequate gender representation and management support for PICC activities are significant in reducing reported violations for health and safety and collective bargaining issues, respectively. No significant effects are found on aggregated measures of violations.

6.2 Discussion

Past studies indicate that bi-partite institutional set-ups as embodied by the PICCs are ineffective without adequate institutional support from management (Weil 1996, Kochan, Dyer, and Lipsky 1977). Simple presence of a PICC (as in Column 1 of Table 7-2) is not sufficient in order to be associated with an improvement in the compliance. This trend in the results are in line with the findings in Anner (2017) in PICCs in BWP factories in Vietnam, which indicate PICCs on their own accord make little (if any) difference in driving change in workplace behavior of workers (eliminating the risk of strikes in particular). According to Anner (*ibid.*), efficacy of the PICCs is characterized by the presence of four key factors: fair electoral process of PICC members; appropriate representation of workers in the PICC; protection of members from management retaliation; and, empowerment of workers to address serious non-compliance issues. These components roughly map to my quantitative characterisation of the PICC as discussed above, allowing my paper to show some of the positive and negative effects of these features on reported violations, both at the aggregate level and in sub-clusters.

My results show that: i) PICCs can have opposing effects on the reported violations; ii) specific features of PICCs can drive the reports of violations in different directions with union representation unilaterally increasing the number of reported violations in all sub-clusters of violations; and iii) institutional context of the country matters for which features of PICCs are most relevant in impacting reported violations. The latter points are further illustrated using two case studies, in Indonesia and Jordan, which are presented in the Appendix.

In all cases where the representation of unions in PICCs are significant, there is a rise in the number of reported violations and reinforces the case for ensuring union representation in PICCs to ensure that voice is adequately activated to raise issues in factories. Furthermore, unions are particularly relevant for violations with regards to health and safety, worker protection and working hours. These results reflect the findings of the IR research such as Weil (1999) on the role of unions in

mandated health and safety committees in the US factories showing that unions tend to increase reports of job dissatisfaction as well as Pike and Godfrey (2015) results, which indicate that reports of certain types of violations may increase when unions are represented in the factories and in the PICCs. Interestingly enough, having union presence was not associated with raising issues of collective bargaining. While this current methodology does not enable me to directly disentangle the reasons for this, one major reason for this could be the reliability of reports of such violations from the audits in many contexts or determined more nationally as in the case of Vietnam thus showing limited variability in outcomes. Reports on the other sub-clusters of violations can be measured more objectively by the auditors thus mitigating the reporting issues.

PICCs elected through fair election process, gender representation and management support are associated with both negative and positive impact on reported violations depending on the country and sub-cluster of violations. For example, having PICCs elected fairly in Indonesia is associated with reduction in reported violations while in Vietnam it is the opposite. In Indonesia, gender representation increases violations on work hours and collective bargaining while reducing violations on health and safety and worker protection. These results add further nuance to the gross associations that are noted in *Figures 10-7 to 10-9*, which show trends in gradual improvement in compliance over time, that eventually tapers off for the three countries.

Finally, I cluster standard errors at the factory level corrects for correlation in unobserved errors at the factory level and ensures the robustness of the significance of the coefficients. With respect to identification, factory fixed effects help in mitigating endogeneity concerns to a great degree since the results give us a within-factory impact on reported violations associated with measures of PICC characteristic. One of the major constraints in the data arise for the non-dynamic measure of PICC characteristic. These results are based on the initial characteristics of the PICCs. Future work can build on this by coding a dynamic time-varying measure of PICC characteristic to see if the effects of PICC characteristics on reported violations change over time.

Conclusion

Prior studies on the efficacy of private enforcement of work standards in global supply chains indicate that there are strong limitations and sustained noncompliance (Barrientos and Smith 2007; Egels-Zandén 2007; Locke, Qin, and Brause 2007). A few studies have highlighted some important aspects that can play a mediating role such as anti-sweatshop campaigns on improved wages (Harrison and Scorse 2010) and lean production methods on wage and work hour (Distelhorst, Locke, et al. 2017).

The effect of local institutional context and influence of civil society on compliance with labor and OSH standards continue to be relevant in the literature (*ibid.*; Toffel, Short, and Ouellet 2015). Furthermore, the empirical research, often as a consequence of the nature of the initiatives, have neglected the role of worker engagement in initiating and sustaining social compliance by raising and resolving violations with standards. My study aims at filling this gap by studying the worker management participation committees (PICCs), that are formed as part of the ILO's BWP, an example of a private transnational regulatory initiative.

The results of this paper indicate that within factories, there is a some association between PICCs that are of higher quality and the level of violations, although these results are not significant. More importantly, this paper highlights that certain PICC characteristics are especially relevant for affecting the reported violations and specific sub-clusters of violations. Union representation is the most important of these characteristics as well as fair electoral process in selecting PICC members. While union representation in PICCs is associated with higher reported violations, fair election process in PICC selection is associated with lower reports of violations. Both these

results are in line with prior research on worker engagement in the context of advanced industrialized countries, where unions can help in identification and reporting of violations can explain the increased reports of violations while a well-represented PICC can help in implementing remediation of problems identified in audits. Additionally, results in both characteristics imply an activation of voice in the PICCs with unions enabling more issues to be raised while a well-balanced independent PICC can address in resolving the issues.

Further analysis is needed to understand the specific mechanisms by which the changes take place, especially in moving the violation reports in opposing directions. There maybe two alternative explanations as to what is driving change in the context of the BWP. The first relates to the theory of change in the BWP model, reminding readers of the *"Fixing Broken Window"* analogy in Weil (2014): PICCs create a platform that empowers workers by enabling voice and as a result they are better able to identify problems that increase the reported number of violations and also enforce compliance, which reduce violations with standards. The alternative is a signaling effect: by ensuring that effective PICCs operate in the factory, management is able to signal to BW and their clients that they are committed members of the BWP in order to sustain their relationship. While in both cases, voice is activated for workers, due to limitation in data it is difficult to address this and remains in the agenda for future research. Primary data collected from detailed interviews with management and workers can help distinguish between these mechanisms.

My sample is limited to factories that are under the BWP umbrella, where participation is largely voluntary ¹ thus meaning that these results can be generalized to such an institutional framing. This is still relevant for two reasons. One, the BWP program has devoted significant resources to their programs and has a wide reach in the global south in countries that are major exporters of apparel. The establishment of the PICCs is one of the focal components of the program and therefore getting a more nuanced understanding of PICC characteristics in this setting is significant in and of itself. Understanding how specific characteristics can affect specific sub-clusters of

¹Some exceptions exist such as in the case of Jordan described above where it is mandatory.

violations can be helpful to BWP EAs as they work with factories on strengthening PICC structures. Furthermore, the factories self-select to be in the BWP in most countries and maybe argued to be at the top end of the employers. However, even in my sample there is some variation in both PICC quality and violations. and these significant changes in the results imply that there is further room for improvement in non-BWP factories in these countries conditional on changing management attitude. Even if we take this out of the context of the developing world to that of the developed countries, we need to better understand how worker management setups can affect worker voice and in particular how to ensure union representation as part of mandated committees.

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Tables

Table 8.1: Basic Regressions - Effect of PICCs on Violations

	(1)	(2)
PICC	-0.195 (0.170)	
PICC*Agg PICC Qual Ind		-0.101 (0.068)
Constant	0.462 (0.351)	0.368 (0.353)
R-squared	0.227	0.229
Year and Cycle FE	X	X
Factory FE	X	X
Country FE	X	X
Constant	0.494*** (0.140)	0.421*** (0.063)
R-squared	0.161	0.163
N	591	591

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Table 8.2: Main Results - Effect of Specific PICC Characteristics on Violations

	(1)	(2)	(3)	(4)	(5)
PICC*Union Rep	0.096 (0.065)				0.132* (0.064)
PICC*Fair Elections		-0.160** (0.054)			-0.171** (0.057)
PICC*Gender Rep			-0.038 (0.052)		-0.036 (0.051)
PICC*Management Support				-0.086 (0.060)	-0.037 (0.059)
Constant	0.409 (0.343)	0.298 (0.352)	0.410 (0.350)	0.378 (0.353)	0.294 (0.345)
Year and Cycle FE	X	X	X	X	X
Factory FE	X	X	X	X	X
Country FE	X	X	X	X	X
R-squared	0.229	0.243	0.225	0.228	0.251
N	591	591	591	591	591

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Table 8.3: Effects of PICCs characteristics on Violations sub-components

Standardized	(1)	(2)	(3)	(4)	(5)
	All	H&S	Bargain	Protection	WorkHrs
PICC*Union Rep	0.132* (0.064)	0.034 (0.062)	0.030 (0.068)	0.189* (0.087)	0.181*** (0.050)
PICC*Fair Elections	-0.171** (0.057)	-0.160** (0.058)	-0.050 (0.063)	-0.118 (0.082)	-0.132* (0.056)
PICC*Gender Rep	-0.036 (0.051)	-0.138** (0.051)	0.060 (0.053)	-0.036 (0.063)	0.045 (0.052)
PICC*Management Support	-0.037 (0.059)	0.078 (0.067)	-0.242** (0.075)	0.000 (0.074)	0.007 (0.056)
Constant	0.294 (0.345)	-0.248 (0.373)	0.466 (0.459)	0.931* (0.414)	0.131 (0.478)
Time and Cycle FE	X	X	X	X	X
Factory FE	X	X	X	X	X
Country FE	X	X	X	X	X
R-squared	0.251	0.253	0.071	0.217	0.111
N	591	591	591	591	591

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Table 8.4: Effects of PICC's characteristics on Violations sub-components - Indonesia

	(1)	(2)	(3)	(4)	(5)
Standardized	All	H&S	Bargain	Protection	WorkHrs
PICC*Union Rep	0.409** (0.124)	0.020 (0.097)	0.065 (0.171)	0.770** (0.284)	0.312* (0.133)
PICC*Fair Elections	-0.328* (0.161)	-0.191+ (0.104)	-0.159 (0.251)	-0.346 (0.332)	-0.174+ (0.101)
PICC*Gender Rep	-0.033 (0.129)	-0.214* (0.105)	0.373** (0.130)	-0.305* (0.132)	0.283* (0.126)
PICC*Management Support	0.120 (0.124)	0.438*** (0.120)	-0.003 (0.210)	0.190 (0.235)	-0.047 (0.148)
Constant	0.098 (0.205)	0.026 (0.154)	-0.241 (0.359)	1.108** (0.377)	-0.167 (0.247)
Time and Cycle FE	X	X	X	X	X
Factory FE	X	X	X	X	X
R-squared	0.429	0.438	0.075	0.342	0.194
N	252	252	252	252	252

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Table 8.5: Effects of PICCs characteristics on Violations sub-components - Vietnam

	(1)	(2)	(3)	(4)	(5)
Standardized	All	H&S	Bargain	Protection	WorkHrs
PICC*Union Rep	13.360*** (2.764)	12.319*** (1.756)	-3.251 (4.537)	11.570*** (1.427)	5.985*** (1.695)
PICC*Fair Elections	4.411*** (1.021)	4.345*** (0.534)	-1.270 (1.621)	3.526*** (0.425)	2.421*** (0.552)
PICC*Gender Rep	3.880*** (0.801)	3.883*** (0.419)	-1.023 (1.272)	3.169*** (0.333)	1.689*** (0.433)
PICC*Management Support	-15.779*** (3.563)	-15.407*** (2.140)	4.627 (5.797)	-12.420*** (1.706)	-7.953*** (2.111)
Constant	-8.443*** (1.987)	-7.543*** (1.032)	3.187 (3.156)	-7.123*** (0.818)	-4.146*** (1.044)
Time and Cycle FE	X	X	X	X	X
Factory FE	X	X	X	X	X
R-squared	0.827	0.804	0.776	0.753	0.585
N	105	105	105	105	105

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Table 8.6: Effects of PICCs characteristics on Violations sub-components - Jordan

	(1)	(2)	(3)	(4)	(5)
Standardized	All	H&S	Bargain	Protection	WorkHrs
PICC*Union Rep	-0.053 (0.052)	-0.042 (0.072)	-0.090 (0.073)	-0.006 (0.063)	0.058 (0.052)
PICC*Fair Elections	-0.044 (0.049)	-0.030 (0.067)	0.068 (0.073)	-0.066 (0.062)	-0.066 (0.071)
PICC*Gender Rep	-0.018 (0.044)	-0.101* (0.045)	0.013 (0.052)	0.033 (0.052)	0.004 (0.056)
PICC*Management Support	-0.010 (0.055)	0.106 (0.064)	-0.202* (0.088)	-0.077 (0.064)	0.039 (0.054)
Constant	-0.494 (0.319)	-0.420 (0.332)	0.593 (0.393)	-0.155 (0.421)	-1.056* (0.494)
Time and Cycle FE	X	X	X	X	X
Factory FE	X	X	X	X	X
R-squared	0.183	0.217	0.129	0.131	0.067
N	234	234	234	234	234

+ p<0.10, * p<0.05, ** p<0.025, *** p<0.001

Case Studies

I present a description of two short case studies below, which try to highlight some of the statistical findings above. The studies are chosen from two different country contexts and are of different sizes. The first case, of a factory in Indonesia, is large, and ranked to be only of moderate success. There is union representation in the PICC, which has some impact on reports of violations and the dynamics of implementing the remediation of violations. The second one in Jordan is a case where the PICC is reflected as taking into account gender representation, is largely effective in reducing violations and the factory is overall on track toward remediation, especially in health and safety issues.

Case Study 1: Factory report from Indonesia

In the context of the sample of factories in Indonesia, union presence in PICCs increased reported violations while fair electoral process reduced violations. Factory *XYZ* is part of Indonesia's BWP and has a total of 2,485 workers of which 1,849 are women. The factory was enlisted into the program in 2014 and was still in the second year of the program when the report was completed later in the year. Overall the BW officer's rated *XYZ* as being moderate with regards to its progress on violations. This factory has union workers, who are represented in the PICCs - although both gender and non-union workers were not well-represented.

A total of 62 violations were recorded in the visits, which were concentrated in areas of worker protection (e.g. overtime wage payments and contract renewals) and health and safety clusters such as inadequate use of PPE or safety training. While

some of the violations were in progress under the improvement plan recommended by the BWP EAs. EAs recommended the inclusion of non-unionized workers as PICC members to reduce conflict and re-balancing the focus of the PICCs to solving issues more cooperatively with management. The union representatives bring up many issues as well as using the PICC as means for negotiating and bargaining on the union specific issues and dissatisfaction rather than working through the remediation plan. BWP EA noted that some members could not attend the meetings as they were not released from production activities. The PICC needed to also meet more regularly in the absence of the BWP advisors and establish task-teams to ensure that each member can focus and prioritize certain issues instead of having all members taking responsibility for all issues.

These recommendations indicate that while the factory did have a PICC in place, it operated less than optimally in ensuring sufficient voice to workers at the factory and also without sufficient support from the management. While union participation in the PICC helped to raise issues on violations with various sub-clusters, the lack of fair representation of workers in the PICCs could mean that many issues remained unresolved without reducing the violations.

This case highlights an area where there is scope for improvement in the functioning of the PICC by ensuring better representation in the PICC structure that could help the PICC to be more goal oriented in resolving issues along with raising issues of violations.

Case Study 2: Factory report from Jordan

The analysis of Jordanian factories in the sample showed that while no specific PICC characteristic mattered for the aggregated violations, adequate gender representation helped to resolve violations in the health and safety sub-cluster. Jordan's Factory *ABC* has a total of 885 workers of which just over half of them are women. Workers are mainly migrants from India, Sri Lanka and Bangladesh. Women are well-represented in the PICC structure. The factory was registered in the BWP-Jordan in 2009 and was in the fourth cycle of the program at the time of the 2013 report. Overall

the BWP officer's rated *ABC* as being *Good/Satisfactory* with regards to its overall compliance. About a dozen major violations were identified at the onset and their progress tracked over time. The main aspects of its violations related to issues on health and safety. The PICC was selected through representative worker elections and the officers (with the guidance of the BW advisors) helped to set up detailed improvement plan for the factory with regards to the violations in conjunction with the management. By the time of the fourth cycle, majority of the violations were deemed to have been remedied. The BWP guidance advised the factory to allocate more resources to the remediation of the remaining violations and workers to work with management in ameliorating the conditions.

PICC was established at *ABC* in cycle 2 of the program and was appointed by selection of the managed and comprised eight workers - equally distributed between men and women with representatives from the migrant workers. On the management side, there was representation from top levels. Although the PICC met regularly, it was met with the guidance of BWP officers. The comments in the report indicated that the PICC discussed various OSH related issues, discussed plans for safety training, worker recruitment plans and *"emphasized the importance of conducting PICC meetings on a regular basis, discussed issues raised by workers, such as food quality for migrants"*.

The report shows that PICC played a role in setting up a remediation plan. The committee was established through fair processes and had a fair representation of women and workers and showed management engagement. The PICC shows promise of continued progress even in the absence of BWP.

Figures

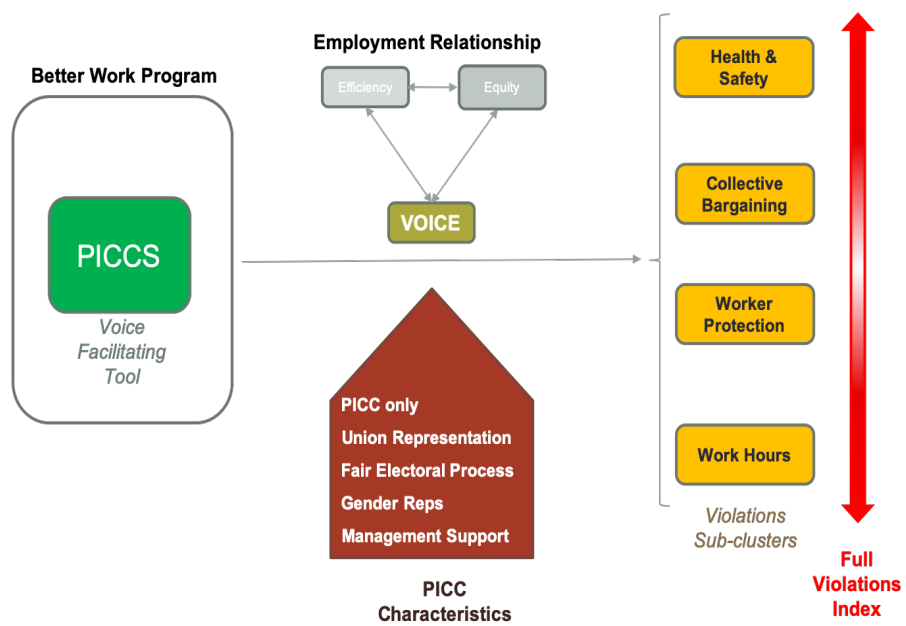


Figure 10-1: *How PICCs Affect Violations*

Differences between PICCs and Trade Unions

Categories	PICC	Trade Union
Purpose	Foster Labor-Management Cooperation	Represent workers as equal partner with management in industrial relations matters.
Role in Worker Empowerment	Empower workers to have a voice in labor management issues and to have a voice as equals with management.	Empower workers to hold employer accountable for protection of workers' rights and interests.
Mandate	Facilitate the collective contribution of workers to factory improvements on non compliance findings.	Negotiate with management over terms and conditions of work.
Role of Representatives	Worker Representatives elected by fellow workers to contribute to decision making processes related to factory improvements.	Shop stewards elected by fellow workers and accountable to trade union members.
Role in Industrial Relations	Promote a culture of dialogue and prevent industrial disputes	Carry out all representative duties of workers, including grievance handling, dispute resolution, and negotiating collective agreements with management.
Legal Status	Temporary committee, consultative in nature, no permanent status.	Registered organization with legal personality, recognized legal counterpart with management in negotiations over terms and conditions of work.
Legal Protection of Representatives	No official legal protection of PICC Worker representatives, unless they are also trade union representatives.	Legal status as trade union representative, protected under ILO Conventions 87 and 98 against union-based discrimination.
Communication with workers	Responsible for bringing workers' views to PICC committee, and to communicating back PICC solutions to workers.	Responsible to ensure regular communication with members of bargaining unit, through general assembly meetings.
Affiliation with outside organizations	No legal basis for affiliation to outside organization, but if union present in factory, union should have communication link with PICC.	Able to join sectoral or federation level unions of its own choosing.
Resource base	No basis for maintaining resources, but activities should not be paid for management, to avoid perceptions of interference.	Membership organization able to collect dues from members, for purposes of carrying out representative functions and delivering services to members.
Role in Industrial Action	No recognized role under many national labor law to engage in strikes, but dismissal of worker reps for participation in a strike may be classified as arbitrary dismissal under ILO Core Labor standards.	Recognized role to mobilize members to take collective action, including withdrawal of labor, i.e. strike action.

Figure 10-2: *How PICCs Differ from Trade Unions*

Item	Obs	Sign	item-test corr.	item-rest corr.	avg. int. covariance	alpha
Union present	562	+	0.57	0.46	0.04	0.73
Union member incl	562	+	0.53	0.40	0.04	0.74
Worker Reps Freely Chosen	562	+	0.68	0.57	0.03	0.72
No Interference in Elections	562	+	0.61	0.50	0.04	0.73
Multiple Candidates Present	562	+	0.63	0.52	0.04	0.73
Members Receive training	562	+	0.51	0.37	0.04	0.74
Reps Released from Duty	562	+	0.14	0.10	0.04	0.76
Meet Regularly	562	+	0.61	0.50	0.04	0.73
Bipartite meeting chairing	562	+	0.53	0.40	0.04	0.74
Meeting Minutes Recorded	562	+	0.18	0.04	0.04	0.77
Female Ratio Represented	591	+	0.49	0.32	0.04	0.75
Meets Independently	562	+	0.32	0.21	0.04	0.76
Management Incorporate Decisions	562	+	0.57	0.43	0.04	0.74
Test scale					0.04	0.76

Figure 10-3: This figure shows alpha scores for the PICC index.

Variable	Obs	Mean	Std. Dev.	Min	Max
INDONESIA					
PICC Exists	252	0.9	0.2	0.0	1.0
Agg PICC Quality Index	252	0.3	0.2	0.0	0.8
Union Present	252	0.6	0.4	0.0	1.0
Fair Elections	252	0.2	0.2	0.0	1.0
Gender Rep	252	0.2	0.4	0.0	1.0
Management Support	252	0.3	0.2	0.0	0.9
JORDAN					
PICC Exists	234	0.8	0.4	0.0	1.0
Agg PICC Quality Index	234	0.4	0.2	0.0	1.0
Union Present	234	0.5	0.4	0.0	1.0
Fair Elections	234	0.4	0.4	0.0	1.0
Gender Rep	234	0.5	0.5	0.0	1.0
Management Support	234	0.3	0.2	0.0	1.0
VIETNAM					
PICC Exists	105	0.9	0.3	0.0	1.0
Agg PICC Quality Index	105	0.6	0.2	0.0	0.8
Union Present	105	0.9	0.3	0.0	1.0
Fair Elections	105	0.8	0.4	0.0	1.0
Gender Rep	105	0.4	0.5	0.0	1.0
Management Support	105	0.4	0.2	0.0	0.7

Figure 10-4: Description of PICC Variables by Country

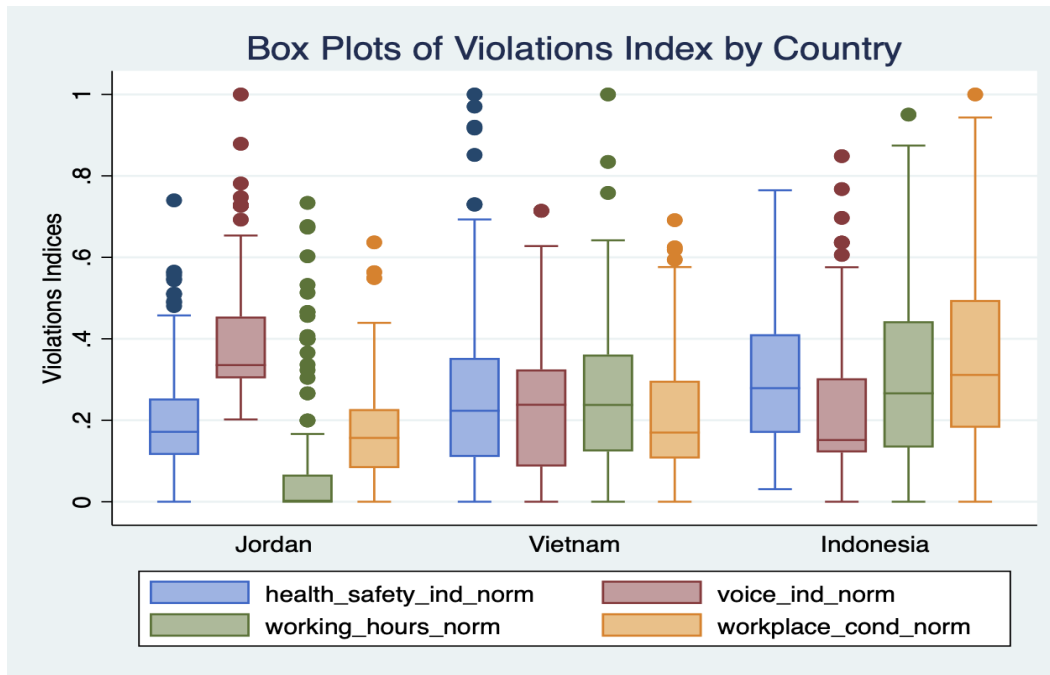


Figure 10-5: *How Violations Index Varies by Country*

Item	Obs	Sign	item-test corr.	item-rest corr.	avg. int. covariance	alpha
Union Operatons	591	-	0.52	0.43	0.01	0.82
Collective Bargaining	591	+	0.27	0.20	0.01	0.83
Dialogue, discipline & Disputes	591	+	0.64	0.57	0.01	0.81
Chemicals	339	+	0.61	0.51	0.01	0.82
Emergency Preparedness	591	+	0.61	0.54	0.01	0.82
Hazardous Materials	591	+	0.29	0.22	0.01	0.83
Health Safety/First Aid	591	+	0.62	0.55	0.01	0.81
OSH Management	591	+	0.65	0.56	0.01	0.81
Bonded_Lab~r	591	-	0.13	0.11	0.01	0.83
Coercion	591	-	0.16	0.14	0.01	0.83
Leave	591	+	0.56	0.51	0.01	0.82
Paid Leave	591	+	0.38	0.34	0.01	0.83
Overtime	591	+	0.61	0.51	0.01	0.82
Regular Hours	591	+	0.60	0.50	0.01	0.82
Welfare	591	+	0.59	0.50	0.01	0.82
Worker Protection	591	+	0.62	0.56	0.01	0.82
Working	591	+	0.47	0.39	0.01	0.82
Gender	591	-	0.12	0.10	0.01	0.83
SOCBenefits	591	+	0.50	0.40	0.01	0.82
Forced Labor	591	+	0.16	0.13	0.01	0.83
Minimum Wage	591	+	0.46	0.42	0.01	0.82
Overtime Wages	591	+	0.50	0.34	0.01	0.83
Test scale					0.01	0.83

Figure 10-6: *This figure shows alpha scores for the violations index.*

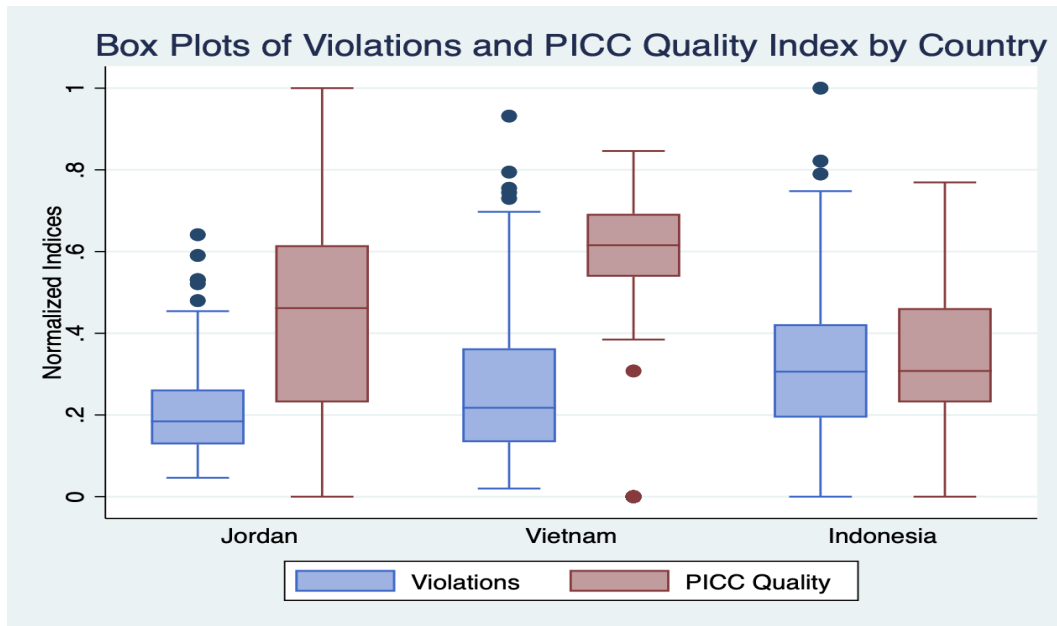


Figure 10-7: *How Violations and PICC Quality Varies by Country*

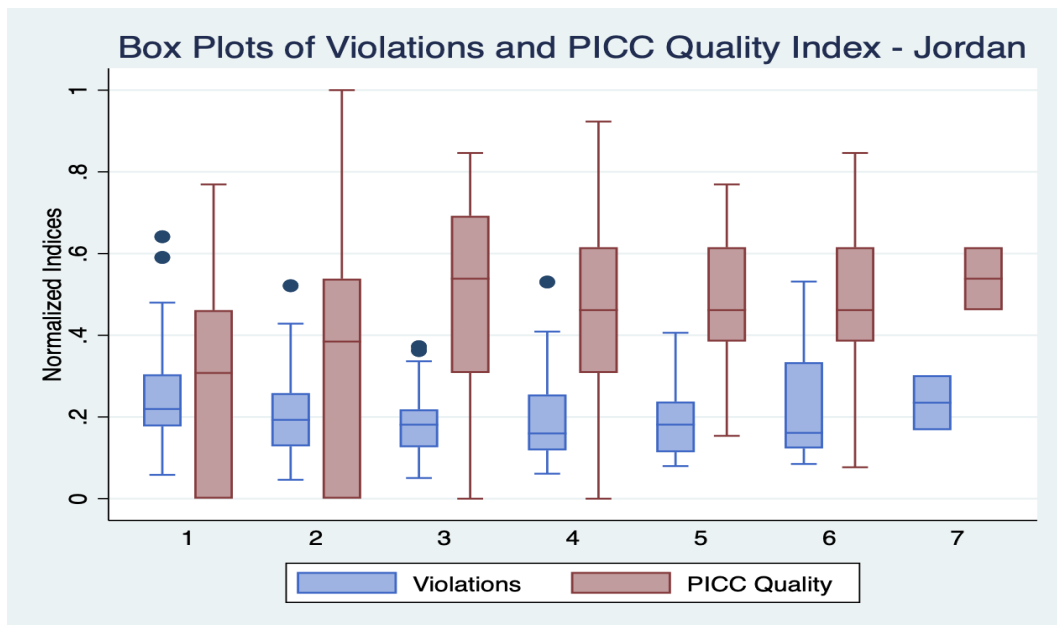


Figure 10-8: *How Violations and PICC Quality Varies for Jordan*

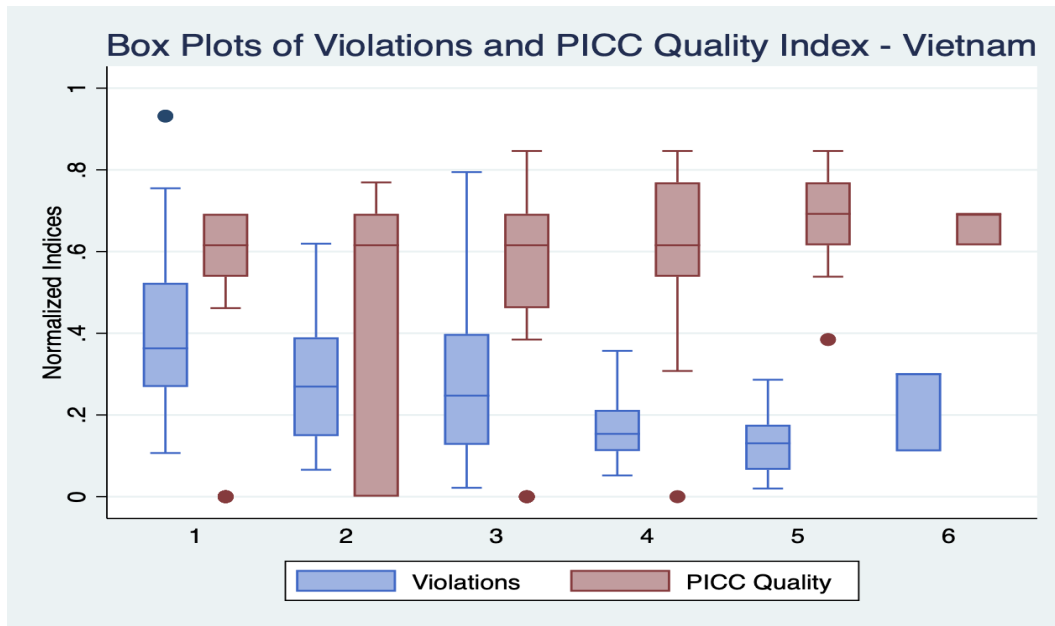


Figure 10-9: *How Violations and PICC Quality Varies for Vietnam*

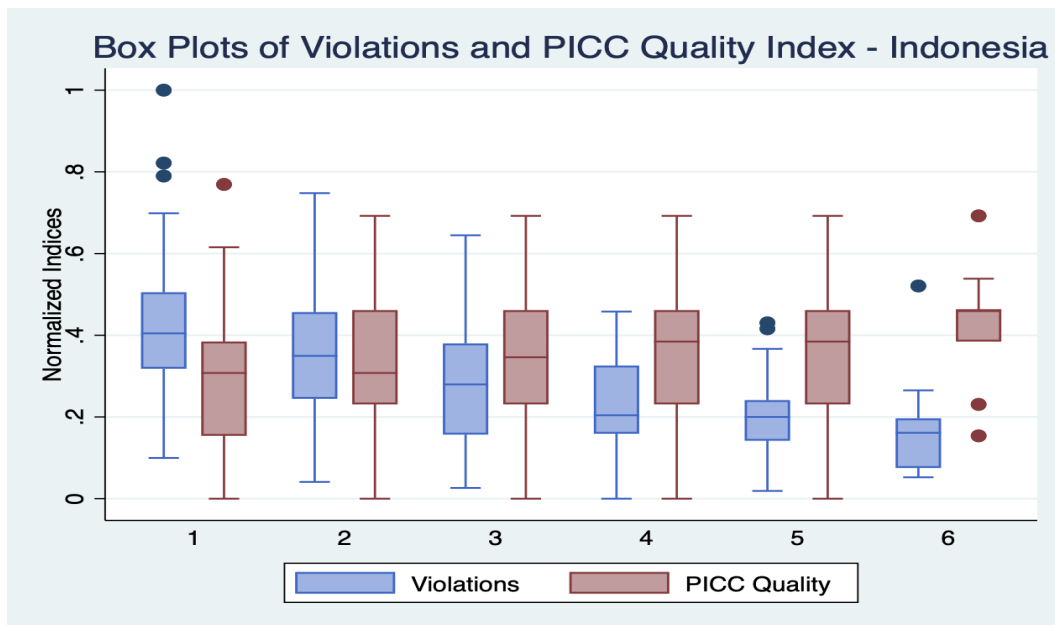


Figure 10-10: *How Violations and PICC Quality Varies for Indonesia*

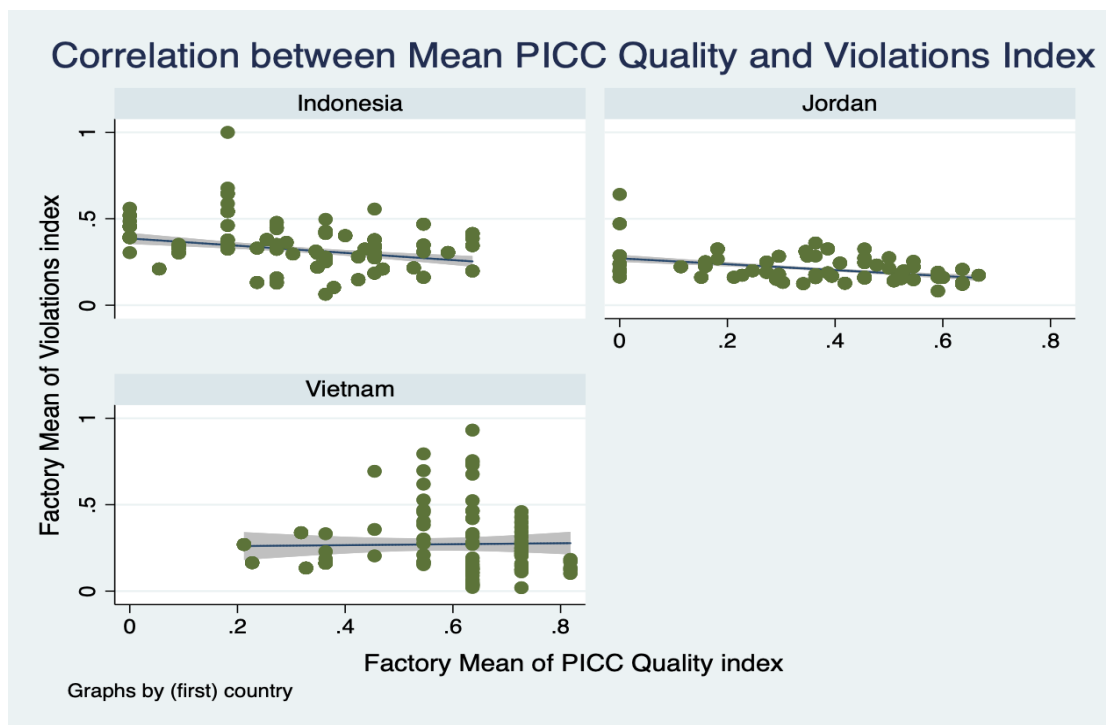


Figure 10-11: *How PICC Index Varies with Violations by Country*

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