



Capacity Building in Multi-Sector Dialogue for the Free Trade Zone Tripartite Commission Apparel Industry in the Dominican Republic

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

About the MFA Forum

The Multi-Fiber Arrangement (MFA) Forum was created in 2004 to understand the implications for workers of the end of the Multi-Fiber Arrangement—a quota system that enabled developing countries to have access to markets in the U.S. and Europe and expired in 2005, negatively changing the exporting landscape for many Central America producers. The MFA Forum also works to define collaborative approaches to mitigate negative impacts of the end of the quota system. The MFA Forum is composed of brands and retailers, NGOs, and trade unions.

Executive Summary

With the political stability of the last few years and its proximity to the vast U.S. consumer markets, the Dominican Republic (DR) has become a center for textile manufacturing in the Caribbean basin. However, the nation's ability to compete within the industry has been negatively impacted by a massive manufacturing shift to low-cost Asia complicated by labor productivity decreases at home attributable to escalating conflicts between workers and private manufacturing firms located in free trade zones (FTZs). In 2008, textile manufacturers employed only 40 percent of the FTZ's workforce, down from 70 percent in 2004.¹ Factories shutting their doors have yielded massive layoffs and enraged workers.

To better address labor conflicts in the DR's FTZs and the declining competitiveness of the country's apparel industry, BSR, together with a local consultant, engaged the Tripartite Commission of the Free Trade Zones, in Spanish, the Comisión Tripartita de Zonas Francas (CTP), a commission composed of government, labor, and private sector representatives created in 1997. The project's goal was to strengthen the CTP's institutional capacity to help it become a legitimate and welcoming venue for multi-sector discussions and, in the future, enhance the country's competitiveness strategy. BSR led workshops focused on identifying the most pressing issues for employers and labor in the free trade zone, defining the commission's mission and role, and creating action plans that targeted areas of shared concern.

Immediate project outcomes include:

- » Some participants expressed renewed interest in reinvigorating the CTP.
- » CTP meetings allowed different sectors to openly table their grievances.
- » Participants clarified the CTP's mission, vision, and goals.
- » A subcommittee was created to follow-up about proposed pilot projects.

However, the project's sustainability remains uncertain because of insufficient financial resources and limited representation of the domestic private sector. Throughout the project, local manufacturers had been presented with weak incentives to participate in tripartite dialogues; indeed, the CTP offered few apparent benefits for peacefully and rapidly resolving labor conflicts. International brands are interested in advancing responsible labor practices in the region and are active participants in the Multi-Fiber Arrangement (MFA) Forum. Nonetheless, brands found it challenging to leverage their relationships with local manufacturers to drive the successful realization of the CTP's vital agenda.

Opportunity

The challenges posed by declining business in the FTZs led the DR government to create a National Competitiveness Plan in 2007. The 2007 plan laid out

¹ National Council for Free Trade Zones and Exports, "Statistical Report 2004, 2008."



Union representatives during one of the project's workshops

About the Tripartite Commission

The CTP was created by a government decree in 1997 with a mandate of creating policies that would benefit firms and employees working in free trade zones through tripartite dialogues. Since its inception, the CTP has signed a small number of agreements, but it has been unable to provide an efficient space for formulation of multi-sector consensus and the implementation of projects to improve the competitiveness of the apparel industry.

CTP members include:

CTP Executive Director

Labor unions, such as FEDOTRAZONA, FUTRAZONA, and FENATRAZONA

Government regulating entities, including the Ministry of Labor, which presides over the commission;

Proindustria;

and the National Council of Free Trade Zones

Association of private firms operating in the free trade zones (ADOZONA)

strategies for the country to take advantage of globalization and its free trade agreements, and to improve its infrastructure and know-how for the benefit of manufacturers. The overall goal was to achieve sustainable growth rates while “promoting integral human development that offers people greater hope and quality of life.”² However, as brands have chosen to relocate sourcing to minimize labor costs and conflicts, the DR’s competitiveness in the apparel sector has slipped, leaving a very uncertain future for local manufacturers.

One representative from the Asociación Dominicana de Zonas Francas (ADOZONA), the private sector representative organization, asserted “factories focus on cost-cutting strategies in an attempt to not lose any more contracts.” However mandatory and market-driven, these adjustments often reduced worker benefits and increased worker-owner conflicts.

Notwithstanding shifting patterns of global sourcing, local manufacturers could still benefit from addressing and resolving labor conflicts and implementing responsible labor practices by:

- » Decreasing business risk and increasing foreign investment due to more stable work environments.
- » Enhancing national competitiveness by increasing labor productivity.
- » Decreasing costs associated with work stoppages and social unrest.
- » Increasing firm competitiveness through higher product quality, reliable delivery times, and lower defect rates.

In 2005, the Dominican Republic, together with five Central American nations, signed the “White Paper,” a series of commitments by the partner countries to address labor issues, including strengthening labor laws and enforcement, eliminating discrimination and child labor, and promoting a culture of compliance.³ Since that signing, International Labour Organization (ILO) staff has made country visits to document the DR’s progress. One of the ILO’s continuous recommendations is that the country further invests in tripartite dialogues to promote labor rights and resolve labor issues.⁴

To jumpstart efforts to address labor conflicts more effectively in the DR’s FTZs and to stem the declining competitiveness of the country’s apparel industry, BSR worked with the CTP. This effort, according to a public sector member, “would define and supply a much needed framework” so the CTP could become a venue for multi-sector discussions and, eventually, contribute to the country’s national competitiveness strategy.

Strategy

BSR consultants, through various engagements in the DR and with textile manufacturers in the country, were aware of the following challenges facing the industry and consequentially BSR’s project:

- » High labor costs relative to alternative locations have tempted brands to source elsewhere, even as labor groups argued that the minimum wage fails to ensure decent living conditions.

² “The National Competitiveness Plan.” <http://dr1.com/trade/articles/271/1/The-National-Competitiveness-Plan/Page1.html>. August 2007.

³ “The Labor Dimension in Central America and the Dominican Republic. Building on Progress: Strengthening Compliance and Enhancing Capacity” Report from the Working Group of Vice Ministers of Labor and Trade of Central America and the Dominican Republic. April 2005.

⁴ “Verification Report on the Implementation of the White Paper Recommendations.” International Labor Organization. February–July 2009.



BSR's Regional Project Manager facilitates a discussion with union representatives during a workshop.

- » Unreliable electricity supply, poor transportation infrastructure, and inefficient shipping of products have led to increases in production costs and have decreased the industry's economic competitiveness.
- » Many apparel manufacturers continue not to comply with labor norms related to freedom of association and collective bargaining.
- » Neither the government nor the national apparel industry had developed an integrated strategy to position textile exporters in the face of intense competition from Asian manufacturers and to address management-labor conflicts.
- » ADOZONA had limited influence on its members and represented only 60 of the 500 companies, or 12 percent, in the FTZs, an underrepresentation that impeded implementation of CTP decisions.

After debating possible project scopes, BSR agreed to make fortifying the CTP's institutional capacity a priority. Only a stronger CTP could become a viable platform for the much-needed multi-sector dialogue. BSR consultants then returned to the DR to discuss possible project objectives with each CTP sector. All members of the CTP and BSR agreed to implement the following action plan in a sequence of three workshops:

- 1 Identify the most pressing issues cited by employers and labor in the FTZs, as well as the shared concerns for the three participating sectors.
- 2 Define the CTP's mission and key roles.
- 3 Create both short-term and long-term action plans targeting shared areas of concern.

Additionally, the MFA Forum conducted a fact-finding trip to the DR in 2007 and created the Dominican Republic Working Group, now cochaired by BSR and Social Accountability International, to find solutions to the country's declining apparel sector. In response to a request by the CTP to better understand the causes of this decline, BSR and members of the MFA Forum returned to the DR in April 2008. The DR Working Group platform was charged with keeping international brands and other MFA Forum members updated, gaining their feedback on the project, and—it was initially hoped—using their collective market leverage to advance the project's goals. The working group also fostered dialogue between the MFA Forum and the DR. The MFA Forum and BSR communicated in monthly calls.

Implementation

BSR and the local consultant facilitated three workshops. During the project's first workshop, employers identified these needs and priorities:

- » Greater government support
- » A concrete national competitiveness plan
- » Improved policies that would contribute to the sector's efficiency and productivity

Representatives of the labor sector identified different concerns:

- » Creation and preservation of employment
- » Promotion of the freedom of association and collective bargaining
- » Social programs for their constituents

The feminization of unemployment in the apparel sector is a worrisome consequence of the decline in textile manufacturing in the DR. According to a study commissioned by the U.S. Agency for International Development, women are less successful in finding new formal employment once displaced from their work, with 69 percent of women interviewed by the study remaining unemployed after losing their jobs in FTZs. The consequences of female unemployment extend beyond loss of household income to loss of access to health care and insurance and a decrease in intergenerational transfers.

Source: "The Impact of the Recent Dynamics in the Free Trade Zones on Dominican Women." USAID, February 2008.

Following discussions, representatives of government, business, and labor recognized that they did share some priorities—namely, job preservation and creation. The parties also agreed that they were more likely to achieve these shared goals with government support and the implementation of policies targeting competitiveness and responsible labor practices. Members of the CTP agreed to develop a common agenda to address these issues.

Despite this initial progress, “the lack of trust, structural issues, and lack of commitment [was] pervasive in the CTP,” according to a labor union representative, and “impeded follow-up by CTP members.” For a variety of reasons, CTP participants were unable to formulate a common work plan to begin to implement the agreed-upon goals:

- » Lack of resources for the commission’s programs discouraged engagement between the parties.
- » Those attending meetings are often not responsible for making decisions and committing to programs.
- » CTP attendants had to return to their organizations and coordinate buy-in among their members in order to endorse agreements.
- » ADOZONA has limited influence on members, making the process even more inefficient.

In its second workshop, BSR continued to advocate for joint efforts and, together with participants, succeeded in more clearly defining the role of the commission and the key challenges going forward. Consequently, the CTP and BSR formed a subcommittee to identify and elaborate pilot projects to address competitiveness and responsible labor practices in FTZ companies.



CTP members evaluate projects in a plenary session.

During the CTP’s third and final workshop, participants presented and heard feedback from both BSR and the MFA Forum about the three projects the commission chose. The pilot projects focused on these critical topics:

- » Promotion of a conflict resolution and problem-solving culture within FTZ companies.
- » Encouragement of good practices and compliance with national labor laws in FTZ companies.
- » Launching of a tripartite promotion strategy to understand the challenges of and trends in the evolving FTZs.

The workshop concluded with a ranking of the pilot projects and identification of the pilot project “Tripartite promotion strategy to understand the challenges and trends in the evolving FTZs” as the top priority. Additionally, some participants proposed that the CTP meet more often, and the group set a date for the next meeting.

Results

During BSR follow-up interviews and visits, it became clear that the project’s core objective of strengthening the CTP’s institutional capacity—so it could contribute to the creation of a national competitiveness strategy that would advance responsible labor practices—had made partial, but tentative progress.

SHORT-TERM RESULTS

The project attained some short-term results, mainly related to the CTP fulfilling its role of being a venue for multi-sector discussions. However, their sustainability is not guaranteed. These advances included:



A private sector representative shares with the plenary during one of the workshops.

- » The CTP meetings allowed the different sectors to speak openly about their issues and grievances.
- » Participants reached agreement on the CTP's mission, vision, and goals.
- » A subcommittee was created to facilitate the CTP's participation in BSR's project and to follow-up about the CTP's proposed pilot projects.

Many factors limited these short-term results. Participants criticized the CTP's lack of financial resources and institutional capacity to achieve concrete outcomes. Without the necessary financial resources to implement projects, they found it difficult to commit to action plans.

In addition, the local private sector has not been very active in CTP dialogues. Company owners are not present in CTP meetings, in part because they have direct access to high-ranking government officials through other communication channels. ADOZONA must always obtain buy-in from all its members before it can commit to any proposals. Without the direct participation of companies, meaningful, concrete actions are rarely agreed upon.

ANTICIPATED LONG-TERM OUTCOMES

BSR's workshops have fomented a culture of multiparty dialogue, as the exchanges provided a rare opportunity for all three sectors to meet in a mediated space. Still, it is the responsibility of CTP participants to hold future meetings to establish tripartite solutions to conflicts in the FTZs. If meetings continue to take place, the CTP could become a meaningful mechanism to promote multi-sector dialogue, define a shared strategy for the apparel industry's competitiveness in the international marketplace, and build a platform to address labor conflicts.

Continued multi-sector engagement through the CTP and effective, large-scale change are more likely if international buyers provide specific incentives and support for manufacturers to engage in the CTP's proposed projects and achieve tripartite dialogue. This engagement proved challenging even for the MFA Forum DR Working Group and for BSR. Most international brands have limited involvement in manufacturing in the DR, making it a challenge for them to focus their efforts in the country. Without tangible market incentives for resolving labor conflicts in this tripartite setting for all three parties, successful results will be hard to achieve.

Participants should also consider other mechanisms to address their unresolved issues and conflicts. If the tripartite setting does not render positive results, participants should engage through other communication mechanisms that allow direct interactions among involved parties. Implementing effective communication mechanisms between management and employees within companies is a good first step to avoid labor conflicts and solve existing ones. Another viable option is to create a mechanism with unbiased third-party mediators to help the parties reach negotiated solutions to contentious problems.

LESSONS LEARNED AND USEFUL TIPS

This project's implementation presents numerous lessons for businesses, labor groups, and government when they engage in multi-sector dialogue in country settings similar to those of the DR:

- 1 **Senior management or officials of all participating sectors should be present at tripartite dialogues.** As a project stakeholder complained, "Those participants who attend CTP meetings have limited decision-making power and have to speak with their superiors" to obtain support from their organizations. Multi-sector dialogues should have decision-makers in attendance to guarantee the implementation of action items and continuous progress of the tripartite platform proposals. Having senior management and officials present also allows the commission to formulate effective strategies

to improve industry competitiveness. Without the presence of decision-makers, these strategies are unlikely to be made and carried out.

- 2 **International brands should encourage manufacturers to participate in multi-sector dialogues.** The absence of business owners from the apparel sector in the tripartite dialogue hindered progress and resulted in underrepresentation of the sector's needs and opinions. International buyers and brands operating in the DR's FTZs can provide incentives for manufacturers to join the CTP efforts. These incentives could take various forms, e.g., tripartite efforts in the supplier performance assessment indicators. Manufacturers are more likely to participate in these dialogues if they receive the dedicated support of their international buyers and will then be more likely to find solutions to labor conflicts.
- 3 **The CTP should take advantage of its relationship with the MFA Forum and engage with brands to implement responsible labor practices in FTZs.** With the creation of the DR Working Group, the CTP has a new communication channel and avenue for work with the MFA Forum. The commission should proactively use this opportunity to move forward, in collaboration with international brands, with the initiatives it has proposed during the BSR project.
- 4 **Tripartite dialogues should be created jointly by those that see a need for it, and, when possible, they should be independent of any sector.** The CTP in the DR was created as a result of a presidential decree, and its executive director is an appointed government official. Although labor unions have pushed for the commission's actions, the birth of the CTP did not result from a multi-sector effort to work together. Tripartite commissions are more likely to succeed when they arise from a need and commitment of all participants. Additionally, although tripartite commissions most often are either created or approved by governments, CTP members expressed that "this setting makes representation skewed toward government decisions and creates a biased environment from the onset." Tripartite commissions that represent no particular agenda are more likely to generate broad stakeholder buy-in.
- 5 **Tripartite commissions should have an established and independent financial contribution system.** Sufficient financial resources to allocate budget for projects and a salaried staff contribute to the success of tripartite dialogues. Tripartite commissions should have a working framework to obtain funds from participants or other available sources.
- 6 **Accountability and monitoring are crucial to the successful implementation of agreements reached through tripartite dialogue.** Tripartite commissions must nominate individuals responsible for following up on action items and for reporting back to the commission periodically on progress. Having individuals accountable for implementing decision points and continuously communicating are keys to a successful program.

About DR-CAFTA Project

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