



FAIR LABOR
ASSOCIATION

**Negotiations Between PAXAR and TEKSIF
Istanbul, Turkey
August 14th & 15th, 2006**

**Vic Thorpe
Just Solutions Network**

The Fair Labor Association (FLA) appointed Vic Thorpe to assess the dialogue and negotiation process in the Paxar dispute, liaise with the various parties and ensure that the FLA is updated of events and of any action to be taken. The following report describes the collective bargaining process between TEKSIF, the trade union that filed the third party complaint with the FLA and Paxar. The FLA and its affiliated companies remain convinced that Paxar and TEKSIF should engage in good faith bargaining to reach a negotiated settlement.

Introduction

At the request of the FLA President, Aurret van Heerden, this reporter was invited to be present as an observer at the final negotiating session aimed at achieving a collective agreement between the Turkish subsidiary of Paxar Inc, a majority US-owned producer of labels for the apparel industry, and TEKSIF, the Textile, Knitting and Clothing Workers Union of Turkey.

The sessions were scheduled over two days, August 14 and 15 2006, in Istanbul, Turkey, and had been preceded by a number of meetings of a technical committee, comprising two members each from Paxar factory management and the union. The technical committee had developed the basis for a collective agreement consisting of some 62 articles, but key paragraphs remained to be agreed regarding the following items:

1. Scope of the agreement – namely, its application to workers of the company who are not members of Teksif;
2. Overtime premium;
3. Annual leave, special and concessionary leave;
4. Holidays and holiday pay;
5. Level of wage increase;
6. Bonus;
7. Date of commencement.

Day 1

The first day's meeting took place at the Istanbul premises of TURK-iS, the trade union confederation to which Teksif is affiliated. Present at this meeting were:

Paxar:

Stewart Fergus, Regional Director for Eastern Europe, Paxar
Sibel Şuhubi, Managing Director, Paxar – Teslo Tekstil Ürünleri San ve Tic A.Ş.
Ayfer Elvermezyilmaz, H.R. Director, Paxar

Teksif:

Zeki Polat, Teksif President
Selçuk İkizoglu, Legal Consultant (Interpreter)
Sanar Tayşi, International Department
Mürsel Türkkan, Branch President
Engin Sedat Kaya, Research Coordinator

Observer:

Vic Thorpe, Just Solutions Network (FLA)

Negotiations were led by Stewart Fergus and the Teksif President. At 10:00 a.m. both began by congratulating the technical committee on its preparatory work.

1. Scope

Paxar opened by stating that it required pre-agreement that any agreement that might be decided at the meeting should apply to all workers at Paxar and not only to members of the union.

Teksif pointed out that the law protected the union's right to negotiate a specific deal for its members and that most collective agreements in Turkey contained language supporting this situation.

The company claimed that such a restriction was discriminatory and that its customers would not allow it to engage in such practices.

While the union expressed its willingness to exclude supervisory staff from the provision, it wished to retain this traditional distinction for regular production workers to demonstrate the purpose of joining and supporting the union. The current suggested language made it perfectly possible to include all workers at the company provided that they paid the legally fixed solidarity fee as a means of 'buying into' the agreement.

After one hour of debate, the company remained adamant that it would not agree to this clause and the union therefore suggested leaving aside discussion of this item until later.

2. Economic Clauses

Stewart Fergus introduced discussion of the 'economic clauses' by explaining that the company was working in a situation of severe price deflation. The company's seven (7) largest customers had unilaterally reduced prices from between 7% and 20% over the past year, costing the company €2 million in lost income. While it had been possible in the past to offset price pressures by increasing volume, the recent crisis in the Turkish apparel sector due to the end of MFA had simply increased pressure also from this aspect. Profits in 2004 had turned into a small loss in 2005 and a bigger loss was predicted for 2006.

Furthermore, while the company met its legal obligations in full by registering all workers, paying full social security and maintaining correct invoicing, the same could not be said of all its competitors. The playing field was uneven. The company had to act now to stem its losses.

Fergus suggested combining discussion of all clauses that would have an economic aspect. In regard to bonus payments, he claimed that Paxar had previously followed the general industry practice in Turkey of paying basic salary plus four months bonus. At the request of workers, however, some four years ago, these payments had been consolidated into the salary and were spread evenly across just twelve months of regular payments.

The union pointed out that with an average turnover of employees and irregular wage rises, the effect of this would be to wipe out the excess bonus effect within a period of four to five years. The company claimed that its very low level of employee turnover meant that this was not its case. Later questioning revealed, however, that the company had recently been recruiting workers at the minimum wage level, who therefore had no 'bonus effect' in their wage at all. In response to a question whether a calculation of current wages based on a divisor of 16 (i.e. 12 months + 4 months bonus) and multiple of 12 (to show annual wage) would still equate the minimum wage level, the company admitted that there would be an undisclosed number of employees who would fall below that level. (The union claims that its independent research based on the company's social security returns shows that over 100 employees would in fact fall below minimum wage if this calculation were made.) Repeating its claim that the company was facing a loss situation, Fergus proposed an overall increase of three per cent without any bonus.

The union pointed out that official inflation figures for the preceding 12 months showed an inflation rate of 11.9%. The company repeated its inability to pay the inflation rate due to work moving out of Turkey into neighboring regions, such as Egypt, where labeling would be undertaken locally. Other operational factors, peculiar to its business, meant that it was sheer volume runs rather than the value of the garment that had a major cost effect. Furthermore, Paxar had already paid an increase of 8% to its workers in January this year and was in no position to pay more now.

The date of application of any agreement was also mentioned. The union said that it would expect the agreement to date from the time at which the union gained authorization as bargaining agent for workers at Paxar (i.e. November 2005). The company, at this stage of negotiations, suggested that it was more normal to date the agreement from the date of signature. (This suggestion was later withdrawn, however – see below.)

After much discussion, the union proposed a number of concessions from the draft agreement in order to advance discussion, assuming agreement on the scope of application:

- Overtime. Instead of the original proposal of overtime payment at +100%, a level of +75% for existing workers and 60% for newcomers;
- Leave provision. The union accepted the alternative proposal of the company without further discussion (giving one extra day on top of legal minimum);
- Bonus. In place of the standard proposal of 4 bonus payments in the draft agreement, the union would consider an employer offer that included only two such payments. If the company preferred, the bonus could be paid in regular monthly installments, so long as they were identified as bonus and not as part of the basic wage. That way there would be no future risk of the bonus element being watered down to zero, as had happened in the past.

The company responded negatively to both the overtime proposal and the idea of paying any bonus whatsoever. The meeting adjourned for lunch at 1 p.m.

At 2 p.m. the meeting resumed. The company reiterated its opposition to the notion of paying bonus, based on the fear of causing wage inflation by raising the minimum level of workers who would fall beneath minimum wage if their salary were identified as part basic and part bonus. The company was only interested in looking at its total annual cost of any agreement.

The union, for its part, stated that it was not willing to be party to an agreement that contained no bonus payments whatsoever, since this was standard practice for the industry and was the way in which all current agreements are reached. Previous sector agreements (covering some 90+ companies in the textile sector) had been based on basic wage plus four months bonus. The latest sector agreement (signed in September of 2004 and lasting through until April of 2007) had reduced the bonus coverage to 72 days. The union was offering here a bonus period of only 60 days – i.e. below the level of the sector agreement).

The company responded that such an agreement would increase its wage costs by 15%-16% and would be “suicide.” “We’d rather give you the keys to the factory” they stated.

Throughout a further period of discussion, no further progress was made and no counter-proposal was forthcoming from the company. The meeting therefore adjourned at 3 p.m. until 1 p.m. the following day.

Day 2

The meeting reconvened at the offices of Paxar in Istanbul at 1:10 p.m. The same teams and observer were present.

Stewart Fergus opened by stating that “We need to find some affordable solution.” Total annual cost is the company’s focus, but they were willing to package this in any way suggested.

The Teksif President reminded Mr. Fergus that he had mentioned previously an increase of 8% granted to the company workforce in March this year at a time when the union already had gained official recognition for bargaining purposes. But now, when the union comes officially to negotiate over wages, the only offer is at 3%. This seemed to suggest that there is a rather specific reasoning behind these actions, aimed against the presence of the union in Paxar.

The company said that it might be able to raise its offer slightly to account for new inflation figures, but that it had very little freedom to act, since its prices were going down in absolute terms and it found itself under severe price pressure. He repeated that the company’s policy of operating always within its legal obligations also set them at a disadvantage with less scrupulous competitors. Although it was true that mistakes had been made by both sides in their approach to the other, experience over recent weeks had proven that the two could communicate amicably.

The union asked directly just what figure the company would regard as “affordable.” The Paxar Managing Director replied that the company would like the union to come up with a new proposal that would meet the company’s needs. The union reiterated its compromise proposals of the previous day and countered that it was now time for the company to respond to these with some concrete proposals of its own.

The company stated that it had a problem meeting any increase at all – indeed, even a zero increase is a problem in a situation where there is no growth. Despite considerable explanation of industry specifics, technical considerations and the high quality of its workforce, the company did not come back with any concrete proposal.

The Teksif President at this point gave what he described as his ‘final offer’ on a take it or leave it basis, since in his words, the company “found it impossible to make a solid proposal to solve this problem”. He reiterated the previous day’s proposals concerning overtime (75%/60%+), leave (accept employer’s offer of one extra day), and non-union members (accept the company’s interpretation of coverage in return for payment of a solidarity fee by non-union members); for wage increases the options were, either to follow the sector agreement with the Turkish Textile Industry Employers Association, or to follow inflation with increments made every six months; bonus to be set at 60 days, paid in equal monthly installments, but separately identified as bonus payments – this

being 12 days less than in the standard sector agreement; and the agreement to run from January 1st 2006.

A break of 20 minutes was taken.

On reconvening, the company stated its counter offer:

- Overtime as per legal requirement of +50%
- An overall wage increase, including bonus, equal to inflation minus 4%, with a ceiling of 7.5%
- Contract to run from 1st January 2007

The union pointed out that if inflation dropped to less than 7%, this offer would be even less favorable than the initial proposal of 3%. Also the proposal that a contract signed today would not start until next year seemed novel at the extreme. Nor could the union sign an agreement that would set a negative precedent for the industry as a whole in which much better terms had already been set.

The company responded that it was not really a part of the apparel industry, but more of a printing company. The union pointed out that it was the Ministry that defined what sector companies were assigned to, not the union.

The Teksif President pointed out that this proposal fell so far short of being acceptable that he feared they were nearing the end of useful negotiations without the possibility to reach an agreement.

Mr. Fergus said that he understood the union's position but that the company could not afford to meet the requirements of the sector agreement or anything near them. If the situation changed, he hoped that negotiations could be resumed. Perhaps, he suggested, a standby protocol could be signed that recognized what had been done by the technical committee but that stopped short of a collective agreement.

The union did not feel that a protocol could be signed that did not contain the elements of a basic collective agreement on terms. If the company had problems after signing a proper agreement, of course the union would be ready to discuss ways of helping the company to get back to profitability, but without a basic agreement, there was no room for maneuvering. However, he shared the belief that the past weeks had shown an ability of the two parties to work together if a constructive platform could be provided.

The observer was thanked for constructive help and in turn expressed concern that the negotiations did not reach an agreement. He mentioned the possibility of reaching greater levels of transparency and trust by the sharing of financial data and the potential for productivity-related agreements based on such understanding.

The meeting ended at 3:30 p.m. without agreement and without any new date being set for a new meeting.