

# FINAL REPORT

## Third Party Complaint; Sawbwa VT (Myanmar)

June 21, 2018



**FAIR LABOR**  
ASSOCIATION™

On August 31, 2017, the Fair Labor Association (FLA) initiated a Third Party Complaint regarding the factory Sawbwa VT, located in Myanmar. The Fair Wear Foundation (FWF), a non-profit organization based in the Netherlands engaged in improving workplace conditions for garment workers, informed the FLA of allegations concerning violations of freedom of association at the referenced factory, which is owned by VT Group, a Participating Supplier of the FLA.

The information received by the FLA alleged that two workers who were involved in organizing a union at Sawbwa VT were dismissed in September 2016, presumably because of their union activities. Subsequently, in November 2016, 15 workers who were union members or relatives of union members resigned from Sawbwa VT, allegedly because of pressure from management. Workers who resigned alleged that they were treated harshly by management because of their union involvement.

The FLA accepted the complaint at Step 2 of the Third Party Complaint process. As such, it requested that VT Group conduct an assessment of the allegations and inform the FLA about its findings and remedial recommendations within 45 days.

### **CORE ELEMENTS OF THE COMPLAINT**

The actions taken by Sawbwa VT management as the core of the Third Party Complaint began with the dismissal on

September 26, 2016 of two workers who at the time were leaders (President and General Secretary) of a union affiliated with the Solidarity of Trade Unions Myanmar (STUM). A communication from STUM to buyers alleged that the two workers were dismissed illegally because of their union organizing activities.

The workers filed a complaint against the factory before the Township Arbitration Body, which was subsequently referred to the regional Arbitration Body, the government entity that plays a lead role in adjudicating labor disputes. On November 21, 2016, that body ruled that the factory should reinstate the two dismissed workers.

Meanwhile, on November 6, 2016, STUM had informed the FWF that 15 workers – three union executives, the wife of a dismissed union leader, and others either affiliated with or sympathetic to the union – had been pressured by management to resign from their positions at the factory.

### **ACTIONS OF VT GROUP IN RESPONSE TO THE COMPLAINT**

The FLA directly engaged with management of the parent company, VT Group, concerning the issues raised in the Third Party Complaint and freedom of association issues that had already been brought to factory management's attention through an assessment conducted by the FLA as well as the FWF.

Senior VT Group officials informed the FLA that on the same day as the above-noted Arbitration Body decision, Sawbwa VT management had offered reinstatement and back pay to the two workers who were

dismissed in September 2016. VT Group management indicated further that the two dismissed workers chose not to accept management's reinstatement and back pay offer in solidarity with the other 15 workers.

The Ministry of Labor sued the factory for failure to comply with the Arbitration Body decision to reinstate the two dismissed workers, and on January 18, 2017 the Supreme Court ordered Sawbwa VT to pay a fine and reimburse the two workers for lost wages. However, the Supreme Court did not require the reinstatement of the workers. The following day, Sawbwa VT paid the fine as ordered by the Court.

With the intervention of the FWF, VT Group reached out to the 15 workers who resigned in November 2016 to offer them reinstatement under the same terms and conditions as prior to their departures, provided they were able to establish that they had been harassed or intimidated by management. Seven of the nine workers who factory management was able to reach were found to have a claim for reinstatement and were offered such reinstatement with back wages. Those seven workers were reinstated effective March 22, 2017.

Having complied earlier with the Supreme Court ruling through payment of the fine, Sawbwa VT agreed on September 22, 2017 to reinstate the two workers dismissed in September 2016 with back pay and full seniority rights effective October 9, 2017. Factory management also committed to ensure that the two workers would be protected from any form of retaliation either from management or co-workers when they returned to the factory. Management also supported the union's efforts to register officially with labor authorities. One of the two dismissed workers returned to work on October 10 but, according to the FWF, the second initially delayed his return until November 6 and then decided not to return to work at the factory.

More broadly, and importantly with respect to the issues underlying the Third Party Complaint, on October 10, 2017 factory management and the Sawbwa VT union entered into a 17-point agreement – signed by management and all nine members of the union's Executive Committee, including the two workers who had been dismissed in September 2016 -- in which: (1) management agreed to recognize workers' freedom of association and avoid all forms of interference concerning the participation of workers in unions; (2) management agreed to recognize the union and designated the employer representative who would discuss with union any issues that arise in the factory; (3) both parties agreed to cooperate to eliminate discrimination and all forms of harassment or abuse in the factory; and (4) both parties agreed to take steps to build awareness and capacity with regards to their roles and responsibilities in building and supporting healthy labor-management relations.

### **FLA ASSESSMENT AND NEXT STEPS**

FLA views as positive the steps taken by management to address the allegations of freedom of association violations, including with respect to the dismissals of workers in late 2016. Moreover, the multi-part agreement by management and the union signed on October 10, 2017 provides a useful framework for the improved conduct of labor-management relations going forward.

As a result of the actions taken, the FLA considers the Third Party Complaint to be closed. The FLA recognizes the positive role played by the FWF and its local representatives in addressing the freedom of association issues at Sawbwa VT and calls on VT Group to continue to promote cooperative and constructive relations between Sawbwa VT management and the union.