

## The Influence of Internal Factors on Collective Bargaining in the Context of Integration: The Case of the Textile Industry

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### ABSTRACT

For collective bargaining at enterprises to be substantive and effective, it requires the efforts of the subjects of labor relations at enterprises, support from local authorities responsible for managing labor, and amendment of legislation, especially regarding collective bargaining. This study is conducted to investigate the impact level of internal factors on collective bargaining in the context of integration: The case of the textile industry. Data were collected through a survey questionnaire with 120 survey questionnaires from textile firms. Quantitative research methods are applied to evaluate the impact of internal factors on collective bargaining. The results show that internal factors including five components has a significant impact on collective bargaining. Based on the findings, some recommendations are proposed for improving collective bargaining in the context of integration in the textile industry and contribute to stabilizing the situation of labor relations in enterprises.

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### INTRODUCTION

According to Freeman and Kleiner (2000) and Zwick (2004), social dialogue in general and collective bargaining in particular have positive impacts on the production and business activities of enterprises. Collective bargaining helps improve satisfaction at work, reduce turnover, prevent and mitigate conflicts in organizations, and promote the reputation of enterprises, all of which contribute to the performance of their production and business activities.

Collective bargaining is considered the "key" to mitigating and resolving conflicts and disagreements. However, the current status of collective bargaining in textile enterprises still displays limitations, especially at textile enterprises that have not joined the collective bargaining agreement of Vietnam's textile and garment industry (Bui, 2020).

The textile and garment industry is one of the key manufacturing industries that comprises yarn production, weaving, dyeing, fabric, design, finalizing garment products, and ultimately distribution to consumers. The textile and garment industry satisfies necessary consumption needs for a

larger number of sectors and industries; this industry creates export surpluses for the economy, generates jobs, and improves social welfare. However, the majority (around 80%) of textile enterprises are small-scale, which primarily focuses on producing clothing items, and they are generally not financially sufficient to invest in spinning, weaving, and dyeing; therefore, a majority of raw materials depend on foreign markets, mainly China, Korea, and Taiwan. If these countries' textile and garment industries suffer instability, the domestic textile and garment industry is also affected. In addition, there is a lack of wide application of modern technology in the textile and garment industry.

For collective bargaining at enterprises to be substantive and effective, it requires the efforts of the subjects of labor relations at enterprises, support from local authorities responsible for managing labor, and amendment of legislation, especially regarding collective bargaining. Vietnam ratified ILO Convention No. 98 on the right to organize and collective bargaining, which aims at amplifying collective bargaining's role in healthy labor relations at enterprises. In addition, enterprises should be informed of

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factors that affect collective bargaining, especially internal factors, so that their conditions for collective bargaining can be improved and labor relations in these enterprises are better.

## LITERATURE REVIEW

There have been several studies on collective bargaining in enterprises, some of which are by Holley et al. (2016), Kim & Yu (2019), Nguyen (2008), Nguyen (2011) Vu and Nguyen (2016). These studies concern (i) the content of collective bargaining at enterprises, (ii) the procedures of collective bargaining at enterprises, (iii) the result of collective bargaining, and (iv) influential factors of collective bargaining.

Tran (2020) analyzes the provisions of Vietnamese law on the right to freedom of association and negotiation from the perspective of comparison with the requirements of the CPTPP and EVFTA Agreements. The author also analyzes some limitations and drawbacks of Vietnamese law on freedom of union and collective bargaining of employees and consequently suggests solutions to improve the law.

Can (2022) states that the lack of substantive collective bargaining is the root of problems in labor relationships.

Experts often agree that internal factors have an influence on collective bargaining. These internal factors include (i) the objectives and strategies of the enterprise and its status in production and business; (ii) the viewpoint and awareness of the owner regarding collective bargaining; (iii)

the position of power of the union; (iv) the awareness of employees; and (v) the policies of the enterprise.

## RESEARCH METHODOLOGY

Based on the literature review, the quantitative survey questionnaire was deployed to the survey subjects identified in the following forms: (i) in person, (ii) by email, and (iii) by Google Docs. For each textile and garment enterprise, we issue three survey questionnaires, including one for employers or managers. 1 survey questionnaire for employees representing employees (public employees) from the leader of the trade union and one employee survey form. The survey results collected 135 votes. After filtering invalid questionnaires due to many empty boxes or incomplete information, we chose to use 120 valid feedbacks.

We used the SPSS Statistics version 22 software for analysis. Descriptive statistical analysis was aimed to collect information about the nature of the research data according to the specific variables and the central tendency of the research data. To test the quality of the scale, we used Cronbach’s alpha. Next, we analyzed the exploratory factor analysis (EFA) to help extract the determinants for the following analysis. Then we used correlation analysis to estimate complex cause-and-effect relationship models with latent variables.

Research model: From the above analysis, inheriting the results of previous studies, we design a research model (figure 1).

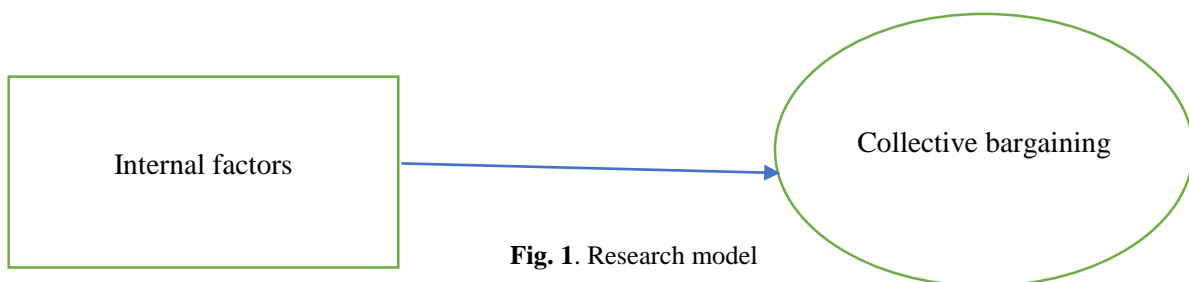


Fig. 1. Research model

*Dependent variable:* collective bargaining in the textile industry, including 4 attributes: (i) the bargaining subject; (ii) the content of negotiation; (iii) organize negotiations and sign agreements; (iv) evaluate the outcome of the negotiation and conclusion of the agreement.

*Independent variable:* Internal factors, including 5 attributes (IF1, IF2, IF3, IF4, IF5).

## RESEARCH RESULTS

### Cronbach’s Alpha

By using scale analysis, it can eliminate inconsonant

variables and reduce errors in the research model. Therefore, only variables which have total correlation coefficients (Corrected Item – Total Correlation) greater than 0.3 and Cronbach’s Alpha coefficients equal or greater than 0.6 are accepted (Hoang & Nguyen, 2008, Hair et al., 2010). By analyzing Cronbach’s Alpha analysis of determinants have an influence on collective bargaining in the context of integration: The case of the textile industry (1 determinants with 5 observed variables), the result is presented in Table 1. The result shows that, all Cronbach’s Alpha coefficients are above 0.6; all Corrected Item – Total Correlation of observed

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variables are above 0.3. Thus, all variables of research model are suitable for next analyses (Hair et al., 2010).

**Table 1:** Results of analysis of Determinants Confidence of Scales in the Model

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
<b>Collective bargaining (CB): 0.736, N = 4</b>				
CB1	11.41	2.361	0.475	0.705
CB2	11.27	2.080	0.590	0.641
CB3	11.22	2.003	0.518	0.686
CB4	11.23	2.130	0.537	0.671
<b>Internal factors (IF): 0.932, N = 5</b>				
IF1	17.29	8.023	0.835	0.914
IF2	17.21	8.452	0.812	0.918
IF3	17.26	8.092	0.820	0.917
IF4	17.28	8.134	0.828	0.915
IF5	17.30	8.514	0.809	0.919

**Exploratory Factor Analysis**

Exploratory Factor Analysis (EFA) was conducted through Component Analysis and Varimax and the results has yield 5 attributes of independent variable.

The results of factor analysis in Table 3 show that  $0.5 < KMO = 0.906 < 1$ . Bartlett’s testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hair et al., 2010).

After implementing the rotation matrix, 1 determinant with factor load factor are greater than 0.5; Eigenvalues are greater than 1 and the variance explained is 78.747% (see table 3). These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified 1 determinant influencing collective bargaining in the context of integration: The case of the textile industry (Hair et al., 2010).

**Table 2:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.906
Bartlett's Test of Sphericity	Approx. Chi-Square	461.379
	Df	10
	Sig.	0.000

**Table 3:** Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.937	78.747	78.747	3.937	78.747	78.747
2	0.304	6.087	84.834			
3	0.288	5.769	90.602			
4	0.243	4.852	95.454			
5	0.227	4.546	100.000			

**Correlation Analysis**

The results of the correlation matrix are indicated in

Table 4. The correlation coefficients of enterprise structure with one dependent variable is lesser than 0 reflecting a

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negative relationship. In addition, values of sig. are greater than 0.05 which means that all variables are not interrelated

(Hair et al., 2009).

**Table 4:** Correlations

		CB	IF
CB	Pearson Correlation	1	-0.135
	Sig. (2-tailed)		0.142
	N	120	120
IF	Pearson Correlation	-0.135	1
	Sig. (2-tailed)	0.142	
	N	120	120

**DISCUSSION**

**Objectives, strategies, and the status of production and business for the enterprise (IF1)**

The objectives of an enterprise affect every activity of the enterprise, including collective bargaining; however, research has shown that these impacts are not significant. Research has shown that the content of agreements signed by enterprises has not benefited employees according to the provisions of the law, while many studies show that garment and textile workers still struggle with their lives as they have lower incomes compared to other industries. This shows that transparent objectives affect the signing of the agreement but have not had a strong effect on the content of the agreement. However, empirical studies also point out exceptions, including an example from the Maxport-Thai Binh province branch. This company prioritizes the material and spiritual living standards of employees; it invests in modern technology, state-of-the-art facilities, the expansion of its market, and the reputation of the company, which helps the company become the leading textile and garment manufacturer by building the image of a Vietnamese enterprise that meets international standards. Two years after its foundation, the company took the initiative to begin collective bargaining to ensure transparent benefits for employees.

Whether the union’s suggestions are considered and accepted or not depends largely on the status of production and the business of the enterprise. If the business is positive and generates profits, it is more capable of providing spending for employees; therefore, employees’ suggestions are more likely to be seriously considered, and it is easier for bargaining to come to an agreement. With regard to the status

of production and business at the enterprises that the authors study, it is clear that although annual profits of these enterprises increase over the years, spending for employees is relatively unchanged, which helps them cover spending for employees and afford improving working conditions for employees and agreements to improve employees’ rights. For example, at the MaxportVietNam Co., Ltd. - Thai Binh province branch, with a profit growth rate of over 30% per year, the company can afford to sign a collective labor agreement with more favorable terms for employees than with the provisions of the law, such as the employee's salary can be up to 12,000,000 VND per month, and they are also provided with full insurance, health checkups, periodical medicine, and lunch allowances. Employees also exercise twice a day to improve their health, practice yoga three times a week, and receive other special care and supportive policies available for pregnant women and families with children under 18 months, among other benefits. They also pay attention to building a broad and aesthetic space with quality air to help improve the health and working spirits of employees.

For industry agreements and enterprise group agreements, the influence of the enterprise's goals and visions on its participation in these agreements is even more limited. According to the report of the General Statistics Office in 2016, the country has about 9,563 textile and garment enterprises. However, according to the 2016 report on labor relations and an empirical investigation, there are currently only 122 enterprises participating in industrial agreements and 9 enterprises participating in enterprise group agreements, which accounts for a very small proportion compared to the number of textile and garment enterprises

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operating in Vietnam. Evidently, many enterprises tend to demonstrate a lack of full commitment towards industrial agreements and enterprise group agreements, even when they have clear visions and are committed long-term to the industry.

### **Viewpoints and awareness of business owners on collective bargaining (IF2)**

The effectiveness of collective bargaining depends largely on the opinions and awareness of business owners about the importance of this kind of activity. If the business owner considers the issue to be important, collective bargaining can be more effective; conversely, if the owner only views negotiations as a mere tool for employees to bargain for benefits, collective bargaining may not be substantive or it may not even be initiated. In fact, the bargaining procedures have not complied with the provisions of the law, as they are often shortened and sped up, and the participation rate of employees is also low. And terms do not benefit workers as much as the law provides, and plenty of the terms are identical copies of the regulations of the law. This shows that many enterprise owners show insignificant engagement in collective bargaining, so agreements are not well-devised and do not have new points in comparison to the law.

### **The position of the union (IF3)**

The voice of unions is also important in establishing an equilibrium of power with business owners, which is important in improving the quality of the collective bargaining process; however, reality shows that unions have much less power than enterprise owners. They are dependent on the owners, and many union activities, including collective bargaining, tend to be affected by their enterprises, which makes collective bargaining less significant and less effective. Many union activities must receive guidance from management, which hinders the signing of collective bargaining agreements at enterprises or bargaining does not result in significant impacts on employees' rightful interests. In conclusion, business owners have significant impacts on unions, which makes collective bargaining less effective.

The power position of the union can be assessed using three criteria: the representativeness of the union, the independence of the union, and the power of the union.

### **Awareness among employees (IF4)**

High-quality employees can contribute to improving the quality of collective bargaining, as they are well-informed of their rights and interests, which helps them be proactive in collective bargaining and make reasonable suggestions.

However, the majority of employees at textile and garment enterprises are not informed or competent enough. Consequently, they do not actively engage in protecting their interests in several areas; for example, employees do not participate in establishing and operating unions in their enterprises; they may not acknowledge the existence of their enterprises' collective agreements, or they may be uninformed and ignorant of the agreements. Therefore, if employees are not highly aware, their understanding of their lawful interests in collective bargaining and their representativeness will be limited, which results in the fact that many of the agreements are not taken seriously and are seen as a mere legal procedure and not as a rightful representation of employees.

### **Enterprises policies (IF5)**

If the system of policies is adequate and transparent enough to meet the expectations of employees, the length of bargaining can be shortened, while collective bargaining may be more complicated if their policies are not transparent and articulate. Enterprises with sound personnel policies tend to experience a more expeditious collective bargaining process, and their negotiated agreements are more readily embraced by their employees. Conversely, enterprises that fail to uphold ethical standards and neglect to meet the needs of their employees are likely to encounter resistance from their workforce. In the case of Maxport Vietnam, the implementation of transparent, comprehensive, and appropriate policies regarding employees' welfare, including salary, labor, and training regulations, has contributed to the efficient and streamlined process of collective bargaining in 2019.

This resulted in employees offering a mere 14 recommendations, mostly pertaining to wording and transparency, with a handful of suggestions involving policy adjustments, such as the augmentation of the lunch allowance for regular and pregnant employees. Remarkably, the negotiations transpired within a day, and the employees' approval of the agreement also took only a day. Therefore, with transparent policies, the company shortened not only the length and contents of the bargaining process but still maintained the employees' support.

## **IMPLICATIONS**

### **Improvement of the bargaining process at the enterprise level**

The collective bargaining process within textile and garment enterprises exhibits numerous inadequacies,

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primarily encompassing non-adherence to legal guidelines. Such enterprises often adopt a simplistic and expedited approach, truncating the bargaining process to hasten the negotiation and agreement-signing phases. As a result, the agreement's qualities are not guaranteed. Therefore, textile and garment enterprises need to adhere to procedures after conducting collective bargaining.

As for employers: After the collective bargaining process is requested or recommended to start, employers need to follow these steps:

Step 1: Employers should provide the information that employees request to support the process, which should be compliant with the law, except for business and technological secrets.

Step 2: The preparation and announcement of the bargaining process are the responsibility of the enterprise, and the acceptance and scrutiny of the bargaining content should be the responsibility of unions.

Step 3: As the organizer initiates the bargaining process, it should state the conditions, propose suggestions if the requests come from the enterprise side, and process the suggestions if the requests come from the union side. Then the bargaining should be started, discussed, and concluded.

Step 4: The bargaining ends when the two sides come to a consensus, and then the administrative procedures can be completed and await the employees' approval.

As for employees, After the union requests to initiate the bargaining process or receives requests from employers, they should follow these steps:

Step 1: They request necessary and lawful information to facilitate their proposal for bargaining contents.

Step 2: Announce the content to employees and collect opinions. The collection of opinions should be customized to the scale and situation of the enterprise. The collection can be done directly, indirectly, or in a mixed way.

Step 3: The union summarizes the opinions, makes considerations, and synthesizes the contents and proposals for bargaining. In addition, the union should organize a meeting to form the negotiating team.

Step 4: Initiate the bargaining process. The negotiating team gives the proposals if the union requests bargaining or considers the proposals if the employer requests bargaining. Two sides then discuss and negotiate to reach a consensus.

Step 5: End of the bargaining process The representative of the union completes administrative

processes, publicizes the result of the negotiation, and collects the employees' approval of the agreement.

Step 6: Announce the approval of the employee's agreement to the employer, so legal processes can be completed and reported to the authorities. Finally, the union announced the full text of the agreement to the collective of employees.

### **Improve the quality of collective agreements.**

According to the author's research results, 52% of employees at Vietnamese textile and garment enterprises are being paid below the level of the Global Living Wage Alliance, even when their overtime wages are included. 69% of the workers say that they cannot afford to make ends meet, 31% cannot save with their salaries, and 37% are in a constant state of indebtedness.

A survey of 20 textile and garment enterprises also shows that 70% of the respondents are not happy or very unhappy with the collective agreement's content, including salary, bonus, work requirements, working hours, recess time, and other terms that are supposed to benefit employees. This shows that even when a collective agreement is enacted, the quality of its content can be controversial, and employees may not be happy with it.

In conclusion, empirical research has shown that the income of textile and garment workers is lower than other industries and may not be enough for living standards, despite the fact that textiles and garments are one of Vietnam's main exports, which generates a great deal of foreign currency. Therefore, to amplify the advantages of the textile and garment industries, it is necessary that actions are taken to improve the quality of workers lives, such as by enhancing the quality of collective agreements. To be specific:

Employees need to be aware of their rightful interests in collective bargaining and agreement signing. It is safe to conclude that the success of the bargaining process depends largely on the awareness and collective actions of workers as they advocate for the equitable dissemination of enterprise benefits. If workers are adequately apprised of their rights, their elevated union status within the bargaining process can compel employers to accord due consideration to the workers' propositions during the bargaining process. This means that workers need to study the labor law and understand the enterprise's policies. Similarly, unions also need to educate workers with legal knowledge and information about the enterprise's policies and maintain contact with workers to answer their questions.

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The grassroots trade union needs to enhance its representativeness to reinforce workers' trust in the union. To effectively advocate for the rights of employees during negotiation processes, trade union officials must regularly enhance their legal knowledge and increase their understanding of social and business issues. In addition, it is crucial for trade unions to maintain consistent communication with employees, display empathy towards their concerns, and take practical steps towards protecting their rights. Moreover, higher-level trade unions should take measures to aid grassroots trade unions in improving their representative capacity, including organizing training programs on negotiation skills, promptly informing them of relevant state policies on labor issues, and providing support during the negotiation process. By doing so, higher-level trade unions can establish trust and credibility with grassroots trade unions, thereby bolstering their operational effectiveness.

The grassroots trade union must take an active role in informing employers of labor-related issues to emphasize the significance of maintaining a healthy labor system. This can be achieved through various activities, including engaging in collective bargaining and aiding employers in comprehending the benefits of collective agreements on business operations. With a comprehensive understanding of the advantages associated with this matter, the employer will actively consider the requisites of their employees while simultaneously striving to achieve a balance between the interests of the workforce and those of the enterprise, thereby improving the benefits of employees.

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