



Corporate supply chains

Moving beyond monitoring

By Lisa Roner in Dallas

Factory monitoring should be part of a multi-step remediation process that includes identifying root causes of violations, say workers rights advocates

The third annual audit of global clothing factories by the industry-sponsored Fair Labour Association shows that, despite widespread efforts to improve working conditions, documented labour standards violations rose from 15.1 per factory in 2003 to 18.2 in 2004.

The audit found no instances of forced or child labour violations beyond documentation inconsistencies – an improvement over previous surveys. However, many factories still force employees to work excessive overtime, fail to follow safety regulations and procedures and thwart workers' attempts to organise.

Nike, a member of the FLA and a widely recognised industry leader in addressing labour standards and monitoring, says the audit's findings are consistent with its own observations among its supplier factories. And many industry experts agree the audit offers few surprises in an industry where changes in the global supply chain are difficult and slow to effect.

Most observers agree with the FLA's assessment that the slight increase in reported violations is probably the result

of revised monitoring methods rather than a true rise in misconduct. However, they also say the data is indicative of the limitations of traditional auditing approaches.

Missing data

Dara O'Rourke, assistant professor of environmental and labour policy at the University of California at Berkeley, says what is more interesting than the upswing in health and safety and other common violations is what the FLA is not finding – namely more violations of freedom of association, non-discrimination and hours of work standards.

Although O'Rourke applauds the FLA's efforts to make its audit data public and to publish factory tracking charts, he is sceptical over the group's findings of only single-digit percentages of factories not in compliance with these major categories of labour rights issues. O'Rourke says his practical experience shows that few factories, particularly in Asian countries, are truly meeting the bar on these issues.

"They still can't identify what, even they admit, are huge issues on the ground

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in many producer countries and are significantly under-reporting the level of non-compliance in many factories they audit," he says. "Their tools are simply not effective in identifying, through third-party audits, the true conditions under which workers operate."

O'Rourke says traditional audits easily identify more readily apparent violations, such as unmarked fire exits or other health and safety issues, but fail to pick up less concrete violations, like freedom of association and discrimination issues, that are difficult to identify and evaluate in one-day audits. Factory owners and managers, he says, are increasingly skilled at coaching workers to cover up problems. Some firms, like Disney after recent accusations of violations in China, have turned to non-profit auditors, such as Verite, that offer a much more comprehensive, though costly, auditing service.

Scott Nova, executive director of the anti-sweatshop group Workers' Rights Consortium, says worker interviews are the weakest part of traditional audits.

A recent study by the Clean Clothes Campaign, an international network of trade unions and non-governmental organisations monitoring the clothing industry, concurs. The study found that social auditing "marginalizes" workers and is not followed up with sufficient remediation.

Auret van Heerden, president of the FLA, is the first to admit the "real work starts after the audit", but says that improving conditions long-term is tough. "It's proved to be very, very hard to get sustainable change at the factory level," he says.

Sustainable compliance

Currently the FLA is carrying out a pilot called the Sustainable Compliance in China Project. The pilot, funded by the settlement of the high-profile labour lawsuit *Kasky v Nike*, aims to develop the capacity of factories to manage elements of common codes on a self-sufficient basis through the use of a new sustainable compliance assessment tool and generic grievance policies, procedures and training materials to be used as guides for factory management. With the project, the group hopes to:

- Improve compliance with common standards and sustainability by improving labour relations and human resource management systems at designated factories.
- Develop the ability to use empirical information to educate and inform the public.

Other groups are taking similar tacks. Several multi-stakeholder initiatives, including an International Labour Organisation-led project in Cambodia and the Joint Initiative on Corporate Accountability & Workers' Rights project in Turkey, for instance, are working toward establishing common labour codes and monitoring systems.

Joint Initiative on Corporate Accountability & Workers' Rights project

Participants: *Fair Labour Association, Clean Clothes Campaign, Ethical Trading Initiative, Fair Wear Foundation, Social Accountability International, Worker Rights Consortium and eight European and US brands. Funded by the European Commission and the US State Department.*

Pilot project in Turkey: The project will run for 30 months and will test various aspects of implementation of industry codes, focusing on remediation relating to wages, working hours and freedom of association. A draft common code has been developed to ensure a common standard for testing and may be considered as the basis for a single code to be used throughout the industry.

Better Factories Cambodia

Participants: *Organised by the International Labour Organisation, supported by Cambodia government, the Garment Manufacturers' Association in Cambodia and unions and funded by the US Department of Labor, USAID, the French Development Agency, the Garment Manufacturers' Association in Cambodia, the Cambodian government and international buyers.*

The project: Better Factories Cambodia is creating services to help the industry improve working conditions, quality and productivity. A range of training opportunities and resources are being progressively offered to the industry. Options range from simple good practice sheets to an intensive 12-month modular training programme. Better Factories Cambodia also works with government staff to build their own capacity and with local organisations to deliver training to the industry in the longer term.



Now leading the way

tices. Manubens points to projects focused on hours of work in China, eradication of discriminatory practices in Central America and workers community training in China as examples of how the FLA is shifting its focus to finding solutions to labour standards issues.

Manubens also suggests that future efforts should do more to engage factory owners. She believes brands could be more successful at achieving remediation if factory owners were helped to try to implement their own solutions to the problems.

Linking sourcing to labour principles

Another important part of the equation, many critics say, is encouraging brands and suppliers to set realistic production timelines and practices.

"It's easy to say you have a code of conduct and a monitoring programme," Manubens says. "But it's tougher to make sourcing decisions that line up with your code and principles."

O'Rourke agrees and says pressure to cut prices and to produce more, faster, is having a negative effect on working conditions on the factory floor.

All of a company's compliance efforts, Manubens stresses, will be worthless if they are not co-ordinated with its sourcing strategy. And she is quick to point out that if a company "walks the talk", but its competitors do not, it will be put at a critical disadvantage.

Root of the problem

To overcome these challenges, O'Rourke believes groups should shift from "check-list audits of symptoms" to identifying root causes in the supply chain and brands that drive the problems on the factory floor.

Marcela Manubens, vice-president of global human rights and social responsibility at clothes maker Phillips-Van Heusen, agrees. Traditional monitoring, she says, has allowed the industry to

identify labour issues of concern and has led to awareness and acceptance of responsibility for conditions in supplier factories by brands. However, simple monitoring and policing, she believes, will not achieve sustainable compliance.

For that reason, she says, the FLA is now not focused primarily on increasing monitoring, but rather on capacity building and the development of pilot programmes and new, sustainable prac-

Effecting real change, she says, will take cross-industry co-ordination and “buy-in” from investors. “Wall Street has not come to the table yet,” Manubens says. “They’re still pressing for growth that isn’t lined up with the ethical component.

But O’Rourke believes that, despite the larger economic challenges, there is “a lot of room to do better analysis and find what is causing specific problems on the factory floor”. To do so, however, will take moving to the next level – beyond traditional monitoring – to determine root causes of labour standards issues and to establish benchmarking and best practices that will move the whole industry forward.

Moving the industry beyond simply monitoring, toward real change, Manubens stresses, will take collaboration at even the simplest of levels. The FLA’s shared audits, she says, effectively force collaboration between brands and other stakeholders to fix shared problems. And that, she says, gives much to be hopeful for.

Society must “evolve a level of complex networks commensurate with the complexity of the challenges we face,” says Peter Senge, a senior lecturer at the Massachusetts Institute of Technology and founding chair of the Society for Organisational Learning. It is a concept, he says, that is particularly applicable to the clothing industry.

Those complex networks are beginning to be employed and to “raise the bar” in manifestations such as the Multi-Fibre Arrangement Forum, which is working to preserve the viability of the clothing and textile industry in countries like Bangladesh with the phase-out of the MFA. And they are beginning to have positive impacts in the workplace as brands and other stakeholders join forces to establish “continuous monitoring” to detect, prevent and remedy common problems at shared supplier factories.

Moving beyond traditional monitoring toward addressing root causes and remediation may be the long-awaited light at the end of the tunnel for the world’s clothing workers. ■

Useful links:

www.fairlabor.org
www.cleanclothes.org
www.workersrights.org

Ethicalcorp.com keyword searches:

Fair labor, apparel, monitoring, supply chain

The state of corporate citizenship

Words ahead of the substance

By Lisa Roner in Dallas

Public faith in the integrity of big business remains extremely low

The recently published 2005 State of Corporate Citizenship in the US report, from the Center for Corporate Citizenship (CCC) at Boston College shows that although companies are active in public life and are participating on a wide range of social issues, their actions often lag behind their expressed attitudes.

Most executives interviewed for the survey, which is carried every two years, see corporate citizenship as a central part of good business practice, with 81% indicating that corporate citizenship needs to be a priority for companies and 69% saying the public has a right to expect good corporate citizenship. Despite their enthusiasm, however, 80% say good corporate citizenship should not be enforced through additional laws or regulations.

Most US business executives, according to the CCC, believe companies have multiple stakeholder commitments and should balance the interests of investors, employees, consumers, communities and the environment. In fact, 60% of those participating in the survey say they see businesses as societal stewards that integrate internal priorities with obligations to do right by society.

A report by the law firm Freshfields Bruckhaus Deringer has spurred debate on this subject. The report, prepared for the United Nations Environment Programme Finance Initiative, suggests it may be a breach of fiduciary duty for investors to fail to take the environmental, social and governance (ESG) performance of companies into account. This is based on the view of many analysts that a strong link exists between good ESG and financial performance.

Stephen Jordan, executive director of the CCC, agrees and says corporate citizenship is not simply a nicety, but is important for a company’s long-term success. A surprisingly large number (64% overall and 84% of executives from large companies) of study participants say they believe corporate citizenship makes a



tangible contribution to the bottom line.

And that, says Steve Rochlin, director of research and policy development for the CCC, is “new for business and encouraging for society”.

Words and deeds

However, the report’s authors say that, for now at least, companies seem to be committed “more through words than deeds”. The CCC says that, for instance, although most executives believe it is important for companies to be involved in environmental and community issues, fewer than half report corporate citizenship activities addressing those areas.

And despite recent commitments to groundbreaking corporate citizenship initiatives from some of the US’s most prominent chief executives, including GE’s Jeff Immelt and Wal-Mart’s Lee Scott, John Elkington, founder of the corporate responsibility consultancy SustainAbility, says the real test of their words will be whether they can move beyond their individual epiphanies to work for, lobby for and invest in genuinely sustainable forms of development.

Elkington cautions that it will be important not to take business leaders’ commitments to better corporate citizenship at face value. But he urges activists and others to “give them some wiggle room to steer their complex organisations through the early stages of the transition”.

It will take more than glitzy public pronouncements, however, according to a new Roper poll, for business leaders to convince the American public of their commitment to corporate citizenship. More than 72% of US adults – up from