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# FAIR & ETHICAL TRADE

**This section looks at attempts to ensure that workers/producers in developing countries have decent working and living conditions – fair trade, ethical sourcing and the issue of monitoring Codes of Conduct.**

## Fairtrade

Fairtrade ensures a better deal for farmers and small scale producers who have often found that because of their remoteness or size of operation, they were unable to obtain a fair price for their products. These people have been marginalised by international trading.

The Fairtrade Foundation awards an independent consumer guarantee – the Fairtrade Mark – to individual products which meet Fairtrade criteria regarding terms of trade and conditions of production:

- ◆ money paid for the products goes direct to the producers/growers rather than middlemen
- ◆ Fairtrade suppliers provide pre-payment so that raw materials can be purchased without getting into unsustainable debt
- ◆ suppliers also give a guaranteed minimum price which is above the market norm
- ◆ producers are given information about global market trends
- ◆ a contribution is made to local social welfare programmes such as education and health, which are managed by community organisations.

## Ethical trading

Sound sourcing seeks to ensure basic human and labour rights, and improve the working conditions and standard of living among the employees of contractors and sub-contractors who provide products for High Street stores and supermarkets. The Ethical Trading Initiative (ETI) was set up in the UK in 1999.

### Case study: Ethical Trading Initiative

The ETI is an alliance of companies, non-governmental organisations (NGOs), and trade union organisations committed to working together to identify and promote good practice in the implementation of codes of labour practice, including the monitoring and independent verification of the observance of code provisions.

There is a growing concern among consumers that goods they buy should be produced in conditions that are safe and decent and which enable working people to maintain their dignity and a reasonable standard of living. Companies are responding by drawing up codes of conduct. For example, in the US up to 85% of large companies now have codes of conduct. In the UK many companies have also adopted codes of conduct. This is a positive step. However, these written commitments need to be backed up by action – monitoring working conditions and working with suppliers to improve them – if they are going to improve the lives of workers. The ETI addresses this need to develop codes and monitoring systems which actually make a difference.

The ETI is unique because it is an ongoing collaboration between industry, non-governmental organisations, Trades Unions and Government which will develop practical tools for developing best practice in the field of ethical trading. All these stakeholders have jointly agreed a 'Base Code', and are committed to working and learning together through an extensive programme of pilot studies designed to test monitoring and verification systems. This pilot study programme is the key activity of ETI, and participation is a requirement for all ETI members.

## What is in the Base Code?

The code is based on core International Labour Organisation conventions that have been agreed and signed up to by the vast majority of governments. Key aspects covered include freedom of association, working conditions, wage levels and child labour.

### Examples of good practice

#### ▷ **Pentland**

Working in the sportswear, footwear and sporting goods industries, the Pentland Group has to address chemical hazards continuously. Every one of Pentland's suppliers uses chemicals at some point in the production process – in dyes, printing inks, adhesives and cleaners. During 1999, the Business Standards Department of Pentland teamed up with experts from leading occupational health and safety institutions to provide training courses on Risk Management of Chemicals in Production. These courses were held in China, Vietnam, Indonesia, Pakistan, Italy and the UK, and were co-ordinated with Pentland's supplier-factory evaluations. The course material is multi-media and includes a practical manual on chemical risk management: *Hazardous Substances in Factories: for footwear, apparel and sporting goods production*

#### ▷ **Sainsbury's**

Some examples of improvements from monitoring carried out by Sainsbury's:

##### ***China: non-foods***

A visiting Sainsbury technologist saw that the staff dormitories and wash facilities of one of their suppliers were of a very poor standard. When the issue was raised, the management were very keen to address it and constructed new living accommodation by the time of the next visit.

##### ***India: grocery***

First aid kits were found to be minimally stocked and stored away from the trained first aiders. Fire escapes were not clearly identified and there was no emergency lighting or fire alarm. Following the Sainsbury's visit, the supplier upgraded the first aid kits, advertised the names of the first aiders, and installed fire escapes, emergency lighting, fire alarms and machine guards. Ventilation improvements were also made.

##### ***Kenya: leisure***

Three issues were identified: compulsory pregnancy testing of female job applicants, dismissal of pregnant seasonal workers and overcrowded accommodation. After Sainsbury's raised the issues, the company stopped discriminating against pregnant employees and introduced a housing allowance to help employees find accommodation outside the company premises.

##### ***Sicily: salads***

At a number of supplier sites in Sicily, the technologist noted that protective equipment was not available when employees were handling pesticides. The issue was raised and gloves and other protective clothing are now supplied.

from ETI website ([www.ethicaltrade.org/](http://www.ethicaltrade.org/))



# Company Codes of Conduct

what do they mean for workers in the garment and sportswear industries?

## Why company codes?

Many companies producing consumer goods for the world market have now adopted codes of conduct on labour standards. This is mainly in response to growing public awareness in North America and Europe. Public concern has increased as the media has reported stories about reputable companies selling goods made by exploited workers. One of the first was in 1992 when a public scandal followed a report in the Washington Post about the production of Levi jeans by Chinese prison labour in the Island of Saipan. Levi Strauss immediately reacted by drawing up a code on labour standards for all its overseas suppliers. Through adopting such codes companies hope to be able to maintain a positive image.

Company codes need to be considered as one strategy for strengthening workers rights in a global economy. Since they apply to all workers making products for a particular company, codes operate across national and regional boundaries. As clear statements of company policy they have the potential to add strength to workers' demands for improvements in their conditions. However, many people have doubts about the value of existing codes. Some see them as nothing more than public relations exercises. Others fear that they might undermine processes of collective bargaining. Campaigners who are promoting the adoption of codes need to be sure that it is workers rather than companies who will benefit most. This requires the development of stronger international alliances between worker and consumer organisations.

## What is a code of conduct?

A business code of conduct is a statement about the ethical standards that a company claims to uphold. Clauses about working conditions may be part of broader statements covering areas such as responsibility for the environment. These codes are voluntary and in most cases drawn up by the company itself.

Clearly it is important that such individual company codes are measured against some commonly accepted criteria. Organisations concerned with workers' rights have campaigned for decades for the establishment of an agreed international code for multinational companies. The UN developed proposals in 1980 but these were finally dropped after 12 years of unsuccessful negotiation. The ILO has had a Declaration of Principle on Multinational Enterprise and Social Policy since 1977 but has no way of commenting on or sanctioning particular companies.

Model codes are now being drawn up by the international trade union movement and by NGOs as part of current campaigns. The International Confederation of Free Trade Unions has agreed the basis for a code of labour practice for all industries. Meanwhile a number of codes have been developed by NGOs in North America and Europe, some of which are specific to particular sectors. Although these model codes have different origins they cover the same basic principles which are based on key ILO Conventions.

### Key clauses in model codes

- No forced, bonded or prison labour
- Freedom of association and the right to collective bargaining
- No discrimination in employment
- No child labour
- Wages and benefits to at least legal minimum and sufficient for basic needs
- Normal working hours not to exceed 48, any overtime voluntary
- Safe and hygienic working environment, no physical abuse
- Establishment of regular employment relationships

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## Codes in the garment and fashion industries

Companies producing a wide range of products, including timber, chemicals and food, have adopted codes of conduct. However it is in the garment and fashion industries that the trend is most evident. This is a response to pressure from both worker and consumer movements. Goods such as clothing and footwear go straight to the consumer and people can see from the labels that they have been made in countries where workers can be paid less and worked harder.

Campaigners have often focused on the garment industry because of this potential consumer power and also because of the particularly poor working conditions. Stories have been picked up by the press and as a result companies have become nervous about consumer reaction.

Companies which have adopted codes include both manufacturers and retailers. All subcontract to production units in other parts of the world and these are required to comply with the code of the parent company. In the case of Levi Strauss this operates through the 'Business Partners Terms of Engagement' which applies to contractors and subcontractors who manufacture or finish Levi products and suppliers who provide the material. Wal-Mart, a major US company, was one of the first retailers to establish a comprehensive code in 1993. This took the form of 'Standards for Vendor Partners' which listed the labour standards required of all their suppliers.

Many US clothing and footwear companies now publish some form of company code covering labour conditions. Well known names include Sears, Sara Lee, Nike, Reebok, JC Penny, Woolworth, Liz Claiborne, The Gap, VF Corporation and Phillips-van Heusen. Some joined the Apparel Industry Partnership initiated by President Clinton in 1997. European companies have responded more slowly but many have now adopted codes. In the UK several leading retailers such as Marks and Spencer and Littlewoods have joined the Ethical Trading Initiative, an alliance of companies, NGOs and trade unions.

### What do codes of conduct say?

Company codes are all different. Some, such as those of the GAP and Levi Strauss, are detailed and comprehensive, whilst others may be basic statements of principle. However the requirements are similar. All demand compliance with local laws. Beyond this standards are often vaguely defined. Specific reference is not made to ILO conventions, though these form the basis of many of the provisions. Most include health and safety requirements and prohibit the use of forced

and child labour. Some include a non-discrimination clause.

The provisions in most company codes do not match up with those in trade union and NGO model codes. Model codes are more clearly related to ILO conventions and include the freedom of association and the right to collective bargaining. These principles are in the base code of the UK Ethical Trading Initiative and a few company codes, including Levi Strauss, Reebok and the Gap. However, they are generally absent from company codes. Similarly, the establishment of a proper employment relationship is an issue rarely addressed in company codes.

### Are codes being implemented?

It is relatively easy for a company to draw up an ethical code: it is much more difficult to ensure that it is implemented. All companies require certificates of compliance from suppliers but there are differences in the extent to which this compliance is monitored. Companies with main suppliers will normally inspect them on a periodic basis but in the case of smaller suppliers there is usually no regular relationship. The methods and

### Consumer campaigns

In the US, garment campaigns have achieved a high profile. The National Labour Committee (NLC) has been active for over ten years in support of workers rights in Central America, having grown out of the political solidarity movement. Other significant NGOs are Global Exchange and Press for Change, which has focused on supporting workers in Indonesia. All work closely with UNITE, the textile and garment workers union. In Canada campaigning organisations include the Maquila Solidarity Network and the Wear Fair campaign.

In Europe the Clean Clothes Campaign is a network of organisations in different countries working to improve conditions in the garment industry. The aim has been to raise consumer awareness about how clothes are made and to put pressure on retailers to take responsibility for labour conditions throughout subcontracting chains. Negotiations are taking place with companies in the garment and sportswear industries on the implementation of a Code of Labour Practice.

In the UK WWW helps to co-ordinate the Labour Behind the Label network, which is linked into the Clean Clothes Campaign. The Network includes UK trade unions and homeworking groups as well as overseas aid organisations and solidarity groups.

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findings of inspections are confidential and since they are carried out by the company's own monitors they will be acting in the company's interests.

Levi Strauss has one of the most comprehensive systems of internal monitoring, appointing specially trained auditors and working closely with local contractors. The company can provide many examples of how they have worked with contractors to improve conditions for workers. Nevertheless there have been reports of clear breaches of the Levi code in factories in Bangladesh, India, Indonesia, Honduras and Costa Rica. Similar reports have been received from factories producing for all the major companies with codes of conduct, including Nike, Reebok, Gap and Liz Claiborne.

### **Can codes be properly monitored?**

It is not enough for companies themselves to claim that their codes are being implemented. Campaigning organisations are demanding that this is verified and monitored by other independent and appropriately trained bodies. Some companies are now hiring management and accounting firms to undertake monitoring, claiming that they are independent. However campaigners are insisting that monitoring processes involve trade union and NGOs which are in a position to represent workers' interests.

The Gap is frequently referred to as the first company to accept such independent monitoring. This followed highly publicised criticisms of conditions at one of their suppliers, the Mandarin factory in El Salvador. After a period of negotiation the Gap agreed not only to employ sourcing compliance officers but to use an external monitoring team involving El Salvadorian human rights groups. However, the Gap has 1,000 contractors in 50 countries and the Mandarin factory in El Salvador is the only one to date which has been opened to independent monitoring.

One of the problems with independent monitoring is that since these codes are a new development there are no existing frameworks or procedures. There is also the question of who would pay for what would be a fairly costly exercise. Campaigners claim that companies themselves must bear the major costs. They maintain that the exercise is in companies' interests because without independent monitoring their codes lack credibility.

### **How are workers involved?**

Workers have not been involved in negotiating company codes. With a few exceptions, companies have drawn up codes without any

reference to the trade union movement either at a local or international level. Furthermore few efforts have been made to inform workers when codes have been introduced into places of work. Parent companies have seen it as their responsibility to ensure that copies of the code are held by owners of contracting companies, but not the workers themselves. One of the demands of most campaigning organisations has therefore been that copies of any company code be translated into local languages and clearly posted up in places of work.

The fact that workers have not been consulted on the content of codes means that there is no guarantee that they reflect their needs and demands. Workers would clearly welcome provisions covering issues such as health and safety and forced overtime, but others, such as the minimum age of employment, may be more controversial. Workers may have other priorities which are not covered by existing codes. Most workers in these industries are women and women workers frequently place freedom from physical and sexual abuse high on their list of demands, issues rarely referred to in either company or model codes. Organisations campaigning for companies to adopt codes need to be sure that what they are demanding really represents the needs of the workers.

Workers also need to be involved in monitoring the implementation of codes. They are the only ones who are in a position to really know what the situation is in any place of work. Organisations working on systems of monitoring and verification recognise the importance of worker representation and proper grievance procedures. However, there are many problems to be overcome before workers can feel safe to report on company malpractice.

### **Which workers are affected?**

Both existing company codes and the model codes developed by trade unions and NGOs have been drawn up with the formal sector in mind. Regulations about health and safety and working hours are difficult to apply outside a factory environment. Yet an increasing proportion of workers in the garment and fashion industry work in irregular employment in small production units or at home.

Whilst it is possible for properly implemented company codes to help improve the conditions of factory workers it is more difficult to see how they could reach workers in the informal sector. Yet these are the very workers whose conditions are in greatest need of improvement. Campaigners recognise this and are demanding that codes

### Workers draw up their own code

Codes of Conduct usually come from companies. But workers can draw up their own Code, as the women workers in the Free Trade Zones of Nicaragua have showed.

Women workers organised a big workers' rights education campaign and developed their own charter of demands, or 'Code of Ethics' as they call it. There were training courses for women leaders and a mass awareness campaign for the workers. They used the press and radio to win public support, collecting 30,000 signatures. The campaign was called 'Employment Yes, but with Dignity'. In 1998, the government and employers in the Zones signed the Code.

What is in the workers' Code? There must be no discrimination on grounds of pregnancy, race, religion, age, disability or political orientation; no physical or psychological abuse by employers, and no children under the age of 14 employed. The Code guarantees job stability, safe and healthy working conditions, legal wages and social security, legal working hours and overtime pay, and the right for workers to organise and bargain collectively with employers.

operate all the way down subcontracting chains. However, the problems of implementation and monitoring are enormous. There is evidence of companies avoiding these demands, either by concentrating on a few main suppliers, with consequent job losses in smaller enterprises, or by using hidden workshops where protection is non-existent.

Labour standards in the fashion and garment industry are poor everywhere. The trend towards subcontracting and homeworking is universal, affecting workers in the North as well as South. Yet codes of conduct are normally seen as referring to overseas suppliers and there is little involvement of organisations representing workers in the industrialised countries of the North.

#### Key issues

Many complex issues need to be addressed if company codes are to benefit workers substantially. Some of these issues need to be worked out by organisations closely involved in negotiating codes. However, there are broader questions which demand wider debate and need to be addressed by representatives of workers themselves.

- What should be done about the gap between company codes and model codes drawn up by campaigners? Should companies which have adopted their own codes be supported for taking positive action or should they be pressured to meet the demands of the model codes? How beneficial is a code which does not include the right to organise?
- Do the model codes adequately reflect workers' own demands? Are all the clauses equally important? Do female workers have different priorities from male workers? Are these codes appropriate for workers in the informal sector?
- What should the relationship be to Government legislation and inspection? Is there a danger that the codes will be seen as the norm rather than bottom line (eg wages held at the legal minimum even though this is below subsistence level)?
- Will employers find ways of keeping to the code whilst continuing with abusive practices? (eg giving quotas which are impossible to achieve without hours of 'voluntary' overtime)? Are there ways of dealing with such problems?
- Does the existence of codes strengthen bargaining position of workers? Can they be an extra tool in the negotiating process? Or is there a danger that companies will see codes as an alternative to collective bargaining?
- How will the implementation of company codes affect the relationship between the parent company and the local contractor? Will it increase the power of the parent company even more? Is this in workers interests?
- How can codes have any impact on factories supplying many different retailers? Will these factories be overlooked as companies concentrate on their major suppliers? Are homeworkers and smaller enterprises with poor facilities likely to go out of business? What would this mean for workers?
- Can codes be reliably monitored? What are the barriers to effective inspection of working conditions? Can problems such as poor health and safety provision be identified through spot checks? Who are the best people to undertake independent monitoring? How should workers be involved?

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