

Voices from the South and Eastern Europe

Consultation Report on Ethical Trade

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For the ETI NGO Caucus

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Definition of multistakeholder initiative(MSI) - used in the context of labour standard implementation.

A multistakeholder initiative is an institution/structure within which organizations who have credibility in the labour rights movement, such as trade unions and labour NGOs, are engaging with companies, and the purpose of this engagement is to improve the living and working conditions of workers in these company supply chains.

Voices from the South and Eastern Europe

Introduction

In May 2003 thirty NGO activists, over half from Asia, Africa, Eastern Europe and Latin America, the rest from Europe and Canada came to London to discuss their views on codes of conduct and the Ethical Trading Initiative (ETI). They spent a long day debating about how ETI could contribute to the wider movement on codes of conduct and how as an initiative it could move on. Some participants had direct experience of working within an ETI pilot project and all had expertise on codes of conduct.

The consultation was organized by the Ethical Trading Initiative NGO caucus (the group of UK NGO ETI members) and was a response to the ETI need for a Southern review of its work. NGOs from the South and Eastern Europe are key stakeholders in the area of codes of conduct and monitoring, as through their experience, and often direct contact with the intended beneficiaries of codes (female and male workers), they have access to vital knowledge to inform these debates.

Southern participants came from eighteen different organizations, five from Africa, eight from Asia, four from Latin America, and one from Eastern Europe. A full list of participants can be found at the end of this document. Before the consultation took place all actively participated in the two day Biannual ETI Conference attended by around three hundred delegates. A pre conference briefing session for Southern and Eastern European NGO delegates was well received and together with the conference provided consultation participants with an overview of ETI, how it functions and its membership.

ETI was generally viewed as a positive initiative whose principle contribution to work on codes has been its "*learning by doing*" approach. The key recommendation of how ETI could improve its work was to share it's learning more effectively and widely.

Participants began by reviewing their experience both of ETI and of codes of conduct. They identified key issues from their perspective in relation to codes of conduct and put forward recommendations for the future work of ETI, for the NGOs, trade unions, and retailers who are ETI members, for other multistakeholder initiatives, retailers, brands and governments. This report summarises the main areas of discussion, and recommendations.

Three cross cutting themes were also identified and it was proposed that they should be considered within every issue. Unfortunately, in practice this did not always happen which is an indication that perhaps greater understanding of these themes is needed. The cross cutting themes were gender, informal employment and the change agenda.

Gender: Women workers have different concerns to male workers and they are often not addressed by codes of conduct.

Informal employment: There is a general concern that codes are much less effective in addressing problems faced by workers in informal employment and there is reluctance among retailers/brands to take responsibility for working conditions beyond first tier suppliers.

Change agenda: As ETI companies are now identifying some code violations, one of the challenges is how to direct them towards actions which result in meaningful change to workers' lives.

The ETI NGO caucus found the consultation extremely helpful and inspiring. It was a genuine dialogue that is hoped can be built upon through the development of lasting links between Southern and Eastern partners, increasing meaningful Southern participation in ETI.

Cross cutting themes

During the consultation three cross cutting issues were identified and it was proposed that they should be considered within every issue. Unfortunately, in practice this did not always happen which is an indication that perhaps greater understanding of these themes is needed.

Gender

To understand what gender is, it is useful to look at conceptual differences between the terms sex and gender. An International Labour Organisation (ILO) gender training module defines sex as "*biological differences between men and women*" and gender as "*social differences between men and women which are learned, changeable over time and vary widely within and across cultures*". It goes on to say "Gender is a socio-economic variable for analyzing roles, responsibilities, constraints, opportunities and needs of men and women in a given context."

Gender has been a priority of the ETI NGO caucus for a long time primarily because it was recognized that women workers have different concerns to male workers, which are often overlooked. It was seen as particularly important for ETI retailers and brands, as many women work in their supply chains and, in the case of manufacturing industry, they are the majority. There has been some recognition of the particular concerns of women workers, however, there is still substantial lack of awareness of the implications this has for monitoring, compliance and all other issues related to ethical company behaviour.

The impact on workers of purchasing policies such as the downward pressure on prices and short delivery times is highly likely to have a disproportionately negative effect on women workers compared to men. For example, on average, women spend a larger percentage of their income on food and family expenses than men do. If suppliers have to accept lower prices for a product and cut workers' wages, it is the burden on women to provide for their family's basic needs that is increased.

Equally, short delivery schedules demanded by retailers and brands encourage suppliers to instigate forced overtime. This could cause childcare problems and women's personal safety could be threatened. Women walking home late at night on their own from a factory or workplace are vulnerable. In Ciudad Juarez, Mexico, nearly 400 women have been murdered since 1993, all factory workers, walking to or from work, either very early in the morning or late at night.

The most severe yet often least visible form of discrimination to which women can be subjected is gender-based violence. In the majority of cases the aggressor has had an emotional relationship with the woman. She could be subjected to physical,

sexual and/or psychological violence, all of which will have a big impact on her mental and physical health, and will affect her ability to work. This type of violence can be triggered simply by a woman arriving home unexpectedly late from work following forced overtime. Gender-based violence is common all over the world and in some societies more than others, and women who experience this need specialist support. There are examples where trade unions have negotiated policies with employers to ensure that women in this situation receive appropriate support and are not further discriminated against in the workplace. For example a branch of the UK trade union UNISON, negotiated with a health authority to ensure women workers were offered appropriate support and granted special leave rather than sick leave. In Honduras, CODEMUH, a women's organization, negotiated with several manufacturing factory owners for women workers to be permitted during working hours to visit CODEMUH's office for legal and emotional support. Currently codes do not specifically cover this issue.

Another area of discrimination that women are far more likely to be subjected to than men is sexual harassment in the workplace. The perpetrator is commonly a man in a superior position; therefore, the power relations alone make it difficult to report. If a woman does have the courage to report it, often she will not be taken seriously and usually there will be no guidelines for dealing with this type of situation.

Codes of conduct do not specifically cover any of the issues highlighted here that are of particular concern to women. There is a need for further analysis of how code content and monitoring practice can be improved to identify these issues and what is best practice in addressing them.

A broader approach to corporate social responsibility is also required to address some of the discriminatory attitudes in society directly related to certain types of employment. For example, women workers in manufacturing often face discrimination and social stigma in their societies just for working in this industry, something that male workers are not subjected to. In Sri Lanka advertisements for arranged marriages frequently state "*manufacturing workers need not apply*". In Honduras, young women from rural areas who work in the manufacturing industry are viewed as "*promiscuous*" if they return to their communities. In Nicaragua, in an attempt to change some of these prejudiced attitudes, the Maria Elena Cuadra Women's Movement carried out a TV publicity campaign aimed at dispelling myths and raising the self-esteem of women workers.

Recommendations for future work

For all stakeholders

- Consider within all issues throughout work on codes of conduct and corporate social responsibility, how women workers could be affected.

NGOs/Trade unions

- Research into how codes can effectively address issues of importance to women workers such as childcare, reproductive rights, sexual harassment, gender based violence and personal safety.

Trade unions

- Gender relations need to be considered in relationship to NGOs and trade unions when dealing with women's organizations and women workers.

Informal employment

Informal employment was defined as a cross cutting issue because all areas of work related to codes will have different implications for informal workers, including homeworkers, because of their particular circumstances.

Workers in small workshops and at home are usually at the bottom of the manufacturing chain and are used as a flexible and expendable workforce. They are particularly vulnerable to fluctuations in orders – if orders are reduced, work is drawn back into the factories and they lose their income; if orders are increased or delivery times shortened they can be expected to complete unrealistic amounts of work or risk losing their work, requiring not only overnight working but the involvement of children and other family members. They are generally paid lower piece rates than workers inside the factories. Informal workers rarely have any form of contract and few are members of any workers' organisation or union.

As many of the workers are women they also face the additional issues of sexual and reproductive health, child care, harrassment etc. (see section on gender)

There is considerable concern that the majority of retailers/brands within their monitoring and compliance processes are still focusing only on first tier suppliers. They have not succeeded in reaching down through the supply chain to the workers in informal employment who are often the most vulnerable. These workers usually work under precarious conditions, do not have contracts and are not unionized.

At the Southern Consultation in 1998 a recommendation was put forward *that "codes should treat homeworkers as a separate category of workers, with specific provisions to deal with their situation"*. Since then ETI has made some progress towards addressing the deficiencies of the ETI base code by convening a tripartite group that is currently drawing up homeworker guidelines. These guidelines will also be applicable to other workers in informal employment and workers who are not unionised.

It will only be possible to implement these guidelines properly as other issues are tackled, particularly the need for common representation through worker organisations, which would give informal workers a voice, monitor code implementation and channel complaints back to retailers and ETI.

Recommendations for future work

For all stakeholders

- Consider within all work related to codes the particular situation of informal workers and specifically women.
- Workers in informal employment should have the legal recognition of worker status and a proper contract.

ETI NGO Caucus

- Discussion on : how leverage can be brought to bear on retailers/brands to take responsibility for their entire supply chains, including informal workers; and how workers who are not unionized can have a voice.
- Discussion with trade unions on inclusion and representation of informal workers.

Governments

- Revise and strengthen labour legislation to ensure informal workers are legally recognized as workers. (see section on governments)

Change Agenda

There has been a progression by some ETI member retailers/brands from a focus on monitoring to compliance. This is an important step, however, there is a need for companies to consider how corrective actions can be made sustainable and this may involve them taking an influencing role outside of individual supplier factories to promote national and or regional industry wide change on some areas of endemic code non-compliance.

So far most of the changes are inclined to be either in the working environment, often on health and safety issues or related to wage calculations. These are often the easiest non-compliance issues to identify and correct. There is a need for companies to undertake and commit seriously to address some of the less easily resolvable "*rights based issues*" such as freedom of association and discrimination.

There has also been a company focus on monitoring first tier suppliers within their supply chains which often excludes workers in precarious work situations, such as those with informal terms of employment and homeworkers. For meaningful change on the ground the situation of these workers must be addressed. (see section on informal employment)

Over emphasis on poverty reduction and demand for rapid change on the ground to workers' living and working conditions, at this stage could have a negative impact through companies changing their focus from compliance to "*charitable giving*" (their answer to poverty reduction). There is a danger that if the emphasis is taken off compliance, companies will side step their responsibility to the workers in their supply chains and to sustainable corrective actions.

Recommendations for future work

ETI NGO members

- Discussion and debate about what is the "change agenda", to develop a vision, offer this perspective to retailers/brands and decide which strategies can have the most impact on the ground. (Will companies stop engaging if they are pushed now on poverty reduction?)
- Discussion on how NGOs can push retailers/brands to deal with their supply chain beyond first tier suppliers.

Retailers/brands

- To undertake and commit seriously to address some of the less easily resolvable "*rights based issues*" such as freedom of association and discrimination.

Key Issues

ETI Structure

Southern participants who had been directly involved in ETI pilot projects felt there was a need for ETI and the UK based pilot groups to reflect on their role within pilots. Issues for consideration included: the UK groups selected the Southern participants from the different constituencies, they also provided the code and decided the time schedule in the Sri Lanka pilot; in the case of the South African pilot the perception was that UK NGOs put suppliers' interests above those of local trade unions and NGOs.

Recommendations for future work

ETI

- Discussion is needed on how the tripartite model can facilitate meaningful trade union and NGO cooperation. (see section on trade union-NGO relations)
- For the ETI to have regional representation and clear procedures on relations between ETI and Southern pilot groups.
- Explore how decision-making is incorporated into pilots and look at how it can be made more inclusive and include a voice from the different structures.

ETI Process

Information management and transparency

Participants felt that ETI's work could be more effective if there was greater internal transparency and more information exchange. Some participants identified lack of information sharing between UK NGOs and local organizations as a problem in the South Africa pilot project. To prevent this in the future it will be important to define different levels of information and to be clear which are covered by ETI confidentiality agreements. There has been a perceived tendency for ETI members to be overly protective of the trust that exists within the ETI and this affects their willingness to share information with partners. There is also a sense that certain *'approved'* NGOs have *'privileged access'* to information.

Within pilots the ETI should take a more active role in information sharing with local partners and be involved in capacity building, as Southern NGO and trade unions still do not know much about the ETI. For example some participants were not aware there was an ETI complaints procedure before coming to the conference.

Recommendations from the Sri Lankan pilot to date include: trade unions and NGOs need to understand clearly who the parties are on the retail side, and the corporate representatives need to be more transparent. More pressure needs to be brought to bear on local suppliers by UK retailers to actively participate. At the moment in this pilot the key active parties are the NGOs and trade unions, the producers are using it

as a marketing tool, and little has been achieved in concrete terms. More could already have been accomplished if measures had been put in place to ensure greater equality for participants in the process.

Recommendations for future work of ETI

- Provide links to member organisations via the ETI website.
- Distribute the ETI members briefing to local organisations involved in the pilots.
- Develop a pack on who and what is ETI that has input from each caucus.
- Information on ETI to be included in publications and web sites of local groups.
- To include information about the ETI and other European initiatives in the Code's Memo produced (in English and Spanish) by the Maquila Solidarity Network, Canada.
- Information dissemination on what ETI retailers/brands are doing outside pilots on ethical trade.

Recommendations for future ETI work related to pilots

- For ETI NGO members to be clear about what is covered by ETI confidentiality agreements within pilots.
- Greater transparency from retailers/brands within the pilot process.
- Greater pressure from retailers on local suppliers for active participation and transparency.
- Have measures in place to ensure greater equality for participants in the process.
- Quarterly reports on pilots which include the voices of all stakeholders involved. These should cover why some pilots ended and the negative as well as positive experiences.
- Provide an interactive website which could be used to share sensitive information regarding the pilots or/and devise other ways of sharing this information.
- For the ETI to have regional representation and clear procedures on relations between ETI and pilot groups.
- Train people in the pilot projects about the ETI, including the complaints mechanism and local labour law. For example, ETI could train someone from each constituency (NGO, trade union and supplier representative) at the local level, who in turn could train others.
- An ETI priority should be supporting the setting up of tripartite organizations at a local level.

ETI NGO caucus

- Discussion on how the caucus relates to groups in the South and Eastern Europe (rather than ETI as a whole); what information and dialogue is needed for the development of effective channels of communication; how the caucus can make the voice of the South and Eastern Europe heard in ETI; how can the caucus develop a two-way dialogue with Southern and Eastern European NGOs and how it can prevent the duplication of work done by others, for example the regional Fair Wear Foundation co-ordinators.

Requirements of ETI retailers/brands

Complaints procedures

Currently few ETI retailers/brands have set up a confidential complaints mechanism for their workers despite this being one of the specifications of the base code. Most complaints are currently identified by NGOs and trade unions. There needs to be pressure brought to bear on retailers/brands to set up mechanisms and for the ETI NGO caucus to monitor them.

An ETI complaints procedure is in place which can be invoked by an ETI NGO or trade union which has received information from a Southern or Eastern European affiliate or partner about code violations in a workplace supplying to an ETI company. Participants felt the process would have more credibility if the ETI secretariat had the capacity to play a greater role; it would help people trust the process more, especially if they initially verified the complaint.

Purchasing practices and pricing are key areas which have a significant impact on ethical trade. They require exploring to assess how they can best be influenced and then suggested actions carried out. (see section on purchasing policies for recommendations)

Recommendations for future work

All stakeholders

- Participants felt that requirements on retailers should be put at the centre of debates rather than emphasis on what suppliers should do.
- Discussion is needed on how a confidential complaints mechanism can be used by informal workers effectively, drawing on ETI pilot experience.

Retailers/brands

- Complaints procedures for workers should have a higher profile within ETI and more pressure needs to be put on retailers/brands to meet this base code requirement along with NGO monitoring.
- Greater transparency – mechanisms need to be put in place so workers are aware of which retailers/ brands they are producing for and their respective complaint procedures.

ETI

- Discussion on the ETI Secretariat taking a greater, more central role in the complaints procedure.
- Discussion on how workers' voices can be directly heard within the complaints mechanism rather than through NGO ETI members.

NGOs

- NGOs need to emphasize during any company engagement that the commitment of retailers and brands should be throughout their supply chains, not just first tier suppliers.

ETI NGO caucus

- ETI NGOs to monitor ETI corporate members on the base code requirement of having in place a confidential worker complaints mechanism.

Retailers/brands purchasing policies

Trends within both the manufacturing industry and agriculture, such as retailers or brands not owning factories or plantations, has increased their power over the last ten years. They have cut their risks by not having the responsibility for associated overheads, they can move easily, buying from one country then on to the next if they find a lower price and they do not have to bear the cost of a failed harvest. This concentrated power enables retailers to have a strong influence over the price of goods and the results can be seen in suppliers complaining frequently that retailers demand a lower price for the same product than a year ago. Delivery time is also often a key factor taken into account when buying decisions are made.

Purchasing practices were identified by participants as key factors that can have a direct negative impact on working conditions in supplier factories. When retailers/brands insist that suppliers produce the same goods for a lower price often the most attractive way for the supplier to offset this loss is to pass it on to the workers, through a range of measures including increasing production targets, reducing the number of workers and increasing forced overtime. Orders with short delivery times will also have a direct negative impact on workers - again forced overtime is likely or sub contracting the work to small workshops and homeworkers, whose working conditions are precarious.

Although retailers/brands have been forced to pay some attention to ethical trade as a response to campaigns about appalling labour conditions, they have often responded by employing a person or a team to deal with ethical trade (which is important), however, there is a tendency for them to work as a satellite team and not be involved in other company activities. For example, few retailers have formally integrated ethical factors into their buying policies.

Participants agreed that the whole area is quite complex, there is a need to develop a greater understanding of pricing and purchasing mechanisms to be able to see how they can most effectively be influenced and have a positive impact on workers. This would include looking at the organisation and structure of companies. It was also noted that if better prices are paid, there needs to be a transparent mechanism in place to ensure improvements are passed on to workers.

Recommendations for future work

ETI

- Participants identified ETI as an organisation in a good position to carry out work on pricing and purchasing mechanisms as it has an engaged corporate membership and is a centre of learning.

ETI NGO caucus

- To lobby ETI to carry out research on pricing and purchasing mechanisms.

Retailers/brands

- There is a need for long term commitment from retailers/brands if investment is expected from suppliers to improve working conditions. Where possible this should include a commitment from suppliers to long-term stable employment. β To ensure workers benefit from price increases to suppliers, a transparent mechanism needs to be in place.
- Commitment of retailers and brands should be throughout supply chains, not just first tier suppliers.
- There's a need for retailers to recognise that pricing and purchasing policies must be considered when code implementation takes place.
- Ethical policy and management needs to be implemented throughout the company.

Worker education

It is very clear from work carried out by Southern and Eastern European NGOs and trade unions that the majority of workers in supply chains of the manufacturing industry and agriculture are unaware of their labour rights and they are even less likely to be aware of codes of conduct. For codes of conduct to be effective it is imperative for workers to know what they are, their purpose, and related complaints mechanisms. In the 1998 ETI Southern Consultation mass worker education and training were identified as two of the three key priorities for capacity building in the South. Unsurprisingly, workers' education was again identified as a key priority. Participants also detailed some fundamentals such as who should carry it out, effective types of methodologies, who should fund it and desirable content.

Who should carry out worker education?

- Credible trade unions and /or NGOs, not retailers or the management of suppliers.

Methodology

- Appropriate participatory methodologies should be used, including street theatre, and oral literature.

Content

- Specific issues that are of concern and affect women workers; these include sexual and reproductive health and labour rights, women's rights, self esteem, domestic violence etc
- Awareness raising on which brand/retailer the factory/farm is producing for and the relevant confidential complaints procedures. If brands/retailers are transparent about their supply factories this can facilitate dealing with potential code violations.
- Industry structure and supply chain.
- Local labour law and codes of conduct.

Funding

- Retailers and brands should not directly fund worker education.

Recommendations for future work

ETI

- A Pilot project on worker education linked to consultation and research on the living wage.

NGOs and trade unions

- Discussion with Southern and eastern European NGOs and trade unions on what the responsibilities of suppliers and retailers are for worker education (e.g.some areas of health and safety at work, how to use protective equipment effectively) and what areas should always be addressed by local NGOs and trade unions.

- Greater collaboration between NGOs and trade unions on worker education.
- Worker training needs to address specific issues of concern to women workers, the training should be delivered to both men and women and sensitive subjects to single sex groups.

ETI NGO caucus

- A stronger focus on worker education from the ETI NGO caucus.

Retailers/brands

- Transparency to workers about who they are producing for. This can facilitate dealing with potential code violations.

Multistakeholder initiatives

- Provide funding for worker education.

NGO/TU relations

From the outset of the consultation there was lively discussion on relations between trade unions and NGOs. The presence of Southern trade union representatives at the meeting was key in ensuring that these debates and issues arose and important recommendations for future work were identified.

One of the first concerns arose out of the fact that Southern trade union representatives had not been “officially” invited to the consultation meeting, which is a reflection of the way that the ETI tripartite model operates. Although, multistakeholder initiatives like ETI may bring trade unions and NGOs together, it also compartmentalises them. When ETI is involved in pilot projects outside the UK this model can exacerbate already existing problems between trade unions and NGOs on the ground. It raises questions for the groups on the ground around how they should relate to each other. It also raises the question whether the tripartite system facilitates meaningful trade union and NGO cooperation.

Other important issues which were raised with respect to NGO-trade union relations include:

- Retailers/brands are often happier to talk to NGOs than trade unions because they are perceived as the softer option. It is, therefore, important for NGOs to include freedom of association in any dialogue and involve trade unions.
- Funding is a major issue for both Southern and Northern trade unions and NGOs and there could be potential to work more effectively together through greater dialogue. Currently Northern NGOs are principally funding NGOs in the South to do capacity building. Problems can arise on the occasions that NGOs do work with the constituency of trade unions. To avoid these potential problems there needs to be further dialogue.
- There is some confusion about partner networks. Rather than developing separate networks perhaps the same network could be expanded.

Recommendations for future work

Multistakeholder initiatives

- Discussion is needed on how the tripartite model can facilitate meaningful trade union and NGO cooperation.
- Within multistakeholder initiatives there is a need for ongoing discussion between trade unions and NGOs as well as separate forums.
- Explore the possibility of replicating the innovative funding arrangement in the Netherlands whereby the Fair Wear Foundation is financed by a collective

bargaining agreement. This in turn ensures the commitment both of the retailers/brands and the trade unions to the initiative.

Trade unions and NGOs

- Discussion and dialogue between trade unions and NGOs (i) to create greater understanding of their respective roles, (ii) to discuss freedom of association and the development of new organizing strategies as traditional methods are proving not to be effective and (iii) on funding for capacity building.

NGOs

- Consumer campaigns need to be clear that they are not asking for boycotts of brands that can threaten people's employment.
- When NGOs are engaging with companies they must include freedom of association as a key factor and insist on trade union involvement.
- Co-operation on the development of partnership networks to avoid duplication of work.

Code issues

Up until now the implementation of codes has been uneven, with some improvements in the area of health and safety but little evidence of advancements in workers receiving a living wage, observance of freedom of association and identification of discriminatory practices. Part of the problem is lack of commitment by retailers to address these areas. In terms of the living wage it puts into question the commitment of retailers and suppliers to poverty reduction. Although some companies are discussing freedom of association in some of the ETI pilot groups (e.g. China) retailers are reluctant to press suppliers to commit to freedom of association, even though it is enshrined in the labour code.

Discrimination is not seen as an important issue, despite the fact that in some countries discriminatory practices are endemic. There is also often a very narrow interpretation of discrimination that can exclude ongoing sexual harassment, and the sexual and reproductive rights of women. The issue of childcare is completely absent from any codes. Generally, there is a problem that many issues of concern for women go beyond codes and are not specifically addressed. (see section on gender)

Participants identified a loophole in the ETI base code under section 8.1 that addresses employment contracts. Instead of making it legally binding for suppliers to have a contract with employees the clause states "*to every extent possible, work performed must be on a basis of recognized employment relationship established through national law and practice*". If workers do not have a contract this can deny them their right to freedom of association, which in turn prevents the negotiation of a collective bargaining agreement including a living wage. It also further marginalises workers in the informal sector.

Recommendations for future work

ETI

- Does ETI need to renew and tighten its base code?

Some specific suggestions for changes to the ETI base code

- (i) Remove the loophole from 8.1 of the ETI base code to make it “legally binding” for an employer to have a contract with a worker; also, either in this clause or a new one, make it clear that this applies all the way down the supply chain.
- (ii) Define what a living wage is. The definition of which is likely to vary from a worker or a producer.
- (iii) The complaints system needs to be made more visible within the code.
- (iv) Research how issues of concern to women workers can be addressed by the base code.

ETI Retailers/brands

- In countries where the labour code enshrines freedom of association, retailers should use their leverage on suppliers to commit to the law’s full implementation.

Universal code

The idea of a universal code was seen by participants as a potentially attractive proposition with some obvious benefits but some serious challenges too. Benefits identified included the potential reduction of audit fatigue by suppliers (many codes and audits can lead to confusion and are an inefficient use of resources) and an opportunity for NGOs to pool resources to focus on compliance to one code.

In relation to a universal codes there are already some processes underway that may contribute to some of the debate and discussion, the first is the convergence of multistakeholder initiatives and the second is the potential start of a process within the International Labour Organisation to draw up a universal code. The advantages and challenges are listed in the respective sections.

- **Convergence of multistakeholder initiatives (MSI)**
- The possible convergence of MSIs is currently being discussed and it is hoped that the best from each initiative can be drawn on during this process. The ETI has two key areas to contribute, one is its learning and practice on informal employment and the second is ETI’s approach: “ learning by doing/best practice”.

The participants felt that It is important that any code/MSI harmonisation needs to be upwards not downwards. For example, there needs to be a clear process for the involvement of legitimate MSIs, that will exclude enterprises such as WRAP, (Worldwide Responsible Apparel Production), which lacks credibility for a number of reasons including the fact that it is company led.

- If a mutual recognition agreement is negotiated there could be a difficulty if one MSI certifies a factory which another MSI knows has problems. The MSI that is aware of the problems will be under pressure to remain silent. This is an example of one issue that could arise and needs to be discussed.
- **International Labour Organisation (ILO)**
- Participants identified several advantages and challenges if the ILO drew up an overarching code. The advantages included the likelihood that the ILO would incorporate rights for informal employment and that as an institution the ILO has access to substantial funding. The challenges were: currently the ILO does not have the power to enforce a universal code; it is a slow bureaucratic institution and if a universal code is negotiated in Geneva it is likely not to have input from people working on the ground and NGOs would be left out of the dialogue.

- Many trade unions believe it would be preferable for the ILO to take control but as yet NGOs do not have a clear position.

Recommendations for future work

NGOs

- Discussion and debate to arrive at an NGO position on the development of a universal code by the ILO and to identify what specifically the ILO's role should be, whether it should include monitoring and/or verification.

ETI

- The ETI should engage with the ILO around its work on informal employment and be directly involved in any process towards the development of a universal code.
- ETI can contribute to the MSI convergence process through sharing its "learning by doing/best practice" approach and its work on informal employment.

Multistakeholder Initiatives

- Any code/MSI harmonisation needs to be upwards not downwards; for example there needs to be a clear process for the involvement of legitimate MSIs.

Working with governments

Northern and Southern governments have tended to play a passive, observer role in multistakeholder initiatives up until now. For example, in the case of the ETI, British government support came from the Department for International Development in the form of funding and as an observer on the ETI Board. However, there has not been the involvement of the Department of Trade and Industry, which could potentially play an important role in promoting ethical trade within the UK business community.

In terms of Southern government involvement there are some obvious obstacles, such as the view that voluntary codes, particularly certification schemes are effectively non-tariff barriers to trade. There is also a lack of awareness of potential "ethical" market opportunities that exist in export markets. On top of this, Southern governments face constraints of capacity to engage in these processes and most significantly to enforce minimum labour standards. More active involvement and ownership by local governments could facilitate the identification of key local constraints and the development of action plans to address some of the issues. However, firstly, governments need to be aware of the potential gains that can be made and be convinced that it is not just the private sector that has a role in corporate social responsibility.

Recommendations for future work

All stakeholders

- Working with governments to raise their awareness of the impact and importance of enforcing key areas of labour code, for example, to ensure companies are operating on an even playing field.

Multistakeholder initiatives

- Discussion and debate about what demands multistakeholder initiatives should make of Northern, Southern and Eastern European governments. These

discussions should involve local labour movements to identify common agendas and effective ways to achieve the desired changes. This may include proposals for new forms of regulation.

- Raising awareness of local governments on: corporate social responsibility; multi-stakeholder initiatives; advantages they could gain through engagement; the roles the public sector could play in supporting and implementing codes of conduct; and how they could catalyze voluntary corporate responsibility initiatives.

ETI

- ETI needs to put out a strong message that its work is about protection of jobs in the South and Eastern Europe and that codes are not about Northern protectionism.
- ETI should include working directly with governments to make them aware of the difference their policies can make. Some governments have had to worsen their policies to meet demands made on them and sometimes local law impedes codes. For example, in Sri Lanka, the law stated that women workers could only work 100 hrs overtime per year. Most companies were violating this, so the government increased provision to 60 hrs a month.

Governments

- Revise and strengthen labour legislation to ensure informal workers are legally recognized as workers.

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