

ETI Forum



Purchasing Practices

'marrying the commercial with the ethical'

ETI Seminar, 7 July 2004

About ETI

The Ethical Trading Initiative (ETI) exists to identify and promote good practice in the implementation of codes of labour practice, including the monitoring and independent verification of code provisions. We are an alliance of companies, trade union organisations and non-government organisations (NGOs) committed to working together to achieve that aim. Our ultimate goal is to ensure that the working conditions of workers in companies that supply goods to consumers in the UK meet or exceed international standards.

The ETI Base Code is founded on International Labour Organisation (ILO) Conventions and has become a model on which other codes are based. ETI's Base Code can be seen in full on our website (www.ethicaltrade.org).

We were established in 1998 as an independent, not for profit organisation. We are funded by member contributions and a grant from the UK Department for International Development (DFID).

About ETI Forum

ETI Forum reports on the key issues discussed at one of our events. ETI events – members' roundtables, public seminars and conferences – focus on ethical trade issues of topical interest or which have proved to be particularly challenging to our members. For example, we have held events on corporate social responsibility, homeworkers, corrective actions in code compliance, HIV/AIDS in the workplace and the role of gangmasters in the food and agricultural industry. These events give members and others the opportunity to learn from guest speakers and from each other, and to debate practical responses to the issues raised.

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1 Background and purpose of this event

Many of us are aware that some buying practices can undermine the effects of ethical trade programmes, by inadvertently restricting suppliers' ability to uphold international labour standards. A recent study conducted by Insight and Acona indicates that many of the commercial pressures placed on suppliers are in fact doubly undesirable: not only are they potentially damaging for workers, they are also costing companies money. The implication is that there may well be concrete commercial, as well as ethical, reasons for reviewing current purchasing practices.

This roundtable, attended by both ethical trade staff and buyers from our member companies, highlighted some of the key impacts that retailers' purchasing practices can have on workers. It explored possible approaches to ensuring that buying strategies integrate commercial and ethical considerations. It takes forward thinking on this issue by building on recent discussions and previous work carried out by ETI (see Further Information) as well as recent reports by Oxfam and Acona/Insight, which are highlighted below.

2 Who participated?

Approximately 70 participants attended this roundtable, comprising over 40 from ETI member companies including staff from buying departments, a few non-member companies, NGOs, trade unions, consultants and ETI secretariat staff. This large turnout is testament to its importance to the ethical trade agenda.

3 Key points from presentations

3.1 Overview

Simon Steyne, TUC International Officer, UK worker member, ILO Governing Body, TUC

3.1.1 How some purchasing practices can cause or contribute to worsening labour conditions

A growing number of companies have begun to recognise that a global market governed by global rules for decent work are essential to long term business success. These companies have adopted ethical trading policies and have supported more coherent global governance. However, it is also obvious to us all that some companies have adopted pricing policies which contribute to the continuing exploitation of workers because they make short-term commercial sense. This is a key reason why some multi-national enterprises increasingly source from China and export-processing zones (EPZs) worldwide. This trend leads to an artificial suppression of wage costs, causing a worsening in labour conditions and systematic denial of workers' fundamental rights.

In recent years many brands have adopted codes of labour practice, placing demands on suppliers to adhere to ethical trade policies. But these codes often directly conflict with the schedules and prices dictated by these same companies, which hinder and prevent real progress.

Although retailers have information about factors like unit prices (determined by material and labour costs) and production time, often little or no consideration is given to the capacity of the supplier to achieve the demands placed upon them. Many suppliers have little or no negotiating power when agreeing to these demands as few can match the bargaining power of

the brands. When suppliers are under pressure – for example, to reduce their prices, be flexible, make last-minute changes to orders - it is likely that there will be negative consequences for workers. In the short term these might include compulsory and/or excessive overtime, employment of child labour, or use of subcontracted workers. They may also include denial of workers' rights to organise and bargain and discriminatory employment practices which affect women disproportionately.

Is there a business case for these practices? It is well documented and widely known that abuse of workers leads to more mistakes, more mistakes means lower productivity and quality.

What about government responsibility for protecting their citizens and upholding international law? In the face of competition for foreign domestic investment and market share, some will collude in artificially suppressing wage costs by denying workers their basic rights. But some brands are demanding ever lower costs and shorter lead times, the results of which are low wages, meaning less taxes for good governments to enforce the rule of law, provide infrastructure, basic services (including health and education), social security and training for workers. But even if retailers and brands improve the prices they pay suppliers, there is no guarantee that workers will benefit from increased wages unless they have the right to organise freely and bargain collectively.

3.1.2 Examples of negative impact on workers

Some International Labour Organisation (ILO) examples.

EPZ cases:

Bangladesh: three days of 24-hour back-to-back shifts and children welcomed to speed up production.

South Africa: night shift locked in resulting in a pregnant women losing her baby.

Central America: pregnancy testing to ensure that women workers will not be absent or receive maternity benefits.

Examples cited by the National Labor Committee (US) in the late 1990s

Disney: Pocahontas pyjamas: retailed in US, \$14 - labour cost in Haiti EPZ 6-7 cents

Disney: Mr Mickey Sweatshirts: retailed in US, \$17 - labour costs in Burma, 2-3 cents

Workers who have complained have been attacked, intimidated and fired.

Workers have no unions, no rights and no freedom.

3.1.3 Looking ahead

Retailers need to integrate their ethical trade policies with their commercial policies. They need to ensure the protection of internationally-recognised fundamental human rights at work, such as the freedom to join or establish free trade unions and bargain collectively and to work free of forced labour. These will enable workers to negotiate their working conditions – for example, overtime limits. In addition, low prices which lead to low wages (and lame local markets) have a direct impact on the labour conditions of workers such as their ability to resist overtime or earn a living wage. However, if prices and lead times were correct and decent, this could change. It would provide suppliers with a sounder basis to negotiate with a brand. If companies co-ordinated and implemented the ETI code (inc. with shared suppliers) this could also challenge current cut-throat competition, the current consistent and accepted driving down of prices, and the City analysts who base share price on short-term profit margins. To progress and deal with the issues raised we must recognise and begin to deal with the fact that Price Matters.

For full presentation notes please contact adil@eti.org.uk

3.2 Winning profits, losing rights : the causal link between buying practices and poor working conditions

Sumi Dhanarajan, Oxfam GB, Policy Adviser on the Private Sector

3.2.1 Introduction

Despite a decade of 'ethical trading', there have been very limited improvements in the working conditions for millions of workers within global supply chains. This presentation draws from recent Oxfam reports: *Trading Away Our Rights: Women Workers in Global Supply Chains* in particular and the *Play Fair in the Olympics* report, illustrating the causal link between the pressures that suppliers are placed under by the commercial imperative and worsening working conditions (as described above).

3.2.2 Trading Away Our Rights: Women Workers in Global Supply Chains

The scope of the research

- Research conducted/managed through partners in 15 countries.
- Focused on the garment and fresh produce sector.
- 1,500 worker interviews, 140 farm and factory managers, 50 supply chain agents, 27 retail and brand company staff, 150 government, NGO and Trade Union officials.

Key Findings

- Women workers are gaining employment through export-oriented industries BUT it is precarious employment: insecure, without adequate labour protection or benefits, and short-term.
- Trends in supply-chain management are moving in the opposite direction to ethical trading. The desire for 'flexibility', low production costs and fast turnaround are causing these precarious terms and conditions of employment. There are a number of instances where labour legislation has been amended or introduced to facilitate this 'flexibility'.
- There is a severe disconnect between the buying and ethical functions of the company. Separated within the corporate hierarchy, ethical staff mandate is limited to policing suppliers' compliance with labour standards only NOT to ensure that the company's own practices facilitate suppliers' compliance. Buyers' incentives are commercially-driven and oriented towards short-term profit making with little room for considering the ethical implications of their actions.

Precarious Employment

The research revealed across both the fresh produce and garment sector, workers are being employed under the following conditions as suppliers strive to meet demands for flexibility, speed and low production costs:

- Short-term 'rolling' contracts – often with no written contract - even though jobs are long-term;
- Pay by piece-rate. Production targets are excessive and if target is not achieved during the normal working day, workers are expected to work overtime on their own account until they complete i.e. no overtime premium paid.
- Forced overtime on very little notice leaving no time to make domestic arrangements.
- No benefits - maternity & holiday pay; social security or severance. Union / organising rights undermined.

Women and migrant workers are in a particularly precarious position because of their limited negotiating power. Women workers in these jobs bear the double burden of paid and unpaid work.

Workers are increasingly being hired through contractors/ agents / gangmasters to further evade the employer-employee relationship and the legal obligations that that brings.

Purchasing Practices

Across both sectors, the general trend is towards transferring risk down the supply-chain. 'Just-in-time' delivery requires keeping inventory and warehousing to a minimum and making suppliers deliver products almost straight to store as and when needed, often at great speed. Suppliers are expected to bear the risk of price fluctuations and poor forecasting. An aggressive buying culture and dominance by a handful of multinational companies means that suppliers have no choice but to comply with these demands and often easily sacrifice respect for workers' rights in the face of such pressure.

Buyers in both the fresh produce and apparel industry are adopting a number of purchasing practices to keep delivery lead-time short and prices low, and to maintain flexibility in meeting supply and demand. These include:

- Payment is determined and made only after product arrives;
- In fresh produce, if the product is unsatisfactory or not needed by the supermarket, the farmer has to bear the cost of it being sold on the wholesale market;
- Technical and packaging requirements, eg, new packaging – the packhouse/producer absorbs the cost;
- Threats to relocate as a means of bargaining down the price;
- Placing smaller orders more frequently.

These pressures faced by suppliers ultimately result in exploitative terms and conditions of employment. (Please see Oxfam report for comprehensive list).

Integrating ethical commitments into sourcing strategies / purchasing practices.

Ethical trading still seen as peripheral to a company's core business practices and is generally solely focused upon policing suppliers' compliance with its code of conduct. Failure to deal with the impact of purchasing practices has meant that either:

- Certain worker abuses are accepted as an industry norm by compliance staff e.g. excessive overtime during peak seasons or piece-rate payment and excessive production targets; OR
- Factory managers fake compliance during inspections.

The main result of this is that no significant improvements are made in labour standards. It is likely that this is leading to cynicism within and outside companies about both the cost effectiveness and developmental impact of having ethical policies.

The research also highlights that both sectors are driven by short-term profit-seeking and that this permeates the whole business model, both at the retail and the supplier level. We propose that if businesses were to evaluate their current supply-chain management to a view towards long-term sustainable operations that this would deliver both against long-term profit and meeting ethical commitments.

For full presentation notes please contact adil@eti.org.uk

3.3 Challenges of Effective Buying :

How getting it right commercially can have ethical benefits too

Dena Freeman, Partner, Acona Ltd

3.3.1 Introduction

Acona is an international consulting group focused on understanding risk and improving performance.. The Sustainable Business team works in all areas of Sustainability and CSR. The report *Buying your way into trouble* was written by Acona for Insight Investment, the asset management of UK financial services company HBOS, which currently manages £68.7 billion.

3.3.2 The research project

The project's aims were to explore:

- How current supply chain management practices and the drive for ever-greater efficiency puts pressure on suppliers' factories or farms, potentially forcing them to contravene some of the ethical standards in order to meet the buyer's requirements, and
- How to find practical ways to improve certain ethical standards in suppliers' operations by making some changes to the way that corporate buying is carried out.

The research included a literature review, 13 interviews with 8 companies and 2 suppliers to those companies; 1 purchasing specialist; 1 ethical trading specialist, 2 'validation workshops' (attended by approximately 20 companies) and Acona's experience in this area.

Key areas of focus/negotiation

Identifying and unravelling the full causes of poor labour standards is immensely complex and subtle. However, certain characteristics, emerging from the research, merited further attention and the table below provides pointers to what can go wrong and suggested solutions to these, all of which are covered in detail in the report.

Table 1

How buying practices impacts on labour standards		
Key areas of focus/negotiation	What goes wrong?	Possible Improvements
Time and Speed (eg. shortening lead times, just-in-time delivery, fines for late delivery, etc)	<ul style="list-style-type: none">• Inefficient decision making• Holding back decisions• Disregard of certain dates on critical path• Poor communication between buyers and suppliers• Lack of trust between buyers and suppliers	<ul style="list-style-type: none">• Simplify decision making• Segment the supply chain
Flexibility and Seasonality (eg. making last minute order changes, taking large volumes at peak times, etc)	<ul style="list-style-type: none">• Poor forecasting• Peaks and troughs in demand	<ul style="list-style-type: none">• Increase sophistication of forecasting• Manage production outside peak periods
Cost and Risk (eg. Cost : price reductions, open-	<ul style="list-style-type: none">• Inappropriate incentives for buyers	<ul style="list-style-type: none">• Cost modelling (buyers)

book accounting, etc. Risk eg. 'sale or return', rebates and profit contributions based on volume, etc)	<ul style="list-style-type: none"> • Poor understanding of manufacturing costs • Balance between labour and materials 	<ul style="list-style-type: none"> • Cost modelling (suppliers)
Buying Culture	<ul style="list-style-type: none"> • The 'Sales Prevention Team' • Short term focus 	<ul style="list-style-type: none"> • Rethink buyer appraisal frameworks • Organisational integration of buying teams

"More commonly ethical breaches are driven by failures that are also commercially undesirable."
Acona

Conclusions

The research illustrated the complex connections between normal commercial buying practice and ethical standards. In some cases commercial requirements and ethical requirements may be in direct conflict, but this research suggests that these cases are remarkably limited. More commonly ethical breaches are driven by failures that are also commercially undesirable. Moreover, the research also emphasised there is no single solution to these problems.

For full presentation notes please contact adil@eti.org.uk

4 Key discussion points

4.1 Workshops Sessions

These sessions aimed to provide participants with the opportunity to explore in more depth some of the specific problems encountered in modern supply chain management and following this, to discuss the appropriateness of suggested 'beginnings' of solutions in their current roles and company structures. Using data from both reports and in particular the information outlined in Table 1 as a springboard, the ensuing discussions were detailed and wide-ranging. Below we have summarised the many discussions, actions and recommendations into two areas:

- *Core issues* relating directly to current company purchasing practices, with a view to better 'marrying the commercial with the ethical'; and
- *Wider, contextual issues*, equally important to ensure progress and improvement in dealing with the issues outlined..

The first session, '**What goes wrong?**', put forward four elements which were considered to have considerable impact on suppliers' ability to uphold labour standards (full details attached in Annex 1). These were:

- The need to produce quickly: time and speed
- Issues relating to flexibility and seasonality
- The search for lower prices and better deals: cost and risk
- Issues relating to organisational culture.

The discussions focussed on the impact of these purchasing practices through their supply chain and how accurate these were, in addition to identifying other problems participants encounter in their current roles.

The next session '**Suggested solutions**' provided solutions and objectives drawn from the two reports presented earlier with the aim of taking forward thinking on these issues (full details attached in Annex 2).

The summary below identifies the key areas discussed and findings.

4.1.1 CORE ISSUES

Critical path management

Many retailers delay placing orders until the last minute, to make sure they have more market information. The result is that any subsequent delays often create unnecessary pressure for suppliers to fulfil orders on time. Historically, critical paths had a certain amount of 'padding', so there was a general feeling that there was less impact on suppliers if key dates were missed. However, critical paths differ enormously for every product and increasingly the padding is not there. Although product development times have increased, this can create a false impression that 'there's plenty of time to get things done'. This contributes to a lack of focus on 'getting it right first time', which can then mean that 'less critical' dates in the critical path get shifted. Often, the 'less critical' dates are those that require action on the part of the retailer, rather than the supplier.

Also key is for the supplier to give you an accurate prediction of their production time.

Some participants noted that Far East and Asian companies are more accepting of late lead times than European companies as Asia is a very competitive market and flexibility is seen to be important to winning business. However, many of these countries can be characterised as ones in which workers have very little power.

All participants agreed that critical path management is key. Furthermore, it is important to ensure that ethical measures are in place for buying teams as well; otherwise workers do not receive benefits.

Forecasting and Seasonality

It was widely recognised by all participants that poor forecasting, such as last minute orders (seeing if something sells before putting in big orders – driven by management and buying teams) or order changes and seasonal peaks and troughs lead to worsening labour conditions, such as overtime. They can also result in factories using forms of employment where workers are potentially more vulnerable to abuse such as casual labour, short-term contracts (year-on-year) and subcontracting arrangements.

A number of factors were seen to influence forecasting such as; demand, delivering the margin, cash flow, delivery of raw materials etc. These factors are then exacerbated by seasonality requirements, particularly when weather here in UK is so temperamental. For example, a heat wave on one day can cause a sharp increase in demand for a product, which then plunges when a rainy spell starts.

While to some extent forecasting is getting better (assisted by technology), it is also getting harder with, for example, consumer fashion trends being highly erratic. Whilst technology can help analyse data some participants felt that having so much more information available, in some ways, made the whole area more complex.

However, participants highlighted a range of solutions for poor forecasting and seasonality which included:

"If I'm in the Far East for a couple of weeks, some things come up that no-one else can deal with so decisions get delayed. I think this happens in quite a lot of companies"

Company participant

"Holding back decisions
Yes, this does happen.
For example one of our directors might come back from a trade fair saying 'we have to rethink our range' and everything is thrown up in the air again."

Company participant

- Specialist Advice
 - use of forecasting specialists that may also be able to look across sectors as well as individual products
 - use of fashion consultants who are experts in identifying/predicting future trends etc
- Consolidating Suppliers
 - long-term relationships
 - % of production taken from a particular site/farm for increased leverage
- Supplier Communication
 - two-way relationships with suppliers e.g. attending retail staff meetings
 - Vendor Managed Inventories (computer procurement system giving the supplier access to warehouse information and visibility of the supply flow so they can better predict and plan their own production).
- Internal Systems and Structures
 - Communication between designers/technical and buying teams
 - Reduce management pressure on buyers to make last minute decisions
 - Rationalising decision-making structures – empowering people to take decisions rather than having to refer everything back up to their bosses, cutting down on decisions needing to be taken by Committee
- Out of season advance orders
 - May only be possible with core products (e.g. white T-Shirts - required every season).
 - Although other participants believe being able to do this is more about having the nerve to commit to a line in advance and to commit cash flow for it (some of which in any case may be off-set by avoiding high overtime payments etc)
- Dual sourcing
 - For example putting first orders to China but placing repeat orders in Europe, thereby avoiding putting pressure in locations at high risk of abusing standards in order to meet short deadlines.
- Development of global markets
 - As domestic markets develop in the southern hemisphere these may help to smooth out the peaks and troughs (e.g. high season in Thailand or Brazil will be different from high season in Europe and the US).
- Peaks and troughs in demands
 - Multiskilling workers - if there is a delay on one line they can switch to support another line or another area of production within the factory
 - Half-making clothes – eg., making a T-shirt in advance but dyeing it later when the fashion is known

Definitive costing model

The establishment of true net costing was seen as important tool in ensuring that ethical trade policies could be adhered to. It was widely accepted that this was not currently taking place as retail is fast moving and current solutions are impractical due to problems assigning 'invisible costs' and the time to implement a total cost model for products. Some companies highlighted that an average unit cost is calculated but is limited. Suggestions on how to provide this

measurement ranged from a balance sheet (seen as cumbersome), taking the worse case scenario , eg, calculating a cost for returns, complaints, lost sales, campaigns and sharing this with buyers and wider as opposed to just the initial mark up.

Retailers and suppliers to work together to provide a total cost, which could incorporate an identified minimum level to allow legal payment, which is learnt from and taken forward.

Buyers

Throughout the discussions, it was apparent that the buyers were seen as a critical audience in finding solutions. Buyers were seen to be short-termist, tending to move quickly between jobs and being aggressive in their partnerships with suppliers.

However, buyers indicated that their companies rotated them frequently, resulting in a 'sink or swim' culture. They also said they had targets and incentives set that did not encourage the integration of ethical policies. One corporate member indicated that a shift in their structures to involve buyers and assessing them on ethics and driving continuous improvement was currently in place and providing results.

Some buyers expressed that seeing them as a solution to worsening labour conditions was simplistic and that the whole organisation and its culture should be examined. The linking of the whole team's objectives not just those of buyer but also those of sourcing, technical, quality staff is important. Buyers also stressed the importance of looking at the whole supply chain and of developing strategic partnerships with suppliers in order to foster progressive change. Many participants, including buyers, stressed the importance of looking at the nature of commercial relationships with suppliers, for example, examining the potential for more long-term buyer/customer relationships. However, in the words of one buyer, though these are viable solutions, "the question is whether a corporate culture can resist going for the lower price."

4.1.2 CONTEXTUAL ISSUES

Closer supplier relationships/longer term commitment

Many participants pointed to the benefits of long-term relationships with suppliers which would help build trust and better communications and ultimately lead to better practices. Forming these key relationships would help stabilise supply chains, allowing better education and awareness raising down the supply chain thus making it easier to identify and overcome problems. Furthermore, participants expressed the importance of educating both suppliers and buyers.

Top management commitment

It was felt an understanding and commitment to ethical trade by company Directors, senior managers and other stakeholders was essential for real changes to be made in the above areas. The fact that managers sometimes fail to 'walk the ethical talk' and thus make decisions without realising their effects on labour standards was identified as an issue. Awareness raising, education and peer appraisals were seen as tools to achieve greater buy-in as well as more guidance as to what is acceptable practice.

The value of ethical trade

Many participants raised the issue of how to ensure that companies recognise the value of ethical trade, and in particular how to reward companies that pursue ethical trade practices. It was perceived that the main motivation of companies is brand reputation, i.e., the risk of what might happen if you don't do it rather than what happens if you do. It was said that cost

"Buyers are often rewarded for 'numerical benefits' to the business eg cost savings. We rotate buyers around a lot. Buyers are not necessarily rewarded for their expertise or their length of service"
Company participant

"We always tell the supplier you need to allow time for things to go backwards and forwards. The difficulty is that the supplier feels that to get an order, they have to underestimate the time it will actually take to provide something – they'll say it takes 45 days when actually it is more like 50. The problem is compounded by the fact that I tell the supplier if you're going to take longer, then we won't order as much from you"
Company participant

targets are tangible and the easiest to quantify, while ethical trade targets were seen to be the hardest to quantify. This made it difficult to use ethical trade as an argument against current short term practices which lead to worsening labour conditions. However, brand risk is a major issue for companies and raising it as an issue with marketing and brand directors would help them to realise the value of ethical trade at least in terms of the business benefits. (please see below - Further information: The Business case..)

Consumers/customer behaviour is a key driver for ethical practices. However, a current lack of information on the benefits for customers of good practice or on how to make 'ethical' choices has meant that they do not currently exert great power to influence retailers. This audience is very fragmented and although some consumers make choices with ethical criteria in mind, many are driven by price alone. There is a belief that costs are usually passed on to consumers but in the experience of one NGO participant, it is often the supplier who pays. Labelling was raised as a possible solution but was also seen to carry more risks than gains (see further information).

Many companies were seen to view the value of ethical trade/codes of conduct to its business as the 'easiest' way to meet their legal responsibilities with respect to labour practices in their supply chains. A current company mindset was seen to be one of 'we have exercised our responsibility to ethical trade as we have adopted a code of conduct and have an ethical trade team.' This had led to the 'ethical team' being siphoned off with no integration into the commercial aspects of the business. However, all participants agreed that the ethical team and its goals had to be integrated into the whole of the business and that it is everyone's responsibility to ensure that the positive effects of ethical trade were realised.

5 Putting it into Practice

5.1 Company Perspective

Director of Production, Apparel retailer

Increasingly, apparel retailers and global brands are being asked to consider the impact their business practices have upon working conditions and labour standards in the factories that produce their products. Whilst some of these impacts are driven by the realities of the industry - ever-increasing competition, the pressure to be 'on trend', as well as the seasonal nature of the fashion business - individual companies must also look at whether their supply chain practices are also adversely impacting factory conditions. The challenge of continually improving labour standards across the apparel industry is determining how both areas of impact can be addressed.

Competition within the sector requires companies to minimise costs while simultaneously attracting more customers to improve their market share. At the same time, customers demand extra 'special' products and improved quality, so brands are challenged to lower costs while upgrading product. Brands must decide how best to balance these competing priorities.

The drive to have the best product for the customer and react as quickly as possible to trends and sales analysis may lead to changes to product after it has already been confirmed with a supplier. Reacting to trends also leads to late product development and placement. Last minute changes such as these may increase the burden placed on suppliers to deliver an order on time, unintentionally creating compliance issues. Improved communication between the compliance and production teams helps to address this, giving production people a view to the factory-level impacts of their decisions.

Because the fashion industry designs and buys according to season, production levels at any given factory fluctuate by season. Due to peak selling time periods - i.e. back-to-school and holiday - a retailer's inventory receipts will never be constant month after month. There will always be peaks and valleys in the orders going out to vendors, which can impact staffing levels. Brands should make sure that vendors understand this reality and run their business accordingly.

While communication between compliance and production is an important part of improving working conditions, brands must now look to more consistently embed compliance into their supply chain. If done correctly, improved compliance performance will lead to supply chain efficiency that ultimately helps brands remain competitive.

5.2 Final comment

This seminar raised many issues and debates in addition to providing some answers and suggested plans of action to deal with a key area of ethical trade. As such, this report provides an overview, and can only touch on the many discussions which took place. Whilst we all agreed that this event is neither at the beginning nor at the end of the road for any of us, significant steps took place. Over 70 participants from many different organisations and a significant number of buying and ethical trade staff within UK retailer companies provided a wealth of knowledge and experience to help to progress current work and thinking in this area. It is apparent that when faced with such a range of hurdles or obstacles, (price, seasonality, organisational culture), the way forward is for a holistic approach, involving many more of the organisations departments, eg, buyers, sourcing, technical, quality, and ethical. Furthermore, participants noted that retailers working together would be required to address the systemic values and practices currently occurring and would provide results and impacts quicker.

Changing purchasing practices is a huge challenge, one without a single solution, which will require an investment of time, resources, collaboration and commitment from many different sectors. However, the fact that some purchasing practices hinder and prevent the improvement of labour conditions leaves us no choice but to continue to address this issue.

6 Further information

Acona/Insight Investment

www.acona.com

'Buying your way into trouble? The challenge of supply chain management'

http://www.insightinvestment.com/Documents/responsibility/responsible_supply_chain_management.pdf

ETI

www.ethicaltrade.org

Raising the stakes ETI Annual report 2001/2002

Ethical labels: more risks than gains?

<http://www.ethicaltrade.org/Z/lib/annrep/index.shtml>

How influencing suppliers is best achieved when buying power is limited?

Raising the stakes: ETI AGM November 2002

<http://www.ethicaltrade.org/Z/lib/2002/11/agm-rtwksp2/index.shtml>

Purchasing practices: what impact on labour conditions?

Key challenges in ethical trade: Report on the ETI Biennial Conference 2003

<http://www.ethicaltrade.org/Z/lib/2003/12/eticonf/page09.shtml>

Case Study Of Good Practice In Code Implementation: The business case

Labour standards for investors seminar (Oct 2002)

<http://www.ethicaltrade.org/Z/lib/2002/10/lsi-sem/index.shtml>

ETI Base Code and the accompanying Principles of Implementation

<http://www.ethicaltrade.org/Z/lib/base/index.shtml>

Oxfam GB

www.oxfam.org.uk

TRADING AWAY OUR RIGHTS: Women working in global supply chains

http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/trading_rights.pdf

Play Fair at the Olympics: Respect workers' rights in the sportswear industry

A report produced by Oxfam, The Clean Clothes Campaign, and Global Unions

http://www.oxfam.org.uk/what_we_do/issues/trade/playfair_olympics_eng.htm

ILO

www.ilo.org

All conventions and Recommendations can be found in full on the ILO website

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