

The ETI code of labour practice: do workers really benefit?

A preliminary response by the Ethical Trading Initiative to IDS' study¹

19 OCTOBER 2006

Purpose

We have prepared this statement as an initial response to the broad recommendations for ETI from the Institute of Development Studies in their report: *The ETI code of labour practice: do workers really benefit?* In the coming weeks and months our Board, together with our membership of companies, trade unions and non-governmental organisations, will consider more fully the implications of the report findings and recommendations, and what action should be taken in response.

Introduction

In 2003, we commissioned the Institute of Development Studies (IDS) to carry out an assessment of the impact of our corporate members' ethical trade activities on workers in their supply chains, and to see how impact could be improved. Three years on, after interviewing over 400 workers in 23 supplier sites across the world, over 60 stakeholders including retailers and brands, agents, factory and farm managers, trade unions and NGOs, IDS have completed what we believe to be the most comprehensive independent study to date of the impact of codes of labour practice.

It is hugely encouraging to read in IDS' report that codes are helping to address some of the most fundamental concerns expressed by workers. It suggests that in our members' supply chains, which collectively account for over three million people worldwide, many workers are benefiting from a safer and healthier working environment, increased wages and reduced working hours. More workers are covered by national health and pension schemes. And critically, fewer children are working in some parts of the supply chain.

Despite these signs of progress, it is clear that major issues remain. In particular, IDS' study reveals that casual and informal workers are as yet barely benefiting from codes, and that fundamental principles such as the right of workers to be able to join a trade union and negotiate collectively with management are not being sufficiently addressed. There has been little progress in other areas – for example, discrimination and harassment.

¹ The *ETI code of labour practice: do workers really benefit?* is published today 19 October 2006 by the Institute of Development Studies (IDS). Hard copies of a 6-page summary flyer and the 64 page main findings and recommendations are available on request from ETI or from IDS. These documents, together with findings and recommendations of individual country case studies, are also available to download at www.ethicaltrade.org/d/impactreport or from www.ids.ac.uk/ids/news/eti.html

Our response to IDS' key recommendations

IDS' study challenges our member companies to raise their game, and critically, to integrate their ethical trade policies with commercial practices, if decent working conditions are to become a reality for the tens of millions of workers in global supply chains. But it also challenges companies who still refuse to accept responsibility for the workers making their products to follow our members' strong lead and accept that same challenge.

We also recognise IDS' challenge to ETI – to push and support companies to do more to address their recommendations, and to raise our own game. Actions that are already in place, or planned in response to their key recommendations, are listed below. Collectively we have a huge potential to make more widespread improvements to workers' conditions in global supply chains, and in the coming weeks and months will be discussing internally and with other stakeholders what more we can do to realise our ambitions.

Recommendation: Work collaboratively to maximise potential

IDS states that “The potential for positive impacts is currently undermined by individual company approaches to code implementation and a lack of strategic coordination between ETI members and other stakeholders. Through greater collaborative working and harmonising code implementation, ETI, its members and other actors would be more effective in bringing about change”. Key recommendations for ETI are:

- *Facilitate co-ordinated activities by member companies (such as provision of information and training to suppliers and workers)*
- *Develop a strategy for code harmonisation among members*
- *Continue joint work with other code initiatives, such as the Joint Initiative on Corporate Responsibility and Workers' Rights (JO-IN) project*

Collaboration is at the heart of our work, and central to our understanding of how change comes about. We agree that we add value for our members when we facilitate consistent communication between members and their suppliers, and their suppliers' workers. In the period covered by the impact assessment, we helped our members to organise the training of several thousand Sri Lankan garment workers on their rights, and to hold an awareness-raising conference in China. We also developed a poster about ethical trade for company members to provide to their suppliers, of which so far over 3,000 copies have been distributed.

With regard to the recommendation that we develop a strategy for code harmonisation among members, we make sure that our members are promoting standards that are fully consistent with the ETI Base Code. However, we believe there are strong arguments for companies to communicate their own code, rather than adopting the Base Code verbatim as recommended. One reason is that some companies' codes actually go beyond the Base Code, which is intended to be a minimum standard, and/or include other broader issues such as the environment and/or animal welfare.

We are firmly committed to continuing to co-operate with other code initiatives. ETI initiated the co-operation between different code initiatives that has led to the development of the draft common code for the garment industry within the JO-IN project. Although at the trial stage, the unified standard has already been influential.

We are hopeful that, by working in wider alliances such as the Multifibre Arrangement (MFA) Forum, we can also have greater impact. IDS' challenge that ETI should have a long-term strategic vision of how standards will be unified is fair, and we shall respond to it in full after consultation with our members.

Recommendation: Extend the reach of codes to all workers

IDS states that: "Code implementation has done little to address poor labour practices in certain areas of the ETI Base Code and for certain groups of workers. More emphasis needs to be placed on more challenging aspects of employment, especially freedom of association and discrimination, and extending the reach of codes to all workers – particularly to migrant and contract workers". Key recommendations for ETI are:

- *Provide leadership and coordination on complex labour issues, as with the Temporary Labour Working Group*
- *Form new issue-based working groups to address key areas emerging from this study (for example on implementing the Base Code with migrant workers)*

The protection of workers' rights to be able to join and create trade unions to negotiate for themselves is fundamental to making decent working conditions a reality in global supply chains. It is disappointing to find that company codes are not yet sufficiently enabling these rights, despite this being a central theme of our international conference last year. We continue to urge companies to promote these rights in their supplier worksites, and are increasingly seeing that companies are beginning to take this issue on board.

We are also starting to see that joint action can get positive results. This year, for example, we helped resolve major trade union complaints in several supplier worksites by brokering negotiations between our member companies, factory management and trade unions, and are increasingly seeing our corporate members responding to workers' complaints in a far more proactive way than previously.

We were not surprised to find in IDS' report that codes are bringing little benefit to the most vulnerable workers – for example, migrant and casual workers, as well as smallholders and homeworkers. What shocked us was the scale of the problem. This is where multi-stakeholder alliances can be most valuable, and where we have focused much of our work. Last year we developed guidelines for companies, trade unions, NGOs and other stakeholders to tackle the working conditions of smallholders, and we have produced a similar set of guidelines for homeworkers. In the UK we have provided leadership and co-ordination on the issue of temporary labour providers in the food industry and we will look seriously at how this approach could be used elsewhere with migrant workers and those employed on casual contracts.

Shift the focus to sourcing countries

IDS states that: " ETI and its member companies allocate comparatively few resources to raising awareness and providing direct support to workers and suppliers in sourcing countries. Shifting the focus to these countries would raise awareness and engagement of suppliers and local organisations and be more cost effective in achieving improvements for workers". Key recommendations for ETI are to:

- *Raise awareness of ethical trade and ETI in sourcing countries*

- *Support the development of local multi-stakeholder code initiatives and the application of the ETI Base Code in the local context*
- *Provide more guidance and activities direct to suppliers and workers (such as information on the ETI Base Code in different languages, workshops and training on code-related issues)*

We know that some of ETI's best results have come when members have worked together to facilitate multi-stakeholder activities in sourcing countries – notably the creation of the Wine Industry Ethical Trade Association in South Africa which was born out of an ETI experimental project, and more recently, the National Homeworkers' Group in India. We are committed to facilitating more co-operation among suppliers, trade unions, NGOs and governments in sourcing countries, so that each can play their part to tackle what are often deep-seated problems, and to work much harder to help raise the understanding on the part of suppliers about codes of conduct.

To this end, we have made a strategic decision to invest greater ETI resources in key sourcing countries - we have already recruited a full-time ETI representative in China and plan to have an ETI representative in India during 2007. We have also committed to holding awareness-raising events about ethical trade and ETI in selected key sourcing country by the end of 2007. We are also developing materials to help companies themselves to do more to communicate with their suppliers in their key sourcing countries about why codes of conduct are important, and what they need to do to comply with them, and to help build their capacity to do so.

Make ethical trade more central to core business practice

IDS states that: "Suppliers in all countries and sectors reported difficulties in improving labour practices in a context of downward pressures on price, shortening lead times and supply chain volatility. Equally, retailers and brands are not being adequately rewarded by consumers and investors for good performance on ethical trade. More sustainable sourcing strategies and market incentives for code compliance (e.g. preferential supplier status) need to be developed. Key recommendations for ETI are:

- *Raise our profile among consumers and encourage purchasing from member companies*
- *Develop means to publicly acknowledge good performance among member companies (such as making use of the annual reporting mechanism)*

We believe that in the current commercial environment, the issue of how companies can marry their commercial practices with their ethical trade principles is the single biggest challenge to improving working conditions in company supply chains, and will require a quantum leap forward by all companies. Recognising this, we put company purchasing practices at the top of the agenda at our conference last year and achieved widespread agreement from member companies, trade unions and NGOs alike on the urgent need to tackle this issue. Already, ETI has been working with some of our members to look at how some of their purchasing practices could be improved to ease the pressure on suppliers.

But it is also clear that there is a limit to what any single company can do on its own to change its purchasing practices. Given growing evidence that consumers and investors are increasingly motivated to reward ‘good’ companies for their performance, we feel it is timely for an open debate on what will drive more fundamental corporate change – and in particular, how far consumers will be prepared to go to reward companies for their efforts. We have already begun discussion of what role we could play in recognising and rewarding good practice, and have laid the foundations for doing so by developing a more robust annual reporting framework which will help us better track progress and compare members’ performance.