

The new agenda for ethical trade

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In May last year, Gap, Nike and other global sourcing giants, together with Oxfam, the global garment workers' union (ITGLWF), other leading labour rights organisations and 370 other ethical trade practitioners from around the world, gathered at the Ethical Trading Initiative's fourth international conference in London to debate the future of ethical trade.

For over 7 years, the Ethical Trading Initiative (ETI) - an alliance of companies, trade union bodies, development and campaigning organisations - has worked to promote responsible corporate practice that helps to improve the lives of workers and their families in global supply chains. At the time we were established, all the talk about ethical trade centred around how companies could ensure effective monitoring or auditing of the labour conditions in their supply chains. The main call to companies was - can you demonstrate that you have an accurate picture of the working conditions in the factories and farms you source from? Are you using credible and effective auditing methods that allow you to do so?

In the last couple of years however, ETI and others in the field have increasingly recognised that good auditing, while crucial, is not enough in itself to drive lasting improvements in working conditions and ensure respect for workers' rights. "I am encouraged by what ETI member companies and others have achieved over the last decade", says Alan Roberts, Chair of ETI. "But there is an urgent need to adopt and implement a new agenda for ethical trade". So the starting point for our fourth international conference was a recognition of the need to develop such a new agenda that goes beyond the confines of supply chain auditing.

We correctly expected that many would support our call for change. But what exceeded our expectations was the level of convergence on the core issues that should make up this new agenda. And we were further encouraged by the fact that corporate speakers clearly indicated that these issues are already being acted upon by leaders in the field. Moreover, they demonstrated how a radical rethink on ethical issues can actually contribute to commercial goals.

"This new agenda includes giving workers themselves a much stronger voice in the whole process, and integrating ethical sourcing principles into the way that brands, retailers and their suppliers do business", say Roberts. "And to achieve this, companies need to join forces with trade unions, NGOs - and their competitors - to drive change at an industry-wide level". But what does this mean in practice?

Firstly, it means making codes work for suppliers. On the whole, suppliers currently see labour codes as something they have to "pass" or comply with in order to keep customers happy and retain their business. But lasting improvements in workplace conditions are much more likely if suppliers start seeing code compliance as part of "good business practice". This means showing suppliers how good working conditions can benefit their business, and supporting them to make code implementation part of their normal modus operandi.

Take the example of Brandix, a Sri Lankan garment manufacturer supplying leading global brands. In response to encouragement from one of their customers, Brandix developed their own code of labour practice based on the most stringent standards contained in their customer codes, developed new policies and procedures to put this code into practice, and embedded these into existing management structures. They found that these measures not only improved conditions for workers, but also yielded real business benefits, including increased productivity and improved labour retention.

Secondly, the new agenda is about putting workers centre stage. Companies are increasingly recognising what trade unions and NGOs have been saying for some time: that codes will only deliver sustainable improvements in labour conditions if workers are encouraged and supported to take an active role in the whole process. This means making sure that workers are aware of their rights as embodied in corporate codes and labour law, and making freedom of association a reality in factories and farms. Yet until now, very few retailers and brands have made real progress in educating workers or in challenging reluctant suppliers to adopt a more open attitude to trade union rights. Addressing both these issues can deliver real benefits for brands, retailers and suppliers, as well as workers.

Thirdly, the new agenda means making sure business practices support ethical sourcing amid growing evidence that many aspects of brands' and retailers' buying practices undermine the efforts of their ethical trade/compliance teams to enforce international labour standards in their supply chains. This needs to change. A company's responsibility to promote workers' rights in their supply chains must break out of the confines of the compliance

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India: Proagro fights child labour

Proagro, a subsidiary of Bayer Crop Sciences, has decided to penalize 11 farmers and cancel the contracts with three more after they were found to be employing child labour in cottonseed production, reports the *Business Standard* (January 5). The company, which has drawn up an action plan in collaboration with local NGOs in an attempt to address the problem of child labour in hybrid cottonseed production in the state, has also blacklisted nine farmers for engaging child labour but has decided against imposing penalties on them. At the same time, the company has decided to pay a bonus to 55 cottonseed growers for not employing child labour. Proagro's action plan features a scheme of incentives and disincentives to its contract farmers. Under the scheme, the company will pay the farmers a 5 per cent bonus on the procurement price if they stop employing child labour. If the farmers are found to have used child labour, the bonus is canceled and the procurement price is cut by 10 per cent. If farmers continue to violate the 'no-child-labour' norm, Proagro will reject seeds from them and no future production contract will be entered into. If farmers in a particular village agree to totally eliminate child labour on their farms, the company will reward the entire village by extending financial support for building educational infrastructure such as schools and supplying educational material. At present, 139 contract farmers spread over 30 villages in Andhra Pradesh are engaged by Proagro in the production of cottonseed. ■

Asbestos ship begins Indian voyage

A French aircraft carrier lined with asbestos is heading to an Indian breaker's yard in Alang, in the western state of Gujarat, reports the *BBC* (January 4). Green groups have been protesting in France and India against the transfer, while a number of protesters have been detained by Indian police in Delhi. The 24,200-tonne ship, which was taken out of service in 1997, is to be towed over the next two months to the world's largest ship-breaking yard in India. Green activists have accused France of sending an old military ship containing toxic waste and say Indian ship-breakers are not properly equipped to deal with asbestos, which can cause lung cancer. The French company charged with dismantling the ship has said the workers' health "will be taken into account". ■

India: HP faces legal action

Computer giant Hewlett Packard is facing legal action in India after the rape and murder of a female employee, reports the *BBC* (January 5). Pratibha Srikanthmurthy worked in a Hewlett Packard Globalsoft call centre in Bangalore and was killed on her way to a night shift in December 2005. Karnataka state government officials say an inquiry found security lapses on the part of the company. The company denies negligence. A cab driver who gave a lift to the victim has been arrested for her murder. The attack has sent shockwaves through the IT community of Bangalore, which is known as India's IT and call centre hub and where it is common for women to work on night and late shifts. Additional labour commissioner S Narasimhaiah told the *BBC* that a case had been filed against Hewlett Packard Globalsoft under the state's Shops and Commercial Establishments Act. Under the law, it is mandatory for employers to provide for the safety and security of women employees. Police say the driver told Pratibha he had been sent to pick her up by the company. According to police, he said he had driven her and other company staff before. The firm's helpdesk allegedly failed to act despite being informed by the driver who had been assigned the job that she had left for work in another cab. Hewlett Packard denies negligence, saying the driver accused of the murder was not an employee of the company. Earlier last year Bangalore police commissioner Ajai Kumar Singh told IT companies in the city to ensure that women employees were never left alone in cabs at night. He said they should not be picked up first or dropped off last and that the onus of providing security for staff was on firms. ■

Demonstrators "killed" at Tata protest

An Indian NGO, *Survival*, has claimed (January 5) that at least twelve tribal people died after police opened fire on a crowd at Kalinganaga in the Indian state of Orissa last week. *Survival* says that the people, mainly from the Ho tribe, were protesting against controversial plans by Tata Steel to build a plant on their land. It claims the plant is one of at least thirty big mining and metal factory projects being "forced through" on tribal land by Orissa's state government. Bulldozers reportedly started construction last week in the presence of local officials, Tata representatives and armed police. ■

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departments. Companies must ensure that their buyers, strategists and designers also live up to their stated ethical trading standards.

This may seem a tall order, since ultimately it involves challenging companies to fundamentally review the way they do business. But many of the buying practices that cause problems for workers are also bad news from a commercial point of view, as Dan Henkle, Vice President Social Responsibility at Gap Inc. will testify. Says Henkle, "In examining our overall supply chain, we realised that some of our [purchasing] decisions were not only impacting working conditions, but were also impacting quality, on-time delivery and cost". In response to this realisation, Gap Inc. are taking various steps to revise their buying practices, including the development of an "integrated sourcing scorecard" which will ensure that sourcing decisions are based on a factory's performance on labour standards as well as on more conventional performance indicators (price, quality etc.).

Fourthly, the new agenda is about joining forces with others. Most brands and retailers who have been implementing codes for a decade or more have recognised that many entrenched labour problems can only be dealt with effectively if they join forces with NGOs, trade union organisations - and their own competitors. That is why many of them are now investing more in collaborative, multi-stakeholder initiatives, and are finding that working together can achieve a level and pace of change that would simply be impossible if each stakeholder had acted alone. We would urge other brands and retailers to follow suit.

The power of collaboration is well demonstrated by the recent success of the MFA Forum - an international alliance of brands, retailers, international institutions, trade unions and NGOs - in securing high level commitment to protect Bangladeshi workers who are likely to lose out from the end of the Multi-Fibre Arrangement (MFA). The concerted efforts of the Forum and its members generated unprecedented commitment from key actors - including the Bangladesh Ministry of Commerce and leading global brands and retailers - to pursue a road to great industry competitiveness that goes hand-in-hand with improving conditions for workers.

So who needs to take action? Brands, retailers and their suppliers clearly have a critical role to play in making the new agenda a reality. Brands and retailers need to improve the quality of their auditing; provide better support to their suppliers in implementing codes; invest in educating workers about their rights, and take workers' right to freedom of association and collective bargaining seriously; work towards aligning their own commercial practices with ethical sourcing principles; and work more collaboratively with their competitors as well as trade unions and NGOs to address common problems in key sourcing countries.

But for the new agenda to stick, everyone needs to be involved - not just brands, retailers and their suppliers, but also governments, trade union organisations, and international and local NGOs. Crucially, NGOs and trade union organisations need to be involved at both international and local levels. International NGOs and trade union organisations need to ensure that their policy advisers/officers continue to influence corporate social responsibility policies at a global level. However, equally important is active, on-the-ground, involvement of international NGO field staff and their local partners, and of national and regional trade union officers and factory/farm-level worker representatives. In particular, they need to work with corporate code initiatives to educate workers about codes and labour rights. Without practical trade union and NGO engagement in supplier countries, codes will not deliver lasting benefits to workers - nor contribute to NGO and trade union priorities. ■

Man-Kwun Chan is Head of Communications and Research at the Ethical Trading Initiative (ETI in London. ETI was established in 1998 to improve the lives of workers and their families in global supply chains. It believes that companies producing, supplying and selling goods for consumer markets should observe national and international labour laws. Its purpose is to identify and promote responsible corporate practice that will help make this a reality. ETI activities include project work in China, India and Sri Lanka. For further information see www.ethicaltrade.org

To out how you can support the new agenda, please see the ETI's new series of briefing papers, which build on the issues discussed in this article. Based on presentations and discussions at our conference, these six papers offer more detailed briefings on each of the issues on the new agenda, and include 29 good practice case studies. All the papers can be downloaded for free from the ETI website at www.ethicaltrade.org/d/conf2005.