

The international political agenda in recent months has been focused on debt relief for poorer nations, G8 summits and the impact of WTO decisions on imports and exports. However, as production continues to move away from the 'developed' world to the 'developing' world, global players need to focus on a different aspect of globalisation: social responsibility. Understanding, implementing and enforcing the 'social' terms of a contract will become essential for the wellbeing of the brands – and it won't always be easy.

Fair trade & human rights

In today's global market, international brands wield immense power over both consumer and supplier. The consumer has become conditioned to accept that what the brand is offering is a must-have lifestyle statement which clearly demonstrates the social group the consumer identifies with. However, there is much competition for these market segments in western consumer societies, so to remain competitive and also earn substantial dividends for investors, the brands relentlessly pursue ever-cheaper sources of supply for their products.

This brings us to their relationship with suppliers: they exercise their power through huge volume orders which to Asian businesses, is a fast route to industrial growth. The downside is the pressure they apply to pricing. This is where the whole question of fair trade and human rights arises. It is also a many sided question depending on where you stand in the equation.

There is no doubt that many brands have exploited the more lax employment conditions as well as the low wages often found in developing countries. Employers in those countries saw nothing wrong in exploiting the workers in their factories, as it was the cultural norm. In any case, even those conditions were a vast improvement over what many had been used to living in the countryside. The brands pretended to care, but in effect turned a blind eye. The suppliers took their orders, supplied the goods, and grew rich.

The consumers bought the goods and rejoiced in the fact that retail prices either fell or that ever-better designed quality goods could be bought at

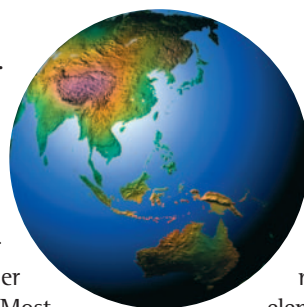
relatively cheap prices. Their lifestyles improved as their disposable income could be made to stretch ever further. Did they care where the goods came from or about the conditions under which they were made? Most were ignorant of the facts, and those who did know preferred to ignore them. The old saying "What the eye does not see, the heart does not grieve", was never more true.

The only losers in the equation were the workers in those far away factories.

Impact of globalisation

A further effect of globalisation has been the increase in the availability of information that affects our everyday lives. We have all been made more aware of the world around us and this has included the unpleasant truths of modern warfare, global warming, erosion of the planet's resources, and, human exploitation. Out of this has sprung a wealth of pressure groups, with the will to do something in regard to major brands found to be breaking, what they perceive to be, ethically acceptable standards. Social Accountability International (SAI) and the Fair Labour Association (FLA) are leading examples.

SAI is a US-based non-profit organisation dedicated to the development, implementation and overseeing of voluntary verifiable social accountability standards. It is committed to ensuring that the systems for verifying these standards are publicly accessible.



It instigated the SA8000 standard for the workplace, based on International Labour Organisation (ILO) and other human rights conventions and containing independent verification methods that include key elements from ISO certification programmes. SA8000 is broadly recognised as one of the strongest workplace standards and, as far as SAI is concerned, is a powerful tool for creating conditions of benefit to both management and workforce.

FLA is a similar non-profit organisation, also US-based and again drawing input from business, non-governmental bodies and universities. Its Workplace Code of Conduct specifies compliance with a spread of situations from the use of forced or child labour to hours of work, wages and benefits, and the freedom of association. Nike, Reebok and adidas-Salomon are all currently FLA accredited companies. The fact that these three leading footwear brands appear on the list is a strong indication of the need they all feel to demonstrate that they are trading responsibly.

Standards

So what are the standards a retailer should seek to impose? Well, a supplier will be asked to sign up to a document containing all the standards required by the customer, who retains a copy. Any buyers working directly with suppliers will also forward their copies to head office. A poster clearly stating the required standards is put up in every production

facility in the local language and that of the customer. They normally cover six main areas of responsibility and will vary in complexity from company to company.

Laws and practices

The supplier must comply with their local and national laws and regulations as well as the practices of the industry. Should these conflict, they must, at least, comply with the legal requirements. Suppliers exceeding basic requirements may well be preferred to those that do not. He will also be asked to guarantee no infringement of patents, trademarks or copyrights and to have documented proof of such for anything obtained under licence from a third party.

Labelling and export documentation must be in accordance with the laws and regulations of the destination country and/or the country or countries where it will be distributed. Commercial invoices must contain the information needed for customs clearance and the payment of all duties, taxes and fees.

Conditions of employment

The supplier must offer wages and benefits complying with his local and national laws or which are consistent with prevailing local standards should these be higher. The same applies to working hours. This would typically mean 72 hours per 6 days or no more than a maximum 14 hours per calendar day. (There is now a concerted move to reduce the former to 60 hours).

Employees should also be allowed at least one day off for every seven-day period plus holiday privileges. Forced, prison or child labour will not be tolerated and all employees must be of the minimum legal age for the country

concerned or not less than 14 years, whichever is the older. The right of association must also be respected provided that the group the employee wishes to join is legal.

Workplace environment

There must be adequate medical facilities and all production processes must be carried out with adequate regard for the health and safety of those involved. Mental or physical disciplinary practices are also forbidden (yes, they do occur). Furthermore, only workers with a legal right to work must be employed and their legal status validated by reviewing original documentation.

Environmental concerns

Suppliers are increasingly encouraged to reduce waste and to use recycled and non-toxic materials whenever possible.

Factory inspection

Scheduled inspections can be made at any time and without notice according to the customer's declared policy. The supplier will be required to disclose all material facts relating to the production of merchandise including the use of subcontractors. He will also be responsible for securing his facilities to prevent the introduction of drugs, explosives and bio-hazards into outbound shipments and to maintain documented proof of the controls he has implemented.

Gifts and gratuities

Many retail brands have also found it necessary to introduce strict standards in regard to the solicitation, offering or acceptance of gifts, gratuities or facilitation fees, as this can lead to all manner of problems. The onus is very much on the supplier here and any instances that come to his attention must

be reported even if the instigator is an employee of the customer. Any supplier caught violating the policy in any way will normally stand to lose all existing and future business, regardless of the circumstances.

Enforcement of standards

Here we come to the hard part. Producers claim that if they pay more they lose orders and if they reduce hours they miss delivery schedules. Merchandisers say the market is so competitive that to raise wages even moderately and adopt a 60-hour working week would cause chaos. All this when the actual wage content on some products may be as little as 1% of the retail price? Add to this the fact that the governments of many developing countries appear unable or unwilling to enforce their own labour laws and the problem starts to take shape.

While major corporations would like to protect their images, in the past it has often proved to be little more than a public relations exercise. Many regard SA8000 as being too tough in its demands for compliance with core ILO aims, such as freedom of association and imposing a living wage together with a restricted working week. Some have seen WLA as less demanding in regard to wages and working hours, but have shied away from its stance on freedom of association.

Whatever the route taken, many leading brands are now taking the issue seriously and as well as setting standards are seeking to enforce them. The problem is how to prove that one really has done the job properly. It is both difficult and expensive to ensure consistent and ➤

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A globalised economy needs a system of global regulation and enforcement of international standards if any real progress is to be made down this road. At present, even the ILO lacks mechanisms for ensuring the enforcement of the standards it sets. In addition, there is also a need for social audit standards to be set and for social auditors to be professionally

trained. The ILO with its expertise on labour and training issues would appear to be the appropriate body to help to develop the performance standards and training programmes required. But, the question of enforcement still remains.

Is there really a demand?

Well, there is certainly a need. Take the recent case of Spectrum Fashions in Bangladesh where 100 workers were crushed to death when a nine-story factory collapsed on them. It appears that the company broke just about every rule in the book. The factory was originally built on a swamp and without adequate foundations. Five

extra storeys were subsequently added without planning permission, to cope with increasing orders from European customers. When workers allegedly reported extensive cracks appearing in the building some 16 hours prior to the accident, they were told to continue production in order to meet a deadline.

The retailers whose orders took priority over human lives included several leading European clothing brands. But has there been a huge public outcry over this? No, possible because we hear so much about death and disaster from that part of the world that nobody takes much notice any more. In reality, these companies are merchandisers driven by one simple factor, the price point. The cheaper you can sell the bigger the volume you can shift and the greater the purchasing power you enjoy. So where's the incentive to improve conditions, especially when the government concerned apparently lacks the will to enforce its own laws and regulations?

Likewise, western consumers are far more concerned about their jobs, mortgages and maintaining their lifestyles—provided someone else pays for it. Some consumers will pay a premium for 'fair trade goods' but this tends to be for specific items and mostly linked directly to the environment via farming or forestry. Go out into the street and ask almost anybody you meet this simple question. Which concerns you the most, the cost of your shoes or where and how they were produced? Guess what the answer will be.

The actual cost at retail of the changes to wages and working conditions would be relatively small, and a cheap price to pay for an easy conscience. But it is clear that neither the retailer nor the consumer has much incentive at present and until the pressure groups can persuade the governments of the world to get behind them and agree to set and enforce international standards, nothing much will happen. They can do it with WTO, so why not here as well? It would benefit workers in developing countries and at the same time create a slightly more level playing field for world trade. It would, of course, also mean that we all had to pay a little more for our goods and that the brands might have to accept slightly lower profits.

Meanwhile, the only losers are still the workers in those far away factories. 

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