

Better jobs in better supply chains

- ▶ What are the key labour issues in your supply chain in 2010?
- ▶ What are the business benefits of improving standards?
- ▶ How are some companies making positive change happen?
- ▶ Where can you go for information and support?



Ethical trade and investment are becoming key concerns for company stakeholders. Is your business prepared?

Business plays a key role in poverty reduction by creating jobs that give people in developing countries the opportunity to work themselves out of poverty. Oxfam believes that better labour standards also benefit business by boosting sales, staff recruitment and retention, and supply chain productivity.

Consumer demand is evolving rapidly. Initial disgust at sweatshop labour practices back in the 1990s has grown into a much broader awareness and concern about exactly how our food, clothing, and other goods are being produced. What's more, consumers are voting with their wallets: last year, UK sales of Fairtrade goods reached £800 million.

Company stakeholders – consumers, employees, investors, and wider society – are revising their expectations about corporate social responsibility (CSR). 'Sustainable, green, and ethical' is rapidly becoming the default position, not the unique selling proposition of a few 'ethical champions'.

But what does 'good' look like in a supply chain? There is no easy metric such as a carbon footprint and no neat checklist of acceptable tools to use. Nevertheless, leading companies, engaging with NGOs and trade unions, have increased their understanding and ownership of labour issues, moving beyond an approach of 'policing' compliance to start to tackle the root causes of poor labour standards.

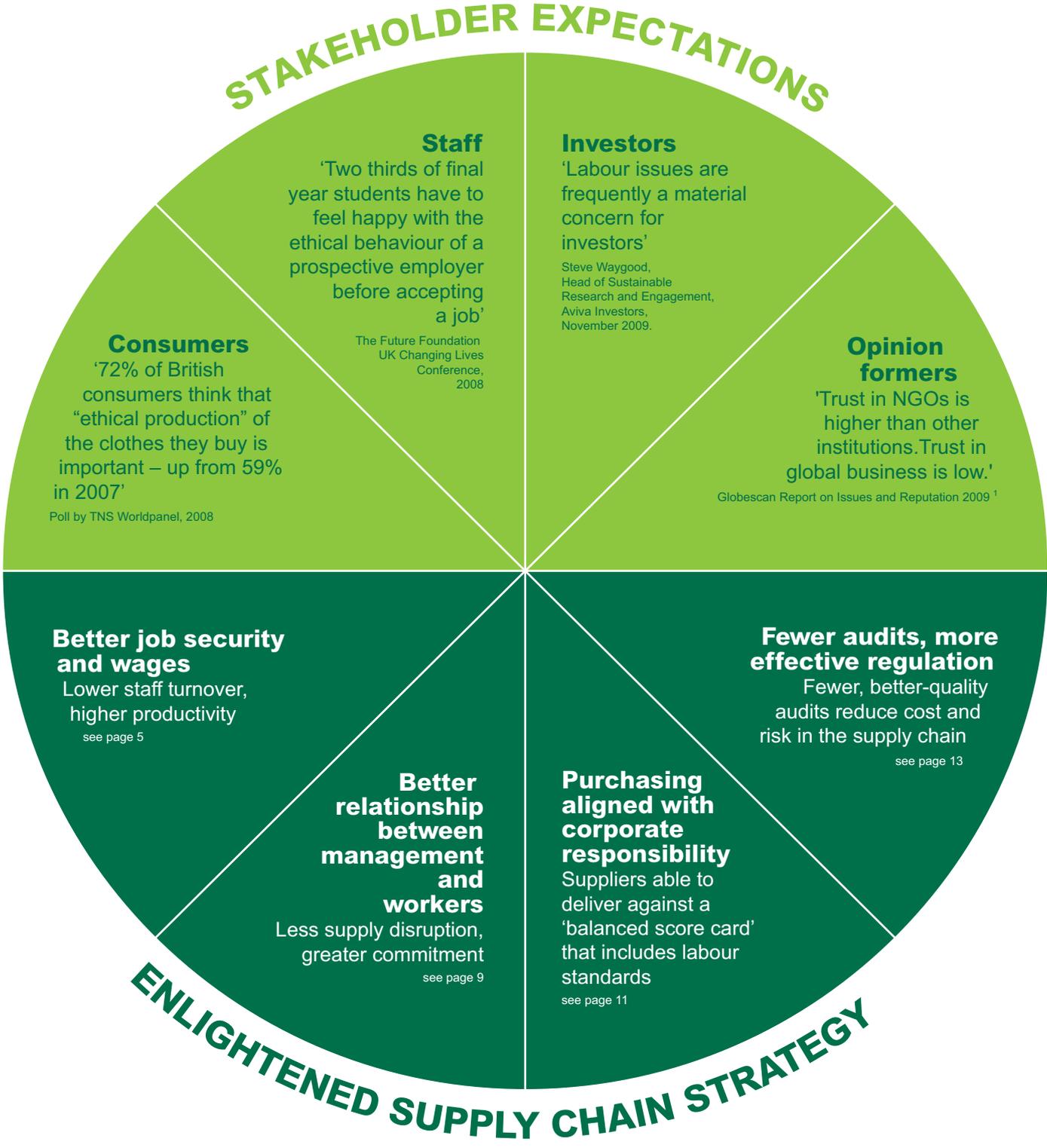
In this paper Oxfam brings you the benefits of learning to date in this area. We show you a clear route which could help your company emerge from global recession with a restructured supply chain that creates a sustainable and demonstrably decent basis for global business.

Jeremy Hobbs
Executive Director, Oxfam International

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Eight reasons to up your game on labour standards



Introduction

This paper is intended for senior managers in all companies that source goods from developing countries. Examples are drawn mainly from the garment and agriculture industries but the learning is transferable to other industries, including electronics, construction, and services.

Ethical trade is about the responsible behaviour of buying companies in adopting a code of labour practice and ensuring that workers' rights are protected throughout a supply chain.

The importance of labour standards: Oxfam's perspective

- Labour standards are part of a wider agenda of 'decent work'². Respecting these standards is part of national and international law as well as of the Millennium Development Goals³, to which many companies have declared their commitment. Yet global supply chains are currently falling far short of their potential for poverty reduction because they are failing to deliver good labour standards.
- Progress has been made in addressing extreme violations such as child labour, forced labour, and hazardous conditions. But achieving other internationally accepted standards – on union freedoms, a living wage, regular employment, and freedom from discrimination or harsh treatment – is proving far more difficult⁴.
- Women have a worse deal than men. Even when they are the primary earners in the household, they are still expected to carry the biggest workload in caring for dependents. Yet they have less stability in contracts, lower-skilled positions, and lower wages. Secure work makes it possible for women to manage their responsibilities; precarious work does not.

Fair Trade and Ethical Trade: what's the difference?

Fair Trade is one of a range of strategies for addressing poverty among small producers. It empowers disadvantaged producers in the developing world (e.g. cotton, banana, cocoa, and coffee farmers) to take more control of their lives. It is supported by a recognised label – the FAIRTRADE Mark, which is linked to specific licensed products.

Ethical trade is about the responsible behaviour of buying companies (retailers, brands, and their suppliers) in adopting a code of labour practice and ensuring that workers' rights are protected throughout a supply chain. The company reports progress publicly; there is no 'ethically-traded' label. Companies along the supply chain must pay a price that enables labour standards to be met - or at least supports continuous improvement towards them - and use their leverage responsibly.

Oxfam sees these as complementary approaches to ensuring fairness in markets, although they start at opposite ends of the supply chain.

'Fair Trade is only meaningful in the context of a company's wider commitment to minimum standards throughout its supply chain.'

Rosemary Byrde, Fair Trade Manager for Oxfam GB

Two labour issues for business to address

You have the power to improve supply chain labour standards by ensuring suppliers address precarious work and poverty wages, and promote better relations between management and workers.

Precarious work and poverty wages

What's the problem?

Over the past 20 years millions of jobs have been created for women workers, who now occupy 60–90 per cent of jobs in labour-intensive manufacturing and fresh produce supply chains. But the precarious nature of their work prevents them lifting themselves out of poverty. See Job Types C and D in the graphic on page 7: these workers have no security, receive no benefits beyond piece-rate or day-rate pay, and work long, unpredictable hours, interspersed with spells of no work at all.

No job security: For instance, in the Bangladesh garment industry 75 per cent of waged workers do not have a written contract ⁵. In Indonesia, it is common to find 50 per cent of workers on short-term contracts in industries that are neither temporary nor seasonal ⁶.

Poverty wages: In the Moroccan agriculture industry, 68 per cent of waged workers do not earn the legal minimum wage ⁷. The legal minimum wage is often not enforced and is rarely a 'living wage'⁸; in fact, wages have fallen in real terms since the food price spike and economic downturn of 2008.

Extreme working hours: In Thailand's shrimp industry, 40 per cent of migrant workers regularly work shifts longer than 12 hours. Working extreme hours causes burn-out, stress, and repetitive strain injury and limits productive working lives ⁹.

Ethical trade consultancy Impactt found the following concerns amongst workers across 98 factory and farm sites it assessed between August 2007 and July 2008 ¹⁰ as shown below:

Social benefit

Better job security and wages

Business benefit

Lower staff turnover, higher productivity

'Of course I would like higher wages. But I would also like some kind of leave during the year, either a holiday or anything. After working here for 16 years, I would also like a contract to show that my job is secure'.

Alam, a shrimp processing plant worker in Bangladesh ¹¹

Country/Region	% Sites failing to pay the local minimum wage 2007/8 for work undertaken in standard time
China	73%
Eastern Europe	57%
South Asia	36%
UK and Republic of Ireland	25%
South East Asia	14%
Overall	49%

Employment becomes increasingly precarious for workers as employers shift costs and risks onto them to reduce labour costs.



Sample size: 2442 factories

Based on an estimate by Moroccan trade union UMT.

Sample size: 15 processing plants

Impact on workers and business

The graphic on page seven shows how employment becomes increasingly precarious for workers as employers shift costs and risks onto them to reduce labour costs.

Precarious work disadvantages women disproportionately because as well as working long unpredictable hours, they are still expected to carry the biggest workload in the home. And there is a wider cost for society: they may need to leave children without child care or ask their daughters to take on their caring role, cutting

short the education of the next generation¹².

From a business perspective, manufacturing sites in developing countries have low unit labour costs and can respond flexibly to changes in demand. But there are significant indirect costs which are often not quantified, such as low productivity and poor quality. Low mutual commitment is often accompanied by high worker turnover (or 'churn'), so new workers must constantly be recruited, trained, and managed.

Precarious work: the impact of employment practices on workers

EMPLOYER bears the cost/risk of:

Job Type A Long-term contract	Job Type B Short-term contract	Job Type C Daily or weekly pay	Job Type D Piece rate pay
Salary	Salary	Hours/days worked	Employer only compensates for the direct cost of products or services produced
Holiday/leave	Holiday/leave	Overtime (variable)	
Overtime	Overtime		
Training/re-training			
Maternity/Paternity leave			

WORKER bears the cost/risk of:

	Job Type B Short-term contract	Job Type C Daily or weekly pay	Job Type D Piece rate pay
Sick leave/Health care			
Pension			
Redundancy			
	Training/re-training	Training/re-training	Training/re-training
	Maternity/Paternity leave	Maternity/Paternity leave	Maternity/Paternity leave
	Sick leave/Health care	Sick leave/Health care	Sick leave/Health care
	Pension	Pension	Pension
	Redundancy	Redundancy	Redundancy
		Paid national holidays	Paid national holidays
		Loss of work due to illness	Loss of work due to illness
		Loss of work due to poor management/ lack of orders	Loss of work due to poor management/ lack of orders
			Weather delays
			Travel to work/home
			Tools/electricity
			Faulty equipment

Work becomes more precarious as costs and risks shift to workers and indirect costs to business increase due to high worker turnover and low commitment and skills

Making change happen

CASE STUDY 1

Adidas promotes stable employment

Sportswear brand **Adidas** encourages suppliers to increase the ratio of permanent to temporary jobs in its supply chain. *'Rather than relying on a continuous cycle of contract or casual workers who may not be skilled and have no commitment, or no long-term interest, in the success of a factory, we expect and encourage our business partners to maintain a permanent workforce, of the appropriate size, which can cope with fluctuations in production schedules and seasons.'* William Anderson, Adidas's Asia Pacific Head of Social and Environmental Affairs, December 2009.

CASE STUDY 2

Increasing productivity and wages in Bangladesh

During 2009 **Marks & Spencer**, with help from **GTZ**, **Bangladeshi Institute of Management**, and **General Sewing Data**, supported three factories to deliver training to 6000 workers (on their rights) and 130 supervisors and managers (on human resource management, industrial relations management, and productivity). After seven months (January 2010) results included:

- Productivity increase between 20 and 61 per cent
- Average wage increase between 12 and 42 per cent based on a standard working day without overtime, bringing wages above the legal minimum
- 85 per cent reduction in absenteeism and 65 per cent reduction in worker turnover

CASE STUDY 3

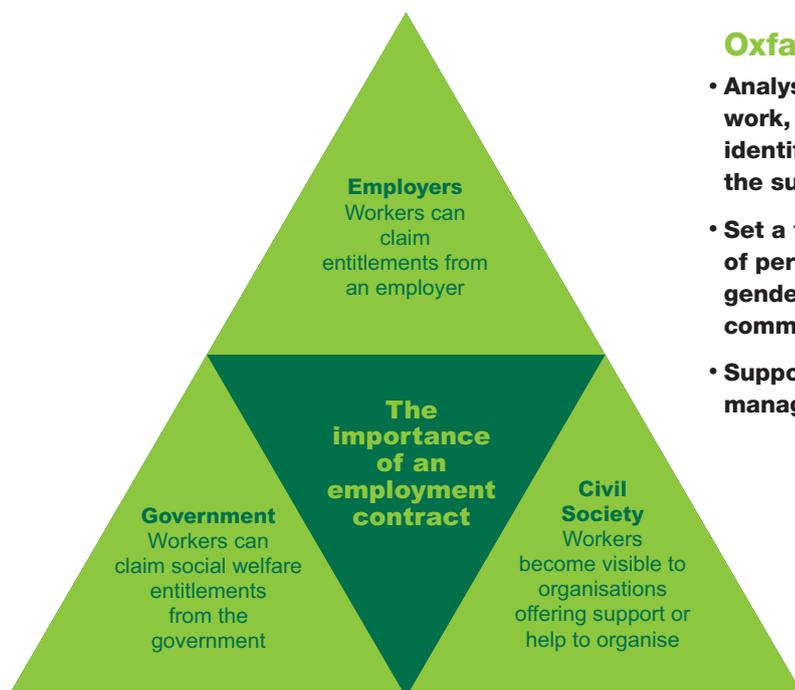
Increasing productivity and wages in Bangladesh

New Look and its Bangladeshi supplier, **Echo Sourcing**, have trialled ways to improve wages, hours, and productivity simultaneously, with support from **Impactt**. The approach has been to increase value through process improvements, production incentives, and human resource management, including a workers' committee. In addition to increased productivity, hours have been reduced to legal limits and wages for the lowest-paid workers have increased by 22 per cent. The project focused on training supervisors and managers, giving workers a voice, and changing the mindset of management about how they perceived labour. Three years on (December 2009) the workforce feels more satisfied and staff turnover has decreased to below the national average¹³.

CASE STUDY 4

Win-win in the cotton industry

An **Oxfam** cotton industry programme in South India persuaded employers to scrap piece rates in favour of hourly pay. Workers' wages increased, but the change also removed any incentive for them to mix foreign material into the cotton, which increased quality and returns for the farmers. This win-win approach has led to longer-term relationships between farmers and workers¹⁴.



Oxfam recommends that you:

- **Analyse, with suppliers, the prevalence of precarious work, poverty wages, and extreme working hours, identify their root causes and quantify their costs to the supply chain.**
- **Set a target to increase wages and the proportion of permanent to temporary jobs (differentiated by gender) and monitor the effect on workers and commercial performance.**
- **Support suppliers to develop human resource management skills and processes.**

Having an employment contract is vital for a worker, for three reasons.

Weak relations between management and workers

What's the problem?

In global supply chains, bargaining power tends to be with the employer. But a history of mistrust between employers and unions is holding back the development of mature industrial relations. For instance, in the pineapple industry in Costa Rica, some companies supplying German supermarkets push workers to leave their unions, threatening them with blacklists, salary cuts, mass firings, and plantation closures ¹⁵.

Workers not organised: For instance, around 92 per cent of workers in the garment industry do not belong to a trade union ¹⁶.

Workers not aware of their rights: In Bangladesh, 89 per cent of garment workers do not know what their basic salary is before overtime ¹⁷. It is a fundamental requirement for good labour standards that workers are aware of their rights.

Non-representative trade unions:

Sometimes employers - or even governments - are involved in setting up trade unions. Officials in such unions are not democratically elected and do not represent the interests of the labour force effectively.

Impact on workers and business

When industrial relations are weak, workers have no mechanism through which they can express concerns in a safe way, and wildcat strikes can seriously disrupt production ¹⁸. Good relations between management and workers benefit both sides and are better for business. They involve transparent rules that are consistently applied, effective grievance and disciplinary procedures, the opportunity to join or form a union, and regular discussions about matters of mutual concern.

Social benefit

Workers able to raise concerns with managers collectively

Business benefit

Less supply disruption, greater commitment

92% of workers in the garment industry globally do not belong to a trade union.

Professor Doug Miller, Northumbria University and ITGLWF

89% of garment workers in Bangladesh do not know what their basic salary is before overtime.

Sample size: 2442 factories

'They threaten us in an inhuman way, shouting, throwing things at workers... Before we had a union, whatever the management says, it has to be that way... For example, if an operator doesn't meet the target in her normal working hours she has to work up to three hours extra without payment.'

A union leader in a sportswear factory in Indonesia, reproduced in Oxfam's report *Offside! Labour Rights and Sportswear Production in Asia*.

Making change happen

CASE STUDY 5

Collaboration to improve industrial relations

Following campaigns such as Play Fair at the Olympics in 2004, the global garment union **ITGLWF** started working collaboratively with garment and footwear companies to lay the foundation for proper systems of industrial relations. It has trained the entire social compliance team at **Gap Inc** and developed relationships with affiliates at regional and local levels¹⁹; worked with **Next** on developing relationships in India (with support from **Women Working Worldwide**), and signed a global framework agreement with **Inditex** (owner of the Zara brand).

Since then a Cambodian supplier to Inditex, **River Rich**, has seen a 30 per cent increase in productivity and has lost no days of production to strikes, despite these being common in the industry²⁰.

CASE STUDY 6

2009: a breakthrough year for Danone and the IUF

The international trade union **IUF**²¹ has a longstanding relationship with **Danone**. 2009 presented a real breakthrough in industrial relations for both union and company: trade unionists representing Danone workers from across the world attended an international meeting of the Danone Council for Information and Consultation (CIC), while the company's management agreed to collaborate on health and safety programmes and began discussions about a framework agreement on managing stress in the workplace²².

CASE STUDY 7

New forms of organising workers

The same individuals may be coffee producers, migrant labourers, and garment homeworkers at different times, so traditional workplace organising (based on a worker having one employer) may not meet their needs; some organisations are innovating with new ways to organise such workers.

- In Ghana, Zimbabwe, India and many other countries trade unions are building links with organisations of informal economy workers and reaching out to vulnerable workers.
- In South Africa, the NGO **Women on Farms** has helped workers to organise and campaigned for portable toilets in the fields of fruit plantations, a major 'dignity and respect' issue for women workers.
- The international federation of workers' education associations, **IFWEA**, helps workers get together away from the workplace for education, networking, and organising.

Oxfam recommends that you:

- **Encourage management at supplier companies to develop relationships with trade unions. Consider company-wide agreements with unions.**
- **Be open to new forms of organising for workers.**

Two business behaviours that hinder rather than help

Purchasing practices that undermine standards

What's the problem?

Your purchasing practices affect conditions in the supply chain for better or worse. How suppliers are selected, lead times for orders, the types of relationship you have and contract terms and conditions all influence the way that suppliers manage their workforce and production.

This issue was highlighted by Oxfam in the report *Trading Away Our Rights* in 2004 and confirmed by the Ethical Trading Initiative (ETI) Impact Assessment in 2006: '*... suppliers in all countries*

and sectors reported that [downward pressure on prices and lead times] limited their ability to make improvements in labour practices' ²³.

Some poor purchasing practices result from inefficiencies (such as poor internal communication, late decision-making, and frequent changes in product specifications) as well as from badly-designed incentives and a lack of trusting business relationships. As such they are doubly undesirable: they both undermine labour standards and cost companies money.

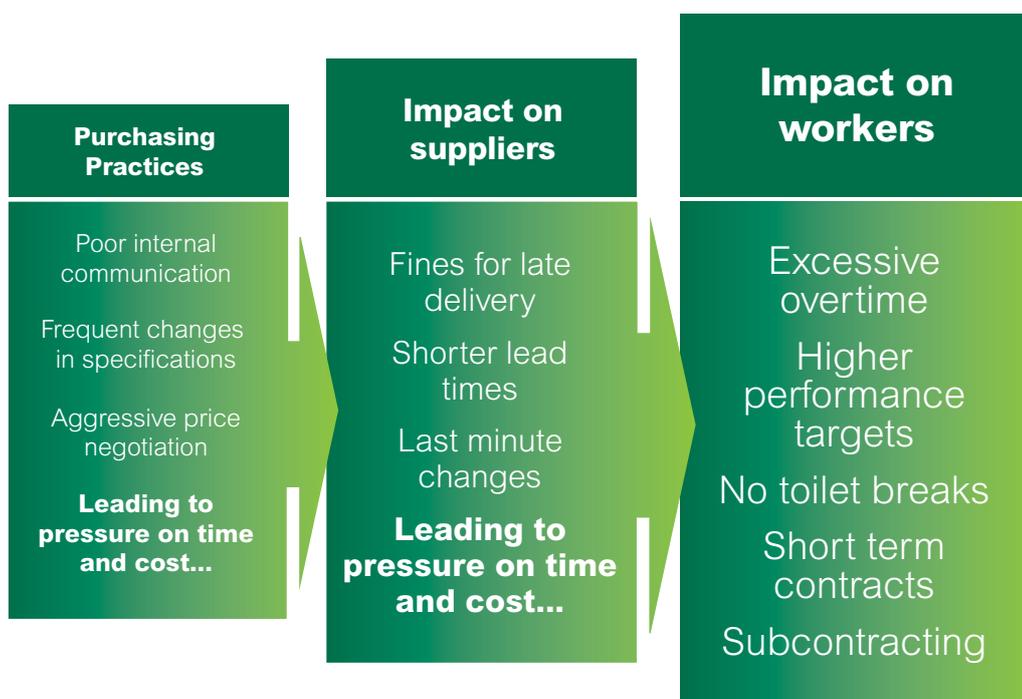
Social benefit

Less forced overtime, more predictable work and income.

Business benefit

Suppliers able to deliver against a 'balanced score card' that includes labour standards

Impact on workers and business



Making change happen

Since 2004 a number of companies have started to tackle these issues, with help from NGOs and trade unions. This is hard to do as it involves significant changes in business processes and culture. Tried and tested approaches include²⁴:

- Training of commercial staff and better-designed incentives for payment of bonuses
- Better purchasing and forecasting, and smoothing out peaks and troughs in orders
- Assessing suppliers against commercial and ethical criteria (a 'balanced scorecard') and better two-way communication

Oxfam recommends that you:

- **Train buyers to understand the impact of their practices and give them the information and incentives to select suppliers who show compliance on labour standards.**
- **Reward better suppliers with more business, longer-term contracts, and fewer audits, linked to better contracts for workers**

'Few companies seem to look at the supply chain as an integrated system and most importantly, at how their own buying practices affect suppliers' ability to meet their own commitments to uphold international labour standards.'

from *Buying your way into trouble: the challenge of responsible supply chain management*, Insight Investment and Acona.

CASE STUDY 8

Garment companies improve purchasing practices

Gap, Asda George, New Look, and Next are among a group of companies working with NGO and trade union members of ETI on these issues.

Asda George trained 200 staff and instigated quarterly meetings with its top 15 suppliers to drive change. Lead time was increased for core lines and commercial staff were given a 'traffic light' system to guide order placement. Results show a reduction in factory churn and a gradual increase in business with factories that demonstrate consistently good social compliance. The business benefit for suppliers is longer contracts. Worker interviews are under way to monitor impacts on productivity, wages, and churn in the workforce.

CASE STUDY 9

Fair Food Agreement for the tomato industry

Farmworkers, particularly migrants, are among the most disadvantaged working groups in the US. The **Coalition of Immokalee Workers**, a long-time partner of **Oxfam America**, negotiated agreements with food brands including **McDonalds, Burger King, Yum Brands** and **Subway** to pay a penny more for every pound of tomatoes picked at participating farms which, when fully implemented, has increased pay by 74 per cent²⁵.

Over-reliance on audits

What's the problem?

The importance of labour regulation

Governments play a vital role in labour regulation. Most governments, including those in developing countries, have ratified the relevant ILO conventions but they are often not enforced effectively. Reasons include a desire to attract foreign investment by offering flexible labour markets and a lack of resource to employ sufficient labour inspectors.

From the perspective of companies, this is the biggest obstacle to ethical trade²⁶. But employers have a responsibility to comply with the law even if sanctions for non-compliance are weak.

Development of audit programmes

Audit programmes were put in place partly to meet NGOs' demands for independent verification of standards and partly due to the lack of effective government enforcement of labour law. They measure compliance at supply sites and set a 'corrective action plan' of improvements that the farm or factory must make to win or keep a company's business.

Audits have delivered some significant benefits. They have helped companies to map their supply chains, gain greater visibility of issues in the workplace, identify and deal with extreme forms of abuse, and make workplaces safer and more hygienic²⁷. But on the negative side, commercial audits in particular, have delivered

limited change for workers, do not provide reliable assurance about standards, and add significant cost to the supply chain²⁸.

Oxfam experienced this in our own purchasing, when we were looking to source a promotional product. A supplier presented us with an audit report commissioned by a British retailer on a factory in China. The audit report found the factory to be 'compliant' on labour standards. Because of concerns about the reliability of the audit technique used, a more forensic assessment was commissioned involving offsite worker interviews. This found a range of serious problems, including child labour, wages below minimum, and faked records²⁹.

Making change happen

By giving buyers (sometimes on the other side of the world) a key responsibility for labour standards, voluntary codes have unintentionally weakened the management-worker relationship in the factory or farm: 'The unintended consequence of the past decade of ethical trade and its heavy focus on audits has been to weaken the employer-employee relationship. We need to help build that relationship.' *Neil Kearney, General Secretary, ITGLWF, at an ETI workshop on Freedom of Association, November 2009*³⁰.

Social benefit

Workers have a more effective voice in audits and improvement actions

Business benefit

Fewer, better quality audits reduce cost and risk in the supply chain

Impact on workers and business

From a worker's perspective	From a business perspective
Auditors focus on visible 'working conditions' rather than the broader 'employment conditions' (contract status, performance targets, and assumptions on overtime), which often matter more to workers.	Audits do not provide assurance even against the worst forms of exploitation because of poor audit skills and methodology and increasing levels of audit fraud.
Example: at one garment factory in Sri Lanka, an auditor set a corrective action stipulating a room where workers could eat and rest. However, in order to pay for these new facilities, the factory raised the performance targets so high that workers didn't have time to use them ³¹ .	In the 98 sites assessed by Impactt, 45 per cent were found to have double books and 43 per cent coached workers to give the 'right answer' ³² .
Typically 80 per cent of corrective actions relate to health and safety concerns; very few relate to issues such as freedom of association, a living wage, discrimination or harsh treatment, despite the importance of these to workers.	Audits add direct costs: recent World Bank research found that parallel (duplicate) audits in the Vietnamese garment industry cost approximately \$50 per worker per year ³³ . The need to protect commercial confidentiality has caused 'audit fatigue' on a massive scale.
Many workers are not covered by audits as they are not formal employees.	Audits add indirect costs: a corporate member of ETI estimated in 2006 that audits took up 80 per cent of the time of ethical trade personnel.

Leading companies recognise that more sustainable ways to improve labour standards are needed.

Strategies for going beyond auditing include:

- More mature systems of industrial relations
- Building suppliers' capacity for human resource management
- Working with others – companies, NGOs, industry bodies – to increase commercial leverage and find collective solutions to problems
- Addressing public policy obstacles to better enforcement of legislation.

These can be combined with the best aspects of audits – their use as a basis for discussion with suppliers and workers, and to establish baselines and monitor change – to form a far more effective process to manage supply chain labour standards³⁴. Companies can also play a positive role by giving public support to effective labour regulation.

Oxfam recommends that you:

- **Do fewer, better-quality audits, which include independent worker interviews and involve workers in setting and checking remedial actions.**
- **Work with local organisations that can also train workers on their rights and run a confidential helpline.**
- **Bridge the gap between corporate responsibility and sourcing staff and integrate ethics into supply chain management.**
- **Help turn the 'race to the bottom' to a 'level playing field founded on decent work' by distancing your company from lobbying to dilute labour regulation and by supporting civil society campaigns for effective enforcement.**

'The unintended consequence of the past decade of ethical trade and its heavy focus on audits has been to weaken the employer-employee relationship. We need to help build that relationship.'

Neil Kearney, General Secretary, ITGLWF, at an ETI workshop on Freedom of Association, November 2009.

'We need to move beyond auditing and go for initiatives that address issues at a deeper, more fundamental level.'

Pam Batty, Global Code of Practice Manager, Next plc

CASE STUDY 10

Nike publicly supports effective labour regulation

In its most recent corporate responsibility report, sportswear brand **Nike** supported the need for governments to ratify and enforce ILO conventions³⁵. In the past few years, in relation to legal developments in Cambodia, China and Honduras, Nike has either spoken in favour of effective labour regulation or has distanced itself from corporate lobbying aimed at diluting it.

CASE STUDY 11

Goodwill agreement for fruit workers in Chile

Temporary agricultural workers do not have the right to organise under Chilean law. But in 2008 a goodwill agreement was signed between industry and representatives of 3,000 temporary workers in Copiapo region, supported by government, which defined a living wage and promoted other improvements in workers' conditions³⁶.

CASE STUDY 12

Improving standards: a supplier's perspective in India

'When we were first introduced to our customers' expectations after an audit in 2006 we were worried it would make us less competitive as our wages bill increased 20 per cent. As wages account for a fifth of our product costs, this meant our overall product costs increased 4 per cent. But we found productivity and profitability increased significantly. The changes made us feel better about running our company and staff turnover is now almost zero. We prefer the term "social engagement" to "social compliance" as the changes engaged us as people not just as a business.'
Anil Kariwala, director of Calcutta-based **Kariwala Industries** supplying jute bags to European and US supermarkets, January 2010³⁷.

Benchmark your company on labour standards

Step 1: Minimum expectations for an ethical sourcing programme

- Adopt a credible policy such as the ETI Base Code or SA8000 for consistent messaging to suppliers. These include standards which are vital to workers but which are left out of many codes.
- Decide the policy's scope, appoint a champion, invest in their learning, and adapt commercial terms to encourage continuous improvement in compliance. Communicate the policy and business case to stakeholders.
- Map supply chains, visit key production sites, minimise duplication of auditing, and prioritise corrective actions that matter to workers.
- Do no harm: don't cut and run when extreme forms of exploitation are exposed, don't lobby for the dilution of labour regulation.

Step 2: Signs of good practice

- Enhance your understanding of good practice by joining a multi-stakeholder initiative, treat NGOs as 'critical friends', and communicate learning throughout the business.
- Use best-practice audits involving workers for high-risk strategic suppliers, and check that there are at least a health and safety committee and a confidential helpline. Monitor workers' contract status and set targets to improve job security.
- Train buyers to understand their impact on workers and develop supplier relationships. Use a balanced scorecard and well-designed incentives. Rationalise the supply base and practise joint sourcing to overcome 'bottlenecks'.
- Be transparent. Report publicly on your labour standards activities and their impacts.

Step 3: Signs of leadership

- Publicly champion Ethical Trade as well as support Fair Trade, and lobby for a level business playing field based on effective enforcement of labour rights.
- Work with others to promote mature industrial relations and address the root causes of intractable issues, ensure workers are trained on their rights, partner with NGOs, and consider access agreements with unions.
- Select suppliers likely to observe the code, build their capacity, and reward them with longer contracts and fewer audits. Build a living wage into cost negotiations.
- Report progress against indicators that matter to workers, including awareness of rights, contract status, and wages.

For a more detailed set of benchmarks, go to: www.ethicaltrade.org/resources/key-eti-resources/management-benchmarks

Emerging issues and questions

This paper has suggested how you can do what your stakeholders expect of you – deliver better standards in your supply chain – in ways which improve your business and productivity. At the same time we see new issues emerging that will impact on the business-labour standards agenda. Three are outlined below, with some questions arising to which the answers are currently not clear.

1 Ethical consumerism: Ethical consumerism has continued to grow through the economic downturn, and is moving towards the mainstream.

There is growing interest in an ethical or sustainability rating scheme to strengthen the business case further.

- **What could a rating scheme look like?**
- **Could the different attributes of Fair Trade and Ethical Trade be used to leverage greater development impact?**

2 Climate change: The need to reduce carbon emissions will drive radical change in supply chains, with quality of management becoming a critical factor.

'Sixty per cent of Marks & Spencer's carbon footprint occurs in our supply chain. We need nothing less than the transformation of business supply chains to meet the UK government's target to reduce carbon emissions by 35 per cent in the next 15 years. We need a highly responsive, stable supply chain with agile management who understand the business case for change and motivated workers.' Mike Barry, Head of Sustainable Business, Marks & Spencer, October 2009

- **Will a shift in focus to climate change come at the expense of improving labour standards or will these trends be mutually reinforcing?**

3 Emerging economies: Emerging economies are seeing the growth of home-grown companies alongside global brands. For instance, Hong Kong based **Li & Fung** now has the largest sales of garments after China itself, exceeding the combined export of garments from South Asia. The company scored 33% in Oxfam Hong Kong's recent Transparency Report II³⁸.

- **What does this trend mean for efforts by NGOs and brands to date to improve labour standards?**

'We need nothing less than the transformation of business supply chains to meet the UK government's target to reduce carbon emissions by 35 per cent in the next 15 years.'

Mike Barry, Head of Sustainable Business, Marks & Spencer, October 2009

Resources and tools to help you

Multi-stakeholder initiatives

Examples of MSIs include the Ethical Trading Initiative (ETI)³⁹ in the UK (www.ethicaltrade.org), Social Accountability International (owner of the SA8000 standard, www.sa-intl.org) and Fair Labor Association (www.fairlabor.org) in the US, Danish Ethical Trading Initiative (www.dieh.dk), and ETI Norway (www.etiskhandel.no). There are also sectoral initiatives such as the Fair Wear Foundation in the Netherlands (www.fairwear.org) on garments and the 4Cs on coffee.

Guidance and tools open to all

Ethical Trading Initiative: ETI Base Code; Principles of Implementation; 'Getting Smarter at Auditing' briefing paper (2006); 'Secrets and Lies' DVD about audit fraud; Workbook (Edition 2); training courses; business case DVDs for retailers and suppliers; smallholder guidelines; homeworker guidelines.

The **International Labour Organization** has a helpdesk to assist companies in aligning operations with international labour standards; email assistance@ilo.org. The ILO-IFC 'Better Work programme' (www.betterwork.org) provides remedial training to factories to improve compliance and competitiveness. See also the recent ILO declaration on Social Justice for a Fair Globalisation (www.ilo.org).

The **Asia Floor Wage** (www.asiafloorwage.org) is a living wage campaign and a tool for comparing the purchasing power of garment workers across Asian countries.

The **Gangmasters Licensing Authority** (www.gla.gov.uk) regulates labour providers in UK agriculture industries. Oxfam GB is campaigning for its remit to be extended to the construction, hospitality and social care sectors⁴⁰.

To improve purchasing practices

Insight Investment and Acona (2004)

'Buying Your Way into Trouble: The challenge of responsible supply chain management'.

The Fair Wear Foundation Code of Labour

Practices includes management systems for good purchasing practices, e.g. ensuring that delivery times and pricing policies do not lead to excessive overtime but rather contribute to a systematic approach towards ensuring a living wage for workers.

Traidcraft and the Chartered Institute for

Purchasing and Supply (2009) 'Win/Win: Achieving Sustainable Procurement with the Developing World'.

To make audit programmes smarter

Supplier Ethical Data Exchange:

www.sedex.org.uk

Fair Factories Clearinghouse:

www.fairfactories.org

Local Resources Network:

www.localresourcesnetwork.net

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Oxfam advice service on ethical trade

Oxfam GB was a co-founder of the **Ethical Trading Initiative**, the **Fairtrade Foundation** and **Cafédirect**.

We also actively implement an Ethical Purchasing Policy in our own supply chain, which includes retail and humanitarian products⁴¹.

Oxfam's unique perspective enables us to add value to your business model. We now provide a bespoke confidential advice service on ethical trade. For more information, contact Rachel Wilshaw, Ethical Trade Manager, at rwilshaw@oxfam.org.uk or advocacy@oxfam.org.uk, or go to www.oxfam.org.uk/business.

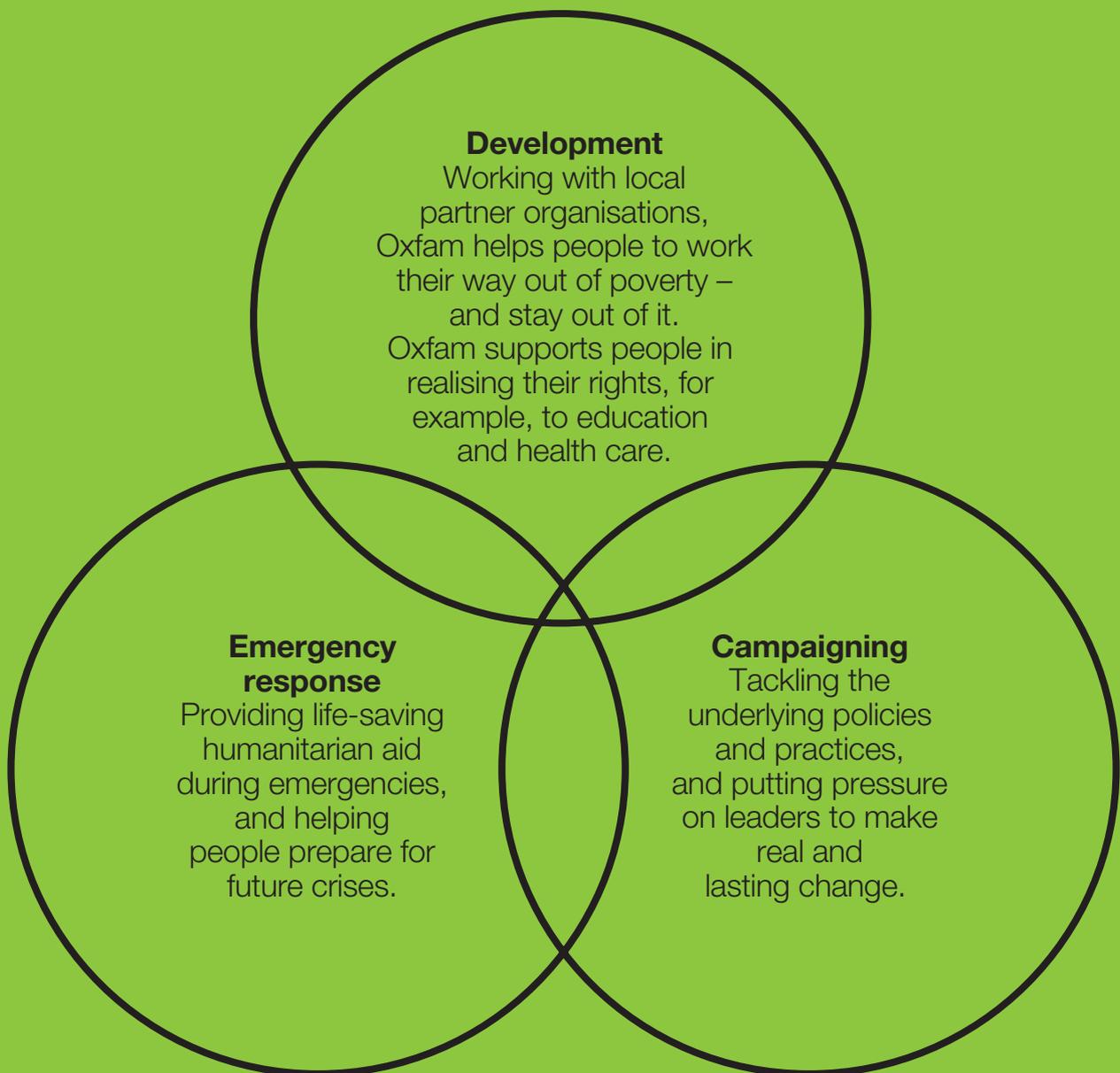
Notes

- 1 GlobeScan Report on Issues and Reputation. Available by subscription at: http://www.globescan.com/gsr_overview.htm
- 2 'Decent work' is the term used by the International Labour Organization (ILO) since 1988 to articulate good labour conditions. It involves 'opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity for all men and women'. See www.ilo.org.
- 3 ILO (2008), 'Global Employment Trends 2008', p.12.
- 4 The nine elements of the ETI Base Code are: **Employment is freely chosen; Freedom of association and the right to collective bargaining are respected;** Working conditions are safe and hygienic; **Child labour shall not be used;** Living wages are paid; Working hours are not excessive; **No discrimination is practised;** Regular employment is provided; No harsh or inhumane treatment is allowed. Those in **bold** are designated by ILO as the Core Labour Standards, see www.ilo.org
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- 7 Mohamed Said Saadi for Oxfam Novib (September 2009) 'L'Impact de la Crise Alimentaire et Financiere sur les Travailleurs Salaries Agricoles au Maroc.' (Impact of the Food and Financial Crises on Waged Agricultural Workers in Morocco). Findings are due for publication shortly.
- 8 While there is, as yet, no general agreement on the definition of a living wage, Oxfam International defines it as one which for a full-time working week (without overtime) would be enough for a family to meet its basic needs and allow a small amount for discretionary spending. See T. Connor and K. Dent (2006) 'Offside! Labour Rights and Sportswear Production in Asia', Oxford: Oxfam International.
- 9 Solidarity Center (2008) 'The True Cost of Shrimp: How Shrimp Industry Workers in Bangladesh and Thailand Pay the Price for Affordable Shrimp', Washington: Solidarity Center, p.18.
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- 11 Solidarity Center (2008) 'The True Cost of Shrimp', op. cit.
- 12 Oxfam International (2004) 'Trading Away Our Rights: Women Working in Global Supply Chains', Oxford: Oxfam International, p.16.
- 13 Impactt Ltd (2009) Boosting Productivity, Rewarding your Workers (2009) Available at: www.impacttlimited.com/2009/12/02/boosting-productivity-rewarding-your-workers/ Last accessed January, 2010.
- 14 Oxfam International (2009) Win-Win: Improving the Livelihoods of Smallholders and Waged Workers in Sustainable Livelihoods Programmes. Available at: <http://www.oxfam.org.uk/resources/issues/privatesector/better-business.html> Last accessed February 2010
- 15 Oxfam Germany (2008) 'Last-Stop Supermarket: The Scoop on Tropical Fruit, Retailers' Buying Power: The conditions under which pineapples and bananas sold in Germany are produced', p.2. Available at: www.oxfam.de/download/Supermarktstudie_Zusammenfassung_ENG.pdf Last accessed January 2010
- 16 There is no precise data, 92% is an estimate by Professor Doug Miller, Northumbria University and ITGLWF, January 2010. See Papadikis ed (2008) 'Cross-border Social Dialogue and Agreements: An emerging global industrial relations framework?' Chapter 5. Available at: www.ilo.org/public/english/bureau/inst/download/cross.pdf
- 17 K.Nari (2009) 'Enough Already', op. cit.
- 18 The Bangladesh garment industry has experienced serious industrial unrest relating to pay and conditions since 2007. See for instance <http://libcom.org/news/fury-garment-worker-shot-dead-bangladesh-workers-strike-riot-28062009>. Last accessed February 2010.
- 19 <http://www.ethicaltrade.org/in-action/member-performance/Gaps-work-with-the-global-garment-union>
- 20 See www.itglwf.org and <http://www.ethicaltrade.org/in-action/member-performance/inditex-global-agreement-itglwf>
- 21 The IUF represents food, farm, and hotel workers worldwide. See: <http://cms.iuf.org/> and www.danone.com Last accessed January 2010.
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- 32 See Ethical Trading Initiative DVD (2007) 'Secrets and Lies' or Impactt op. cit. In the 98 site assessed by Impactt, 45 per cent were found to have double books and 43 per cent coached workers to give the 'right answer'; in South East Asia the percentages were 83 per cent and 40 per cent.
- 33 The ILO-IFC Better Work programme aims to reduce this to \$2 per worker per year through a combined programme of monitoring and capacity building.
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- 39 The Ethical Trading Initiative (ETI) is an alliance of companies, non-governmental organisations and trade unions committed to improving working conditions in global supply chains. Its members cover six million workers globally via 38,000 suppliers, and account for £100billion in sales turnover. Corporate members must agree to adopt the ETI Base Code in their supply chains, to improve labour conditions continuously and to report annually on progress against ETI Principles of Implementation and a 'Foundation, Improver, Achiever, Leader' framework of benchmarks.
- 40 Oxfam GB (2009) 'How to best protect workers employed by gangmasters, five years after Morecambe Bay', Available at: http://www.oxfam.org.uk/resources/policy/trade/downloads/bp_ukpp_gla.pdf Last accessed January 2010.
- 41 <http://www.oxfam.org.uk/resources/suppliers/ethicalpurchasing.html>
- 42 www.oxfam.org.uk/business. Download a leaflet about our ethical trade advice service and a Case study on 'How to Address Labour Issues in your Supply Chain' at <http://www.oxfam.org.uk/resources/issues/privatesector/better-business.html>

Author This briefing paper was written by Rachel Wilshaw, Oxfam GB with input from Penny Fowler, Thalia Kidder, Alex Cole-Hamilton, Rosemary Byrde, David McCullough, Jo Zaremba, Lea Borkenhagen and Sloane Grogan (Oxfam GB), Joyce Kortlandt (Oxfam Novib), Tim Connor (Oxfam Australia), Franziska Humbert (Oxfam Germany), Myriam Gisterlinck (Oxfam Solidarite), Kalina Tsang (Oxfam Hong Kong), Guadalupe Gamboa (Oxfam America) and Isabel Tamarit (Oxfam Intermon). We would also like to thank Sumi Dhanarajan, Dan Rees, Peter Williams, Annie Watson, Ashling Seely, Rachael Clay, Catherine Wheatley, Neil Everett, and Jamie Buxton for their comments.

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