

## **SweatFree Procurement Forum for Purchasing Officials**

Conference Call #6 Minutes

September 25, 2008

### **Present:**

Farshid Yazdi, City of Los Angeles

Sam Dominguez, City of Austin

Mark Rosaaen, City of San Francisco

Joe Signoretta, State of New Jersey

Greg Hopkins, State of Oregon

Jack Jackson, State of California

Byron Johnson, City of Austin

Bjorn Claeson, SweatFree Communities

Vicki Kaplan, SweatFree Communities, facilitator and note-taker

Alyssa Talinger, State of New York

Carmen Herrera, City of San Francisco

Henry Oyekanmi, City of Berkeley

**Topic:** Better Work: A case study in building sustainable labour standards compliance in supply chains

**Guest presenter:** *Ros Harvey, Global Programme Manager of the Better Work programme.*

Better Work is a unique partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC). The programme was launched in February 2007 in order to improve labour practices and competitiveness in global supply chains. Ros takes up this post after three years as the manager of the ILO's Better Factories Cambodia project. Under her leadership the project developed a range of innovative tools and approaches to monitoring and remediation in the export garment industry. Ros has worked for 25 years on labour, development and social justice issues – the last 15 years at the international level.

**Next conference call: Thursday, October 23, 4pm ET / 1pm PT**

Call: 218-936-7979

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### **Summary of Ros Harvey's presentation:**

ILO and IFC are large multi-lateral organizations. ILO sets labor standards to which procurement policies refer. Core standards are: freedom of association, no child labor, no forced labor, no discrimination. ILO is a specialized agency of the UN with a tripartite governance structure—labor unions, management, and companies. ILO/IFC partnership looks at how global supply chains can be a conveyor belt of positive development: bottom-up, pro-poor development.

Twin objectives: 1) Improve compliance with labor standards and national labor law, and 2) Improve competitiveness.

How can global markets create incentives for improving conditions? The role of buyers/procurement is very important in the way this industry unfolds.

We've seen many good demonstration projects, but our goal is industry-wide change. Not just addressing thousands of workers, but millions of workers.

Better Work started as a pilot project in Cambodia, then had enough interest and requests to create a global program, so they looked at 3 additional countries, with the apparel industry as the entry point. These countries are: Lesotho, Jordan and Vietnam, working with governments, employers, and unions in each. In all, the program will affect 1.2 million workers in about 1,000 factories. Better Work is looking at expanding into other industries such as agribusiness,

electronics, toys, and wood products in the future.

Part of Better Work's thinking is to bring together global tools with practical experience and field-tested tools. These global tools are: Knowledge management + Resources + Impact assessment (see slide).

Programmatic approach: Better Work as roof of house. Two walls: 1) labor administration and inspection, and 2) employers and unions bargaining. The problem in most developing countries is that the walls are very weak and in some cases don't exist at wall. This is really the governance gap. So Better Work adds struts to help hold up the roof whilst working as part of the broader ILO mandate to build up the outer walls to eventually hold up the roof. (see slide)

Under pressure from activism in their own countries and abroad, brands developed codes of conduct. But when we look down the supply chain we see that it's not being implemented; this led to internal auditing. In the apparel industry, factories are having 20-30 audits/year from different buyers. This is inefficient and frustrating for all concerned.

Auditing started because of the governance gap. The danger is that we continue and exacerbate that governance gap if we don't look at this from a development stance. While there have been some positive results from codes of conduct and CSR (corporate social responsibility), it has been somewhat disappointing. Many brands are looking at how do we go beyond auditing to have a more systematic impact.

Tripartite industry chains. Better Work groups together the factories and the buyers and then interfaces the two (see slide). Better work conducts assessments against core labour standards and national labour law and then focuses on the process of improvement (or remediation). Better Work creates a national scheme, with the involvement of government, employers and unions, and creates a system that all parties have trust in.

Better Work separates development and operational costs. Operational costs the costs of delivering services. Development costs are for developing capacity, adapting tools and developing new tools. Over a five year period the Better Work country programmes are designed to become sustainable so that they can operate without donor support. The Better Work global programme will continue to provide quality assurance. Scale and size allows Better Work to really have an impact

Better Work strongly encourages buyers to be a part of process..

What is the benefit of improving labor standards? Tufts University is designing the monitoring and evaluation: (see slide) The monitoring and evaluation will look at (a) labour standards (b) business case and (c) development impact.

There are 3 programme elements: 1) Expanding to more countries in apparel; 2) Expanding into non-apparel industries; and 3) Expanding access to training services.

What are some of the benefits? More jobs, reduce duplication, greater access to training and assistance, improvement in country's reputation in ethical sourcing.

## **Discussion**

Q: Which of the U.S.-based labor rights or anti-sweatshop groups are affiliated with the Better Work Programme?

A: Better Work is not something that other groups can "affiliate" with. We do work closely with non-governmental organizations in the countries in which we run programs and globally. In

Cambodia, we've worked with FLA, SAI, and others. We run a "buyers' forum" and globally that's facilitated by Businesses for Social Responsibility. Each year we meet with buyers at least twice a year and then at least once a year at the country level.

Q: One of our challenges has been finding sweatfree-compliant bidders. Are there any uniform manufacturers working with your organization?

A: I do not have that information. We work with a range of brands, retailers, and increasingly vendors as well.

Q: In Cambodia, did you find that brands went to other countries to avoid the increase in labor rates?

A: In Cambodia, we tend to have more buyers that are sensitive to labour standards compliance issues. It is a different market segment to one which is only driven by price. The ILO has found that improving labour standards and competitiveness are not a trade-off. It is possible to have both which is part of the business case.

Q: What are the deliverables within the first 5 years and after that for Global Quality Assurance?

A: Nuts and bolts. In Cambodia, the government has decided that every factory that wants to export has to register with the program. Not so in Vietnam. Participation is voluntary, they sign up, we register them, we recruit "enterprise advisors" trained by ILO to do assessments at factory level against labor standards, management systems, process integrity. Out of that we get a report, entered into STAR system, which is very thorough and done once a year. STAR generates reports with statistical figures, accessible online. Buyers subscribe to system, but can only access information with the approval of the supplier. We encourage buyer to work with supplier on one improvement plan. The emphasis of Better Work is on improvement.

Q: What specific tools are available that may help government buyers implement ethical purchasing, specifically with regard to verifying factory information in Better Work countries?

A: Better Work offers various training programs and resources: 12-month programs, worker education on rights and responsibilities, management training, single-issue trainings (OSHA, etc). Better Work also offers model policies and procedures, training of trainers program. STAR allows for self-assessment as well as peer group reporting. However self-assessment data is kept in a different data state to that which is quality assured by Better Work. We are working on an adaptation of STAR for use by public sector labour administration as well.

Q: What entities subscribe to STAR program, how much does it cost, and can governments join?

Approximately US\$500/year for buyers to subscribe to STAR and access data about participating factories. We encourage buyers and suppliers to share costs for advisory services and training. Government buyers are welcome and encouraged to participate. We have not made distinctions about the nature of the buyer.

Better Work emphasizes working towards improvement. We ask brands to make a commitment to not terminate supplier based on non-compliance provided the supplier is open, transparent and engaged in process of improvement. We are also discussing buyer practices and how these can affect suppliers compliance performance.

Q: Have you seen buyers really interested in capturing the "sweatfree" market? And how is the cost of increasing wages absorbed along the supply chain?

A: There are many buyers who are excited about the possibilities and who take these issues seriously. Some are involved because of brand risk. Some have integrated this into a sustainable business plan. There is a lot of variability in buyer engagement and interest.

As for wages: wages are typically determined by national labor law. There has been a huge debate over the years because countries see this as comparative advantage. The program we're working on does not look at living wage as a standard. Instead we focus on real genuine freedom of

association so that bargaining can help address wages. More pressure has come from workers/unions saying buyers should pay a premium for a more ethical product. Our work on the ground would be much easier if buyers were serious about incentives. The more direct the incentives are for folks on the ground, the easier it is for people working on the ground to encourage improvement.

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