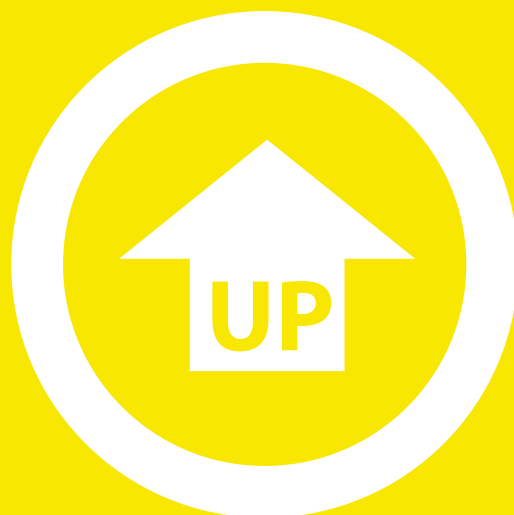


Full Package Approach to Labour Codes of Conduct

Four major steps garment companies can take to ensure
their products are made under humane conditions



2

Content

Introduction	3
Step 1 Code of Conduct	4
A A comprehensive code	
B A credible code	
C A transparent code	
Step 2 Implementing the Code	6
A Implementing and monitoring the company's code	
B Verification of the company's code	
C Turning to remediation when confronted with worker rights violations	
D Addressing the impact that purchasing practices have on ethical standards	
e Promoting sector-wide change and co-operation	
F Endorsing and implementing a living wage standard	
g Taking specific steps to address gender-related workplace issues	
Step 3 Credible Stakeholder Participation	10
A Joining a multi-stakeholder initiative	
B Co-operating with worker rights training initiatives	
C Informing your stakeholders	
D Including workers, local trade unions, and labour rights groups in code implementation	
E Including a confidential complaints procedure in the company's monitoring and verification program	
Step 4 Freedom of Association and Collective Bargaining	13
A Adopting a positive approach towards freedom of association	
B Ensuring that collective bargaining takes place in good faith	
C If a company decides to source from countries where freedom of association and collective bargaining are restricted by law, it should take specific steps to encourage decent working conditions	
Resources and further reading	15



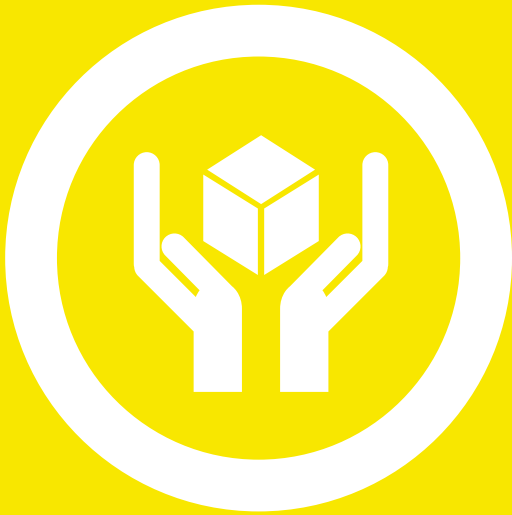
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Introduction

In this guide the Clean Clothes Campaign offers guidelines on what companies can do to better assess, implement, and verify compliance with labour standards in their supply chains, and eliminate abuses where and when they arise. The exploitation and abuses of workers in international supply chains prevalent in many industries are a consequence of both the failure of governments to protect their citizens' labour rights and the extent to which business organisations avoid their respective responsibilities toward their employees.

Sweatshop abuses are a systemic problem – there are no companies that are totally clean or totally dirty. Every company that sources globally faces problems that need to be addressed. While there are many steps companies can and should take (and to a certain extent have already taken) to improve workers rights, there are no quick-fix solutions. Instead, companies should adopt a comprehensive approach and engage in ongoing remediation efforts.





Step 1 Code of Conduct

The first step a company should take is to adopt a code of conduct. There are three essential requirements: Is the code comprehensive, is it credible, and is it transparent?

A A comprehensive code

The first step a company should take to improve working conditions is to enhance key labour rights through the adoption of a code of conduct. The code should be applied to all workers affected by labour practices for which the company has some measure of responsibility. This includes all workers employed directly by the company as well as employees who work in the company's supply chain, regardless of their particular status or relationship to the company. Therefore, the code should also apply to home-based workers and to workers who are engaged either informally or on a contractual basis.

B A credible code

Second, the code should include all provisions based on the ILO Core Labour Rights Conventions on child labour, forced labour, discrimination, and freedom of association,

5

which all ILO member states are obliged to respect, promote, and realise, whether or not they have already adopted any of the individual conventions. The code should also address other important workplace issues who form integrated parts of the Universal Declaration of Human Rights, such as harassment and abuse, the right to a living wage for a 48-hour work week, with health and safety rights, security of employment, and the company's alignment with the best practices in the sector, as well as a policy of no forced overtime (see box 1. for CCC model code). Moreover, the code should require compliance with all relevant local labour laws, and require suppliers to meet standards that provide the highest protection to workers wherever local and international standards may vary.

C A transparent code

To be a useful tool, the company's code should be circulated among its employees and the employees of its suppliers, should be available to the public on request, and should be accessible on the company's website. Efforts should also be made to ensure that workers are informed and aware of the code. The code should, for example, be posted in a prominent place in the workplace in the first language(s) of the workers in the respective country and copies of the code should also be made available to the workers who make the company's products (see also 3d). It is also important to provide a picture version of the code for illiterate workers.

The CCC Model Code

- freedom of Association and Protection of the Right to Organise
- right to collective bargaining
- no forced labour
- no child labour
- no discrimination
- maximum hours of work
- health and safety
- a living wage
- security of employment

For a copy of the code: www.cleanclothes.org/codes/ccccode.htm





Step 2 Implementing the Code

Adopting a code of conduct is only the first step. The real challenge arises in implementing the code and ultimately improving the company's working conditions. The implementation of the code requires that management systems and procedures be developed that embed ethical standards throughout the company's network of operations. This includes procedures for monitoring, verification, remediation, ethical purchasing, sector-wide collaboration and gender-related issues.

A Implementing and monitoring the company's code

To have any substantial impact on the company's operations, management personnel should be made responsible for the implementation of the code. Management personnel should be adequately trained to successfully conduct the actual monitoring of supplier compliance with the code and local laws. Suppliers should be required to keep adequate and accurate records, while monitors should have access to suppliers' records, management personnel and workers. Special efforts should be made to ensure that workers are interviewed off-site, that they are selected on a random basis and without management interference, that employee anonymity is sufficiently safeguarded, and that management does not attempt to influence how workers respond in the interviews or attempt to punish workers for reporting violations.

7

While some companies have established social compliance teams that handle these tasks, others have hired commercial firms to monitor code compliance via social audits. There are currently thousands of these audits taking place annually. However the limitations of these audits in how they address particular working conditions (like Freedom of Association) are now widely acknowledged as the reason for their failure to deliver the necessary levels of quality desired.

B Verification of the company's code

To be credible and effective, the company's code compliance program should also include external verification. Verification involves establishing the credibility of claims that concern actual labour practices, the observance of code provisions, and the observance of code implementation. This implies that, at the very least, verification is carried out by a body independent of the entity that wants its claim verified. This has stimulated the creation of multi-stakeholder initiatives (MSIs), which involve at an executive level a variety of business interests, NGOs, and trade unions who attempt to develop (more) systematic approaches to code implementation, monitoring, and verification, as well as developing structures for accountability to civil society (see also step 3a).

C Turning to remediation when confronted with worker rights violations

Since there are very few, if any, factories free of violations, an effective monitoring program will no doubt always discover some violations of the code and/or local laws, thus the cutting off of suppliers is not the proper way to deal with reported violations. A cut-and-run approach only encourages suppliers to hide their abuses. Therefore, companies should work together with factories and stakeholders (see step 3) to correct problems when they are identified. Suppliers should be given sufficient time, opportunities, and support to achieve compliance. A corrective action plan with reasonable deadlines should be developed and followed. The cutting off of a supplier is used as a last resort only after it becomes evident that serious problems have not been resolved and that the supplier remains unwilling to correct them.

D Addressing the impact that purchasing practices have on ethical standards

The company should address the conflicting logic of simultaneously pursuing lower prices and shorter delivery times whilst simultaneously pursuing its compliance with labour standards. Current purchasing practices tend to undermine the capacity of the supplier to comply with labour standards. For example, demanding short lead times may result in excessive or forced overtime. Or, when the company constantly shifts its orders, suppliers may end up feeling that there is no incentive for making the required improvements. To address these issues, close co-operation between the procurement



department, the CSR department, and the suppliers is necessary. As an integral part of internal monitoring and external verification, companies should determine the negative impacts of their purchasing practices on working conditions, and take steps to alleviate these negative impacts. This could include measures such as establishing stable, lasting relations with suppliers, a preference of unionized factories and by setting clear values for living wages by country, and showing that these have been factored into pricing agreements.

E Promoting sector-wide change and co-operation

Many of the causes of worker rights violations are systemic. Thus, a solution requires an approach that goes beyond the scope of single buyers or single suppliers. In other words, as more buyers begin to demand respect for workers' rights, the greater the incentive for factories to comply. Such an approach should be based on a close co-operation and collaboration with both firms and stakeholders (see 3a).

F Endorsing and implementing a living wage standard

A living wage means that wages and benefits paid for a standard working week must always be sufficient to meet the basic needs of the workers and their families, such as housing, clothing, food, medical expenses, education, and additionally provide some discretionary income (savings). A living wage must reflect local conditions and may therefore vary from country to country or even region to region. Unfortunately, many companies still refuse to seriously address the issue of a living wage, even if it is included in their code. This is unacceptable precisely because a living wage is a human right (Article 23, paragraph 3 of Declaration of Human Rights) and production can never be ethical if workers cannot meet their most basic needs. Companies should:

- Signal to supplier countries that enforcement of labour standards, including increased wages, will not lead to automatic relocation in search of cheaper labour;
- carry out research on the value of workers' current wages;
- consult with local trade unions, human rights and other relevant organisations and academics to determine appropriate living wages;
- establish prices to suppliers which reflect the cost of paying living wages;
- press for the enforcement of workers' rights to organise and bargain collectively;
- negotiate the level of a living wage with genuine representatives of workers; and,
- strengthen transparency and accountability

9

G Taking specific steps to address gender-related workplace issues

Because the majority of workers are women, many of the workplace problems have a gendered nature, such as gender differences in pay, in training, and in promotions; the abuse of gender differences in the wielding of power, which is manifested in sexual harassment; or, in the irregular and unpredictable hours which conflict with women's domestic responsibilities. Nonetheless, most codes and their implementation systems suffer from gender-blindness, which further impedes the impact these tools have on improving working conditions. To address workplace problems, companies should develop ways to interpret and implement code standards in a gender-sensitive way.





Step 3 Credible Stakeholder Participation

The implementation of ethical standards should not be based on policing suppliers unilaterally but should instead require stakeholder participation throughout the various aspects of the code-implementation process.

A Joining a multi-stakeholder initiative

Membership in a credible 'multi-stakeholder initiative' (MSIs) can also serve as a valuable step for companies in their efforts to improve their code compliance undertakings. These initiatives require that companies, unions, and NGOs work together to promote improved labour practices through codes and monitoring. Multi-stakeholder code initiatives in the garment and related consumer products sectors include the Ethical Trading Initiative (ETI) in the UK and the Fair Wear Foundation in the Netherlands, the Fair Labor Association and Social Accountability International in the US.

MSIs are helpful in getting a company with little experience or little existing capacity regarding code compliance on the right track, since membership in an MSI usually stipulates that a company take certain initial steps. Companies that have decided to participate in one or more of the above initiatives do so in order to:

- Gain consistency in code provisions and monitoring and verification practices;
- Avoid duplication in monitoring of factories producing for more than one company;
- Draw upon a pool of accredited compliance verification organisations;
- Share the costs associated with compliance verification;
- Create mechanisms for receiving and resolving complaints.

B Co-operating with worker rights training initiatives

Since the ultimate purpose of codes and monitoring is to improve conditions and protect the rights of the workers who make the company's products, those workers must have an active role in the day-to-day monitoring process. In order to do so, they must be aware of their rights under the code, ILO Conventions and local laws. Because workers are often reluctant to express their views in the presence of management personnel, the training of workers should be done somewhere away from the workplace. Without prejudicing existing trade union representation, sourcing companies should strongly encourage suppliers to co-operate with worker rights training programs. Worker rights training programs for workers and management personnel are the most effective when they are administered by trusted local human rights, women's, and/or labour organisations. Furthermore, this training should also take into account the gendered nature of the workforce in this industry and cultural and religious preconditions (such as separate training sessions for women and men in Muslim countries).

C Informing your stakeholders

To be credible, a company's code monitoring and verification program should include reporting to customers, shareholders, stakeholders, the public, and the affected suppliers and workers. Information on the company's monitoring and verification system works, and what is expected of the various parties involved should be made available to all interested parties. Moreover, a company should also provide periodic public reports on the results of code compliance verification, including the identities of the auditing organisation(s), the areas of compliance and non-compliance in specific countries and regions, and the steps that have been taken to achieve compliance. Furthermore, companies should be fully transparent with respect to all of their business operations and arrangements that have an effect on labour practices and working conditions by disclosing the identity, location, and country details of all of their supplier factories.

D Including workers, local trade unions, and labour rights groups in code implementation

Too often, workers have been ignored, even though they are the intended beneficiaries of code implementation programs. Companies need to develop programs that ensure the involvement of workers as well as local trade unions and labour rights groups. Their involvement improves the quality of social audits, the handling of complaints,



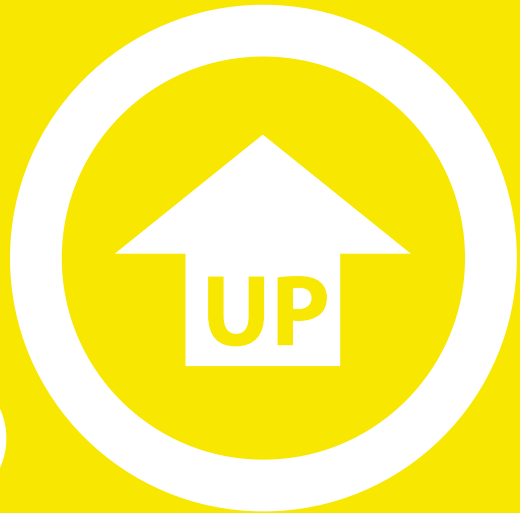
12

and strategies towards remediation. Resources and capacity building is essential for these groups to play a meaningful role in monitoring and verification systems, as the varied contexts found throughout the global garment industry mean that what works or is appropriate in some situations might not be feasible in others.

E Including a confidential complaints procedure in the company's monitoring and verification program

Workers and other stakeholders should have access to secure, anonymous, confidential, and an independent mechanism for the registering of complaints when they believe their rights are being violated. It is crucial that workers are able to report violations of a code of conduct or national labour laws without having to fear disciplinary action. Good complaints mechanisms would provide workers, trade unions, and NGOs with the tools to address breaches of labour standards among the suppliers with buyers, instead of having to wait for the next social audit. For interested third parties, it means providing clearly defined procedures for the receiving and investigating of complaints by independent parties, and for reporting back on the results. Companies should respond to all legitimate complaints in a timely manner with further information concerning the findings and ensuring that an effective remediation plan is developed to address the remaining rights' violations in collaboration with local stakeholders.





Step 4 Freedom of Association and Collective Bargaining

Freedom of association and collective bargaining are known as enabling rights because they give workers a tool to monitor their own workplace and to negotiate with management on the improvement of working conditions. This standard is routinely denied in both law and in practice. It is also one of the most difficult human rights standards to monitor. Are companies pro-actively taking adequate measures to address this issue?

A Adopting a positive approach towards freedom of association

Consequently, companies should not only recognise that all workers have a right to form or join trade unions and to bargain collectively, but they should also adopt a positive approach towards the activities of trade unions and an open attitude towards the organisational activities of workers, which also includes preference to unionized factories in purchasing practices. This includes taking steps to ensure that employees are not subject to dismissal, discrimination, harassment, intimidation, or retaliation because they join a trade union or participate in trade union activities. Furthermore, corporations should also ensure that workers' representatives have access to all of the company's workplaces and to all those they represent in order to carry out their representation functions. The companies shall furthermore not impede union



organisers' access to employees, without justification. Furthermore it is necessary to give access to trade union organizers to the facilities, to make the founding of a union possible.

b Ensuring that collective bargaining takes place in good faith

Companies should ensure that their suppliers enter into collective bargaining agreement negotiations with trade unions in good faith. It should ensure that purchasing and pricing practices support the terms and conditions of the agreement. Sourcing companies should maintain production in unionised facilities, and with the expansion of production, they should give preference to locations where trade union rights are respected by law and in practice and give preference to unionized factories.

c If a company decides to source from countries where freedom of association and collective bargaining are restricted by law, it should take specific steps to encourage decent working conditions

When corporations choose to source from countries where unions are banned or where the state has given monopolistic powers to a government-controlled labour organisation, such as in China or Vietnam, it is even more likely that the workers are going to be excluded from the mechanisms that were established to implement, monitor, and/or verify worker rights. In such cases, corporations should take identifiable measures to promote genuine freedom of association within the country concerned. This should include open communications regarding this policy with the governments concerned. It should also engage the workers collectively and facilitate their self-organisational capabilities in ways that are consistent with the principles of freedom of association and respect for human rights. Moreover, workers should be provided with independent education and training programs concerning their rights at work, and the specific and identifiable steps that are being taken to increase workers' participation in all of the activities related to code implementation, for example through the establishment of worker committees, as well as consulting and co-operating with local trade unions and NGOs focused on labour-related issues.

15

Resources and further reading

Many resources related to codes of conduct, monitoring and verification produced by CCC and others can be found at www.cleanclothes.org/codes/monitoring.htm

More specifically, for documents on:

- **complaints mechanisms** see:
www.cleanclothes.org/codes/03-12-complaints-report.htm
- the definitions of the various terms with regard to **monitoring, implementation and verification**, see: www.cleanclothes.org/codes/03-08-26.htm
- **freedom of association**: Clean Clothes Campaign (2005) *A Clean Clothes Campaign Primer Focusing on the Global Apparel Industry*, available at: www.cleanclothes.org/codes/05-foa_primer.htm
- **gender**: Clean Clothes Campaign (2005) *Made by Women* available at: www.cleanclothes.org/ftp/made_by_women.pdf
- **social auditing**: Clean Clothes Campaign (2005) *Looking for a quick fix: How weak social auditing is keeping workers in sweatshops*, available at: www.cleanclothes.org/ftp/05-quick_fix.pdf

Colophon

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Printer: PrimaveraQuint, Amsterdam

This publication was made possible by funding received from the European Commission. The content solely reflects the views of the authors.

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The Clean Clothes Campaign (CCC) is an international campaign, focused on improving working conditions in the global garment and sportswear industries, and empower the workers in it. There is a CCC in 12 European countries and made up of coalitions of consumer organisation, trade unions, researchers, solidarity groups, world shops, and other organisations. The CCC informs consumers about the conditions in which their garments and sports shoes are produced, pressures brands and retailers to take responsibility for these conditions, and demands that companies accept and implement a good code of labour standards that includes monitoring and independent verification of code compliance. The CCC cooperates with organisations all over the world, especially self-organised groups of garment workers.

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