

Ethical Trading Action Group

Transparency and Disclosure: New Regulatory Tools to Challenge Sweatshop Abuses

**Submission to Public Policy Forum's National Consultation on Textile Labelling
September 30, 2003**

Executive Summary

Corporations continue to hide the factories they use around the world to make the goods we purchase. Wal-Mart, for example, uses 4,400 factories in one Chinese province alone. As a first step, we need full public disclosure of all factory names and locations. Such transparency will make it much harder to hide abuses....

– Anita Roddick, founder and former CEO, The Body Shop¹

The CA labelling system under the federal Textile Labelling Act should be expanded to include disclosure of names and locations of factories in which clothing sold in Canada was produced.

– Recommendation #7, Canadian Democracy and Corporate Accountability Commission²

The Ethical Trading Action Group (ETAG) is a national coalition of faith, labour, teacher, student and non-governmental organizations advocating for government policies, voluntary codes of conduct and ethical purchasing policies that promote humane labour practices based on accepted international labour standards. ETAG also supports greater public access to information on where and under what conditions clothes, shoes and other consumer products are made, and greater transparency in monitoring and verification of company compliance with international labour standards and local laws.³

In 2001, ETAG initiated a public policy campaign calling on the federal government to make changes in regulations under the Textile Labelling Act to require that companies publicly disclose the names and addresses of factories making apparel and other textile products sold in Canada. Since this campaign was launched, thousands of high school and university students across Canada have cut out tens of thousands of labels from their clothes to send to Industry Minister Allan Rock, thereby declaring their support for factory disclosure regulations.

¹ Anita Roddick, "The Price of Dignity," *The Guardian*, September 22, 2003.

² Canadian Democracy and Corporate Accountability Commission, *The New Balance Sheet: Corporate Profits and Responsibility in the 21st Century*, January 2002. <http://www.corporate-accountability.ca>

³ ETAG members include: Canadian Auto Workers, Canadian Council for International Cooperation, Canadian Labour Congress, Canadian Union of Public Employees, KAIROS: Canadian Ecumenical Justice Initiatives, Maquila Solidarity Network, Ontario Secondary School Teachers' Federation, Oxfam Canada, Steelworkers Humanity Fund, Students Against Sweatshops-Canada, and UNITE. The Maquila Solidarity Network (MSN) acts as the secretariat for ETAG.

A February 2002 Vector public opinion survey shows that 84% of Canadians surveyed support factory disclosure regulations. A November 2001 Vector poll showed that 80% of Canadians and 75% of shareholders surveyed want the federal government to establish standards for corporate social responsibility and make companies publish what they are doing to meet the standards. Seventy-five percent of Canadians and 78% of shareholders surveyed said governments should not buy goods and services from businesses that have a bad record of social responsibility.

ETAG believes factory disclosure regulations would be an effective tool to encourage companies to improve monitoring of their supply chains and to provide more transparent reports on the findings of compliance verification and corrective action taken. Moreover, factory disclosure regulations in combination with voluntary or mandatory reporting on labour standards performance would provide consumers much of the information they need to make ethical choices.

Under ETAG's proposal, companies would regularly report to Industry Canada the names and addresses of manufacturing facilities producing their apparel and other textile products that fall under the Textile Labelling Act. These facilities would include the assembly steps in the production process, not the growing or manufacture of materials to be assembled. Nor would they include the residences of homeworkers.

The CA registration number system could be used in one of two ways:

- An additional number could be included on the label identifying the specific factory(ies) where the product was manufactured. Canadians could access this information by typing in the CA number and the factory identification number on the Industry Canada website.
- A second option would be to require companies to provide factory location information to Industry Canada through the current CA number. By typing in the CA number on the website, Canadians could access a list of apparel product types for a particular company and the current list of the factories where those products are being manufactured. For instance, Zellers "Truly" brand children's short-sleeve T-shirts are made in the following factories.

The Conference Board report misinterprets the ETAG proposal and its objectives and fails to assess how it could interact with other governmental and voluntary regulatory options to help improve conditions for garment workers and provide consumers, stakeholders, shareholders and the public with information on where their clothes are made and under what conditions.

Industry arguments highlighted in that report claim that factory locations are proprietary information and/or that Canadian companies cannot be expected to know where all their products are manufactured. These claims are contradicted by experiences and trends in other countries where an increasing number of companies are cooperating with factory disclosure and/or other reporting requirements. The willingness of companies to report on factory locations and their labour standards performance appears to have more to do with market, civil society and/or government pressures on companies in different countries and jurisdictions than with any universally accepted definition of "proprietary information."

For that reason, the Canadian government should reject the Conference Board's suggestion that it attempt to "help define whether supply chain information is proprietary

for the apparel industry and, if so, help devise mechanisms to protect such information from unauthorized use.”

ETAG believes a combination of regulation at the national and multilateral levels and voluntary initiatives targeting labour practices in global supply chains is needed to address the systemic problem of worker rights abuses in the globalized garment industry. In addition to factory disclosure regulations, the Canadian government should also adopt regulations and policies that require and reward more transparent reporting by companies on compliance with the core labour rights conventions of the International Labour Organization (ILO) in their wholly owned facilities and global supply chains.

Voluntary codes of conduct could be one element in this policy mix, however, they should be seen as supplementing and not substituting for government regulation.

Unfortunately, Canadian companies are lagging far behind their US and European competitors in the development of credible codes of conduct and transparent and effective monitoring and verification systems. To date, very few Canadian apparel retailers or manufacturers are participating in or considering joining credible multi-stakeholder code monitoring initiatives.

For that reason, the Canadian government should avoid supporting or endorsing one or more of the current industry or multi-stakeholder code initiatives. Instead, the government should encourage more transparent reporting on labour standards compliance through regulations and incentives.

In addition to adopting factory disclosure regulations, the government should also consider adopting a number of other complementary regulations and policies that, together with factory disclosure regulations, would encourage more transparent reporting on labour standards performance and help improve labour practices throughout global supply chains. These include the following:

1. Requiring companies to provide annual public reports on compliance with international human rights, environmental and labour standards, including ILO core labour rights conventions;
2. Procurement policies giving preference to companies for transparent reporting on processes and performance in achieving compliance with ILO core conventions;
3. Labour rights criteria for the granting of government loans, grants, overseas investment insurance or other benefits tied to overseas investment or sourcing, giving preference to companies that provide transparent annual reports on labour standards performance;
4. Increased support for capacity-building projects for southern civil society and labour organizations and labour ministry inspectors, so they can better monitor compliance with local laws and ILO Conventions, and for labour rights training for workers and management personnel; and
5. Inclusion of labour rights provisions in bilateral and regional trade agreements with garment producing countries that link market access to compliance with ILO core conventions and provide for transparent monitoring of compliance.