

# MEMO: CODES UPDATE NUMBER 3

JANUARY 2001

***Why a “Codes Update” memo? This periodic memo is circulated in Spanish to groups in Latin America in an effort to share information on developments and resources circulating in English about codes of conduct and monitoring. Comments, criticisms and suggestions are welcome***

In This Issue:

- A. Hong Kong Labour Rights Groups Challenge Codes of Conduct
- B. News from the Multi-Stakeholder Initiatives
- C. Updates from Central America
- D. Solidarity Campaigns in the “North”
- E. New Resources

## **A. HONG KONG LABOUR RIGHTS GROUPS CHALLENGE CODES OF CONDUCT**

In our October “Codes Update,” we reported that the certification of two factories in China by an SA8000 accredited social auditing firm had been challenged by labour rights groups in Hong Kong.

One of those groups, the Hong Kong Christian Industrial Committee (CIC), is charging that the Yongsheng shoe factory in southern China is in violation of the SA8000 standard, and was improperly certified by the Norwegian social auditing firm Det Norske Veritas (DNV). The factory produces for Adidas and other brand-name shoe companies. CIC is also questioning the effectiveness of the New York-based Social Accountability International’s SA8000 complaints procedure.

Social Accountability International (SAI) has since suspended the certification of the shoe

factory, and is now reviewing DNV’s accreditation as an SA8000 auditor.

A December 18 article in the South China Morning Post (Hong Kong’s English-language daily) raised further questions about the effectiveness of the SA8000 factory code verification and certification system. In the article, DNV’s China representative, Sangem Hsu Shuaijun, says that enforcing labour standards in southern China is impossible, and that DNV is fed up and prepared to pull out of SA8000 auditing in China.

“You have in southern China all the factors working against the auditors,” Hsu is quoted as saying. “There are the multinationals, which want low labour costs; the factory managers, who don’t like us because of fines for non-conformity; and even the local Chinese Government in many places, which wants this business and does not want it threatened. All this is working against the cause of the workers.”

In the same article, Alice Kwan of the Hong Kong Christian Industrial Committee is quoted as saying, “Since the workers are not involved in the audits, SA8000 is strictly a thing between transnational companies and consumers. It is a publicity stunt.”

## ***Disney Monitoring Attacked***

On December 1, the CIC also released a report documenting working conditions in 12 factories producing for the Disney Corporation in southern China. The report states that most workers interviewed were unaware of the Disney code of conduct, and that those who had heard of the code didn’t understand its purpose.

The report also documents instances of management trickery to avoid code compliance, including double bookkeeping, falsification of time cards, and drilling workers on how to answer monitors’ questions. (See December Maquila Network Update.)

In both of these cases, CIC is raising serious questions about the effectiveness of voluntary codes

of conduct, company and external monitoring, and factory certifications.

### ***What's behind the stories?***

Hong Kong-based labour rights organizations like CIC are generally more critical of codes of conduct, both company codes and multi-stakeholder initiatives, than are their counterparts in Central America.

Their critical stance on codes comes out of their own historical experience, and in particular their involvement in a campaign pressuring the toy industry to adopt a Charter for the Safe Production of Toys. That campaign resulted in the industry adopting its own code, which the Hong Kong groups feel has done little to improve conditions for toy workers in China.

However, the fact that many of our Hong Kong allies are highly critical of voluntary codes shouldn't be interpreted as an unwillingness to engage with code initiatives.

While the Hong Kong-based labour/NGO coalition Derechos Laborales en China/Labour Rights in China (LARIC) has adopted the position that it will not act as code monitors for companies, key member organizations of LARIC, including CIC and the Asia Monitor Resource Centre, are willing to work with some of the same companies on worker rights and health and safety training.

In their view, codes of conduct cannot be effective unless the affected workers are knowledgeable of the rights and trained to play a primary and on-going role of monitoring compliance with codes and Chinese labour law.

Their criticism of external monitoring, whether carried out by commercial social auditing firms or NGOs, is that workers are treated as objects to be studied rather than subjects who are capable of organizing to improve their own situation. The fact that there is very little space in China for local NGO activity is another reason Hong Kong-based labour rights groups are critical of NGO participation and monitoring and factory certification, since it would inevitably be done by outside organizations.

LARIC's emphasis on the need for workers to play an active role in code monitoring led them to reject a proposal made by the UK Iniciativa Comercio Etico / Ethical Trading Initiative (ETI) in 1999, requesting that LARIC act as the external monitor for a pilot project involving the British

retailer Littlewoods and some of its Chinese garment contractors. The objective of the pilot project was to test out the effectiveness of code monitoring by NGOs. LARIC refused to participate in the pilot project unless worker rights training was the first stage in the process.

### ***Setting the Terms of Engagement***

The recommendations in the CIC Disney report provide concrete examples of the kinds of demands Hong Kong labour rights groups are making on company codes of conduct, and the strategies they are developing to engage with code of conduct initiatives. The report demands that Disney do the following:

1. Promote workers' rights training at the workplace.
2. Actively involve workers in the on-going workplace monitoring process.
3. Provide accessible and trustworthy channels (e.g. letter boxes in factories with prepaid postal envelopes) for workers to lodge complaints to the company and other interested third parties. Guarantee that there will be no retaliation against workers who make complaints.
4. Strictly monitor compliance with, and assist their suppliers to comply with, national labour laws and the Disney Code. Instead of simply cutting and running whenever violations are uncovered, the company should work with non-compliant factories to improve working conditions and labour practices.
5. Disclose all information on its suppliers for public scrutiny.

## **B. NEWS FROM THE MULTI-STAKEHOLDER INITIATIVES**

1. Worker Rights Consortium (WRC): The WRC has hired an Executive Director, Scott Nova, who is the former Executive Director of Citizens' Trade Campaign. There are currently 67 colleges and universities affiliated with the WRC. United Students Against Sweatshops (USAS) continues to campaign for universities to join the WRC, and against university affiliation to the Fair Labor Association (FLA). The WRC website includes information (in English) on locations of factories

producing apparel for US universities. For further information, visit: [www.workersrights.org](http://www.workersrights.org)

2. Social Accountability International (formerly the Council on Economic Priorities Accreditation Agency – CEPAA): Of the 61 manufacturing facilities listed in the SAI website as certified as being in compliance with the SA8000 standard, 34 facilities are in China, and 24 of those are toy factories. SAI recently suspended the certification of two factories in China, and is reviewing the accreditation of the Norwegian auditing firm Det Norske Veritas (DNV). (See article above.)

SAI and the International Textile, Garment and Leatherworkers Federation (ITGLWF) recently announced plans to carry out a training program involving 6,000 workers on the use of codes of conduct to avail themselves of their rights in the workplace. The project, funded by the Ford Foundation, will develop educational materials and a train-the-trainers program for trade union leaders in 12 countries: Pakistan, India, Bangladesh, Indonesia, the Philippines, Thailand, Lesotho, Ghana, Mauritius, Honduras, Chile and Ecuador. For further information, visit: [www.sa-intl.org](http://www.sa-intl.org)

3. Ethical Trading Initiative (ETI): The ETI is working with unions and NGOs in Costa Rica on the development of a banana sector code monitoring pilot project that will compare a multi-stakeholder approach to code monitoring with commercial auditing by BVQI. ETI is also currently in negotiations with local labour and non-governmental organizations in Sri Lanka on the development of a code monitoring pilot project in the apparel sector. The ETI Base Code is available in Spanish on its website. The 1999/2000 Annual Report on its previous pilot projects and company progress in achieving compliance with the ETI Code will also soon be available in Spanish. For further information, visit: [www.ethicaltrade.org](http://www.ethicaltrade.org)

4. Asociación por Labor Justo / Fair Labor Association (FLA): There are currently 148 colleges and universities affiliated to the FLA. (Some universities and colleges are members of both the FLA and WRC.) Corporate members of the FLA include: Adidas, Eddie Bauer, GEAR For Sports, Kathie Lee Gifford, Levi Strauss, Liz Claiborne, L.L. Bean, Nicole Miller, Nike, Patagonia, Phillips Van-Heusen, and Reebok. The FLA has recently hired

Shaun MacDonald as director of accreditation. The position of director of monitoring is still open. For further information, visit: [www.fairlabor.org](http://www.fairlabor.org)

## C. UPDATES FROM CENTRAL AMERICA

1. Over 35 representatives from NGOs and unions participated in a regional conference to share experiences about “Social Standards and Independent Monitoring in the Exporting Industries” which took place in San Salvador, November 15 – 17. In addition to updates on monitoring initiatives in the apparel sector, the conference also included presentations on recent developments in the banana industry in Costa Rica and the flower industry in Colombia. The conference was hosted by CENTRA (a labour research and training center) and the Independent Monitoring Group in El Salvador (GMIES) with the support of the Heinrich Boll Foundation. For a copy of the report (in Spanish) contact Gilberto Garcia at [centra@es.com.sv](mailto:centra@es.com.sv).

2. COVERCO (Commission for the Verification of Codes of Conduct) has completed two in a series of four training workshops on independent monitoring for NGOs. The aim is to share and assess the approach and methodology COVERCO has developed in its monitoring program, and through that process to develop skills among other NGOs that might be interested in playing a role in independent monitoring. The majority of participants represent Guatemalan organizations, however representatives from independent monitoring groups in Honduras and El Salvador are also participating. Representatives from union centrals in Honduras and Guatemala have also attended the program. Funds for the program have come from the Washington-based International Labor Rights Fund (ILRF), a member of the FLA. An ILRF representative has acted as a resource person in the program, providing background on the FLA as well as facilitating the modules on international labour rights, including ILO conventions.

In the two workshops, COVERCO presented a document entitled: “Lessons and Guidelines for Independent Monitoring from Guatemala” which outlines 19 steps that COVERCO uses in its independent monitoring.

COVERCO is working with the ILRF to prepare a manual based on the program which will be available in the coming months. The ILRF is supporting a similar initiative in Taiwan. For further information on COVERCO's program contact: [coverco@infovia.com.gt](mailto:coverco@infovia.com.gt)

## **D. SOLIDARITY CAMPAIGNS IN THE NORTH**

### **1. Canadian Campaign For Ethical Purchasing Policies**

In November, the Ethical Trading Action Group (ETAG), a coalition of Canadian labour, church and non-governmental organizations, launched the "No Sweat" campaign calling on universities, primary and secondary schools, municipal governments and other public institutions to adopt ethical purchasing policies.

These policies require apparel and shoe manufacturers that sell their products to public institutions to ensure that those products are made in compliance with minimum labour standards and local laws. They also require that the companies publicly disclose the names and addresses of all production facilities making these products for the institutions, and accept independent monitoring of those facilities.

ETAG is also calling on the Canadian government to make changes in the Textile Labelling Act to require that all clothes sold in Canada include information on the label indicating the name and address of the production facility where the item was made.

In May of 2000, the University of Toronto became the first Canadian university to adopt an ethical trading policy. The No Sweat campaign hopes to build on that success, and on successful campaigns at US colleges and universities.

ETAG includes the Canadian Council for International Cooperation, the Canadian Labour Congress, the Maquila Solidarity Network, Oxfam-Canada, the Steelworkers Humanity Fund, Students Against Sweatshops-Canada, and the Union of Needletrades, Industrial and Textile Employees. The MSN is the secretariat for ETAG.

### **2. Ethical Procurement Policies In France**

As Canadian groups gear up for the No Sweat campaign, our friends at the Clean Clothes

Campaign (CCC) in Europe report that a similar campaign is well under way in France. The French branch of the CCC is promoting the adoption of ethical purchasing policies by municipal governments and schools. According to CCC, so far 80 municipalities in France have voted to become "ethical consumers".

CCC is also trying to build a network of cities that will work together on the creation of a social label, ask their suppliers to adopt the CCC model code of conduct, participate in pilot projects on independent verification with some of their suppliers, and lobby the national government to make changes in regulations to make it easier to use government procurement policies to promote improved working conditions in the global garment industry.

### **3. US "Stop Sweatshop" campaigning focuses on Nicaragua**

Nicaragua was the focus of holiday season anti-sweatshop campaigning in the US. The National Labor Committee, United Students Against Sweatshops, Campaign for Labor Rights and the Union of Needletrades, Industrial and Textile Employees (UNITE) have adopted a variety of tactics to support the survival of the union at the Taiwanese-owned Chentex factory in Nicaragua's Las Mercedes Free Trade Zone. These tactics have included: leafleting of Kohl's stores across the US; the launching of a law suit against C&Y Sportswear Inc., the US branch of Chentex, charging the company with labour rights violations that amount to human rights abuses; pressuring the US government to withdraw trade benefits to Nicaragua if conditions at Chentex don't improve; staging a protest at the Soros Fund Management offices in New York demanding that Soros Fund general manager Frank Sica, who sits on the board of directors of Kohl's Department Stores, pressure Chentex to end its union busting campaign; and exposing the US Army and Air Force for being a major purchaser of apparel made in the Chentex factory, which is then sold at stores on US military bases around the world.

## E. NEW RESOURCES

“Monitoring: Reports and Results,” information released by Nike in December 2000 on its contractors and PriceWaterhouseCoopers audits of their factories in Central and South America is now available in English on the Nike website at: [www.nikebiz.com/labor/toc\\_monitoring.shtml](http://www.nikebiz.com/labor/toc_monitoring.shtml)

“Corporate Spin: The Troubled Teenager Years of Social Reporting,” report from the UK-based New Economics Foundation (NEF). The report reveals large discrepancy between what corporations say they are doing on social auditing and what is actually taking place. It calls for greater scrutiny of social auditing by NGOs, governments and journalists, and legal requirements for social reporting. Available in English at: [www.neweconomics.org](http://www.neweconomics.org)

“Codes of Conduct and Monitoring Systems,” Ines Trigo de Sousa, Bangladesh People’s Solidarity Centre, Amsterdam, Holland. Report on investigation on what role international public institutions might play in implementing the Clean Clothes Campaign’s Code of Conduct. Available in English from BPSG for 15 Dutch Guilders per copy. Contact: [bpsc@xs4all.nl](mailto:bpsc@xs4all.nl)

“Tangled Up in Blue: Corporate Partnerships at the United Nations,” Kenny Bruno and Joshua Karliner, Transnational Resource and Action Centre, September 2000. Critique of UN Secretary General Kofi Annan’s Global Compact initiative argues that corporate influence in the UN is already too great, and that the Global Compact could lead to a partial privatization and commercialization of the UN. Available in English at: [www.igc.org/trac/globalization/un/tangled.html#e](http://www.igc.org/trac/globalization/un/tangled.html#e). The Global Compact is available, again in English, at: [www.unglobalcompact.org](http://www.unglobalcompact.org).

“Who Can Protect Workers’ Rights? The Workplace Codes of Conduct Debate,” Human Rights Dialogue, Fall 2000, Series 2 Number 4, Carnegie Council on Ethics and International Affairs. Includes various views from the US, Canada and Asia on codes of conduct and their effectiveness. Available in English at: [www.carnegiecouncil.org](http://www.carnegiecouncil.org)

“Clean Clothes Campaign Discussion Paper: Evaluating the CCC,” December 2000. Paper includes results of survey by European Clean Clothes Campaign with their partner organizations in the North and South on the effectiveness of their campaign and codes related work. Available in English at: [cleanclothes@xs4all.nl](mailto:cleanclothes@xs4all.nl). Spanish translation underway.

Maquila Solidarity Network, Toronto Canada, [info@maquilasolidarity.org](mailto:info@maquilasolidarity.org)