

MEMO: CODES UPDATE NUMBER 9, November 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. In response to a number of requests, we are also sharing the English version. Comments, criticisms and suggestions are always welcome.

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A. THE CHANGING TERRAIN IN THE CODES DEBATE

Introduction

In this our last issue of our Codes Memo Update for 2001, we assess developments in codes of conduct, monitoring and verification over the past year, and look ahead at possible future trends and debates concerning voluntary codes and their implementation.

Multi-stakeholder Initiatives Move Forward

In 2001, four competing US-based multi-stakeholder code of conduct initiatives moved into the implementation stage.

Fair Labor Association

In early January, the **Fair Labor Association (FLA)** announced that seven US brand-name apparel and sportswear companies had been approved to participate in the FLA’s external monitoring program, including Nike,

adidas, Reebok, GEAR for Sports, Levis, Liz Claiborne and Patagonia. Later that month, Phillips-Van Heusen, Eddie Bauer and Polo Ralph Lauren were added to the list.

As of November, 161 US universities have joined the FLA. In June, the FLA announced that close to 1,000 companies had registered to apply for FLA membership as a result of university requirements that companies manufacturing university-licensed products must participate in the FLA.

In October, eight of these university suppliers joined the FLA. Three suppliers – Joy Athletic, Josters Inc, and Charles River Apparel – became fully participating FLA companies. Five additional university suppliers – AF Activewear and Imagewear, and JanSport (VF Corporation); Beiderlack of America; Agron; MBI; and Whirley Industries – joined a new category of FLA companies whose involvement is restricted to university-licensed products.

The involvement of university suppliers also resulted in the FLA expanding its scope beyond the apparel and footwear sectors to include other licensed products, including class rings, yearbooks, graduation products, school photography, furniture, plastic mugs, etc.

In January, the FLA announced that the US non-profit monitoring organization Verité had been accredited as its first “external monitor” to carry out code compliance verification for FLA member companies in 14 countries. In March, the Guatemalan Commission for the Verification of Codes of Conduct (COVERCO) and the Bangladesh-based NGO Phulki were accredited as the first southern NGOs to carry out external monitoring in their respective countries.

In June, three commercial compliance certification firms were also accredited as FLA external monitors – Intertek Testing Services (China,

Indonesia, Korea, Thailand, Taiwan, India, and Malaysia), Merchandise Testing Labs (China, Indonesia, Thailand, the Philippines, India), and Global Standards/Toan Tin (Vietnam).

In October, five additional firms were accredited, including LIFT-Standards (Bangladesh), Kenan Institute Asia (Thailand), Cal Safety Compliance Corporation (USA), A&L Group (USA), and Cotecna Inspections (Argentina, Brazil, Colombia, Costa Rica, El Salvador, Mexico, Peru, Uruguay, and USA).

As the FLA was approving companies and accrediting auditors for its external monitoring program, two competing US-based initiatives were moving ahead in certifying factories as being in compliance with their respective standards.

Social Accountability International (SA8000)

As of November, code compliance firms accredited by the New York-based **Social Accountability International (SAI)** had certified 82 facilities in 19 industries and 21 countries as being in compliance with the SA8000 standard. Twenty-three of the 82 certified facilities are apparel and textile factories, and 20 are toy factories. Thirty-two of the facilities certified to date are in China, and all but three of those are in the garment/textile and toy sectors.

The SA8000 code verification and factory certification system is based on the ISO management systems compliance model. To date, all of SAI's accredited auditors are commercial management systems compliance firms. They include: Bureau Veritas Quality International (BVQI - UK), Centro per l'Innovazione e lo Sviluppo Economico (CISE - Italy), Det Norske Veritas (DNV - Norway), Intertek Testing Services (ITS - USA), Registro Italiano Navale Group (RINA S.P.A. - Italy), RWTUV Far East Ltd. (Thailand), Underwriters Laboratories Inc.

(UL - USA), and International Certification Services (SGS-ICS - Switzerland).

While there have been criticisms of the SA8000 commercial management systems approach to code compliance verification, the SA8000 standard is generally recognized as being higher and more consistent with international conventions and declarations of the International Labour Organization (ILO) and the United Nations (UN) than are the standards of most other code initiatives.

WRAP

A third US-based code compliance initiative, the **Worldwide Responsible Apparel Manufacturing Certification Program (WRAP)**, has also been moving forward in monitoring and certifying factories producing for US apparel manufacturers. A code monitoring and factory certification initiative of the American Apparel and Footwear Association (formerly the American Apparel Manufacturers' Association), WRAP is generally considered to have the lowest code standards and the least thorough or transparent monitoring program.

WRAP is also supported by maquiladora and manufacturers' associations in El Salvador, Honduras, Nicaragua, Guatemala, Costa Rica, Mexico, Haiti, the Dominican Republic, Jamaica, Sri Lanka, the Philippines and South Africa.

As of August 2001, WRAP accredited "independent monitors" have apparently certified 23 factories (including some factories in US, Mexico and Honduras), and WRAP has reportedly received applications for certification from 370 others. However, information on certified factories and their locations appears not to be publicly available.

To date, all WRAP accredited monitors are accounting and management

systems compliance firms. They include: PricewaterhouseCoopers (PWC), Intertek Testing Services (ITS), CSCC, Bureau Veritas Quality International (BVQI), Sandler & Travis (STR).

Corporate members of the WRAP Board include: Sara Lee (Hanes, Leggs Playtex, Sara Lee, Bali, etc.), Vanity Fair (VF) Corporation (Lee, Wrangler, Rustler, Riders, Britannia and Chic Jeans), Kellwood (which produces private labels for Wal-Mart), and Gerber Childrenwear.

Worker Rights Consortium

In May 2001, a fourth US-based code initiative, the **Worker Rights Consortium (WRC)**, released information on its code compliance program. The WRC is an initiative of United Students Against Sweatshops (USAS), and is being promoted to US universities as a more transparent alternative to the FLA. As of November, 90 US universities are members of the WRC.

Unlike the FLA, WRAP or SA8000, the WRC does not certify factories or brands. It carries out investigations (both pro-active and in response to worker and third-party complaints) of factories producing for member universities. Investigations are carried out by joint investigative teams made up of WRC members and local NGO and labour organizations.

The first test of the WRC model of compliance verification came in January 2001 when workers at the Kuk Dong garment factory in Atlixco, Mexico, which produces university-licensed apparel for Nike, filed a complaint alleging violations of university codes, the WRC model code, Mexican labour law and international labour law. Based on its investigation, the WRC issued two public reports documenting labour rights violations, including violations of the right to freedom of association. With a few

exceptions, the findings in the WRC reports were consistent with those of the non-profit monitoring organization, Verité, which carried out an audit of the same factory for Nike.

The WRC has been contacting local NGOs in a number of countries concerning their possible participation in joint investigations, both responsive and proactive, of labour practices in factories producing for US universities.

Gap Goes It Alone

Meanwhile, as these various competing industry and multi-stakeholder code initiatives move into operation, individual retailers and manufacturers continue to develop their own code monitoring programs. Gap, which is not currently affiliated with any of the above initiatives, is moving forward with its external monitoring program, which in some countries (El Salvador, Guatemala, Taiwan, and soon, Honduras) is carried out by local independent monitoring groups. Other companies, such as Nike, have involved NGOs in factory investigations and have selectively published reports from those investigations.

Southern Response to Northern Code Initiatives

As company and multi-stakeholder code of conduct initiatives move forward in establishing monitoring and verification systems, southern labour, women's and non-governmental organizations continue to debate whether these initiatives will actually benefit workers on the ground, and whether or how to engage with various competing initiatives.

As these new hybrid systems of private sector/civil regulation are put into practice, local civil society organizations are being forced to make decisions about whether to play a role in one or more

initiatives, and what, if any, terms or conditions to set for their participation.

Not surprisingly, the arrival of these monitoring and verification initiatives is exacerbating already existing divisions between labour, women's and non-governmental organizations over questions, such as:

- whether northern initiated code monitoring systems will usurp the regulatory role of national governments and privatize labour standards regulation, or prompt governments to more actively monitor compliance with national labour law;
- whether the presence of local independent monitoring groups in the factories will facilitate or pre-empt worker organizing;
- whether workers themselves can have an active role in workplace monitoring, or whether they will remain objects to be studied by outside organizations hired by companies; and
- how to define and differentiate the appropriate roles of unions and NGO independent monitoring groups.

Central American Monitoring Groups – An Unique Experiment

In 2001, we witnessed the increasing involvement of southern NGOs in code monitoring and verification schemes.

In Central America in particular, major US brand-name apparel companies, such as Gap and Liz Claiborne, have begun to recognize the added credibility that can be gained by involving southern NGOs in external monitoring of selected supply factories.

The Guatemalan Commission for the Monitoring of Code of Conduct (COVERCO) has participated in a monitoring pilot project at one factory for

Liz Claiborne, and is carrying out monitoring at Gap factories. COVERCO was also contracted by Starbucks to carry out an investigation of working conditions in coffee plantations producing coffee for that company. Unfortunately, the coffee exporters association was unwilling to accept the findings of the study, and refused to participate in a follow-up monitoring project.

As stated above, in March 2001, COVERCO became the first southern NGO to be accredited to carry out external monitoring in Guatemala for companies affiliated with the US Fair Labor Association (FLA). Although the FLA has been criticized for the lack of transparency in its external monitoring program, COVERCO has been successful in setting conditions for its participation, establishing its co-ownership of information from monitoring and its right to publish pertinent information from monitoring reports. Since becoming FLA accredited, COVERCO has been in discussions with other FLA member companies about carrying out external monitoring in their Guatemalan supply factory.

As the only FLA accredited external monitoring organization in Guatemala, COVERCO could be called upon to monitor an increasing number of garment factories for major US brands over the next few years. Pressures from FLA-affiliated companies to reduce the intensity, duration and intrusiveness of its monitoring methods will pose new challenges for COVERCO.

To date, the Independent Monitoring Group in El Salvador (GMIES) has carried out external monitoring at maquila factories for both Gap and Liz Claiborne. Gap has announced that it will increase the number of independently monitored factories in El Salvador. GMIES now also insists on the right to publish monitoring reports

and to share ownership of information obtained through monitoring.

In July, GMIES released its first public monitoring report on three supply factories producing for Liz Claiborne. The report indicates that very little progress was made over the past year in bringing the suppliers' practices in line with the Liz Claiborne code and Salvadoran labour law. To date, Liz Claiborne has not publicly responded to GMIES' 19 recommendations for corrective action.

Although the Honduran Independent Monitoring Team (EMI) has been inactive for a number of years, in 2001 it re-constituted itself, entering into discussions with the Gap and other US companies about external monitoring. EMI is expected to follow COVERCO's and GMIES' lead in setting requirements for greater transparency in its monitoring work.

While it is expected that COVERCO will take the lead in carrying out external monitoring under the FLA program, other Central American independent monitoring groups may also seek FLA accreditation. This will likely depend in large part on COVERCO's experience over the coming year.

Although there has been some interest in the SA8000 code verification program by Central American monitoring groups, it is not yet clear whether any will seek SA8000 accreditation, since SA8000, based on the ISO model, seems to favour the use of commercial auditing firms rather than the skills that NGOs might bring to external monitoring or verification.

To date, there appear to have been no efforts by the WRAP program to seek involvement of Central American NGOs in code compliance verification.

Although the monitoring groups have relations with the WRC, it is not yet clear to what degree they will be directly involved in WRC investigations. However,

the fact that leading members of the three Central American independent monitoring groups sit on the WRC advisory committee would seem to indicate some interest in this initiative.

Increasingly, the Central American independent monitoring groups are sharing information and experiences on their engagement with companies and the multi-stakeholder initiatives. They have joined with the Research Centre for Feminist Action (CIPAF) in the Dominican Republic, the Costa Rica-based Central American labour research and education centre ASEPROLA, and the Nicaraguan Maria Elena Cuadra Movement of Working and Unemployed Women (MEC) in forming the Regional Initiative for Social Responsibility and Jobs with Dignity. CIPAF and MEC could also be involved in creating independent monitoring groups in their respective countries in the future.

Beyond Central America

While there has been less systematic experience with local NGO participation in code monitoring or verification in other countries in Latin America or other regions of the world, there are some notable examples of NGO involvement in external monitoring.

1. In Mexico:

While there is less awareness of codes and monitoring initiatives among NGOs and unions in Mexico, Mexican academics and a labour lawyer recently carried out external monitoring for Verité and Nike at Kuk Dong in Alixco, Puebla. Given the dramatic boom in the export-oriented apparel industry and, with it, the arrival of large retailers and brand-name apparel firms, we can expect that companies as well as multi-stakeholder compliance verification initiatives will be interested in involving Mexican NGOs in code verification and training programs.

Recently a representative of the Red Mexicana Frente el Libre Comercio (RMALC) joined the FLA advisory committee.

2. In Asia:

While Hong Kong-based labour rights organizations have decided not to carry out factory monitoring for companies, the Hong Kong Christian Industrial Committee (CIC) and the Asia Monitor Resource Centre (AMRC) are working with US health and safety experts on health and safety training with workers in factories producing for major brands in southern China.

Southern NGOs have participated in code monitoring pilot projects initiated by various national Clean Clothes Campaign (CCC) groups in Europe and the Ethical Trading Initiative (ETI) in the UK. One interesting example is Swedish CCC's pilot in Bangladesh, India and China, in which a commercial social auditor carried out the audits of factory records, while local NGOs carried out off-site worker interviews.

Based on its experience in Central America, Gap has begun to extend its independent monitoring program to Asia. It currently works with an independent monitoring group in Taiwan, and is planning to collaborate with independent monitoring groups in one or more countries over the next year.

As stated above, in March 2001, the FLA accredited a second southern NGO, Phulki, to carry out external monitoring in Bangladesh. However, Phulki's mandate does not include verification of compliance with freedom of association.

3. In Africa

In 1999, the UK Ethical Trading Initiative's horticulture pilot project in Zimbabwe resulted in the establishment of a local multi-stakeholder group,

including producers, NGOs, and at a later stage, a trade union, which collaborated with the ETI's Pilot Group in London on the planning and implementation of farm inspections.

In 2000, the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ) was formed, a tri-partite association of local business, trade union and development organizations. AEAAZ plans to implement a system of monitoring and verification of its own code, which is currently in draft form. How its code and monitoring and verification system will relate to ETI member companies is also being explored.

Issues and Challenges for Southern NGO Monitors

While most of the women's, human rights and religious organizations that have formed the southern independent monitoring groups have extensive histories of labour rights advocacy work, as independent monitoring groups they are new players in the workplace. A major challenge has been to define their appropriate role and relationship with companies, unions, worker support groups, and ministries of labour.

COVERCO, for example, has developed the following set of principles that define its role as a southern monitoring group:

- independent (of companies, unions and governments);
- transparent;
- non-substitutive (not substituting for unions, management, government or advocacy groups); and
- not for profit.

However, some of the Central American organizations currently involved in, or considering becoming involved in, independent monitoring, are more reluctant to give up their historical

advocacy role. For local unions, this redefinition of roles has also created confusion about the allegiance of the monitoring groups. At the same time, some unions have also criticized monitoring groups when they have played, or were seen to be playing, a mediating or problem-solving role within the factory, charging that they are usurping the role of the union.

While the Central American monitoring groups insist that independent monitoring can not be successful without unrestricted access to the workplace and considerable time to win the workers' trust, they are increasingly being pressured by companies and the multi-stakeholder initiatives to adapt to their less intensive global compliance verification methods. Despite the far lower compensation received by staff and contract workers with the monitoring groups, their intensive brand of monitoring is more expensive and invasive than the relatively brief audits carried out by northern-based commercial firms.

The role of monitoring groups during labour conflicts has also been a major issue in Central America, and to a lesser extent in Mexico. While NGO monitoring groups have played a key role in documenting violations of freedom of association, and in some cases, facilitating the reinstatement of workers fired for union activity, labour disputes have often strained relations between monitoring groups and both unions and management, and have tested their commitment to remain independent and neutral, and to avoid substituting themselves for unions, governments or advocacy groups.

To Engage or Not to Engage

For southern labour, women's and non-governmental organizations that choose not to become directly involved in code monitoring and verification, the issue remains whether or how to engage with

the new code of conduct initiatives. Some possible options include:

- Participating in the code worker rights training programs for workers and/or management personnel so that workers are aware of their rights under particular codes, national law, and international labour conventions. While many southern groups are already involved in worker rights training, engagement with code training initiatives can offer greater access to workers and the workplace.
- Advising commercial auditors on the national and local context and relevant workplace problems and labour rights violations. Some multi-stakeholder initiatives, such as SA8000, require that auditors consult with local labour groups and NGOs before carry out audits. However, many southern groups are understandably reluctant to become unpaid advisors to high paid commercial auditors. Perhaps a more effective involvement would be as trainers in labour rights, social auditing and interviewing in auditing training programs.
- Monitoring the monitors and challenging improper factory certifications and accreditations of auditors responsible for those certifications. Most code initiatives include provisions for third-party complaints and/or appeals. While these mechanisms may or may not be effective tools to challenge labour rights violations and improve working conditions, some may be worth testing.
- Using codes of conduct to educate and mobilize workers, and to pressure companies to ensure

compliance. Most workers are unaware of the existence of codes or their intent. Even local labour and NGO groups are still unfamiliar with how codes are being successfully used by northern campaign groups to pressure major brands to ensure their suppliers are in compliance with their codes.

- Pressuring for a more authentic role for southern labour and non-governmental organizations in code monitoring and/or verification.

Advances in Transparency

In response to demands by Students Against Sweatshops at numerous US and Canadian university campuses for full public disclosure of the names and locations of production facilities making university-licensed apparel, some major brand-name companies, including Nike, Reebok, Champion, GEAR for Sports, JanSport are now disclosing increased information on some or all of their suppliers producing university-licensed apparel. Increased access to information on factory locations is facilitating research on corporate supply chains, and encouraging increased coordination between workers in the south and corporate campaigners in the north.

Companies like Nike has also responded to pressure from students and the international Nike campaign for greater transparency in their monitoring process by making selected reports available on their website. While Nike continues to control which reports are released, the release of some reports is encouraging campaign activists to demand full disclosure of auditors' reports. Reebok and Mattel have also made public selected auditors' reports on conditions in supply factories in Asia.

Over 200 universities in the US and Canada have adopted "ethical purchasing policies." Many of these policies include provisions for full public disclosure of factory locations producing for the universities.

The Ethical Trading Action Group (ETAG), a Canadian coalition of labour, church, student and non-governmental organizations is coordinating a national No Sweat campaign for the adoption of ethical purchasing policies by public institutions that include provisions for full public disclosure of names and locations of production facilities. Local campaigns for the adoption of No Sweat policies by school boards are currently underway in at least five Canadian cities, and for No Sweat municipal policies at an additional five cities.

The campaign is also calling on the Canadian government to make changes in its textile labelling regulations to require companies to publicly disclose the names and addresses of all manufacturing facilities making apparel products sold in Canada. MSN acts as the secretariat for ETAG.

While most companies continue to closely guard information from their auditors' reports, some important precedents have also been set for increased transparency of the auditing process. In Guatemala, in 1999, COVERCO successfully negotiated an agreement with the US apparel merchandiser Liz Claiborne, allowing COVERCO to make public reports from a pilot monitoring project. COVERCO has since released two very critical reports. COVERCO's transparency policy has since been accepted by Gap and the FLA, and has been adopted by the other Central American monitoring groups, GMIES and EMI.

In the UK, member companies of the Ethical Trading Initiative (ETI) have

agreed to produce annual public reports documenting steps taken in the past year to ensure compliance with the ETI code of conduct. The 1999-2000 report is available on their website. The WRC is going further than other initiatives by making public all reports from its investigations.

While the SA8000 initiative currently provides only limited information on the results of factory audits – the names of certified factories appear on its website – its new corporate “Signatory Company” program could potentially provide some additional information to the public through company reports on progress made in bringing suppliers into compliance with the SA8000 standard.

Pilot Monitoring Projects

As US-based code initiatives move forward, labour and non-governmental organizations in Europe continue to engage with companies and southern NGOs, unions, and suppliers in code monitoring pilot projects. While there is a real danger that the European initiatives will be left in the dust of the US-based global verification programs, the slower, more careful approach of the European groups could result in a more effective and inclusive (of southern groups) code verification model.

The Centre for Research on Multinational Corporations (SOMO) and the international secretariat of the Clean Clothes Campaign (CCC) are currently assessing five national European initiatives on monitoring and verification of codes of conduct in the Netherlands, the UK, Sweden, France, and Switzerland. The assessment will include a review of pilot projects undertaken by CCC groups (including the ETI) in collaboration with companies and southern NGOs.

Preliminary reports point to interesting possibilities for a division of

labour between commercial compliance verification companies, southern NGOs, and labour organizations. In a number of the pilot projects – the UK Ethical Trading Initiative’s horticulture pilot in Zimbabwe, and the Swedish CCC pilots in Bangladesh, India and China – local NGOs and/or researchers identified by them carried out off-site interviews with workers, and commercial compliance verification firms carried out book audits of factory records.

In the Swedish pilot, “pre-studies” were carried out to gain an overall impression of the situation in the particular region, find out what workers know about codes and their rights, meet local trade unionists, and identify people to carry out the studies. Interviews with workers by NGO-selected researchers were carried out prior to unannounced factory audits by the commercial auditing firm accompanied by the project coordinator.

Although the European code monitoring and verification initiatives are moving more slowly in establishing their code implementation systems and structure, than are their US-based counterparts, their “foundation” model continues to offer an alternative vision to the US corporate dominated approach.

While CCC groups recognize that, given the lack of capacity for local NGOs to undertake code verification for hundreds of thousands of supply factories around the world, commercial auditors will unavoidably play a significant role in any future code monitoring systems, they are attempting to create governance structures in which commercial and NGO auditors are directly accountable to multi-stakeholder foundations, rather than being contracted by and accountable to retailers and brands.

Training and Capacity Building

Organizations committed to local NGO and labour involvement in code verification, including some northern NGOs involved in multi-stakeholder initiatives, are putting increasing emphasis on training and capacity building.

The International Labor Rights Fund, which is a member of the US Fair Labor Association (FLA), has supported training programs on code monitoring for NGOs in three countries: Taiwan, Indonesia and Guatemala (for Central America). In Guatemala, ILRF has worked with COVERCO, which has developed a training program on codes and monitoring for Guatemalan labour, women's and human rights groups as well as local government representatives. This program could become a pilot for similar training programs in other Central American countries or for a regional training program.

Social Accountability
International has designated at least two pro bono spaces to allow northern and southern NGOs to take part in its auditor training programs and has held a series of regional consultations involving local labour and non-governmental organizations in Latin America and Asia.

Other NGO networks, including the UK-based Women Working Worldwide (WWW) and Central American Women's Network, the European Clean Clothes Campaign, as well as the MSN have organized and collaborated on NGO/labour consultations and training initiatives in Asia and Central America on codes and monitoring.

While many companies have been suspicious of worker rights training as an element in code implementation, fearing that it could encourage worker organizing, a few companies have collaborated with labour organizations on pilot training

projects. The most notable example is the pilot project jointly sponsored by Reebok and the AFL-CIO's Centre for International Labor Solidarity on a training project for Reebok production workers in Indonesia on freedom of association.

Increasingly, the multi-stakeholder code initiatives are incorporating worker rights training, both for workers and management personnel, as part of their code verification programs. SAI and the ITGLWF have recently received funding for a joint project to develop and pilot training modules on codes of conduct and SA8000 with ITGLWF affiliates in Asia, Latin America and Africa.

Worker and Third-Party Complaints

For code verification and factory certification systems to be effective, there must be confidential and effective means for workers and interested third parties to register complaints. While these mechanisms are still underdeveloped in most of the multi-stakeholder initiatives, there is a general recognition of their importance.

At least on paper, the SA8000 provisions for third party complaints are the most detailed. According to SAI, anyone can file a complaint about an "inappropriate factory certification" to either the relevant social auditing organization or to SAI directly. All complaints will be investigated, and all complainants will be advised of the outcome. Although there have been only three complaints to date, one was not dealt with to the satisfaction of the complainant, the Hong Kong Christian Industrial Committee.

SA8000 also requires certified companies to provide a confidential system for workers to register complaints concerning violations of the SA8000 standard. Companies must maintain records of all complaints and how they

responded to them. How these two complaints systems interconnect is not entirely clear.

While the FLA also has provisions for worker and third-party complaints, it is less clear how it will work in practice, since particular factories are not certified to be in compliance with the FLA code. WRAP apparently does not have any provisions for worker or third-party complaints.

In contrast, the WRC is a complaints-based system, and most of its joint investigations will apparently be carried out in response to worker and third-party complaints. The first test of the WRC's code compliance model took place in January 2001 in response to complaints about violations of freedom of association at the Kuk Dong factory in Atlixco, Mexico. The WRC has since published two public reports on the results of its investigation.

Given the exclusion of companies from the WRC's governance bodies, access to factories for its investigations could be a potential issue. It is worth noting, however, that despite Nike's antagonistic relationship with the WRC, Kuk Dong management and representatives of the "official" union at the factory were willing to participate in interviews carried out by the WRC investigative team.

Whether these mechanisms for worker and third-party complaints in the various code initiatives will prove to be useful tools for southern workers, unions and NGO's is yet to be seen.

Where are we headed for 2002?

We are now at the stage where it appears that at least some of the multi-stakeholder initiatives have gained sufficient corporate buy-in to ensure that they will continue to be actors in the labour rights terrain. For example:

- Despite considerable opposition from US unions, university students, and other sectors of the anti-sweatshop movement, the FLA has survived and grown.
- While SA8000 has been less successful in attracting new corporate members, possibly because of its stronger code provisions, it is moving forward with factory certifications, auditor accreditations, and training programs.
- With less public attention, WRAP is moving forward in implementing its factory certification program.
- While the WRC faces challenges in establishing its "professional" credentials and independence from USAS's campaigning initiatives, it appears to have gained sufficient university buy-in and clarity on its role to establish itself as an alternative code compliance verification model.
- While the European code initiatives have been slower in institutionalizing their monitoring and verification systems, they have maintained corporate involvement in their pilot project experiments while continuing to explore possible options for civil society participation in code verification.

However, if the new code monitoring and verification systems are to be effective in improving conditions for workers, groups in the South and North – unions, women's organizations, NGO's, independent monitoring groups, and workers – must have sufficient information and the capacity to effectively engage with these systems, and to make demands upon them.

We anticipate that in the coming year there will be continuing pressure on corporations, governments and multi-stakeholder code initiatives for increased public access to information on factory locations and increased transparency in the code verification and factory or brand certification processes. This is an essential pre-requisite to assess the extent to which codes and monitoring are effective in contributing to systemic improvements for workers in the global apparel industry.

There will also be a pressing need to clarify the role of local NGOs and labour groups in code monitoring and verification processes, and the specific role of independent monitoring groups in relationship to the role of unions and ministries of labour. With the European initiatives, if not with their US counterparts, we expect to see continuing exploration of a possible division of labour in which private auditing firms focus on auditing company books, contracts and employment and sourcing records, while local NGOs play an increasing role in pre-audits, consultations, off-site interviews with workers, and assessments of audit results.

If southern NGOs are to play a more active and authentic role in code monitoring and verification, there will need to be increased support for training, organizational capacity-building, and South/South and North/South networking and information sharing. We could also see the emergence of new regional and North/South consortiums of southern NGOs, in partnership with northern groups and individuals with expertise in more technical areas like health and safety and book audits.

While an increasing number of NGOs will no doubt become more directly involved in code compliance verification, the field is likely to continue to be largely dominated by northern-based commercial social auditing firms. In 2000,

PricewaterhouseCoopers alone carried out over 2000 audits.

Monitoring the monitors is likely to continue to be an important role for many southern and northern labour rights advocacy groups. As well, there will likely be increasing pressures on commercial, as well as NGO auditors, to demonstrate their professional expertise in documenting systematic violations of labour rights and their independence from potential conflicts of interest.

A crucial question for labour and non-governmental organizations that choose not to become directly involved in code monitoring and verification will be whether to engage with these systems at all, and if so, how.

While there will be a strong temptation to reject voluntary code initiatives as nothing more than corporate public relations, it is important that unions and labour rights advocacy groups develop more sophisticated strategies to make use of the new space provided by these initiatives.

Whatever we think about voluntary codes of conduct and global compliance verification systems, we cannot wish them out of existence. The real issue for labour and non-governmental organizations in the North and South is not whether we support or oppose voluntary codes of conduct; it's how to effectively engage with and make use of these new regulatory instruments to promote greater respect for workers' rights.

B. NEW RESOURCES

Corporate Responsibility Report, Nike, October 2001, 55 pages.

The US sports shoe and apparel marketing giant that everyone loves to hate has published its first corporate responsibility report. On the positive side the report admits to serious weaknesses in Nike's current code monitoring and verification system, and points to the following lessons learned:

- "More and better quality worker interviews need to be a centrepiece of the system."
- "Monitoring, no matter how effective, is no substitute for effective, confidential and internal processes for workers who want to bring issues to the attention of responsible management."
- "[M]onitoring needs to look as much at background, local conditions and systems as at current issues within the factory walls."
- "[C]lear standards, investment in training, and clear disciplinary procedures are critical to the whole process."

On the negative side, the Nike report is more anecdotal than factual, offers little new information, and doesn't adequately address key worker rights issues. For example: although freedom of association was the major issue in the recent dispute at Nike's Kukdong supply factory in Mexico, it is only obliquely referred to in the report's section on Kukdong. The report is also disappointing on how it addresses the living wage debate, using questionable statistics and repeating old arguments to defend its current policy, rather than seriously addressing the issue.

While admitting some past mistakes, Nike makes few specific

commitments in the report on how it will improve its monitoring and verification program. However, the slick yet folksy packaging of Nike's *Corporate Responsibility Report* is, in itself, worth a trip to the company's website: Visit:

www.nikebiz.com.

Discussing Key Elements of Monitoring and Verification, Nina Ascoly and Ineke Zeldenrust, SOMO, September 2001, 12 pages.

This Clean Clothes Campaign discussion paper draws lessons from five European code of conduct monitoring and verification pilot projects initiated in the UK, the Netherlands, Sweden, France, and Switzerland, and examines key elements of an effective monitoring and verification system that "serves to improve working conditions and facilitate the empowerment of workers." These include "the use of management systems, the possibility of developing complaints mechanisms, and the roles and relationships of various stakeholders in the monitoring and verification process." Visit:

www.somo.nl/monitoring/related/disc-key-elements

Towards Participatory Workplace Appraisal: Report from a Focus Group of Women Banana Workers, Jem Bendell, New Academy of Business, September 2001, 36 pages.

The study examines the concerns, views and priorities of women banana workers in Costa Rica, and compares their views with the issues outlined in the Ethical Trading Initiative (ETI) Base Code and the SA8000 standard. It then identifies issues raised by the women in the focus group that are not covered by those codes.

Visit: www.new-academy.ac.uk/bananas/acknowledgments.html

“Bringing Codes Down to Earth,” Lynda Yanz and Bob Jeffcott, *International Union Rights*, Vol. 8, Issue 3, 2001.

The article highlights at four examples of code monitoring and public reporting, including Wal-Mart in China, Nike in Indonesia, PricewaterhouseCoopers, DNV in China, and COVERCO in Guatemala, and concludes that commercial auditing has proved to be ineffective in assessing worker attitudes and experiences. While greater transparency in code monitoring, verification and public reporting, as well as increased involvement of NGOs in the process, have won companies some credibility, they have not resolved the codes monitoring dilemma. Visit: www.maquilasolidarity.org

Gender and Ethical Trade: A Mapping of the Issues in African Horticulture, Stephanie Barrientos, Catherine Dolan and Anne Tallontire, NRET, July 2001, 41 pages. The paper offers a gender analysis of codes of conduct – ETI, SA8000, and sectoral and company codes – in the African export horticulture sector. It criticizes code provisions and monitoring and verification systems for not addressing the gender-specific problems and issues of women workers. Visit: <http://www.nri.org/NRET/genderet.pdf>

“Thinking About the Anti-sweatshop Movement,” Jeffrey C. Issac and Liza Featherstone, *Dissent* magazine, Fall 2001, 13 pages.

The article offers an interesting exchange of views on the limits and possibilities of the anti-sweatshop movement. Issac, a US academic involved in the Worker Rights Consortium, questions whether the Students Against Sweatshops movement is anti-capitalist, and advocates setting modest, reformist objectives “to carve out small but meaningful spaces of social responsibility and to work against specific injustices in solidarity with others, elsewhere, seeking to do the same.” Featherstone, co-author of the forthcoming book *Students Against Sweatshops* disagrees, arguing that the student anti-sweatshop movement is informed by and an important part of the broader radical movement against corporate globalization. Copies of the article available from MSN.