

Responsible supply chain management -Workshop on methods and strategies



Report from SwedWatch, SuRe & MakeItfair conference,
26 October at the Stockholm School of Economics

1. Organisers

SwedWatch is a non-profit organisation publishing reports on Swedish business relations with developing countries. SwedWatch covers different sectors and focuses on social and environmental concerns. SwedWatch consists of five member organizations: The Swedish Society for Nature Conservation, Church of Sweden, Solidarity Sweden Latin America, Friends of the Earth Sweden and Fair Trade Center. SwedWatch is financed by the Swedish Development Aid Agency, Sida. www.swedwatch.org

Stockholm School of Economics, Sustainability Research Group (SuRe) provides teaching and research on corporate social responsibility, environmentally sustainable business, human rights and global supply chains, ecological business, microfinance for poverty alleviation and Base of the Pyramid business model innovation. www.suregroup.se

MakeITfair is a Europe wide project on consumer electronics, which aim is to inform the public about human rights, social and environmental issues along the supply chain. SwedWatch, Fair Trade Center and Church of Sweden are participating in this network together with eight other organisations in Europe and developing countries. www.makeitfair.org

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Denna publikation är delvis framställd med bistånd av Europeiska kommissionen, som dock ej tar ställning till skriftens innehåll.

Agenda

8.30-9.00 **Arrival & registration**

9.00-9.30 **Ways towards a better working life - Presentation of SwedWatch report**

Ms Viveka Risberg, Director of SwedWatch

Responsible business - From risk management to innovation and growth strategies

Dr Lin Lerpold, Stockholm School of Economics, SuRe

9.30-10.30 **First panel : Corporate challenges - Making it work**

1. Do workers really benefit from CR?

Dr Stephanie Barrientos, University of Manchester

2. How to make sustainable changes - 20 years of monitoring working conditions in China

Ms Qing Zhang, New Standards/Taos Network

3. Audits fatigue - The pros and cons with audits

Mr Mats Pellbäck-Scharp, Sony Ericsson

4. Integrating CR in business practice

Mr Joe Falcone, Counter Sourcing, Bangladesh

Moderator: Dr Lin Lerpold

10.30-11.00 **Coffee break**

11.00-12.00 **Second panel: The potential of workers' participation**

1. Workers training in China - the HP case

Ms Jenny Chan, Hong Kong based Sacom

2. Efforts to organise within EPZs - Could companies promote union rights more proactively? Ms Jenny Holdcroft, International Metalworkers' Federation

3. Difficulties and possibilities to involve workers in the CR-process

Mr Sören Andersson, Trelleborg

Moderator: Dr Lin Lerpold

12.00-13.00 **Lunch buffet in KAW lobby**

13.00-14.30 **Small group discussions**

1. How can buyers support suppliers willing to meet CR demands?

Presenter: Ms Gunelie Winum, Ethical Trading Initiative Norway

2. Living wages: Philanthropy or simply a necessity?

Presenter: Mr Joe Falcone, Counter Sourcing

3. What complimentary methods are available for China?

Presenter: Jantien Meijer, Fair Wear Foundation

4. Precarious work – how can the most vulnerable workers be protected?

Presenter: Ms Jenny Holdcroft, International Metalworkers' Federation

5. How can CR benefit local population? The need for a social licence to operate.
Presenter: Mr John Capel, Bench Marks Foundation

14.30-15.00 Coffee break

15.00-16.00 Plenary panel: Reports from group discussions
Moderator: Dr Susanne Sweet, Stockholm School of Economics, SuRe

16.00-16.30 Conclusion: Ways forward
Final remarks by SuRe and SwedWatch

2. Speakers

Dr Lin Lerpold, Assistant Professor at Stockholm School of Economics/SuRe. Dr Lerpold is Assistant Professor at the Stockholm School of Economics and a member of the Sustainability Research Group (SuRe). She conducts research on human rights and multinational corporations, commercialization of non-profit organizations, and leads a research project on microfinance and poverty alleviation. Dr Lerpold teaches CSR courses in MSc, MBA and executive programs at the Stockholm School of Economics. Before starting her research career, she worked close to 10 years with major players in the international petroleum industry.

Dr Stephanie Barrientos, University of Manchester, UK Dr Barrientos gained her BA and PhD in Political Economy at the University of Kent. She was previously a Research Fellow at the Institute of Development Studies, University of Sussex. Ms Barrientos has researched and published widely on gender, global production, employment, decent work, international labour standards, corporate social responsibility, fair trade, and ethical trade. She has advised and provided training for a number of companies, NGOs and international organisations.

Dr Susanne Sweet, Associate Professor at Stockholm School of Economics /SuRe. Econ Dr Sweet is Associate Professor at Stockholm School of Economics, Department of Marketing & Strategy where she is chairing SuRe, Sustainability Research Group.

Ms Gunelie Winum, ETI, Oslo, Norway. Ms Winum is Project Manager at Ethical Trading Initiative Norway. She is responsible for training and capacity building of members and project activities in producing countries. The latter implies identifying and co-operating with local ethical trade resources. She holds a BA in cross disciplinary development studies and a MA in Business Administration. Before joining ETI-Norway, Ms Winum worked with several development aid organisations.

Ms Jantien Meijer, Team leader International Verification, Fair Wear Foundation, Amsterdam, Netherlands. Jantien Meijer works with Fair Wear Foundation as Team leader for International Verification. From 2004 to 2007 she was responsible for FWF's activities in China, training local experts for factory audits and experimented with combining factory audits and worker training. The last years the FWF has evaluated the effectiveness of worker training programmes and been identifying best practices.

Ms Jenny Chan, Chief Coordinator at SACOM, Hong Kong, China. Ms Chan serves as Chief Coordinator at the Students & Scholars Against Corporate Misbehavior (SACOM) in Hong Kong China. She started her PhD at the University of London in September 2009.

Ms Jenny Holdcroft, International Metal Federation, Geneva, Switzerland. Ms Holdcroft is Director ICT, Electrical and Electronics, Aerospace, Equal Rights at the International Metalworkers' Federation.

Ms Qing Zhang, Executive Director New Standards/Tao's Network, Shanghai, China. Ms Zhang is in charge of the audit team doing worker interviews. Prior to joining TAOS, she was the founding China Program Director for Verité. Ms Zhang developed some of China's most innovative programs on worker education for several international brands. Before working in the social compliance field, Ms Zhang was a business journalist and newspaper editor in Tianjin, China.

Ms Viveka Risberg, Director of SwedWatch , Stockholm, Sweden. Ms Risberg has several years of experience from South Asia managing a Code of Conduct team at a Swedish company. This work included factory auditing, CSR projects and strategies. Key factors were workers' training, supplier participation, brand collaboration and incorporating social and environmental parameters into the core business. Viveka has a background in media and has worked as journalist and entrepreneur.

Mr Joe Falcone, Counter Sourcing, Dhaka, Bangladesh. Mr Falcone is CSR and health consultant and the founder and CEO of Counter Sourcing and Fair Trade Apparel. Mr Falcone has long experience of CSR implementation and health related projects in South Asia. He was earlier Program Development Director at Health Solutions and before that he held the position as Corporate Responsibility Manager at Nike's regional office in Bangkok.

Mr John Capel, Bench Marks Foundation, Johannesburg, South Africa. Rev. Capel is the Chief Executive of The Bench Marks Foundation of Southern Africa, a church-backed organisation monitoring corporate performance and corporate social responsibility.

Mr Mats Pellbäck-Scharp, Director Environment & SQA at Sony Ericsson, Stockholm, Sweden. Mr Pellbäck-Scharp serves as Director of Environment and Supplier Quality Assurance at Sony Ericsson. Before holding this position he was Director of Environment, Health and Safety at the same company. He has a degree from KTH Royal Institute of Technology in Stockholm.

Mr Sören Andersson, Senior Vice President Human Resources Trelleborg, Sweden. Sören Andersson serves as Senior Vice President for Human Resources at the company Trelleborg based in the Swedish city with the same name. He has a University degree in economics, sociology and education. Prior to working with Trelleborg he held several HR positions within SCA.

3. Participants

1	Angelika Lindstrand, Stockholm School of Economics	angelika.lindstrand@hhs.se
2	Ann Christiansson, Svensk Handel	ann.christiansson@svenskhandel.se
3	Ann Kämpe, Consultant	ann.kampe@easynut.com
4	Anna Dadfar, Swedish Trade Council	anna.dadfar@swedishtrade.se
5	Anna Lindstedt, Ethos International	anna.lindstedt@ethosinternational.se
6	Anna Skantze, Ministry for Foreign Affairs	anna.skantze@foreign.ministry.se
7	Anna Sundbaum, Svenska Kyrkan	anna.sundbaum@gmail.com
8	Annabelle Ingeborg Lefebure, Varnergruppen	annabelle.lefebure@varner.no
9	Anne Engström, Luleå University	anne.engstrom@ltu.se
10	Annika Torstensson, Fair Trade Center	annika@fairtradecenter.se
11	Birgitta Schwartz, Mälardalens Högskola	birgitta.schwartz@mdh.se
12	Bo Leander, Swedish Export Credit Corporation	bo.leander@sek.se
13	Britt-Marie Nilsson, CLR com	britt-marie.nilsson@clrcon.com
14	Christin Holm, Sveriges konsumenter	christin.holm@sverigeskonsumenter.se
15	Christopher Riddselius, Fair Trade Center	christopher@fairtradecenter.se
16	Damien Fruchart, Ethix SRI Advisors	damien.fruchart@ethix.se
17	Daniel Paska, Sony Ericsson	daniel.paska@sonyericsson.com
18	David Sigurthorsson, Linköping University	david.sigurthorsson@liu.se
19	Deeba Remheden, Kwintet AB	deeba.remheden@kwintet.com
20	Eléonore Elfström Fauré, Fair Trade Center	eleonore@fairtradecenter.se
21	Elin Bengtsson, SwedWatch	elin@swedwatch.org
22	Elin Wallberg, Rädda Barnen	elin.wallberg@rb.se
23	Emma Hernborg, Fair Trade Center	emma@fairtradecenter.se
24	Emma Ihre, Ethix	emma.ihre@ethix.se
25	Emma Sjögren, TCO	emma.sjogren@tco.se
26	Filippa Bergin, Åhléns	filippa.bergin@ahlens.se
27	Gunelie Winum, Ethical Trading Initiative	gunelie@etiskhandel.no
28	Helena Nordin, TCO	helena.nordin@tco.se
29	Helena Norin, Enviroplanning	helena.norin@enviroplanning.se
30	Henrik Fröjmark, Svenska Kyrkan	henrik.frojmark@svenskakyrkan.se
31	Ingrid Stigzelius, Stockholm School of Economics	ingrid.stigzelius@hhs.se
32	Irene Häglund, Cheap Monday/Monki Fabric	irene.haglund@monkiproduction.se
33	Jakob König, GES Investment Services	jakob.konig@ges-invest.com
34	Jan Tullberg, SeaSure	jan@tullberg.org
35	Jantien Meijer, Fair Wear Foundation	meijer@fairwear.nl
36	Jenny Chan, Sacom	wlchan@sacom.hk
37	Jenny Holdcroft, International Metal Federation	jholdcroft@imfmetal.org
38	Jerker Thorsell, Genombrott	jerker@genombrott.se
39	Joakim Stenström, CLRcon	joakim.stenstrom@clrcon.com
40	Joe Falcone, Counter Sourcing	joe.falcone@countersourcing.com
41	Johan Sandström, Örebro University	johan.sandstrom@oru.se
42	Johanna Lund, Globala Skolan	johanna.lund@denglobalaskolan.com
43	John Capel, Bench Marks Foundation	jcapel@eject.co.za
44	John Womack, Clas Ohlson	john.womack@clasohlson.se
45	Johnny Gylling, Telenor	johnny.gylling@telenor.com
46	Jonas Meerits, J Lindeberg	jonas.meerits@jlindeberg.com

47	Josefin Olsson, MJV	josefin_olsson@hotmail.com
48	Kaveh Peighambari, Luleå University	kaveh.peighambari@ltu.se
49	Knut-Erland Berglund, SeaSure	knut-erland.berglund@ekhist.uu.se
50	Kristina Bjurling, SwedWatch	kristina@swedwatch.org
51	Lena Bergendahl, ICA	lena.bergendahl@ica.se
52	Lena Eriksson, Naturskyddsföreningen	lena.eriksson@naturskyddsforeningen.se
53	Lin Lerpold, Stockholm School of Economics	lin.lerpold@hhs.se
54	Linda Johansson, J Lindeberg	linda.johansson@jlindeberg.com
55	Linda Linné, Sustainia Sweden AB	linda.linne@sustainia.se
56	Malin Bergstedt Guérin, Amnesty	malin.bergstedt.guerin@amnesty.se
57	Malin Eriksson, Rena Kläder	malin@renaklader.org
58	Mari Bangstad, ETI	mari@etiskhandel.no
59	Maria Babri, Umeå University	maira.babri@usbe.umu.se
60	Maria Collin, Clas Ohlson	maria.collin@clasohlson.se
61	Maria Engvall, SwedWatch	maria@swedwatch.org
62	Maria Karlsson, Globala Skolan	johanna.lund@denglobalaskolan.com
63	Maria Losman, Ecoplan	maria.losman@ecoplan.se
64	Maria Länje, Manager Lindex	maria.lanje@lindex.com
65	Marijane Jonsson, Stockholm School of Economics	marijane.jonsson@hhs.se
66	Maritha Lorenzon, H&M	maritha.lorentzon@hm.com
67	Mats Jutterstrom, SeaSure	mats.jutterstrom@hhs.se
68	Mats Pellbäck-Scharp, Sony Ericsson	mats.pellback-scharp@sonyericsson.com
69	Mats Svensson, IF Metall	mats.svensson@ifmetall.se
70	Mats Valentin, SwedWatch	mats@swedwatch.org
71	Minna Janusson, Fair Trade Center	minna@fairtradecenter.se
72	Mårten Hasselbom, Saltå Kvarn AB	marten.hasselbom@saltakvarn.se
73	Nanna Engqvist, Goodpoint	nanna.engqvist@goodpoint.se
74	Niklas Svensson, Sthlm Policy Group	nicklas@sthlmgroup.se
75	Nina Johansson, Systembolaget AB	nina.johansson@systembolaget.se
76	NN, Åhléns	filippa.bergin@ahlens.se
77	Panos Adamopoulos, Ethos International	panos.adamopoulos@ethosinternational.se
78	Peter Nilsson, Brio	goran.kullberg@brio.net
79	Pär Löfving, DnB NOR Asset Management	par.lofving@dnbnor.com
80	Qing Zhang, New Standards	qztaos@gmail.com
81	Sabina Du Rietz, Stockholm University	sabina.durietz@fek.su.se
82	Sara Nordbrand, SwedWatch	sara@swedwatch.org
83	Setayesh Sattari, Luleå University	setayesh.sattari@ltu.se
84	Simon Werbart Flato, SeaSure	think85@gmail.com
85	Sofia Nordström, Svenska Kyrkan	sofia.nordstrom@svenskakyrkan.se
86	Stephanie Barrientos, University of Manchester	stephanie.barrientos@manchester.ac.uk
87	Susanne Sweet, Stockholm School of Economics	susanne.sweet@hhs.se
88	Sven Helin, Örebro University	sven.helin@oru.se
89	Sören Andersson, Trelleborg	soren.andersson@trelleborg.com
90	Thomas Lassen, Brio	goran.kullberg@brio.net
91	Tone Ahlin, Rena kläder	tone@renaklader.se
92	Vegard Neverlien, Varnergruppen	vegard.neverlien@varner.no
93	Viktoria Bergman, Trelleborg	viktoria.bergman@trelleborg.com
94	Viveka Risberg, SwedWatch	viveka@swedwatch.org
95	Åsa Beckius, ICRC	asa.beckius@redcross.se
96	Åsa Wallström, Luleå University	asa.wallstrom@ltu.se

4. Background

Many companies have put much effort into improving their methods and strategies for Corporate Responsibility (CR) during the last years. However, several companies also feel that they do not reach the effect they aim for. In times of audit fatigue, how can companies act more proactively and raise capabilities? How can the various tools and methods create long-term and sustainable improvements in developing and transition economies?

SwedWatch and the Stockholm School of Economics are pleased to invite you to a workshop focusing on new methods and strategies in responsible supply chain management. Social audits are still one of the most important tools in supply chain management. This CR tool can be complemented and reinforced with yet other tools and methods to improve working conditions along the supply chain. The purpose of the workshop is to create a venue for sharing knowledge on best practices. Welcome to an inspiring day!

5. Conference summary

6.1. Ways towards a better working life - Presentation of SwedWatch report

Viveka Risberg, Director of SwedWatch, introduced highlighting her expectations of the day: Cooperation, innovation and sharing experiences to incorporate CR into all aspects of business. The question is whether we are reaching the goal we are aiming for? Are current methods for social audits and codes of conduct cost efficient enough and are they identifying the root causes? Do these methods really make business both sustainable and profitable? Or do we need new methods?

Before joining Swedwatch, Viveka used to work with CR at H&M in Dhaka and therefore used the Bangladesh case as a living example of what impact CR can have for workers, and for a whole industrial sector. The ready made garment industry stands for 75% of the export earnings of the Bangladesh economy. Since the 80's garment factories has increased from 50 to 4.500. 2.5 million people work within this sector, about 70 percent of them are women from rural areas.

In 1992 the US banned import from countries that use child labor and consumers boycotts put pressure on international brands who reacted by writing Codes of Conduct based on the ILO core conventions and UN declarations. Since then garment factories producing for international brands have been inspected by social auditors and today child labor is more or less eliminated from the exporting units, the factory conditions are good, health and safety issues and working conditions are quite ok. A decade of CSR through codes of conduct and auditing has made a visible, measurable and reportable change.

The problem however, is that the profitable garment production does not trickle down to the workers and Bangladeshi garment workers are still under-fed, malnourished and without possibilities of a good upbringing for their children. An average wage for a skilled sewing machine operator is around 1.4 dollars a day, and the minimum wage is not even one dollar a day. A full time skilled worker, adding 2-4 hours overtime per day, can barely feed the family. The low wages makes Bangladesh a winner in the buyers search for the lowest prices. The conclusion is that this business does not reduce poverty but on the contrary often creates poverty.

The common conclusion from SwedWatch's reports and recommendations stands out clearly: There is a need for cooperation between different actors in order to move CR forward. However, even though governments must carry the main responsibility, corporations, investors and consumers can play a vital role. Pressure is needed from all sides at the same time. Another conclusion from Swedwatch's studies is that the CR process must include workers to a larger extent to ensure sustainable improvements.

Multi stakeholder groups therefore must include corporations, institutions, unions and NGOs to make an impact that stretches outside the factory walls. In this way perhaps CR can lead to a win-win situation after all. What is vital is that we all are prepared to share the costs. During this workshop we will start by sharing our best practices to inspire further action – Together we can make a change.

6.2. Responsible business – From risk management to innovation and growth strategies

Dr Lin Lerpold, Assistant professor at the Stockholm School of Economics /Sustainable Research Group, welcomed the audience to the school by highlighting the importance for the academic world to interact with more operational actors to a higher extent. In order to move things forward exchange between different sectors is needed.

However, for a school that for 100 years has been entrenched rather in finance, economics and business, this kind of workshop would not have been possible before. The Sustainable Research Group has received an increasing internal and external demand for CSR teaching. Things have started to change, one consequence being how CSR teaching is approached. It has become clear that highlighting different experiences is the challenge. Case studies are illustrating the effects and challenges of globalisation: Who is responsible? The suppliers'? The buyers'? Can you really sell anything to anyone?

The Sustainable Research Group is trying to avoid being too normative when it comes to these questions and instead transmitting the message of responsibility to reflect on these things. There is a need to think about CSR in multi-stakeholder strategy terms of cooperation (academic SuRe and NGO SwedWatch cooperation for example). The common goal is to move away from philanthropy towards innovation and entirely integrate CSR values into the chain. There is a need for a shift from risk management towards integrating CSR in the growth strategies. The answer is to go to the root of the problem instead of only trying to treat the symptoms. Through looking at the base of the pyramid we can see the opportunities for business and social good.

6.3. Corporate challenges – Making it work

6.3.1. Do workers really benefit from CR?

Dr Stephanie Barrientos from the University of Manchester, whose research and work has been focusing on workers situation in developing countries, pointed out that there has been a big advance the last 20 years. However, we still have massive challenges ahead of us that have to be dealt with. How can we move forward?

One key is the commitment of buyers. Companies' reputation is being increasingly exposed and those who tend to use empty words can eventually be held accountable. For this to happen not only consumers but also the supplier level has to undergo an attitude change. Ethical trade has to be integrated into purchasing practices.

Another important factor is the working conditions. The conditions for regular workers have improved (working hours, health, safety, insurance). The challenge is how to improve the situation for the irregular workers who are hired on third party labour contracts therefore being very difficult to monitor. This is a growing challenge as value chains are becoming increasingly complex, and not all workers necessarily are subject to the same concern. The answer is better coordination on the purchasing – supplier side enabling rights, highlighting discrimination, giving the right to unionise and take part in collective bargaining. Purchasing practices must be improved through codes of conduct including all workers.

On the bright side, even though many feared that the economic downturn would push CSR off the agenda, this has not happened. Therefore, it is important to keep on as usual protecting migrant labour and moving workers to avoid the spread of a new form of economic slavery. At the end of the day, cheap labour does not produce quality products. The only way to turn the trend around is if government, buyers, suppliers, and others work together.

What about the role of governments? Even if structural adjustment is needed in developing countries, companies have a big say. But do workers really benefit from companies improving their CSR strategies? Stephanie tells the audience about a comparative case study where of 11 UK companies, brands, retailers and suppliers. For example was it clear that fair trade labels do not reach labour issues even if many consumers might think so. Instead permanent representation is the answer to monitor the reality rather than putting labels on products that might mislead the consumer.

6.3.2. How to make sustainable changes – 20 years of monitoring working conditions in China?

Quing Chang from Tao's Network started conducting social audits at the factory level and more recently has moved towards CSR consulting. Tao's experience is that working closely with the factory side, international companies, and CSR directors in trying to respond to their challenges can enhance transparency.

However, a common social audit outcome is that many at the factory level do not provide accurate information. How to encourage transparency in these cases? The answer is to emphasise partnerships, work towards negotiation, communication, and increasing the understanding between buyers and suppliers.

Through monitoring Tao's has experienced that many workers regard companies not being accessible and lacking tolerance. Through dialogue, company management becomes more accessible and by including all stake holders, capacity can be increased. However, Tao's experience shows that it is very important to provide support to factories that lack these resources.

So what is most difficult when conducting workers interviews in China? Within social audits inside/outside factories in China, workers tend to provide information which is not true, not because they are being forced to do so, but because they protect the factory, hence their jobs. It is important to establish other methods to monitor the process and provide training together with worker representatives in order to make the workers' real voices heard.

6.3.3. Audits fatigue – The pros and cons with audits

Mats Pellbäck-Sharp from Sony Ericsson spoke about their experience from audits. The company has altogether conducted 97 audits over the years. This engagement started as child labour came up on the agenda when several large Swedish companies had reached a lot of attention from the media. Sony Ericsson decided that they did not want to go down the same road but soon realised that it was easier said than done to make everything right from the beginning when it comes to auditing. Along the way, the company learned several important lessons:

First of all, audits are just numbers. Highlighting numbers do not automatically mean going to the root causes. However, understanding a particular situation makes discussions about the particular issue possible. Second, in cases of third party auditing, it is not only costly, but the auditor often becomes biased towards the supplier. Third, the deeper down the chain you audit, the less impact you have when dealing with the results. The answer is working not as individual companies but as a joint industry together with authorities, NGOs etc.

Finally, this experience has led to Sony Ericsson making following conclusion: They will continue audits at a smaller extent, but develop the tool box with other methods. One is local training of suppliers where highlighting the problem with contract workers is a key issue. Finding out about their working conditions is only possible by being there, talking on a daily basis. The lead word is regularity, not “shopping around”, but engaging in long term relations with suppliers (often over 10 years). This regularity builds competence, understanding and trust.

But is it possible to reach beyond auditing? Does this contain working with local government and NGOs? For example Sony Ericsson cooperates with NGOs to set up training etc. Mats underlines that it is important to understand the approach internally to pass the right message on externally when engaging stakeholders in the supply chain. The company always starts by welcoming reports monitoring companies to move the issues forward. One problem is the very notion of being present on a specific location. Many expect the situation to be acceptable since the company is present, even if the reality can look very different.

6.3.4. Integrating CR in business practice

Joe Falcone, the founder of Counter Sourcing, started his career within public health, working with health and human rights in South and South-East Asia, designing development aid projects for USAID and German development cooperation agencies. When he was hired by Nike, charged with overseeing production in Asia, he kept hearing the message from factory owners: Yes, of course we would like to improve conditions for our workers but it costs too much! Talk to your pricing department that keeps squeezing the prices if you want anything to be done...

From this experience Joe came up with the conclusion that if a factory job is not a path out of poverty –where is it actually going? This is when he funded Counter Sourcing, producing college apparel to American universities. Calculations landed at the business would still be able to develop even if 17 % of the profit went back to the factory workers through a Bangladeshi NGO. As university students are critical consumers, a small company as Counter Sourcing can compete within the 2,3 billion USD college apparel industry.

However, this kind of consumer driven behaviour is still quite rare as the fair trade demands remain rather hidden. That is why Joe wanted to develop a different business model based on optimising NOT maximising profit. The situation remains critical as prices are being constantly squeezed down. Such a small company will have to cooperate with HM, Timberland, Nike, Lindex and others to develop further. However, some positive points are standing out: Today the cotton duty import exceeds the development aid. Other out of the box business models are showing that integrating CSR into the business model is not a case of philanthropy but rather a functioning growth strategy.

6.4. The potential of workers' participation

6.4.1. Workers training in China – the HP case

Jenny Chan from SACOM spoke about the importance of multi-stakeholder initiatives in order to enhance workers' participation. With the campaigns "Clean up your computer" and "Hi-tech, no rights?" SACOM entered in 2007 a strategic collaboration with HP aiming at abolishing abuses on workers. The cornerstone of the campaign was to develop labour rights training programs for HP suppliers in China. The collaboration aimed at making workers more visible and moving away from naming and shaming towards collaboration.

SACOM's experience is that autonomy and independence from company structures are essential to maintain workers trust. HP has been engaging with SACOM's local NGO partners in constructive dialogue and is keeping on training middle-lower level managers on wages, working hours and labour rights. A hotline service has also been set up to answer questions related to workers' practical situation such as water supply in dorms, rights when resigning, safety, health etc.

Through these initiatives workers have expressed that they are feeling more empowered, transparency and accountability has increased, and that important channels for communication to understand workers' issues have been created. Workers training can lead to enhancing workers' participation, but it is vital to open up the dialogue and invite companies to participate in this work in order to be successful.

6.4.2. Efforts to organise within EPZs – Could companies promote union rights more proactively?

Jenny Holdcroft from International Metalworkers' Federation often highlights the importance of dealing with the most precarious employment. The IMF is not working in China, as there is no legal right for workers to organise in unions, but only in democratic countries with free trade unions. : In the rest of the world where this applies, there are still serious buyer-supplier imbalances when it comes to rules.

For example within the electronics industry 75% of the work is outsourced in low cost manufacturing bases. This outsourcing mainly concern vulnerable populations such as women, migrants, temporary workers etc. These are often hired through contract agencies and it is therefore very difficult to monitor their labour rights and labour abuses are therefore very common. Why is there such a need for having this kind of work force? Why are companies so resistant towards unions when the business case for unionisation is crystal clear?

The answer is fear of trade unionism – fear that the factory will close down, fear for dispute and fear for the unknown. When workers organise in unions it is more difficult to fire them in case of their union participation becoming too awkward. Instead many companies prefer to hire a larger proportion of temporary workers. This is a true catch 22.

So what can be done to improve the situation? We have to throw everything we can at the problem: unions, codes of conduct, audits etc. How audit for freedom for association? You don't. You can get the answer but not address the root cause. This is why different actors must work together with different methods. We also have to work with governments since they have the responsibility to establish labour standards.

What would be a good advice to for example a company in the electronics industry in order to move unionisation forward? Provide space to workers to organise themselves, leave the door open to dialogue and engaging with NGOs but not with unions... Simply give a hand to allow workers to organise themselves instead of getting directly involved in forming unions. The company can however work to break down barriers and misunderstandings to collective bargaining.

6.4.3. Difficulties and possibilities to involve workers in the CR-process

Sören Andersson at Trelleborg is part of an entire team working with CSR. At Trelleborg there is a common responsibility for these issues, a result of a long history of running international operations. These operations are guided by codes of conduct highlighting social, environmental, and labour rights based on guidelines from OECD and UN's Global Compact.

A systematic approach to CSR has been set up relying on a legal framework, a reporting structure (GRI, auditing etc), internal rules (codes), and measures assuring these being applied internally (self-assessment), as well as particular whistle blowing-initiatives. Language has always been considered as one important challenge in reaching through to workers and supplier management and therefore all documents are being translated into numerous languages.

Another conviction is that one should always clean up one's own backyard before investigating and requesting suppliers to do so. Therefore, long-term work together with patience is the only way of changing behaviours. It is also important to have the local management on board. For example in the Sri Lanka case, local management and union managed to shift from conflict to improving working conditions together. One lesson is to always be realistic. There are always inconsistencies with collective bargaining, but mutual trust and respect will eventually feed into developing the business.

Finally, 50% of the workers did not join the union, how come? Many were unsure how the management would react if the workers joined the union. Would they respect their rights or would the situation get worse? As in France for instance, unions have low participation as they are very strong and perceived as sometimes too militant and not representing the majority. In sum, Trelleborg's experience from unionisation in Sri Lanka is that a good dialogue will increase the understanding for the company's direction and drives development forward for the entire business.

6.5. Small group discussions

6.5.1. How can buyers support suppliers willing to meet CR demands?

The group was led by Gunelie Winum from Ethical Trading Initiative Norway, moderated by Kristina Bjurling from SwedWatch and notes were taken by Ingrid Stigzelius from the Stockholm School of Economics/SuRe.

Codes of conduct have traditionally been seen as putting requirements on one half of the chain. Once the orders were placed with the suppliers, the buyer put the whole responsibility on the suppliers of what goes on in the factories. We need to raise the awareness and also look at the other side of the supply chain and the business practices of the buyer. How do business practices impact the working conditions? Each part of the business operations is a critical link in the supply chain and therefore has an impact on what happens on the shop floor and in the lives of the workers.

There are a number of challenges: There is poor communication between buyers and factories in terms of production timelines and deadlines. Prices are set with excessive squeezing of margins, even if buyers have more demands on quality they pay less and less. How to develop a better business practices? An Ethical Trade Initiative can lead to consistent improvements in communication, production planning, lead times, integrating business practices into corporate strategy, conditions at the factories as well as reducing overtime.

Companies that succeed in ethical trade establish business practices that: Have long term relationship with suppliers, choose suppliers based on ethical criteria rather than price, have a dialogue on business practices, map production capacities, provide early production planning, share forecasting and pay on time.

6.5.2. Living wages – Philanthropy or simply a necessity?

The group was led by Joe Falcone from Counter Sourcing, moderated by Viveka Risberg from SwedWatch and notes were taken by Mari Bangstad from ETI Norway.

The participants agreed that minimal wages are inadequate, but the discussion reflected disagreement upon how to achieve living wages and upon which actor's shall bear the costs. There was agreement that companies, organisations, trade unions, investors, academics and governments need to work together in networks and in multi stakeholder initiatives to gather and share information and experiences, set up pilots and projects to achieve change.

Joe's business model for a living wage gives the workers get 17 % per each 100.000 sales of the brand Fairtrade Apparel, in addition to higher wages than the national minimum wage in Bangladesh. The sales premium is handed out in cash to all workers in the factories that deliver goods. The amount per person is small, but relatively significant and goes to all workers at the factories that produce Fairtrade Apparel goods. Fairtrade Apparel represents 10-20 percent of total orders at their supplying factories.

The business model is based on optimising – not maximising – profits. Brands and retailers must, according to Falcone, inform consumers and change their sourcing and pricing policies in favor of a more producer and worker-oriented distribution, as well as ensure transparency towards what they do and how. In his particular case NGOs in Bangladesh have been crucial in calculating a living wage in Bangladesh and in facilitating and verifying the social premium that Fairtrade Apparel pays to the workers. Cooperation and good communication with the factory owner and the workers is also crucial.

In general key actors and their roles are for instance: NGOs/universities (report about possibilities to choose "fairer" goods, and choose fair products), government (ensure favorable regulation, i.e. tax incentives for CSR budget benefitting workers in the supply chain or Fairtrade premium, support the possibilities for companies to choose stakeholder over shareholder value), the capital market (investors can move from shareholder to stakeholder value, financial institutions can provide preferential interest rate loans i.e. for microfinance initiatives and CSR initiatives that benefit workers/poor local communities the most).

However, there are a number of question marks related to this topic: Does it really help to integrate living wage in a code? The goal must be to raise the minimum wage by targeting the government. In

the Fairtrade Apparel case a small amount of workers get the benefit. But we must ask who is responsible? The whole industry (i.e. the Asian Floor Wage is asking companies to be held responsible for a living wage to be paid)? The group disagreed; it must be built on raising the minimum wage that benefits all the workers. This is why lobby towards the government is essential.

Is legal compliance the answer? What can we do until that is a reality? What about countries with unstable government? NGOs are often the only social security network – can they provide pensions, health insurance etc? The company's voice must be long-term since we cannot speak about living wage without speaking of our own purchasing practices. How do we place orders? Raising the unit price for 1 HK dollar etc won't necessarily benefit the workers.

6.5.3. What complimentary methods are available for China?

The group was led by Jantien Meijer from Fair Wear Foundation, moderated by Sara Nordbrand from SwedWatch and notes were taken by Emma Hernborg from Fair Trade Center.

First of all, it is very central to provide factory training for both management, middle management and workers on the factory floor. It is important to do it on all levels, because otherwise you can end up in a dangerous situation having for example thousands of workers with new awareness but a complete lack of it at the management level.

How is it possible to scale up this factory training in China? Who should be conducting the training? The role of the government will for instance be very important. The problem is that engagement differs a lot from case to case and that there is a huge gap between implementation and written law. For example, the system is sometimes implemented in a way that does not permit workers to bring their social insurances with them when they go back to the province. This make them unwilling to get social insurances while they are migrant workers. The codes of conduct need to be adopted to the local law and the local conditions.

Further, the buyer should just have one message and be consequent. It is vital to create incentives for individual buyers to engage in long time relations with suppliers. The costs and benefits of CSR cannot be ignored. How can for example companies working with CSR really benefit from having a high profile within CSR-issues? It is important to try to break one common message through.

6.5.4. Precarious work – How can the most vulnerable workers be protected?

The group was led by Jenny Holdcroft from International Metalworkers' Foundation, moderated by Jerker Thorsell from Genombrott and notes were taken by Christopher Riddselius from Fair Trade Center.

According to a survey a couple of years ago, precarious work has increased and in particular within the electronics industry. 90 % of workers feel insecure and the rise of precarious work makes your job even less secure. Women, young workers and migrant workers are the most vulnerable. They do not access the same benefits as other workers and often work under much more difficult conditions. This cheap labour also undermines general wages. Temporary work, and migrant labour in particular,

is perceived as a great threat to the labour market the world over. However, even if a certain level of temporary employment can be legitimate, legislation and global unionisation will be necessary to come to terms with the problem.

Some countries have taken severe measures. Namibia has gone so far as to totally ban temporary labour. In some other countries restrictions have been introduced to ban temporary labour in core areas of production. However, in Korea for example, it is still being used illegally since there is a lack of law enforcement. The problem is when the illegal becomes customary. So, why is temporary labour increasing and being intensified? Even though the temporary labour agencies often agree to work within the legal framework, the abuses are usually happening on the side of the system. The question when it comes to agency workers, who is technically the employer?

Therefore, the commercial pressure has to become stronger. The mobility of production will also have to decrease. When mobility becomes the norm, it is difficult for poor people not to try to draw advantage of it. The same applies to outsourcing. One problem is that the industry often needs products to be delivered hence people to do the work within very short time frames. The normal 3 months pattern is often down to 3 weeks at the same time as prices have gone down year after year.

So, what could corporations do? First of all, one must identify the problem. ICCO needs to recognise it. Second, the problem has to be measured. Unfortunately, we are not anywhere near that yet. Could writing migrant workers' rights into codes of conduct be an answer? So far this is not very likely since their rights are regarded as "the suppliers' responsibility". However as a start, it might become a good tool if companies develop their codes by including all workers in it. The difficulty will be to audit and follow up on it. However, when an agreement is signed, it should be legally binding. One way could be to audit the whole supply chain and instead rely on common codes.

6.5.5. How can CR benefit local population? The need for a social license to operate

The group was led by John Capel from Bench Marks Foundation, moderated by Lin Lerpold from Stockholm School of Economics/SuRe and notes were taken by Marijane Jonsson from Stockholm School of Economics/SuRe.

A background on mining houses and mining retail in Africa during the apartheid period explained that most communities were not informed of the impacts of mining on their community. Concerning the environmental impacts later Environmental Impact Assessment reports showed the effects on water (especially underground water), air quality, farming etc. Regarding labour, establishing mines in a certain area had important impact the inhabitants of the community (for example impact on women as one consequence of relocating communities increased the spread of HIV and AIDS as the men often became migrant labour taking jobs in mining houses away from the community).

Bench Marks' experience is that if a social licence to operate is not introduced properly to the community in the beginning, there is an overhanging risk for uprising when issues that affect people's everyday life arise (e.g. land, livelihood). What is important is to develop equal level playing field through two-way communication between mining houses and communities. It is also important to lobby policies to government and involve other stakeholders such as community authorities, organisations and trade unions in this work.

There is a variety of things that mining houses can do to start giving back to the local communities. Mining houses can work with transforming waste into opportunities. Bench Marks' are determined

that it is possible to turn around waste material and negative impacts of mining into development impacts. For example, building dams to filter heavy metals, other waste management, protect underground water, prevent land from drying out, prevent respiratory problems, aid crop and vegetable production, plant trees to produce biofuel can all create job opportunities in the community and at the same time protect the environment.

However, it is more efficient to target potential entrepreneurs in the community instead of addressing the masses. Social capital is important in the empowerment of communities (e.g. trust, reciprocity, relations) and can turn impacts to job creation (i.e. entrepreneurship, employment). Focus on creating networks of people who have legitimacy and competence.

7. Conclusion

7.1. Ways forward

Susanne Sweet from the Stockholm School of Economics was the moderator at the last plenary panel. Her conclusion of the day was that there are ways and wills to move forward. SwedWatch agreed and argued that the strength and weakness of the day is that we are so numerous, difficult to coordinate but witnessing on a great motivation. SuRe agreed that this is a good starting point and that we should be positive about the future in terms of cooperation and multi stakeholder initiatives.

7.2. Recommendations from small group discussions

But how to move forward in practical terms? The small group discussions resulted in a number of recommendations to different actors that were presented to the audience during the plenary panel.

7.2.1. How can buyers integrate CR into overall business practices? What are the success factors?

The group led by Gunelie Winum from ETI Norway argued that focus should more specifically be on purchasing practices instead of more vague business practices. Recommendations to company management therefore entailed:

- The importance of having top management support for the cause
- Building long-term relationships
- Adding CR-incentives to buyers
- Involving in communication both internally and externally
- Earlier and better production planning
- Transparency in TOTAL production costs (shift from focus on price to total production costs)
- Incentives to suppliers to provide training and education
- More direct contact with production sites
- Reporting on their own impact on working conditions

7.2.2. What can key actors do to ensure wages that cover worker's living costs?

The group led by Joe Falcone focused on the case of living wages in Bangladesh. In order to reach living wages different actors should commit themselves to the following:

- Consumers: Look over their behaviour and demands and help others to becoming more aware
- Trade unions: Focus on increasingly involving women who are less corruptive
- Companies: Change their purchasing policies and practices. Ensure that the producers at least pay a minimum wage, include a living wage in their CoCs, lobby for higher minimum wages, set up bonus/Fair trade premium systems, contribute to competence building of producers and workers, inform consumers

- Government: Exercise pressure to raise minimum wage standards to a decent living wage. Ensure favourable regulations (i.e. tax incentives), include decent work (incl. decent wage standards) in bilateral trade agreements, work through international organisations to promote decent wages, i.e. ILO, WB, IMF
- Researchers: Analysis of best practices and productivity gains when introducing living wages. Does consumer power lead to company action? Are consumers willing to pay more? Can we leave the responsibility to the consumer, and does the label fatigue impact consumer power negatively?
- NGOs: Inform about challenges in global supply chains, challenge companies, governments, investors etc to move forward, help companies improve their business practice in favor of a more just distribution of production costs and benefits
- Markets: Financial institutions can provide preferential interest rate loans (i.e. Telenor/Grameen Phone has had from the IFC in Bangladesh), investors can move from shareholder value to stakeholder value models, pension funds and other investor managements with long-term horizons
- Consultants: Where are the investors? Some, like pension funds, have ethical guidelines, but in fact do very little to ensure they are being followed.
- Multistakeholder initiatives: Brands network and government to government dialogue can achieve the long-term goal on raising minimum wages, inform consumers about “fair” solutions and alternatives and measure what is working in practice and what is not.

7.2.3. Challenges and ways forward to implement codes of conducts in China?

The group led by Jantien Meijer from Fair Wear Foundation discussed how to become more effective and improving codes of conducts in China. A number of actions should be undertaken:

- Unions: Factory training must involve all levels and create a space for bargaining to give all workers a voice
- Government: The Chinese government has take some positive steps towards responsibility, they simply cannot ignore CSR anymore even if the remaining gap between positive laws and no implementation must be closed. Reducing laws to attract foreign investors has often backlashed. Instead memorandums of understanding between governments (Swedish and Chinese) is welcome.
- NGOs: Should open up and cooperate more with business associations
- Corporations/Brands: Must start compromising, it is possible to both respecting laws AND making benefits.

7.2.4. How could temporary migrant workers start benefitting from codes of conducts?

The group led by Jerker Thorsell from Genombrott argued rapid action since precarious work is increasing as it is fast, flexible and cheap... To halt this trend and improve migrant workers situation following actors have to get engaged:

- Governments: Develop their labour law, regulations, restrictions, enforcements, and extending those to co-responsibility over the most vulnerable (For example Namibia has prohibited the use of migrant labour and South Africa has made factory owners co-responsible for all their workers)

- Corporations: Include migrant workers in codes of conduct, audit them, limit the occurrence of migrant labour, disclosure of suppliers, developing purchasing practices
- NGOs/unions: Involve in multi-stakeholder initiatives, ILO agreements, join in a common cause to unionise all workers

7.2.5. How can a company obtain a social license to operate (challenges and success factors)? What are the risks of not getting it?

John Capel from Bench Mark's Foundation reported on the importance of social licences to operate regarding the case of mining in South Africa and its negative impact on local communities. A number of stakeholders can involve through direct action:

- Community: In the case of weak government, corruption and policy gaps, an organised community can monitor companies operating within its surroundings as a start to bring about change. Through reporting on injuries and examine what they are reporting etc, this can force companies to apply a social license. Engage in direct communications with companies.
- Companies: Large multi-nationals can put pressure on suppliers and mining company pushing for social licences. Local companies must ask: Is mining bringing benefit to this area? How will the mining impact the community? Questioning profit, what is the costs involved? Address the equitable (re)distribution of profits. How to turn negative impacts and waste into opportunities and jobs. Think about the reputation of the company and what risks are involved in not having a social licence.
- Government: Elaborate on the legal grounds to get concessions. Communicate with communities. Look at every particular economic structure and build infrastructure that suits the needs of the local community.
- NGOs: Engage companies in community engagement models. Organisations can also provide training to communities about how to report and detect these issues and inform the community of their rights.

Photo Gallery

