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Business Ethics in the Textile, Clothing and Footwear (TCF) Industries

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Business Ethics in the Textile, Clothing and Footwear (TCF) Industries

Abstract
A detailed overview of the multiple facets of Codes of Conduct. Includes an examination of the codes of several companies.

Keywords
Business, Catherwood, Clothing, Code, Codes, Conduct, Cornell, Corporate, Economic, Engagement, Footwear, Global, Globalization, Globalisation, ILO, ILR, Industrial, International, Labor, Labour, Law, Legal, Legislation, Library, Organization, Organisation, Portal, Relations, Responsibility, Rights, School, Social, Standards, Textile, University, Work, Workers, Workplace

Disciplines
Business Law, Public Responsibility, and Ethics

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Business ethics in the textile, clothing and footwear (TCF) industries

SECTORAL ACTIVITIES PROGRAMME

Working Paper

Business ethics in the textile, clothing and footwear (TCF) industries: Codes of conduct

By Jean-Paul Sajhau

Working papers are preliminary documents intended to stimulate discussion and critical comments

International Labour Office Geneva

Contents:

Introduction
Codes of conduct: A general overview
- Characteristics
- Origin and rationale of the phenomenon

Role played by non-governmental organizations in the promotion of codes of conduct
The types of participants
- Ecumenical associations
- Solidarity organizations or associations

The methods of intervention
Services proposed to enterprises
- Provision of information
- Support for the improvement or establishment
- Monitoring of the application of a code of conduct

Action targeted on consumers
- Sensitization campaigns
- Labelling campaigns

Analysis of the codes of conduct of a sample group of enterprises in the TCF sectors
The codes and their content: Individual presentation
- Levi Strauss
- Sara Lee
- Phillips-van Heusen
- The Gap
- Reebok and Nike

The codes of conduct of the major retail networks
- Comparative analysis of the codes of conduct
- References to fundamental ILO standards
- Methods of monitoring the application of the codes

European initiatives in ethical practice
Conclusion: Towards a standard code of conduct
- Standard code: Main components
- I. The general ethical approach of the enterprise
- II. Respect of human rights at work
- III. Other elements concerning working
- IV. Application of the code
- (1) Internal application
- (2) Application of the code to trade partners

Introduction

With the globalization of the economy and the universal recognition of the enterprise as the driving force of growth, ethical values have an important place in the strategies of the major international firms. An increasing number of enterprises are taking various initiatives to meet the social challenges of globalization. Heads of enterprises, with a sense of social responsibility, are endeavouring to improve the conditions of their employees through innovative personnel policies or by contributing to broader social action against exclusion through measures which sometimes go beyond the framework of their production activities and have a common goal: to highlight the role of the socially responsible enterprise.

The adoption and implementation of "ethical codes" or "codes of practice" comprising a number of principles regulating the internal operation of the enterprise and its relations with its trade partners, and in particular its subcontractors, constitute the most tangible expression of this growing sense of social responsibility of the business world. The purpose of this study is to analyse this phenomenon in the context of the textile, clothing and footwear (TCF) sectors, the increasing global integration of which began several decades ago.

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Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 2

Codes of conduct: A general overview

Characteristics

The codes of conduct or codes of practice adopted by a number of mainly multinational enterprises include a variable number of principles which define the ethical standards of the enterprise. These may be general principles such as, for example, the concept of non-discrimination while, in a number of cases, there is a detailed description of the social practices which the enterprise wishes to see respected in the production and sale of the goods and services which it markets. Some enterprises make a distinction between the basic principles which regulate its internal activity and those which it wants to apply in the selection and monitoring of activities of its subcontractors. A number of codes make explicit reference to ILO Conventions, in particular those concerning the respect of human rights at

work. In other cases, the reference is more indirect, even if the principles established are often based on fundamental ILO Conventions.

The agrofood, forestry, chemicals and consumer products sectors are amongst those which have progressively introduced a number of codes of practice. However, while the concept of ethical practice has made a remarkable comeback in recent years in the strategic policy of industrial and commercial enterprises, it is above all in the textile sector, and in particular in clothing and footwear, that the trend is the most evident. United States enterprises have played a pioneering role in this respect. Since Levi Strauss adopted in 1992 a code entitled "Business partner terms of engagement and guidelines for country selection", many other enterprises producing apparel and footwear as well as major retail groups have followed suit. In Europe, the trend has been longer in coming, although increasing attention is now being given at the headquarters of the major European enterprises in the TCF sectors to the specific application of codes of "good practice" and codes of conduct. In the developing countries, practically no initiatives of this kind have been taken; on the other hand, a growing number of production enterprises working under subcontracting arrangements for the multinational enterprises of the industrialized countries must respect the codes established by the latter, which significantly affects their activities.

Origin and rationale of the phenomenon

In the 1970s, considerable criticism was levelled against multinational enterprises concerning their activities in the developing countries. National and international trade unions as well as a number of host countries accused them of carrying out their activities without consideration of the harmonious social and economic development of the countries in which they operated. It was such criticism which led to the establishment, by a number of government international organizations, of draft codes of conduct some of which, such as that of the United Nations, have remained a dead letter. In the social sphere, the International Labour Organization adopted in 1977 a Tripartite Declaration of Principles on Multinational Enterprises and Social Policy which is still in force and to which trade unions in the TCF sector attach considerable importance, as can be seen from a draft resolution tabled by the Workers' group at the recent ILO Tripartite Meeting on the Globalization of the Footwear, Textiles and Clothing Industries: Effects on Employment and Working Conditions, held in Geneva between 28 October and 1 November 1996.

To some extent the codes drawn up by intergovernmental international organizations, and in particular that of the ILO in this sphere of social policy, which were of a voluntary kind can be seen as the forerunners of subsequent initiatives taken unilaterally by individual enterprises.

Other external factors have contributed to the recent publication of codes of conduct. The pressure brought to bear by the international trade union movement has without doubt played an important role in this process. In the TCF sectors the International Textile, Garment and Leather Workers' Federation has for many years been calling for a greater sense of social responsibility by enterprises in the sectors and has provided support to national federations in their campaign for the respect of human rights at

work. Of the progress made in this sphere, mention may be made, for example, of the United States where in May 1995 the Clothing Manufacturers' Association of the United States of America (employers) and the Amalgamated Clothing Textiles Workers' Union (workers) signed for the first time a national branch collective agreement which included, amongst other aspects, a code of conduct applicable to enterprises and their subcontractors which established minimum standards regarding wages, hours of work, forced labour, child labour, freedom of association, non-discrimination as well as occupational safety and health.

Consumers' associations as well as a number of non-governmental organizations have also endeavoured to draw the attention of consumers, the public authorities and the enterprises concerned to the need to respect a number of minimum rules regarding human rights.

Although in a large number of cases attention has been focused on the specific problem of child labour, associations and organizations have taken their campaign further either by trying to promote social labels for one or more categories of TCF products, or by organizing campaigns to sensitize the public to the general problems of basic workers' rights or by trying to draw up standard codes which enterprises could adopt and tailor to their particular needs. The following chapter contains a summary of some of these initiatives which clearly show the increasing awareness of the international community about the social problems raised by globalization in the TCF sectors.

Governments have also played a significant role in the promotion of standards concerning the respect of human rights and codes of conduct. In Europe some governments, such as that of France, are calling for greater respect of human rights in the sphere of international trade and are actively participating in national studies as well as research carried out by the European Commission on the social aspect of international subcontracting in the TCF sectors. In the United States, the so-called "No Sweat" campaign introduced by the Clinton Administration in the fight against sweatshops has led to the establishment of a Trendsetter List of enterprises in the TCF sectors which respect labour legislation and human rights in general in their production and marketing activities and ensure that these rights are respected by their subcontractors. The Department of Labor, which had identified a number of deficiencies concerning the respect of human rights and labour legislation in the TCF sectors, in particular in subcontracting of apparel production, and which has been faced with a number of cases involving the exploitation of immigrant workers in sweatshops set up on the United States territory, has taken steps to clean up the sector. At the same time as it stepped up its inspections, it adopted a positive approach by drawing up and distributing to the media a list of socially responsible enterprises in the sectors producing and marketing TCF articles.

In 1996, this list, reproduced below, included a large number of enterprises which had adopted a code of conduct.

Enterprises participating in the "No Sweat" campaign

Abercrombie & Fitch	Galyans Trading	Mast Industries

Baby Superstore	GapKids	NFL Properties
Banana Republic	Gerber Childrenswear	Nicole Miller
Bath & Body Works	Guess Inc.	Nordstrom
Bergners	Henri Bendel	Old Navy Clothing Store
Bryland	Lands End	Penhaligon's
Boston Stores	Jessica McClintock	Patagonia
Cacique	Lane Bryant	Structure
Carson Pirie Scott	Lerner New York	Superior Surgical Mfg.
Dana Buchman	Levi Strauss	The Limited
Elisabeth	Limited Too	The Gap
Express	Liz Claiborne	Victoria's Secret
Source: Department of Labor, 25 Mar. 1996.		

It is undeniable that this campaign, with the help of the media, has given enterprises an added impetus to adopt codes of conduct.

In the specific sphere of child labour, the United States Government has been particularly active. Between 1994 and 1996, the Bureau of International Labor Affairs of the Department of Labor organized three public hearings on international child labour issues which outlined the conditions of child exploitation in the world in all industries which export products to the United States. Its 1996 session offered the opportunity to a number of enterprises and employers' associations in the TCF sectors (Levi Strauss, Sporting Goods Manufacturers' Association, International Mass Retail Association) to show what progress had been achieved in this sphere, in particular through codes of conduct. A number of representatives of non-governmental organizations and trade unions also described their activities in this sphere, including in the promotion of codes. The presence of members of Congress, and in particular Senator Harkin who is responsible for a number of Bills to prohibit the import of products made by children, reflected the growing concern of political circles in the United States about this delicate problem. In 1996, the Department of Labor also published, at the request of Congress, a study on the influence of codes of conduct adopted by United States apparel enterprises on child labour.[1] The study, which examined a representative sample of some 48 enterprises selected from the major firms in the production and marketing of clothing in the United States, clearly confirmed that the adoption and application of codes of conduct which contained a reference to the prohibition of child labour (in 42 out of 48 enterprises) had reduced child labour in the subcontracting enterprises established in the developing countries. The drop was particularly significant in Central America. The report believes that although it is likely that a number of other factors also contributed to this improvement (greater awareness of consumers of the problems of child labour; concern by exporters about possible legislative measures to boycott products made with child labour, etc.), there is no doubt that the most significant impact is due to the increasing number of codes of conduct

established over the last five years.

By strengthening the role played by the developing countries in international trade, the globalization of the economy has also encouraged greater awareness of the commercial importance of the respect or non-respect of basic standards relating to human rights. It is no longer possible for the developing countries which want to increase or maintain their penetration of the markets of industrialized countries to ignore the existence of various kinds of pressure which exist in this sphere. As a result, in recent years, a number of governments have endeavoured, often with assistance from the ILO, to reduce the obstacles to the ratification of these fundamental standards and their effective application. The most dramatic progress has been made in this sphere of child labour, which benefits from broad media coverage and against which pressure is greatest in the context of the liberalization of trade. Here once again the ILO has played an important role as catalyst, in particular through its International Programme for the Elimination of Child Labour (IPEC). In the TCF sectors, it is for example within the framework of this programme and in collaboration with UNICEF that the Bangladesh Garment Manufacturers' and Exporters' Association signed, with the support of governments and local non-governmental organizations, an agreement to discontinue the employment of children of school age in apparel enterprises and to provide for their participation in special education programmes. Social progress of this kind is without doubt the first step towards the establishment of more elaborate codes of conduct which take account of the new social requirements of international trade.

In the industrial countries, the motivations of enterprises which have adopted codes of conduct are often more complex. It is true that pressure brought to bear by trade unions and consumer' associations or non-governmental organizations play an important role. Furthermore, as noted above, some government campaigns may have a significant influence on industrialists and encourage them to give greater attention to social matters. However, the decisive factor for the adoption of such codes is probably the public image which the enterprise wants to project to its clients, employees, suppliers and shareholders. The construction of a positive public image, in which the concept of the socially responsible employer has acquired a new importance, is a long-term and increasingly more complex task in which management teams are much more involved in the past. An enterprise's public image is now an asset which must be protected and developed to the maximum. In the textile and footwear sectors, a company's public image is particularly important and often determines a decision whether the public will buy its goods. On these highly competitive markets, it is therefore important for a company to project a positive image and to retain a good reputation over the long term.

To the extent that the media highlight certain conditions of work which are particularly deplorable both in the sweatshops of the industrialized countries as well as in the developing countries, the adoption by a global enterprise of a code of conduct is an attempt to provide a kind of guarantee for the final consumer that the products made or marketed by the company have not involved any kind of exploitation of workers concerned. It is therefore up to the enterprise to implement the principles established in the code, at the risk of using its credibility. Given the importance of subcontracting practices in the TCF sectors, it is clear that an enterprise which adopts a code of conduct takes a number of risks because any failure to respect the code which is noted by trade unions or the media will have greater impact and a correspondingly negative effect. This explains the importance of

application conditions and helps explain why some enterprises prefer to keep a low profile and refrain from giving too much publicity to their codes of conduct. The press, and in particular the Anglo-Saxon press which is more sensitive to the subject, includes many examples of enterprises which have been singled out for their non-respect of their code of conduct. The most frequent examples in the apparel and footwear sectors concern the non-respect of human rights in factories working under subcontracting arrangements for large international brands, most often in the developing countries. However, celebrities who use their fame to promote a given brand of clothing or shoes are also subject to criticism in the media if the products bearing their name have been manufactured in conditions which do not respect the fundamental rights of workers. The recent scandal in the United States caused by the Kathie Lee Gifford case is symptomatic of the influence of the media on the social image of an enterprise. This leading television presenter had to explain why she had agreed to let the Wal-Mart enterprise use her name and her fame to promote a line of clothing some of which had apparently been produced in sweatshops in Honduras and even New York. The combination of factors concerning the person in question and the fact that the Wal-Mart enterprise had its own code of conduct considerably tarnished the image of both parties, and it is by no means sure that the numerous statements of good intentions on both sides have managed fully to re-establish consumer confidence. In the same way, the many articles which have appeared in the press on the cost of manufacturing sport shoes in the developing countries compared with their selling price in the industrialized countries morally penalize leading enterprises in the sector which are furthermore trying to promote good social practice through their codes of conduct.

In their search for a balance between the lowest possible production costs, to protect their competitiveness, and the maintenance of a good social image likely to satisfy consumers and pressure groups, multinational enterprises in the TCF sectors have little room for manoeuvre. Hence the extreme sensitivity to the subject in the context of globalization. It should however be pointed out that although theoretically the importance of the ethical aspect in the management of enterprises has been widely recognized (since the beginning the 1980s, chairs in business ethics have been established in a large number of universities and business schools) it is only recently that a number of financial analysts have noted that enterprises which applied codes of conduct performed better than average on the stock exchange.[2] Of course, conclusions cannot be drawn about the existence of a direct link of cause and effect between these two factors since it is generally the most productive enterprises in a given sector which have the human and financial resources enabling them to develop an ethical approach. It can however be noted that the existence of a responsible social attitude is not detrimental to the image which financial markets have of a given enterprise. Some investment consultancy firms now take account of ethical elements in their criteria for the composition of stock exchange portfolios.[3]

The large majority of trade unions favour the generalization of codes of conduct, provided that their application is not subject to restrictions. In their view, the main weakness of the codes lies in the fact that they are applied and monitored by the enterprise itself which is thus both judge and jury. Furthermore, they believe that even when the enterprise tries to apply, at all levels, its ethical principles, it rarely has the necessary human resources to do so. It is in fact often the employees responsible for product quality and the commercial agents of the firm who control the application of

the codes by subcontractors. This twofold responsibility restricts their effectiveness. Trade unions therefore favour a new approach in which the control of the application of codes would be entrusted to independent and trustworthy persons or associations. This would involve developing a kind of "social audit" function comparable to that of a financial audit. Of course, the generalization of such a system raises a number of problems which go beyond the purely financial aspect of the cost of an additional audit and is still a long way off. However, it is worth noting that the case of The Gap enterprise, which accepted the external monitoring of its application of its code (this case will be examined below), is a major precedent which could become standard practice in the future.

Notes:

[1] US Department of Labor, Bureau of International Labor Affairs: "The apparel industry and codes of conduct: A solution to the international child labor problem?", Washington, DC, 1996, 242 pp.

[2] A conclusion reached, for example, in a study published in 1996 by Peter Prowse Associatives on the annual reports of the 100 main companies quoted on the stock exchanges in Europe.

[3] In Switzerland the branch of a Scandinavian bank (Edouard Constant bank) has had an ethical portfolio since 1 January 1997. It is therefore the first Swiss private bank to propose ethical criteria.

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Part 3

Role played by non-governmental organizations in the promotion of codes of conduct

Non-governmental organizations are becoming increasingly active in the campaign to sensitize enterprises in the TCF sectors to adopt an ethical attitude, including through codes of conduct.

The first part of this chapter briefly describes some of these organizations according to their characteristics and main spheres of action. This is followed by a discussion of their activities concerning social responsibility; this aspect is examined in the second part where the different approaches used are illustrated by specific examples.

The types of participants

Ecumenical associations

In 1971, when the Episcopalian Church presented a shareholder's charter requesting General Motors to break its links with South Africa because of apartheid, the activism of religious shareholders gathered force and led to the establishment of what is now the International Corporate Social Responsibility Movement. Since then, many ecumenical associations have rallied to the defence of human rights by trying in particular to make the major enterprises in the TCF sectors aware of the need for respect of these rights and the improvement of working conditions.

For example, this study refers in particular to three ecumenical associations. One of these, the Interfaith Centre on Corporate Responsibility (ICCR), groups together throughout the United States almost 300 religious institutional investors which together hold a portfolio estimated at around 45 thousand million dollars and which are also consultants to major pension funds. This organization is therefore a significant pressure group. Its main objective is to make enterprises aware of the social consequences of the globalization of the economy. Thus, its action covers a much wider area than that of codes of conduct. For example, it takes a stand against militarism and violence and also tries to make public opinion aware of the role of enterprises in the deterioration of the environment. However, it is particularly concerned with the respect of basic human rights.

The Ecumenical Committee for Corporate Responsibility (ECCR) and the Task Force on the Churches and Corporate Responsibility (TCCR) are ecumenical associations based in the United Kingdom and Canada respectively. They are fervent champions of human rights and work towards making enterprises more aware of the deterioration of working conditions compounded by globalization. The ECCR is associated with the Council of Churches for England and Ireland. Its objective is to channel investments and monitor company initiatives. For its part the TCCR is particularly concerned with analysing the impact of Canadian enterprises on social and environmental problems.

These three ecumenical associations, which carry out similar activities, wanted to join efforts in the establishment of a project for developing principles which would serve as an ethical basis for assessing the impact of decisions by enterprises and, thus increase their sense of social responsibility: "Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance" (see box 1, p. 13).

Economic associations

Although ecumenical associations and economic associations have been dealt with separately because of their origin, it is interesting to note that they have the same main objective: enhancing the social responsibility of enterprises in the developed countries. However, differences can be noted in the way they go about this task.

The Business for Social Responsibility (BSR), established in 1992, is a national association grouping

together some 800 enterprises including Reebok, Levi Strauss and The Gap. Its main objective is to help enterprises, irrespective of their sphere of activity, to take account of ethical considerations in their business decisions without prejudice to their profitability. To this end, different projects have been established to help them improve or establish a social policy. These projects focus on different areas ranging from social responsibility to the environment. However, it is the Business and Human Rights Program which comes closest to the subject of this study. This programme was developed to make enterprises more aware of the poor working conditions existing in many developing countries.

Although it has a smaller membership, the Minnesota Center for Corporate Responsibility (MCCR) has the same concerns as the BSR. Since its establishment in 1978, it has been trying to help economic leaders to look at the business world from a more social rather than exclusively economic angle. To this end, it provides enterprises with information and assistance, including the preparation of general ethical principles. Unlike the BSR, the MCCR does not have any programme directly dealing with the defence of human rights. However, it participated in the preparation of a set of principles entitled "Principles for Business", in collaboration with the La Caux Round Table (CRT), which contain international standards for business conduct. The MCCR encourages enterprises to comply these principles or to create others based on them.

The World Business Academy (WBA), which was established at the end of the 1980s, is a not-for-profit association grouping together more than 500 members in 30 countries. It is a research and educational institution which endeavours to make the business community take up its new role as an agent of social change.

The main objective of this organization is not fundamentally different from that of the two other associations already mentioned. The WBA believes that the social aspect is not an obstacle to an enterprise's prosperity; on the contrary, both aspects are closely linked. The WBA provides information as well as specific instruments and advice to major enterprises enabling them to improve the social environment without jeopardizing their profitability. To this end, and in collaboration with the ILO, the Social Transformation and Enterprise Performance Programme was established in 1996, consisting of the study of different initiatives likely to enhance the sense of social responsibility and which will culminate in the establishment of a database covering the different practices analysed, study cases, etc., which could serve as a source of reference for enterprises.

The Council on Economic Priorities (CEP), established in 1969, is the oldest of the organizations studied here. Throughout its almost 30 years of existence, it has been able to diversify its activities and adapt them to the different social and economic changes of recent years. The CEP is a research organization whose objective is to analyse measures taken by enterprises in the social and environmental spheres. It carries out a number of activities, in particular publications, including its consumer guide entitled: "Shopping for a better world: A quick and easy guide to a socially responsible supermarket shopping" (first edition published in 1988). It also carries out a number of research projects, including one on the effect of the practices and policies of multinationals on developing countries. Like the other organizations, it provides enterprises with a vast range of information enabling them to learn how to reconcile social responsibility and respect of the

environment with wise investments. Its spheres of activity are thus varied, although the promotion of social responsibility remains a special interest. In this respect, like the MCCR, it has established various principles for use by enterprises. What distinguishes the guidelines established in the "Principles for Business" is the area under focus. They are guidelines which enterprises are strongly encouraged to adopt with a view to the elimination of child labour: "Guidelines for corporate action on child labour". They provide an example of conduct to be followed, with information for enterprises on ways of establishing a code of conduct, how to apply it and monitor its application, how to protect children and promote their development, and how to ensure that subcontractors and producers respect the code, etc. Although enterprises are strongly encouraged to respect these guidelines, there is no follow-up or monitoring process and no obligation for them to apply it.

Solidarity organizations or associations

As their name indicates, the main objective of solidarity organizations or associations is to help the most underprivileged populations either abroad or in their country of origin. Some of these organizations specialize in a specific kind of aid, such as that for refugees. Others have a broad field of action, as in the case of Oxfam.

This organization became widely known in 1982 during the widespread famine in Ethiopia where it was very active. Today it carries out a number of programmes throughout the world in such spheres as health, emergency aid, agriculture, the defence of human rights, etc. As regards this last point, Oxfam UK/I (a member of Oxfam International) prepares a number of projects in direct collaboration with consumers' associations and workers in sectors in which rights are particularly threatened. Oxfam UK/I recently launched a Clothes Campaign to make public opinion more aware of the need to improve working conditions in the apparel industry throughout the world.

The objective of Agir Ici Association is to promote North-South relations which are equitable in political, social and economic terms. In order to carry out its mission, and in this respect it differs from other solidarity associations, it intervenes exclusively with political and economic decision-makers in France and in other European countries. Its principal "weapon" is the bringing of pressure to bear on these decision-makers by campaigns to enhance consumer awareness and make them react and thereby influence decision-makers. Since its establishment in 1988, it has carried out 29 campaigns, a large number of which have achieved tangible results. Its last campaign to date, "Soyez Sport", which was launched at the beginning of 1996, is designed to improve working conditions in the manufacture of sport shoes in South-East Asia through the increased sensitization of consumers.

This initiative is similar to that taken by the Artisans du Monde in 1995. This solidarity association, established in 1974, on the initiative of l'Abbé Pierre, a well-known French priest, also promotes the need for fair trade with the assistance of many other French and European associations (it groups together almost 60 local associations in France and is affiliated to a network of 3,000 associations in Europe). Its two traditional activities are the sale of food and handicraft products (bags, pottery, jewellery, spices, chocolate, etc.) and the education and mobilization of consumers on behalf of fair

trade. Campaigns have been launched to heighten public awareness. In November 1995, Artisans du Monde broadened its scope of activity to the TCF sector with its "Free your clothes" campaign, launched in association with Agir Ici and several other solidarity associations (the Catholic Committee against Hunger and for Development, Brothers to All Men (BAM), Human Rights Leagues, etc.). The objective of this campaign is to establish among consumers a new criterion for the purchase of clothing: the social conditions of their production.

Of these solidarity organizations mention can also be made of The Labour behind the Label. This association is in fact a network of groups and bodies in Great Britain, the main members of which are: Save the Children Fund, Textile Environmental Network, Trade Craft Exchange, Catholic Institute for International Relations, World Development Movement, etc. Its main objective is to improve working conditions in enterprises in the TCF sector. To achieve its goal, it carries out measures to encourage enterprises to follow ILO standards. It has in particular participated in another sensitization campaign entitled "Clean Clothes Campaign" in the Netherlands.

This brief outline has already highlighted the different approaches used by the three categories of associations. Because of their financial clout, ecumenical associations are in a better position to bring pressure to bear on enterprises in the TCF sectors in the developed countries. The economic associations focus more on encouraging and helping enterprises to create, improve and apply a code of conduct. For their part, solidarity associations place special emphasis on increasing awareness by consumers enabling them to bring pressure to bear for the improvement of production conditions.

The methods of intervention

The initiatives of the non-governmental organizations and associations share a common goal: increasing enterprise awareness of the need for social responsibility. Some of these organizations approach this responsibility in a global manner. Others are more specific and focus only on working conditions in the TCF sectors. Different means with different characteristics and features are used to achieve these goals.

Services proposed to enterprises

Provision of information

Economic organizations have an important stock of information which they make available to enterprises and which has been collected in different ways through the publication of studies and reviews, exchanges between organizations, research, etc. The available information ranges from human rights in general to the specific example of precise codes of conduct. Specific works on the links between the respect for human rights and the business world are also available. The BSR, for example, provides enterprises with the services of its Corporate Responsibility Resource Center (CRRC), with information on a sample of initiatives taken by enterprises as well as a description of their programmes and actions. It also provides research documents, prepares practical tools and

facilitates the establishment of informal networks.

Some of these organizations, including the CEP and the WBA, also have a website on the Internet, allowing enterprises rapid and easy access to the information available and enabling the public in general to see in specific terms what is being done to improve working conditions. A similar approach has been adopted by the Fairtrade Foundation. The work carried out by this Foundation to help enterprises improve their codes of conduct and carry out controls, normally remains confidential but if the enterprise so wishes, the results can be made public. The Fairtrade Foundation believes that this encourages competitive enterprises to follow suit and gives the enterprise concerned an opportunity to make the public aware of its initiatives and enhance its "reputation". Publishing the results may bring pressure to bear on enterprises which will be obliged to continue along this path. If it is subsequently discovered that they have stopped applying their codes, this might well damage their reputation. According to the Fairtrade Foundation it is a risk which is worth taking.

The BSR, thanks to the research and studies which it carries out, is able to provide enterprises with lists concerning the respect or non-respect of human rights in various countries. This can encourage enterprises to reconsider their trade relations with certain countries.

Seminars and conferences also allow information to be gathered, offering an opportunity for heads of enterprises to meet together and to talk with professionals. Within the framework of its Business and Human Rights Program, the BSR sets up working groups, the main purpose of which is to exchange experience allowing decision-makers to find joint solutions to the problem of improving working conditions, in particular through the use and improvement of codes of conduct. A conference was held in 1995 which focused on such themes as the application of a human rights policy in the enterprise, the enterprise and child labour, etc. The participants included enterprises from the TCF sector such as The Gap, Levi Strauss and Reebok as well as representatives of the United States Department of State and the Department of Labor, Amnesty International, etc. The BSR has also set up an Apparel, Footwear and Retailing Working Group for enterprises in the TCF sector. The main objective of this group, which is made up of senior business officials and representatives of organizations which defend human rights and the rights of workers, is to study important aspects relating to globalization and human rights. In June 1996 the BSR also organized a working group for managers responsible for monitoring codes of conduct and respect of local legislation in their enterprises.

Support for the improvement or establishment of a code of conduct

A large number of the associations studied in this report emphasize the importance for enterprises to have and comply with a code of conduct and ethical guidelines. Some non-governmental organizations help enterprises to establish or improve their own code of conduct. Most of these organizations, such the Fairtrade Foundation and Labour behind the Label, use the principles set forth in existing codes of conduct and in relevant ILO Conventions. Others, such as the three ecumenical organizations (ICCR, ECCR, TCCR) and the CEP, have their own code of conduct and guidelines, which may vary from one enterprise to another, or from one organization to another. Some are general while others are more

precise and targeted. Box 1 illustrates a very complete code of conduct proposed by three ecumenical associations. Despite the very broad scope of this proposal, which makes it difficult to apply in full, it was adopted, since it provides a response to the questions which enterprises may raise in developing a code of conduct. Box 2 gives an example of very specific guidelines, in this case concerning child labour. However, it is interesting to note that this approach can be used in any other sphere concerning the respect for human rights at work.

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SAP 2.60/WP.110

Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 4

Monitoring of the application of a code of conduct

It is not enough to have a code of conduct to ensure respect of working conditions. It must also be properly applied in the enterprise itself or in the workshops of its subcontractors. The monitoring or supervision of the application of a code of conduct ensures its credibility and the creation of a favourable climate of opinion amongst consumers. There are two kinds of monitoring: active monitoring and contractual monitoring. The latter consists of relying on a guarantee by suppliers in the form of documents certifying that they apply the code of conduct of the enterprise. Active monitoring consists of having visits, inspections and control procedures carried out on the spot by different persons. Active monitoring may be carried out either by the staff of the enterprise, i.e. internal monitoring, or by external monitoring. The most credible method of monitoring the application of a code of conduct is by an independent body: local or international non-governmental organizations, religious associations, consumer associations or specialized consultancy enterprises.

Various non-governmental organizations offer enterprises a monitoring and supervisory service. This is the case with the BSR and the ICCR. However, although this monitoring may seem to have greater credibility in the eyes of the public, very few enterprises make use of it. The Gap is one of the rare enterprises which makes use of external monitoring. Since it is a special and innovative case in this respect, box 3 contains a detailed description of the independent monitoring system set up by The Gap (a system which it will be recalled applies only to one major supplier of the firm).

A number of services are offered to enterprises to help them draw up or improve their code of conduct. However, no real pressure has been brought to bear on enterprises, with the exception of that from the ecumenical associations due to their financial clout. Nevertheless, box 3 shows that The Gap was confronted with considerable pressure from organizations and consumers. The latter have indeed a major role to play in making enterprises responsible and encouraging them to improve working conditions and respect human rights.

Box 1

Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance. Proposed by the Ecumenical Committee for Corporate Responsibility (ECCR), the Interfaith Center on Corporate Responsibility (ICCR) and the Task Force on the Churches and Corporate Responsibility (TCCR)

This document, prepared by three ecumenical associations, begins by recalling that the churches, through their own investments, are often shareholders, and thus partially owners of companies. This obligation as owners requires that greater care be given not only to the financial situation but to the impact of the activities of companies on general well-being. The document successively examines the wider community in the broad sense, the national communities and the enterprise. In each of these parts, it establishes principles of action, criteria to be adopted and references to be used in assessing the performance of enterprises in the light of the previously defined criteria. This box refers to the part dealing with the action of enterprises vis-à-vis shareholders, employees and clients, suppliers and subcontractors.

3. The enterprise

3.1. Shareholders

Principles

3.1.P.1. The company's corporate governance policies balance the interests of managers, employees, shareholders and other company stakeholders.

Criteria

3.1.C.1. Ensuring shareholders' participation and rights to information while protecting the interests of other stakeholders.

3.1.C.2. The company respects the right of shareholders to submit proposals for vote and to ask questions at the annual meeting.

References

3.1.B.1. The company observes a code or codes of best practice or has drawn up its own comprehensive corporate code such as General Motors' 28-point guidelines for corporate governance. The code that the company observes must be at least as rigorous as the Cadbury Code of Best Practice (UK).

3.1.B.2. Shareholders are informed about significant and material violations of corporate policies (including codes of conduct), adverse decisions by tribunals or courts, and results of internal audits or analyses of corporate activity.

3.2. Employees

3.2.P.1. The company has a universal standard governing its employment practices and industrial relations. The standard includes genuine respect for employees' rights to freedom of association, labour organization and free collective bargaining and is non-discriminatory in employment.

3.2.P.2. The company values its employees and their contributions in every sector of its operations.

3.2.P.3. The company pays adequate wages to enable employees, especially women, to meet the basic needs of themselves and their families and to provide discretionary income.

3.2.P.4. The company recognizes the need for supporting and/or providing the essential social infrastructure of child care, elder care and community services which allows workers, especially women who have traditionally done this work as unpaid labour, to participate as employees (text proposed by ICCR only).

Criteria

3.2.C.1. No discrimination in its policies of employment and remuneration, whether by race, age, sexual orientation, disability or religion.

3.2.C.2. Training, development, promotion and advancement opportunities within the company are available to all employees.

3.2.C.3. All those who work within and on the company's premises, whether permanent, temporary or contractual, shall receive equal protection especially in provision of equipment and information concerning their health and safety at work.

3.2.C.4. Employees are free to establish and join workers' organizations without discrimination or interference and to engage freely in collective negotiations to regulate the terms and conditions of their employment. 3.2.C.5. Paying a sustainable wage to all employees.

3.2.C.6. The company provides equal pay for work of equal value, with goals and time lines to implement this policy.

3.2.C.7. The company provides social support to enhance women's economic empowerment. This includes centres for child care, elder care and the care of persons with disabilities.

Benchmarks

3.2.B.1. International Labour Organization (ILO) standards.

3.2.B.2. The Convention on the Rights of the Child as it relates to labour practices.

3.2.B.3. The ECCR Wood/Sheppard Principles on equal opportunity of employment for people from ethnic minorities or an equally rigorous code.

3.2.B.4. An appropriate and rigorous code with regard to equal opportunity of employment for women based around "Opportunity 2000" and the UN Declaration on Gender Equity.

3.2.B.5. A code for the employment of disabled persons at least as rigorous as the Code for the Employment of Disabled People produced in the United Kingdom.

3.2.B.6. The company respects the rights of its employees to organize in trade unions or other appropriate worker representative bodies to monitor working conditions and does not engage replacement workers during a dispute.

3.2.B.7. International Labour Organization (ILO) Conventions are complied with: No. 29 (forced labour); No. 87 (freedom of association); No. 98 (right to engage in collective bargaining); No. 100 (equal remuneration); No. 105 (abolition of forced labour); No. 111 (prohibition of discrimination); No. 122 (employment policy); and No. 138 (minimum age).

3.2.B.8. The company shall have a process to establish a sustainable wage, such as a market basket survey or some other appropriate method.

3.2.B.9. Developing concrete goals to provide women with true and equal participation in decision-making.

3.2.B.10. Providing adequate technical training which contributes to advancement of all employees, particularly women.

3.2.B.11. The company encourages or participates in the creation of child-care centres and centres for the elderly or disabled where appropriate.

3.3. Customers, suppliers and contractors

Principles

3.3.P.1. The company ensures that its products and services meet customer requirements and product specification.

3.3.P.2. The company is committed to marketing practices which protect consumers and which ensure the safety of all products.

3.3.P.3. The company will not market its products to consumers for whom they are not appropriate.

3.3.P.4. There is a commitment to fair trading practices.

3.3.P.5. The company accepts its responsibility to use its purchasing power to encourage good corporate citizenship among its suppliers.

Criteria

3.3.C.1. All advertisement and labelling of products is complete, fair and honest. Only claims which can be substantiated and fulfilled are made by the company, its employees and its agent.

3.3.C.2. Care is taken by the company not to denigrate or supplant alternative natural products.

3.3.C.3. No engagement by the company in cartels, spheres of influence or patent protection to the exclusion of others' rights.

3.3.C.4. The company is scrupulous in its negotiations and contractual arrangements with other companies. This includes fair dealing, prompt payment and the avoidance of corrupt practices, bribes and questionable payment.

3.3.C.5. The company seeks out supplies who meet the same standards on environmental and social

grounds as the company sets for its own products.

3.3.C.6. The company will not enter into contracts with suppliers who use any form of forced or compulsory labour.

Benchmarks

3.3.B.1. The company receives positive evaluations from independent consumer organizations.

3.3.B.2. Appropriate consumer codes are followed (cf. Infant Formula marketing codes).

3.3.B.3. Where either advertising standards legislation or codes exist, they are complied with and this compliance is regularly disclosed (see British Codes of Advertising and Sales Promotion).

Box 2

Guidelines for corporate action on child labour of the Council on Economic Priorities (CEP)
These guidelines have been drafted by the Council on Economic Priorities (CEP) to assist companies in developing, adopting and implementing their own corporate action plans with special focus on the problem of child labour. The guidelines outline a general course of action and provide a common point of departure for all companies. They present a series of steps that could be carried; however, not every company need take every step or follow the order presented.

Different steps for action

I. Adopt a code of conduct

A code of conduct can help a company carry out its mission in a socially responsible manner.

If your company has a code of conduct

1. Be sure it includes a provision on child labour.

2. Be sure it defines who your company considers to be a "child".

If your company does not have a code of conduct

1. Consult with other companies, both within and outside of your industry, that have adopted codes of conduct (CEP will gladly send you a packet of sample codes).

2. Study these codes and identify key issues your code should address.

3. Draft a code of conduct. Be sure it includes a provision on child labour.

4. Invoke key company staff in the creation of your code. Circulate and discuss it internally.

II. Disseminate and implement your code

Once your company has a code of conduct, it is essential to communicate to all staff and business partners the content and meaning of your code.

Explain and enlist support for your code

1. Meet with company employees in your company headquarters.

2. Create and maintain a list of all your contractors and suppliers in the developing world.

3. Meet with business partners, including contractors and suppliers.

4. Educate your business partners on the value of the code and the advantages of compliance.

5. Refer to your code directly in the terms of your contracts with contractors and suppliers.

6. Ensure that workers employed by your business partners are aware of and understand the code.

7. Translate the code into local languages.

8. Use graphics to enable illiterate workers to understand the code.

9. Post the code in full view in all your factories.

10. Seek means for workers to register complaints (i.e. a toll-free telephone number, address, or suggestion box).

Work with contractors to implement your code

1. Offer to all contractors your company's substantive help for achieving compliance.

2. Set a schedule for achieving compliance in collaboration with your contractors.

3. Set your own internal dates for follow-up spot audits.

4. Notify all business partners of the implications of violating your code, from warnings to termination of contract in case of continued non-compliance.

III. Monitor your code effectively

A code of conduct is only as effective as its monitoring system. Whether your production is sourced from formal or informal producers, site visits are necessary. Visits establish dialogue, and are an invaluable tool for implementing and monitoring codes.

Plan your site visits

1. Focus first on suppliers operating in countries where child labour is endemic.

2. Focus next on factories and regions which source a high percentage of your imports.

3. Schedule both planned and surprise visits, and observe the site in the evening to be sure employees are permitted to leave. If dorm facilities are available, go and see them.

4. Prepare a checklist of danger signals that indicate the use of child labour or abusive conditions: dangerous machinery, overly heavy machinery; toxic substances; locked fire doors; uninsulated wires; excessive long weekly working hours; physical, mental or sexual abuse; and harassment of workers.

Engage in first, second and third-party monitoring

1. Send corporate representatives, including officials from headquarters and local offices, buyers, or quality control inspectors (first-party monitoring).

2. Hire an auditing firm (second-party monitoring).

3. Invite independent monitoring organizations to assess the situation, including: local and internal non-governmental organizations, religious groups or consumer groups (third-party monitoring).

4. Continue sourcing on a regular basis from factories which will uphold your code and conduct.

5. If children are found working, collaborate with contractors and suppliers to protect children; hire adults instead, and work to promote the development of the children.

IV. Protect children and promote their development

Companies and contractors together can work with industry and development partners to protect children and fulfil their basic needs.

Take steps to protect children

1. Guard children against health and safety hazards immediately.

2. Avoid preemptory firing of children, as this places many in a worse position (i.e. hard labour, child prostitution).

3. Establish company procedures and guidelines to halt new hiring of children for work in exploitative conditions.

Take steps to promote child development

1. Determine whether or not education is available, either public or private.

2. If available, encourage children to attend school and arrange a stipend to compensate for loss of family income.

3. If not available, enable the child to participate in full or part-time schooling combined with vocational training or an apprenticeship programme at the factory.

4. Offer the child's job to an adult member of the family on the condition that the child remain in school.

5. Work with a range of partners -- non-governmental organizations (Save the Children or Care), multilateral institutions (UNICEF or ILO), national ministries, local non-governmental organizations, unions and industry associations -- to address child labour in the context of community development efforts.

V. Promote industry-wide action on child labour

The problem of child labour should be addressed both by individual companies and through coordinated efforts among industry peers and business partners, working within and across industry lines.

Work with counterparts to

1. Develop industry-wide sourcing guidelines and partner selection guidelines.

2. Establish an industry-wide monitoring system.

3. Support a database or registry on factory records for compliance with child labour laws and international standards.

Box 3

Example of the involvement of NGOs in the implementation of codes of conduct: The independent monitoring of The Gap Since 1990 The Gap had had trade relations with the Mandarin International Apparel Factory, an independent plant situated in the San Marcos free trade zone of El Salvador. In 1995, after a number of workers were dismissed within a period of three weeks for trying to set up a trade union, the international community became aware of the poor working conditions at Mandarin International: more than 12 hours of work a day, overcrowded and overheated premises, coercive measures, very low wages (56 cents an hour), etc. It became clear that Mandarin International was not respecting The Gap's code of conduct.

The National Labor Committee (NLC) sounded the alarm and organized campaigns to sensitize consumers. Although The Gap was not the only enterprise working with Mandarin International, the NLC focused pressure on The Gap which became an important target. The Gap is well known for living up to its public image; furthermore, it had been one of the first enterprises to develop a code of conduct. A targeted campaign is, moreover, much more effective than a general campaign. The strategy was successful and The Gap showed itself willing to discuss the matter.

Initially, it reacted by canceling its contract with Mandarin International. However, this was not what the NLC wanted since this would not have changed in any way the working conditions of the workers. The Gap and the NLC thus signed an agreement whereby The Gap would renew its contract only if working conditions were improved and the leaders of the trade union movement were reinstated. It also promised to give specific assistance in improving working conditions in the workshops and to have the application of codes of conduct monitored independently -- until then monitoring had been carried out by employees of The Gap, which the NLC believed was not sufficient.

Representatives of The Gap and the NLC met on 15 December 1995 to discuss working conditions at Mandarin International. This resulted in a resolution and an agreement. The Gap agreed to work with the Interfaith Centre on Corporate Responsibility (ICCR) and the Business for Social Responsibility (BSR) to study ways of developing an independent monitoring system for Mandarin International. The agreement resulted in the establishment of the Independent Monitoring Working Group (IMWG).

On 22 and 23 February 1996 a meeting was held in San Francisco to prepare an independent

monitoring process. Questionnaires were sent out by the IMWG to the main pressure groups which were asked to give their impressions and opinions on the development of the independent monitoring and the measures to be used to make it effective. This meeting resulted in the definition of the independent monitoring process and the establishment of the following main goals:

-- detect violation of The Gap's code of conduct and applicable local law;

-- promote practices leading to compliance with The Gap's code of conduct and applicable local law;

-- encourage training programmes for workers on the basis of their knowledge about their own rights;

-- deter abuses against workers;

-- provide a safe, fair, credible mechanism for dispute resolution;

-- foster a productive, humane working environment;

-- promote utilization of existing processes within the plant to resolve problems as rapidly as possible.

On 22 March, a resolution on worker-management relations at Mandarin International was signed. IMWG members agreed on the immediate establishment of a team of independent monitors to ensure that all operations at Mandarin International would be in compliance with the laws of El Salvador and with The Gap's own code of conduct. This team was called the Independent Monitoring Group of El Salvador (IMGES).

The resolution also focused on the problem of the trade unionists who had still not been reinstated. The participants agreed that they should be reinstated no later than 1 May. The agreement also stipulated that if Mandarin International failed to respect it, The Gap would immediately cease all relations with it. In June 1996, the independent monitors had access to the Mandarin International plant to verify whether the codes of conduct were being respected there.

With these resolutions and the establishment of the IMWG, The Gap has gone further than other United States enterprises which have developed codes of conduct, without however authorizing an independent monitoring of their application. The independent monitoring of The Gap at Mandarin International must be seen as a pilot project, the success of which could serve as an example for the introduction of similar programmes in other plants in Latin America and Asia. However, for the time being, the application is limited and only the future will tell whether the principle will be subsequently extended to all suppliers.

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Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 5

Action targeted on consumers

Sensitization campaigns

For a number of years, sensitization campaigns targeted on consumers have become more and more common as a means of bringing pressure to bear on enterprises. The objectives of these campaigns may vary, although their main goal as regards enterprises in the TCF sectors is to encourage them to react favourably to pressure from the public in general. These reactions should normally result in the establishment of a code of conduct and a system for the independent monitoring of its application.

Following the success of the campaign launched with The Gap by the NLC, many solidarity organizations and consumer associations have followed suit.

Alarming figures about poor working conditions led the Artisans du Monde on 18 November 1995 to

launch a sensitization campaign entitled "Free your clothes" in collaboration with 27 trade union and associative organizations and consumer associations.

The campaign had two main objectives: to sensitize the public to the social conditions of apparel manufacture and to make people react. They were asked to send letters to the three major apparel retailers in France (C&A, La Redoute and Kookaï), requesting information on the company's criteria for selecting its suppliers. Between 13,000 and 15,000 letters were sent. When the three enterprises replied in a manner which was considered vague and evasive, the Federation sent letters in March 1996 requesting further information and details on the monitoring carried out. Meanwhile, it drew up a draft code and a proposed independent monitoring system. Although the replies received from the three enterprises remained vague, an initial dialogue had been established, through consumers, between the latter and the associations. Furthermore, this initiative was launched in close collaboration with the Clean Clothes campaign originating in the Netherlands and which was subsequently extended to Germany, the United Kingdom and Belgium. The network is thus becoming increasingly widespread, reflecting the greater concern by consumers about the social conditions in which their clothing is manufactured.

The sensitization campaign entitled "Soyez Sport" launched by Agir Ici is also part of a European movement established in coordination with Christian Aid (United Kingdom), IRENE (Netherlands), Evangelische Kirchengemeinde Duisburg-Neumühl (Germany) and Centro Nuovo Modello di Sviluppo (Italy). This campaign, which focuses on the manufacturers of sport footwear (Nike, Adidas, Reebok, Puma, etc.) and the major French retailers (Décathlon, Courir, Leclerc, Auchan, etc.), is an attempt to encourage these enterprises to guarantee decent working conditions through the adoption of codes of conduct and the establishment of an independent monitoring system.

More than 30,000 campaign documents were distributed, including tracks, posters and brochures. As with the campaign launched by the Artisans du Monde, consumers were asked to write letters about the measures taken by these enterprises.

Despite this widespread mobilization, the replies received were not very encouraging. The enterprises which already had a code of conduct said that it was being applied and monitored. But the monitoring remains internal and many examples of poor treatment in workshops show that the code is often a dead letter. Enterprises which do not have any code, such as Adidas, do not seem motivated to develop one. For Agir Ici, the sending of letters was only a first stage; it plans to chase up enterprises which have not replied and to propose a discussion with the others on ways of providing assistance for the preparation of a code of conduct.

According to Agir Ici, the campaign did not have sufficient access to support from the media, such as radio, television and the press, which had been the case in the United States. The campaign launched in the United Kingdom by Oxfam has perhaps had the advantage of greater media support. As well as sensitizing public opinion, it is also an attempt to mobilize governments and major international organizations in an attempt to reinforce respect of ILO Conventions in the sphere of trade.

As was noted in the case of The Gap and the NLC, the various United States Leagues are also trying to rally public support. The National Consumer League (NLC) has, with the assistance of the Union of Needletrades, Industrial and Textile Employees (UNITE), the main United States textile trade union, launched a sensitization campaign entitled "Stop Sweatshops: A Partnership for Responsibility", in collaboration with different groups (women workers, religious associations and consumers). As its name indicates, the main objective of this campaign is to eliminate sweatshops. As in the case of the two earlier initiatives examined, consumers are encouraged to send letters to different retailers and suppliers. According to the NLC, it is the consumers who take the initiative of requesting the names of companies which do not use the services of sweatshops and from which they can therefore buy with confidence. Consumers reacted strongly in the Kathie Lee Gifford case following the extensive media coverage given to the matter. Most organizations believe that pressure must be kept up through the assistance and support of consumers.

Labelling campaigns

In order to make consumers more aware of the situation and make enterprises react, non-governmental organizations have also developed labelling campaigns. These campaigns consist of placing a label on TCF articles certifying that they have been manufactured in accordance with acceptable working conditions. The principles which enterprises must follow to be able to use this label vary according to the campaigns and the organizations concerned, but in general the same basic principles are used, namely non-recourse to child labour, the existence of a minimum wage, respect of local legislation in force, respect of the environment, etc.

The focus was initially placed on eliminating the still very widespread use of child labour in the manufacture of carpets and rugs; this was the case with the campaign launched by the Rugmark Foundation which has undoubtedly been one of the most successful. The Rugmark Foundation, established in October 1994 by various non-governmental organizations with the support of the ILO's International Programme for the Elimination of Child Labour gave support to various projects in different countries. In each participating country, a tax of 1 per cent which must be paid by rug exporters in order to be able to use the label, which is paid through UNICEF to a local organization which develops projects for children in the sphere of education, training and the building of schools. On the basis of this initiative, the Child Labor Coalition (CLC) has launched in the United States a vast campaign to sensitize the public, the Rugmark Consumer Education Campaign, to encourage United States importers, retailers and consumers to buy only rugs which have the Rugmark Foundation label.

The Care and Fair organization is also developing projects to promote the welfare of children in the main rug-making regions and which consist of the building of schools, educational centres, hospitals, etc. The costs are covered by the taxes paid by the member enterprises which use the label.

The STEP Foundation, established in October 1995 by a number of Swiss organizations to promote equitable conditions in the production and marketing of rugs, has prepared a label known as the

Codex. In order to be able to use this label, enterprises which import and sell rugs must respect a code whose principles include non-recourse to the use of child labour, the payment of a fair wage to workers, a production process which is socially fair and which respects the environment and greater transparency in the production and marketing of rugs. Enterprises must be willing to accept monitoring by the Foundation to ensure that these principles are respected. For example, mention can be made of the Pfister Meubles furniture enterprise which has agreed to sell only rugs manufactured in satisfactory working conditions and without use of child labour. In its licensing contract with the STEP, Pfister Meubles pays a contribution in respect of each square metre of rug sold, which is used in development projects in the manufacturing regions.

This example shows that the promotion of labelling can become a marketing tool. By improving the image of products with the label that they have been manufactured in good working conditions, enterprises encourage consumers to give them their custom.

Following the introduction of such initiatives, non-governmental organizations have extended these campaigns to the TCF sector in order to promote fair trade. The Swiss Double Income Project (DIP) Foundation is endeavouring to improve the living conditions of workers in the apparel sector. Enterprises which have their clothing articles manufactured in countries with low wages undertake to pay the Foundation the equivalent of the amounts paid to the workers. The Foundation uses these funds to improve already existing infrastructure and to launch new medical and social projects. Verité, a not-for-profit organization, provides enterprises with information and helps them to improve their sense of social responsibility. But its objective is more ambitious since the establishment of a code of conduct does not necessarily mean that the code is applied. The Verité organization, on the basis of different standards and codes of conduct, including ILO Conventions, offers its services for the monitoring and supervision of codes. Enterprises which accept this monitoring can use the label which certifies that their products have been manufactured in good working conditions which respect the minimum standards as regards human rights. For its part, the Fairtrade Foundation is also examining the possibility of introducing a label in the clothing sector. Finally, in the sports equipment sector, the International Federation of Football Associations (FIFA) is trying to set up programmes to help integrate into the school system children who work in the production of footballs. After developing a code of conduct with ILO support and the collaboration of a number of employers' and workers' associations, it is planning to establish a system for monitoring the application of the code by an independent body as well as projects to promote the welfare of children.

Analysis of the codes of conduct of a sample group of enterprises in the TCF sectors

We have selected ten United States enterprises which produce or distribute TCF products and which are representative in their economic importance and the references made to their codes of conduct in the media. The fact that they are United States enterprises is not fortuitous: it is in the United States that such codes were first adopted and have, over the last four decades, been extended to an increasing number of enterprises. In Europe, the movement is still at a embryonic stage and very few individual

enterprises in the TCF sectors have introduced structured codes of conduct. To our knowledge the only sufficiently operational example is that of Mondial International, whose headquarters are in Brussels, and which is responsible for supplying the C&A group. The case of this enterprise will be examined in the section dealing with European initiatives.

In this chapter, each code of the selected enterprises is first of all presented, with a summary of its main components. An attempt has been made to group together, wherever possible, the different elements through keywords to facilitate comparison. This is followed by a comparative analysis of the codes on the basis of two major aspects: explicit or implicit references to fundamental ILO standards concerning human rights at work; and the methods of application.

The codes and their content: Individual presentation

The selected enterprises present their respective codes in very different forms. The codes sometimes consist of general principles applicable to all the firms' activities. In other cases, they are much more detailed and a distinction is made between the internal principles of the firm and the practices to be applied with its trade partners, or even in the choices of subcontracting countries, as at Levi Strauss. Sometimes, several codes coexist and have complementary functions. Some codes make explicit reference to the trade sanctions to be applied in the event of non-respect of obligations and mention is sometimes made of the methods of their application, although in this respect the information is the least precise.

Levi Strauss

Levi Strauss Associates is the world's leading apparel manufacturer, producing and marketing clothes for men, women and children. In 1995 the group's turnover was 6.7 thousand million dollars, with net profits of 734 million dollars. During its 142 years of existence, the enterprise used external financing sources only between 1971 and 1995. Thanks to a progressive repurchasing by the majority shareholder of shares offered to the public on the stock exchange in 1996, Levi Strauss has once again become what it was at the beginning, namely a company held by a single family. Its owner and Chief Executive Officer, Bob Hass, has developed over the years a strategy of expansion in which industrial ethics have played a major role.

The Levi Strauss code of ethics consists of two sets of guidelines. The first, the Business Partners Terms of Engagement, deals with subjects over which the enterprise's trade partners can exercise direct control. These include in particular general ethical standards, legal requirements, environmental requirements, and above all, labour standards. The concept of "business partners" includes contractors and subcontractors who manufacture or finish the company's products and suppliers who provide material used in these products.

The second set of guidelines deals with criteria which are beyond the ability of the individual business partner to control since they concern the selection of supplier countries (Country Assessment

Guidelines). The objective of what is in fact a separate but complementary code is to ensure that the enterprise does not operate in countries which might have an adverse effect on its public image and its reputation as a good employer. An analysis is made of the social or political image of a country and the impact of this image on the company's reputation; the general conditions concerning safety and health; the human rights environment; the legislative system and the political, economic and social stability of the country. If Levi Strauss believes that a country does not offer sufficient guarantees in any of these spheres, it will refrain from developing trade relations with that country. The enterprise may decide not to renew its contractual relationships in countries in which there is a deterioration in the situation. Thus Levi Strauss has withdrawn from or terminated its trade relations with a number of countries, mainly due to the non-respect of human rights. In addition to these two sets of criteria, Levi Strauss has published a document which groups together the ethical values of the firm as a United States enterprise. The following synoptic table illustrates the complementarity between these different codes.

Table I. Levi Strauss: Synoptic table of codes of conduct

Codes			
Keywords	**Business Partner Terms of Engagement**	**Guidelines for Country Selection**	**Levi Strauss ethical values**
Child labour	Use of child labour is not permissible (child = less than 14 years of age or below the compulsory school age). Levi Strauss encourages the development of workplace apprenticeship programmes for the educational benefit of young people.		"Aspiration statement". Employees should all have the opportunity to contribute, learn, grow and advance based on merit. The management of the enterprise must be guided by the following principles: -- team work and trust; -- diversity of the workforce as regards origin and political belief; -- recognition of merits; -- ethical management practices;

			-- optimal internal and external communication; -- empowerment of employees.
Forced labour	No use of prison or forced labour.		
Non-discrimination	Each worker should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs.		
Coercion	Business partners must not use corporal punishment or other forms of mental or physical coercion.		
Working conditions	Working hours in accordance with local standards. Maximum: 60 hours a week. One day of compulsory rest. Wages and social benefits in accordance with laws in force or prevailing wage practice in enterprises in the region.		Ethical principles which employees must follow: -- honesty; -- keeping their promises; -- fairness; -- respect of others; -- solidarity; -- integrity.

Health and safety	Business partners must provide good health and safety conditions, including in residential facilities when provided by the enterprise.	Employees and representatives of Levi Strauss must not be exposed to a working environment which jeopardizes their health or safety.	
General ethical values	Business partners should, as individuals and in the conduct of their business, respect a set of ethical standards compatible with those of Levi Strauss.	Widespread observation on basic human rights.	Code of ethics: -- respect of employees, suppliers, clients, consumers and shareholders; -- respect of basic human rights; -- avoidance of conflicts of interest.
Solidarity/ambition			"Business vision": Levi Strauss will make decisions which will benefit the company as a whole rather than any one component. The enterprise seeks to be an employer of choice, a supplier of choice and a customer of choice.

Responsibilities of a global enterprise	Preference given to business partners who share Levi Strauss's commitment to contribute to the betterment of community conditions (Community Betterment).	Protecting the global brand image of Levi Strauss.	Mission Statement: The mission of Levi Strauss is to sustain responsible commercial success as a global marketing company, i. e. to conduct business ethically and to provide a safe and productive working environment.
Legal requirements	Trade partners should respect the law as individuals and obey the laws and regulations regulating their occupational activity.	Legal environment which guarantees the protection of Levi Strauss trademarks, which is not detrimental to other important commercial interests or seriously impedes the company's ability to implement these guidelines.	
Social and political stability		Political or social disorder in the country must not pose an undue threat to the business interest of Levi Strauss.	
Information on the implementation of codes	Regular publications on the main principles, lines of conduct and application procedures.		
Sanctions in the event of violation	Termination of trade relations with partners who do not respect the guidelines.	Levi Strauss will not renew its contractual relations in countries which no longer meet the selection criteria.	

In public presentations of their ethical approach, Levi Strauss officials have pointed out that these principles are mainly based on the relevant Conventions of the United Nations and, as regards working conditions and the respect of human rights at work, on ILO Conventions.

Since the establishment of its codes of conduct in 1992 (with a revision in 1994), Levi Strauss has acquired the means to implement them within a global perspective, with the objective of these guidelines being rather to improve the existing situation vis-à-vis its business partners than to apply sanctions against them. At a first stage, the country selection criteria make it possible to prevent the development of trade relations in countries considered as posing a high risk of non-respect of human rights in practice. At a second stage, before selecting a subcontractor or, more generally, a business partner, the enterprise carries out an ethical assessment of the potential of the enterprises concerned. This assessment is carried out by a team from headquarters made up of representatives of the different technical departments. The team always includes one of the 50 persons specially trained in matters of ethical practice by Levi Strauss. When a business partner has been selected, periodical audits are carried out concerning respect by the enterprise of its social obligations. This monitoring, which may be carried out during quality inspections, but also during unprogrammed visits to subcontractors, is an internal practice in the firm. The enterprise publishes regularly the results of these inspections and audits in a summarized form in its Global Sourcing Guidelines Fact Sheets. These can be obtained on request. Levi Strauss, which has played a pioneering role in the business ethics sphere, has over the years retained its credibility amongst consumers and its employees as a socially responsible enterprise. Thanks to its permanent dialogue with its business partners and workers' representatives, it has been able to resolve most of the social problems inherent in any industrial activity, without prejudice to its enviable commercial success.

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SAP 2.60/WP.110

Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 6

Sara Lee

Sara Lee Corporation, an enterprise which originally developed in the food sector, has diversified its activities and the apparel and accessories sector now accounts for a large share of its turnover. The personal products department, which includes a number of internationally known brands (including Hanes, Wonderbra, Dim, Champion, Playtex, Coach), achieved a turnover of 7.2 thousand million dollars in 1995, with a record level of profits of 658 million dollars, i.e. an increase of 18 per cent over the previous year. In the personal products sector, Sara Lee has focused its development strategy on the image of the different brands which the group controls and which it has tried to enhance through diversified promotional campaigns (the Champion trademark, for example, obtained an exclusivity

contract for the 1996 Olympic Games in Atlanta), whilst at the same time developing an ethical approach through the adoption of two codes of conduct. The first establishes the global production principles applicable to the group's operational units, while the second contains criteria for the selection of suppliers and subcontractors.

The global operating principles refer to a number of specific measures which are included in a separate column in the following table in order to distinguish them from the theoretical principles.

Table II. Sara Lee: Synoptic table of codes of conduct

Keywords	**Sara Lee Corporation Global Operating Principles for its Operating Units**	**Specific measures**	**Supplier's Selection Guidelines**
Child labour	Minimum age: 16 years (for activities on the United States territory).		-- In accordance with local/national legislation -- Minimum Sara Lee standards: -- minimum age: 15 years; -- not below the legal employment age defined by national legislation.
Forced labour			Prohibited.
Non-discrimination	No account taken of the personal characteristics and beliefs during recruitment.		No account taken of personal characteristics and beliefs in the recruitment of an employee.

Safety and health	Search for high safety and health standards.	Specific training programmes concerning safety measures and the use of the necessary equipment.	The business partner must have a sense of social responsibility concerning the health and safety of employees at the workplace and their place of residence if provided by the employer.
Coercion			Sara Lee will not do business with suppliers who use any type of corporal punishment or other forms of mental or physical coercion.
Recruitment and training	Employment and employee training and development: Sara Lee's goal is to create an environment that attracts and retains the best, brightest and most talented individuals and to provide an environment that empowers each employee to reach his or her full potential.	Implementation of recruitment and training programmes within the enterprise.	
Hours of work	In accordance with local regulations.		In accordance with national laws and standards.
Wages and remuneration	-- Fair; -- as a minimum: local industrial standards.		

Communication	Open, honest and fair communication. Exception: confidential nature of personal information and information of critical importance to the enterprise.		
Ethical practice	Ethical practices: -- honesty; -- integrity; -- fair dealing; -- conformity with high ethical standards; -- refusal to condone legal payments; -- not to engage in ethically questionable practices.		Application of high ethical standards.
Responsibility of a global enterprise *Community relations* *Corporate contributions*	Participate in the social/economic development of the community in which the enterprise exercises its activities. Contribute to the betterment of the community in which the enterprise operates with a view to improving employees' working environment and quality of life.	Financial support for social projects: schools, orphanages, libraries, creches, drug and poverty prevention programmes. Special programme for youth: preventing drug dependency, programmes to promote health, welfare and education; emphasis placed on family life, culture	

		and the arts.	
Legal requirements	In accordance with local regulations.		In accordance with local regulations.
Environment	In accordance with all the applicable laws, regulations and standards.		In accordance with national environmental standards.

[1] Suppliers: defined as subcontractors; joint venture partners and the suppliers of goods and services, including raw materials.

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Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 7

Phillips-van Heusen

The Phillips-van Heusen group, with headquarters in New York, is made up of several enterprises in the apparel and footwear sectors. Phillips-van Heusen (PVH) attaches considerable importance to its code of ethics adopted in 1992, which, as in the previous case, is divided into general principles applicable to all the firm's activities and guidelines for suppliers and subcontractors.

The following table, which summarizes these principles, has been divided into three columns. The first summarizes the general philosophy of the enterprise; the third column contains the specific guidelines for business partners; and the second refers to environment practices applicable to both the enterprise and its partners.

Table III. Phillips-van Heusen: Synoptic table of the code of conduct

Keywords	**The Phillips-van Heusen commitment**	**Employment practices at Phillips-van Heusen**	**Guidelines for Vendors**
Goal	To achieve the highest moral, ethical and legal standards. Commitment to the following principles is total and irrevocable		Non-violation of legal rights and the moral integrity of employees
Prison or forced labour		Prohibited	
Non-discrimination	Non-discrimination with regard to race, sex and religion. No toleration of fanaticism, racism and sexual harassment		Non-discrimination with regard to race, sex and religion
Coercion		Prohibition of any form of physical or mental coercion	
Working hours		-- local standards or -- P-VH standard: -- maximum of 60 hrs a week -- one free day -- overtime correctly remunerated (enterprises which conform to this standard will be given preference by PVH)	
Wages and remuneration		Minimum: The standards prevailing in local industry	

Safety and health			The working environment must not be detrimental to the health and safety of employees. The enterprise must contribute to the medical needs of its employees
Communication	Encouragement of open and direct communication at the workplace		
Employee welfare		-- Right of access to appropriate education and training -- Right to medical benefits -- Right to the exercise of religious practices -- Right to the exercise of family obligations	
Responsibility of a global enterprise		Contribute to the betterment of the communities	
Legal requirements			Activities in accordance with local regulations
Environment	Awareness of the protection and improvement of the environment		Awareness of the protection and improvement of the environment

Sanctions in the event of violation	Termination of trade relations with enterprises which violate these principles		

The Gap

In the past ten years, The Gap has undergone a process of dynamic expansion through its different trademarks (Gap, Banana Republic, Gap Kids, Gap Shoe Stores, Baby Gap Store) which it markets and directly controls throughout the world. Thanks to this success, The Gap has from 1991 become the second largest apparel retailer in the United States. The enterprise, which subcontracts all its production, has established a code of conduct which establishes enterprise selection criteria and the respective methods of application. It should be noted that The Gap is the only United States enterprise in the TCF sector which has accepted, for the time being, in a single case (that of a major supplier in El Salvador: the Mandarin International Apparel factory) an external monitoring of the application of its code. This unusual example of independent monitoring was examined earlier.

The following table is divided into two parts. The first part outlines the principles of The Gap's code and the second part outlines the methods of its application.

Table IV. The Gap: Synoptic table of the code of conduct

A. The code	
Keywords	Sourcing Guidelines for Vendor Selection
Human rights	The Gap will not conduct business with suppliers or subcontractors who violate basic human rights
Child labour	Subject to all applicable laws, rules and regulations
Forced labour	Prohibited
Working conditions	Prevailing industry standards in the surrounding community
Physical sanctions	Prohibited
-- Work schedules -- Overtime -- Minimum wage	All applicable laws, rules and regulations
Health and safety	Employees must not be exposed to conditions which are dangerous to their health

Legal requirements	Subcontractors must comply with the laws and regulations of the country in which they exercise their activity
Political stability	The Gap will not conduct business in a politically unstable country
Environment	At least in accordance with local regulations
Sanctions in the event of violations	Termination of trade relations with trade partners who do not respect the code
B. Methods of application	
Keywords	Corporate Sourcing Policies
Basic principles	-- Obligation for trade partners to respect the Sourcing Guidelines for Vendor Selection -- Obligatory signature of a vendor-compliance agreement
Application	-- Approval of the subcontracting plant by a representative of The Gap -- Periodical inspection: An inspection certificate is issued by a Gap-authorized buying agent. This certificate is a condition of payment for the subcontracting enterprise -- The choice of the subcontracting country must be approved by a sourcing committee which meets four times a year. The Gap purchases its products only in countries approved by this committee
Intermediaries	Unless expressly authorized by corporate sourcing, The Gap will not purchase goods produced in a foreign country through US or foreign-based importers

Reebok and Nike

With a turnover of more than $5,000 million and net profits of $450 million, Nike, which was established in 1968 by a Stanford student (Phil Knight) who already believed in the virtue of delocation, has become the undeniable world leader in sports footwear. In 1988, Nike outdistanced its main competitor, Reebok, another United States company developed by Paul Fireman who, in 1988, bought a small United Kingdom footwear company called Reebok.

In order to establish their position on the world market, these two enterprises adopted comparable strategies consisting of a massive use of international subcontracting and the promotion of their products by major names in sport.

Because of their systematic use of subcontracting, but also perhaps because of their success, Nike and Reebok have been subject to many attacks in the media. Their leaders are accused of having amassed a considerable fortune through the payment of paltry wages to those who manufacture their shoes in the developing countries. A comparison between the manufacturing cost of a pair of sports shoes (in particular the labour component) and the retail selling price reveals an enormous profit margin; the sports personalities who sponsor these two trademarks are paid extremely high contracts and, something which is even more damaging to the firms' public image, surveys carried out by journalists and trade unionists have revealed that some subcontractors do not respect the most elementary rights of their workers. This offensive has led the two enterprises to emphasize their ethical approach to business and the respect of codes of conduct which they have established. Reebok has therefore set up model factories which must respect very strict conditions, in particular as regards child labour. The firm has also established a Reebok prize which is awarded each year to individuals or associations working for the promotion of human rights.

The basic principles defining the ethical strategy of these two enterprises are set forth below. The Reebok code can be divided into three different parts which are presented in the form of three sub-tables. The first part (A) concerns the basic commitment of Reebok to the respect of human rights and its determination to work with business partners who share this commitment. The second part (B) is the central component of the Reebok human rights production standards, which include all Reebok's requirements of its trade partners. Reebok refers to four fundamental human rights at work which are covered by ILO core Conventions. The third part (C) concerns the implementation of the standards. Mention is made at the end of this table of the Reebok Human Rights Award, even though it is not directly mentioned in the code and forms a separate document. The Reebok Award can be considered as part of the implementation of Reebok's social commitment. Despite the criticisms made of the practices of some of Reebok's suppliers, it is interesting and paradoxical to note that the Reebok Award enjoys an undeniable prestige and has contributed to the attempts by the enterprise to improve its social image.

Table V. Reebok: Synoptic table of the code of conduct

A	
Keywords	A commitment to human rights
Basic principles	Reebok attaches considerable importance to the standards of its business partners as regards human rights. The respect of these rights is one of Reebok's characteristics
Desired result	Improvement of the morale and performance of its employees and, by extension, increased productivity
Moral/ethical goal	Implementation of the principles concerning human rights which are just, adapted to different cultures and encourage employees to be proud of their work

B	
Keywords	Human Rights Production Standards
Freedom of association and bargaining	Reebok will seek business partners that share its commitment to the right of employees to establish and join organizations of their own choosing. Reebok will seek to ensure that no employee is penalized because of his or her non-violent exercise of this right. Reebok recognizes and respects the right of all employees to organize and bargain collectively
Child labour	Prohibited. Definition of the term "child": -- less than 14 years of age; -- younger than the age of compulsory education fixed at the national level; -- in accordance with national legislation defining the term "child" for persons over the age of 14
Forced labour	Prohibited. The term "forced labour" includes work which is required as a means of political coercion or as punishment for holding or for peacefully expressing political views
Non-discrimination	Reebok will seek business partners that do not discriminate in hiring and employment practices on grounds of race, colour, national origin, gender, religion or political or other opinion
Working hours	-- Maximum: 60 hrs a week on a regular basis -- Preference will be given to business partners who use 48-hour work weeks -- Overtime: Remuneration according to national legislation and local practice
Wages/remuneration	-- In accordance with local regulations -- Local standards (if higher) Reebok will seek business partners who share its commitment to the betterment of wage and benefit levels that address the basic needs of workers and their families

Occupational safety and health	Reebok will seek business partners that strive to assure employees a safe and healthy workplace and that do not expose workers to hazardous conditions
C	
Keywords	Application of Standards
Selection of trade partners	Reebok will apply this code in the selection of its trade partners
Pressure on trade partners	Reebok will seek compliance with these standards by its trade partners
Coercion	Reebok opposes the use of force to suppress any of these standards and will take account of such action in evaluating subcontractors
Information	Reebok seeks business partners providing full information on the means of production used
Control	Reebok will take measures to monitor the correct application of the standards, for example through the use of on-site inspection of production facilities
The Reebok Award	The Reebok Human Rights Award for initiatives which have made a major contribution to the human rights cause

Nike's code of conduct is, like an increasing number of others, subdivided into two sections: one, made up of ethical guidelines, applies to the enterprise as a whole; the other regulates the obligations of its trade partners. Nike has also published an information document entitled *Nike and sourcing: A primer* which describes in general terms the origin of the enterprise, its strategy based on delocation and its relations, through a number of specific examples with its subcontractors and suppliers.

Table VI. Nike: Synoptic table of the code of conduct

Keywords	**The Nike Code of Conduct**	**Memorandum of Understanding. Obligations of subcontractors/ suppliers**

Basic principles	Principles governing the conduct of business: -- trust -- teamwork -- honesty -- mutual respect	Nike expects compliance with the same principles by its trading partners
Human rights	Respect of human rights	
Forced labour		Forced labour -- prison or otherwise -- must not be used at any stage of production
Non-discrimination	Nike is a company made up of persons of all origins, which appreciates individual diversity and is dedicated to equal opportunity for each individual	No discrimination in hiring, salary, benefits, advancement, termination or retirement on the basis of gender, race, religion, age, sexual preference or ethnic origin
Safety and health		In accordance with local regulations
Health insurance, life insurance and workers' compensation		In accordance with local regulations
Responsibility of a global enterprise	To do what is expected of a leader by participating in the betterment of people's lives through sport and fitness	--

Legal requirements		In accordance with local trade legislation as regards: -- minimum wages -- overtime -- child labour -- leave, public holidays -- mandatory retirement benefits Compliance with: -- local regulations -- practices established by Nike A Nike representative is responsible for the day-to-day application of the Memorandum in each subcontracted factory. Nike production managers update the Memorandum every two years. Nike may request an independent monitoring of plants at any time. In the event of non-compliance with the Memorandum, Nike may require that the situation be corrected or it may terminate its trade relations. All subcontractors must: -- keep any documentation which may be necessary to prove the correct application of the

		recommendations contained in the Memorandum; and -- agree to provide these documents to Nike for any inspections required by the company
Environment	To minimize impact on the environment. Implementation of the three "Rs" of environmental action: Reduce, re-use and re-cycle	
Application		

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SAP 2.60/WP.110

Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 8

The codes of conduct of the major retail networks

The major retail networks are playing an increasingly important role in the TCF sectors and in particular in textiles. With their large number of sales outlets, sometimes established in several countries, they are tending to replace the traditional manufacturers and to have their TCF articles with their own logo manufactured by subcontractors. Since these enterprises generally cater for the mass market, their sourcing policies are extremely diversified although always governed by a search for low production costs. In order to maintain a good public image, without foregoing the possibility of stepping up their trade relations with subcontractors producing in the developing countries, the major retail networks have become aware of the importance of adopting a responsible ethical behaviour. They have thus adopted codes of conduct similar to those of their counterparts in the manufacturing sector. We have chosen to highlight four of the most developed of these codes: those of Wal-Mart, J. C. Penney, Sears Roebuck and Company and Woolworth.

Wal-Mart, which recently experienced some difficulties of an ethical nature in the Kathie Lee Gifford affair attributes its continued commercial success since its establishment in 1962 to the respect of three principles which form the basis of its business ethics. These principles are: to provide value and service to its customers by offering quality merchandise at low prices; corporate dedication to a partnership between employees, ownership and management; a commitment to the United States (reflected in the "Buy American commitment" campaign in which Wal-Mart undertakes to sell as far as possible products manufactured in the United States) and the communities in which its stores and distribution centres are located. In order to develop these values within the context of globalization, in 1993 Wal-Mart established a detailed code of conduct in the form of Standards for Vendor Partners, in particular those located outside the United States territory. The code is summarized below. Each business partner is required to sign a contract accepting the standards contained in the code.

Table VII. Wal-Mart -- Code of conduct for suppliers and subcontractors

Keywords	**Standards for Vendor Partners**
Human rights	Non-derogation of basic human rights.
Child labour	Prohibited. Obligatory reference to: -- national legislation; and -- Wal-Mart definition: children are defined as persons: -- under the age of 15; -- under the compulsory schooling age of the country. Wal-Mart supports apprenticeship education programmes for young persons.
Forced or prison labour	Prohibited.
Non-discrimination	No discrimination on the basis of race, colour, national origin, gender, religion, disability, sexual orientation or political opinion in recruitment.

Conditions of work	The minimum Wal-Mart standards are: -- adequate medical services; -- emergency exits; -- safety equipment; -- well-lit workstations; -- clean rest-rooms; -- adequate living quarters where necessary; -- prohibition of any mental or physical disciplinary practices.
Hours of work and overtime	-- In accordance with national legislation. -- In accordance with local industry standards if higher. -- Maximum of 60 hours a week plus one day of leave: annual leave.
Remuneration/wages	-- In accordance with national legislation. -- In accordance with prevailing industrial standards if higher.
Legal requirements	-- For all activities compliance with national legislation is the minimum standard. -- Preference given to trade partners respecting prevailing local industry standards. -- United States legislation is applicable concerning: -- import requirements into the United States; -- the protection of intellectual property rights; -- indication of the country of origin; -- transport of the merchandise;

	-- information on the merchandise transported.
Environment	In accordance with the principles of the three "Rs": reduce, reuse and recycle.
Application	-- Wal-Mart or a third party appointed by Wal-Mart will take concrete measures to implement and monitor its standards. The plants of business partners are inspected four times a year. -- Wal-Mart has established a certificate of compliance with its ethical standards which suppliers/subcontractors must obtain to do business with Wal-Mart (the Wal-Mart vendor partner inspection and certification form).
Sanctions in the event of violation	Termination of any business relationship between Wal-Mart and a trade partner which fails to respect the code.

The case of Sears, Roebuck and Company (SR) deserves special attention. This major retail group has, in its search for supply sources at the lowest cost, established a number of trade relations with China. Given the assumptions about the non-respect of human rights which affect this country, SR believed that it would be desirable to create a specific code of conduct concerning forced labour which would be applicable to its Chinese partners. Thus the ethical approach of SR is characterized by the juxtaposition of two codes of conduct, a set of Import-Buying Policy and Procedures, along with an additional code on forced labour applicable to China. These two codes are summarized below.

Table VIII. Sears, Roebuck and Company -- Codes of conduct

Keywords	**Import-Buying Policy and Procedures**	**Policy on Goods Made by Forced Labour in China**
Basic principles	Strict adherence to local laws governing working conditions and production methods and to applicable United States laws (for United States trade partners).	Prohibition of forced or convict labour.
-- Conditions of work **-- Child labour** **-- Wages**	In accordance with local legislation or United States legislation (for United States subcontractors).	

Forced labour (legal requirements)		Compliance with United States legislation concerning the import of merchandise manufactured on the basis of forced labour.
Application *Contractual clauses*	-- Reference to the code in all international purchasing agreements.	-- Inclusion of a clause in all contracts with Chinese subcontractors concerning the non-use of forced labour.
Inspection	-- Periodical visits to plants abroad by foreign buying office personnel.	-- Carrying out of unannounced inspections of the plants of Chinese subcontractors.
Reporting obligation	-- Reporting of any violation of national or United States law to the competent authority.	-- Reporting of violations to the United States Customs Service.
Communication	-- Distribution of a copy of the code to all Sears' employees and its trade partners.	-- Copies of the Import Buying Policy and Procedures must be supplied to all Sears' subcontractors in China.
Information specific to relations with China		Sears' buying office in Hong Kong, responsible for its activities with China, must: -- supply a list of all Chinese subcontractors to Sears' trading partners and make this list available to shareholders: -- draw up a list, which must be as comprehensive as possible, of all Chinese enterprises which use forced labour and to compare it with the above-mentioned list.

Sanctions in the event of deliberate violation	Termination of business relations with suppliers who do not respect the code.	Termination of trade relations with any supplier using forced labour.

Table IX. J.C. Penney -- Code of conduct applicable to its business partners

Keywords	**Foreign sourcing requirements**
Child labour	Prohibited.
Indentured labour	Prohibited.
Forced or prison labour	Prohibited.
Legal requirements	JCP will seek suppliers who conform to the legislation applicable within the framework of their activities.
Application -- *Factory visits*	Carried out by JCP associates and buying agents. The latter are required to report to headquarters any conduct with infringes the code.
-- *Country of origin labelling*	JCP will not knowingly import merchandise which does not bear a label indicating the country in which it has been manufactured.
-- *Producer's certificate*	Any merchandise from a foreign country must be accompanied by a certificate indicating the factory at which it was manufactured.
Sanctions in the event of violations	-- Cancellation of orders. -- Prohibition for suppliers to use subcontractors which do not respect the code. -- Termination by JCP of any business relationship with the suppliers/subcontractors who do not respect the code.

Table X. Woolworth Corporation -- Code of conduct

Basic principles	Prohibition of: -- forced labour as well as prison labour; -- child labour.
Legal requirements	-- Merchandise must be in conformity with United States legislation applicable to imported articles. Requirement included in Woolworth's standard purchase order. -- Business partners must respect the national legislation applicable within the framework of their manufacturing and marketing activities.
Application	-- Distribution of the code to all business partners, including United States suppliers selling imported products to Woolworth. -- Woolworth's buyers and other representatives regularly visit the enterprises of suppliers/subcontractors. Woolworth has established a training programme for officials visiting enterprises abroad to familiarize them with the application of the code of conduct in the context of different national legislations. -- Before any payment, Woolworth requires the supplier to obtain a certificate of compliance with the application of the code. This requirement has been extended to all foreign subcontractors.

Comparative analysis of the codes of conduct

There is a constant feature in all the different elements which make up these codes: the reference to a variable number of principles concerning human rights at work. It is therefore on this fundamental aspect of the ethical codification of trade relations within the context of globalization that we have focused the first part of the comparative analysis, in relation to fundamental ILO standards. On the basis of the information available (which has not always been very exact), we have then proceeded to a comparison between the different methods for the application of these codes.

References to fundamental ILO standards

Although the codes of the selected enterprises do not make specific reference to ILO Conventions, it is clear that the content of the texts concerning the respect of human rights at work is directly inspired by the pertinent ILO Conventions. This is particularly the case as regards the elements of the codes detailing with child labour, forced labour and the principles of non-discrimination, which appear in many of these texts.

On the other hand, few codes contain specific provisions detailing with freedom of association or the right to organize and collective bargaining. This absence, which is regrettable given the importance of these fundamental rights, can be explained in various ways. First of all, some codes stipulate that trade partners must exercise their activities in accordance with national legislation. In most countries, the right to organize and freedom of association are recognized in the Constitution and stipulated in labour legislation, which moreover establishes the methods of collective bargaining.

However, it is well known that some countries provide for exceptions to these general principles. Free zones in particular have a special legal status which, in some cases, restricts, in a derogation of national legislation, certain trade union freedoms and limits the right to collective bargaining. Since a large number of subcontractors in the apparel and footwear sectors operate in these free zones, the mention, in a code of conduct, of the principles contained in Conventions Nos. 87 and 98 could cause difficulties to both the enterprise placing the orders and the subcontracting enterprise. While from a practical point of view account must be taken of existing constraints, from the strictly social ethics point of view, a different reasoning applies. If all these codes of conduct referred to these Conventions (which have furthermore been broadly ratified) certain restrictive practices would be progressively abandoned, in the same way as child labour has been abandoned in enterprises which produce TCF products for multinationals which control the strict application of their codes of conduct.

There follows a comparative table of references to human rights at work.

Methods of monitoring the application of the codes

In order to be credible, the codes of conduct must be applied in a way which leaves no doubt in the minds of observers outside the enterprise. This means that the application of the codes must be supervised by competent persons specially trained for this purpose and whose integrity cannot be questioned.

As regards the general principles making up the ethics of major multinationals, internal methods of supervision, combined with external sources of pressure, can generally be seen as guaranteeing their application within the parent company. Within the enterprise, the human resources policy established by the personnel department must take account of the ethical policy of the enterprise if it wishes to win the support of staff representatives; those responsible for the different technical departments must be made sensitive to the determination of the enterprise to preserve its image as a responsible employer with, if necessary, the general management intervening to prevent any loss of control or dispute. Outside the enterprise, trade union representatives are vigilant and pressure groups remain active, whether in the form of associations, through the media or as individual consumers.

On the other hand, the effective implementation of the codes of conduct by suppliers and subcontractors is more difficult. Multinational enterprises (producers and distributors) in the TCF sectors make use of a number of intermediaries and subcontractors in a large number of countries, some of which are located far away. The logistics required to ensure the respect of the codes are

considerable and few enterprises have the necessary human means. As can be seen from the following table, it would appear, on the basis of the piecemeal information available, that most enterprises entrust their local buying agents and quality control representatives with the task of monitoring respect of the codes of conduct. Unfortunately, in a very large number of cases there is a lack of information on the specific training of these agents in the sphere of labour legislation and, more generally, human rights at work. Furthermore, although some enterprises require their suppliers to sign a document in which they undertake to apply the code of ethics of the enterprises for which they are working, this is a moral undertaking rather than a genuine method of supervision. Frequent use is made in the apparel industry of the practice of multiple subcontracting, whereby an enterprise which receives an order from a multinational enterprise in turn contracts out all or part of the order to other enterprises. In such cases, it becomes extremely difficult to try and control the entire subcontracting chain and the chances of non-respect of the elementary rights of workers increase as use is made of increasingly smaller and less structured enterprises. Attempts, albeit positive, to monitor the application of the codes must therefore be treated with all due caution and inspiration should be sought from the best organized enterprises which have trained their staff accordingly and which, because of their position in a specific market, cannot risk being accused of failing to implement their ethical principles. Recourse to external monitoring of the type introduced by The Gap in El Salvador, although difficult and expensive to implement, could also be an avenue worth exploring.

Table XII. Methods of application of codes of conduct by trade partners

Enterprise	Methods of application	Sanctions in the event of violation
Levi Strauss	In three stages: *1. Terms of engagement evaluation* Evaluation carried out by a Levi Strauss team made up of members of several technical departments -- each team includes one of the 50 inspectors trained by the enterprise in this particular task. A 20-page evaluation document reviews practices in production and working conditions. The assessment is also based on opinions about the enterprise by trade union officials and local associations. Workers are also directly concerned and unannounced visits to enterprises are sometimes carried out.	Termination of relations with business partners failing to respect the terms of engagement.

	2. Terms of engagement monitoring Selected suppliers/subcontractors are subject to periodical inspections (at least once a year; sometimes every three months), the objective of which is to resolve points of difficulty, on a partnership basis, before they become real problems. *3. Training--Sensitivization* The enterprise conducts a policy of permanent training and sensitivization to its ethical criteria. This training is provided in the first instance for inspectors responsible for the application of the code of conduct but it is also available to other employees in the group who, at one level or another, have working relations with external suppliers.	
The Gap	*Internal methods:* -- The plants of subcontractors are selected and inspected by a representative of the management of The Gap and/or by a commercial representative responsible for purchasing. A plant inspection certificate is issued which is a necessary condition for the payment of merchandise. -- Business partners must sign a vendor compliance agreement under which they must apply the same subcontractor selection criteria as The Gap. The Gap does not purchase foreign products from importers who have not signed this	Termination of trade relations with supplier/subcontractors who do not respect the code of conduct.

	agreement. -- The choice of countries with which The Gap has trade relations is approved by a sourcing committee which meets four times a year to update and publish a list of approved countries. *External methods:* An independent monitoring working group set up in cooperation with: -- The Interfaith Center on Corporate Responsibility -- Business for Social Responsibility -- The National Labor Committee works towards the improvement of the codes and proposes solutions. The initial aim is the improvement of working conditions in the international subcontractor "Mandarin International" in El Salvador.	
Reebok (R)	*Internal methods:* -- R carries out supervision in accordance with its charter, in the form of factory inspections. No information is available on the internal structure established for this supervision. -- R applies its charter for the protection of human rights in the selection of its trade partners and ensures that the latter apply the charter.	No information on trade sanctions in the event of a violation of the code of conduct.

	-- R seeks partners who provide complete information on the production means used and the conditions of recruitment and work.	
Nike (N)	*Internal methods:* -- For each plant, a representative of N is responsible for the day-to-day application of the Memorandum. -- Obligation for suppliers/ subcontractors to retain and to make available to N all documentation concerning ethical criteria contained in the Memorandum. -- The Memorandum is posted up in all the plants of N's subcontractors. -- Reference to the code in all international purchasing contracts. *Methods independent of the enterprise:* -- N reserves the right at all times to have an independent monitoring carried out of the plants of suppliers/ subcontractors.	In the event of non-respect of the Memorandum, N may insist that the situation is redressed or it may cancel its trade commitments.
Sara Lee	The supervision of the application of the code by subcontractors is entrusted to the purchasing and quality control officials of Sara Lee.	No information on sanctions in the event of violation.
Phillips-van Heusen	No information is available on the internal structure set up for supervising the application of its code.	Termination of trade relations with suppliers/subcontractors who do not respect the code of conduct.

J.C. Penney (JCP)	*Internal methods:* -- The inspection of plants of suppliers/subcontractors is carried out by purchasing agents. The agents carrying out these inspections report any failure to respect the code to the general management which takes appropriate measures. -- JCP does not knowingly import goods which are not accompanied by a manufacturer's certificate indicating the manufacturing plant and certifying that the products have not been made by children or through forced labour. All merchandise must also include a certificate of origin indicating the country of manufacture.	-- Termination of trade relations with subcontractors not respecting the code. -- Prohibition for any supplier to use the sanctioned subcontractor.
Sears, Roebuck & Co.	*Internal methods:* -- Periodical and unannounced visits to the plants of suppliers by the staff of the foreign purchase office. -- Distribution of a copy of the code to all Sears employees and its business partners. -- Reference to the code in all international purchasing contracts. In the case of a Chinese enterprise, inclusion in the contract of a clause on forced labour. -- Reporting to the competent authorities of any violation of national United States legislation.	Termination of trade relations with suppliers/subcontractors who do not respect the code if the violation is deliberate

Wal-Mart (W-M)	*Internal enterprise methods:* -- WM or a representative appointed by WM carries out inspections on the application of ethical standards. -- The plants of subcontractors are inspected four times a year. Plants which comply with the standards receive the Wal-Mart Vendor Partner Inspection and Certification Form.	Termination of trade relations with suppliers/subcontractors who do not respect the code
Woolworth (W)	*Internal methods:* -- W agents regularly inspect the plants of foreign subcontractors. -- Before payment of goods, the supplier/subcontractor must provide a certificate certifying compliance with the code of conduct. -- W intends to: -- distribute its code to all suppliers/ subcontractors; -- establish a training programme for buyers and other persons visiting foreign plants to ensure that they understand the code in the context of the applicable local legislation; -- ensure that the code of conduct is applied by United States importers which supply the company.	No information available on sanctions in the event of violation

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SAP 2.60/WP.110

Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 9

European initiatives in ethical practice

As noted earlier, few European enterprises in the textile or footwear sectors have for the time being taken any structured ethical approach at the individual level leading them to adopt a code of conduct. There are of course examples of codes such as that of the Mondial International which coordinates purchases by the C&A group. Mondial International has drawn up a fairly detailed code based on the United States model, but which has the originality of establishing an independent monitoring process (a summary of this code is given below, presented as in the previous sample in the form of a synoptic table (table XIII)).

However, at the European level, initiatives in this sphere have mainly come from the trade unions (with a prominent role played by the European Trade Union Committee on Textiles: Textiles, Clothing and Leather (ETUC-TCL)), employers' associations (at the European and/or national level in some Member States of the European Union) and the Commission of the European Communities.

At the EU level, France presented in February 1995 (during its presidency) a proposed social charter to promote basic social rights in multilateral trade relations. Within the Commission of the European Communities, the question of codes of ethics in the TCF sector has been the subject of a tripartite debate within the framework of the textiles/apparel sectoral "social dialogue" (under the responsibility of the DGV). During the May 1996 Session of the "social dialogue", the General Secretary of the ETUC-TCL European Trade Union Committee recalled the joint action by the CSE and a number of non-governmental organizations to contact enterprises and urge them to adopt codes of conduct.

The CSE/THE also began negotiations in 1996 with EURATEX, the European Apparel and Textile Organization,[4] with a view to the establishment of a code of conduct applicable to European producers of textiles and clothing. In this connection, it should be recalled that in May 1993 European employers and trade unions had already signed a Charter of fundamental principles of global trade for textiles and apparel (the so-called Textile/Apparel Magna Carta). This Charter, which has also been endorsed by non-European employers' associations, established the principles of fair international textile trade, including a commitment by the co-signatories to respect human rights at work (table XIV below summarizes the principles of the Magna Carta).

This Magna Carta, which in the opinion of the trade unions has remained in part a dead letter because of the weakness of its application and supervision machinery, was however the first agreement of this kind at the European level (extended to the co-signatories) and it is still a point of reference in the negotiations under way because of its explicit references to the various aspects of workers' rights.

Other specific achievements include an agreement recently concluded between the ETUC-TCL and the European Confederation of the Footwear Industry (CEC) on the signature of a "charter on child labour for the footwear sector" (signed on 13 February 1997; summarized in table XV).

Furthermore, the Union of Textile Industries (UIT) of France adopted in 1995 a code of ethics in which participating enterprises undertake to respect, within the framework of international trade, fundamental ILO standards (freedom of association; child labour; forced labour; respect of national labour legislation and occupational safety and health standards (see table XVI)). In the same way, the German Textile Confederation (Gesamttexil) established in 1994 a Social Guide (table XVII) which establishes a number of rules to be respected in international trade concerning respect for the environment and labour standards.

These two initiatives, negotiated with representative trade unions, reflected a determination to implement at the national level the principles contained in the Magna Carta.

Table XIII. Code of conduct of Mondial International applicable to C&A suppliers

Keywords	**The C&A code of conduct for the supply of merchandise**

Child labour	Exploitation of child labour or the exploitation of any other vulnerable group -- for example, illegal immigrants -- is absolutely unacceptable.
Forced labour	C&A will not tolerate the use of forced labour.
Coercion	C&A will not tolerate the use of physical or mental abuse.
Wages and remuneration	-- Comparable to local standards. -- In accordance with national legislation. -- In accordance with the principle of fair and honest dealings.
Safety and health	The working environment must be safe and healthy.
Legal requirements	-- In accordance with national legislation. -- Respect of intellectual property rights. -- Respect of humanitarian law.
Environment	C&A will assist its suppliers in their efforts to meet their obligations to preserve the environment.
Application *Communication*	Suppliers must provide C&A with all information on their production, the use of subcontractors or other intermediaries.
Control	Verification of the application of the code of conduct in the working environment on a daily basis through: -- information systems; -- on-the-spot inspections; -- unannounced plant visits.
Training	C&A will ensure that all employees concerned are informed and understand these standards and obligations.

Independent monitoring of application	Carried out by an external audit: SOCAM (Service Organization for Compliance Audit Management) an independent organization for the detection and prevention of exploitation, dealing with matters concerning: -- the environment; -- health; -- safety; (with a subsidiary company located in Singapore responsible for Asia).
Updating	The code of conduct must be regularly updated. All employees and suppliers of C&A are invited to contribute to this process.
Sanctions in the event of violations	-- Termination of trade relations (including the cancellation of current orders). -- Other appropriate measures (the right to take whatever other actions are appropriate and possible).

Table XIV. Charter of fundamental principles of global trade for textiles and apparel (Textile/ Apparel Magna Carta)

Keywords	**Conditions for fair trade**
Provisions relating to the respect of human rights	-- Freedom of association. -- Freedom of organization and collective bargaining. -- Respect of the minimum age for the employment of children (without further details). -- Prohibition of forced labour. -- Elimination of any kind of discrimination in employment based on race, colour, sex, religion, political opinion, social origin or nationality. -- Minimum standards regulating working time,

	wages, health and safety. -- Prevention of occupational accidents and diseases. -- Compensation in the event of occupational accidents or diseases.
Environment	A positive global approach to environmental problems should be promoted with a view to eliminating unfair comparative advantages.
Principle of reciprocity	The opening up of markets on a reciprocal basis is necessary. Instruments: -- tariff reductions; -- progressive dismantling of non-tariff barriers.
Legal requirements	Need for internationally recognized rules rigorously applied.
Application *Preventive measures*	-- The Charter would be promoted by its signatories in their relations with the respective public authorities and during bilateral and multilateral international negotiations. -- These principles should be used in the GATT Uruguay Round (under negotiation at the time of the signing of the Charter). -- Introduction of measures to prevent circumvention of rules governing country of origin.
Control	-- A system of safeguard mechanisms. -- Specific provisions for dealing effectively with the problems caused by trade-distorting practices; -- Establishment of a system of verification and enforcement of these rules and principles.

Sanctions in the event of violations	Authorize the countries and/or enterprises adversely affected to take appropriate compensatory measures rapidly.

Note on table XIV: The Textiles/Apparel Magna Carta was signed on 28 May 1993 by the groups representing the interests of the sectoral producers and trade unions of 12 Member States of the European Community as well as by a number of employers' associations and trade unions of Austria, Switzerland, Sweden, Finland, Norway, Czech Republic, Slovak Republic, Canada, Japan, Mexico, Jamaica and the United States. The signatories of the Charter stated that they were convinced that its application would help improve significantly the world trade of textiles and apparel, which should be based on fair practice in line with the criteria of equity and reciprocity.

Table XV. Child labour: A charter by European social partners in the footwear industry

Keywords	**Content of charter**
Reference texts	-- *ILO Minimum Age Convention, 1973 (No. 138)* -- European Council Directive (COM94/33 of 22 June 1994) -- ILO Report on child labour (1992)
Child labour	Enterprises may not employ children either directly or indirectly. Child defined as follows: -- Under the age of 15; or -- Under the age of compulsory schooling Enterprises must support the development of apprenticeship programmes designed to promote the training of young workers
Non-discrimination	To employ workers in accordance with their skills rather than on the basis of their race, sex or religious belief
Application	-- The social partners undertake individually and collectively, through a sectoral social dialogue at all levels (European, national, regional, local and enterprise), to ensure the application of this Charter -- Calls on the European Commission and the member States to ensure that the Charter is applied in enterprises

Note on table XV: Meeting within the framework of the sectoral social dialogue of the Commission of

the European Communities, the European Confederation of the Footwear Industry (CEC) and the European Trade Union Committee on Textiles, Clothing and Leather (ETUC-TCL) examined the problems of child labour in this sector, which have worsened not only in Third World countries, but also in some European countries. This discussion resulted in the adoption of the Charter on Child Labour which is based on a European Directive of the Council of the Commission as well as on relevant texts and work by the ILO on this subject.

Table XVI. Code of Ethics of the Union of Textile Industries (UIT)

Keywords	
Basic principles	To work towards free and fair world trade
Objective	-- Opening up of all global markets -- Elimination of all forms of international piracy: -- fraud; counterfeiting -- Active protection of the environment -- Protection of human rights
Freedom of association	Prohibition of any discrimination against employees because of their membership in a trade union
Child labour	Prohibited Child: -- Under the age of 14; or -- Under the age of compulsory schooling
Forced or prison labour	Prohibited
Working conditions	Enterprises which offer their employees acceptable working conditions as regards in particular occupational safety and health and which respect laws in force concerning labour legislation
Application	To include a minimal social clause in international trade agreements

Sanctions in the event of violation	-- To refuse membership in the occupational organization of an enterprise which does not respect this commitment -- Council the membership of an enterprise which violates the rule.

Table XVII. Social guide proposed by GESAMTTEXIL German Textile Confederation: Guidelines)

Keywords	**Content of the guide**	
Objective	Free and just competition in global textile trade	
Legal reference instruments	-- -- --	Multilateral agreements on the environment and social standards International (inter-state) agreement on the protection of the environment (to be established) ILO Conventions on child labour and forced labour
Legal requirements	-- --	Compliance of enterprises with minimum social and environmental standards A recommendation should be drawn up within the framework of the European Union for an international code of conduct which should be presented to the WTO as a basis for discussion
Corrective measures	-- --	Sanctions (not specified) Preferential treatment

Note on table XVII: The "Social guide" of the German Textile Confederation, which was drawn up by GESAMTTEXIL in 1994, is a proposal aimed at facilitating the application of the Magna Carta in the context of the WTO.

As can be seen from the above, there is no lack of initiatives at the European level to promote a certain kind of ethics in international trade relations in the TCF sectors. However, unlike the situation in the

United States, where it is individual enterprises which establish and apply codes of good conduct, in Europe there has been emphasis on an overall approach, often based on the establishment of rules common to one or more countries. What seems to be missing, at least for the moment, is the individual commitment of enterprises to apply a genuinely voluntary policy of social ethics.

Notes:

[4] EURATEX was established in 1994: it groups together two former employers' associations: the European Clothing Association (ECLA) and the European Largest Textile and Apparel Companies (ELTAC). The Coordination Committee of the Textile Industries in the European Economic Community (COMITEXTIL), which defended the interests of European employers in the Uruguay Round of the GATT, was also integrated into EURATEX which continues its lobbying activity with the WTO.

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Business ethics in the textile, clothing and footwear (TCF) industries

By Jean-Paul Sajhau

Part 10

Conclusion: Towards a standard code of conduct

The preceding analysis shows that the most developed ethical initiatives share a number of common features. Most codes make direct or indirect reference to fundamental ILO standards in the sphere of human rights at work (although, it must be admitted, with few explicit references to freedom of association and the right to collective bargaining). In the same way, there are many references, in the case of relations with external trade partners, to the respect of national legislation and in particular, labour legislation, as well as to the need to monitor the practices of local enterprises (in particular as regards wages, to avoid the creation of distortions on the labour market). Finally, the codes contain a number of more or less structured application principles which, in relations with external trade partners, involve the technical departments responsible for purchasing and the quality control of suppliers and subcontractors. Experiments with external auditing, although promising, are for the

moment more of an exception than the rule.

On the basis of these observations, coupled with a combination of approaches which have proved to be feasible, an attempt could be made, in collaboration with the representative employers' and workers' associations, to draw up a code of conduct which could, after adaptation to each particular case, be proposed and discussed with those enterprises wishing to join the "ethical ranks" now emerging in the TCF sectors. At this stage, it should be noted that with the necessary adaptations, such a code could be of use not only to the enterprises of the industrialized countries but to enterprises in developing countries, in particular when the latter are accustomed to contracting out their production.

A symptomatic feature of the current discussion on ethical codes concerns the responsibility of enterprises in the developed countries, with the trade partners of the developing countries often being seen only as suppliers who must conform to the codes established by the foreign enterprises placing the orders.

To reduce the ethical approach to this single perspective would be both a caricature and a distortion of the objectives to be achieved, namely to give a greater social dimension to TCF activities. In the developing countries, many governments are trying to promote human rights at work and enterprises in the formal sector, as well as trade union associations, are becoming increasingly aware of the economic importance of providing employees with decent working conditions which respect to national legislation. Although much undoubtedly remains to be done in the informal sector which, plays an important role in TCF production, it may be reasonably argued that the adoption of codes of conduct by enterprises in the formal structure would, in a trickle-down process, have a significant effect on the working and living conditions of workers in the informal sector.

Standard code: Main components

I. The general ethical approach of the enterprise

In this first part, which forms a *preamble to the body of the code*, the enterprise could indicate the *general principles* which it wishes to promote:

-- a "socially responsible" or "civic" enterprise;

-- desire to participate in the promotion of human rights at work and to guarantee decent working conditions to its employees;

-- to serve the surrounding community and participate in its well-being;

-- to protect the environment, including the working environment;

-- to satisfy the legitimate aspirations of its employees, in particular as regards career development

within the enterprise, by eliminating discrimination;

-- choice of "keywords" defining human relations within the enterprise such as: loyalty, solidarity, mutual respect.

The enterprise could also indicate that it intends to promote the same principles with its external suppliers and subcontractors.

II. Respect of human rights at work

This part of the code could be based on fundamental ILO Conventions and incorporate their contents in a simplified form. It would apply to the enterprise itself as well as to its trade partners.

The provisions could be organized around four themes:

(1) *Freely chosen employment*, with the following reference texts:

-- Forced Labour Convention, 1930 (No. 29);

-- Abolition of Forced Labour Convention, 1957 (No. 105).

(2) *Guarantee of freedom of association, the right to organize and collective bargaining*, reference texts:

-- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87);

-- Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

(3) *Non-discrimination in employment*, reference texts:

-- Equal Remuneration Convention, 1951 (No. 100);

-- Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

(4) *Prohibition of recourse to child labour*, reference texts:

-- Minimum Age Convention, 1973 (No. 138).

Note: On this point, the minimum age shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years. However, if the national law sets the minimum age for work at 14 years, in accordance with provision of the ILO Convention ratified by the

country, the lower age will apply. In addition, the minimum age for work hazardous to the health, safety or morals of young persons shall not be less than 18 years; if the national law does not prescribe the list of such types of work, account should be taken of relevant international labour standards concerning dangerous substances, agents or processes or the lifting of heavy weights.

Furthermore, enterprises with their headquarters in the industrialized countries could provide for the granting of assistance to their suppliers and subcontractors established in the developing countries who might encounter difficulties in complying with this obligation. In collaboration with the authorities, workers' organizations and local non-governmental organizations, consideration could be given to the establishment of transitional measures to provide schooling and financial subsidies for children who have lost their work as a result of the application of the code.

III. Other elements concerning working

-- *to guarantee a safe and healthy working environment* by appropriate and voluntary measures respecting occupational safety and health;

-- *to practice a wage policy* which is in accordance with legal requirements and respects local enterprise practice in the sector;

-- *to fix maximum levels as regards overtime*;

-- *to practice a policy of transparency* concerning *recruitment* and *work contracts*;

-- in the code the enterprise could also *define the objectives and methods of its training policy* (initial, including apprenticeship, and continuous).

IV. Application of the code

As regards this point, a distinction should be made between the application of the code by the enterprise itself and its application by its suppliers and subcontractors.

(1) Internal application

The internal application of the code should not give rise to any major problems. It would be for the enterprise to define the responsibilities of the different technical departments and to ensure an adequate dissemination of the relevant information amongst its staff. The enterprise should also determine at what levels, over and above its legal obligations, it would like staff representatives to participate in this application, including in the evaluation process. Finally, mention should also be made of the methods of disseminating information concerning this evaluation.

(2) Application of the code to trade partners

Ensuring the application of a code of conduct amongst suppliers and subcontractors established in different countries raises more problems and would require an appropriate strategy and logistics.

(a) In order to limit subsequent problems, each enterprise could initially make a *selection of its suppliers*. This selection could be made after a visit to enterprises and installations concerned not only by the services responsible for purchasing, but by persons specially trained for this purpose who should, furthermore, consult the trade unions and the local NGOs.

(b) The *selected suppliers* could then be invited to *sign a document or protocol agreement* containing the *constituent elements of the code of conduct*, adapted to local conditions (applicable legislation, translation into the official language, etc.). This document could also stipulate that any recourse to an intermediary would be subject to agreement by the enterprise placing the order and could subsequently be subject to a similar procedure.

(c) The methods for *monitoring the application of the code* by the trade partners could be stipulated in the protocol agreement:

-- *presentation of relevant documents*;

-- *periodical* (announced or unannounced) inspections of the enterprises concerned;

-- *persons responsible for the monitoring:* on this point, it seems essential for the persons responsible for the application of the code to be properly trained. In particular, internal auditors should be given specific training in social matters and should be familiar with the applicable national legislation; the specific role of workers' representatives should also be stipulated;

-- *measures* enabling employees in the enterprises concerned as well as their representatives to be informed of the nature and meaning of the code of conduct and, according to appropriate methods, to be associated in the control and evaluation procedures;

-- provision could also be made for *independent monitoring* when circumstances permit;

-- provisions concerning the practical methods of publication and dissemination of the results of the inspections carried out.

(d) *Trade sanctions in the event of non-respect of the code:* the document or protocol agreement signed by the trade partners could also establish a simple method for drawing the attention of a trade partner who does not respect the obligations established by the code and for redressing the situation. In the event of a deliberate violation, the protocol agreement could also establish trade sanctions proportionate to the nature of the infringement. Sanctions could range from a simple warning to the cancellation of an order and the termination of all trade relations.

Table XI. Codes of conduct and fundamental ILO standards

	General reference to human rights	Freedom of association, right to organise and to collective bargaining	Child labour	Forced labour	Non-discrimination
ILO core Conventions		Freedom of Association and Protection of the Right to Organise Convention (No. 87) and Right to Organise and Collective Bargaining Convention (No. 98).	Minimum Age Convention (No. 138).	Forced Labour Convention (No. 29) and Abolition of Forced Labour Convention (No. 105).	Equal Remuneration Convention (No. 100) and Discrimination (Employment and Occupation) Convention (No. 111).
Levi Strauss	Criteria for selecting supply countries: observation of fundamental human rights.	No explicit reference.	Criteria for selecting trade partners: child labour is not acceptable. A "child" is defined as a person under the age of 14 or who is under the compulsory schooling age.	Criteria for the selection of trade partners: prohibition of the use of forced or prison labour at any stage in the production process.	Criteria for the selection of trade partners: employees must be recruited on the basis of their occupational capacities and not on the basis of their personal characteristics or belief.

Sara Lee (SL)		No explicit reference.	SL will not knowingly recruit persons under the age of 16. Suppliers/ subcontractors must not recruit persons under the age of 15 or under the age of compulsory schooling. If national legislation includes higher criteria, these should be applied.	SL will not establish trade relations with suppliers/ subcontractors who make use of forced or prison labour.	SL will not take account of personal characteristics and beliefs of applicants in recruitment decisions. This principle applies to suppliers/ subcontractors.
Phillips-van Heusen (PVH)		No explicit reference.	No explicit reference.	PVH will not establish trade relations with suppliers/ subcontractors who make use of forced or prison labour.	PVH will not establish trade relations with suppliers/ subcontractors who adopt discriminatory measures based on race, sex or religion.
The Gap	The Gap will not establish trade relations with suppliers/ subcontractors who violate fundamental human rights.	No explicit reference.	Refers to local regulations.	Suppliers/ subcontractors must not force someone to work.	No explicit reference.

Reebok (R)	R will take account of the practices of its trade partners with regard to human rights. The respect of these rights is one of the characteristics of R.	R will seek trade partners which share its commitment to the right of employees to set up and join organizations of their own choosing. R will ensure that no employee is penalized as a result of the non-violent use of this right. R recognizes and respects the right of all employees to organize and to engage in collective bargaining.	R will not work with enterprises which make use of child labour. A "child" is defined as a person: -- under the age of 14; or -- under the age of compulsory schooling; -- all trade partners must respect national legislation defining the concept of a "child".	R will not work with enterprises which make use of forced or obligatory labour, including the forced labour of political prisoners.	R will seek partners who do not practice any discrimination in recruitment or within the framework of work based on criteria of race, colour, nationality, sex, religion, political belief or other opinions.
Nike (N)	Code of conduct: N will do everything expected of a leader to ensure the respect of human rights.	No explicit reference.	Memorandum: suppliers/ subcontractors must conform to local legislation respecting child labour.	Memorandum: suppliers/ subcontractors must certify that they do not use forced labour in the manufacture of their merchandise.	In its code of conduct, N advocates the account taken of the diversity of each person and of equality of opportunity. In its Memorandum of Agreement, suppliers certify that

					they will not engage in discriminatory practices based on the sex, race, religion, age, sexual preference or ethnic origin of their employees.
J.C. Penney (JCP)		No explicit reference.	JCP will not knowingly import goods produced by children, as defined by law.	JCP will not knowingly import goods produced with forced or prison labour.	No explicit reference.
Sears, Roebuck and Co.		No explicit reference.	No explicit reference.	No explicit reference in the Import Buying Policy and Procedures, but a separate code concerning forced labour in China. The basic principle is the prohibition of the use of forced labour. Sears also refers to United States laws on the import of goods produced by forced labour.	No explicit reference.

Wal-Mart (W-M)	W-M will seek suppliers/ subcontractors who endeavour to respect basic standards concerning human rights.	No explicit reference.	W-M will not accept the use of child labour in the manufacture of goods which it sells. Suppliers/ subcontractors must not recruit persons under the age of 15 or below the compulsory schooling age. If national legislation includes higher criteria, these must be applied.	W-M will not accept products from suppliers/ subcontractors which make use of forced labour at any stage of the manufacturing process.	W-M will give preference to suppliers/ subcontractors who do not take account of race, national origin, sex, religion, disability, sexual orientation or the political opinion of a person during recruitment.
Woolworth (W)	--	No explicit reference.	W will not accept merchandise from suppliers which is produced by child or indenture labour. The respect of this principle is a condition of payment and the supplier/ subcontractor must provide a certificate of compliance.	W will not accept merchandise produced by forced or prison labour. This principle is a condition of payment (Certificate of compliance).	No explicit reference.

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