Verité Up Close:

What does success mean for Verité?

It means more companies adopting effective approaches to improving working conditions. It means that companies will focus on the ways in which vulnerable workers benefit from supply chain responsibility activities. It means, ultimately, empowered workers, higher wages, safer working conditions, and equitable development – and better business too.

Some examples of Verité's impact during 2011:

- $4 million was returned to migrant workers who'd been cheated by labor brokers.
- 130,000 farmworkers are enjoying better working conditions with vital things like drinking water and fair wages.
- Young girls in garment manufacturing in India can now avoid the worst kinds of exploitation, as a result of our business-oriented interventions.
- Every company and NGOs in all sectors and all countries now has access to our detailed Help Wanted Fair Hiring Toolkit to end the forced labor that results from debt-bondage.
- Hundreds of social auditors in other companies and NGOs have been accredited to effectively gather information from workers, and can apply these skills in the electronics and agriculture sectors.
- We helped several companies build capability among dozens of their suppliers to deliver social responsibility without increased cost.

The *Washington Post* also recently featured our work in a lengthy story in their newest section, "On Giving," granting me a bully pulpit from which I could detail innovations in the work that we do with corporations. So did *Fast Company* magazine.

We were named the Social Entrepreneur of the Year by the Geneva-based Schwab Foundation, in affiliation with the World Economic Forum. This is a great honor - but we'll be satisfied only when it allows us to increase our impact.

So now, with support from the Skoll Foundation, leveraged with support from select Verité clients and from other foundations, Verité aims to change the way in which companies measure the impact of their supply chain social responsibility work.

Every day, we uncover human rights violations and implement sustainable solutions in the supply chains that grow, process, and manufacture our food and goods. Every day, we illuminate these problems for the world's largest companies and provide the tools to solve them.

We can vastly leverage our impact with the partnership of leading companies, and the support of generous individuals. We hope that companies will contact us to learn about how we can together make a difference for vulnerable workers.
Please help by making a tax-deductible donation to Verité today.

Thank you very much.

Dan Viederman
CEO, Verité

From the Field

Working to Improve Freedom of Association in the Philippines

By Melizel F. Asuncion, Project Manager, Verité Southeast Asia

On September 27, at the height of a typhoon, the members of the labor union Philippine Airlines Employees Association staged a lightning strike, completely paralyzing the operations of Philippine Airlines (PAL) and resulting in the cancellation of 172 international and domestic flights. The media captured disturbing images of remaining PAL employees and workers being hauled out of their workstations and dragged out of the airport premises by security personnel. The workers were protesting PAL's outsourcing plan for its airport services, in-flight catering, and call center reservation departments, a plan that eventually affected about 2,600 PAL employees.

In June, the workers of a unionized facility based in the Mactan Export Processing Zone (MEPZ) in Cebu City, Southern Philippines, went to work one morning and, instead of time cards, were given notices of termination, cessation of operation, and total closure. The notice of closure was served one day before a scheduled certification election. (A certification election is a procedure that checks if the union represented the rank and file workers of the facility.)

These stories are just two of many. Laying off workers who are trying to organize unions, interference with the conduct of certification elections, refusal to bargain once the unions have survived the difficult process of being certified, and abrupt closure of factories where workers are beginning to unionize are some of the usual tactics used to defeat workers' freedom to associate and to collectively bargain, which in the Philippines are Constitutionally-protected rights. Resolving these problems has motivated Verité to launch a program to improve freedom of association as a core right in Philippines Special Economic Zones.

Other core labor standards- child labor, forced labor, discrimination - elicit emotions that speak directly to our humanity and identity. We are horrified by the thought of children laboring in underground mines, pulling up heavy fishing nets, or gluing sequins to our shirts. We find abhorrent the idea that there are modern-day slaves in factories and homes. We think it is unacceptable to be denied work just because one happens to be a woman, physically challenged, or a Muslim in a predominantly Christian country.

With freedom of association, the emotion is usually related to the dangers of unionization. In the Philippines, and elsewhere, labor organizers are portrayed as the devils incarnate whose sole purpose is to render workers jobless. In a country where the majority of the population subsists on less than a dollar a day, where jobs are becoming less secure by the minute as a result of rapid outsourcing and sub-contracting, and where the dearth of jobs pits one worker against another, the real possibility of losing their jobs faster than they can say "*union"* is enough to chill workers into silence and inertia.

It is in this context that Verité launched and implemented our multi-stakeholder initiative to improve respect for freedom of association in Special Economic Zones in the Philippines. Most of the Special Economic Zones (SEZs) are promoted externally as "zones of peace", i.e. union-free and strike-free. Although covered by Philippine labor laws, the reach of the labor inspectors within the zones is curtailed for reasons both political and logistical (i.e. there are not enough inspectors to go around).

The Verité project is multi-stakeholder in orientation, including SEZ administrations, the Philippines Department of Labor, industry associations, brands/multinational buyers, and labor. The initiative is working to create a credible, relevant, effective, and sustainable mechanism in the SEZs that will monitor compliance to labor and social responsibility standards, most particularly the exercise of freedom of association. To achieve this, we have brought together actors with seemingly contradictory positions and gotten them to a point where they talk about common aspirations and directions.

Stakeholder buy-in into the initiative did not occur immediately or easily, but it did finally happen. The Subic Bay Management Authority and the Clark Development Corporation, that manage the Subic Freeport Zone and the Clark Freeport Zone, respectively, are very active stakeholders in the project. At this moment, we are finalizing the fine points of the monitoring mechanism that will be implemented as a multi-stakeholder initiative. The Philippine Labor Department welcomed the Verité project and subsequently introduced its own incentive program that focuses on addressing and finding solutions to workplace issues through audit and remediation, adopting what it calls as the "Verité Approach." The labor groups, given their varied positions within a wide political spectrum, see the strategic advantage of being part of the conversation.

As we wrap up the project, we are seeing critical and concrete impacts on various levels. In addition to influencing the paradigm shift of the Philippine Labor Department in monitoring labor compliance at the facility level, the idea and discourse of social responsibility is beginning to be mainstreamed in government and among employers, workers, and labor groups. By ensuring that activities are multi-stakeholder in orientation, we start to build social capital around the issue of social and labor standards compliance by encouraging stakeholders to think about ways and methods with which they can strategically engage. Finally, the initiative introduces a monitoring regime that is solutions-focused and one that builds on current government infrastructures that will hopefully sustain the regime even beyond the Verité initiative.

Will the initiative magically reverse the trend of tepid, if not downright hostile, relations? Of course not, especially on an issue that has a long history of struggle and adversity. But it will have immediate impact for workers in Philippines SEZs, and the businesses that employ them. Ultimately, we hope that the ripples we created through this initiative will create enough positive momentum to carry us through the next challenges posed by continuing insecurity among workers.

How Verité Works

Training to Protect Migrant Workers in Malaysia

By Michael Vaudreuil, Director of Consulting & Training

The electronics industry in Malaysia has enjoyed rapid growth, enriching local companies and the economy. In fact, the growth has been so great that the local labor pool cannot support it, and it is common to hire migrant workers from as far away as Bangladesh and Nepal. Where this system can deliver the “win-win” of providing workers for an industry in need and work for workers in need, it also carries with it the significant risk of forced labor.

Hiring foreign workers requires the use of labor brokers in both the receiving country (where the work is) and the sending country (where the workers are). Adding to the layers of middlemen involved in recruitment, sending country brokers will also use local agents to find workers in the towns and villages. Abuses are often found woven into these layers – most commonly, excessive and often illegal fees and expenses charged to the migrants to get the job. The result is debt that can take as long as 16 months of a migrant worker’s two-year contract to pay off.

Last month, Verité supported the efforts of a major US electronics brand to end debt-bonded contract labor in its Malaysian supply chain. Many of the brand’s suppliers attended Verité-led workshops in which they learned how to address the issue of broker-induced forced and bonded labor. Through a series of highly interactive case studies and group activities, the suppliers developed the skills needed to self-assess their processes of recruitment, selection, and hiring and to identify gaps that could lead to the unintended outcome of bonded labor. They also learned how to screen and select labor brokers as well as ways to manage their performance to ensure compliance with both the brand’s standards and legal requirements.

Verité believes that real change results when training is followed up with technical assistance, on-going coaching, and verified by audits against key performance indicators. After the workshops, participants return to their factories to develop policies, practices, and procedures to improve their human resources practices, including the selection and management of labor brokers. Of particular importance is ensuring that broker fees paid by foreign contract workers do not exceed a certain portion of their pay. Workers found to have paid more must be refunded the difference. Our technical support helps the suppliers develop their improvement plans, including both on-site and remote consultation. Implementation progress is monitored using regular progress reports and Key Performance Indicators and improvement is verified by on-site audits.

The outcome we’re aiming for is that migrant workers who travel across or between counties for a good job, to improve their skills, and make money for themselves and their families see their ambitions realized — rather than fall into the trap of broker-induced debt bondage.

Insight to Impact

In 2011, we have been featuring findings from Verité's work on labor rights violations. We call these findings "Insights," and have shared them weekly via social networking, and through our website.

But discovering the problems is only part of the important work we do at Verité. Once these issues are clear, we coordinate with companies to implement manageable and sustainable solutions, "Impacts," creating long-term, meaningful change for vulnerable workers around the world.

Highlights include:

1. Insight: At a manufacturing facility in Malaysia, workers were found housed in stacked shipping containers with ladders used to access the upper containers. The containers were in a yard surrounded by fencing with a locked gate, patrolled by pit bulls.

Impact: When we learned of this housing situation and reported it to the client, they were completely unaware and, rightfully, deeply concerned. The facility went through remediation programs to correct the problem, and the company agreed to assess conditions in more of its second tier suppliers.

2. Insight: At a garment factory in India, there were at least fifty 13- to 14-year-old girls employed as sewing workers. These girls had been transported from the north of the country to this south Indian facility. These girls were instructed to stay hidden in their dormitory when our auditors were in the factory.

Impact: This situation and others like it that we learned about provoked our involvement in alleviating problems surrounding the Sumangali Scheme, a form of forced labor involving young women working toward a dowry for marriage. Verité joined forces with our partner, ASK-India, to provide trainings to Indian companies to help avoid these labor risks. Additionally, we used this information in the greater context of migrant labor issues to inform our extensive Fair Hiring Toolkit, so that companies and their suppliers can learn of, and learn to resolve, the risks facing migrant workers.

3. Insight: At a Malaysian electronics facility, a worker reported to us that after illegal deductions from her paycheck, she was left with the equivalent of around $9 in pay for the entire month. Her daily diet consisted of one pack of instant noodles.

Impact: We worked with the company to ensure that she and the workers like her were repaid everything they were owed; all illegal deductions and broker fees were reversed. Systems were put into place to disallow any future problems with paychecks.

4. Insight: At an apparel factory in the Philippines, there was only one eye-wash station for an extremely crowded room of chemical spot removers. In addition to the request for more eyewash stations, workers complained that the current station was blocked by ground level obstructions, piping on the ceiling, and dangling clothes hangers.

Impact: The problem illustrated a weakness in factory grievance mechanisms, and was as well a system-wide problem affecting health and safety. Findings like this help us demonstrate the connection between seemingly separate issues (in this case, the grievance system and health and safety.)

5. Insight: If workers at a factory in Malaysia asked about unmarked deductions in their paychecks, or requested payment of delayed wages, their labor brokers threatened to throw away their passports and call immigration officials.

Impact: Our in-depth audit was the only reason this important discovery was made. Because of it, the client engaged us to design and apply a plan to ensure that these workers would not experience any further threats or payment problems. Our follow-up audits showed marked improvements.

6. Insight: A worker at an apparel factory in China reported that days before our audit, a member of the HR department used the PA system to direct workers to answer auditor questions about working hours with standard responses: they were to say that they worked 2.5 overtime hours on regular workdays, eight hours of work on Saturdays, and none on Sunday. Our offsite audits instead found that workers had worked seven days a week, many working on tasks until 3 or 4 a.m., until an order was filled.

Impact: Verité's unique auditing model implements effective, confidential and off-site worker interviews conducted by qualified auditors through which we learn what really goes on from the people who are most affected. Bringing this falsification to the attention of the client helped CSR staff educate procurement staff about the type of facility from which the brand should source.

7. Insight: At a printing plant in Singapore, all foreign contract workers from China borrowed an additional RMB 20,000-30,000 to pay labor brokers upfront even though they were already charged the legally allowed fee of about RMB 13,000 (equal to over three month's wages).

Impact: We are currently working with the company to ensure repayment to these foreign workers. This situation helps Verité demonstrate for other companies that workers from Mainland China who seek employment in Singapore are particularly vulnerable to being charged illegal fees during recruitment. We find this regularly in the manufacturing sector.

8. Insight: At a metalwork factory in China, workers only receive payments for their living expenses each month and are forced to wait until January of each year to receive their full wages.

Impact: This illegal practice, which creates the risk of forced labor, was discovered during our audits. The client and Verité developed a Guidebook together, which gives in-depth information for auditors to prioritize social compliance issues. This book helped the client work with everyone in the company from corporate management to suppliers to create a better working environment.

9. Insight: At a manufacturing facility in China, employees worked between 86 and 132 *overtime hours* in March of 2011, between 49 and 114 *overtime hours* in July of 2011, and between 90 and 135 *overtime hours* in September of 2011; all of these amounts are vastly in excess of the overtime limit of 36 hours per month.

Impact: Work hours are a prevalent concern in China; every supplier in the country deals with this problem at some point. Verité's Performance Improvement Program has provided on-going consultation to clients in China, reducing overtime and underpayment problems for countless workers. Please look for a new White Paper before the end of the year on this topic.

10. Insight: In order to access their passports, foreign workers at a manufacturing factory in Malaysia are required to: present a "valid reason" for retrieving the passport and pay a deposit equal to approximately two month's wages; or if the worker cannot put up the cash deposit, present guarantors who must sign a promissory note to pay the deposit amount in the event the worker does not return. Foreign workers also told Verité interviewers that in any case, they would need to prove that there was an actual emergency that required them to return home in order to retrieve their passports. Similar requirements were also found in cases where workers wished to use vacation time they had earned.

Impact: Withholding of foreign workers' passports is an indicator of forced labor – a practice Verité finds common where significant populations of migrant workers are employed. Situations like this were instrumental in informing us in the creation of our Fair Hiring Toolkit, and in ensuring our audits uncover these types of abuses and the route into forced labor. In this particular case, we worked with the brand sourcing to ensure that the workers' passports were returned, and that their 'freedom of movement' was respected.