



FORUM

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Business and Human Rights

Global brands monitor manufacturing conditions worldwide.

BY DOUG CAHN AND TARA HOLEMAN

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Throughout the spring and summer of 1998, an exhibit titled "Between a Rock and a Hard Place: A History of American Sweatshops 1820-Present" attracted visitors to the National Museum of American History. The exhibit reminded visitors of the horrific abuses of the past and present, including the Triangle Shirtwaist factory fire of 1911—in which nearly 150 workers died as a result of locked exits and poor fire safety—and more recently, in August 1995, the discovery of an illegal sweatshop in El Monte, California, where Thai immigrants were imprisoned for years.

In fact, the success of our own industrial revolution 100 years ago was based in part on the harsh realities of child labor, excessive work hours, and poor health and safety conditions. Industrialists then considered these conditions a necessary growing pain, part of the process of maturing into a modern economy.

But they were abuses nevertheless. Today, we have the opportunity to learn from the mistakes of the past and pursue a more humane course of development and industrialization.

Global Brands, Universal Rights

Global brands are multinational companies that typically buy products from independently owned and operated manufacturers and suppliers around the world. In recent years, some companies have begun to apply the principles of human rights in the workplaces of manufacturers in producing countries. This movement has brought increasingly high standards to the workplace, primarily in semi-skilled export industries such as apparel, athletic footwear, and toy manufacturers located in the developing world. While initial successes spark the hope that this movement will continue to improve conditions in these factories, the agenda to fulfill this goal is full.

Just a few short years ago, the

public paid little attention to the role businesses could play in promoting and protecting the human rights of workers in factories around the world. Several factors have since brought this issue to the forefront of public debate. The agenda of non-governmental organizations, such as human rights and labor rights groups, has broadened to include examination of the role of multinational companies in the lives of workers producing their products. Consumer interest and awareness have grown as media coverage has increased. Companies have also come to recognize the beneficial relationship between good workplace conditions and high quality products.

For Reebok International Ltd. the original impetus for implementing change came in 1988 when the company decided to give financial support to Amnesty International for organizing an international concert tour designed to bring awareness of human rights to young people around the globe. Inspired by the young human rights activists who accompanied the tour, Reebok's senior management decided to continue its support for the cause of human rights. That same year, Reebok granted its first Human Rights Awards, given to young people around the world who, early in their lives and against great odds, have significantly improved the human rights conditions of people in their communities.

In 1992, Reebok adopted a code of conduct to incorporate internationally recognized human rights standards into its business practices and those of its suppliers. This code is known as the Reebok Human Rights Production Standards, or Reebok Standards. At that time, there was no guidance on how to implement a code of conduct and

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ensure compliance in independent factories. With the notable exceptions of Levi Strauss & Co. and Phillips-Van Heusen, which established their codes of conduct in 1991, few corporations had thought about how to draft a code of conduct, much less make it a living tool to protect the rights of workers. In the last six years, however, dozens of global brands have adopted and begun implementing workplace codes of conduct.

In this short time, there has been a sea change in the behavior of global brands. For example, major brands are beginning to accept responsibility for the workplace conditions in which their products are made, even when those products are made in independently owned and operated factories. Codes of conduct based on the core principles expressed in the United Nations' 1948 Universal Declaration of Human Rights are now commonplace.

Moreover, many international and local human rights and labor rights organizations have begun to assist and encourage global brands to implement codes of conduct. They accomplish this through dialogue and periodic public campaigns. Nongovernmental nonprofit groups are offering to buyers and manufacturers training that teaches how to translate the principles of human rights into action plans that can be effectively applied in factories.

Working Together

In recent years, local, national, and international collaborations have sprung up to increase the leverage of buyers on suppliers and to enlist the help of nonbusiness resources such as social services. Social programs can help ease the transition to higher workplace standards by offering services to a community

where the elimination of child labor, for example, brings about social and economic change. An important goal of these collaborations is to increase public awareness of the steps that have been taken and shore up the credibility of the companies that work with their suppliers to implement change.

Several organizations, both private and nongovernmental, are developing strategies to ensure good workplace conditions. For example, the International Project to Eliminate Child Labor from the Soccer Ball Industry—whose members include brands and manufacturers—along with Save the Children, UNICEF, and the International Labour Organization, seek to end child labor in soccer ball manufacturing.

The White House Apparel Industry Partnership is a coalition of industry, labor rights, nongovernmental, and consumer groups that seeks to create a system to assure consumers that their clothes and shoes are made under decent and humane working conditions.

Business for Social Responsibility is a nonprofit organization whose members strive to achieve long-term commercial success by implementing policies and practices that honor high ethical standards.

And the Council on Economic Priorities' Social Accountability 8000 program and the American Apparel Manufacturers Association have proposed third-party verification systems based upon the codes of conduct of their respective organizations.

Moreover, in the United Kingdom the Ethical Trading Initiative—a consortium of private companies, human-rights organizations, trade unions, and governmental agencies—is devising experimental programs that promote ethical conduct in companies across a range of in-

dustries, including agriculture, retail, and the sports shoe industry. Some collaborations have already successfully mitigated long-standing abuses; the outcomes of others remain to be seen.

The mere adoption of a code of conduct by a global brand, however, is only the first step in a continuing process. While brands must determine acceptable levels of compliance, no factory, whether it is located in the United States or in Bangladesh, will achieve perfection in workplace conditions. There will always be a need to train workers and managers, to improve health and safety conditions, to identify problems, and to communicate better, both within and outside the factory. And there will always be a need to monitor the workplace and promote reforms and the adoption of best practices.

Words to Action

There are many steps to implementing a code of conduct. First, factory managers need to understand how to apply the code to their own plants. To that end, they should have a guidebook that can also be used by monitors to track progress on compliance issues. Such a guide allows management and monitors to understand the objective criteria that will be used to judge how well factories are managed. The next step is to perform a benchmark audit that can be used to create a plan for remediation of problems. After that, follow-up monitoring visits can verify that the plan is being implemented as well as provide continuing compliance training for factory management.

Reebok has developed several processes for auditing the implementation of Reebok Standards. These techniques include verifying the accuracy of time cards and wage

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records; reviewing employment records for verification of employees' dates of birth; interviewing workers in the local language, away from factory grounds, about working conditions; examining health and safety conditions and inspecting factory safety programs; conducting both scheduled and unscheduled factory visits; and developing and communicating remediation plans to management.

In addition to these basic procedures, Reebok has designed innovative compliance programs to encourage factories to implement practices that will benefit workers. Nongovernmental organizations such as the International Labor Rights Fund, the Investor Responsibility Resource Center, and the Asia Monitor Resource Center have visited Reebok factories in Indonesia and China and provided recommendations on how to better protect workers' rights. They have contributed to our understanding of workplace issues, recommending techniques for better worker communication and providing suggestions for how factories might better respect workers' freedom of association through democratically elected representation.

Factory management and Reebok staff have attended human-rights-training workshops, some conducted internally and some conducted by Business for Social Responsibility. As a result, Reebok has been able to persuade its own suppliers to adopt practices that have proven successful in other industries.

Because 24-hour, year-round monitoring of factories is not feasible or even desirable, in late 1997 Reebok established a Worker Communication System in footwear factories. This system allows workers to communicate directly with Reebok by mail or telephone on matters related to the Reebok Stan-

dards. Factories publicize and enforce a nonretaliation pledge to reinforce the idea that free communication between workers and Reebok is permitted. This is part of a long-term goal of opening better channels of communication between workers and management and encouraging factories to establish conflict-resolution procedures.

The Worker Communication System has already uncovered valuable information. Of common concern among workers are factory policies, working hours and overtime, wages, food quality, and interpersonal relations. Workers have taken the system seriously and generally appear comfortable with the reporting mechanism. Almost all reports are made anonymously, but in cases where the worker's name is available, Reebok responds directly to the worker by mail or in person about steps that have been taken to improve the situation.

Since 1992, when Reebok began implementing the Standards, many improvements have been made. Toluene has been eliminated as the main health hazard from Asia footwear production. Fire safety and machine guarding has been significantly upgraded. The use of personal protective equipment is better enforced by factory management. The practice of disciplining workers with monetary fines has been eliminated. Overtime hours have been reduced, and factories are penalized for exceeding the 60-hour maximum work week.

At times, Reebok has demanded immediate factory action to rectify injustices. For example, when Reebok discovered a footwear factory paying different wages according to nationality, it ordered an immediate end to the discrimination. When workers in a factory in China were found illegally housed in a building that included a warehouse,

a factory, and a dormitory, within 72 hours the workers were moved to safer quarters and paid overtime for commuting.

Turning a code of conduct into reality is a complex process, and the burden of proof rests on global brands and companies that are called upon to demonstrate that their codes of conduct are more than just pieces of paper. Consumers, the media, shareholders, and activist groups ask for evidence that improvements are being made and suppliers are complying with the required standards. In creating monitoring systems, global brands can demonstrate to stakeholders that they are working to improve conditions for the people who manufacture their products.¹

Action Plan

There are at least four actions global brands can take to improve workplace conditions:

- **Build relationships with organizations and advocates that care about protecting workers' rights.** Building relationships with nongovernmental organizations with expertise in workplace conditions opens a direct channel of communication with experienced people. These advocates understand the problems workers face, and they are often the front line for information about potentially abusive situations.

In addition, representatives of nongovernmental organizations can suggest solutions with a long-term focus when remediation is required. The ability to have a meaningful dialogue, seek advice on difficult issues, and trust the counsel of an expert is invaluable. A long-term relationship founded on trust will provide more benefits to workers than crisis-management approaches.

In Reebok's experience, consulting with nongovernmental organizations has yielded better reme-

diation plans than we could have achieved had we acted alone. Tremendous synergy emerges from bringing together the knowledge of experts on workers' rights and the clout of a global company or industry association. Together we can produce reforms and empower workers.

■ **Implement programs that encourage compliance with the company's code of conduct and provide for remediation.** Communication and monitoring are the pillars for implementing a code of conduct. Communication channels should include factory management, workers, unions, and local nongovernmental organizations. When all channels of communication are open, problems can be addressed before they become more serious, better solutions can be designed, and systemic issues can be dealt with at their roots.

Monitoring programs are useful tools for assessing compliance, identifying problems, and tracking remediation efforts. Monitoring tracks areas where additional training or policy improvements are needed.

■ **Communicate actions the company has taken and results that demonstrate improvement.** We live in a world where information about workplace conditions in one part of the world is communicated instantly around the globe. An impressive network of activist organizations and continuing media interest have brought multinational brands under intense scrutiny.

Responding promptly and honestly to allegations of worker abuse can engender the respect of those who judge these brands. Giving information to stakeholders educates consumers about the company and allows brands to learn lessons from each other about what works and what doesn't.

■ **Strive towards transparency.** An

open dialogue can provide feedback on the quality of the internal monitoring system that is in place. This is also the key to public credibility. Until a truly independent monitoring system is in place, the debate about transparency and credibility will no doubt continue. No system can be perfect, and protecting workers' rights is a process, not an end-state. Objective external assessments are essential to improving workplace conditions.

Media's Role

Not every global company has decided to pursue programs that promote improved working conditions in its factories. In fact, many hesitate to take action, less from indifference than from fear of being thrust from the shadows into the spotlight of public debate. In fact, this fear of exposure is the unintended consequence of the media's publicizing the issue of working conditions in plants supplying global brands.

At times, however, the specter of bad press has prompted improvements in business practices. For example, the Kathie Lee Gifford story, in which the media revealed that the popular line of clothing marketed through Wal-Mart was produced in Honduran sweatshops, was an important wake-up call to many businesses. They learned that consumers care and want to know more about the conditions in which the products they buy are made. Since then, many brands have joined industry collaborations to improve workplace conditions in suppliers' factories.

Global brands understandably shun activities that might cause them to become the next negative headline. Unfortunately, this inaction delays the implementation of improvements in workplace conditions. Companies that shun the help

of nongovernmental organizations do so because these organizations are perceived as media risks rather than partners in the goal of protecting workers' rights.

Soccer Balls

The two major forms of collaboration—the industry association and collaboration between business and nongovernmental organizations—are very different in nature, but each has a role to play. The story of the Reebok soccer ball illustrates the importance of each.

In 1995, when Reebok entered the global soccer ball market, we learned that up to 20 percent of soccer ball stitchers in Pakistan, the world's largest producer, were children. How could Reebok order soccer balls from Pakistan and live up to the provisions of the Reebok Human Rights Production Standards?

The structure of the soccer ball manufacturing industry made elimination of child labor appear to be an impossible task. In Pakistan, soccer ball stitchers typically worked in the home or in small, village-based stitching centers. Reebok wanted to obtain soccer balls produced without child labor, in compliance with the Reebok Standards, and sought a solution that would reflect our long-standing commitment to human rights. However, our experience had been in footwear manufacture, which traditionally takes place in large factory settings and does not involve work from home. We clearly needed to design a new approach for soccer balls.

Yet we represented such a small part of the soccer ball industry that the problem of child labor would not be solved unless all brands leveraged their influence together to change industry practice. Therefore, in 1995, Reebok sponsored a resolution before the Soccer Industry

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Council of America to investigate the problem of child labor in the industry. This led to an industry collaboration that later attracted the participation of the International Labour Organization, Save the Children, UNICEF, and the Chamber of Commerce of Sialkot, the hub of the soccer ball manufacturing region of Pakistan.

In the meantime, Reebok proceeded with its own plans to find sources of soccer balls manufactured without child labor. We outlined three criteria for our business going forward. First, all production, including stitching, must take place inside a facility in which all work on Reebok balls is performed by workers at least 15 years old, the legal working age in Pakistan. Second, external monitoring by experienced community and human rights activists would ensure that children under 15 do not enter the workplace and that soccer ball panels do not leave the factory to be stitched by children in stitching centers or in homes. Finally, Reebok would provide support for educational and vocational training for children in Sialkot.

In 1997, Reebok announced that \$1 million from the sale of soccer balls would be dedicated to improving the educational and vocational opportunities for displaced child workers. To that end, in November 1997, Reebok, together with the Society for the Advancement of Education based in Sialkot, opened the Chaanan Institute for Child Labor Rehabilitation. The Chaanan Institute focuses on education and technical training for children, and education and outreach to families and the community.

This multifaceted approach to eliminating child labor presented many challenges. For example, many stitchers were reluctant to leave their

villages in order to stitch in a factory. Families preferred that their children stitch soccer balls rather than attend inadequate schools or take jobs that were more hazardous—working in leather tanneries or surgical instrument factories, for example. While a new, centralized factory could improve the lives of workers and their families, putting children out of work would represent a substantial loss of income to families. Therefore, it was necessary to commit resources to counter the economic effects of displaced child workers.

As a result of our efforts, Reebok now offers soccer balls labeled "Guaranteed: Manufactured without child labor." The new factory in Sialkot has full-time monitors hired by Reebok. Local human-rights community activists conduct bi-monthly, unannounced audits, and Reebok staff visit periodically.

This, the first program of its kind run by Reebok, was difficult to implement, met substantial roadblocks along the way, and required constant monitoring. However, it is a story we share as widely as possible because it contains important lessons about solving complex problems through multiple approaches, and it illustrates the potential power of industry coalitions to bring about change. It also underlines the value of collaboration between business and nongovernmental organizations. Sharing knowledge and pooling resources can produce better solutions that benefit a larger number of workers than when each actor pursues a separate course.

Changing Times

Global brands exist in an impatient world. Just as people everywhere are anxious to find a cure to global poverty or disease, so too are we impatient with poor workplace conditions wherever they persist. Factory

managers worldwide need a new understanding of the workplaces they manage, one that incorporates principles of human rights and labor rights in their daily conduct.

Moreover, global brands must focus resources where they can have the most impact to effectively raise standards for workers. We can publish codes of conduct and audit procedures, monitor factories, terminate business relationships, require certified monitors, and publish guides for factory managers. In fact, Reebok has years of experience in implementing these tools. But the best way to achieve sustained success is to change the perceptions and attitudes of suppliers themselves through education and training. We can provide the tools that will help them understand human rights and labor rights and incorporate these basics into business practices. Finally, the power of the market will enforce this by encouraging global brands to implement codes of conduct that require compliance with core principles.

But business is not the only voice that must be heard if labor conditions around the world are to meet internationally recognized norms. States can influence other states to institute legal and regulatory environments in which businesses can fully apply codes of conduct. For example, businesses will not be able to change the restrictive policies in China and Vietnam that limit freedom of association. Likewise, nongovernmental organizations have an increasingly important role as advocates. Finally, building relationships and sharing information will create a dynamic system that monitors the workplace, gives voice to workers' concerns, and encourages long-term solutions, rather than quick fixes, to problems.

How will we judge success? Per-

haps it will be measured by our great grandchildren who, 100 years from now, may visit Jakarta, Hanoi, Manila, or Beijing. And in the history museums of those cities, there will have been no need for sweatshop exhibits like the one at the Smithsonian, describing abuses that

were once tolerated in the name of industrial progress.■

Doug Cahn is vice president of human rights programs at Reebok International Ltd., and Tara Holeman is associate manager of human rights programs.

NOTE

1. The term stakeholders is used in its broadest sense, encompassing investors, consumers, human rights activists, labor rights organizations, employees and factory workers, and communities affected by production.