

## PREPARED STATEMENTS

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## INTRODUCTION AND BACKGROUND

For over a decade, Reebok International Ltd. has implemented its code of conduct—the Reebok Human Rights Production Standards—in the independently owned and operated factories that make its products. We do this to:

- ensure that workplace conditions meet internationally recognized standards and local law;
- honor our corporation's commitment to human rights;
- protect our brand reputation; and
- benefit, most importantly, the lives of the 150,000 workers who make our products.

In recent years, an increasing focus of Reebok's monitoring work has been to encourage factory workers to participate in workplace decisions. This focus is borne out of Reebok's experience that code of conduct compliance is enhanced when workers are actively involved in identifying workplace problems and resolving them in dialog with management. In fact, the first and primary finding of Reebok's Peduli Hak (Indonesian for "Caring for Rights") external monitoring experiment, released in 1999, was that "greater worker communication and understanding is at the heart of many solutions to the workplace problems identified."

The current movement of global brands to monitor factories has its limits. Professional monitors can do much good, but they cannot be present in every factory, all the time. This realization has caused us to recognize that a worker representation model—one in which workers participate in decisions that affect their lives—can speed our efforts to ensure that quality workplace conditions are sustained. Among our standards is the provision that Reebok will respect the right of workers to freedom of expression. With worker representation projects, we facilitate the development of this right, even when country laws do not fully accept covenants of the International Labor Organization related to Freedom of Association and Collective Bargaining. In China, as an example, we hope our worker representation projects will give greater meaning to this provision of our code of conduct.

## WORKER PARTICIPATION MODEL

It is clear to us that sustainable code compliance is enhanced when strong internal problem-solving mechanisms are in place. Worker participation in problem-solving is a prescription for success. Monitoring as simple "policing" is increasingly not a way forward. Sustainable monitoring, that is, monitoring that emphasizes education and training and worker participation, is a model that holds promise for the future.

With worker participation:

- Workers feel more ownership of and commitment to the factory. Communications are improved. Problems are prevented.
- Management faces less unrest, although it must spend more time on communicating and negotiating with its workforce.
- Reebok sees more efficient production, less monitoring, and higher levels of code compliance that is more sustainably achieved.

In China, our worker participation programs have resulted in elections of worker representatives in two large footwear factories. While elections are not the only way of developing problem-solving mechanisms that include worker participation, they are permissible under the law in China and, as the level of participation in the two elections demonstrate, workers view these elections as acceptable methods to choose representatives that can defend their interests.

## THE KONG TAI EXPERIMENT

Our experiment began with the facilitation of the democratic election of worker representatives in the Kong Tai Shoe factory located in Longgang, China in July 2001. This athletic shoe factory is publicly listed on the Hong Kong stock exchange and employs just under 6,000 workers.

## KONG TAI: PRE-ELECTION

In the spring of 2001, we examined the existing union charter and Chinese labor law. Working with management and the then-appointed union,<sup>1</sup> an affiliate of the All China Federation of Trade Unions (ACFTU), all parties agreed that the process would be made more credible with a charter amendment to expand the union committee from 19 to 26 members, which allowed for the expansion of the mediation/arbitration committee. In fact, the previous mediation/arbitration committee existed in name only; its members were not active. The Kong Tai experiment did not benefit from the more concise and relevant PRC trade union law that became effective in October, 2001. The old law was of little guidance to potential practitioners of a more democratic, dynamic worker representative system within the factory.

The previous union membership consisted of 19 committee members of whom 18 were office workers or guards (not production line workers). We sought to avoid the preponderance of non-production line workers serving as union leaders by insisting on proportional representation. We wanted to ensure that a new union would truly represent all workers, especially production line workers. Some union members at that time were understandably upset that they would have to compete for future committee seats on a more level playing field.

Communication and outreach was the next important step. The newly amended charter was posted in production areas and common areas, where all workers would have access to them. A list of "frequently asked questions" was circulated as well. Questions we posed, like: "What are the purposes of a trade union?" "Who can be members of the labor union?" and "What are the duties and responsibilities of each of the committees or teams?" These and other questions were answered in detail.

Still, since a majority of workers could not be expected to study these documents on their own, open forums were critically important. Factory management and Reebok explained how newly elected representatives could be different from the previous union where workers were not free to select committee members or determine their working agenda. The forums started to convince workers that the factory management was serious about its intentions to permit a democratic election. Workers asked good questions. As a result of the open forums, all parties agreed to scrap the "one-year of employment requirement" for candidates. Newer workers wanted to join in.

Under the rules, candidates were to be self-nominated. We were pleasantly surprised when we learned that there would be 62 candidates. We thought it was possible that we would have an election that no one was interested in. Happily, we were wrong.

In every factory department, information about the department's candidates was posted, including a photo and general background like the workers' village of origin, length of service at the factory and age, and a short statement explaining why they wanted to be on the union committee. Information about all candidates was posted in one central location in the factory as well.

Campaign speeches were held on one night per election zone or factory department. Workers became more and more interested as the nights progressed.

## KONG TAI: THE VOTING PROCESS

Voting was conducted in secret. A sample ballot and voting instructions were posted.

On election day, July 28, 2001, each worker received one colored ballot denoting their election zone (some election zones consisted of more than one production area—office workers, guards and maintenance staff, for instance, were all lumped together). Stitching, the largest production area was large enough that it was split into two zones. Each color represented a different voting zone.

On the day of the election, there were 4,658 workers in the factory; 1,130 were on leave (15 days off with base pay due to low orders); 3,409 ballots were issued; 119 chose not to vote. There were 102 spoiled ballots and 17 ballots were not returned.

During the election, 26 workers—16 women and 10 men—were elected to the committee out of 62 worker candidates. Fifteen were line workers, 7 were line leaders or supervisors, 4 were office staff. Of the 6 former executive committee members who ran, 4 were re-elected.

<sup>1</sup>The term "union" is used in China to describe factory level affiliates of the All China Federation of Trade Unions, a Chinese government institution. It is not possible at present for unions independent of the ACFTU to operate legally in China.

## KONG TAI: POST ELECTION EDUCATION AND TRAINING

Training was and continues to be an essential post election priority for committee members. The local ACFTU told us that they did not have the resources to provide training. We then contacted two Hong Kong-based non-governmental organizations who agreed to conduct training. Training began with 6 half-day sessions in October and November 2001.

Original curriculum of the training included discussions on what is a Trade Union, the functions of Trade Union committee, strategies for reaching consensus, internal communication and organizing, how to manage complaints, event organizing and Trade Union administration.

This initial training was followed by several visits from outside groups, such as a delegation from the Swedish Trade Union Confederation. These contacts helped the workers at Kong Tai understand the larger context of their work.

The next training phase was an offsite retreat of the elected representatives over a long weekend in January, 2002 that focused on team building, communication amongst committee members, and self-evaluation. The offsite training was again conducted by the Hong Kong CIC and the LESN.

Today, the trainers are trying to work with the workforce at large to increase the understanding about what they can expect of their elected representatives.

## THE FU LUH EXPERIMENT

A second election was held in a Taiwanese-invested factory in October 2002. The 12,000 workers at the Fu Luh Sports Shoes factory in Fuzhou, China voted for 192 candidates in seven election zones. Although the Fu Luh Sports Shoe factory had a union previously, there was no charter—nothing written down about the purpose or the structure of the union. They had to start from scratch.

## FU LUH: PRE-ELECTION

We began by bringing Fu Luh leadership to the Kong Tai factory to view first hand the process and the outcome of the election that had been held there a year earlier. Representatives were introduced to the Kong Tai charter during their visit and subsequently relied heavily on it for the development of their own charter document.

In addition, in between the date of the Kong Tai election and the start of plans for an election at Fu Luh, the Chinese government ratified a new trade union law (in October 2001) eliminating the confusing and often irrelevant language for today's modern business environment. The law clearly defined the roles and responsibilities of unions. We found it helpful in our work at Fu Luh.

At the Kong Tai factory, local ACFTU officials were aware of the election and supportive of it but did not get involved in the details of the process. At the Fu Luh factory, local union officials were actively involved from the first conversations and remained involved throughout. They had different ideas from us on some issues such as the value of proportional representation and campaign speeches. They also pushed for the creation of a broader Congress in addition to the smaller union Committee to increase the number of workers who could be directly involved in the union's activities.

The union charter that was adopted for the Fu Luh factory was similar to the charter at Kong Tai. It allows for the recall of union members in the event, for instance, of mismanagement and the filling of posts of committee members who leave the factory. Workers were given the opportunity to self-nominate as was the case at Kong Tai. The principle of proportional representation was followed.

Open forums preceded the nomination process and were meant to inform workers about the elections, explain how this was different from the past, explain the purpose of the trade union and encourage workers' involvement.

Fu Luh has only one small dorm that houses a few of the factory's workforce. Most workers live offsite in rented rooms. To ensure that workers would attend the open forums, workers were required to attend and were compensated for their time. The forums lasted approximately an hour and a half.

The speeches were quite fun—workers laughed and enjoyed themselves (but also mercilessly ribbed people who were nervous or who lost their place in their speeches).

Workers only attended the speeches of candidates for their particular production room or election zone.

## FU LUH: THE VOTING PROCESS

The voting was by secret ballot and the vote counting was conducted in a fully transparent manner.

A week following the election for the Committee members, the Chair and Vice Chair were elected from among them. Speeches were again given by all the candidates.

## FU LUH: POST ELECTION EDUCATION AND TRAINING

The local ACFTU will provide an initial 2-day training program to elected representatives in mid-November, 2002. After this training, Reebok staff will meet with the new union members to assess their needs and look for additional ways to help meet them. Reebok remains open to new and innovative ways to assist in the education and training process of newly elected worker representatives.

## DISCUSSION AND CONCLUSION

The elections at Kong Tai and Fu Luh shoe factories are initial efforts to enhance the voice of workers in China in a way that will aid code compliance and lead, we hope, to a more sustainable model for improving workplace conditions.

These elections were fully consistent with Chinese law and were supported by local ACFTU officials. We were pleased with the overall level of support we observed and we commend all parties, including ACFTU officials, for their forbearance and, in many cases, active support.

The guiding principles in the election process were transparency, proportional representation and "one person, one vote:"

- self nomination to stand as a candidate;
- transparency in the process (holding open forums so all workers would understand it, posting Frequently Asked Questions in the factory to answer concerns, and transparency in the vote-counting) to instill confidence;
- proportional representation to make sure that each part of the factory was represented on the union committee;
- one person, one vote by secret ballot. (In neither factory had all workers voted before, or voted in a secret manner.)

To label the experiments as "successes" or "failures" is to try to put them in boxes where they don't necessarily fit. We view them as steps in the right direction: toward compliance that is more sustainable and that involves workers in the process.

We are pleased that all parties have cooperated to permit these elections to take place in the credible, transparent manner in which they were conducted. At Kong Tai, the union is still growing and developing. They have spent much of their time during the last year learning how to work together and how to be a union. They have routinely assisted workers to get approvals to take leave, they have fought for proper medical compensation for sick workers.

We hope these elections will demonstrate that an increase in worker participation can be achieved in an environment where fully independent unions do not exist. Our experience is that there is room for movement and progress within the confines of what unions are permitted to do today in China. It is our hope that through this example, other multinational brands and other factories will experiment with these or other ways to establish sustainable methods of achieving code compliance. In the end, we better implement our standards when we are willing to challenge ourselves, our factory partners and workers to find new, more sustainable ways to achieve internationally recognized workplace norms.