Private Sector Voluntary Initiatives on Labor Standards

Kirsten Newitt

Senior Consultant, Ergon Associates Limited

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Table of contents

KEY POINTS

- Over the past 20 years, an array of voluntary private sector initiatives has emerged to improve working conditions in global supply chains. Whilst these initiatives are diverse in terms of their format, governance and monitoring frameworks, most involve a defined standard (usually a code of conduct) which they expect their members to adhere to with respect to workplaces in their supply chain. The most proactive initiatives are concentrated in the garment, sportswear and food sectors with respect to products sold in EU and North American markets, where consumers are perceived to be most sensitive to labour standards issues.

- It is difficult to ascertain the long-term impact of voluntary initiatives on working conditions in global supply chains as there are few in-depth impact assessments based on empirical evidence. This limits possibilities for understanding the impact of individual codes, as well as their cumulative impact, and how work in this field could be advanced.

- Nevertheless, there is sufficient evidence to indicate that voluntary private sector initiatives are having some positive impacts, particularly with respect to health and safety, the reduction of unreasonable overtime and the payment of minimum wages. Impacts appear to be weaker with respect to rights-based and equity issues, such as freedom of association and gender equality. Also, permanent workers are still thought to be most likely to benefit, rather than vulnerable workers in precarious working arrangements (including temporary, seasonal and home-based workers).

- There are a number of ongoing challenges associated with efforts to maximise the impact of private sector voluntary initiatives: complex contracting arrangements often place several degrees of separation between global corporations and the workers in their supply chains, whilst working conditions are often affected by a range of economic, legal, political and cultural factors in developing countries that cannot be unilaterally changed by external actors.

- One of the most powerful tools for strengthening the impact of voluntary initiatives is to build the capacity of actors in developing countries – including employers, workers and their representatives and government authorities – to act as *agents of change*. This would not only strengthen initiatives on labour standards, but potentially also maximise positive spill-over into broader processes of social and economic development.

- Overall, enduring systemic change can only be achieved through a multi-pronged approach that combines monitoring and capacity-building activities, as well as collaborative action over the long-term between different sets of stakeholders, including global corporations, supplier companies, trade unions, civil society organisations, developing country governments and donors.

- Finally, ongoing activities on private voluntary standards must not deflect attention from the critical role that national governments play with respect to enacting and enforcing legislation that protects *all* workers' rights (including those who lie outside global supply chains), supporting the functioning of independent workers' and employers' organisations and stimulating the business community to act through awareness raising and regulatory incentives.

1. Introduction

Over the past two decades, there has been a surge in the creation of private sector voluntary initiatives to monitor and improve labour standards in global supply chains, including a proliferation of codes of conduct, certification schemes, guidelines and recommendations. This dynamic has been driven by considerable changes in the nature of global sourcing and production, whereby multinationals based in developed countries have shifted towards outsourcing manufacturing, agricultural production and other labour-intensive processes to developing countries where labour supply is abundant and wages are low. On the one hand, this process can bring considerable cost benefits to companies and much-needed jobs and investment for developing economies. On the other hand, many workers in these countries lack legal protection and suffer from poor working conditions in the context of inadequate enforcement by national labour inspectorates.

In the interests of a 'fairer globalisation', there has been growing pressure from consumers, trade unions and NGOs for corporations to demonstrate that workers in their supply chains are fairly treated. In the absence of binding global regulation, the emphasis on corporate accountability for labour standards has been an important part of the evolution and growth of the broader corporate social responsibility (CSR) agenda, whereby companies voluntarily assume social and environmental concerns into their operations (as opposed to being positively required to do so through regulation).[1] However, at the outset, it is important to underline that, more often than not, global corporations do not directly own factories or employ workers in their supply chains: more typically, these workers are directly employed or contracted by supplier companies (or suppliers to suppliers). This is not to say that they do not have influence over conditions in their supply chains, but this arm's-length arrangement presents particular challenges for the functioning of private sector voluntary initiatives on labour standards.

Underpinning this activity on labour standards is an assumption that the growing uptake of private sector commitments necessarily result in positive impacts for workers and small producers in developing countries. But have workers really benefited? What is the evidence? Is it realistic to expect that voluntary standards can contribute to widespread change, particularly where there are often several degrees of separation between multinational companies and workers in their supply chains? This paper will consider the role and functioning of **private sector initiatives that are voluntarily adopted by companies in order to uphold, monitor and improve labour standards and working conditions in global supply chains**, through activities such as corporate codes of conduct, guidelines, recommendations and rules. (A list of major global initiatives is set out in **Annex I**.)[2] The discussion will primarily focus on collective initiatives, but some reference will also be made to activities by individual companies. The paper takes into account initiatives that give equal weight to environmental and labour standards, but will exclude those

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[1]   The term 'corporate social responsibility' (CSR) is used in a variety of different ways (see, e.g. van Marrewijk, 2003). In this paper, it is used generally to describe the voluntary assumption of responsibilities on social and environmental standards beyond legal minima, in contrast to the use of the term to describe corporate philanthropy (i.e. charitable donations).

[2]   Given that other background materials for the 2013 WDR on Jobs deal with the scope and impact of the ILO-IFC Better Work Initiative, this paper will not cover the initiative in detail. For a series of brief data sheets on individual voluntary standards (social and environmental), see the International Trade Centre's Standard Map website: www.standardsmap.org/standard-overview.

initiatives that deal predominantly with good agricultural practice and include health and safety standards, but only touch on labour issues (such as GlobalGAP[3]).

2. Key characteristics

2.1. Overview

There is a great diversity of approaches to private sector initiatives on labour standards, which vary significantly according to their geographic and industry coverage, their membership and governance structures and their approaches to monitoring and verification (see Table 1). Nevertheless, one of the things that these initiatives have in common is that almost all have a defined standard of practice – usually a code of conduct – which they expect their members to implement in their supply chains, although methods for verifying compliance vary.

Table 1: Typology of private sector voluntary initiatives on labour standards

Characteristic	Variations
Type of standard	• Management standards • Code of conduct • Labels • Certification • Guidance only
Geographical reach	• National • Regional • International
Production scope	• All products • Sector specific • Firm/supply chain specific
Focus	• Labour standards only • Labour & environment • Labour, community & environment
Governance & membership	• Individual company codes • Industry-led platforms • Multi-stakeholder (including NGOs & trade unions)
Mechanism for monitoring or certification	• First party (or self-assessment) • Second party (where a company monitors or audits its own suppliers) • Third party (where an external body is involved) • Multi-stakeholder (undertaken by a mixed group, commonly composed of company representatives, trade unions and NGOs)

Source: Adapted from Ellis and Keane, 2009.

2.2. Breadth of coverage

Although the number of initiatives has grown significantly, the percentage of companies signed up is still relatively small: only a small fraction of the world's multinational corporations, their affiliates and suppliers engage actively with leading private sector initiatives on labour standards. As one measure of this, in 2011, there were approximately 8,000 companies[4] participating in the UN Global Compact (the world's largest CSR initiative) out of an estimated 78,000 multinational corporations and

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[3]   GlobalGAP is a global initiative that sets voluntary standards for the certification of agricultural production processes (including aquaculture) around the globe. See: www.globalgap.org.

[4]   See UN Global Compact, "UN Global Compact Participants", visited September 2012: www.unglobalcompact.org/ParticipantsAndStakeholders/index.html.

780,000 affiliates operating worldwide (UNCTAD company figures from 2007, cited by Utting, 2010).

While voluntary standards operate in a range of sectors, company involvement is most likely in sectors where labour standards are seen to pose the biggest reputational risk; i.e. those sectors most exposed to retail customers in developed markets. In particular, the highest-profile and most active initiatives are concentrated in the garment, sportswear and food sectors, with corporate members linked to EU and North American markets, where consumers are perceived to be most sensitive to labour standards issues. There are also active initiatives in the toy and electronics sectors. By contrast, private sector initiatives in the extractives sector are more likely to focus on security and community issues – which are considered greater risk issues – with labour components concentrated primarily on health and safety.

In addition to involvement in collective initiatives, some of the world's largest companies have voluntarily adopted individual standards or engaged in individual activities to improve working conditions in supply chains. While large-scale impacts are more likely to result from standards that are collectively developed and adopted by a number of companies, some individual companies can have a catalysing effect as leaders in the field (see box – 'Marks and Spencer'[5]).

2.3.   Content

The content of rules drawn up to guide company behaviour varies; however, most codes include references to national legislation and international conventions. A particularly important reference point is the "core labour standards"; i.e. the rights and freedoms recognised as universally applicable to all workers in the International Labour Organisation's 1998 *Declaration on the Fundamental Principles and Rights at Work*.[6] These concern:

- Freedom of association and collective bargaining;[7]

> **Marks & Spencer: Plan A**
>
> UK brand Marks & Spencer (M&S) has announced its ambition to become the world's most sustainable major retailer by 2015, announcing a series of 180 voluntary commitments on social, environmental and ethical performance. To date, the brand has made solid progress and the vast majority of its targets have been achieved or are on track.
>
> A core commitment on labour is M&S's intention to make concrete progress on the issue of 'living wage' (i.e. ensuring that garment suppliers in the least developed countries are in a position to pay a wage that ensure that workers can meet basic living needs) starting with India, Bangladesh and Sri Lanka. As part of this commitment, M&S has worked with suppliers to set up 15 Model Ethical Factories in India and Bangladesh and to create a buying tool that helps the company to calculate prices that integrate a fair wage for workers.
>
> M&S also plans to provide training on health & safety and employment rights to 500,000 workers in its supply chain by 2015. In 2011, training was provided to 37,000 workers.
>
> Another stated goal is to collaborate with other retailers to promote a single global ethical trading code and effective monitoring scheme.
>
> **Source**: M&S, 2011.

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[5]   See also, for example, Levi Strauss & Co's statement on its new approach to supply chain engagement, which attempts to break new ground with respect to supply chain engagement. The company has drawn on the United Nations Millennium Development Goals as a framework for designating priority areas and goals: http://levistrauss.com/sites/default/files/librarydocument/2012/4/ceres-lsco-whitepaper-2012-04-17.pdf

[6]   In Ruggie's survey (2006) of a number of Global Fortune 500 companies, where companies included a reference to an international human rights instrument in their corporate code of conduct, this was overwhelmingly like to be a reference to ILO standards and conventions (70%). Cf a more recent survey of 600 major US companies by Ceres (2012), which found that of those companies with a code of conduct, only around 20% referred to ILO standards.

[7]   Although note that freedom of association and collective bargaining rights is one area where standards do diverge.

- Forced labour;

- Child labour; and

- Equality and non-discrimination.

A number of codes include additional obligations, which may go beyond the requirements of national legislation, such as in the areas of:

- Occupational health and safety;

- Harassment and abuse;

- Employment security (e.g. restrictions on the use of temporary employment);

- Working hours and overtime;

- Wages and remuneration (e.g. some initiatives have focused on the concept of a 'living wage' for workers – as opposed to simple compliance with statutory minimum wages – that would guarantee a basic standard of living; see: Vaughan-Whitehead, 2010); and

- Management systems or processes (i.e. how business goes about realising its commitments).

2.4. Format, governance and monitoring

I. FORMAT AND GOVERNANCE

The format and related governance structures of collective initiatives have important implications for their design, content and implementation, as well as – potentially – their credibility and impact. Since the late 1990s, multi-stakeholder initiatives (MSIs) have become an important format, enabling companies to collaborate with other groups, particularly trade unions and NGOs.[8] However, it is important to note that the term 'MSI' can be used to describe a spectrum of different arrangements, with varying degrees of active participation and shared ownership between business, trade unions and civil society organisations.[9] At the same time, in the past ten years, global business-led platforms have also emerged as an important mechanism for corporate actors to collaborate on labour standards (with differing degrees of engagement with trade unions and NGOs).

In their analysis of international private sector initiatives, Fransen and Kolk (2007) note that the extent to which one group of stakeholders dominates the structure of an organisation – including the design of the standard and who has control over its day-to-day running – can have implications for the stringency of the rules that are adopted and how they are monitored, as well as an initiative's claims to legitimacy and collaborative action. Whilst not all voluntary initiatives include active involvement by trade union representatives, Tallontire et al (2011) highlight the importance of trade union involvement in MSIs for confirming their credibility on labour issues.[10] In instances where

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[8]   Given their sectoral coverage and scope, Blowfield (2008) describes the prevalence of MSIs as "perhaps the most dynamic contemporary experiments in global governance".

[9]   For example, some MSIs provide high levels of inclusiveness in governance structures, through including trade unions and NGOs on their board of management (e.g. Fair Wear Foundation). Others may provide for an important – but lesser – degree of inclusiveness through embedded positions on an advisory board, while others provide scope only for external consultation and dialogue.

[10]   Tallontire et al (2011) draw attention to the difficulties that sometimes arise in coordinating the involvement of NGOs and trade unions on labour-related issues, given slightly different – albeit overlapping – motivations. For example, they note the tensions that arose between a sectoral trade union and local NGOs regarding the creation of an MSI on horticulture in Kenya, where the trade union placed greater stock in the outcomes of collective bargaining than those of voluntary standards.

business has control over trade union or civil society membership of an organisation (i.e. who is invited to participate), this can lead to criticism that dissenting voices have purposefully been excluded.

II.   MONITORING

Monitoring can mean different things in the context of different initiatives; however, it generally refers to monitoring the performance of corporate members or (more usually) their suppliers on compliance or progress against a defined standard.

To a large extent, most individual companies that are involved in voluntary initiatives on labour standards have their own mechanisms to monitor labour standards in their supply chains. This is commonly a form of 'social auditing', one of the main mechanisms used to address working conditions in supply chains (Locke, Qin and Brause, 2006). The term is used to describe the process whereby a supplier's performance on labour standards is formally and systematically measured against the requirements in a buyer's code of conduct. An audit may be carried out by an internal team or external third party and usually involves a physical inspection of the workplace, a review of employee records and interviews with managers and workers.

Other initiatives place more emphasis on raising industry and stakeholder awareness on improving labour standards (often referred to as a 'continuous improvement' approach). Yet another approach tries to combine the benefits of each: members join an organisation, commit to implementation in

> **The 4C Association**
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> The 4C Association is a MSI in the coffee industry that brings together producers, trade and industry and civil society from around the world to work towards greater sustainability in coffee.
>
> The initiative targets all levels of coffee producers, including those with limited or no access to markets for certified coffees. It aims to increase coffee producers' net income through improvements in quality, marketing conditions and efficiency.
>
> The initiative has an innovative Code Matrix to illustrate the concept of continuous progress. Practices are classified as 'red' (must be discontinued immediately), 'yellow' (an area to be improved over a transitional period) and 'green' (a desirable practice).
>
> **Source**: www.4c-coffeeassociation.org

clearly defined ways, and then have their progress rather than their compliance verified. This is the case in the 4C Association (see box – 'The 4C Association'). A major benefit of not relying too heavily on audit mechanisms is that this doesn't exclude smaller companies or producers, who may not have the resources to commit immediately to rigorous standards or audits.

3.   Incentives for private sector involvement

There have been numerous attempts to identify the business benefits of voluntary codes of conduct and initiatives (see Figure 1), as well as the risks of non-engagement (see e.g. CIPE and SAI, 2009). Given that the implementation of standards may entail extra cost, convincing businesses – both buyers and suppliers – that responsible labour practices are in their own best interests is critical to ensuring the ongoing sustainability of private sector engagement. While the quantitative evidence for the business case for CSR (of which labour standards are one part) is somewhat ambiguous, research suggests that at the very least it does not – as some would argue – have a negative impact on financial and competitive performance (Utting, 2010). Nevertheless, the business drivers are inevitably different for buyers as opposed to their suppliers.

The recent press coverage of poor working conditions in Apple's supply chain in China has once again highlighted the risks that global corporations face with respect to working conditions in their supply chains. Evans (2007) argues that greater pressure for corporate transparency is transforming

the strategic landscape for business, making companies "increasingly vulnerable to regulation, legislation, and social backlash". As such, the "defensive motivation" – risk management – is significant: involvement in voluntary initiatives allows companies to protect themselves, mitigating potentially explosive reputational risks of being associated with allegations of exploitative working conditions in their supply chains. Indeed, one of the oft-voiced criticisms of voluntary initiatives is that they provide a "convenient shield" for companies to boost their brand's reputation, without necessarily making a concrete contribution to the improvement of working conditions in supplier countries (Utting, 2007; Fransen, 2012). By contrast, the incentive for proactive strategies – investing in capacity-building projects or building partnerships with local actors – is that these can enhance, rather than just protect, the reputation of a company.

Figure 1: Drivers for multi-national involvement in private sector voluntary initiatives on labour

Economic	Social	Political
• Addressing risks to company image or reputation (and potential flow-on impact on sales) • Improving knowledge of the supply chain • Benefiting from return on human investment associated with improving human resource management • Improving competitiveness • Responding to pressure from business partners, consumers, buyers, and/or investors	• Responding to pressure from trade unions, NGOs and/or local communities • "Licence to operate"; i.e. improving goodwill towards the company within the community • Sense of corporate ethics; i.e. belief that companies are responsible to broader range of stakeholders	• Improving standing with government • Responding to legal / regulatory drivers • Responding to political pressure • "Licence to operate"; i.e. goodwill from government and regulatory entities

Source: Adapted from Mazurkiewicz, 2004.

Consumers are, in many ways, at the root of these incentives (O'Rourke, 2003). Whilst the number of severe public relations impacts following allegations of labour standards abuses is relatively small, there are several instances where allegations have tainted a company's reputation over a long period of time. Consumer-facing brands are loathe to risk this type of negative association in the public mind, a risk that has become higher than ever: news regarding labour standards abuses supply chains is increasingly easily uncovered and transmitted by the media and activist groups. At the same time, evidence suggests that some consumers are willing to pay a premium for products that are made in 'good' conditions (Elliot and Freeman, 2001). The market share for products that are certified to comply with certain labour and environmental standards (e.g. Fairtrade, Forestry Stewardship Council) has seen considerable growth, presenting attractive commercial opportunities for suppliers in developing countries, and buyers in developed countries (ITC, 2010).

For many producers and exporters in developing countries, the most straightforward incentive is that compliance with "voluntary" standards is a commercial necessity. Complying with these standards can lead to better market access, closer ties to global companies and – sometimes – price premiums (O'Rourke, 2003). However, these economic benefits are only available to those suppliers who can afford to engage in the audit process: in particular, small businesses often raise concerns

that demonstrating compliance imposes additional costs.[11] Blowfield (2008) comments that the adoption of voluntary standards in supply chains depends substantially on the leverage that leading companies have over their suppliers, by virtue of their role as "gatekeepers" to certain markets (primarily the EU and North America).[12]

However, it is important to note that in practice, there is a spectrum of dependency to describe the different relationships between buyers and suppliers, which differ considerably according to the nature of the product and the sector. For example, buyers are likely to have greater leverage with suppliers who are wholly dependent on EU and North American brands, as opposed to those who also supply to a local or more internationally diverse network. Equally, the relationship changes where suppliers have more specialised capabilities that are less easily transferred (e.g. certain suppliers in the electronics sector) and therefore retain more power (Locke, 2012). The importance of these dynamics highlights the underlying fragility of CSR initiatives on labour and environmental issues: if buyer leverage is diffused and shifts to others – e.g. companies in emerging markets where there is thought to be less consumer emphasis on social compliance in supply chains[13] – then the global influence of private sector initiatives on labour standards may weaken.

4. Evidence of impact

4.1. Impacts on working conditions

To date, there is limited quantitative evidence of the long-term impact of private sector initiatives on labour standards. While a number of organisations monitor their members' actions against their defined standard (see page 9), few have conducted published evaluations of the impact on target beneficiaries. In contrast to ongoing monitoring, which focuses more specifically on compliance, impact assessments are designed to identify overarching changes that have arisen over a given period and the extent to which they can be attributed to a certain intervention (see e.g. Gertler et al, 2011). For example, where impact assessments of private sector voluntary initiatives on labour standards have been carried out, they seek to uncover *inter alia* any changes in the well-being of workers and the extent to which that change may be attributed to that initiative (as opposed to other intervening factors). Periodic impact assessments can be an important tool for evaluating the design, implementation and effectiveness of an initiative.

So far, most impact assessments have been based on qualitative methodologies (stakeholder interviews and case studies) regarding retrospective impacts, rather than combining quantitative and qualitative methodologies to demonstrate impacts over time (Hiscox, Schwartz and Toffel, 2008).

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[11]   It should be noted that compliance with codes of conduct does not always entail significant extra cost for suppliers and may vary according to the monitoring approach adopted by the voluntary initiative in question and the number of codes to which suppliers are held accountable. Often the costs relate to compliance with standards set out national legislation – i.e. standards that should be complied with in any case – rather than additional requirements in codes of conduct. Nevertheless, suppliers often report the need to devote additional funds to demonstrate compliance, particularly small businesses. See, for example, McEwen and Bek (2009).

[12]   For example, with respect to the WIETA code of conduct, McEwen and Bek (2009) quote one producer who states that the code "means nothing if it does not have the leverage from the supermarkets to ensure it is applied".

[13]   In their discussion of social compliance in Turkish garment factories, Kocer and Fransen (2009) note the lack of sensitivity to labour standards issues amongst Turkish consumers makes it much less likely that local factories that supply the domestic market – even on behalf of international brands – will work to improve working conditions. Anecdotally, some UK brands have reported less leverage on labour standards with factories in China that are increasingly oriented to the domestic market.

Also, much of the academic literature to date is focused on results achieved by MSIs as, by virtue of their governance structure, they tend to be characterised by a greater degree of openness and transparency and are therefore easier to study.[14] Rusillo (2009) notes that while there is increasing pressure to demonstrate positive impacts, the available evidence is sporadic and often anecdotal. She observes that most assessments occur as "isolated research exercises [and] suffer from a lack of broadly comparable data and a limited ability to draw system-wide conclusions about impact". The 'missing counterfactual' is a key limitation: that is, an understanding of what would have happened if the codes were not in place, established by reference to a control group (Kuit, van Rijn and Jansen, 2010).

In part, these research gaps may be due to the fact that private sector voluntary initiatives are relatively new and there are important methodological challenges involved in attributing changes to a single factor or cause (e.g. a code of conduct). Workplace changes may be influenced by a range of factors, including market or economic developments, changes in labour legislation or enforcement, pressure from civil society groups or changes in company policy.[15] It is particularly difficult to attribute broader developmental changes within households and communities to code implementation, where even more factors come into play.

Nevertheless, there is some momentum towards the use of more robust quantitative indicators for impact assessment of private sector voluntary initiatives. Following a process of extensive consultation, a new code for impact assessment was launched in 2010 by ISEAL Alliance, a global NGO that provides guidance on voluntary standard-setting. In line with the principles set out in the ISEAL Impact Code, the Better Cotton Initiative (BCI) has adopted an ambitious framework for impact assessment that includes gathering quantitative data from participating farms on an annual basis (BCI, 2009). The ILO/IFC Better Work programme has also put in place solid foundations for impact assessment: it has recently published a series of reports on worker perspectives in its countries of operation that will serve as a baseline for future studies.

Two impact assessments are considered in detail in the following sections. The findings of these studies are thought to be representative of some of the more positive developments associated with private sector voluntary initiatives on labour standards, as well as pointing to common challenges.[16]

I.   IMPACT ON WORKERS: ETI STUDY (2006)

The UK-based Ethical Trading Initiative (ETI) is still one of the few initiatives to have commissioned an extensive, independent evaluation of the impact of its members' activities. ETI has over 70 members, including both retailers and suppliers of consumer goods, such as supermarkets, fashion retailers, department stores and stone sourcing companies, as well as major suppliers to retailers of food and drink, flowers, clothing, shoes, homewares, promotional and other products. In 2010, these

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[14]   Although note that studies have been carried out on the supply chains of a small number of individual companies, as well. See, e.g. Locke et al (2012); Locke and Romis (2010): Locke, Qin and Brause (2007).

[15]   For example, employers may reduce overtime hours in a bid to reduce costs or improve working conditions to attract workers in response to a tight local labour market.

[16]   These are not, however, the only studies available. For example, for an impact assessment of the operation of codes of practice in the wine industry in South Africa, see Ewert, Martin and Nelson (2005). This study compares outcomes for workers on code-adopting sites with non-code-adopting sites.

companies had a collective turnover of more than £125 billion and spent £15.9 million on 'ethical trade' activities,[17] which were estimated to reach 9.8 million workers.[18]

Overall, the multi-country evaluation carried out by Barrientos and Smith (2006) concluded that activities related to the ETI code of conduct had resulted in a positive impact on workers' and small producers' lives, but outcomes had been clustered in 'visible' and non-contentious areas. The study found that the clearest positive impacts related to health and safety, with measurable improvements on certain indicators, including fewer accidents.[19] There was also widespread impact on working hours, with reductions in regular or overtime hours and payment of overtime rates as a result of codes of conduct. (However, workers' views on the extent to which the reduction in overtime hours was a positive outcome depended on the extent to which it affected their take home pay.) They found that codes of conduct improved supplier awareness of national legislation, but note that this is only helpful where national legislation is consistent with international labour standards.

Figure 2: Development impacts of the ETI Base Code

Weak	Moderate	Strong
Freedom of association Discrimination Payment of living wage Employment status	Payment of minimum wages and overtime rates	Health & safety Working hours

Source: Barrientos and Smith (2006)

Some benefits extended beyond the workplace; for example, the researchers found that workers were less likely to take home work clothes or touch their children after handling chemicals. Also, some workers said that their houses were cleaner as a result of training at work and that they had more time to spend with their families as a result of less overtime. However, ultimately, Barrientos and Smith (2006) concluded that it was difficult to trace broader impacts (development impacts) beyond the factory walls, where workers' lives were affected by a myriad of other factors.

Areas where there had been little or no impact included 'empowerment' or rights-based issues, particularly freedom of association and discrimination. Barrientos and Smith (2006) highlighted a range of different legal and practical obstacles with respect to freedom of association, including employer antagonism to unions, worker fears of losing their job if they joined a union, high levels of labour turnover and temporary employment impeding collective organisation, lack of worker awareness of trade unions and the absence of a legislative framework consistent with international norms in this area. Explicit or implicit gender discrimination persisted in almost all workplaces and there was evidence of religious and racial discrimination in others. Also, while there were

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[17]   ETI uses this term specifically to refer to activities that focus on protecting workers' rights throughout the supply chain. Beyond ETI, 'ethical trade' is sometimes used more to describe business practices that are both environmentally and socially responsible.

[18]   See: www.ethicaltrade.org/in-action/member-performance.

[19]   These findings with respect to health and safety are echoed in other studies relating to other codes. See, e.g. Rossi, 2011.

improvements in the payment of wages in line with national minima (see also Chan and Pound, 2009), the code's implementation had not led to pay rises that would reflect a 'living wage'.[20]

Importantly, the study found that workers who benefited most were permanent and regular workers (see also: Barrientos, Gereffi and Rossi, 2010; McEwen and Bek, 2009). This was of some concern given that the use of temporary employment relationships – including seasonal work, sub-contracting and migrant labour – was found to be prevalent and these workers were likely to be subject to the poorest working conditions, including receiving fewer benefits and feeling less empowered to raise grievances or enforce their rights. Overall, Barrientos and Smith (2006) noted the negative impact of the prevalence of temporary employment on poverty, by reinforcing the precariousness of workers' financial circumstances.

One of the key drivers of change was the importance of critical mass; i.e. suppliers selling goods to more than one buyer with a code of conduct. Suppliers tended to refer to buyers collectively rather than individually; for example, referring to the needs of UK supermarkets versus other European supermarkets. However, the impact of this collective pressure on labour issues was found to be undermined by the proliferation of codes of conduct, sometimes resulting in mixed messages to suppliers about labour standards, additional costs for auditing and weakened communication. For example, some Indian suppliers interviewed for the study needed to ensure compliance with up to 30 codes.

Ultimately, Barrientos and Smith (2006) concluded that there are necessarily limitations on the development outcomes that corporate codes of conduct can bring about for workers, particularly outside supplier factories and fields: "Codes should ... at their best, act as a catalyst to strengthen labour law and its enforcement, and help increase respect for workers' right to organise freely and bargain collectively."

II. IMPACT ON SMALL PRODUCERS: 4C ASSOCIATION

In 2010, the 4C Association ('4C') published an independent evaluation of the impact of its code on small coffee producers in Vietnam, Uganda and Nicaragua (Kuit, de Rijn and Jansen, 2010). The study focused primarily on the impact of the code's operation on small farmers, although some impacts on workers were also considered. In addition to interviews, baseline crop data for 2007-8 (the first year of the code's operation) was gathered and compared to data for 2008-9. Performance of 4C farmers was compared to that of a control group of non-participating farmers.

Whilst 4C has not been operating for long and the reference period for the evaluation was short, there were already some discernible impacts. In Vietnam and Uganda, 4C farmers reported better access to market and price information than the control group and there was evidence across all three countries that there had been significant improvements in the product quality of 4C farmers. In Vietnam, there was a substantial reduction in the use of pesticides (usage in other countries was already limited) and a notable decrease in the use of child labour in Uganda. However, these positive impacts did not extend to all indicators: the yield increases and crop prices for 4C farmers were more or less the same as the control group of farmers and there was ongoing use of children from 4C households in hazardous tasks – including pesticide application – across all countries.

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[20] The ETI Base Code provides that wages should, at a minimum, meet national legislative standards on wages but should nevertheless always be enough to meet basic needs and to provide some discretionary income.

4.2. Impact on dialogue and collective action

In addition to positive impacts on working conditions, another important outcome of private sector voluntary initiatives is that they have opened up more space for dialogue and collective action on labour standards between the private sector, trade unions, NGOs and others – predominantly in the global North, but also in the South (see e.g. O'Rourke, 2006). This is particularly the case for MSIs, where opportunities for interaction arise through formal activities (such as regularly meetings or project work), as well as through the creation of possibilities for informal information-sharing and exchange of ideas. Fransen and Kolk (2007) note that this space can create a new sense of cooperation and collective purpose, enabling the critics of business behaviour to act as 'watchdogs', but also to engage actively in efforts to solve problems. If companies and their critics can reach some type of consensus on the content of rules and their implementation, then there is some level of broad-based support for what constitutes acceptable behaviour and how to effect change, even if that change is difficult to bring about (Fransen and Kolk, 2007).

Voluntary initiatives on labour standards have also provided an important mobilising tool for trade unions and NGOs, predominantly in the North but increasingly in the South (Utting, 2007). Individually and collectively, activist networks are using the links between multinational companies and their suppliers to influence working conditions in developing countries and open dialogue and negotiations with local businesses and their organisations. For instance, in a study of the working conditions in Zambia horticulture, local trade unionist Kunda Mutebele observed that 'international supply chains open doors': links with international unions and NGOs were crucial in persuading local export businesses to engage in collective wage negotiations with the trade union (Bell and Newitt, 2011). At the international level, the International Textile, Garment and Leather Workers' Federation (ITGLWF) has concluded a global framework agreement with Inditex, the Spanish garment retailer, on workers' rights in its supply chain in developing countries.

However, others have argued that the capacity of MSIs to shape change with respect to dialogue on working conditions is inherently limited, given that large companies ultimately hold the power over how dialogue on these issues is shaped and whose voices are heard and validated (see e.g. Tallontire et al, 2011). Gaventa (2006) argues:

> 'It is not always clear exactly how such spaces emerge in reality, who they involve, and what their potential might be. There is a risk that such spaces can merely mask power inequalities, in situations where more deep-seated structural changes are needed.'

4.3. Impact on business culture

It has also been suggested that private sector voluntary initiatives have contributed to a general shift in corporate attitudes and behaviours on managing and addressing labour standards in supply chains. Indeed, Blowfield (2008) suggests that more attention has been paid to how CSR has changed business practices and how it has impacted on business performance, rather than to examine systematically how it has affected working conditions and development outcomes. These changes are thought to include:

- Validating the importance of labour standards in supply chains, including with respect to issues such as worker representation and freedom of association (which were not considered relevant by many businesses even ten years ago);

- Creating a normative compass by setting credible standards based on international law;

- Creating and encouraging leaders in socially responsible business, including with respect to transparency of supply chain arrangements and issues;

- Convening and mobilising significant numbers of companies, both large and small, and in some cases reaching critical mass in a particular sector; and

- Resolving specific situations at specific worksites, often through grievance mechanisms.

Nevertheless, critics suggest that most collective CSR initiatives have not led to systemic changes in business behaviours as they tend to be too 'business-friendly' (see eg Utting, 2010). It is suggested that they enable companies to step into the breach caused by weak national frameworks and "reorganise aspects of the market better to suit their own needs" (Busch and Bain, 2004).

5. Challenges and opportunities: possibilities for future directions

This section explores some of the challenges associated with strengthening the impact of private sector initiatives on labour standards and development more broadly and some of the possibilities for creating more sustainable long-term change. To a large extent, the issues outlined in this section are recognised problems and some initiatives and brands having started working to address them. Nevertheless, they are not easily resolved and have remained points of discussion for a number of years (see e.g. Jørgensen et al., 2003).

5.1. Making progress on rights-based issues

As noted above, existing research suggests that voluntary initiatives are more likely to have an impact in areas where non-compliance is most visible and the corresponding corrective action more easily attainable (e.g. health and safety). In general, rights-based issues in global supply chains are much more difficult to address.[21] For example:

- Freedom of association and collective bargaining rights are often flagged as a problem in global supply chains, yet little progress appears to have been made. Workers may be prevented or dissuaded from seeking collective representation as a result of deep mistrust between employers and trade unions, weak capacity of local trade unions and insecure employment conditions (see e.g. Thorpe, 2008; Barrientos and Smith, 2006; McEwen and Bek, 2009). Even greater barriers exist where countries do not have laws that support these rights or enforcement of protective legislation is weak.

- Similarly, Blowfield (2008) argues that private sector voluntary initiatives have made only limited inroads into the redistributive element of development. There has been discussion about how to guarantee a 'living wage' for workers in supply chains since the 1990s – particularly garments and footwear – but reports of poor practices on wages in supply chains continue to arise (Vaughan-Whitehead, 2010) and there is little agreement on how to define and assess a 'living wage'.[22]

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[21]   For a discussion of economic benefits versus social benefits for workers of moving into higher-value activities in global supply chains, see the work carried out in the context of the *Capturing the Gains* Project, including Barrientos, Gereffi and Rossi (2010). See: www.capturingthegains.org.

[22]   Similarly, there has been little progress on employment security, with evidence to suggest that there is persistent (if not increasing) use of precarious employment arrangements in supply chains, such as agency workers and fixed term contracts.

Nevertheless, it is important to note that there are significant constraints on the capacity of private sector actors to effect change on these issues and, indeed, limitations on the extent to which external actors can (or should) impose 'top-down' solutions to problems that should ideally be the subject of negotiations between local actors, including worker representation structures and wage issues. Past interventions in this arena by international brands suggest that externally driven solutions are unlikely to result in sustainable change.[23]

In this context, one of the most powerful tools for maximising the impact of voluntary initiatives on labour standards is to **build the capacity of local actors to act as agents of change**. Building the capacity of local institutions and actors – employers, trade unions, smallholders and their representatives and other civil society organisations – can not only help to improve the functioning of voluntary initiatives, but can also create positive spill-over into broader processes of social and economic development. For these activities to result in sustainable outcomes, they require a long-term perspective and the commitment and cooperation of a range of actors, including government.

Unfortunately, one of the enduring difficulties in making progress in this area is the lack of links between brands and MSIs on the one hand and governments in emerging and developing economies on the other. This suggests an ongoing convening role for international actors and donors.

Key activities include:

- **Building the capacity and awareness of enterprise-level and local actors, including managers, workers, smallholders and their representatives**. This includes building awareness amongst workers and small-holders of their legal rights and improving the capacity of their representatives (including trade unions, where they are present) to defend these rights and represent workers' interests. It also includes training for managers and supervisors on the importance of labour-management cooperation for improved productivity and reduced industrial tension. These types of activities can potentially reduce the need for external intervention by improving the ability of local actors to assess and address working conditions themselves. This is particularly important with respect to rights-based issues, such as discrimination and freedom of association, where there are considerable challenges for external actors in detecting problems and identifying sustainable solutions. Some private sector voluntary initiatives, including those of individual companies, have started to increase their focus on these types of activities (see box – 'Social Accountability International').

Social Accountability International: Social Fingerprint

Social Accountability International (SAI) is an international MSI, based in the US, which is committed to developing and implementing voluntary social standards. It is particularly well known for its SA8000 standard on decent work and associated training programmes.

SAI's Social Fingerprint is a package of measures that is designed to help companies (both buyers and their suppliers) to measure, evaluate and improve their social performance in a credible, pragmatic and cost-effective way. It includes online tools as well as training programmes.

The initiative is focused on building capacity with respect to management systems rather than the normative content itself. As such, it is designed so that it can be used to implement the requirements of different codes of conduct. It was developed according to the belief that improving human resource management systems is key to improving labour standards and working conditions.

Source: www.socialfingerprint.org/index.html

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[23]   See, e.g. the discussion in Chan (2010) regarding Reebok's efforts to establish worker representation structures in Chinese structures.

- **Supporting sectoral and national platforms for social dialogue**: There should also be a focus on building the capacity of sectoral actors and supporting the establishment of forums for dialogue between actors at the sectoral and national levels (particularly trade unions and employer associations, but this may also include relevant NGOs and export associations). Greater interaction between sectoral actors can help to improve understanding and trust between local actors and provide a conduit for dialogue and cooperation on intractable issues (e.g. widespread strikes). It can also develop support for sector wide initiatives on training and productivity and provide a mechanism for discussion between international brands and local actors. Supporting dialogue can be difficult in circumstances where industrial relations are historically conflictual and local labour market institutions are weak; however, sometimes, the presence of international brands and initiatives can provide an important incentive to bring employer and worker representatives together and start building trust.

5.2. Better coverage of *all* workers

The supply chains of global corporations are often vast, complex and geographically dispersed. High levels of subcontracting make it difficult to effectively monitor the working conditions of workers and small-holders further down the supply chain, yet these are often the most vulnerable workers who are subject to the poorest working conditions, including lower wages, poor access to social protection, low levels of employment security and bargaining power. Barrientos, Gereffi and Rossi (2010) note that the benefits of participation in global supply chains tend to be confined to workers in stable, often permanent, employment relationships.

In general, the more complex and diffuse the supply chain, the less likely it is that companies will be able to leverage influence or monitor working conditions lower down the chain. This is not so much a question of these workers being expressly excluded from the operation of codes, but rather that they are less visible and not so easily detected by social audit processes. In addition, these workers may have less protection under national laws. However, improving coverage of vulnerable workers and small businesses is critical to maximising the impact on working conditions as well as development more generally. In general, women workers are generally overrepresented within the following categories of vulnerable workers:

- **Temporary workers.** This includes seasonal, casual and contract workers, who are often not perceived by employers as 'employees' and are often not detected by auditors.

- **Agency workers and outsourcing**. There are reports of growing use of agency workers in supply chains (see e.g. CLB, 2011). These are workers who are hired out to a company by a third party (usually an an agency or broker), ostensibly to provide greater flexibility in the workforce. Again, these workers may not be perceived as 'employees' as they do not have a contractual relationship (employment or otherwise) with the company for which they work, but rather with the agency that supplies them. This triangular, arm's-length relationship means that these workers generally have less bargaining power in the workplace and often do not enjoy the same wages and conditions as their directly employed counterparts.[24]

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[24] For instance, a review of the operation of the WIETA code of conduct in the South African wine industry revealed that the area of worst performance related to overall control of the working conditions of employees taken on via labour brokers. Cited in McEwen and Bek, 2009.

- **Migrant workers.** Both internal and international migrants often feature in supply chains, but often have different goals and levels of protection compared to local workers (Barrientos and Smith, 2006). Migrant workers are more mobile, more inclined to work very long hours to maximise their pay and may not wish to contribute to social protection schemes that are not portable to their home country or region. Often they have fewer rights under national legislation or receive less information about them, sometimes because of language barriers. Given their mobility, they are more likely as a group to be in temporary employment than their local counterparts.

- **Smallholders** are farmers with small plots of land, who provide inputs into a number of agricultural supply chains, including coffee, tea, fruit, flowers and cotton. These farmers (and their workers) often have poor working conditions and lack access to market information, training, credit and agricultural inputs. Moreover, employment practices are often more informal than in large farms or factories (e.g. many rely on unpaid family labour). The application of codes to this group is a complex issue, however, as they may be numerous, geographically remote and far-removed from international retailers due to the complexity of agricultural supply chains. This makes it more resource-intensive to reach them or monitor their practices. Understandably, small-holders themselves are likely to be opposed to voluntary standards or certification processes where implementation costs are high (see e.g. BMZ, 2008).

- **Homeworkers.** Complex and informal supply chains in the garment industry mean that it is often difficult to discern the presence of homeworkers who, by definition generally have little or no connection to formal workplaces. Nevertheless, some voluntary initiatives (see box – 'Empowering homeworkers in India') have made some progress in improving conditions for these workers.

In some respects, workers in certain export processing zones (EPZs)[25] may also be categorised as vulnerable. Whilst some studies observe that workers within EPZs often enjoy the same or even better working conditions than those outside (see, e.g. World Bank/IFC, 2011),

> **Empowering homeworkers in India**
>
> Since 2006, the UK Ethical Trade Initiative has been conducting a collaborative project to improve the capacity of homeworkers in India. Project activities have included collaboration between international brands and Indian suppliers to draft guidelines on homeworkers and the creation of a multi-stakeholder body to oversee their implementation.
>
> A local multi-stakeholder group has conducted a series of training activities for workers on health and safety, quality control and record keeping, linking workers to social protection schemes and building demand for better schooling. Some of the concrete impacts relate to improved awareness of health and safety; for example, women have lowered the ceiling lights in their rooms so they can see better.
>
> A group of homeworkers have established a new self-help organisation called 'Hands'. The group meets regularly to discuss issues of common interest, including earnings. It has, for example, provided an important vehicle for lobbying local government on improving schooling outcomes for homeworkers' children.
>
> **Source**: www.ethicaltrade.org

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[25] EPZs are usually introduced by governments as part of a shift towards export orientation and typically involve the lowering of export tariffs and/or regulatory requirements in a particular geographical zone. Most EPZ businesses are engaged in labour-intensive industry and collectively employ a significant number of workers: FIAS (2008) estimates that there are around EPZs in 130 countries, representing around 68 million jobs (40 million of which are in China).

workers in some EPZs are still denied the right to join or form trade unions, either as a matter of law or practice (McCallum, 2011).[26] Similarly, EPZ legislation may reduce restrictions on the use of temporary working arrangements, commonly leading to lower levels of employment security, which tends to have a knock-on effect on trade union activity (McCallum, 2011).

An increasingly sophisticated approach is necessary to penetrate the often complex layers of working arrangements in global supply chains. This includes:

o **Ensuring that codes explicitly cover workers beyond the first tier of suppliers** (many codes are silent on this issue, leaving the matter open to interpretation)**;**

o **Improving the quality of monitoring processes** to ensure that gaps in the application of codes are detected; and

o **Devising capacity building exercises** to target or include vulnerable workers.

Another way to reach vulnerable workers is to promote the participation of SMEs in voluntary initiatives on labour standards. While the costs and complexity of social compliance may be relatively easily absorbed by larger suppliers, they can pose an obstacle to the participation of small businesses (and their workers) in export value chains. However, given the importance of SMEs as employers in the developing world, this type of barrier to entry restricts the broader development impact of voluntary initiatives on labour standards. Some initiatives have shown how these businesses might be better included, such as by placing greater emphasis on efforts to achieve progress and capacity building amongst small businesses, rather than focusing exclusively on compliance.

5.3. More meaningful engagement with business and civil society in the global South

One of the weaknesses of many private sector initiatives on labour standards has been the low level of engagement with businesses and workers in the global South in consultation and decision-making processes, as well as the design of initiatives and institutions (Utting, 2007). Consequently, stakeholders in developing countries often feel little sense of ownership of or say in the CSR agenda, such that it has been critiqued as a new form of 'Western imperialism' (Khan and Lund-Thomsen, 2011). However, addressing this representation deficit is critical, as sustainable improvements in working conditions and compliance will only come about through the deeper involvement of stakeholders in sourcing countries. Moreover, the lack of these voices can pose a serious challenge to the legitimacy of private sector initiatives on labour standards (ITC, 2010).

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[26] For example, under the Bangladesh Export Processing Zones Authority Act 1980, EPZs and export-oriented factories (mainly garment factories) are exempted from the application of certain labour laws and there is EPZ-specific legislation on labour and industrial relations. While certain forms of collective representation are now permitted (following amendments to the law), the legislation places restrictions on trade union activity in these zones. Nevertheless, the World Bank / IFC (2011) note that in many respects, workers inside these zones are generally considered to have better working conditions and higher wages than outside the zones.

Nevertheless, there are examples of successful engagement with local stakeholders in developing countries. For example, a number of initiatives conduct local roundtables in developing countries, such as the Fair Labor Association; another approach is to develop training and capacity building projects (see box – 'Better Cotton Initiative'). Audits themselves can represent a form of capacity building for suppliers (and workers), where accompanied by sufficient feedback and advice.

Building more participatory systems in emerging and developing economies would not only increase the credibility and legitimacy of private sector voluntary initiatives on labour standards, but could help to deepen their development impact by building the capacity of local actors to participate in broader development processes, i.e. in local governance systems and labour market institutions. This includes:

- **Giving actors from developing countries a stronger voice in governance structures and processes**. Collective initiatives could work harder to ensure that these actors are more closely involved in governance processes (including the design, implementation and monitoring of standards), that forums exist for them to express their views and that these views have demonstrable traction within the organisation. Some initiatives – mostly MSIs – are further advanced in this field than others.

- **Promoting systems for grievance resolution at multiple levels**. Stronger grievance mechanisms at different levels of supply chains would give workers (and possibly businesses) a greater voice, promote greater transparency with respect to the operation of private sector voluntary initiatives and provide a mechanism for gathering information on how codes operate in practice. This means expanding grievance mechanisms beyond the workplace, so that workers can directly lodge grievances with buyers and/or initiatives regarding code implementation.[27] Whilst solutions to worker grievances should ideally be sought at the local level (at least in the first instance), broader grievance mechanisms could provide workers with a stronger voice in global supply chains and companies with an alternative, non-audit source of information on compliance. The UN Guiding Principles on Business and Human Rights have helped

> **Better Cotton Initiative: a capacity building approach**
>
> The Better Cotton Initiative (BCI), a not-for-profit MSI aims to raise the sustainability profile of conventional cotton. One of its key long-term objectives is to promote better working conditions for farming communities and cotton farm workers.
>
> Because BCI's approach is firmly based on 'continuous improvement' - i.e. measuring progress rather than compliance – capacity-building is an integral part of its work. In particular, providing support to small-holders is critical, given that more than 90% of cotton farmers live in developing countries on farms of less than two hectares. As well as addressing deficits in working conditions, the training that BCI and its partners provide to farmers is aimed to enhance productivity and fibre quality.
>
> In Pakistan, hundreds of training sessions for farmers have been held in field schools over the past six years. Training has helped farmers to reduce the use of expensive fertiliser and pesticides by 75%, and make its application safer. This is a particularly important outcome for women, who carry out 95% of harvesting in Pakistan. The project also includes engagement with local communities to combat child labour.
>
> Partly as a result of spending less money on expensive fertiliser and pesticide, and partly due to better growing practices, the Pakistani farmers have also increased their overall net revenue by 70%. The initiative has now been adopted by 40,000 farmers in Pakistan across 400,000 hectares. BCI's commercial partners in Pakistan include IKEA and H&M and its implementing partners include WWF, Oxfam and local civil society organisations.
>
> **Sources**: www.bettercotton.org; Khan, 2011

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[27] For an overview and evaluation of grievance mechanisms established by a range of MSIs, companies, and other organisations, see Rees, 2008.

to draw attention to the importance of giving workers access to grievance procedures.[28] A small proportion of standards currently provide for third-party complaints mechanisms, e.g. UTZ CERTIFIED and FLA.

- **More dialogue and partnership between international brands and suppliers**. Research suggests that more frequent interaction and dialogue between brands and their suppliers is an important factor in improving labour standards, as well as the development of longer-term relationships (see e.g. Locke and Romis, 2010). A greater degree of dialogue on the implementation of codes (and associated challenges) is likely to ensure better buy-in, cooperation and ownership at the supplier level.

- **Increasing linkages between actors in developing countries and international networks**. Strengthening channels of communication between, on the one hand, the sophisticated activist networks of international NGOs and trade unions and, on the other, their counterparts in developing countries can help to improve the leverage of workers at the local level (e.g. pushing employers to recognise and bargain with trade unions). Importantly, a number of donors provide funding to national trade union and employer groups to engage directly with their counterparts in developing countries in capacity building activities.

Raising awareness of international labour standards in emerging and developing economies could help to improve the sense of local ownership (and thus sustainability) of private sector voluntary initiatives.[29] Consumer consciousness and civil society activism in developed economies has been pivotal in spurring companies to action on labour standards; however, it is widely considered that the CSR agenda (in the sense of a company's voluntary commitment to certain standards) does not enjoy the same profile in emerging economies with consumers and companies. Communicating the business case for improved social compliance (e.g. evidence supporting links between better human resource management and higher productivity) could assist in promoting CSR amongst the business community.

Supporting the development of local initiatives in emerging and developing economies is equally important, particularly those that are created primarily by local actors. A number of domestic initiatives have emerged in the global South – with differing degrees of success – although most are a response to consumer and buyer pressures from the global North rather than the South. Many are industry-led initiatives, such as Fibre Citoyenne in the Moroccan garment sector,[30] the Instituto Carvão Cidadão in the Brazilian charcoal sector[31] or the work carried out by the Chilean wine

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[28]   The UN Guiding Principles were road-tested by a number of companies across a range of sectors, demonstrating how they might be implemented in practice: Rees, 2011.

[29]   See, e.g. the Pro-Sustain project (funded by the European Commission), which aims to assist in building a bigger domestic market for Fair Trade products in India: www.fairtrade-prosustain.in/programme_overview.html.

[30]   See: www.fibrecitoyenne.org. This code is increasingly widely applied after Inditex, a major buyer in the Moroccan garment industry, committed to prioritising sourcing from factories certified by Fibre Citoyenne (FC). For a qualitative analysis of the extent to which FC has contributed to improvements in working conditions, see Rossi, 2011.

[31]   See: www.carvaocidadao.org.br.

exporters' association on a suite of CSR initiatives.[32] MSIs are much less common, but there is a small handful, including the Wine Industry Ethical Trade Association (WIETA) in South Africa.[33]

5.4.   Avoiding negative impacts on local governance structures

The *raison d'être* for most private sector initiatives on labour standards is the regulatory gap created by poor enforcement and the weak capacity of local labour inspectorates. Critics suggest that as these schemes grow, there is a risk that the role of public inspection is undermined by the effective privatisation of labour enforcement in certain sectors. This can divert attention and resources from the need for better regulation and enforcement in *all* sectors, not just those that produce for export. Others argue that private sector voluntary initiatives distract attention from the role of government, and even challenge the legitimacy of state regulation.

In development terms, one of the challenges is to ensure that private sector initiatives do not actively crowd out or weaken local governance mechanisms: there is scope for developing much more constructive dialogue and exchange between the public and private sectors around monitoring practices and outcomes. Currently, there is virtually no sharing of information between inspectors and private sector auditors, who keep audit results confidential, as well as their monitoring methodologies, knowledge of non-compliance trends and instances of good practices. The ILO (2011) has highlighted the risk that well-intentioned private monitoring initiatives can undermine the role of public inspection, by "creat[ing] enclaves of good practices with few linkages to the rest of the economy".

Increasing knowledge-sharing activities between the private and public sector could enhance the capacity of the local inspectorate, both in terms of sharing techniques for assessing compliance as well as sharing knowledge on local patterns of regulatory compliance. For example, FIAS (2005) proposes that "public-private collaborative inspection initiatives" hold promise as a means to supplement or complement existing national inspection systems, enabling national governments to draw on the experience and innovations of private sector initiatives to enhance the capacity of national labour inspectorates. Creating these bridges between the public and private sectors is ideally an area where donors and international actors could bring to bear their expertise in local systems of governance and links to state institutions. Better Work is one of the few voluntary initiatives to have started making some steps in this direction.

5.5.   Addressing the limitations of the audit process

Whilst social audit brings many benefits – including providing quantifiable indicators that enable measurement of performance – there are also widely recognised limitations associated with audits (see e.g. Locke, Qin and Brause, 2007; Usher and Newitt, 2009), including:

- **Over-emphasis on quantifiable measures and lack of appropriate indicators on rights-based issues** (see discussion above at p 16);

- **Management focus**: Standard audit methodologies tend to be carried out from the perspective of management, with little cross-checking with local worker organisations and

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32   See: www.winesofchile.org/sustainability. A recent study by Ergon Associates (2011) found that increased trade with European companies had led Chilean wine exporters to adopt an increasingly proactive stance with respect to social and environmental standards.

33   See: http://wieta.org.za.www34.cpt3.host-h.net. See McEwan and Beck (2009) for an overview of WIETA's history and impact to date.

NGOs. Interviews with workers usually take place as part of audits, but there is a risk that these are subject to management influence (particularly where interviews take place in the workplace) or workers are coached to give the 'right' answers. Where this happens, workers' voices are a missing piece of the picture.

- **Inconsistencies in audit quality**: There is considerable variation in the quality of third-party audits, which may be due to an absence of specialist or local knowledge by auditors or limited training. In some jurisdictions, local audit firms are thought to be affected by corruption.

- **Scope for 'audit fraud':** There is evidence to suggest that a number of suppliers engage in practices to avoid revealing non-compliance, such as 'double book-keeping' or coaching of workers.

- **Interference in worker representation structures**: Trade unions and workers' organisations have raised concerns that social auditing may undermine their role in promoting workers' rights and exacerbate tensions in industrial relations (see e.g. Ballinger, 2010).

But ultimately, the major criticism levelled at audits is that they are **not effective at preventing labour rights abuses** or delivering real improvements for workers. At best, audits identify problems after they have happened, but do not necessarily create preventative safeguards against future abuses: they generally suggest corrective rather than preventative action. Research suggests that more frequent auditing does not improve compliance and monitoring should only be considered one part of an effective strategy for improving labour standards in supply chains. In their review of the audit results of Nike suppliers, Locke, Qin and Brause (2007) concluded that monitoring alone had little impact on working conditions in factories; however, when monitoring was **coupled with more proactive capacity-building interventions** that aimed to address some of the systemic causes of labour violations, improvements in working conditions were much more likely to materialise (see also Locke and Romis, 2010 and Locke et al, 2012).

More companies and initiatives are now seeking to combine audit methodologies with training and capacity-building approaches that are more likely to bring about more effective changes on working conditions.[34] Nevertheless, there are still important reasons to devise smarter social audit methodologies. The fact remains that social auditing is still the major tool used by brands to inform risk management strategies and to monitor patterns of compliance amongst suppliers. Audit alone is unlikely to produce long-lasting improvements in working conditions (particularly with respect to rights-based issues), but smarter methodologies for auditing could provide brands with a deeper awareness of existing problems and a better starting point for trying to resolve them. This should include:

- **Improving the quality of information-gathering systems** at the local level, including more interviews with workers, trade unions and local NGOs; and

- **Improving the quality of audit indicators on rights-based issues**, including discrimination and freedom of association.

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[34] However, it is important to note that capacity building exercises are not a panacea either and will not automatically result in improvements. See e.g. Locke, Distelhorst, Pal and Samel (2012).

5.6.   Harmonising codes

While there is considerable overlap in the normative content of many of the private sector initiatives (e.g. near universal acceptance of the ILO core labour standards, basic health and safety requirements and provisions on wages and working hours), codes often have slightly different standards and monitoring systems, which may even conflict with each other. This potentially undermines the collective impact of the initiatives, by sending mixed messages to suppliers[35] and creating additional costs that may act as a disincentive to participation. Moreover, whilst the number of codes and standards demonstrates an encouraging amount of activity and consensus on CSR objectives, Utting (2010) notes that this multiplicity of actors and standards can also act as an obstacle to progress, leading to "a polarized international debate about the logic, merits, limitations and contradictions of CSR."

Supplier factories often complain about dealing with a multiplicity of codes and standards, which can lead to "audit fatigue" and high compliance costs (particularly where compliance criteria differ between one another and go beyond national regulatory requirements). Producers and exporters bear differing cost burdens depending on the standard, but often multinational companies do little to share these costs. This can act as a barrier to smaller businesses and producers, potentially reducing the positive development impacts of international trade. Many UK retailers now expect audit data to be submitted to the SEDEX database,[36] which theoretically cuts down on audit duplication amongst suppliers (the Fair Factories Clearinghouse provides a similar US-based platform). However, critics argue that the resulting methodology is overly quantitative and reductionist (Tallontire et al., 2011) and this approach also presumes that buyers are willing to share audit results and/or rely on those provided by other companies.

In recognition of these issues, a pilot project was conducted in Turkey from 2004 to 2007 by a number of leading US and EU initiatives to explore possibilities for code harmonisation. As part of the Joint Initiative for Corporate Accountability and Workers' Rights (JO-IN) Project, the codes of the six participating MSIs and NGOs[37] were consolidated into one. However, whilst the project yielded a number of insights into labour issues in the supply chain in Turkey (Thorpe, 2008), ultimately the project was discontinued, as a result of *inter alia* the difficulties in reconciling the different governance, membership and monitoring approaches of the participating initiatives.

More recently, the Global Social Compliance Programme (GSCP) is an industry-led body seeking to create a higher degree of collaboration on this issue between global brands. Created in 2006 by a group of large European and North American brands (Carrefour, Metro, Migros, Tesco and Wal-Mart), GSCP has created a series of global benchmarking tools, including a Reference Code which consolidates the requirements of a number of leading CSR initiatives on social and environmental

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[35]   However, Locke, Qin and Brause (2007) found evidence in their review of Nike factory audits to suggest the need to comply with a number of codes can lead to improved performance on labour standards. They suggest that the presence of multiple brands with different monitoring programmes may lead to enhanced learning and information-sharing.

[36]   SEDEX is a not-for-profit organisation that provides an online platform to enable companies (buyers and suppliers) to share supply chain data, particularly the results of audits. Members can evaluate the performance of a particular supplier against a number of different codes. It was originally founded by a group of UK retailers in an effort to drive convergence in social audit standards and monitoring practices. See: www.sedexglobal.com.

[37]   Clean Clothes Campaign (Netherlands), Ethical Trading Initiative (UK), Fair Labor Association (USA), Fair Wear Foundation (Netherlands), Social Accountability International (USA) and the Worker Rights Consortium (USA).

issues. The purpose of GSCP's work is not to monitor compliance, but rather to provide a 'common interpretation', based on existing best practice, of what are fair labour/social and environmental requirements and their implementation in the supply chain. Whilst GSCP's governance structure is not multi-stakeholder, it does follow a structured stakeholder consultation process associated with the development of its tools and guidance. There are now 35 multinational brands and buying companies who belong to GSCP, including GAP, Dole, Timberland, Starbucks and Marks & Spencer.

A higher degree of convergence between different initiatives would ideally help to eliminate overlap and maximise their efficiency and impact. It would also help to reduce mixed messages to suppliers and compliance costs associated with a multiplicity of codes that can act as a barrier to entry for small producers and suppliers. One step in this direction could be to develop more opportunities for individual and collective initiatives to jointly develop tools and guidance. There is also scope to consider further convergence with codes of conduct on environmental issues.

5.7. Reconciling CSR commitments and purchasing practices

There are much-discussed contradictions between recognised 'good practice' on labour standards on the one hand and, on the other, corporate behaviour that negatively affects workers' rights and the capacity of suppliers to comply with codes of conduct. Common examples include:

- Buyers indirectly putting pressure on working conditions by imposing last-minute orders with tight and inflexible deadlines, creating a risk that workers are compelled to work unreasonable overtime, or that employers make greater use of temporary employment or subcontracting arrangements to cope with uncertainty;

- Lack of preferential status for factories that implement codes; and

- Companies adopting a code of conduct that supports freedom of association, but sourcing from companies that predominantly use sub-contracting or short-term contracts (practices which reduce employment security and act as a disincentive to unionisation).

The danger is that such practices force suppliers to choose price competitiveness over social compliance in order to stay in business. Downward pressure on prices also makes it more difficult for workers to negotiate wage increases and creates a cost incentive for employers to cut corners on health and safety measures or to avoid paying overtime rates.

These problems do not tend to be directly addressed by the codes of conduct associated with collective initiatives. However, some brands are taking their own steps to address these inconsistencies between their purchasing and CSR approaches, including *inter alia*:

- Creating more internal integration within the buyer company between the purchasing and CSR or ethical trade functions;

- Setting and sticking to realistic delivery times;

- Providing earlier predictions of order volumes;

- Making performance on labour standards issues an equally important criteria to quality, price and delivery in selecting suppliers;

- Developing stable, long-term supply relationships to increase the likelihood that suppliers will invest in change in their workplaces[38]; and

- Working cooperatively with other buyers to develop a critical mass.

5.8.   Improving impact assessment

As discussed above, **stronger frameworks for impact assessment** could help to strengthen private sector voluntary initiatives on labour standards, by providing a deeper understanding of their broader impacts on businesses and workers; for example, determining their effect on productivity and the creation of higher skilled and higher paid jobs. This means identifying clear targets, developing indicators of impact and establishing processes for data collection, reporting and evaluation (see box – 'ISEAL Alliance'). Putting in place stronger frameworks for impact assessment means that voluntary initiatives are more likely to be able to demonstrate their ongoing value and shore up the legitimacy of their activities with respect to the business community, trade unions, civil society and donors.

An **independent initiative** to compare the impact, effectiveness and governance structures of different voluntary initiatives (e.g. based in a university or independent research organisation) could highlight good practices and provide ideas for further improvement. This type of initiative could provide an independent perspective on the strengths and weaknesses of different initiatives and potentially create the expertise and knowledge base necessary to begin evaluating their collective impact.

> **Building monitoring and evaluation systems: ISEAL Alliance**
>
> The ISEAL Alliance has played an important leading role with respect to developing stronger frameworks for monitoring the impact of voluntary social and environmental standards, as well as working to build on the knowledge base in this area.
>
> In 2010, ISEAL Alliance launched the Code of Good Practice for Assessing the Impacts of Social and Environmental Standards. In 2011, it commenced work with its members on the 'Demonstrating Impacts' project to develop indicators and roadtest data collection and analysis strategies in order to better understand the impacts of certification on smallholders and workers in agriculture and forestry.
>
> **Source**: www.isealalliance.org

6.   What role for public policy?

6.1.   National legislation and policy

Whilst private sector voluntary initiatives can potentially complement systems of labour inspection in developing countries by raising awareness of legislative rights and obligations amongst workers and employers, the broader role of the state in protecting workers' rights should not be overlooked. One of the most important determinants for labour standards compliance in supply chains is the quality of local regulation and enforcement (Locke, Qin and Brause, 2007; Locke et al, 2012). Only governments can create the overarching legislative and policy environment that provides the legal framework and incentives for *all* businesses to act responsibly, as well as the machinery for enforcement.[39] As such, some have suggested that building the capacity of developing country governments would be a much more effective mechanism for achieving long-term change than private sector voluntary initiatives (Aaronson, 2009).

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[38]   However, note that there are tensions here between the need to develop long-term relationships and the highly mobile nature of some supply chains.

[39]   Koçer and Fransen (2009) note that codes of conduct cannot challenge implicit power structures that are established by national law, including restrictions on freedom of association or inadequate protections for vulnerable workers.

Governments also have an important role to play in supporting and promoting the role of independent workers' and employers' organisations. In particular, representative trade unions and worker organisations can have a critical influence on working conditions: workers' ability to collectively defend their interests empowers them to ensure that other rights and labour standards – such as working time, health and safety or wages – are put into practice. However, in many cases, trade unions face barriers to collective organisation, such as resource constraints, management obstruction and worker disinterest (Barrientos and Smith, 2006). Governments' role includes supporting institutions for social dialogue and enforcing legislation that guarantees freedom of association.

Just as importantly, government can help to stimulate the private sector and broader community into action on labour issues through awareness-raising and regulatory incentives (see box – 'Forced labour in Brazil'). Codes alone are unlikely to significantly change negative patterns that are connected to deeply embedded social and cultural norms, such as social tolerance of child labour, cultural norms regarding the role of women or historical patterns of racial or religious prejudice. Governments can address these problems through, for example, public awareness campaigns and funding for research or offering incentives to the private sector to adopt more socially responsible models of business. A good example of synchronicity between the activities of government, the private sector and civil society organisations is the campaign in Brazil to combat forced labour.

Governments can also support voluntary standards on labour by taking them into account in their own public procurement policies. Government authorities constitute an important market; the European Commission (2009), for instance, estimates that public authorities spend the equivalent of 16% of the European Union GDP.

> **Forced labour in Brazil**
>
> Actions of the business community, in conjunction with a whole series of initiatives by the government and civil society, have been critical in the fight against forced labour in Brazil.
>
> In 2003, the Brazilian Ministry of Labour started publishing the "dirty list", a list of employers and companies caught by the labour inspectorate exploiting workers to conditions analogous to slavery.
>
> Building on the public awareness and momentum created by the dirty list, approximately 200 large national and trans-national companies have joined the National Pact to Combat Slave Labour since 2005. Collectively, these companies account for 20% of Brazil's GDP. By signing up to the Pact, they make a series of commitments, including banning slave labour from their production chains. As a consequence of the Pact, there have been innumerable cases of companies refusing to do business with others who have been named on the "dirty list" until they eradicate forced labour from their workplaces.
>
> Civil society groups have established a Management Committee to monitor company compliance with the terms of the Pact. The Committee has the power to suspend or expel companies from the Pact if they do not comply with their commitments.
>
> **Source**: Costa, 2009.

6.2. The role of donors

Given that very few MSIs are self-sustaining, donors have played a critical role in launching and providing ongoing funding for CSR initiatives that focus or include a strong component on labour standards. Donors can be an important catalyst in convening stakeholder forums on private sector voluntary initiatives on labour standards, not only in funding them but in using their position of neutrality and power as a funding partner to bring different groups together and encourage cooperation and coordination. Further, donors can play an invaluable part in developing public-private partnerships and funding demonstration projects and studies to capture key lessons.

Given the range of donor interventions in this area, it is unfortunately beyond the scope of this paper to provide a comprehensive overview of all donor assistance to private sector voluntary initiatives on labour standards. The activities of the German government are outlined in more detail below, given the diverse range of its interventions, as well as the 2008 publication of an evaluation of its support for voluntary standards. Other donors that are particularly active in this field include the Dutch government (particularly through the establishment of the Sustainable Trade Initiative (IDH) in 2008), the US, Swiss and United Kingdom governments, each of which provide important support to private voluntary initiatives on labour standards.

Alongside activities to support initiatives on labour standards, private sector development has become a central theme for many donors and international actors, in recognition of its critical importance as an engine for broader economic growth. However, just as companies need to reconcile their CSR policies and purchasing practices, there is not always policy coherence at the donor level between social development programmes and private sector development strategies: there are very few instances where connections are made between private sector development strategies and private sector voluntary initiatives as a mechanism for promoting 'more and better jobs' and ensuring sustainable growth. Yet promoting and collaborating with voluntary initiatives is one way in which donors could potentially deepen the development impact of private sector growth. There is considerable room for greater cooperation and information sharing between donors on this issue.

Private sector voluntary initiatives in German development cooperation

CSR initiatives are a particularly important part of the German government's strategy to leverage the development impact of cooperation with the private sector (BMZ, 2011). The German International Development Agency (GIZ) has been an important implementing actor in this field, supporting the development and/or strengthening of a range of private sector initiatives that promote social and environmental standards. This is based on the belief that multinational companies are uniquely positioned to bring about positive changes in working conditions in developing countries, but that isolated initiatives do not bring about large-scale sustainable change (BMZ, 2011).

Some of the collective initiatives that GIZ has been instrumental in developing include:

- **Common Code for the Coffee Community ('4C')**, a platform that brings together coffee farmers, traders and other actors in the coffee sector to discuss sustainability issues;

- **Roundtable Codes of Conduct**, a multi-stakeholder forum to promote voluntary codes of conduct in German businesses with production sites or suppliers in developing countries;

- **Roundtable on Responsible Soy Production**, an MSI that aims to facilitate dialogue on soy production that is economically, environmentally and socially sustainable;

- **A public-private partnership with German firm Tchibo** to implement social standards at production facilities in Asia through a dialogue-oriented training methodology (2007-2010);

- **GlobalGAP Risk Assessment on Social Practices (GRASP)**, an initiative to add a social module to the existing Global GAP standard on good agricultural practice; and

- **A project (2008-2012) to develop support for the concept of CSR in the Indian context**, including the development of CSR guidelines and a voluntary disclosure framework.

In 2008, the German government published an evaluation of its development cooperation on voluntary social and environmental standards (BMZ, 2008). The study, based on interviews with stakeholders in Brazil, China, Kenya and Zambia, concluded that there had been positive sustainability impacts at the micro- (small producer and supplier), meso- (intermediary private sector or civil society institutions) and macro- (government policy)

levels. Cooperation on voluntary social and environmental codes was linked to a number of positive changes, including:

- Increased use of formal employment contracts, improved levels of productivity and health and safety, improved working conditions, a reduction of excessive overtime and decreased staff turnover in the Chinese garment sector;

- Increased competitiveness and improved working conditions in the flower sector in Kenya; and

- Increased incomes in the coffee and forestry sectors in Brazil and in the cotton sector in Zambia.

7. Conclusions

There is evidence to indicate that private sector voluntary initiatives have had important positive impacts on working conditions for workers in global supply chains. In particular, improvements with respect to workplace health and safety should not be underplayed: developing countries tend to have much higher rates of workplace injuries and accidents than developed countries and these place a significant burden on workers and their families, as well as businesses and society more generally. In addition to these impacts, codes of conduct have also contributed to a shift in business awareness of labour standards issues, at the level of both multinational brands and their suppliers. At the same time, MSIs have created new possibilities for dialogue and collaborative action between the private sector, trade unions and NGOs.

However, although most private sector voluntary initiatives on labour standards are developed with the intention of generating positive change for workers, to date, it is unclear exactly what the development impact of private sector voluntary initiatives on labour standards has been. This is, at least in part, a function of the relative newness of these initiatives and methodological difficulties associated with attributing impacts, but it also a lack of comprehensive impact evaluation frameworks. While there is currently considerable good-will for private sector voluntary initiatives and optimism regarding their potential long-term impact, this lack of evidence potentially has implications for their long-term credibility and sustainability. It is vital to understand what the real impact of these initiatives has been so far (including whether there are unintended consequences) in order to ensure that they are meeting their objectives, to determine whether adjustments are required and to ensure that the impact is maximised. Moreover, demonstration of concrete results helps to communicate achievements more effectively and garner support.

It is clear that there are still a number of challenges to be overcome before private sector initiatives realise their full potential to effect change on workers' lives in global supply chains and maximise their impact on development more broadly. The complexity of contracting arrangements, as well as the web of broader economic, legal, political and cultural factors, mean that the objective of change must be regional, sector-wide or even national, rather than confined to one or a group of export factories. This has a number of implications for efforts to improve the impact of private sector voluntary initiatives.

First, whilst individual corporations should continue to work to monitor and improve labour standards within their own supply chains, achieving sustainable systemic change can only be achieved through collaborative action. Depending on the issue at stake, this may involve global corporations joining forces with other corporations, their collective supplier base, trade unions and civil society organisations in both the global South and North, and may even involve collaboration with developing country governments and donors. This type of approach also requires building the

capacity of actors in developing countries – including employers, workers and their representatives and government authorities – to act as agents of change and strengthen their voice in supply chains. Whilst there are significant challenges involved in trying to bring about this type of collaborative action, a more wide-reaching focus on capacity building and cooperation would not only strengthen initiatives on labour standards, but also create greater positive spill-over, empowering these actors to participate more fully in broader processes of social and economic development (e.g. through participation in local or national development planning processes).

Finally, the role of national governments and labour regulation and enforcement in developing countries must not be overlooked or downplayed. Whilst the architecture of private sector voluntary initiatives has emerged primarily as a response to gaps in regulation and enforcement in developing countries, one of the most important determinants of compliance with codes of conduct on labour standards remains the strength of local legislation and enforcement. As such, it is important that monitoring systems do not work to displace or delegitimise local inspection systems, but rather that new paths are explored to lead to a more symbiotic relationship that could *enhance* approaches to local inspection and regulation. Once again, this is not an activity for individual actors, but rather requires cooperation between different stakeholders.

In this context, there is scope for donors to engage with and/or support developing country governments with respect to enacting and enforcing legislation that protects workers' rights (including those who lie outside global supply chains), creating an enabling environment for dialogue between independent workers' and employers' organisations. Governments in both developed and developing countries can work to stimulate the business community to act through awareness raising and regulatory incentives.

Nevertheless, in spite of the ongoing challenges and work still to be done, there is much encouraging evidence that organisations and companies that are active in this field are aware of these challenges. More importantly, many are making sustained and credible efforts to address them and slowly but surely achieving results. Over time, the bar for company performance on labour standards in supply chains is gradually being raised.

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Annex A: List of key global initiatives

Name	Date	HQ country	Production scope	Governance Format	Membership			Name of standard	Focus	Monitoring	Sources of funding
					Business	Trade unions	NGOs				
4C Association	2003	Germany	Coffee	Multi-stakeholder	Yes	No	Yes	4C Code of Conduct	Labour, community & environment	Self-assessment, Certification and 3rd party audits	Donors, member fees, government
Better Cotton Initiative (BCI)	2005	Switzerland	Cotton	Multi-stakeholder	Yes	No	Yes	BCI Production Principles and Criteria	Labour, community & environment	Self-assessment	Donors, member fees, government
Bonsucro (Better Sugar Cane Initiative)	2005	UK	Sugar	Multi-stakeholder	Yes	No	Yes	Bonsucro Production and Chain of Custody Standards	Labour, community & environment	Certification and 3rd party audits	Member fees
Business for Social Responsibility (BSR)	1992	USA	Multi-sector	Industry-led	Yes	No	No	N/A	Labour, community & environment	N/A	Donors, member fees, government
Business Social Compliance Initiative (BSCI)	2002	Belgium	Multi-sector	Industry-led	Yes	No	No	BSCI Code of Conduct	Labour, community & environment	Self-assessment, audits, complaints mechanism	Member fees
Responsible Jewellery Council (RJC)	2005	UK	Metals & minerals	Industry-led	Yes	No	No	RJC Chain of Custody Certification	Labour & environment	Certification and audits, complaints mechanism	Member fees
Electronics Industry Code of Conduct	2004	USA	Electronic products	Industry-led	Yes	No	No	EICC Code of Conduct	Labour & environment	Self-assessment	Member fees

Name	Date	HQ country	Production scope	Governance Format	Membership			Name of standard	Focus	Monitoring	Sources of funding
					Business	Trade unions	NGOs				
(EICC)											
Ethical Tea Partnership (ETP)	1997	UK	Tea	Industry-led	Yes	No	No	ETP standard system[40]	Labour & environment	Self-assessment, Certification and 3rd party audits	Donors, member fees
Ethical Trading Initiative (ETI)	1998	UK	Multi-sector	Multi-stakeholder	Yes	Yes	Yes	ETI Base Code	Labour	Self-assessment – members report audit results annually	Donors, member fees, government
Fair Flowers Fair Plants (FFFP)	2005	Netherlands	Flowers	Multi-stakeholder	Yes	No	No	FFP International Code of Conduct	Labour & environment	Certification and 3rd party audits	Member fees
Fairtrade Labelling Organisations International (FLO)	1997	Germany	Agricultural products	Fairtrade producer networks and labelling initiatives	No	No	No	FLO International Fairtrade Standards	Labour & environment	Certification and 3rd party audits – participants obtain right to use label	Donors, license fees
Fair Labor Association (FLA)	1999	USA	Garments & footwear	Multi-stakeholder (inc. companies, NGOs and US universities)	Yes	No	Yes	FLA Workplace Code of Conduct	Labour	Certification and audits – reports put into public domain, complaints mechanism	Member fees

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[40] Based on ETI Base Code and others

| Name | Date | HQ country | Production scope | Governance Format | Membership | | | Name of standard | Focus | Monitoring | Sources of funding |
					Business	Trade unions	NGOs				
Fair Wear Foundation (FWF)	1999	Netherlands	Garments	Multi-stakeholder	Yes	Yes	Yes	FWF Code of Good Labour Practices	Labour	Multi-stakeholder verification	Donors, member fees, government
Flower Label Programme (FLP)	1999	Germany	Flowers	Multi-stakeholder	Yes	Yes	Yes	International Code of Conduct for the Production of Cut Flowers	Labour & environment	Certification and audits	Donors, license fees
Forest Stewardship Council (FSC)	1993	Germany	Timber, paper products	Multi-stakeholder	Yes	Yes	Yes	FSC standards set and revised according to FSC Principles and Criteria (P&C)	Labour, community & environment	Certification and 3rd party audits – participants obtain right to use label	Donors, license, membership, accreditation fees
GoodWeave International	2007	USA	Garments	National chapter representatives and independent experts	No	No	Yes	GoodWeave Standard	Labour	Certification ("child labour free") and 3rd party audits	Licensing fees, donors
Global e-Sustainability Initiative (GeSI)	2001	Belgium	ICT	Industry-led	Yes	No	No	N/A	Labour & environment	Self-assessment	Member fees

Name	Date	HQ country	Production scope	Governance Format	Membership			Name of standard	Focus	Monitoring	Sources of funding
					Business	Trade unions	NGOs				
Global Social Compliance Programme (GSCP)	2006	France	Multi-sector	Industry-led	MSI	No	No	GSCP Reference Code	Labour & environment	N/A	Member fees
Global Sustainable Tourism Council	2008	USA	Tourism	Multi-stakeholder	Yes	No	Yes	Global Sustainable Tourism Criteria	Labour, community & environment	N/A	Sponsor donations, Membership dues
International Cocoa Initiative (ICI)	2002	Switzerland	Cocoa	Multi-stakeholder	Yes	Yes	Yes	ICI Operating Principles	Labour, community & environment	No company evaluations; Selected independent in-country evaluations	Donors, government, member fees
International Council of Toy Industries CARE Process (ICTI-CARE)	2002	USA/ Hong Kong	Toys	Industry-led	Yes	No	No	ICTI Code of Business Practice	Labour	Certification and 3rd party audits – seal of compliance for each approved factory	Factory approval service fees, intl. Partnerships, industry association
International Standards Organisation (ISO) Working Group on Social Responsibility	2004	Switzerland	Multi-sector	Multi-stakeholder	No	No	No	ISO 26000	Labour, community & environment	N/A	Governments

Name	Date	HQ country	Production scope	Governance Format	Membership			Name of standard	Focus	Monitoring	Sources of funding
					Business	Trade unions	NGOs				
Rainforest Alliance, Sustainable Agriculture Network (SAN)	1986	USA	Agricultural products	Multi-stakeholder	No	No	Yes	SAN 10 guiding principles	Labour, environment & community	Certification and 3rd party audits – participants obtain right to use label	Mass membership fees, donations
Roundtable on Responsible Soy (RTRS)	2004	Argentina	Soy	Multi-stakeholder	Yes	No	Yes	RTRS Production Standard	Labour, environment & community	Certification and 3rd party audits	Member fees, trade in RTRS certified soy sales
Roundtable on Sustainable Palm Oil (RSPO)	2001	Switzerland	Palm Oil	Multi-stakeholder	Yes	No	Yes	RSPO Principles and Criteria for Sustainable Palm Oil Production (RSPO P & C)	Labour, environment & community	Certification and 3rd party audits	Member fees, sponsorship, donations
Social Accountability International (SAI)	1996	USA	Multi-sector	Multi-stakeholder	Yes	Yes	Yes	SA8000 ® standard	Labour	Certification and audits by Social Accountability Accreditation Services (SAAS)	Donors, governments, intl. Partnerships, member fees
UN Global Compact	2000	UN	Multi-sector	Multi-stakeholder	Yes	Yes	Yes	UNGC 10 Principles	Labour, environment &	Mandatory Self-assessment framework - Communication	Governments

Name	Date	HQ country	Production scope	Governance Format	Membership			Name of standard	Focus	Monitoring	Sources of funding
					Business	Trade unions	NGOs				
								community		on Progress (COP)	
UTZ CERTIFIED	2002	Netherlands	Multi-sector	Multi-stakeholder	Yes	No	Yes	UTZ *Good Inside* Code of Conduct	Labour	Chain of custody certification and 3rd party audits	Donors, member fees, volume fees (from traders etc.), service fees
World Banana Forum	2009	UN	Bananas	Multi-stakeholder	Yes	Yes	Yes	N/A	Labour, environment	N/A	Member fees, governments
World Fair Trade Organization	2004	Netherlands	Multi-sector	Elected board members can include Fair Trade organisations, networks or support organisations, donors and individuals	No	No	No	10 Principles of Fair Trade	Labour, community & environment	Self-assessment reports every 2 years	Member fees
Worldwide Responsible Apparel Production (WRAP)	1998	USA	Garments	Multi-stakeholder	No	No	No	WRAP 12 Principles	Labour, environment	Factory certification and 3rd party audits	Donors, service fees