

White Paper

Beyond the curve

How business is building a joint approach to improve the respect of international labour standards in the supply chain



Introduction

Right now, somewhere in the world, countless millions of workers are experiencing the realities of a global workplace where their human rights are not respected. This paper is about a group of companies that have made a joint commitment to doing something about this reality by putting social values at the heart of their commercial decisions.

Who matters most to you? Your shareholder or your stakeholder? You work to satisfy your shareholders by pursuing efficiency and delivering profit. You work to satisfy your stakeholders by ensuring the long term sustainability of your company.

As recently as twenty years ago, working conditions in global supply chains were considered by business to be the accountability of governments. The stakeholder debate on globalisation thought otherwise and so did the ethical shopper.

Today, there are still unacceptable health and safety hazards in the workplace, there are still children working; there is still slavery and bonded labour. Stakeholders expect the basic principles of the Universal Declaration of Human Rights, such as freedom of association and fair pay, to be there for workers. They expect business to deliver decent work.

You will be reading this because you have to actually face and solve this business challenge. You will find out about the Global Social Compliance Programme (GSCP), founded in December 2006 by companies whose Chief Executives share a vision of a single, clear and consistent message for suppliers globally.

- They acknowledge that good business is built on a respect for human rights.
- They believe that sustainable progress can be delivered through collaboration and that transparency drives effective company engagement.
- They are sharing best practice in an open forum with the support, advice and challenge of international organisations, trade union representatives and civil society stakeholders.
- They recognise that audits only prove momentary compliance and used in isolation do not drive change.
- They seek to improve efficiency through driving convergence and reducing duplication.

Above all, for the shared benefit of companies, existing monitoring initiatives, civil society stakeholders and especially workers in their supply chains;

- They are working to create a real change in attitudes through the understanding of the root causes of problems and the development of effective and sustainable remediation.



YAVATMAL, INDIA - APRIL 09: Workers are pictured at a cotton factory on April 9, 2008 near the town of Yavatmal in the Vidarbha region of Maharashtra state, India. (Photo by Uriel Sinai/Getty Images)

Market Drivers

The ethical shopper

Consumer choice dominates the market. They decide who sells and what is sold. Price has always been the key driver, but today's consumers are becoming better informed and more demanding. They expect authenticity. They consider their purchasing decision as a moral choice. They accept their own liability for harm, at distance, as a result of that decision.

The heavy investment of companies in their own branded consumer products requires a consideration of these higher expectations. To continue to move sales and customer retention forward, companies look to create differentiation through branded marketing plans. Their strategy now considers the ethical shopper as very important indeed and the mass market channels have responded. No surprise really with a predicted market in the USA of over \$57 billion by 2011 .

Regulatory threat

Business works with government and international institutions to ensure a relevant regulatory framework. They co-operate and lobby through their trade associations. Their lobbyists are most effective when they can effectively demonstrate that regulation is unnecessary because businesses are in fact delivering improvements through their own efforts.

External pressures

Decision making by companies tends to be driven by the shareholder agenda. A risk is considered and analysed, if it is unclear there may be no change. Meanwhile, the stakeholders work to make risk clear and to apply pressure for change through campaigning or engagement.



Problems

Recession

Currency fluctuations, oil price peaks, changes in commodity prices and credit risk assessment failures have combined to create a tough market where price is an imperative. Meanwhile, costs are increasing for suppliers around the world and it can be difficult to get credit. High cost retailers and niche brands are seeing market share drop. Consumers have less money. They're not buying so much and they're also trading down as they look to balance their own budgets.

The cost of failures

Supply chain failures can result in serious direct costs for retailers and brand manufacturers. Recalls and withdrawals can result from social compliance issues, causing problems in storage, distribution and stores.

The indirect costs in lost consumer confidence can be more serious as brand image is adversely affected. The outcome can be cautious procurement based on reducing risk as far as possible. An extra challenge is that accountability is unclear. Companies and their suppliers struggle to apply legislation in countries where international labour standards are not effectively enforced by public authorities. To make things even tougher, there are many hidden agents and sub contractors within the supply chain.

In January 2007, the Seattle based market research and consumer specialist the Hartman Group (www.hartman-group.com) conducted a survey on sustainability. A quantitative national survey of 1,600 people combined with a qualitative consumer immersion involving over 150 hours of interviews.

They found that just 1 in 15 consumers do not participate in any meaningful way in the sustainable market. They rarely base their purchasing decisions upon their concerns for issues such as the environment and social well-being. When asked why, they chose the response: "I don't think there are significant problems facing the world at this time."

¹"Ethical Consumers and Corporate Responsibility: The Market and Trends for Ethical Products in Food and Beverage, Personal Care, and Household Items," January 2007, www.packagedfacts.com

Lack of resources

Business has traditionally been driven by production and supply. The change to a market driven approach where the consumer sets new expectations of authenticity has exposed a lack of resource to deal with reputational issues. It's not just that the people aren't there; it's also that the necessary experience isn't available. When issues emerge that require action, often at very short notice, it's difficult to do the right thing. This can result in further harm to the most vulnerable, the very people that the customer wants protected.

Buying complexity and cost

Buyers and policy makers need a clear framework to work efficiently. Companies have invested to develop codes and implementation systems. This work has built understanding and delivered some real change. However, the number of codes has proliferated and approaches have diverged. This has led to duplication of effort and confusion amongst buyers and suppliers.

Effective approval of new suppliers, factories, or supply chains takes time. Meanwhile, competitors

with less rigorous policies can take advantage. Buyers have always delivered profit and margin. In certain organisations they have further accountabilities for quality, safety, legality and reputation. They need to deliver all of this without leaving their office.

Retailers and brand manufacturers have traditionally been driven by production and supply. The change to a market driven approach has exposed a lack of resource to deal with reputational issues. When problems emerge that require action, it becomes even more difficult. The appropriate allocation of resource, both in skills and numbers, is a growing challenge which is set against a supply chain background of duplication and inefficiency.

Meanwhile, for the suppliers, this can be an expensive and confusing process.

Consider the experience of a typical factory. It is medium sized, with 300 full time staff. They make plastic toys on contract. They have many customers from Europe, North America and Asia. However, each has a different approach to social compliance. Some do nothing at all. Some send their own people. Some appoint third party companies.

The inconsistency isn't just about who audits; it's also about how they audit. Some choose to send a whole team while others involve a local NGO. Some are very interested in health and safety, while others talk mostly about working hours.

But one thing is clear - to get the contract, the right answers need to be found somehow. If problems are found, the order may not happen. To show compliance, fraudulent recording of workers' pay and hours is a reality. At worst, dishonesty results in success and transparency in exclusion. The very system designed to help people can end up doing the opposite.

Duplication

One company works with a non compliant factory with no idea that another has walked away. Companies have little understanding of the true nature of their risk while they continue to absorb the costs of duplication. This can confuse public authorities as well, encouraging them to think that fundamental human rights are being dealt with by someone else.

Why this duplication? Because whoever has required the audit does not believe or recognise other audits: they only trust their own people. The way to overcome this is to recognise that trust and credibility can be established through objective dialogue and collaboration. Duplication is an outcome of divergence. To correct it, the existing monitoring systems need to work together towards convergence.



PAKISTAN: A Pakistani labourer pours melted metal into a cast inside a factory in Karachi, 30 April 2007 (Photo by ASIF HASSAN/AFP/Getty Images)

Solutions

Co-operation to solve shared business problems on labour standards is nothing new. There's lots of it going on already within countries and industries. But the lack of improvements for workers is also well known. That's why the Global Social Compliance Programme is important. Its core aim is that harmonisation delivers a shared, consistent and global approach. Working together, companies can improve their understanding and build trust. That will provide the foundation for real improvements.

What is GSCP?

- It is a harmonisation platform for companies from around the world – retailers and brand manufacturers – for all consumer products
- It offers a forum where the participating companies can openly discuss issues and challenges
- It will agree a series of Reference Tools that will drive convergence
- It will enable objective comparison and mutual recognition
- The programme is managed by the global trade association, CIES (www.ciesnet.com)

What it is not

- It is not a new monitoring initiative nor a substitute for existing schemes
- It will not undertake accreditation or certification activities
- It is not a supplier database

Benefits for your business:

- Buying will be simpler and more efficient
- Your experts will learn from others
- You will release resources for remediation
- It will be more likely that you will be able to deliver your brand promise and help the most vulnerable people in your supply chains

Recommendations

Your buyers and policy makers need a clear framework. Also, the people in your supply chains deserve better work. To help them, the current complexity needs to be simplified.

Long-term and genuine change, beyond the policy and the mission statement, is best served when stakeholders and business get together in long-term constructive dialogue. This challenge is not industry or country specific. It applies equally to all who buy and sell goods. International organisations, governments, trade unions, NGOs, and consumers are all in support of a new business model.

CALL TO ACTION

Join the programme and be a part of this effort to improve human rights in your supply chains

Send a clear message to your customers that you recognise this is a global challenge and are committed to be a part of the solution



A worker in a factory in Jordan sewing denim jeans

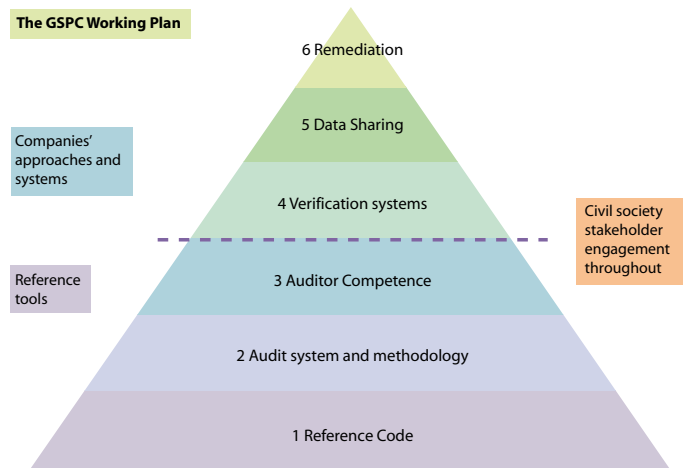
The Working Plan

To drive convergence, GSCP is building a set of reference tools that describe best practice and the relevant ILO Conventions. This common interpretation for decent work will provide a tool for companies around the world, whether members of the GSCP or not, to analyse and review their own approach and system. Also, the mutual recognition of audit results can be enabled through an objective benchmark of monitoring systems.

The working plan has an approach with 6 distinct stages. This allows members and stakeholders to build consensus, step by step, that creates a convergence of ideas and actions. Steps 1, 2 and 3 together are reference tools based on existing systems. The purpose is to allow members to progressively reach a mutual recognition of audit results. Steps 4 and 5 aim to build understanding, comparability and the transfer of information between monitoring systems. Step 6 is about understanding effective remediation

Methodology

Each step of the working plan is managed by an Expert Working Group. Their role is to compare and analyse existing methods, to identify best practices, to create a draft reference tool and to prepare and manage a web consultation that gathers feedback from a global audience of Task Force members and stakeholders. This consultation builds a consensus allowing the Group to prepare a recommendation for amendments that is submitted to the Advisory and Executive Board for approval.



How to participate

Companies willing to support the programme can do so by joining the Task Force. They will be expected to share leadership, participate in the work by helping identify best practice to build the reference tools. They can openly discuss key issues in remediation, consider accountability, define common guidelines and develop collaborative approaches.

Joining the Task Force does not mean a company must adopt a code or system but members are expected to attend the bi-annual General Meeting, share their knowledge and actively participate in the web consultation on the reference tools. They are also expected to contribute to costs. Those who wish to do more can participate in the Expert Working Groups. The Chief Executives of all members are expected to sign the public statement of support.



KENYA - DECEMBER 2006: A group of male factory workers attend an AIDS sensitisation class in December 2006 in rural Kenya. (Photo by Brent Stirton/Getty Images for the GBC)

GSCP Frequently Asked Questions

What is the Global Social Compliance Programme (GSCP)?

It is an open group of companies that have made a joint commitment to put social values at the heart of their commercial decisions. They acknowledge that good business is built on a respect for human rights.

GSCP provides a platform for building consensus on best practice for labour standards in supply chains of consumer goods. Its core aim is that harmonisation delivers a shared, consistent and global approach. It also offers a forum where the participating companies can openly discuss issues and challenges.

Above all, for the shared benefit of companies, existing monitoring initiatives, civil society stakeholders and especially workers in supply chains;

It is working to create a real change in attitudes through the understanding of the root causes of problems and the development of effective and sustainable remediation.

Why is GSCP needed?

The development of codes and implementation systems has built understanding and delivered some real change. However, the number of codes has proliferated and approaches have diverged. This has led to duplication of effort and confusion amongst buyers and suppliers.

The people in supply chains deserve better work. Also, buyers and policy makers need a clear framework to work efficiently. To help them, the current complexity needs to be simplified.

A new business model is required based on a long term constructive dialogue between stakeholders and business. Working together, with existing initiatives, across all industry sectors and national boundaries, GSCP can improve shared understanding and build trust. That will provide the foundation for real improvements for workers.

What is the scope of the Programme? In particular, is it only about suppliers or also about participating companies' own workers?

GSCP is about all consumer products wherever they are made. However, the companies involved, as suppliers, brand manufacturers or retailers, are very different. For example, some operate in many countries and others don't. Some deal with many different sectors, others are more specialist. Understandably, their policies are different too. However, these companies still share the same supply chains, and the same consumers.

Individual companies, whether they participate in the Programme or not, have to be accountable to their own shareholders and stakeholders for the way they treat their own employees.

In Scope

- International labour standards
- Manufacture of all consumer goods
- All countries of production
- Supply chains at every level

Out of scope

- Sale of consumer goods
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Note: The Programme has started an expert working group that will develop an environmental module for the integration of basic site-specific environmental requirements. The module will be optional. Companies may adopt it to complement the reference tools, if they wish to.

Isn't GSCP duplicating the work of the existing initiatives? Also, why don't the participating companies just join one of them?

GSCP is not a new standard or monitoring initiative. Most of the participating companies are already actively involved in existing initiatives and plan to continue. They bring their expertise to the Programme allowing a good understanding of possible areas of duplication.

GSCP seeks to promote harmonisation by building on what has already been achieved. A neutral and inclusive global platform is offered where differences can be aired, discussed and reconciled in order to move towards harmonisation.

The programme is working to build trust through objective dialogue and collaboration. Duplication is an outcome of divergence. To correct it, the existing monitoring systems need to work together towards convergence.



GSCP TASK FORCE

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C&A	Germany	IKEA	Sweden
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DELHAIZE	Belgium	MONOPRIX	France
DOLE	USA	ROYAL AHOLD	The Netherlands
EL CORTE INGLÉS	Spain	SOBEY'S	Canada
HALLMARK	USA	TESCO	United Kingdom
HASBRO	USA	WAL-MART	USA
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