
Challenges in China

Experiences from two CCC pilot projects
on monitoring and verification of code
compliance

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1. Introduction

For the Clean Clothes Campaign (CCC) China, as an important venue for garment production, was a logical place to situate some of the pilot projects on possible methods for monitoring and verifying compliance with codes of labour standards that the campaign started to become involved in between 1998-2001.¹ These projects brought together major European garment companies/retailers with various CCC coalitions to test ideas on what possible methods could be used in good monitoring and verification systems. The CCC has long maintained that such systems must include channels for participation and a role in decision making for relevant stakeholders in the actual countries where garments are produced. From the CCC's perspective these projects, intended to be multi-stakeholder initiatives to test paths for positive development, could only truly merit the label "multi-stakeholder" if the most important stakeholder -- workers -- were involved. This makes China, with its lack of independent unions, a special challenge. Are there ways to ensure that workers in China play a participatory role in monitoring and verification processes? In reality, these pilot projects in China were just as much about learning about the reality of China as they were about getting hands on monitoring and verification experience.²

This case study, and a similar study of CCC pilot projects in India during the same period, was undertaken in an effort to present these experiences and the lessons learned from the projects to a broader audience. Because this is a dynamic moment in the development of monitoring and verification of garment industry code compliance, as demonstrated by the emergence of several multi-stakeholder initiatives that take up these issues, and increasing interest from labour rights advocates and industry. These experiences were seen as valuable input for ongoing debates on how to structure such systems.

¹ For more on the CCC's work with codes and monitoring and verification of their implementation, please see Ascoly and Zeldenrust 1999 and 2001.

² While the CCC was involved in its projects in China, some other interesting initiatives were also underway. For example, a capacity-building project on occupational health and safety at the Yue Yuan II footwear factory in Dongguan, was launched in 2001. The project, which brought together sportswear giants Nike, Reebok, adidas, and U.S. and Hong Kong based organizations, included training on workplace health and safety issues and technical assistance and support to plant health and safety committees (see "Memorandum of Understanding" China Capacity Building Project - Occupational Health and Safety, Dong Guan City, Guangdong Province, China, March 28, 2001<<http://www.cleanclothes.org/codes/01-04-25.htm>>). Reebok also carried out a worker representation project in China during 2001 and 2002 at shoe factories in Longgang and Fuhzou.

This case study was written in the context of the project “Supporting European Initiatives on Monitoring and Verification of Codes of Conduct in the Garment and Sportswear Industries,” an EU-funded project coordinated by the Amsterdam-based Centre for Research on Multinational Corporations (SOMO). The project, which brought together the leadership of the main multi-stakeholder initiatives and the ethical trade movement on monitoring and verification of codes of conduct active in Europe in 2002-2003, follows upon a related project, carried out in 2000-2001 that brought together representatives from five European code compliance initiatives. These SOMO projects have provided valuable forums to discuss many of the pilot experiences and related issues, and these insights have to some extent been incorporated into the case studies. The bulk of the information presented below is taken from the pilot project reports and associated documentation, as well as some interviews (in-person or via e-mail) with several key figures involved in the projects. Comments and quotes from those involved in the projects that appear below do not necessarily reflect the opinions of all the project participants or of the Clean Clothes Campaign. It is important to note that though these were CCC-initiated projects, intended to test the CCC’s ideas about multi-stakeholder possibilities for monitoring and verification of code compliance, the CCC was ultimately only one participant in the projects and the boards that guided them.

II. Production in China

“Factory to the world” - this is the way in which China, already well on its way to being a global manufacturing powerhouse, is being referred to. With the opening up of its economy over the past two decades, China, a member of the World Trade Organization (WTO) since December 2001, has become an increasingly significant player in the international garment industry.

In March 2002 the *Financial Times* predicted that after the 2004 phase out of apparel export quotas currently in place under the multi-fiber agreement (MFA), garment manufacturing will shift to China at such a scale that it will become the producer of half the world's garments by 2005 (Brandsma 2002: 34). Other experts believe this could get as high as 60%, based on the shifts that have already occurred as a consequence of the phase-out (Scheffer quoted in Ascoly 2003), others says that by 2010 "China will export 1.33 million tons of knitted apparel, some 41 percent more than in 2001...Exports to the [united States] alone are forecast to increase by a further 55 per cent between 2001 and 2010...and exports tot he EU are set to grow by 79 percent" (just-style.com, 2003b). To understand the tremendous amount of garments turned out by Chinese producers consider that the more than 20 billion pieces of clothing made in China in 2002 is nearly equal to

four pieces of clothing for every person on the planet (just-style.com 2003a).

Many companies have been in China for years, but the current context of liberalization and privatization makes it even more attractive for investors, who are shifting production there in droves.

"...You have to have a major manufacturing presence in China, because if your competition isn't there yet, they soon will be," notes Gordon Orr, China country manager for McKinsey & Co. (quoted in Powell, 2002).

Fortune magazine advises its readers: "any CEO worth his salt these days is deciding not whether to move manufacturing capacity to China but how much and how quickly" (Powell, 2002). Indeed, in 2002 China's utilization of foreign direct investment was projected to reach a record high of US \$45-50 billion (Brandsma, 2002 34).

"Compared with many other Asian producers, in China the labour is cheaper and quality better," observed Stefan Ahlén, purchasing manager for Swedish retailer Lindex, one of the companies that participated in a project with the Swedish CCC in China (quoted in Brandsma, 2002, 34).

Indeed, China's growth is fuelled by a seemingly limitless supply of cheap and mobile labour (the average manufacturing wage is US\$ 0.20-25 per hour (Brown 2002))³ that is available to produce large orders quickly and efficiently. It was the reform of state enterprises in the late 1990s (which put more than 25.5 million out of work between 1998 and 2001 alone) and surplus labour in the rural areas that contributed to China's growing unemployment -- currently pegged at 10% and expected to rise in the short term; some say it will triple in coming years - and the steady stream of jobless people willing to migrate in search of work. In 2000 there were approximately 150 million internal migrants in China, already larger than the number of people employed in township and village enterprises (Richie in Nolten, 2003; Liu 2002).

³ It is important to note however that China's wages are not the lowest, and that it is a combination of factors that make China attractive to garment companies (ex. ability to turnaround very large orders quickly). It is interesting to consider the price per minute to produce garments is \$US 0.059 in China, while in Cambodia (US\$0.056), India (US\$0.057), Vietnam (US\$0.057), Indonesia (US\$0.058), Sri Lanka (US\$0.059), and Thailand (US\$0.059) it is lower (KSA 1999 figures, in Tait, 2001).

Migrant workers travel from rural areas to the more industrialized south and east coast of China. Without local residency status they are excluded from the rights and benefits afforded local workers and encounter discrimination. In addition to this lack of bargaining power due to their residency status, the working conditions these women (just as in much of the industry around the world, the bulk of Chinese garment workers are women) encounter are often far below International Labour Organization (ILO) standards.

It is not only cheap and flexible labour that is drawing foreign production to China, but also the country's strategic position as a marketing base both regionally and for its own vast domestic market. In 1998, when Levi Strauss & Co. announced plans to expand its China operations Jim Fraser, president of Levi Strauss Asia Pacific at that time, noted China's potential to become "the key manufacturing nation for the company's Japanese and South Korean markets, which generate two-thirds of its \$468 million in Asian revenue" (quoted in Landler 1998). China's potential internal market is massive: with its 1.2 billion inhabitants, China is the world's most populous nation; roughly double the size of the 10 ASEAN countries put together (Nolten, 2003 29).

China presents special challenges to those seeking to advocate for improved conditions in the industry, due in large part to the political situation. The Communist Party of China has exercised control of the single-party republic since 1949, despite the introduction of economic reforms in the 1980s and the shift to a market economy. Government control includes control of labour unions. The All China Federation of Trade Unions (ACFTU), a subsidiary body to the Communist Party, is the official government union federation. Its operations require approval from the party-state, and, according to ACFTU head Wei Jianxing, are meant to strengthen the power of the party and state (quoted in Leung, 2002). In practice new unions can be formed, but they have to receive ACFTU approval. Unions independent of the ACFTU are not possible under the current system.

Designed to help in the management of state-owned enterprises, "Workers representation and accountability to membership have never been part of the basic organizational terms of reference of the ACFTU," writes Trini Leung (2002: 7-8). Now as industry is privatized, she reports, the union is losing members in droves, as there has been little success in setting up ACFTU organizations in the new private enterprises. In June 2002 the ACFTU was elected to the ILO's Governing Body as a Worker Deputy Member. Decrying this as a serious blow to Chinese workers struggling to implement freedom of association, the Hong Kong Confederation of Trade Unions (HKCTU) strongly condemned the ACFTU's entry to the ILO Governing

Body, seeing this as a calculated strategy of the Chinese government to legitimize the ACFTU and gain leverage for attempts to downgrade the standards advocated by the ILO in its conventions (Lee 2002).

According to the International Confederation of Free Trade Unions (ICFTU) “attempts to establish independent workers’ organisations are severely repressed and their authors are imprisoned, sometimes for up to 20 years or more.” Organizers are sentenced to forced labour (“reform through labour” or “rehabilitation through labour”) or are incarcerated in psychiatric units. Periods of detention can be extended at the will of the authorities. The ICFTU reports that not only are labour rights advocates imprisoned or detained, but their family members, as well as journalists who report on their activities, doctors who give them care are also subject to harassment or arrest (ICFTU, 2002).⁴

Labour disputes do occur on a regular basis, and despite the grave personal risk, some workers voice their discontent. According to official figures, such disputes increased from 8,150 in 1992 to over 120,000 in 1999. Reporting on the militancy of Chinese workers, fuelled in large part by the discontent over the large-scale layoffs that have taken place in recent years, Elizabeth Rosenthal notes that “although the protest are technically illegal, the workers’ grievances are often viewed as legitimate and their plight evokes enormous public sympathy...Chinese police journals are now filled with advice about ‘managing’ rather than ‘crushing’ protests, allowing peaceful demonstrations to proceed and detaining only the ringleaders afterward. Likewise, local officials now tend to meet with protesters, acceding to at least some of their monetary demands (Rosenthal, 2003).

In terms of NGOs in general in China there are an estimated 300-400 international NGOs active in China in some capacity, however it still remains difficult to legally establish an NGO in China.

“Government fears over Falun Gong [a movement whose rank-and-file is made up of laid-off workers] have paralyzed registration procedures,” writes Nick Young, of China Development Brief, an organization which has mapped the growing field of

⁴ *China Labour Bulletin* maintains a list of some of the labour rights activists currently imprisoned <http://www.china-labour.org.hk/iso/imprisoned_detainee.adp> and detained <http://www.china-labour.org.hk/iso/detainee_listings.adp> in China. The ICFTU, along with the Global Union Federations, the HKCTU, and the Hong Kong Trade Union Council (HKTUC) has set up the IHLO to serve as the Hong Kong Liaison Office of the international trade union movement. The IHLO’s mandate also includes monitoring worker and trade union rights and political and social developments in mainland China and Macau.

Chinese NGOs in recent years. “It seems the state prefers to tolerate unofficial initiatives that it can crack down upon if the political winds change, rather than allow them to exist formally in the first place.” During the past 20 years the government has set up a number of official charitable organizations, which have reportedly high levels of financial transparency and accountability for the China context. Some independent organizations have sprung up as well, as have NGOs loosely linked to academic institutions. However, according to Young, “the government remains wary of grassroots community groups” (Young 2002a, Young 2002b).

NGOs based in Hong Kong whose activities focus on labour rights issues in China also feel they must keep a low profile when conducting research or training in China (for example they do not always want to be named in reports on such projects).

III. The Clean Clothes Campaign and China

For the Clean Clothes Campaign (CCC), working for more than a dozen years to improve conditions in the global garment industry and facilitate worker empowerment, there is no doubt that the difficult challenges associated with workers’ rights in the China context must be addressed. The CCC has always sought to base its action agenda on the priorities outlined by workers themselves, via their organizations and local advocates. The campaign, for example, will not take up a case of a specific violation in a factory unless it is clear that the request for international solidarity action is coming from the workers involved in the dispute, expressed either via their union, other representative body, or advocacy group. The CCC tries to ensure that the workers (or organization) understand the possible negative impacts of seeking high profile international support (that the overseas supplier might cut its contract with the facility, that the factory might close down, or that the workers might lose their jobs and be blacklisted from future employment). The campaign does not want to get into a position of making important decisions on behalf of workers, and rather prefers to provide the information necessary for them to make their own informed choices.

Historically, there has been hesitancy on the part of the CCCs⁵ to mount campaigns focusing on violations of labour conditions in specific workplaces in China due to

⁵ There are currently CCCs in 11 European countries that operate on a relatively autonomous basis, backed up by a broader international partner network. An international secretariat in the Netherlands facilitates their cooperation on European-level initiatives and information exchange on a number of issues of interest to all the campaigns.

the lack of direct stable communication with workers or local organizations, trusted by workers, that could facilitate communication and information exchange. Given the government control of the union and the severe repercussions for those who try to organize alternative organizations to work on labour rights issues, who could the CCC work with in China? In more general terms the CCC has been raising awareness on the situation in China, primarily on the situation in the Pearl River Delta, using research carried out by Hong Kong-based labour organizations. Typically, such research documented the labour practices at several garment or sports shoe manufacturers and associated campaigns called for improvements at all the facilities.⁶

Not only in Europe, but also labour rights campaigns in other parts of the world have been paralyzed to some extent by the “China dilemma,” either ignoring the question of how to tackle the issue of working conditions in a country where it’s well known that rights violations exist or taking small steps to come to terms with the enormity of the challenges. In activist circles there have been years of hand wringing and debate on “what to do about China.”⁷ Added to the complexity of the situation is the fact that some within the labour movement continue to call for boycotts of Chinese-produced goods as a strategy to draw attention to conditions in China; the CCC does not support such a strategy.

IV. Standards of Corporate Social Responsibility in China

Noting that in the case of China companies often relax the standards they would apply in other countries, American Katie Quan, director of the John F. Henning Centre for International Labour Relations, at the University of California, Berkeley, faults labour rights activists for waging relatively few campaigns on rights violations in China.

⁶ See for example: CCC-commissioned company profiles of OTTO Versand and Nike, which contained research on their Chinese manufacturers, carried out by the Hong Kong Christian Industrial Committee (HKCIC) and the Asia Monitor Resource Center (AMRC) presented at the 1998 session of the Permanent Peoples Tribunal (available at the CCC website <<http://www.cleanclothes.org/companies/nikecase99-11-1.htm>> and <<http://www.cleanclothes.org/companies/otto.htm>>); reports written by the HKCIC on Chinese football manufacturers supplying Adidas, used in conjunction with the CCC’s campaign targeting corporate sponsors of the 2002 World Soccer Championship (available at the CCC website <<http://www.cleanclothes.org/urgent/chinareport.htm>>).

⁷ One example of an attempt to take up the issue of labour rights in China was an initiative launched in the United States in May 1999. At that time a coalition of more than 20 U.S. human rights organizations, consumer groups, shareholder groups, and ethical investment firms unveiled a set of human rights principles developed for U.S. businesses operating in China. Several garment and footwear companies, such as Levi Strauss and Reebok, endorsed the principles.

"Discussion of CSR and China is long overdue," writes Quan. "Although some advocates of CSR may have been reluctant to broach the subject, the probable shift in world production of apparel to China following the complete phase-out of the MFA makes confrontation of these issues urgent today" (2002,12).

In the wake of sustained international campaigning to take responsibility for working conditions, some foreign companies now sourcing their production in China do bring with them codes of labour standards that they require their suppliers to respect.

However, as Quan notes, companies do take a somewhat different view of applying these standards in China. The most obvious standard to be relaxed in the China context are those in relation to freedom of association. If there is no freedom of association in China, how can a company justify being there if they have a code which includes this standard? Several companies and code initiatives have attempted to resolve this by introducing clauses in their codes that refer to the development of "parallel means of organization." For example, the Social Accountability International standard SA8000 includes the following text:

"The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all such personnel." ⁸

The Guidance Document for SA 8000 defines these "parallel means of independent and free association" as respecting "the rights of all personnel to conduct separate, legal activities to achieve independent and free association and collective bargaining or any variation thereof at the facility." They include, as suggested by SAI, establishment of worker health and safety committees, a complaints and resolutions committee and a basic needs wage committee. There is considerable debate about what constitutes parallel means and if such a clause introduces the possibility that exceptions to the freedom of organizing standard is introduced in other locations.

V. Monitoring and Verification of Working Conditions in China

To meet market demand for services that demonstrate that adherence to codes of labour practice is being monitored, there has been an enormous growth in the

⁸ <http://www.sa-intl.org/SA8000/SA8000.htm#StandardElements>

social auditing industry in China (this is also true of India, the focus of the second case study).⁹

It is commonly estimated that the highest number of social audits are conducted in the context of attempts by companies to monitor working conditions at their own suppliers. As part of these internal monitoring programs, companies usually either hire commercial auditors or send in their own auditing teams.¹⁰

When talking to the management of a Chinese factory five years ago social auditors were perceived very negatively, “almost like a different species,” remarked one Chinese social auditor who headed up the Gap’s compliance program in China, before going out on his own. Management did not want them in the factory, they were seen as interfering with business and possibly causing them to miss deadlines. “These days this has changed.”¹¹

He estimated that now about 80% of the apparel companies buying in China’s Pearl River Delta have social policies and are auditing their suppliers, though the scope of these standards and audits varies. Some only look into health and safety issues, while others are only interested in child labour, he said. In the past five years, he said, most changes can be seen in the area of health and safety, which he believes is a good starting point, the “soft way to pressure [companies] into compliance, then into the more sensitive issues like overtime and wages.”

Managers are getting used to these issues, the auditor noted, and are less defensive when auditors discuss their findings with them. Reactions vary, he said, for example some build nice clean new dormitories, while others decide to do away with dormitories altogether to “get the issue off my back.”

⁹ For example, the social auditing organization Verite has “doubled in size each year for the past seven years”; BVQI has offices in 60 countries and employs more than 2000 auditors; while ITS now has three offices in China and one in Hong Kong (sources: <www.verite.org/aboutus/faq/main.htm>, <www.bvqi.com/>, and <http://directory.itsglobal.com/new_style/4search.asp>).

¹⁰ The Gap for example employs approximately 90 fulltime compliance staff/ Nike has an internal compliance team of approximately 30; and adidas-Salomon has a 25 member team to monitor and address “standards of engagement issues.” (sources: <www.gapinc.com/social_resp/sourcing/compl_team.htm>, <www.nike.com/nikebiz/nikebiz.jhtm?page=25&cat=compliance&subcat=monitoring>, and <<http://usa.adidas.com>>).

¹¹ Unless otherwise indicated, all quotes are taken from interviews (in-person, e-mail, or telephone) carried out by the authors.

One factory owner who participated in the Swiss pilot project said that when they moved into their factory five or six years ago there were no codes. Now they plan to move because at their current facility they cannot accommodate their customer's requirements for more toilets and other improvements.

Factory owners know these are the new rules of the game and that "it's a game that's here to stay," said the auditor. More and more think that compliance is the new mechanism to control exports, and they are "better in first rather than late."

A smaller number of audits are now being carried out via so-called multi-stakeholder initiatives, whose current reliance on a limited number of commercial auditing firms is worrying, given the critiques of the quality of commercial auditing.¹²

The mushrooming social auditing industry has also been one of the driving forces behind the CCC's decision to engage in pilot projects that examine different methods of gathering information on working conditions. With serious concerns about the spotty quality of auditing done by commercial social auditors (especially quality control or accountancy firms), the CCC set out to gather more information on what exactly constitutes a good audit.

VI. The Swedish CCC Project on Independent Monitoring

An agreement to start a project with four Swedish companies and the Swedish CCC, founded in 1997, on what was then referred to as independent monitoring¹³ was

¹² In this context multi-stakeholder initiatives are projects that bring together various stakeholder to address issues related to monitoring and verifying compliance with a code of conduct. Currently the five multi-stakeholder initiatives relevant to the garment and footwear industry are the Ethical Trading Initiative (ETI), Fair Labour Association (FLA), the Fair Wear Foundation (FWF), Social Accountability International (SAI), and the Workers Rights Consortium (WRC). Accredited auditors for China of the FLA are: Intertek (ITS), Global Social Compliance, Veritas (BVQI) and SGS (<<http://www.fairlabour.org>>, March 23, 2003). Of all countries that have SA8000 (SAI) certified facilities, China represents the most with 39 facilities, or 17.9% of SAI's total (apparel producers make up 21.1% of that total). SAI does not accredit auditors per country, but from its lists of accredited auditors those that seem logical for China are: Intertek (ITS), CSCC, Veritas (BVQI), DNV, SGS and TUV Rheinland (<<http://www.cepa.org>>, March 23, 2003). Though by no means a multi-stakeholder initiative it is interesting to list auditors working for the Worldwide Responsible Apparel Production (WRAP) in China: Intertek (ITS), CSCC, Global Social Compliance, Veritas (BVQI) (<<http://www.wrapapparel.org>>, March 23, 2003).

¹³ The term independent monitoring was originally used in the CCC to describe a process where an external or independent organization would be in charge of overseeing that monitoring and implementation happen as intended. This external body would include different stakeholders, and

signed in July 1998 (for a complete timeline of the events taking place in the context of the Swedish project, please see appendix A). At that time, knowledge and experience of how to implement, monitor, and verify codes of labour practice was much more limited than today. By and large, corporations were no longer denying that bad labour conditions existed, but they were still in denial about their responsibility to deal with the problem. A small number of companies however had started developing codes of conduct and corporate-controlled monitoring systems were being established.¹⁴ The early starters on the auditing market were making their first moves.

In early 1998 the CCC published its model code,¹⁵ promoting a model in which a foundation would be formed to oversee the monitoring and verification of the standards of practice contained in the code. Such a foundation would also set the standards for how and by whom monitoring and verification should be done. In the CCC's foundation model, problematic labour practices would be revealed through a complaint mechanism and workplace investigations.

The Swedish agreement was ahead of its time in the sense that it basically accepted the basic premise put forth by this foundation model: that it was necessary to have verification mechanisms in addition to the internal monitoring carried out by the corporation itself, and that this should be organized so that trade unions and NGOs had a strong say in the system. When the Swedish CCC designed the pilot project, Swedish NGOs and trade unions were given the majority of seats on the tri-partite pilot board, reflecting this belief. It was believed that Swedish NGOs and trade unions to a certain extent could represent the interests of their Southern counterparts in this way. Later on, participants in the project from Hong Kong would challenge this assumption. The board, formed in early 1999 with

guarantee participation of workers and worker organizations. More and more people feel that monitoring, being a permanent, ongoing process, can never be independent. They prefer to use the term "verification" to describe the process (which is not ongoing) of overseeing implementation and checking on the monitoring process. As companies are increasingly seen as having a responsibility to monitor compliance to the labour standards themselves, the term independent is now used together with verification. Now, where we used to speak of independent monitoring it would be more correct in the current context to speak of "monitoring and (independent) verification."

¹⁴ For example, C&A established SOCAM in 1996, and companies such as Nike and Reebok started seriously setting up compliance departments from about 1996 onwards. SGS was an important player in developing SA8000 (a standard that was published in 1997 and became operational in 1998) and PriceWaterhouseCoopers started to work for Nike.

¹⁵ The code was signed by over 250 CCC member organization in Europe, relevant trade union organizations such as the ITGLWF and CCC partners in Asia where the majority of garment production for Europe was being carried out at the time, including AMRC and HKCIC. For more on the why and how of the model code see Ascoly and Zeldenrust, 1999.

the mandate of overseeing the pilot project, was also regarded as the forerunner of a more institutionalized framework to be established after the closure of the project.

The four companies that joined the project (H&M, Lindex, Kappahl, and Indiska) were the four biggest retailers in Sweden, with a joint annual turnover of approximately 23 billion Swedish Kroner (2.5 billion euro). H&M had been subject to a high profile campaign right from the start-up of the Swedish CCC, which clearly motivated them to seek cooperation. The level of media attention in Sweden is believed to have been also the major reason for the other companies to join. However, from early on the Swedish companies took a remarkably positive attitude toward CCC proposals.¹⁶

India, Bangladesh, and China were chosen as the locations for the Swedish pilot study because all four participating sourcing companies had suppliers in these countries. Where possible, suppliers were selected that worked for all four companies, though in China this proved not to be possible. One factory producing for two of the companies was audited.

The project set out to test the CCC's ideas on how to conduct monitoring and verification. There were many, but this project looked specifically at (a) developing a management system for the Swedish companies (the "sourcing companies") to ensure that they could implement and monitor the code and comply with independent verification demands and (b) how to conduct good quality social audits of the workplaces that produced their goods.

Auditing to test commercial firms

CCC thinking with respect to audits¹⁷ at the time was that confidential worker interviews should be an essential component of any investigation into compliance, and that these should be done by people workers can trust. However, the door was kept open for commercial firms to organize the workplace investigations, possibly

¹⁶ The Swedish CCC organized a meeting with the four retailers in autumn 1997. During that meeting all four reacted very positively to the idea of a code of conduct with independent monitoring. By the end of 1997 Kappahl had developed a code of conduct that was almost identical to the CCC's model code.

¹⁷ Through, formal examination of labour practices of a particular company or workplace, based on corroborated evidence, see:

<http://www.somo.nl/monitoring/reports/Monitoring%20&%20Verification%20Term%20guide.pdf>

working in teams with the people responsible for the worker interviews. Why? Largely for strategic reasons.

The commercial firms in question were mainly quality control firms, hired by sourcing companies to check production at the supplier level. The fact that these firms existed and were entering workplaces to see if production was on schedule and that products resembled samples, was an important leverage point for campaigners at that time. Throughout the early 1990s sourcing companies argued that they had no responsibility for workplace conditions (since they did not directly employ the workers), and, they argued, even if they wanted to they could not follow up on such responsibilities because they had limited knowledge of their supply chains and no control over them. Many also argued that they could not legitimately claim access to the workplace of another corporate entity, nor make demands of the other company. However, this was all contradicted by the fact that all this was possible for product quality. Labour rights activists argued: if you can do it for product quality, why not for social quality? The CCC was not arguing that quality controllers were qualified to check on labour conditions, nor that they should be the ones to be trained and eventually employed to do so. But instead argued that their existence demonstrated that the "impossibility argument" put forth by sourcing companies was not valid.

At the time of the Swedish pilot project, the CCC recognized that they had no real factual evidence to prove that commercial auditors could not do (part of) this social auditing job. In fact, the argumentation put forward by the "frontrunner" corporations at the time (the companies willing to concede that monitoring and verification of codes was necessary and possible) was that not only were commercial firms (quality controllers as well as auditors) perfectly capable of providing high quality services in this area, but that if the CCC insisted on worker interviews they could undertake those as well. While the CCC was convinced that commercial auditors were not the ones to do worker interviews, the CCC saw the Swedish pilot as an opportunity to learn more about what the commercial firms were and were not capable of doing in terms of factory audits.

Seeking locally-based researchers and interviewers

Selecting project partners to carry out the worker interviews and participate in other aspects of the project meant grappling with the difficult civil society context in China - one official trade union, all others illegal, and few NGOs. The Swedish project coordinator carried out an extensive consultation, largely by e-mail (stretching from early 1999 until that summer) with the CCC's Hong Kong-based

partners. In the end the Hong Kong Christian Industrial Committee HKCIC (a Hong Kong based NGO) agreed to carry out the first phase of the project: a background study to provide a description of the prevailing labour situation in garment factories in the area, establish contact between interviewers and employees at the selected factories, establish how interviews could be done in a secure way, and provide advice to the pilot study board for upcoming pilots. The study was to be based on interviews with organizations and workers.

The China background study (referred to as a prestudy) ran into a number of obstacles due to lack of sufficient information from the sourcing companies and the logistical challenges of using Hong Kong researchers in another part of China. The Swedish company, which placed orders through an agent, only had the English names and addresses of its suppliers, which in some cases was not enough to enable the researchers to locate the factories. Researchers intended to interview workers from three factories that supplied the Swedish companies, however in the end they only managed to talk to the workers from one of the factories. This provided some guidance with respect to the labour situation in the Guangdong area, but on the other topics answers were unclear and because workers' time is very limited only limited information could be gathered. The distance from Hong Kong was long, making repeat visits difficult.

The researcher employed by HKCIC to do the background study explained that at the time the organization was not sure about the extent to which they should talk to companies about working conditions. While at that time they found the background study to be a useful exercise, they also questioned whether they were the right organization to undertake this kind of work in terms of representation and capacity.

Clearly, the Hong Kong-based NGOs do not see themselves as representatives for Chinese mainland civil society, let alone workers. However, at the time of the Swedish project, they were seen to be the "local voice" by the project partners.

The background study revealed the difficulty, but not impossibility, of interviewing workers in a safe manner. Workers indicated that for them to be able to speak freely the interviews needed to be done outside the factory and outside of the knowledge of management.

The researcher also felt that the value of the interviews would be compromised if the interviews were in any way organized through management or on the factory premises. "If we visit the factory through the official way, it is just a showcase. We

prefer direct interviews with the workers and first-hand information about workers' situation," said the researcher who carried out the background study.¹⁸

Hong Kong demand: include worker training

By August 1999, when the background study was completed, the Hong Kong HKCIC and other labour rights advocacy groups in Hong Kong had come to the conclusion that worker training should be an integral part of the monitoring and verification process.¹⁹ This was communicated to the Swedish project coordinator, the Swedish CCC, and the International Secretariat of the CCC. In their research experiences in China, the HKCIC became convinced that workers' lack of knowledge of their rights would be a major stumbling block in improving conditions. They questioned how workers would be able to report violations, either to interviewers or through the channels of a system specifically set up to handle complaints, if they did not know the rights they were entitled to, either under the law or a corporate code of conduct?

This request created complications with respect to the project, since the terms of the project had already been set. During 1998 several meetings had been organized by the CCC to discuss the possibility of pilot studies with several Hong Kong labour rights NGOs.²⁰ At that time the necessity of safe, independent worker interviews

¹⁸ Interview with researcher, Hong Kong (November, 2002).

¹⁹ This position had also been expressed during negotiations regarding participation in a project with the UK-based Ethical Trading Initiative, an initiative that includes CCC involvement via the campaign's UK platform, known as Labour Behind the Label. At roughly the same time that they were negotiating with the Swedish project coordinator, LARIC was involved in a lengthy consultation with ETI regarding participation in a pilot project to test NGO involvement in auditing. In the end, ETI and LARIC were unable to reach an agreement and did not work together. This was largely because the supplier involved refused to participate in the program which had evolved into one that focused very much on worker training. For a more extensive description of this consultation process and the outcome see Ascoly et al, 2001.

²⁰ For example, during the International Workshop on Independent Monitoring of Codes of Conduct, organized by the CCC and the International Restructuring Education Network Europe (IRENE) held in Belgium in 1998. During this meeting a representative of the *China Labour Bulletin* stressed that " If you sent people to control a company in China, China is very good at presenting things. The workers are afraid of what happens. We need people on the spot who know the culture of the country and the company, with a technical background. If someone goes to control, the list of the workers interviewed must not be known by the company. So the interviewer must be able to decide on their own who they pick to interview, the company should not be the one to select. (IRENE 1998).

was perceived to be the central demand to be made of companies. Now worker education and training was emerging as an important priority.²¹

The Swedish CCC took the position in the pilot board that pilot projects are organized precisely to uncover such issues. A representative of the HKCIC met with the pilot board in Sweden in December 1999 to discuss the idea of a training program. At that meeting broad interest was expressed from all pilot board representatives, and it was agreed that the HKCIC should develop a written proposal. The main questions the board raised was how suppliers could be encouraged to accept such programmes, and how they could be conducted without endangering the workers. Because it was not clear if the project could be extended, no further plans were made.

Interviewing and auditing

Two months later the project received a one-year extension. The extension allowed the pilot to proceed in China. The HKCIC that had carried out the background study agreed to do the worker interviews for the one factory in China that would take part in the Swedish project. They agreed to develop and present a plan for worker training at that facility, as part of the recommendations for the follow-up to the audit.

By this time the Swedish project was seriously behind schedule and most of 2000 was spent getting back on schedule. The time allotted for preparatory work in relation to the China project had been underestimated, and delays had also been encountered in India and Bangladesh. The China project began in earnest with worker interviews in January 2001 carried out in private in the workers' dormitories and an unannounced factory audit, in Guangdong, in March 2001. By then the project was again extended by a few months, but still was working against a tight deadline.

The audit team consisted of two people from ITS/Intertek (selected by the pilot study board after discussions with several firms in Sweden) and the project coordinator. The Hong Kong NGO that had carried out the worker interviews

²¹ At that time (summer 1999), the CCC was working hard to establish its (international) strategy around this topic. An international steering committee on worker education and codes of conduct was set up in April 1999 to prepare input and organize an international seminar on this subject in December 1999. Worker education in the context of monitoring and verification projects was one of the main topics of the seminar. For more information, please see the conference report, available at the CCC website <<http://www.cleanclothes.org/codes/edu99-12report.htm>>.

requested that a representative from their organization be allowed to join the team as an observer. They wanted to be observers because they wanted to see for themselves how commercial audit firms conducted a workplace investigation and the quality of such an investigation.

According to the agreed upon outline of the pilot study²² the audit team was to see the reports from the interviews, in order to base their inspection upon what had been learned during the interviews. However, the interviewers were concerned about how the interviews would be used by the ITS staff, and did not trust them, and refused to hand over the reports. They also wanted to see for themselves how commercial auditors would go about their job without all the details of the interviews. In a sense, they had decided to conduct their own audit of the auditors. In the end the audit team was briefed about the conditions, but did not see transcripts of the interviews. A representative of the HKCIC, meanwhile, participated in the audit as an observer. The audit was unannounced, despite strong opposition from ITS. According to ITS, at that time unannounced auditors in China were denied entry to factories.²³ In the end they agreed, largely due to the presence of the project coordinator. In their view if she was there it meant that the sourcing companies had agreed to the audit. The project coordinator reported that management was not happy when they showed up, but the audit was able to proceed.

The violations the workers described in their interviews concerned wages (sub minimum wages, improperly compensated overtime and work done on holidays), working hours (excessive overtime), charges of falsifying time and pay records, excessive punishment fees, failure to pay legal benefits, poor living conditions, some hygiene and fire safety issues, charges of body searches, and being instructed as to what they should say to auditors. The findings were all confirmed during the audit. The audit took much longer than expected, mainly because a double bookkeeping system was uncovered.²⁴ Management at first denied this was the case, but later confirmed this in the presence of the audit team. Later, however, when presented with the audit report, they denied it again. Interestingly enough,

²² See "Pilot study: Implementation and Criteria," October 1999, available at SOMO website, <http://www.somo.nl/monitoring>.

²³ The Swedish project coordinator reports that ITS auditors in Bangladesh were thrown out of the very same factory that was later visited in the context of the Swedish project.

²⁴ The original schedule was: one day for the project coordinator (in her capacity as lead auditor) to spend with the interviewer going through the interviews, and then a half day for the entire audit team to go through the interviews, then the audit itself was to take one day (including the discussion with management) and then another day after the audit for the entire team, including the interviewer, to discuss the extent to which the findings concurred or not.

the Guangdong factory was also audited to the SA 8000 standard, but had not been certified at this time.

The project coordinator was satisfied with the fact-finding part of the audit, but expressed concern about the quality of ITS who, she felt, would never have uncovered the systematic violations on their own. She felt that participating in the project was a useful training experience for them. She reported that ITS Hong Kong and ITS International found this to be a useful experience as well and acknowledged the limitations of their present approach.

Meanwhile, the HKCIC expressed serious doubts about the quality of the audit to the project coordinator. The observer reported that the professional auditor for example tested for freedom of association only by checking to see if there was a complaints box. She criticized the auditors for failing to notice hidden problems and for not raising them with management on the spot. Specifically, she criticized ITS for not checking the machines, asking about their maintenance, or asking about industrial accidents. She felt that the auditor failed to give sufficient attention to occupational health and safety issues, though such complaints had been raised in the worker interviews and other hazards and concerns were visible during the audit (ex. use of chemicals, lack of protective gear). She felt that the audit of the factory kitchen and clinic were insufficient. She felt the CCC code of conduct had not been rigorously applied during the factory inspection, and instead the auditors tended to audit against Chinese labour law.

In addition to these concerns about the quality of commercial auditing staff the HKCIC questioned the usefulness of audits in general, if they are not part of a broader and more long-term program. They questioned why fact-finding was a priority, when in their view the violations were part of a well-known pattern. They expressed serious concerns about the proportion of time spent on auditing versus worker-oriented programs such as health and safety or worker rights training. They wondered if the focus should be on developing programs that address workers' problems, and finding means to genuinely involve workers in the process.

According to the HKCIC confirmation of violations revealed during workers' interviews should only be the beginning of the process that leads to workplace improvements and worker empowerment. Auditing should not be viewed as an end in itself. After companies are presented with evidence of labour rights violations there should be a follow-up process that involves the workers.

After the audit

The report on the findings and recommendations were presented to the pilot board in April 2001. That same month a proposal for a worker education program was submitted by HKCIC for discussion by the board (several board meetings took place during this month). The proposal had two basic elements: starting a workers' awareness building program (specifically on health and safety) at the pilot garment factory (a one year work plan was outlined) and initiate a study on the pricing and ordering model of the Swedish companies involved in the project.

The board accepted the findings and recommendations, but there were concerns about how to deal with the double bookkeeping. The Swedish sourcing company had a hard time in accepting the findings, especially concerning the double bookkeeping, because these findings were contrary to the results of earlier audits carried out through their internal monitoring system. It is interesting to note that the company was quicker to accept findings on other violations, for example child labour (in India) or working hours and wages (in China) that had also not been uncovered by their internal monitoring.

The Swedish company was extremely hesitant to confront their supplier with these findings, worrying that the supplier would refuse future orders.

Around this time the pilot project was due to end, and the project coordinator, upon request of the board, drafted a proposal for possible ground rules for a more permanent, institutionalized system of verification of codes of conduct. This proposal (called "DressCode proposal") was sent to the pilot project board members and other Swedish stakeholders and subsequently translated into English and sent to all project partners in the garment-producing countries and relevant international partners such as the CCC International Secretariat and the ITGLWF. A great deal of confusion was generated by the fact that it was not immediately clear to people that this proposal did not represent the position of the CCC or the board members or the other project partners and in fact they had not participated in drafting the proposal. There was no agreement to this proposal (see appendix C) and this complicated the both the closure of the pilot and the boards' reaction to the worker training proposal.

For the follow-up visit, scheduled for six months after the audit (August 2001) ITS Hong Kong refused point blank to do another unannounced audit, stating this was not possible, unless either the project coordinator was present or there was a signed document saying that ITS had the right to do this and that the companies should let them in. The project coordinator tried to convince them and provided

several documents, but before the dispute was settled the project formally ended in June 2001, and the follow-up visit was not made. However, later in 2001 an announced inspection by Intertek did take place as part of the internal monitoring from one of the companies. The report was positive, but the project coordinator was unconvinced about the quality.

Though there was considerable interest in the worker training proposal, especially by one of the companies (unfortunately not the one sourcing in the pilot plant in question) it was decided that such a project should be conducted as part of a more institutionalized system, which the Swedish participants had intended to set up. This would mean that several companies together could then demand cooperation from a supplier, increasing the chances that the supplier would be willing to cooperate. The companies believed that it would be extremely difficult for one of them individually to institute such a program, unless they were a very large buyer at the factory, which was not the case for any of the Swedish companies in relation to their Chinese suppliers. This was a disappointment to the HKCIC, who were eager to see a training program begin at the factory. They felt they had been left with “half a pilot.” However, there were hopes that they would have another chance to launch such a program in the context of a pilot project with the Swiss CCC. By that time (spring 2001) negotiations for their participation in the Swiss project were already in full swing.

“I think we learned a lot within the project time,” said Kristina Bjurling, who was coordinator of the Swedish CCC while the pilots were underway. “On one hand we saw that the companies were very frank and serious in their work, on the other hand there was always some difference in views and opinions.”

Before the projects, she said, they would say things like “workers want to work overtime” but after the worker interviews they could not make such unqualified comments. She said it was obvious that the companies were surprised by some of the things that were revealed that had been missed by their own internal monitoring.

[The sourcing companies] were more constructive than I thought,” continued Bjurling. “As the discussions were more and more detailed and practical I thought the discussions were more and more interesting and fruitful. But it was also frustrating sometimes that they would not be open to discuss pricing and trade relations as much as we would have liked.”

HKCIC saw their participation as “a way to develop, through trial and error, our own understanding and guidelines for what corporate responsibility and multi-stakeholder mean in the China context”.

Ingrid Schullstrom, head of compliance at H&M, described the project as very interesting and an opportunity for the company to learn a lot.

“We already had quite a good picture of our supplier,” said Schullstrom, “The most interesting part was to learn more about local trade unions and NGOs. We could not make these experiences ourselves since we as buyers are not trusted in the same way as an NGO.... The main outcome was a clear need for education on all levels, both in North and South, ... we constantly develop our monitoring but more importantly we now focus more and more on education.”

Another important outcome in Schullstrom’s view was the need for more cooperation with local NGOs. “They really know the local conditions while Northern NGOs often have an idealistic and unrealistic picture of both the problems and how to solve them,” she said.

Since their participation in the project, H&M, and reportedly also Indiska, Lindex, and Kappahl have substantially revised and built up their internal monitoring systems. Presently when the CCC reports labour violations to H&M (via the urgent appeals system) these are dealt with quickly and usually adequately, which still makes them an exception. The project coordinator, who at the time this case study was written was working for Indiska as their code of conduct coordinator for India, noted that now several years since the CCC project the improvements she can see in factories where one or more buyers have codes of conduct are very encouraging.

VII. The Swiss CCC Project on Independent Verification

As the Swedish project was winding down, the Swiss CCC had entered into an agreement with three major Swiss retailers to explore the possibilities for code implementation and monitoring. The agreement called for the three to participate in pilot projects with the CCC to test such methods at their overseas suppliers during the course of a year and half project (later extended by nine months). The Swiss CCC had officially started just one year before beginning its pilot projects, progressing quickly from campaigning to cooperation with companies on such initiatives. However, prior to the official start up of the Swiss CCC, the same key organizations had been working together for four years on a sport shoe campaign.

One noteworthy difference between the Swiss and Swedish frameworks for these projects was that trade unions did not participate in the Swiss pilot board. Though the unions had no problem with the project, working on international issues in the garment industry was not a priority for them.

India and China were selected as the two garment-producing countries where the pilots would be run. “India was selected as the site for the project because this would allow for follow-up on earlier work, notably by the Swedish project, and other initiatives, and allow for possible cooperation,” explained the Director of the Swiss project, hired in the fall of 2000 to direct the Swiss projects. “China was selected because from the perspective of the companies it is unavoidable, as the country has become a top sourcing location” (quoted in Ascoly et al 2001: 24).

Model to be tested

The plan for the China project was, as in the Swedish project, to have off-site interviews with workers and unannounced factory inspections (audits). The Swiss still felt it was important to undertake their own testing of audit methodology rather than relying on the limited experience of the Swedish CCC and the pilots carried out by the Ethical Trading Initiative (ETI), the reports of which were not publicly available.²⁵

In light of the issues that emerged during the Swedish project,²⁶ the Swiss CCC successfully brought demands that worker training programs be included in both the China and India projects. Annex 1 to the agreement, which details the programme, lists as one of the activities “research on ways of setting up workers training as related to code of conduct” as well as “training of workers in relation to the code, by the secretariat in cooperation with on site partners”.²⁷ Given the tight schedule and broad range of items to be covered by the project, the training programs were limited in duration and scope. The necessity of working out a

² Though the reports were confidential, it should be noted that staff at ETI and the Swedish project put significant effort into sharing their experiences with those undertaking other pilot projects.

²⁶ It should be noted though that while information sharing took place between the two projects, this occurred within the bounds of confidentiality agreements, which did limit to some extent the free flow of information generated during these projects. For example, the Swiss project could make use of the Swedish project’s background studies, while the Swedish reports on the actual factory visits were not available.

²⁷ <http://www.somo.nl/monitoring/initiatives/ch-annex-eng.PDF>. The agreement itself lists as one of the specific aims “to take part in the creation of training material on the basic rights of workers - this material being for suppliers, partners and workers on the production sites”. see: http://www.somo.nl/monitoring/initiatives/ch_accord_eng.htm.

complaints system was also mentioned more specifically in the Swiss agreement, annex 1 names as a project activity “setting up an appeals procedure (investigation into chances of making appeals without inciting appraisal)”²⁸ Another difference between the Swiss and Swedish projects was that the Swiss agreement with the companies included stronger and more detailed obligations at the buyer level, specifically in relation to sourcing policies (the annex mentions as an activity for the participating sourcing company the “analysis of the buying system of the firm and the establishment of a complete register of suppliers”) and transparency (“publication of the evaluation of the measures taken by the supplier and by the firm to have the code respected”).²⁹

Selecting the factories

The Swiss planned to visit one Chinese supplier for each of the companies. Preferably, they hoped to visit one relatively good facility and one in need of significant improvement. Companies were to provide the project with a comprehensive list of all their suppliers and with basic business data on their operations. It was up to the project coordinator to select the suppliers that the project would focus on. However, delays were introduced into the process because in some cases many of the suppliers listed were actually agents of buying houses. It took time to determine where the companies’ Chinese suppliers were actually located and what percentage of production was actually attributed to the Swiss companies.

Eventually, suppliers were selected in the Shanghai area; in Dongguan, Guandong province; and in Jiangxi province. Later the Jiangxi province factory was dropped from the project, when it was reported that the facility was no longer producing for the Swiss company. The Dongguan factory selected produced for two of the Swiss companies and the Shanghai factory for the other. The factory owners were to be briefed on the project by the Swiss companies and were told to expect visits from project representatives and auditors during the course of the project period.

One of the factory owners, whose facility had produced garments for one of the Swiss companies for five years, with 10% of their production allocated for that company, said that when the project was proposed to him he was “not surprised at

²⁸ The agreement specifies the need for “a functioning complaint procedure as a back up of the independent monitoring: in this way an 'ongoing monitoring' of the code of conduct by the workers on the production sites (or other person/s) can be ensured - thereby at all times ensuring that complaints regarding non-respect of the code can be made”.

http://www.somo.nl/monitoring/initiatives/ch_accord_eng.htm

²⁹ See: <http://www.somo.nl/monitoring/initiatives/ch-annex-eng.PDF>

all.” They had already been doing this kind of program (codes of conduct, human rights issues) for their customers in the United States, beginning three or four years before.

The project director found that in some cases, in her view, the companies had not clearly communicated to their suppliers the policies regarding working conditions and their code of conduct, nor the processes related to implementation and verifying compliance with those standards. As a result she had to spend time explaining the meaning of the code, the context in which the pilot project had come about, and the methodology for what would take place in the course of the project.

Local partner selection

The project director sought to work only with non-profit organizations or individuals, and if possible those who had not already participated in other monitoring and verification experiments, in order to increase the knowledge of alternative partners. As in the Swedish case, consultation with Hong Kong organizations was an important early step in the process carried out by the Swiss project director to identify project partners.³⁰ She met with representatives of two Hong Kong NGOs in March 2001 in Barcelona, then made two consultative trips (May and November 2001) to Hong Kong, meeting these and other groups (also on the mainland). One of the points to negotiate was the status of the worker training program.

Wary after their experiences with the ETI and the Swedish pilot (which was still going on at that time) HKCIC and AMRC stressed from the beginning that any new project should give worker training a substantial role and be less concerned with testing out audit methodologies. Although worker training was a component of the project, the project coordinator felt that with the current mandate and especially given the limited timeframe she was operating in, she could not guarantee that it would be a substantial program.

In the end the Swiss selected a Hong Kong-based network organization experienced in worker training and active in mainland China to carry out the training

³⁰ The project director also carried out a broader consultation process in the context of this project, which included making contact with monitoring and auditing organizations, including the Fair Labour Association, Verite, Social Accountability International, Business for Social Responsibility; as well as representatives from the departments of international cooperation of several countries, and meetings with the ILO Bangkok staff (whose mandate covers China).

component of the pilots, as well as some of the worker interviews. After this decision was taken, the two other Hong Kong NGOs expressed their regret and disappointment at not being selected to participate in the project, one that would finally include the training component that they felt so strongly about. In the view of a representative of one of these NGOs, they were now unable to build upon their previous experiences and the lessons drawn from those experiences.

Interviews and auditing

Separate from the interview team (made up of a university academic with knowledge of the field, representatives of the Chinese network organization selected to do the worker training, and the project director) was the audit team. A big effort was made by the project director to identify people with the skills to do the factory investigation who did not work for commercial audit firms. In the end she selected two freelance social auditors, who had previously worked as social compliance staff for retailers or commercial firms and whom she felt were competent to carry out the job. In addition to the auditors, the team also included the project director. As in the Swedish project, the worker interviews were carried out first, several weeks before the audits, and the information collected was used to prep the auditors.

One of the professional auditors hired to work on the Swiss project described the audit process used in the pilot as similar to the standard way in which an audit is conducted -- interviews with workers and management, on-site evaluation, and review of documents. In the Swiss case, the interviews were done by the interview team, though the auditor added that he did also informally interview some workers while carrying out the inspection. He thought having the worker interviews separately was basically a good methodology.

"You need to build up confidence with the workers first," he said, "Doing worker interviews is an art."

Still, he felt that with his own level of experience he could have done the worker interviews himself, believing himself able to detect when workers have been briefed by management and only saying what they are told to say. He remarked that he has done on-site interviews in groups to prevent management from knowing which worker has said what. From the CCC's perspective a female interviewer is always preferable for the task of interviewing a predominantly female workforce; gender can create obstacles to the free flow of discussion and it is unlikely that in this context a male interviewer would be able to quickly build the same level of

trust with an interviewee that a woman would. This was one of the reasons for selecting an organization that has a strong gender perspective and uses female interviewers for the worker interviews.

By April 2002 the interviews (in the canteen and in the workers' dormitories, in private without interference from management) and audits for the Shanghai area supplier had been carried out. Discussions were still going on regarding how to set up a several-week training program for the workers at the pilot factories. In July, the interviews (again, in the canteen or the workers' dormitories) for and the audit of the Dongguan factory took place.

The project director reported that interviewing the workers where they lived provided a good setting for the talks to take place, away from management and in surroundings familiar to the workers. However, their long working hours (often seven days per week) drastically limited their availability for interviews. The project director also raised concerns that only through regular and sustained contacts between interviewers and workers could the workers really understand the concepts of monitoring and verification, the scope of the questions, and in the end feel enough trust to provide all the information they could. Just as there are concerns that auditors who are just "parachuted" in for one-time factory inspections cannot do a good job, there are also concerns that interviewers who are brought in for a one-time round of interviews may not be able to get the results necessary.

Later, the project director also raised some doubts about having separate audit and interview teams, because to some extent each only works with partial information. In her view, interviewers needed more information in order to probe workers for more information; auditors needed to be able to double check information they received from management with workers.

The Swiss audits were unannounced, making them significantly different from other audits the auditor had been involved with. He confirmed that; "in an unannounced visit you can find more issues. With announced audits the management has everything prepared, records, job contracts, pay slips, etc." However, he added, it can be more time-consuming to carry out an unannounced audit.

"Sometimes you arrive and the factory manager is not there, or busy doing something else, and there you are demanding that you want to look at the payroll. So whoever is there first has to find them and you have to wait," he said. "Or they

may have a deadline to meet and are afraid that you will interrupt the work process and they will miss this one.”

In the first visit to the Dongguan factory the fact that the audit was unannounced did create delays. Management left upon arrival of the auditors and did not leave any instructions to their staff on how to assist them. Several hours were lost waiting for senior staff to get in touch with management and appoint a person to provide the necessary information.

Unannounced audits remain rare and are a controversial issue with retailers and suppliers. Partly this is because retailers and audit firms do not want to jeopardize their relationship with their suppliers who tend to see unannounced visits as impolite and inappropriate interference in their business. The manager of the Dongguan supplier, a medium-sized facility with 800 workers and an office in Hong Kong, said that almost all the visits they have are announced.

“They inform beforehand. Not so that we can prepare, but to make sure that we ourselves are not in Hong Kong,” he said, adding that some visits are not announced, but those are usually production related, for example checking on country of origin provisions. This sort of contradictory statement, suggesting that surprise visits are OK for some reasons but not for others, seems to suggest that demands that audits be announced so management can be on-site are merely excuses to avoid audits that would reveal workplace realities. Labour rights advocates continue to see evidence that workers are instructed in how to act prior to visits by workplace auditors and that conditions are temporarily “cleaned up” to meet with auditor approval; therefore they believe unannounced audits are still preferable.

In both cases the audits took two and a half days. In the auditor’s experience this was longer than a typical audit. In his work for the Gap, for example, audits generally took one day, with variation depending on the size of the factory and the number of people carrying out the audit.

The manager of the Dongguan facility, which produces sweaters for customers throughout Europe and the U.S., said that this was the longest audit they had ever experienced, and thought maybe this was because it was the first time the auditors had visited. He found the Swiss standards to be quite high and said that meeting the requirements would take some time. They were a little surprised by the findings.

“If this is really the standard they require this is much higher than what is required by the U.S. customers,” he said.

Findings and compliance problems

At the Shanghai-area factory various issues relating to wages were revealed, as well as excessive overtime, some occupational health and safety concerns, and the absence of an effective complaints mechanism (Swiss CCC, 2003b). In Guangdong, in August, the interviews and audits revealed differences in wages paid to men and women for the same task, as well as other major wage-related non-conformities, massive overtime, one child labourer, some occupational health and safety concerns, and no effective complaints mechanism (Swiss CCC, 2003c).

“Work needs to be done on the external factors which make it hard for us to comply, like peak seasons where presently we really *have* to do overtime,” said one factory owner. “For example, now we have 800 workers, even if we hire 400 more right now, to diminish overtime, this would increase the overhead costs in turn and buyers then cannot get the price they want.”

“Buyers ask for samples to be there express, within a few days,” he said. “This does not mean overtime but overnight!”

He said he would rather not have workers working overnight because it is more expensive for him as well.

The auditor who worked on the Swiss project echoed these concerns. It is a big problem, he said, that “compliance is contradicted by the sourcing practices. Every year the buyers are lowering the prices, and with new product designs the orders are getting shorter, especially in this very competitive market where trends are changing so fast this makes compliance very hard, for example managers know that if they miss a deadline you have to ship at their own cost.”

After the audits

In each case reports based on the factory audits and the worker interviews were written up by the project director and sent to the Swiss company. Next it was up to the Swiss companies to work with their Chinese suppliers to develop a corrective action plan. The audit teams were to return to the factories after several months to follow up on the code violations they had detected on their earlier visits, and

check on the implementation of the corrective action plans to be formulated by the Swiss companies in consultation with their suppliers.

Only one of the Swiss companies developed a full corrective action plan (Switcher), which they wanted their Shanghai area supplier to implement by November 2002. One of the other companies (Veillon) eventually submitted an incomplete plan which failed to address all the major and minor violations, therefore it was not endorsed by the project. The third company, Migros, did not submit a plan at all though this violated the terms of the agreement.

The follow-up visit to the Switcher supplier in Shanghai took place in January 2003 and again consisted of worker interviews by the mainland NGO and a factory inspection by the freelance auditors. The coordinator reports that since their first visit management had "taken energetic steps to comply with the Code and to develop the necessary management systems and procedures that are a prerequisite for its implementation." While there were still outstanding issues (wage calculations, deductions for disciplinary reasons), the auditors "were pleased to note that most of the recommendations had been implemented by the time of the follow-up visit, and that in particular policies and practices concerning wages and working hours -- two crucial issues in China -- were complied with (notably regarding weekly day off, payment of statutory holidays, minimum wages ensured for a 40-hour week, payment of overtime at the official rates, etc.). Major improvements had also taken place with respect to occupational safety and health, and the daily presence of a woman doctor conducting health-related training sessions and providing free medical counselling were commendable" (Swiss CCC, 2003a).

The Swiss CCC noted that "this most satisfactory result demonstrates that even under the Chinese production context (where workers rights are often largely ignored) substantial improvements in working conditions can be achieved. Switcher was able to take the necessary measures to ensure that its supplier respects the code. The Swiss company appointed a person in China to ensure the implementation of its code of conduct especially by this Chinese supplier and its sub-suppliers" (Swiss CCC 2003b).³¹

A summary of the code of conduct (in Chinese) had been distributed to all the workers, and to other suppliers and sub-contractors who had to confirm their

³¹ Specifically, they appointed a Social Compliance Officer, a post paid by Switcher. This person would be a member of a five-person management team on social compliance, to oversee implementation of the code and report regularly on progress to Switcher.

commitment in writing and fill in a questionnaire. However the auditors noted that there were several summarized versions of the code which did not always reflect the spirit and letter of the code, and had not been approved by Switcher.

Meanwhile, things did not go as well at the Dongguan supplier (whose clients were Veillon, the company with the unaccepted corrective action plan, and Migros, the company with no corrective action plan).

Just several weeks prior to the follow-up audit the factory owner said that "overtime and wages are the difficult ones that will be hard to solve, so we and all others are starting on the not so difficult ones, like OHS," adding that he was worried about whether or not he could reach 100 percent compliance in the "difficult areas." Indeed, the auditors found that improvements had been made in occupational health and safety areas, but found his efforts lacking in other important areas.

Commenting on the follow-up report, the Swiss CCC noted that "this report shows that key elements of the Migros and Veillon codes of conduct are not respected...: in particular regarding wages lower than the legal minimum, lack of a weekly day off, excessive and mandatory overtime (notably during peak production periods), etc."

"The situation is further aggravated," they went on, "by the lack of cooperation and transparency on the part of the management of this supplier. During the two successive visits to the factory, the team in charge of the verification of the working conditions were faced with inconsistent answers from management, with notable discrepancies between what was said by management and what was said by the workers and with the unreliability of the registers and records regarding wages and working hours."

"Whereas this situation is not exceptional in the clothing industry in China, it is none-the-less worrying in this context. It is in fact now some years since Migros and Veillon adopted a code of conduct, but they have still not taken the necessary measures to implement it and to take up with their common Chinese supplier the problems as revealed during the first independent verification in August 2002" (Swiss CCC, 2003c).

While the project director had noted that throughout the project the project board functioned in a climate of trust and that generally the companies smoothly endorsed all the proposals and suggestions she made, communications on these

issues within the supply networks of some of the companies that were the focus of the project were not very well-developed.

The project director expressed concerns that by not sufficiently communicating their policies regarding labour practices and the monitoring and verification of these standards with their suppliers, it was unlikely that their supplier perceived the demands being made of them in the context of this project to be serious. At the time of the first audit workers at the Dongguan factory knew nothing of the code of conduct, of which no Chinese version had even been posted on the wall. The project director found that there were information gaps in what the supplier knew about the practical and conceptual implications of having signed their client's code of conduct, and that also led to some serious misunderstandings about the goal and methodology of the pilot project. A positive note was that this supplier did agree to have his workers participate in a training program.

Worker Training at One Factory Only

Due to time constraints, logistics such as lack of instructors, and cost the training program only took place at one of the factories that participated in the Swiss China project. In September 2002 this program was launched at the Dongguan supplier.

The four training sessions took place on-site, one Sunday per month. Management would only allow one training day per month, most likely because the workers only had on day off per month. At first, management refused to allow all workers to participate in the training sessions - they wanted to select the workers who could attend. In the end, all workers in principle were allowed to attend. Management provided a list of all the workers, though this did not turn out to be entirely accurate. Workers who participated in the training sessions were immediately paid for their time by the trainers, to ensure that they received the payment they were due.

Sessions ran through December 2002 and nearly all the workers participated, "...with the exception of some 30 of them who could not attend because of tiredness: they had had to work the night before until four o'clock a.m.!" noted the Swiss CCC in their final comments on the project (Swiss CCC, 2003c).

The trainers used a participatory approach in their sessions, the content of which focused on Chinese labour law and the Swiss company's code of conduct, women's reproductive health and rights, occupational health and safety, and stress management and life planning.

The project director reported that the interaction between the trainers and workers was quite good, and that workers reported finding the training useful. She noted that it appeared clear that a holistic approach to training should be taken, not just labour rights as a separate issue, but in the larger context of workers' well-being, since all issues could not be traced back directly to points in the code.

The trainers noted that while the workers had more information about various issues, they still lacked a channel to use this new knowledge. The original project plan, they said, had been to carry out training that would result in the formation of a workers' health committee, however the short-term nature of the project and a lack of support from management did not facilitate this.

The owner of Dongguan factory described the worker training program as very useful because the team that was brought in to do the training was very professional, while the people he has in his factory are "not very skilful in this area" and they themselves need training.

In reflecting on their experience at the factory, the trainers cited the need for management training. Comments from the auditor and the factory owner involved also raised this issue.

Comments from companies participating in the project

The owner of one of the Swiss supply factories said that the experience with the Swiss project was very useful. Now he said "we understand a lot more of the problems in the factory which before we did not see ourselves, even where sometimes we were aware of it they did not know what should be done, or if this and this is according to Chinese law or NGO or global standards or not."

Identifying the problems helped in developing solutions as well, he said. "... As long as we know the problem we can deal with it, we are already committed to spending time on this."

The companies made positive public statements about the value of the project, and all three are currently in discussions with the Swiss CCC regarding the formation of a more permanent verification organization. [see appendix C for more on this] Veillon reported making some internal changes following the end of the project.

"The project enabled a certain number of improvements, but also shed light on the fact that much effort was still needed," concluded Veillon in a public statement made shortly after the conclusion of the project. "The suppliers need more follow-up and more training. To answer this need, a new position has been created internally in Veillon" (Veillon, 2003).

"The pilot project led to the awareness in the company that new human resources were needed to follow and thoroughly implement the process," wrote Yasmina Schmidt of Veillon. "At first the director of the buying section was in charge of the project and his double role led to a lot of misunderstanding from the suppliers' part. Therefore, Veillon hired a CSR manager to develop its internal monitoring."

In addition a new system was created to deal with code implementation at the supplier level, similar to what Switcher had done after the first factory visit. Schmidt explained that Veillon was creating a system of social committees, headed up by a social quality officer will also be created at each supply facility. The social quality officer will be responsible for code implementation and the implementation of the decisions made by the social committee and Veillon. The social quality officer will report directly to Veillon's new CSR manager.

Meanwhile, they have also pledged to give more attention to "the training of its suppliers so that suppliers have a good understanding of all issues and become the actors of the process. The training is about the code of conduct, the national labour laws, human rights and social accountability issues in general."

VIII. Conclusions

For the Clean Clothes Campaign these pilot projects were the beginning of a new phase of direct engagement in China. A great deal was learned about working conditions, the possibilities for improving conditions in China, and the possible roles for different stakeholders in accomplishing such improvements. In this sense the pilots were part of an “opening up” process, not just for the CCC, but for all those interested in understanding how policies of corporate social responsibility can be put into practice in China.

A better understanding was reached regarding key elements of monitoring and verification processes - particularly in relation to interviewing, auditing, communication throughout supply chains, and training needs in the China context as well as other significant obstacles to code compliance and the broader goal of empowering garment workers.

Finding Partners in China

There is still a lack of clarity on the roles different stakeholders are willing, able, or appropriate to play in the pursuit of better levels of compliance with labour standards through monitoring and verification processes in the Chinese context.

Consultation in relation to these projects, and in all issues relating to China in the past, have involved the CCC’s Hong Kong partners. While these partners rightly see themselves as having an important role in such discussions and initiatives, they themselves note their limitations, not just in terms of capacity and resources, but also mandate and representation.

The issue of local partnership is one that goes beyond who carries out background studies and audits. Even if good quality audits in terms of fact finding are carried out, for example, then what can be done in terms of follow-up if there are no appropriate local organizations to be a part of that process? Even if follow-up visits are made after a year, for example, and some improvements are noted what can such a system -- where auditors and interviewers play temporary roles -- hope to accomplish at the industry level, given the size of China’s garment and sportswear output and the scale of the country’s political problems. How could improvements to working conditions and awareness raising be translated into sustainable gains?

During the course of the CCC pilot projects in China there was a notable increase in local activity relating to these issues.³² While there are partnership concerns around the issue of providing training, it appears to be somewhat easier to find appropriate mainland partners to work on training than on such tasks as auditing, interviewing, facilitating a compliant mechanism at the local level, and other concerns that require follow up. Work on labour issues (research, training, and advocacy) in China is continuously evolving. Still the political context is a major constraint to worker organizing or to the formation of organizations that would support or advocate for the implementation of workers' rights in China. With that said, the work of network building in mainland China should not be put on hold. The current context suggests that there are possibilities for cooperating with individuals and even grass root level organizations.

Audit methodologies

One of the main aims of these pilot projects was to learn more about what constitutes a quality audit. The projects tested several ideas the CCC had in this regard, and some valuable conclusions can be drawn from these experiences.

Both projects made use of background studies which were found to be useful in understanding the local context, identifying possible partners and suggesting methods for conducting interviews and workplace investigations. However an additional component could be more insight into the priorities (training versus auditing, remediation for certain issues before others) for workplaces in that specific context.

Worker interviews, carried out in a location where workers felt at ease and able to speak without repercussions, and conducted by well-trained interviewers were shown to be an important tool for gathering information on working conditions. In some cases (the Swedish project) interviews revealed issues that would otherwise have been (and were) missed by factory auditors. Importantly, the interviews were also a way for workers to participate in the process, and in this sense alone are a necessary part of a good monitoring and verification system.

While unannounced visits to factories can create delays because key staff are not on-site (as was the case in the Swiss audit) or run the risk of generating bad feelings between suppliers and clients and auditors, they appear to be important.

³² For example various research projects and initiatives being carried out by the Institute for Contemporary Observation (ICO), located in Shenzhen, and the IHLO international trade union liaison project mentioned above.

Given the increasing problem of falsification of records, coaching of workers, and temporary changes to workplace conditions, it seems that unannounced audits are more likely to reveal workplaces realities than those that have been announced.

Both projects made use of professional auditors and had mixed results: satisfactory for the Swiss (who used a small local company), but not so good for the Swedes (who used one of the major international auditing firms). Importantly their activities were supplemented by input from worker interviews carried out by others. Working on their own it seems that professional auditors will not come up with a complete inventory of workplace problems and workers' concerns.

Worker Training: Empowerment, Organizing, and Compliance Tool

Both the pilots raised the possibility of using the code monitoring or verification process as an "open door" through which training for workers could be obtained. The Swiss project demonstrated that training that involved substantial content was possible in China.

After sourcing companies agree to have training programs there are still other obstacles to implementing such programs. Suppliers might attempt to interfere with the content, methodology or levels of participation in training programs. Sourcing companies will have to be clear about their support for training programs. This means ensuring that trainers will have the means and freedom to conduct these programs as they see fit.

Some of the Hong Kong and Chinese project participants believe that obtaining concessions on training is more valuable than getting auditors into factories or interviewers into dormitories. One long-time CCC partner in Hong Kong, which participated in the Swedish pilot and was involved in the consultation with the Swiss said: "We can accept auditing and monitoring if there is a commitment shown that eventually there is a training program for workers."

"Training and education for us is the path to organizing," explained one of the trainers involved in the Swiss China project. "The goal for us is not just a change in the environment. We have to look at more than improving conditions."

In this view, training which is focused on building the capacity of workers (in terms of their knowledge of labour law and the standards found in codes of conduct), will lead to worker empowerment.

Certainly from the perspective of worker organizing it is important that fact finding done in the course of code compliance monitoring and verification lead to something bigger than one-off or short-term improvements, and this will not happen until more worker empowerment is facilitated. Still the need for one does not cancel out the other. It remains important to be able to continue to collect factual information on working conditions. The experience in both the Swedish and the Swiss pilots demonstrated that the participating retailers were only convinced about the existence of structural violations of their company codes after they received the results of the audits.

In the view of the Swiss project director, worker training will also facilitate more complete fact-finding, because only if workers are better informed can they provide more complete information to interviewers. Empowered workers can lead to better-functioning compliance systems, because of their increased potential for playing a more meaningful role in such processes as interviews and complaint mechanisms.

Presently, due to the huge growth in commercial auditing activities, the amount of auditing going on far outweighs the amount of training programs, and it is in this context that debates around training programs and their role within monitoring and verification systems should be seen. There is a need to test more training models, some have suggested that joint training projects in which more than one sourcing company is involved holds more potential for success.

Management Training to Facilitate Code Implementation

The second China pilot also highlighted the need for management training in relation to labour standards. This pilot demonstrated that sourcing companies that have a better dialogue with their suppliers on these issues are more likely to achieve higher levels of code compliance. Having staff who are specifically designated to work on compliance issues can facilitate such a dialogue and also communicates a message that the sourcing company is serious about such issues.

Sourcing company representatives need to clearly communicate with their suppliers regarding standards for labour practices and their expectations for monitoring and verification initiatives, but also more broadly their role in the implementation of such policies. This will mean a time and resource commitment. The pilots showed that in some cases this did not always happen. This created delays and less than impressive results in terms of workplace improvements. When factory owners had

no knowledge of the content of company codes and associated compliance processes, this slowed the pilot projects down.

Sourcing companies need to invest considerable time in communicating and building trust within their own supply chains. If sourcing companies and suppliers trust each other, this saves not only time in the long run but also improves the quality of the work.

While it was clear that pilot project coordinators would have to invest time and effort into establishing relationships with local NGO groups, they had to spend more time than expected in communicating the aims and processes of the monitoring and verification initiatives to the suppliers after the Swiss and Swedish sourcing companies had failed to do so. Disregard for simple, basic steps to introduce their policies on labour standards on the part of sourcing companies – such as failing to translate their codes of conduct or acceptable summaries of the code into the appropriate local language – are not acceptable. Failing to develop corrective action plans in conjunction with their suppliers to address the code violations revealed during the audits was another way in which several sourcing companies in the Swiss project sent a message to their supplier that they did not take compliance seriously.

Pursuing compliance to labour standards with only a policing mentality, without commitment to building a better business relationship which includes clear explanations, only serves to discourage suppliers from taking steps toward real improvements. It can sour the relationship between supplier and client, which creates another obstacle for any other monitoring or verification related activity (including auditing and training) that companies might want to pursue. Indeed it might encourage attempts to hide the facts, such as double-bookkeeping.

Training for supply company management is a necessary tool in building better relationships and should be a part of sourcing company compliance systems. Intermediaries, such as buying houses, importers, and agents are also significant players in some supply chains and also will need to have a clear understanding of policies relating to labour practices. Sourcing companies will need to build confidence and raise awareness at all levels of their supply chain in order to successfully execute these short-term projects such as pilots like these, but more importantly in order to operationalize systems meant to carry on for the long term.

However, true commitment to the principles of fair labour practices will need more than better communications on the part of sourcing companies and better

understanding on their part of their suppliers - it will require serious changes in the purchasing policies of sourcing companies and changes at the supplier level to ensure that the benefits are passed onto the workers.

Purchasing Policies Often at Odds with Code Compliance

The pilot projects documented practices that revealed that the purchasing policies of companies often create barriers to compliance with the standards included in the codes of conduct they have signed, particularly in relation to wages and hours. To make a real commitment to implement their codes companies will have to examine the impact of their purchasing policies on supplier working conditions and adjust them accordingly.

During these projects and in related discussions with suppliers surrounding this subject the issue of support to implement better labour standards from clients came up again and again -- support in the sense of a clear indication of what is required of them (because, as one factory owner said, each customer's requirements are completely different; everyone, he said, should start using the same standards) and how it might be accomplished (the communication gap mentioned above). But most importantly they cited the need for a change in sourcing policies -- in terms of pricing and delivery times -- to better accommodate their clients' own social policies.

Since the human rights demands started five years ago prices have only been going down, said one factory owner who participated in the Swiss pilot project. So while clients cut the prices they pay to their suppliers, they are simultaneously demanding that these suppliers pay workers high wages. The same paradox exists when it comes to working hours and delivery times: clients impose deadlines that are impossible to meet within the working hours (including overtime) that are allowable under the clients' own code of conduct.

At the time of the first pilot project, the Swedish project, these issues of purchasing policies weren't on the table. However by the time the Swiss project came along their centrality to compliance had become more accepted by corporate stakeholders. These concerns were reflected into the design of the project and the supply company involved confirmed the centrality of these issues. As was noted by the supplier in the Swiss project, and has been noted by others, this issue must be taken up by companies sourcing in China. Chin Yin, vice chairperson of the China Employer's Confederation (CEC), complains about the many different standards, audits (one member company reported 40 social audits last year) and about the

impossibility of meeting the standards with the current turn around times and prices. The Chinese Employers Federation has 430,000 members, is developing their own code of conduct/standard for social responsibility.³³ Of course this issue goes beyond China. Sourcing companies have to incorporate compliance into their cost structures and future projects should follow up on this need.

Complaint Systems Still Undeveloped

The pilot projects highlighted the need to better develop the other parts of monitoring and verification systems. Because while unannounced audits and off-site worker interviews are useful means of collecting information on working conditions to better inform companies and campaigners of working conditions, the information gathered is hardly news to workers. Mechanisms to file grievances and have them solved would be of more interest to workers. Once awareness is raised (through training programs for example) workers, particularly in the China context where independent unions are absent, need a conduit for their grievances. Worker involvement in monitoring and verification processes should go beyond occasional interviews (especially if these interviews have been carried out by people who have not had sustained contact with workers and little opportunity to build up relationships based on trust); complaint mechanisms could be a tool to facilitate that increased level of participation. Because an informed workforce will be a key factor in whether or not an accessible complaint mechanism is made use of, a holistic approach in developing complaint systems, that considers the need for worker training programs, will be important to pursue.

During the lifespan of the codes and monitoring/verification debates, discussion and experimentation regarding auditing have gone on the longest, with ongoing discussion between industry and labour rights advocates regarding the quality of auditing. Future pilot projects should give more attention to the possibilities for developing complaint mechanisms as well as processes to follow up on such complaints and the remediation plans that are produced based on audit/interview findings. This is a conclusion of relevance not just to China, but of importance to those interested in establishing monitoring and verification systems anywhere.

Clarifying roles and structures

³³ source: presentation made by Chin Yin, Nov. 25, 2002, during Conference on Labour Relations and Corporate Social Responsibility Under Globalization, Renmin University, Beijing, China.

Of course, from a worker perspective, a high number of audits does not constitute a problem, what counts is whether or not audits deliver in terms of corrective actions needed.

As in other countries in which the CCC is active, both in Europe and beyond, managing relationships in the context of these projects were complex. Relationships between the different CCCs, the CCC International Secretariat, Hong Kong organizations active in the CCC network, the project staff, the frameworks developed to accommodate the projects (ex. project boards), and the participants in China were complex and not always smooth. In some instances there was a lack of clarity of roles, miscommunication or confusion over who should be communicating what to whom, and who should participate in discussions or decision making at different levels or phases of the projects. In other cases differences of opinion could not be adequately taken up in a timely manner, and hence were not resolved. In some cases those committed to playing a role in the project board seemed to lose interest and failed to play as active a role as was assumed they would.

Certain frameworks were developed to manage the pilot projects: generally these were project boards and staff of one, the project director/coordinator. The project coordinators were hired to do a specific job, and were answerable primarily to the stakeholders in their own country. These stakeholders are expected to take into account the views of partners in countries where garments are produced, a considerable challenge. During the course of the project some of the Hong Kong partners in the project expressed dissatisfaction with this design, questioning the assumption that sourcing companies, NGOs, and trade unions in the sourcing company's home country could fairly represent the interests of workers and other local stakeholders in China.

Local involvement had been originally and primarily conceptualized in terms of the performance of certain tasks (for example interviews, management of complaint systems, auditing), but what is clear is that ideas of participation must be broadened to give those groups a voice in the way these tasks are executed (and by whom). The challenge of involving workers in a way that is central remains.

While these roles differ, the local stakeholder role brings with it a longer-term perspective in relation to the issues that are taken up (especially for those partners who have been in subsequent and even overlapping projects). The position of the CCC in these projects is equally as complicated. The CCCs carry out different roles at different times -- that of campaigning organization, initiator of pilot projects, and stakeholder within the projects. The lack of clarity on what role the CCC represents at what point in time can create confusion for its partners, not just potential partners who are trying to understand what the CCC is and does, but also

for those who have already had a relationship with the CCC in one or more of these roles.

Going from project to project, rather than building a more systematic, long-term approach, clearly did not help to avoid complications. More permanent systems for monitoring and verification based on what was learned from these projects (for example training and education programmes) could provide a clearer framework for developments on this front.

However, with that noted, both the Swedish and the Swiss experiences have shown that it is unwise to mix up institution building with short-term projects (see appendix E for a short summary of what took place in the context of each project). Expectations get raised which cannot be met, and already limited time and resources are stretched further. A balance needs to be struck between what is necessary to build long-term relationships and lasting structures and what is needed to facilitate attempts at experimentation and learning.

Better Mapping of Supply Chains

With almost all the companies involved, the first stage of uncovering the company's supply chain took much more time and effort than they anticipated. In both pilot projects, disclosure of information by the sourcing companies was incomplete. For example, names of buying agents were given instead of names of actual manufacturing units and this slowed down the process. While this might not have been done intentionally, it points to the need for sourcing companies to invest more time in mapping their own supply chains.

Time for building other relationships

The necessary time investment for relationship building within these experiments was underestimated on several counts. The first is the time necessary to better communicate and develop relationships throughout garment supply chains (or the time costs of failures to communicate well), discussed above in the section on management training

Fostering a sense of trust among other participants in such a project, and eventually within a monitoring or verification system, also takes time. Parties in the sourcing company/campaign home country will need to feel confident in the project coordinator for example, but so will the stakeholder groups in the pilot countries. Building audit teams of people with different expertise can be a way to address the different needs of different stakeholders in the verification process, but if the people in the team cannot communicate real teamwork is unlikely.

The project staff found themselves in the seemingly impossible position of simultaneously being responsible for the implementation of complex projects intended to be learning exercises while also carrying out negotiations for the development of a permanent structure for monitoring and verification (see appendix C) -- two very different and demanding tasks. With hindsight the pitfalls of not separating out these responsibilities seem obvious; in fact they amount to two different projects. However, in a field such as monitoring and verification, one that is rapidly evolving, it is precisely the coordinators of such pilot projects who are well placed in terms of experience and vision to provide key input for the important task of institutionalizing what has been learned.

Caution regarding generalizing based on China experience

While the lessons learned from the pilot projects are clearly of relevance to attempts to learn about best methods for monitoring and verification in general, it should be noted that in some instances these lessons were at odds with what had been learned in other pilot projects in other contexts. For example, in the Swedish pilot experience one of the NGOs that participated by carrying out research and interviews wanted to participate in the factory audit as observers because wanted to learn how more about how professional auditors carry out their job. This presents a noteworthy difference from the experience of the CCC's South Asian pilot projects, where the NGOs involved did not want to be seen as connected to the audit team in any way, fearing it would compromise their position locally.

This points to the need for future monitoring and verification systems to have the capability to assess the differences among the various locales where companies are sourcing, as well as the flexibility to adapt to and address those local needs.

After the pilots

These were limited short-term experiments not only in monitoring and verification methods, but also significant learning experiences for the CCC in working on a project together with a company.

Much was learned during these projects which the CCC has been able to share with others, and has informed the campaign's work in Europe and with other partners in its broader international network.

Clearly the Swedish experience was a valuable input for the other pilots the CCC would be involved in. As noted here, the Swiss made use of the Swedish findings. The Dutch CCC was also able to draw upon the lessons of the Swedish and later the Swiss initiatives in their own efforts to help establish the Fair Wear Foundation (FWF), a garment industry verification organization in the Netherlands.³⁴ The CCC made information-sharing in relation to these projects a priority and has organized meetings, publications, and websites to better distribute such information throughout their network.³⁵

The Campaign's work in this field continues. The CCC is interested in ensuring larger scale application of the lessons learned in these projects through cooperation with others and continues to see multi-stakeholder initiatives as an important tool for this work.

³⁴ The FWF was established in 1999 after years of negotiation between the Dutch CCC, unions, and garment supplier and retailer associations.

³⁵ To a great extent, these information-sharing efforts have been funded by the European Commission (DG V), which has also funded this case study.

Appendix A: Swedish CCC China Pilot Project Timeline

July 1998: An agreement is signed between the Swedish CCC (including both NGOs and trade unions) and Swedish retailers Kappahl, Indiska, Lindex, and H&M. The companies declare their intention to adopt a common code of conduct and collectively develop a system for independent verification. A project group made up of representatives of the four companies, two unions, and one NGO is established to further develop the project plan.

January 1999: A project coordinator is hired to conduct the project on “independent verification of codes of conduct in the garment industry.”

Key elements of the project are the pilot studies intended to test methodologies of doing workplace inspections using combinations of NGOs and professional auditors. Audits at the level of the retailer (head office) are also planned, aiming to develop requirements for a management system. A special “pilot study board” (made up of four company representatives, four trade union representatives, four NGO representatives, an independent chairperson, a secretary and the project manager) is established to make decisions regarding the outcome of the pilot studies. The project group, now with the project coordinator as a member as well, maintains overall responsibility for the project.

The retailers select “moderately good” suppliers in Bangladesh (Dhaka), India (Tirupur and Delhi), and China (Guangdong) to participate in the project. The supplier should preferably be a supplier to at least two of the retailers.

March 1999: After agreement at the pilot board level, local organizations are approached in China, Bangladesh and India to participate in the first phase of the pilot projects: conducting a study to gather information about the local conditions and identify workers concerns (referred to as a prestudy).

August 1999: Prestudy China finished, carried out by HKCIC. Pilot study criteria, based in part on the draft of the prestudy, are finalized. These criteria detail how the next phases of the pilot (inspection, worker interviews, reporting, establishing corrective action plans, follow-up) are to be conducted. The document is circulated to local and international partners for comment.

December 1999: Representative of HKCIC visits Sweden, meets the pilot board, and suggests a worker training program be included in the pilot project. Meetings with auditors and selection of ITS/Intertek.

February 2000: With the original end date of project approaching (March 1, 2000) the board decides to extend the project for one year (to February 28, 2001). In that extra year the China pilot study, and other activities, are to be carried out. Later in the year the project is again extended to December 31, 2001.

November 2000: Draft management system requirements established and approved by the project group.

December 2000: Management system requirements approved by the pilot board.

January 2001: Management system audits carried out by two staff members from KPMG and the project coordinator at two of the four Swedish retailers headquarters.

Worker interviews for China Pilot done in once factory, two researchers from HKCIC interviewed 15 workers.

March 2001: Results of Swedish management system audits reported to management and pilot board.

Audit of supplier factory in Guangdong carried out by a team made up of people from ITS/Intertek, the project coordinator, and an observer from HKCIC, finding serious code violations at the facility.

April 2001: Pilot board meets April 5th to discuss the results of the audit and make suggestions for corrective action.

Proposal sent by HKCIC for worker education program and study into sourcing practices. The board decides to incorporate the worker education proposal into the proposal for a monitoring and verification system released at the end of the project.

The pilot board meets again on April 18th to evaluate the criteria established for the pilots and discuss how a future system for verification could be set up. No consensus is reached among the board members; they ask the project coordinator to develop a proposal for further discussion.

May 2001: The project coordinator sends out a detailed proposal for a verification system, called DressC³⁶ode. The proposal is distributed among a wide range of organizations, including public authorities, in Sweden.

June 2001: An English translation of the DressCode proposal is sent out for comments to all project partners and a range of groups internationally. The CCC, ITGLWF, and others give comments in the subsequent months. The proposal attracts much attention in Sweden.

September 2001: DressCode proposal send to a large number of retailers and institutional garment buyers in Sweden. 9 companies indicate that they are seriously interested.

December 6 2001: The project officially closes, though the project coordinator continues to work one day per week for six months to follow up on the DressCode proposal and wrapping up the project. First meeting of Swedish groups interested in DressCode.

Appendix B: Swiss CCC China Pilot Project Timeline

March 2000 -- Swiss retailers Charles Veillon SA, la Fédération des Coopératives Migros and Mabrouc SA/Switcher -- adopt codes of conduct similar to the CCC model code of conduct. The three retailers enter into an agreement with the Swiss CCC to set up a pilot project on "independent monitoring of a code of labour practices for the apparel industry including sportswear." The project is scheduled to run for a year and a half and will study the feasibility of an independent monitoring model.

Summer 2000 -- The pilot board -- composed of representatives of the three Swiss retailers and three Swiss NGOs -- hires a director to run the pilot project. The board selects India and China as the two countries where the pilot project will be run. One supplier for each company in each country will be audited during the project.

October 2000 -- The pilot project director begins work.

May 2001 -- Project director travels to Hong Kong to gather preliminary information on the possibilities, limits and specificities of a project of monitoring in mainland China. This first round of meetings does not lead to the identification of potential partners for the monitoring of suppliers in China. No decision is made regarding the involvement of local partners. Further discussions, meetings and visits are deemed necessary before proceeding concretely with the implementation of the Chinese pilot project.

October 2001 -- The pilot board decides to extend the duration of the project until December 2002 in order to allow for the implementation of several important remaining phases of the project -- the visits to the Chinese suppliers and the worker training program.

November - December 2001 -- Project director travels to China to meet potential project partners (to carry out interviews with workers or factory audits). Following these discussions it is decided that the Chinese partners will work in two distinct teams (interview team and audit team) in an upcoming visit to a supplier located near Shanghai. Two other factories (in Guandong and Jiangxi provinces) will be visited as soon as arrangements for other interview teams can be finalized.

March 2002 -- Project director travels to China to continue discussions with Chinese partners concerning the possibility of setting up a several-week training

program for the workers at the pilot facilities, aimed at sensitizing them to the provisions of the code of conduct.

April 2002 -- Interviews with workers from the supplier factory near Shanghai are carried out by a team of researchers. Interviews are carried out in the workers' dormitories or the factory canteen over the course of several days.

April 2002 -- Unannounced visit to supplier near Shanghai carried out. Audit team, prepped with information from worker interviews, spends three days inspecting the factory and examining records.

Report on findings from audit and interviews submitted to the Swiss company and the supplier.

July 2002 -- Corrective action plan for the supplier near Shanghai under discussion between the Swiss company and factory management.

July 2002 -- Interviews with workers from the supplier located in Dongguan, Guangdong Province, carried out. Again the interviews are conducted in the workers' dormitories or in the factory canteen over the course of several days.

July 2002 -- Using input from the worker interviews, the project director, along with the audit team that carried out the audit of the supplier near Shanghai, make an unannounced visit to the Dongguan factory. The audit lasts three days.

Report based on the audit/interviews with the Dongguan factory workers is submitted to the two Swiss companies sourcing at this supplier and to factory management. Corrective action plan under discussion

September 2002 -- First session of the workers training program carried out at one supplier, focusing on Chinese labour law and the company's code of conduct was held with 67 workers from the Dongguan supplier.

October 2002 - Second workers training session, this time with 100 of the Dongguan workers participating, is held. The session focuses on women workers' reproductive health issues and rights.

November 2002 - Third workers training session, with 99 Dongguan workers participating, is held. The session focuses on occupational health and safety.

December 2002 - Fourth and final session of the workers training program at the Dongguan supplier is held. One hundred and ninety five workers participate in the session, which focuses on stress management and life planning.

December 2002 -- Three Hong Kong researchers interview workers from both factories (approx. 30 in Dongguan and insert number near Shanghai) to gather information for the follow-up audit of each of the factories. The workers are interviewed in the canteen or in their dormitories, in private with no interference from management. The results are shared with the pilot project coordinator.

January 2003 -- A few days after the worker interviews, the audit teams revisit the two factories. One factory, producing for one of the Swiss companies, has made significant improvements. Most of the recommendations have been implemented. This Swiss company was the only one of the three to develop a complete corrective action plan. Some improvements are noted at the Dongguan factory, however key elements of the codes are not being respected. Management at the factory is found to be uncooperative.

March 2003 - Final reports on follow up audits released.

April 2003 -- Project officially closes; proposal for a monitoring and verification system, called Veri, under discussion.

Appendix C: Proposals Structures: DressCode and Veri

Both the Swedish and the Swiss pilot projects generated attempts to develop permanent structures for monitoring and verification.

DressCode

At the April 2001 meeting of the Swedish pilot board, the follow-up to the project and possibilities for setting up a monitoring and verification system were extensively discussed. However the pilot board members failed to reach a consensus on the design or processes for such a system, partly due to time pressures and partly because there was no clear written proposal on the table. The situation was further complicated by the change in representation from the industrial workers union. The pilot board eventually asked the project coordinator to develop a proposal for further discussion among the Swedish stakeholders.

The following month the project coordinator sent out a detailed proposal for a verification system she called "DressCode," distributing it to a wide range of organizations in Sweden for feedback. An English translation was sent out to all the pilot project partners for comments, as well as to other relevant groups outside Sweden. The proposal attracted a lot of attention in Sweden, and generated comments from the other CCCs, the ITGLWF, and a variety of other organizations.

The Swedish unions expressed serious doubts about the proposal, mainly questioning the validity of monitoring and verification systems in comparison to other tools, such as framework agreements or more government-controlled mechanisms. This came as a huge surprise to the NGOs and the companies who had taken part in the pilot projects, who felt that such doubts should have been raised at a much earlier stage. If this was their position, then why had the unions taken such a central role in a project (both in the coordinating group and on the pilot board) that aimed to further develop code monitoring and verification? In their view, criticism of this nature had not been voiced during the project, until the change in representation took place.

Criticisms on the content of the proposal, including from the CCC itself, centered around the code (which on some points was less rigorous than the CCC model code, most importantly the code called for payment of the minimum wage, not a living wage) and at the rather large role of commercial quality control firms.

DressCode proposed a verification system that followed the model for verification that was tested out in the project: audits to be carried out by commercial quality control firms and worker interviews done by NGOs, or NGO-selected consultants. According to the report this model has proved its viability in all pilots. The audit would have to be unannounced and "by an authorized, specially selected auditor trained by DressCode Kontroll with well-documented experience of social and ethical inspections and a considerable knowledge of the garment industry" (DressCode proposal, page 24). The DressCode organization would be controlled by unions and NGOs, who would own DressCode Control which would organize the verification activities.

Given the outcomes of the China pilots (see conclusions below), it is logical that the CCC questioned the viability of the model in China *outside of the pilot context*. "The chance of finding local organizations willing and capable of conducting confidential interviews is small, and experiences with audit firms operating in the Chinese context without the benefit of these briefings are not positive (for example, SA8000)" (communication from CCC international secretariat to the Coordinator of the Swedish pilot project, July 2001).

Many questions also remained about the organizational structure of DressCode, which gave unions and NGOs a dominant role.

In December 2001 a meeting for interested organizations took place in Sweden (without the companies). By this time, the companies had indicated that they were willing to start discussions based on the proposal and were willing to discuss upgrading the code, if they would not be held to the standard of a living wage immediately. Though there was considerable NGO interest, most of the NGOs indicated they did not want to take the proposal any further if the trade unions were not willing to join. This was also the CCC position, as the CCC after all includes unions, and was severely hampered by the difference of opinion on this subject among its members. Repeated attempts involving all parties to mend the rift produced no results.

From the CCC's perspective it was unfortunate that no process for debating and amending the DressCode proposal was launched. When compared to those in other countries, the Swedish companies have been more willing to give a substantial role to trade unions and NGOs (ex. ceding them the formal majority in the pilot board, and in the composition of DressCode). Expanding their participation in the project to participation in a multi-stakeholder system would have been a significant development, as well as a powerful example to other companies.

VERI

As in Sweden, the Swiss project included development of a more systematic monitoring and verification approach. The proposal was developed by the Swiss CCC, based on what they had learned in the pilots (and also on lessons drawn from the experiences of the other CCCs, notably Sweden and the Netherlands) The plan was presented to the pilot companies end of 2002 and is still under discussion.

The idea is that the CCC (which in Switzerland consists only of NGOs) would establish an association called VERI. This body will be overseen by a tri-partite committee (NGO and trade unions together would have three seats, companies three seats ,and one chair). As proposed, VERI would have a secretariat to coordinate the work, look for collaboration with local partners and other initiatives, and build up a framework for executing these tasks on a European level. VERI is responsible for the verification of the code (not for the monitoring, which is the job of the companies themselves). To do this they propose creating VERI offices in certain countries, to ensure strong participation of civil society organizations. The secretariat would also receive complaints.

Companies can to participate in/work with Veri, but to do this they have to adopt a complete code of conduct and commit themselves to implementing this in the whole subcontracting chain. They have to monitor if their suppliers implement the code and accept independent verification, allow for a complaints procedure and workers training. VERI would verify the procedures in Switzerland and check at the suppliers. All the reports of the supplier level verification would be published by Veri (excluding the names of the suppliers).

VERI would also inform the public about the code and be responsible for worker training and ensuring that workers have access to information on their rights and know how to exercise the rights.

VERI would not give nor be a label: companies would not get approval from VERI. If violations are found, they can remain participating the idea is that corrective action is listed in the reports. Since the reports are public, campaign organizations like the CCC would then be able to judge from those if and how strong they should campaign against a certain company.

VERI (like DressCode) did not get of the ground. Debate continues in Switzerland though among the CCC organizations and the companies in the pilot project, and

others, about the possibilities of developing a more permanent monitoring and verification mechanism.

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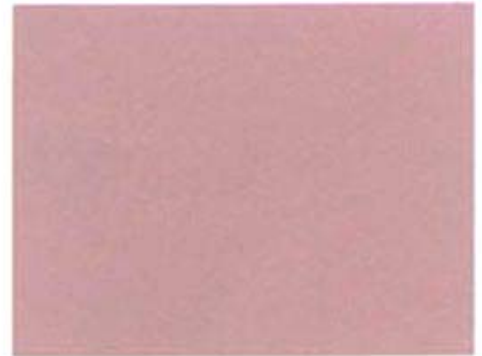
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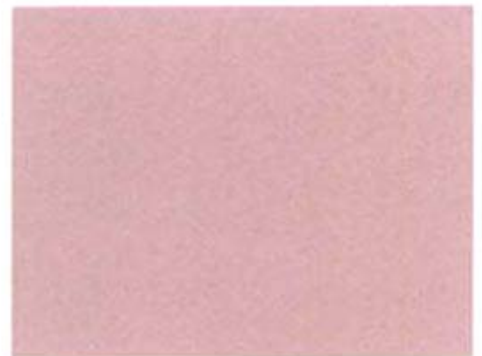
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