

# E-mail up-date on Global Social Compliance Programme

*Clean Clothes Campaign, International Secretariat*

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## **Introduction**

The world's largest retailers -Tesco, Wal-Mart, Carrefour and Metro announced the formation of the Global Social Compliance Programme (GSCP) - supposedly to encourage a unified approach to promoting good working conditions in the supply chain. The GSCP represents business' latest proposal to address sweatshop conditions in the global supply chains of multinational corporations, but with an aggregate annual sale of over \$500 billion this initiative potentially shadows all others. In this e-update we will first describe the main characteristics of this initiative – background, governance structure, work-plan and code of conduct. In the final section we will give our views and provide a critique of the GSCP.

## **1. Background of GSCP**

Driving force behind the GSCP is CIES, which stands for Comité International d'Entreprises à Succursales. CIES was founded in 1953 to create a body to represent food retail chains. Today, CIES represents a global network of food companies and has hundreds of members across the world, many of them belonging the world's largest multinational corporations, including: Ahold, Carrefour, Casino, Coop, Metro, Migros, Tesco, Walmart, and Waitrose. So far mainly CIES members are involved, but the GSCP emphasizes that the programme is also open to non-member companies.

Like other business organisations, CIES provides a platform for knowledge exchange, networking between suppliers and retailers; it also facilitates the development of common positions and tools on key strategic and practical issues affecting the food business. One example is the 'Global Food Safety Initiative' (GFSI), whose mission is to stimulate the 'continuous improvement in food safety management systems to ensure confidence in the delivery of safe food to consumers'. There is a strong overlap between the companies behind the GFSI and the companies driving the GSCP.

**Table 1. GSCP members (Dec. 2008)**

<b>Alcan Packaging</b>	<b>ICA</b>
<b>Auchan</b>	<b>IKEA</b>
<b>C&amp;A</b>	<b>Jeronimo Martins</b>
<b>Carrefour</b>	<b>METRO</b>
<b>Casino</b>	<b>MIGROS</b>
<b>Dairy Farm</b>	<b>Monoprix</b>
<b>Delhaize</b>	<b>Royal Ahold</b>
<b>Dole</b>	<b>Sobey's</b>
<b>El Corte Ingles</b>	<b>Tesco PLC.</b>
<b>Hallmark</b>	<b>Wal-Mart</b>
<b>Hasbro</b>	<b>Woolworths</b>
<b>Hewlett Packard</b>	

One motivation driving the GSCP is that retailers increasingly recognise that the multiplication of private efforts is inefficient, expensive, time-consuming, and, probably, counterproductive. The same argument is used at the Business Social Compliance Initiative and audit sharing initiatives like the UK-based Sedex or US-based Fair Factories Clearinghouse. Each of these initiatives seeks to accommodate the sharing of

audit results. In addition, the lobby side of the GSCP is also important. Like other business-run initiatives the GSCP wants to show that ‘regulation is unnecessary because businesses are in fact delivering improvements through their own effort’.<sup>1</sup> In other words, the GSCP seeks to prevent government action on CSR-related issues.

## 2. Governance of the GSCP<sup>1</sup>

The governance structure of the GSCP exists of the following elements (see figure 1):

- a. Task force
- b. executive board
- c. expert working groups
- d. advisory board
- e. secretariat

### a. Task Force

The Task Force “is the backbone of the programme and gathers retailer and brand manufacturer companies from all over the world and across all sectors. It provides a forum for knowledge exchange and identification and promotion of best practices. Task Force companies are committed to take appropriate action to support the objectives and principles of GSCP”.

Table 2 GSCP Board	
Terry Babbs	Tesco
Véronique Discours-Buhot	Carrefour
Knut Engels	Metro
Alan Hassenfield	Hasbro
Rajan Kamalanathan	Wal-Mart
Johann Zublin	Migros
<b>Source:</b> GSCP website	

### b. Executive Board

The Executive Board “steers the Programme and is responsible, with the support of the Secretariat, for the general management of the programme. The Executive Board ensures GSCP delivers its objectives and integrates the expectations of all stakeholders. The Executive Board is a subset of the Task Force and reports to the Task Force”. Table 2 shows who is on the GSCP Board.

### c. Expert Working Groups

Expert Working Groups “carry out the GSCP working plan. The role of the Expert Working Groups is to compare and analyse existing practices in order to identify best practices for each step of the GSCP working plan. Expert Working Groups work on specific tasks such as the review of the code, the alignment of audit checklists, of audit methodologies, etc. The number of active working groups will be defined

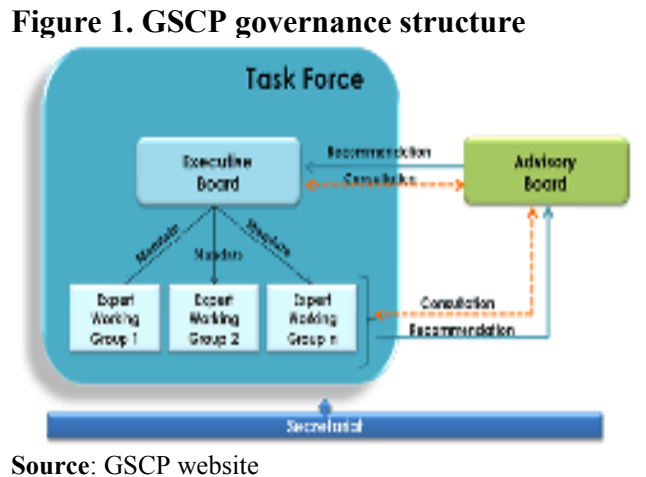
Table 3 Advisory Board Members	
Amir Dossal	United Nations Office for Partnership
Stephen Frost	CSR Asia
Jan Furstenborg	UNI Commerce
Olivier de Schutter	FIDH
<b>Source:</b> GSCP website	

<sup>1</sup> This section relies heavily on the information provided at the GSCP website.

according to task allocation. Expert working groups are expected to disband once their task is completed.”

**d. the Advisory Board**

The role of Advisory Board is “to ensure that opinions and perspectives of civil society stakeholders are integrated in the pursuit of the Programme’s objectives’. It is further envisioned that the Advisory Board will ‘give advice and direction on each step of the programme and helps monitor and evaluate progress.” Table 3 shows current advisory board members. See section 4.3 for a critique.



**e. The Secretariat**

Finally, the GSCP Secretariat is managed by CIES. It runs the Programme’s operational activities.

**3. Work-plan of the GSCP**

The GSCP has developed a staged approach which consists of six steps<sup>2</sup>. They argue that the programme will ‘accommodate *the specificities* of existing systems while building comparability and transparency between them; drive convergence and reduce duplications; and, above all, allow purchasing companies and their suppliers to concentrate on the identification of root causes of non-compliance and remediation of non-compliances’.

The first three steps aim to develop reference tools based on ‘best practice from existing systems’, the next three steps ‘aim at further building understanding, comparability and transfer of information between the different systems’.<sup>3</sup> Step four and five seek to build comparability and transparency between the various ‘verification’ systems , which would make data sharing possible. GSCP anticipates that all steps are completed by the end of 2009.

**Work-plan GSCP in six steps**

1. Reference code
2. Audit system and methodology
3. Auditor competence
4. Verification systems
5. Data sharing
6. remediation

**1. Reference code**

The first phase, developing a reference code has now been finished. The GSCP reference (version 1, September 2008) code includes standards on:

- forced, bonded, indentured and prison labour;
- child labour ;
- freedom of association and the effective recognition of right to collective bargaining;
- discrimination, harassment and abuse;

- health and safety;
- wages and benefits, and
- working hours<sup>4</sup>

The code refers to the main ILO standards, which is an important step. While the code does not explicitly mention a living wage, the definition is similar to those of the Fair Wear Foundation and Ethical Trading Initiative. Unlike these initiatives, however, the GSCP code is a reference code and members are not supposed to sign up to it (see also 4.2 below). The scope of code is weak as it applies only to suppliers (including sub-suppliers) and not to the workers directly employed in the retail shops. This is important as some of the GSCP member companies have a poor human rights record, particularly with regard to freedom of association (see section 4.1 and 4.7 also below).

### **Step 2 and 3. Audit system and methodology and auditor competence**

The second step is to develop guidelines for reference audit tools which ‘aims to foster a common interpretation of the greatest level of auditing at production sites’. It also aims at ‘supporting the elimination of duplication’. There is now a ‘GSCP expert working group on audit systems and methodology’ to identify best practices in auditing processes and practices at suppliers.<sup>5</sup> In step three common guidelines for auditors are being developed which should increase consistency, allow for common training of auditors, and send a unified message to suppliers. In section 4.5 we will summarize the main weaknesses with this model of social auditing.

### **Step 4, 5 and 6. ‘Verification’ systems, data sharing and remediation**

In step 4 the GSCP aims to build comparability and transparency between existing ‘verification systems’. This should result into the possibility of data and information sharing among GSCP members, which would reduce duplication of auditing. Step six, finally, and building upon the understanding and transfer of information among members would be ‘better place to work collaboratively on remediation of non-compliances and improvement of working conditions’.

## **4. Critique**

In this section we will discuss why the Clean Clothes Campaign remains sceptical about the GSCP approach. It will distinguish nine points that raises questions at the credibility and legitimacy of its approach. This critique forms part of our work to track and review the development of initiatives designed to implement, monitor and verify codes of conduct.<sup>6</sup> For example, in our ‘Full Package Approach to Labour Codes of Conduct’, we discuss four major steps companies can take to ensure that their products are made under human conditions. In our five-page letter dated 23 March 2007, we offer John Ruggie, the United Nations Secretary-General’s Special Representative on Business and Human Rights, suggestions on how multinational companies could improve labour conditions in supply chains and takes a critical look at the general impact of corporate social responsibility initiatives, voluntary supply chain initiatives, stakeholder involvement, and so on.<sup>7</sup>

#### **4.1. Scope excludes retail workers**

First, it is remarkable that the reference code is applicable to everyone – manufacturers, all countries of production, supply chain at every level – except their own core business; namely the workplaces where consumer goods are being sold. It seems that workplace standards do only count when it concerns suppliers. This is worrisome because some of GSCP members, Wal-Mart in particular, have a very poor record on respecting international labour rights (see also section 4.7). This introduces a double standard and casts doubt on the credibility of the entire initiative. Without a clear, explicit commitment to implementing and observing international labour standards at their own workplaces one can doubt how serious the attempts will be to implement and monitor them at suppliers.

#### **4.2 No commitment to adopting the code**

Second, the adoption of the reference code (if only to apply for suppliers) is completely voluntary. The GSCP writes: '[member companies] are not asked to adopt the Reference Code or to guarantee its implementation. What is important is to use it to review their current approach. Some may choose to integrate or adopt it.'<sup>8</sup> It is unclear how a process of convergence can be driven by a process that is completely free of commitments. How can one compare and share audit results without committing to one standard? There is a real risk that the consequence of this noncommittal approach will be that it actually drives down standards since the result will be that the lowest common denominator will be used, as the only one that can be compared among the members).

#### **4.3 Lack of Stakeholder involvement undermines legitimacy claims**

The governance structure of the GSCP (see figure 1.) implies that corporations are solely responsible for the oversight. Setting up *consulting arrangements* with stakeholders through the establishment of an advisory board, with no powers whatsoever, does little to address the legitimacy gap. After all, whether a code monitoring initiative is trustworthy, responsible, desirable and appropriate is something that cannot be declared by companies or business associations; it depends on whether the stated beneficiaries of such an initiative, e.g. workers and the general public (consumers) who want 'clean clothes', recognize it as such.

Stakeholder participation is therefore essential for the credibility of voluntary accountability mechanisms, and while GSCP recognizes this, they do not provide for a balanced representation of stakeholders. Workers and members of local communities, as the potential victims of human rights violations and as the intended beneficiaries of the whole process, are arguably the important stakeholders and need to be involved at all levels and in all activities related to code implementation, if code implementation is to be successful and sustainable. If the intended beneficiaries are not directly involved at all levels, including in decision-making, it is unlikely that real sustainable change will be achieved. Companies, either acting alone or together, simply do not possess the credibility to address these issues by themselves. It represents a corporatised initiative, characterised by a top-down elite structure, which is based on a voluntary and incomplete self-regulatory structure, with very little serious participation by non-corporate actors. As it stands now, the GSCP should be clearly contrasted with various MSIs that are at least

‘attempting to build democratic, locally accountable, substantively responsive, participatory strategies of governance’.<sup>9</sup>

In addition, by marginalizing the input of stakeholders the GSCP undermines their capacity to actually address the multiple problems throughout their global supply chains, which should be based on shared responsibility. Worker rights violations in workplaces can best be addressed through cooperation with workers or local stakeholders, but these systems reduce their input from the outset and therefore unlikely to win the trust necessary for cooperation.

#### **4.4 Adding to the confusion**

Paradoxically, while the GSCP is supposedly set up to address the duplicity of code implementation systems, their establishment is likely to add to the confusion. They add yet another initiative to the many that already exist. For several years it is recognized that the proliferation of corporate and multi-stakeholder initiatives is confusing and inefficient. Clearly, one does not solve this problem by setting up new initiatives. Furthermore, since 2003 five labour standards Multi-stakeholder initiatives and the CCC<sup>10</sup> have collaborated in the JO-IN project—which stands for *Joint Initiative on Corporate Accountability and Workers’ Rights*. Here a dialogue has started on how to achieve better coordination among the various multi-stakeholder initiatives, for example by drafting a common code of conduct and carrying out a joint code monitoring and remediation project at a series of apparel factories in Turkey.<sup>11</sup> In this sense, the GSCP member companies should have done better to seek collaboration with the JO-IN project, instead of launching their own, business-controlled, initiative. Instead of driving convergence, by setting up yet another initiative, the GSCP is driving divergence.

#### **4.5 Standardizing weak social auditing**

Another problem with these GSCP is that they prioritise a system of social auditing recognized by many as inefficient, expensive and biased. A November 2005 report *"Looking for a Quick Fix: How Weak Social Auditing is Keeping Workers in Sweatshops,"* published by the CCC International Secretariat, assesses this social auditing industry. It describes the failure of the majority of social audits carried out by multinational audit firms, including those used by business-led initiatives like BSCI or Sedex.

For many years labour rights activists have criticised the over-reliance on social audits in monitoring labour conditions, for many reasons:

- While audits may be able to uncover violations of codes that are quantifiable such as working hours or pay levels; they are much weaker in revealing rights-based requirements such as trade union freedoms to organise without harassment.
- Audits often fail to identify or analyse the causes of violations.
- Auditing can create a culture of cheating by managements who need certification but are also trying to keep down costs.
- Social auditors are often associated with management and therefore lack the trust of workers during interviews.

- It is commonplace for audit interviews to be held inside the factory and workers are often instructed on what they must say.
- Auditors often lack the knowledge of local circumstances and therefore the capacity to establish meaningful contacts with local trade unions and NGOs; this is especially important when it comes to finding effective corrective action.
- Companies that perform audits might be influenced by business interests; they might not reveal damaging information that could jeopardise their future contracts.

In broader terms, criticism on commercial social auditors points at managerialism, e.g. the growing number of self-assigned “experts” (law firms, accountancy, consultants, ethics officers etc.) that have jumped on the social corporate responsibility bandwagon in order to extract a “business” out of it. These experts help to ‘domesticate the CSR space as a docile, auditable, and management friendly arena that is inhabited by professionals’.<sup>12</sup> By appropriating these topics, the “professionals” seek to turn workers into passive objects to be audited, instead of active subjects that need to be involved in the regulation of their own working conditions. The main aim seem here to find a more effective way of managing potential risks associated with souring in low-wage countries. In addition, the CCC argues that too much focus on (sharing) social audits distracts attention from other activities that labour rights advocates believe to be crucial to ensure code implementation, such as complaints mechanisms, reporting, worker training and education, and changes in purchasing practices.<sup>13</sup>

The assumption of the GSCP that sharing audit results would free up resources for remediation efforts heavily depends on the quality of social audits. If the quality of social audits is weak, the remediation efforts will be weak as well. For quality auditing, one needs to system in which workers participate on an equal basis. It requires that workers can give input both immediately, at the audit process, or afterwards through complaints mechanisms.

#### **4.6 No complaints mechanism**

The GSCP programme does not mention the existence of a complaints mechanism for workers. A mechanisms for handling complaints is essential if working conditions are to be improved and workers’ rights respected. Complaint procedures are seen as a means to ensure direct input at any given time from workers and their organizations in the monitoring and verification process, and to balance and supplement the limited scope of social audits, which only provide a “snapshot” of labour practices at a specific moment in time. Despite all the talk about remediation and addressing root causes, the GSCP has not given any prominence to setting up a complaints mechanisms, which would be difficult to design as long as the GSCP marginalizes the role of stakeholders.<sup>14</sup>

#### **4.7 Shifting responsibility and costs towards firms**

The GSCP reference code only refers to suppliers. It is therefore likely that cost of compliance will be transferred towards suppliers as well. This is problematic because working conditions should also be a concern of buyers. Labour advocates have always argued that suppliers must be adequately compensated for the costs involved in meeting compliance. It also implies that brands and retailers should acknowledge that their

purchasing practices can be a significant obstacle to achieving decent working conditions in the supply chain. In other words, purchasing practices should enable and not inhibit suppliers to be decent employers.

#### **4.8 No verification**

The GSCP model puts a lot of energy to make the sharing of audit results possible, the model does not foresee in verification. Verification is about establishing the credibility of claims concerning actual labour practices, the observance of code provisions, or the observance of code implementation. This at least implies that verification is carried out by a body independent of the entity whose claim is being verified. In addition to the need for independence there is the need for assurance that the activities and programs being carried out to implement and monitor codes are effective and that quality standards are met (i.e., that conditions actually improve). Thus far, all corporate stand-alone attempts to take on this massive and complicated task have failed.

#### **4.9 Wal-Mart's union-busting history**

A final reason to be concerned about the GSCP is that some of its members – but particularly Wal-Mart – have a very poor record concerning freedom of association and collective bargaining within their own facilities. It is very hard to understand how one of GSCP's founder members, Wal-Mart, could credibly claim to adhere to the human right of workers to form or join trade unions and to bargain collectively, when its actions up to this point indicate a systematic absence of such commitment. Wal-Mart has repeatedly failed to intervene when cases of suppression of trade union rights in supplier facilities are brought to its attention, for example in the Philippines (Chon Won case), Mexico (Hermosa) and Cambodia (Fortune). Meanwhile, Wal-Mart's attitude to organising among its own employees and 'associates' is openly anti-union. Wal-Mart uses a variety of tactics to suppress the right to organize, among them: screening out potential union supporters through its hiring process; operating an anti-union hotline to crush any organizing effort; shutting down shops after workers chose union representation; giving large grants to support anti-union organizations and distributing a “*Manager's Toolbox to Remaining Union Free*”, which among other things states that:

Staying union free is a full-time commitment. Unless union prevention is a goal equal to other objectives within an organization, the goal will usually not be attained. The commitment to stay union free must exist at all levels of management – from the Chairperson of the “Board” down to the front-line manager. Therefore, no one in management is immune from carrying his or her “own weight” in the union prevention effort. The entire management staff should fully comprehend and appreciate exactly what is expected of their individual efforts to meet the union free objective. The union organizer is a “potential opponent” for our center.

The commitment to remain union free also has a price. Unless each member of management is willing to spend the necessary time, effort, energy, and money, it will not be accomplished. The time involved is a day-in/day-out (365 days per year) application of the union free standards and the obligations and responsibilities imposed upon the management team. Effort, energy and money must also be infused into the union free-system with equal attention and fervor.<sup>15</sup>

These anti-union policies are widely documented and do not need any further explanation here, but they show how easily the GSCP could become a public relations vehicle for to combat sweatshop allegations for companies who are themselves openly hostile toward trade unions.

<sup>1</sup> GSCP (2008) Beyond the curve: How business is building a joint approach to improve international labour standards in the supply chain', White Paper, available at <http://ansteys-ltd.com/docs/GSCP-Nov-final-web-9-12-08.pdf> [last accessed 15 December 2008]

<sup>2</sup> Source: [http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp\\_workingplan.asp](http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp_workingplan.asp)

<sup>3</sup> Source: [http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp\\_workingplan.asp](http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp_workingplan.asp)

<sup>4</sup> The GSCP code is available at: [http://www.ciesnet.com/pfiles/programmes/gscp/GSCP\\_Reference\\_Code-Version\\_1\\_September\\_2008.pdf](http://www.ciesnet.com/pfiles/programmes/gscp/GSCP_Reference_Code-Version_1_September_2008.pdf)

<sup>5</sup> See: [http://www.myciesnet.info/\\_conference/2008GSCP/index.php](http://www.myciesnet.info/_conference/2008GSCP/index.php)

<sup>6</sup> This document can be found at: [http://www.cleanclothes.org/codes/full\\_package.htm](http://www.cleanclothes.org/codes/full_package.htm)

<sup>7</sup> The CCC letter can be found at: [www.cleanclothes.org/ftp/070323\\_CCC\\_to\\_Ruggie.pdf](http://www.cleanclothes.org/ftp/070323_CCC_to_Ruggie.pdf)

<sup>8</sup> [http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp\\_faqs.asp](http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp_faqs.asp)

<sup>9</sup> O'Rourke D. 2004. Community Monitoring and Corporate Accountability. In J. Ruggie, C. Kolb, D. O'Rourke & A. Kuper, eds. *The Impact of Corporations on Global Governance*. New York: Carnegie Council on Ethics and International Affairs

<sup>10</sup> In this context, the CCC cannot be defined as a MSI because it has no industry representation (only NGOs and trade unions).

<sup>11</sup> See for more information: <http://www.jo-in.org/pub/about.shtml>

<sup>12</sup> Sum, N.L. 2005. From "New Constitutionalism" to New Ethicalism: Global Business Governance and the Discourses and Practices of Corporate Social Responsibility. Paper prepared for the European Consortium for political Research Joint Sessions, Workshop 24: *Transnational private Governance in the Global Political Economy*. Granada, Spain, 14-19 April 2005.

<sup>13</sup> For a longer discussion see: CCC, (2005) 'Looking of a quick fix: How weak social auditing is keeping workers in sweatshops'. Clean Clothes Campaign: Amsterdam. Available at: [http://www.cleanclothes.org/ftp/05-quick\\_fix.pdf](http://www.cleanclothes.org/ftp/05-quick_fix.pdf) [accessed, 19 February 2008] p, 74-84

<sup>14</sup> For a discussion on complaints mechanisms, see: Ascoly, N. and I. Zeldenrust (2003) Considering complaint mechanisms: An Important Tool for Code Monitoring and Verification, SOMO, Amsterdam, available at: [http://www.cleanclothes.org/codes/monitoring/reports/03-12-complaints\\_paper.pdf](http://www.cleanclothes.org/codes/monitoring/reports/03-12-complaints_paper.pdf)

<sup>15</sup> Brenner, A. B. Eidlin, and K. Candaele (2006) 'Wal-Mart Stores, Inc.' Document prepared for the International Conference Global Companies – Global Unions – Global Research – Global Campaigns