

## **Daily Labor Report**

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### *International Labor*

## **Better Monitoring Processes Uncover More Code of Conduct Violations, FLA Report Says**

Violations of workplace standards at factories around the world monitored by the Fair Labor Association increased by 120 percent in the second year of monitoring, according to an FLA report released Aug. 19.

The number of noncompliance problems increased to an average of 15.19 per factory in 2003, compared with an average of 6.85 violations per factory in 2002, FLA said. Noncompliance refers to violations of FLA's workplace code of conduct, which is based on International Labor Organization core labor standards. This is the second public report from FLA (110 DLR A-7, 6/9/03).

"FLA's second annual report draws upon more rigorous and comprehensive monitoring and verification, more independent monitoring, more company reports, and special features," Aret van Heerden, FLA's chief executive officer, said in a statement. "Although there is still much more work to be done, we are pleased and proud of the increased level of company participation, accountability, and transparency--and improved conditions for factory workers."

The group was founded in 2000 to create a uniform code of conduct and monitoring process for multinational companies. It is affiliated with more than 2,500 clothing companies, as well as universities that license apparel bearing their names and a range of nonprofit groups.

According to the report, the increased rate of noncompliance does not necessarily reflect an increase in actual violations, but may result from a focus on selecting high-risk facilities for monitoring, improvements in the quality of monitors selected by FLA to conduct monitoring, and a greater familiarity on the part of FLA monitors with the group's tools and requirements.

"What we keep realizing is that we need to better develop our systems," FLA spokeswoman Anne Lally told BNA Aug. 19. "We're not dismissing that [violations] could be on the rise, because we don't have the empirical evidence to disprove it." Nevertheless, she said, FLA considers improved monitoring processes to be a more likely explanation.

Lally said FLA also has taken over the hiring and oversight of all third-party monitors. For the first report, she said, companies sometimes were involved in the recruitment and payment of monitors.

The report is based on 10 participating companies--adidas-Salomon, Eddie Bauer, GEAR for Sports, Liz Claiborne, Reebok, Nordstrom, Nike, Patagonia, Phillips-Van Heusen, and Zephyr-Graf-X--and 15 university licensees. That is up from seven companies and no licensees in the previous report. Lally said FLA hopes to include many of its smaller affiliated companies in its third report.

"They are the largest companies," Lally said of the participants. "FLA started with the places where we could have the most impact."

FLA conducted external monitoring in 2003 at 110 facilities that produce products for those companies and licensees; the new report is based on data from 105 of those facilities; data from the other five factories was not available in time for the report.

### **1,595 Violations Found.**

FLA found a total of 1,595 noncompliance issues. The group said that in order to improve the results of its monitoring process, its headquarters staff examined every field report, and reviewed with monitors areas that needed further clarification. In some cases, FLA staff accompanied monitors on their field visits.

Health and safety violations comprised 46 percent of violations in 2003. FLA observed that compared with certain potential violations of its code of conduct, health and safety issues are readily detectable through a careful visual and chemical inspection. "This may in part explain its high rate of reported noncompliance vis-a-vis the other Code provisions," the report said.

In order to improve health and safety code compliance, some companies have encouraged employees to participate in worker health and safety committees, FLA said. In one independently monitored facility, a company worked with a factory to establish a position for an inspector who is responsible for monitoring health and safety compliance on a periodic basis. In other factories in South Asia and Southeast Asia, companies have contracted third parties to carry out awareness programs for workers and supervisors.

Wage and benefit violations accounted for 15 percent of noncompliance, the report said. Among the most commonly reported noncompliance issues were factory failure to pay workers' legal benefits, inadequate time recording systems, and a lack of worker awareness of their wages and benefits. Even with the high rate of noncompliance found, the report said that violations still may be underreported.

"With periodic monitoring by sourcing companies and other independent groups, factory personnel have become sophisticated in concealing noncompliance related to wages," FLA said. They often hide original documents and show monitors a doctored copy of

their books. So, while it is not backed by verifiable evidence, it is likely that the rate of noncompliance with this and other code provisions relating to hours and wages ... is higher than actually reported."

The report added that some participating companies addressed the more common wage and benefit compliance problems by encouraging management to improve recordkeeping, periodically reviewing factory records in order to verify that workers receive adequate pay, and introducing electronic swipe card systems and computerized recordkeeping software in their sourcing factories.

Eight percent of code violations in 2003 related to hours of work, FLA said, which stipulates that employees should work no more than 48 hours per week, plus 12 hours of overtime. Most violations took place in Southeast Asia (46), East Asia (36), and South Asia (35). "Noncompliance with maximum hours of work standards was more common in regions where there is increased demand for production, indicating that factories may not have the capacity to complete orders without increasing working hours," the report said. It added that 63 percent of all noncompliance related to excessive overtime hours.

Other categories of violations reported by FLA included overtime noncompliance (5 percent of violations), workplace harassment and abuse (5 percent), and a lack of freedom of association (4 percent). The group acknowledged that such violations are underreported. FLA pledged to redesign its monitoring instruments to uncover more violations in the future. For example, Lally said, there will be more of an effort to cross-interview workers and managers to find any discrepancies in their discussions of working conditions.

### **Reebok Footwear Receives Accreditation.**

Reebok's footwear compliance program was the first such effort to receive FLA accreditation, the group said. When a company joins the FLA, it commits to establish a workplace standards program that complies with FLA requirements within either two or three years; Reebok was the only company to opt for a two-year period, and only for its footwear unit. After the initial period, FLA evaluates the company based on factors such as whether it had adopted and communicated the workplace code of conduct, and trained internal compliance staff to monitor and remediate noncompliance issues.

If FLA determines that a company's labor compliance program has adequately fulfilled the requirements outlined above, the program receives accreditation, the group said. Accreditation is reviewed every two years.

"By accrediting Reebok footwear, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Reebok footwear submitted upon entering the FLA," the report said. "Accreditation should not be mistaken to mean that a program is perfect, however. When accrediting a program the FLA stresses the need for continued improvement at the level of the factory and the company."

FLA said Reebok's human rights staff generally maintains long-term relationships with the 41 factories it oversees. The staff visits major suppliers at least once a month and subcontractors at least once annually, which allows it to coach factory management on how to make long-term compliance improvements, according to FLA. Especially noteworthy was Reebok footwear's efforts to experiment with various approaches to improve labor-relations systems in factories, particularly in two Chinese footwear factories where workers democratically elected worker representatives, it added.

Nevertheless, ongoing training is necessary for Reebok human rights staff, as in making compliance assurance a mainstream part of doing business, FLA said. The footwear program can also continue to improve by applying to smaller operations and subcontractor facilities the lessons learned through projects focused mainly at major footwear facilities, according to the group.

A Reebok spokesman was unavailable for comment.

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*The report is available on the Web at <http://www.fairlabor.org/2004report>.*

*By Eric Lekus*