**FAIR LABOR ASSOCIATION | INTERNATIONAL TRADE CENTER**

# Ethical Fashion Africa Project Update

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# EXECUTIVE SUMMARY

In support of its mission to promote and protect workers' rights, and to improve working conditions globally, the Fair Labor Association (FLA) continuously engages with other organizations in strategic (special) projects. These projects help address specific areas of risk for noncompliance with labor standards, or targeted issues identified by affiliates. They often allow FLA to pilot new tools to assess labor compliance and evaluate risks. These special projects often lead to the development of creative strategies in unique, nontraditional sectors or in underserved communities.

In early 2010, FLA launched a pilot project with the International Trade Centre (ITC) and its Ethical Fashion Initiative, which promotes trade within marginalized communities of artisans. ITC's Ethical Fashion Initiative is part of a larger program – the Poor Communities and Trade Program – which aims to reduce global poverty through the generation of trade opportunities for marginalized communities and micro producers in the developing world.

The first two years of the pilot project aimed at assessing the needs of this informal sector of artisans; developing the methodology; and building the necessary tools to address labor issues. Additional tools were created to measure the impact of working with the ITC-Ethical Fashion Initiative on the livelihoods of communities producing goods for them in Kenya and Uganda.

FLA led a number of activities in the sourcing communities of ITC's local subsidiary, Ethical Fashion Africa Limited (EFAL), based in Nairobi. Existing FLA tools on risk and supply chain mapping were adapted to the informal sector[1] while some others, such as photo elicitation and social impact assessments, were developed specifically around the artisan groups. EFAL carried out a number of baseline and follow-up impact assessments with extensive trainings conducted in between. Lastly, FLA tested independent external assessments for the informal sector and made recommendations for how its methodology could be adapted for this sector.

This has led to the creation of FLA's FAIR-ART (Artisans for Responsible Trade) project. Additionally, ITC's Ethical Fashion Initiative is slated to expand to other parts of the world (Haiti, Ghana, Mali and Burkina Faso), following a similar approach to social responsibility based on learnings from this project. Ongoing collaboration between ITC and FLA has the potential to improve the lives of thousands more workers, and have an impact in informal sectors at a large scale.

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1   The ILO defines the informal sector as the enterprises and production units operated by single individuals or households that are not constituted as separate legal entities independent of their owners and in which capital accumulation and productivity are low. This includes family units and micro-enterprises with no more than five employees. Employment in the informal sector includes self-employed, own-account workers (with or without family workers) and micro-entrepreneurs.

# INTRODUCTION

In February 2010, FLA welcomed the affiliation of Ethical Fashion Africa Limited (EFAL) – a subsidiary of the International Trade Centre (ITC).[2] As a nonprofit Participating Company with nontraditional supply chain, the affiliation of EFAL has been handled as a special project.

ITC's Ethical Fashion Initiative of the Poor Communities and Trade Program is based on an inclusive business[3] model that offers job and income opportunities to informal producers from marginalized communities and works with women groups in Kenya[4] and Uganda[5], mostly groups of micro-producers based in poor rural and urban settings. The initiative enables disadvantaged communities and their groups of informal manufacturers to become part of the global supply chain, thus developing their export capacities and strengthening their position in the domestic,



*A woman working in one of the communities that partners with EFAL.*

regional and global markets. It is based on a joint effort of ITC and Ethical Fashion Africa Ltd. (EFAL), a not-for-profit entity based in Nairobi, which manages, in collaboration with ITC, all the business operations and the social agenda of the Ethical Fashion Initiative in East Africa.

EFAL's supply chain extends to informal workshops, artisan communities and home-based work in Kenya and Uganda.

Within the "aid for trade" framework, the Ethical Fashion Initiative has strong social objectives that aim at improving the livelihoods of the communities they work with. A part of these objectives is a commitment towards fair labor conditions and the empowerment of workers. In support of this goal, ITC partnered with FLA on a pilot project to better assess and control risks in

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2   The International Trade Centre (ITC) is a joint UN-WTO agency headquartered in Geneva, Switzerland. ITC's mission is to enable small business export success in developing and transition economy countries, by providing, with partners, sustainable and inclusive development solutions to the private sector, trade support institutions and policymakers. ITC's Ethical Fashion Initiative is part of a larger program – the Poor Communities and Trade Program – that aims to reduce global poverty through the generation of trade opportunities for marginalized communities and micro producers in the developing world by involving micro enterprises in international and regional trade.

3   An inclusive business is a sustainable business model that benefits low-income communities. It is an initiative that contributes to poverty reduction through the inclusion of low-income communities in its value chain. It is about including the poor in the business process as producers or consumers.

4   ITC has extended the program to new regions and countries. In 2012 the program was launched to Ghana, Burkina Faso, Mali and Haiti, which will be covered under the FLA affiliation.

5   Most of the communities that EFAL is working with are based in Kenya. There are some communities in Uganda. Subsequent to recent organizational changes and strategic planning, EFAL has strengthened collaboration with a core group of communities, which are geographically easily accessible. Communities based in Uganda are not, at present part of the core production group, but do receive orders when the skills of the community groups in Uganda are required.

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the program's supply chain and strengthen its outreach by implementing remedial and capacity building measures that help improve the lives of workers. This pilot project is aimed at adapting and extending FLA's work into the informal sector with tailor-made methodology and tools to address the specific needs of this sector.

## OBJECTIVES

The main objectives of this pilot collaboration are to:

- Support ITC and EFAL in the understanding and implementation of labor standards in the artisan communities and empowering workers by being part of the Ethical Fashion Initiative;

- Assess the needs; define the methodology; and develop tools to monitor and remediate labor issues in informal workplaces;

- Identify the meaning of capacity building for artisan communities and develop tailored training programs;

- Go beyond the realms of social compliance to develop a methodology and tools to measure the social impact of the program on the livelihood of the workers and communities;

- Develop a methodology for independent external assessment and monitoring of artisan clusters in the informal sector.

This report describes project activities from 2010 - 2012, beginning with background information on the informal sector in Kenya, where the project is implemented. The report outlines the activities carried out by EFAL and FLA and provides a description of the methodology and tools developed throughout the project, which can be used by

FLA affiliates or organizations working with the informal sector. The report concludes with recommendations and an outline of the framework for FLA's future independent external monitoring in informal settings.

## BACKGROUND

Kenya has a land area of 580,000 sq. kms and a population of nearly 41 million, representing various ethnic groups: Kikuyu, Luhya, Luo, Kalenjin, Kamba, Kisii, Meru, Mijikenda, Masai and Turkana. About 40 percent of the population reside in urban areas and 60 percent live in rural areas.

Following a referendum and adoption of a new constitution in August 2010, Kenya was divided into 47 counties with semi-autonomous units of governance. These units are expected to be fully operational by August 2012 – in time for the first general election under the new constitution. The counties will be governed by elected officials and will operate independently of the central government in Nairobi.

The capital, Nairobi, is a regional commercial hub. Kenya has the largest gross domestic product (GDP) in East and Central Africa. The agriculture industry is a major employer, and the country traditionally exports tea, coffee, and – more recently – fresh flowers to Europe. However, about half of the population lives below the poverty line.[6]

Although Kenya is the most industrially developed country in East Africa, manufacturing accounts for only 14 percent of GDP. Industrial activity is concentrated around Nairobi, Mombasa and Kisumu - the three largest urban centers - and is dominated by food-processing industries, such as grain milling, beer production,

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6   Source: https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html

| | 2005 | 2006 | 2007 | 2008 | 2009 | Number, 000's 2010* |
|---|---|---|---|---|---|---|
| Private agriculture and forestry | 272.4 | 280.3 | 289.0 | 289.7 | 288.0 | 291.8 |
| Rest of private sector | 885.0 | 927.4 | 992.7 | 1,016.2 | 1,058.5 | 1,105.2 |
| Public service | 654.2 | 649.9 | 628.1 | 638.0 | 653.5 | 663.4 |
| **Total** | **1,811.6** | **1,857.6** | **1,909.8** | **1,943.9** | **2,000.1** | **2,060.4** |

**Table 1:** Wage employment by sector of activity, 2005-2010. Source: Kenya National Bureau of Statistics.
* Provisional

sugarcane crushing, and the production of consumer goods. There is also a fast-growing cement industry, and Kenya hosts an oil refinery which processes imported crude petroleum into products mainly for domestic consumption. In addition, a substantial and expanding informal sector commonly referred to as Jua Kali engages in small-scale manufacturing of household goods, motor-vehicle parts and farm instruments.

## LABOR PROFILE

In 2010, the composition of Kenya's GDP was: 17 percent agriculture; 17 percent industry and commerce; 59 percent services. Formal sector wage earners were approximately 2 million, of which 30 percent were in the public sector and 70 percent in the private sector.[7]

According to the Kenya National Bureau of Statistics[8], the most current employment statistics are:

## JUA KALI: INFORMAL SECTOR IN KENYA

As in most developing countries, the organized sector is unable to absorb the growing number of jobseekers and therefore, the informal sector fills the gap[9]. It is estimated that the workforce of the informed sector is some 6.4 million workers.

Typical activities associated with the informal sector in Kenya are[10]:

- selling fruits and vegetables;
- food operation, sale and processing;
- selling clothes and shoes (both second-hand and new);
- kiosks selling various items;
- water kiosks;
- small retailers or hawkers who sell cereals, home supplies, fuels and other goods;
- small manufacturing, production, construction and repair of goods;
- handicraft and garments;
- shoe production and repair.

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7   U.S. Department of State, Background Note: Kenya, www.state.gov/r/pa/ei/bgn/2962.htm

8   Source: http://www.knbs.or.ke/Labour_Basic_Min_wages.php

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9   Source: http://www.nayd.org/PDF/The%20informal%20sector%20in%20Kenya.pdf

10  World Bank: Kenya inside Informality: poverty, jobs, housing and services in Nairobi's slums, May 31, 2006, report no.36347-KE

According to the 2006 World Bank report on the Kenyan informal sector focusing on housing, social services provision and slums, there has been an increase in the activities and involvement of the population in this sector. This is largely due to the privatization of the public sector and the rise in the unemployment rate, especially among the youth.

Poverty is rising especially in Kenya's urban areas. This has resulted in a growing number of slums, which house the vast majority of the urban poor. Approximately 73 percent of urban slum dwellers are poor[11]. Rents are quite high in the slums, despite the poor quality of the buildings. The landlords often build these shelters in an unplanned manner, using low-quality materials (e.g., mud, timber, iron sheets) and without basic necessities such as toilets, water sources, or garbage disposal systems. The tenants have no permanent or formal contracts with the landlords and may face eviction at any time. Slum residents are stuck in what is referred to as a "high cost, low quality trap" (World Bank, 2006, p.43). Engaging in the varied activities of the informal sector is the only way for slum dwellers to earn an income.

The informal sector is referred to as "Jua Kali" in Kenya, which literally means "fierce sun" in Swahili. Kenya's informal sector is large and dynamic, including 95 percent of the country's businesses and entrepreneurs. The Kenyan government has established a Ministry of Technical Training and Applied Technology (MTTAT), to raise the very low skill-level of the workers, and MTTAT has been charged with developing training programs for the informal sector[12].


*View of Kibera slum where the informal sector is flourishing.*

In the last decade, access to finance, services and training has increased - even though it is not well distributed. This has resulted in a dramatic development of micro and small enterprises (MSEs). More and more married women create MSEs to boost the family's income. In most cases, the husbands provide the capital for starting the business. However, one of the biggest problems facing MSEs in Kenya is that the husbands often feel threatened by the success of such businesses and withdraw the financial support or bar their wives from operating the business. This has led women to diversify ways to empower themselves by forming saving clubs to ensure their economic independence and development.

11  Source: http://www.nayd.org/PDF/The%20informal%20sector%20in%20Kenya.pdf

12  Source: http://www.nayd.org/PDF/The%20informal%20sector%20in%20Kenya.pdf

## ITC AND THE ETHICAL FASHION INITIATIVE[13]

It is in this specific context that ITC and EFAL got involved in 2009, in working mainly with marginalized communities of women in Kenya and Uganda to supply income-generating opportunities to assist the groups in reducing poverty. The Ethical Fashion Initiative enables international fashion companies and distributors to source from African communities without bias in price or quality, thus allowing groups of marginalized artisans to become part of the larger global value chain. The program thus contributes to reducing poverty by offering trade opportunities to micro-producers and marginalized artisan groups. EFAL's supply chain model is set out in Figure 1.

ITC acts as a liaison between the international buyers and EFAL. Working with design teams from partner companies in Europe and around the world, ITC's team develops the designs through the EFAL Hub – a design centre, administrative office and workshop in Nairobi. ITC also plays an important role in marketing EFAL activities to ensure regularity in the flow of orders and to raise awareness among consumers on ethical issues.

EFAL includes a team of full-time management staff that facilitates business interactions with international companies. Most of these people have been selected from local community groups, after demonstrating their management or
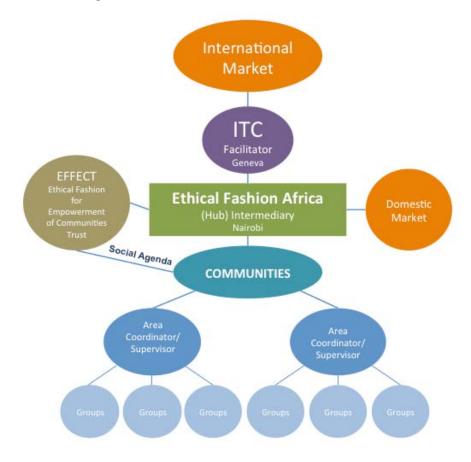


**Figure 1:** Functioning of EFAL's supply chain model

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13  Source: http://www.intracen.org/exporters/ethical-fashion/

technical abilities. The Hub (EFAL headquarters) houses a Product Development Centre where the initial product development takes place. Also at the Hub is a team of tailors and people with other skills who undertake critical production processes. The logistics of placing orders in the community, and the supplies are managed from the Hub. EFAL currently employs 39 people, including: managers, accountants, product developers, quality control officers, production supervisors, packing and shipping managers, tailors, embroiderers, beaders and preparation staff. Critical path production processes take place at the Hub along side final quality assurance, packaging and shipment. The Hub is also responsible for carrying out sampling, price setting, training and preparation before the work is sent out to the communities. Orders are usually sent to the communities for a particular task (such as embroidery, screen printing, embellishments, metal working, etc.) when they are large enough and incorporate the skills represented in the community groups. When placing orders with community groups, EFAL sends in-house supervisors to each group to impart training and to supervise the production process. All pieces produced are then sent back to the Hub for finishing, quality control, packing and shipping.

The Hub also acts as an incubator to foster small hubs at the community level. The vision is to reproduce smaller independent entities that EFAL can rely on for planning, production, quality control, etc. The majority of these micro-entrepreneur groups are organized into Self-Help Groups[14] with a goal of achieving economic empowerment.

At the outset of the FLA project, EFAL was working with 30 community groups. Since then, EFAL made a strategic decision to consolidate work with fewer groups and strengthen the collaboration. Reasons for this consolidation include the ability to provide more regular work, deliver better training, and offer more control over product quality and labor standards at the community level. The core community groups EFAL is currently working with in Kenya are presented in Table 2[15] on the following page.

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14 In the case of EFAL activities, a self-help group is composed of a group of individuals who share a similar set of skills and come together to work as a "team". They are working towards economic empowerment using their skills in related activities. For example group of tailors; group of embroiderers; group of crochet workers etc.

15 The full list of community groups with extended and outer reach is available in Annex I.

| GROUP NAME | GROUP PROFILE | SKILL BASE | COMMUNITY DEVELOPMENT ACTIVITIES |
|---|---|---|---|
| Alfpon SHG Kibera | Group of self-organized young male and female artisans supplying products such as beads and buttons made from horns and bones. The raw material is sourced from cattle carcasses. By hand-carving bones of different hues from cream to tan, these artisans are also cleaning up a health hazard from Kibera, one of Africa's largest slums, by using material that would otherwise be dumped improperly | Horn and bone work | Provides employment opportunities to unemployed youth in the Kibera slum |
| Karen-End SHG Dagoretti | Group of mostly single mothers living in Nairobi's outskirts. These women use their local church as a workshop | Screen-printing, tailoring and crocheting | Empowers and brings together women to address different social issues and offers job opportunities |
| Sanata Women SHG Gilgil | Community groups gathered under the Sanchat Charitable Trust, mostly women who fled the post-election violence of 2008 (internally displaced people) | Tailoring, beading, screen-printing, crocheting | Offers life-skills training and counseling to women burdened by family and economic problems |
| Ambassadors Women SHG Waithaka | Group from Nairobi's outskirts, bringing together poor women who often are refugees from DR Congo and Rwanda. Many suffer from HIV/AIDS | Tailoring and general skills | Empowers and brings together the most vulnerable women to address different social issues and offers job opportunities |
| Bega kwa Bega SHG Babadogo | Babadogo is located in Korogocho, one of Nairobi's largest slums. It is located on the boundaries of the city dumpsite, Dandora. Many of these slum dwellers live off the pickings of the dumpsite and consequently suffer health issues | Crocheting, tailoring, beading, weaving, preparation | Health, sanitation and environmental awareness. Provides income-generating activities for those living in this environment |
| Jiamini SHG Thika | Group of skilled artisans who have received training from a nearby tannery, but who previously had no work prospects. They have set up their own SHG and work as artisans specializing in leather and heavy-duty stitching | Leather work, heavy stitching | Located in an area with high unemployment and poverty, this group has become a stronghold in their community, offering apprenticeships to young people (mostly school dropouts) |
| Steve Brass Kibera | Group of men who strip down old vehicles dumped in the slums, salvage the brass within, smelt it and then reshape it into fashion insignia to decorate and brand accessories. Through their industry, leftover metal gets a new life | Casting brass and aluminum metals | Provides employment opportunity to youths of Kibera slum |

**Table 2:** Core community groups working with EFAL for the Ethical Fashion Initiative, 2012

# PROJECT ACTIVITIES

Since EFAL joined FLA in 2010, a series of joint and independent activities have been carried out in relation to the project. The following section describes the different activities that have helped shape the program.

## AWARENESS BUILDING ON STANDARDS

EFAL has built an understanding about the importance of the FLA's Workplace Code of Conduct in the communities where it operates through continuous local engagement. The Code is shared in a practical way with the groups and the issues are re-iterated with the placement of each new order. ITC and EFAL have outlined detailed policies and procedures that follow, amongst others, the guidelines of ISO 26000 as well as FLA standards. They organize ongoing **awareness building activities** of these policies and standards to all actors in the immediate supply chain. EFAL is developing internal control systems to ensure adherence to these standards.

## TOOL ADAPTATION AND DEVELOPMENT

FLA's first activity as part of this project was to adapt its **supply chain and task and risk mapping tools** to the informal sector. A section on home and community workers was added to the tool to track information on the tasks performed, characteristics of the work force, conditions of employment, and whether informal or formal management systems were in place. The tools are self-managed, to help companies and organizations to better understand their supply chains and the processes involved in the manufacturing of a product. The tools are designed to provide an overview of the supply chain in a particular country and to map all the tasks and associated risks involved in the production

of a certain product. These tools were then shared with ITC – EFAL, who then conducted a task and risk mapping exercise for each community group.

In phase one of the project, FLA and ITC/EFAL also developed a methodology in to measure the impact of the Ethical Fashion Initiative on the livelihoods and well being of the workers involved in the program based on a study framework inspired by a previous study by Marsha Dickson and Mary Littrell on artisans working for a fair trade organization[16] in a Mumbai (India) slum. The work done in the slums of Mumbai helped FLA to identify a set of preliminary social indicators that were further refined to fit the specific context of Africa and the involved communities. This was achieved through consultation with local experts on the draft social indicators and the input from the workers using a photo-elicitation mechanism.

FLA and EFAL also developed a **Social Impact Assessment Tool** that became a cornerstone of EFAL's internal monitoring methodology. EFAL conducts **Impact Assessments** (social and economic) for each production order. The results are made available to the customer on request and serve as valuable information to track the social impact of the opportunities provided to the groups against the increased income generated.

## SUPPLY CHAIN MAPPING AND TASK AND RISK MAPPING

EFAL's field staff has used FLA's tools to complete the mapping exercise. The data are then reviewed by FLA staff to make a preliminarily assessment of the supply chain, including the tasks and labor risks involved. For example, they identified the need for

16  Mary A. Littrell and Marsha A. Dickson, *Artisans and Fair Trade*, Kumarian Press, 2010

strengthening internal management systems (creation of policies and procedures and their implementation) at the Hub and the community level. The lack of information on the labor profile of the communities was also identified as a risk. Indeed, due to the casual nature of the work place, employee-employer relationships were seldom present and labor tracking was nonexistent. Therefore, it was difficult to develop an internal monitoring and remediation program in the absence of any data about the beneficiaries of the program. A third example of risk identified was the lack of a grievance procedure, deprivings workers at the Hub and communities with an opportunity or channel to raise their complaints and solve them in a systemic and timely manner.

FLA advised EFAL staff to implement a basic labor tracking system through registry books in each community to collect information on:

- labor profile (workers' age, gender, name, attendance);

- production (number of pieces made by each worker);

- hours of work (time-in and time-out);

- presence of contracts (verbal or written);

- wages earned.

The objective of this activity was to better know the labor profile in EFAL's supply chain and ultimately advise what kind of internal monitoring and intervention is needed at the work place. In some of the communities where some form of employer-employee relationships exists, FLA advised EFAL to be particularly vigilant about working conditions. In contrast, in a tribal artisan community where the women work together to complete a certain order and the money is divided equally amongst them, the application of the full Workplace Code of Conduct may be less relevent.

Overall, the task and risk mapping exercise informed EFAL and helped them to start shaping up their internal processes by identifying priority issues for each community.

## TRAINING NEEDS ASSESSMENT

In 2011, ITC and EFAL organized an assessment of the various groups to identify their training and capacity building needs. From this needs assessment (conducted by EFAL), a training program was developed. Training and capacity building took place throughout 2011. The training was pertinent to newly-formed groups and the issues they faced in working together, and included the following topics:

- Conflict management and conflict resolution;

- Financial literacy;

- General life skills and awareness on health issues;

- FLA Code of Conduct.

Subsequent to the FLA field visit in early 2012, discussions were held in Kenya on adopting a more practical approach with the groups to inform them about labor standards. The plan is for the group to receive continued guidance and revised training in 2012 with assistance from FLA.

In March 2012, ITC conducted another training needs assessment at both the EFAL Hub and community level. Two trainers from ITC conducted a general survey in order to develop an appropriate training program related to general management, financial management, trade and exports. The trainers conducted a **Learning Style Questionnaire** for each of the groups to assess how each group/sector prefers to learn. Relevant training material and methods (visual, audio or activity based learning) will be developed based on this feedback.

A training program is being developed for 2012, and a subject matter expert is engaged to conduct training on the following topics:

- General business management and operations

- Financial management

- Export management

## DEVELOPMENT OF EFAL'S INTERNAL SYSTEMS

In the past two years, EFAL has systematically initiated activities to develop and strengthen internal systems to implement fair labor standards and operational procedures at both the Hub and community levels.

- Through regular monitoring and training by the social department, the community groups of micro-producers working with EFAL have adopted a worker registration and tracking system. This includes information about the identity of workers, hours of work, and remuneration. This system is continuously being improved and adapted to the respective contexts of the groups. The Hub has improved its existing registration system and now has a digital registry, which effectively records relevant information on workers' involvement in production as part of EFAL's internal monitoring system.

- A participatory management approach has been adopted in developing the structures at EFAL and each department has focus group meetings to develop systems and conduct root cause analysis when required.

- EFAL recently finalized the 2012 version of its Standard Operating Procedures (SOP). This manual describes the systems and processes used by EFAL, ranging from technical processes of production, to management systems for interacting with the informal sector.

- Working with ITC, EFAL has standardized its impact assessment methodology which now includes the different tools used to measure impact (questionnaires, matrix, etc.) and guidance on the methodology.

## FIELD VISITS

Since the project launch, FLA staff have been in regular touch with ITC and EFAL and have conducted field visits in order to understand the peculiarities of the informal sector and develop meaningful tools. Supported by ITC, FLA has conducted three field visits during the project.

- In June 2010, FLA President Auret van Heerden – along with two members from ITC's team – made the first field study to get familiar with the systems at the EFAL Hub and the community level. A number of rural, urban and slum-based communities were visited. The objective of the visit was to provide ITC and EFAL with preliminary considerations on how to couple fair labor standards with their social agenda. The need for designing a methodology to conduct social impact assessment on the community groups was also identified.

- In September 2010, after some work on the risk mapping results and development of a social impact assessment methodology had been carried out, FLA's Projects Officer made a follow-up visit focusing on the refinement of the Social Impact Assessment (SIA) framework. During this visit, FLA tested the photo elicitation method with a sample of workers who took pictures illustrating activities they performed during a typical day. These photographs served as stimuli during interviews to incorporate workers' perspectives in the definition of social indicators. In addition, FLA and ITC

co-organized a consultation with local academics and experts in order to:

i.   solicit feedback on design of the social impact assessment process;

ii.  seek advice on pre-selected social indicators and get input to complete, improve and refine them;

iii. seek advice on the workers' questionnaire (taking into account cultural specificities); and

iv.  establish relationships with credible local organizations, experts and academics for future collaboration.

More information on the SIA process is available later in this report.

• In February 2012, FLA's Director for Agriculture and Strategic Projects and the Projects Officer conducted another visit to:

i.   conduct an in-depth assessment of the ITC – EFAL program to obtain baseline data on internal management systems and labor conditions; and

ii.  test the applicability of FLA's independent external monitoring methodology within the informal sector.

The FLA team spent two days at the Hub in Nairobi and two days in the field visiting four of the ten communities that EFAL currently engages with, including Sanchat Charitable Trust in Gilgil; Baba Dogo in Korogocho; the Brass workshop in Kibera; and the Maasai beaders in the Ngong hills. The detailed results of this assessment were communicated to ITC and EFAL along with a set of recommendations for improvement. The assessment methodology and key recommendations are described later in this report.

## IMPACT ASSESSMENT

One of the main outcomes in the first year of the project has been the development of the Social Impact Assessment (SIA) methodology. This methodology allows measuring the impact of an intervention program on the capabilities, livelihood and well being (material, psychological, physical and social) of the workers involved. The methodology was developed following a classic research approach (Figure 2).



**Figure 2:** Social Impact Assessment Methodology

### Information Collection and Definition of Social Indicators

Defining appropriate indicators was key to conducting a relevant impact assessment. Previous studies[17] helped to identify a set of preliminary social indicators, which were subjected to review in order to fit the specific context. This was achieved with

17  Littrell and Dickson, 2010

feedback from the workers through photo-elicitation and through the consultation of local experts, including professors from local universities, social workers, labor rights experts, nutritionists, doctors, and anthropologists. To ensure the highest level of accuracy with these assessments, ITC organizes bi-annual workshops with this group of experts to review and improve the existing tool.

## Collecting Information from Workers through Photo Elicitation

The photo elicitation method was employed as a valuable field research tool to introduce the informants' criteria for self-assessing workers' lives. Photographs of the workers, produced by the workers themselves, were used as stimuli in an interview, leading to a deeper understanding of what was valuable in their lives. This method is particularly helpful when dealing with illiterate workers, or when the participants' life-experience is dramatically different from that of the researcher. The goal of this exercise was to incorporate the workers' perspective when defining the social indicators.

The photo elicitation method was first used amongst a small sample of workers (5 women), as an explorative approach to illustrate:

- a typical day;
- how workers' view their lives, work and community;
- the things they consider to be important/valuable;
- how the work they do for EFAL is embedded in their daily routines.

Participants were provided with disposable cameras and were taught how to use them.



*Picture taken by a member of the Maasai community (Ngong Hill) as part of the photo elicitation exercise.*

They were explained the objective of the photo elicitation exercise and were asked to take pictures throughout the day, from the time when they woke up to when they went to sleep. A few weeks later, assessors returned with the developed photographs, using them as stimuli to interview the same participants. Participants were asked to select the pictures depicting their typical day, identifying the time of day, location, people, and activities. This exercise resulted in measurable data, such as:

- the amount of time per day workers spend on each task and activity;
- the things that are most difficult to manage during the day;
- the main household problems affecting workers;
- the positive and negative impact(s) of EFAL work on their lives and what could be improved.

To illustrate, the following table describes the main difficulties faced by the EFAL workers as well as the indicators that best measure livelihood improvement according to their own judgment:

| MAIN DIFFICULTIES FACED | MEASURE LIVELIHOOD IMPROVEMENT |
|---|---|
| Fetching water and wood | Number of cattle they can afford |
| Paying for children's education | Afford children's education |
| Lack of help from husbands (financial/daily tasks) | Home furnishing / expansion |
| Being single mothers and providing for the family | Increase women social capital and social status |
| Managing work and household tasks alone | Afford house-help |
| Uncertainty in getting a regular income | Clear old debts, service loans regularly |
|  | Send some money home (to parents) |

**Table 3:** Initial results of the photo elicitation exercise

The results gathered during the photo elicitation were used to guide the first brainstorming workshop with the experts (September 2010), resulting in detailed indicators and a questionnaire to conduct the SIA. The workshop recommended testing the methodology in the field.

**Developing, Defining and Using the Impact Assessment Methodology**

The SIA methodology was tested in 2011 with a sample of ten community groups varying according to size, gender and age distribution, and other factors. The facilitation and interviews were conducted by a local social worker with the necessary communication skills who could easily gain trust within the communities. The questionnaire derived from the photo elicitation and workshop activities was used to guide interviews with illiterate participants, and self-administered questionnaires were given to literate participants. The questionnaires were designed to measure the perceived impact of the ITC/EFAL program on the communities. Key areas of focus included:

- demographic and community information;
- economic livelihood and material well-being;

- psychological well-being;
- physical well-being;
- social well-being.

**Review of the Methodology**

Results of the SIA among micro-producers was evaluated at a workshop in 2011. At the time of the review workshop, ITC had developed a complementary tool to gather quantitative information on economic indicators. This tool, also known as a "Shocks Matrix", demonstrates the difference between the participants' income earned from the domestic market and income earned through EFAL. In other words, it measures growth in economic well-being as a result of ITC's intervention.

At the workshop, experts endorsed the, Impact Assessment Tools (Questionnaire and Matrix), calling them effective and relevant. They advised that the analysis be cognisant of the categories involved and of the value attached to skills, such as how much each skill generates in terms of wage, and to what extent the registered shock levels in rural areas differ from urban areas. The experts also recommended that hours of work be factored into the matrix, and that progress be recorded and tabulated over a period of time.

## Assessments and Data Analysis

ITC/EFAL is currently conducting Impact Assessments in the various communities where they place orders. They have developed a methodology for data analysis and use a well-known software (SPSS) to produce statistical results. The first set of results helped ITC/EFAL to communicate more effectively with the customers about the impact of each order on the livelihoods of the workers. Box 1 presents an overview of preliminary data.

Box 1: Preliminary Data Analysis from the Impact Assessments

Over a fifth of those who work with the EFAL earn less than US$1 a day without orders from the Ethical Fashion Initiative. With orders from EFAL, workers can earn $4 - $7 per day. Casual laborers earn less than artisans.

There is no correlation between the level of education and the income of the artisans; even with no formal education, an artisan who is highly skilled in his/her trade can earn as much as her/his production capacity allows.

The women surveyed confirmed they had earned respect from their male counterparts, especially from their husbands, thanks to their ability to earn a living and to take care of family needs as well as restocking their animals.

94% of the people interviewed confirmed that being involved with the program had increased their self-confidence; 94% of the total respondents said they had learned useful skills; 90% reported that earnings from the program enabled them to make improvements in their homes; 88% mentioned their ability to make independent financial decisions as the most important change in life, and 54% cited the ability to invest; 86% claimed that their diets improved, owing to workplace meals, and 84% cited access to fresh foods; 68% claimed the additional income allowed them to eat three times a day as opposed to once or twice a day.

The Impact Assessment methodology allows ITC to measure the factual economic and social impact on the beneficiaries of its program. This allows ITC to identify the areas in which the impact is most significant, to communicate findings to different audiences, and to guide the program's social agenda. In order to ensure the case-specific needs of this ever-changing area of work are met, the Impact Assessment methodology is subject to continuous improvement to accommodate the various issues uncovered which are often related to the complexities of inclusive business operations in developing countries.

### FLA'S BASELINE ASSESSMENT METHODOLOGY AND KEY RECOMMENDATIONS

In February 2012, FLA conducted an in-depth assessment of the ITC/EFAL program to obtain baseline data on internal management systems and labor conditions at both the Hub and community levels. The questions included in the assessment are presented in Box 2.

The methodology involved a review of 1) the supply chain mapping tool; 2) social impact assessment data; and 3) photo elicitation results. Communities were selected for visits based on this analysis.



*EFAL's workers and supervisors participating in participatory workshops.*

**Box 2:** The assessment provided insight into how labor standards were integrated into the management systems. Key questions included:

- Are any concrete program objectives set?

- Are the policies visible throughout the supply chain?

- Are intermediaries, supervisors and managers trained to implement the program?

- How are policies implemented, and can they achieve the objectives?

- What kind of training and processes are set up for implementation?

- What means and resources are used for implementation (training, responsibilities, control, etc.)?

- In order to assess control and reporting, are any indicators developed and do they align with the objectives?

- What has been achieved (results and key performance indicators)? For example: health and safety improvements, number of people trained, social impact measurement.

- What are stakeholders' views on the policy, implementation and actual outcome?

These communities provided a variety of workplace arrangements, including self-help groups, micro-entrepreneurs, tribal artisans, and a slum-based community. FLA followed its usual methodology in conducting the assessment, which included interviews, visual inspection, and documentation review. In addition, the informal nature of the workplace and low number of workers provided an opportunity to use participatory rural appraisal techniques and assessment through participative workshops.

Tools from the FLA's Worker Integration Project (the PREPARE[18] Dialogue Project) were used to carry out participative workshops. These focused on problem identification, prioritization, solution finding and communication at the Hub. Additional focus group discussions, interviews with the management and workers, visual inspection and documentation review were carried out to further inform the assessment. More than 20 workers (mostly supervisors) and seven management staff participated in the assessment workshop at the Hub Level. In addition, six individual interviews and two focus group discussions were carried out at the community level with approximately 15 community members. EFAL and FLA staff conducted a separate workshop for management staff.

The assessment provided information that was shared with ITC/EFAL in March 2012. FLA made a series of recommendations for ITC, EFAL and at the community level:

- improve EFAL internal systems to include a better definition of roles and responsibilities; an efficient internal communication and decision-making process; a grievance mechanism for the management staff (it is already working well at the worker and supervisors level); and a consultation mechanism to address the communication issues that can occur between workers and management.

18  PREPARE: Promotion of Responsible Representation of Workers and Employers was a Special Project conducted by the FLA in Bangladesh. The project is based on Action Learning Approach and provides tools and techniques in the work place to facilitate a dialogue between workers and management. For more information please visit http://tp.fairlabor.org/en/introductions/prepare-project

- formalize promotion procedures at the Hub level to make the process for becoming a supervisor more transparent (an objective process does exist but is not well communicated and understood by workers).

- build a strong internal monitoring plan taking into account the differences and particularities of each group involved in production and facilitate the prioritization of standards for individual communities. Due to the informal nature and the lack of employer-employee relationships in some of the communities, it is obviously more fruitful to define the priorities (with respect to code of conduct implementation) and the outcomes together with the community. Therefore, a typical internal monitoring visit rather than looking like an audit should take the form of participatory assessment with issue and solution prioritization and agreement.

- focus on capacity building first for most informal communities rather than simply checking for compliance to labor standards.

- provide training to improve quality of work and productivity in order to enable those communities to move up the value chain.

- implement basic management systems in the groups where there is an employer-employee relationship. For example, teaching groups how to record, manage and report on hours of work and wages.

- organize regular workshops at both the Hub and the community level and closely following up on the action plans that are collectively developed.

Based on the recommendations provided by FLA, EFAL and ITC have developed an internal action plan. Some of the salient features of the action plan are:

- ITC's Project Manager has developed a template that takes a practical approach to the FLA Code of Conduct and is specific to each group in EFAL's supply chain. This template outlines each Code element for each artisan group, with relevant issues highlighted as they are monitored. This document also serves to record all steps the group has taken to address the FLA Code and also serves as a monitoring tool to outline any labor related issues that may arise on visits by ITC's Project Manager or the Social Worker and EFAL supervisors.

- The various gaps in EFAL policies have been addressed and there are ongoing participatory-approach workshops conducted on the ground in all areas of management and labor-related issues. The participatory approach is much appreciated by those stakeholders of EFAL and records of each focus session are kept onsite at the Hub. This way, the internal systems and monitoring of the activities of EFAL are known throughout the workforce and there is increased clarity regarding roles and responsibilities.

- An internal monitoring system is in place for each department and group and the document template is being continuously improved. Capacity building of the groups and training on specific areas is also being done in a way that it is relevant to the groups as well as their levels of understanding. Operations are guided by a Standard Operating Procedure (SOP) manual, which is also adopted specifically for each group.

# RECOMMENDATIONS AND GUIDELINES FOR FLA INDEPENDENT EXTERNAL ASSESSMENT

The activities carried out during these first two years of the project have allowed FLA to reflect on external assessments for the informal sector and to fine-tune its new sustainable compliance methodology (SCI) and tools for artisan clusters. FLA is developing a version of its Independent External Assessment methodology for the informal sector, based on field visits and other activities conducted during this project. Required adaptations to independent external assessments for the informal sector are listed below.

- The FLA Workplace Code of Conduct Benchmarks cannot be applied in their entirety to the informal sector (especially where there is no employer-employee relationship). The benchmarks need to be adapted to fit the particular context of artisan clusters. The FLA COC and benchmarks are applicable to the Hub.

- Given the varied nature of the community groups present, the FLA Code and Benchmarks need to be interpreted in a way that captures the essence of the FLA Code and ensures protection for workers and do not necessarily measure the compliance status of the communities against the well-defined benchmarks.

- It may not always be possible to make unannounced visits to the communities, especially in the case of tribal groups who move frequently and often squat in the wilderness without any address. In such cases, visits may have to be announced in advance and someone from EFAL must accompany the verifiers.

- The usual approach to independent external assessments need to be adapted to take a participatory approach at the community level. Most of the information should be derived from interviews and workers' testimony, as documentation is often lacking or entirely missing at the community level. The Hub, however functions as a center for internal management systems and can be subject to FLA's usual monitoring methodology.

- It is important to integrate elements of social impact assessment in the FLA's independent external monitoring tools and assessments. The internal impact assessments conducted by EFAL should form the baseline data and the FLA's IEM process checks for progress made on the social indicators along with the presence of management systems and applicable labor standards.

- Finally, the reporting of the entire process has to be balanced with the inclusion of activities conducted, status of the program, social impact on the communities, labor issues identify, lessons learnt and next steps. The report should not be limited to listing noncompliances against the FLA Workplace Code and Benchmarks.

## FLA'S ASSESSMENT APPROACH

Two levels of assessment have to be differentiated in the case of ITC-EFAL Ethical Fashion Initiative: 1) the Hub level; and 2) the community level.

**At the Hub level**, the external assessment methodology can incorporate some key features of the new FLA Sustainable Compliance (SCI) methodology[19], keeping

19  For more information about SCI, please visit http://www.fairlabor.org/our-work/our-methodology

in mind the specificities of informal supply chains. The sustainable compliance approach places emphasis on identifying root causes of noncompliance so that sustainable solutions can be developed and implemented. External assessments consist of a number of activities conducted prior to the workplace visit (pre-onsite assessment); during the visit (onsite assessment); and after the visit (post onsite assessment).

## Pre-Onsite Assessment

1. Desktop Research: The external assessment approach begins with desk research on the national and local labor market, the informal sector and the company or supplier (if information is available).

2. Policies and Procedures Review: The assessment is better prepared and informed when the assessment team can review the main policies and procedures prior to the onsite visit. This allows the team to save time while on site and focus on evaluating implementation and developing an understanding of the processes.

3. Task and Risk Mapping: In addition to the task and risk mapping studies that FLA may have conducted for a particular workplace, the assessment team should list all the functions involved in the production process and assess the risks involved in each activity. The risks should then be prioritized and determine the assessment's planning.

4. Impact Assessment Review: The impact assessments conducted by EFAL can form a strong base to define the external assessment methodology. Review of the SHOCK and SIA reports are a crucial part of the pre-onsite assessment.

## Onsite Assessment

Since most of the policies and procedures should have been reviewed prior to arriving at the workplace, the onsite work of the assessment team should focus on investigating the high-risk areas and testing the implementation of policies and procedures. The onsite assessment evaluates different management functions through four sources of information (management and worker interviews, observation, and records review). The management areas assessed include:

- Internal management systems;

- Policies and procedures (those which have not been received in advance);

- Visibility of those policies and procedures;

- Communication to the workforce;

- Training;

- Implementation;

- Internal controls;

- Reporting.

## Post-Onsite Assessment

After the onsite assessment, the assessment team will carry out root cause analysis and reporting. The assessment findings are not considered as isolated events but rather the results of systemic failure within a management function. Findings are symptoms of underlying problems, which can only be corrected, or their recurrence prevented, if root causes are addressed. The assessment team will compile the findings in an assessment report that will be communicated to the assessed company or organization for review and action plan building.

## ASSESSMENT AT THE COMMUNITY LEVEL

The assessment process cannot be as formal at the **community/artisan clusters level** as it is for the management and production center (Hub) level. Some recommendations and guidelines have been drawn for the external assessment of the communities or artisan clusters:

- A distinction should be made between the community groups in which there is an employer-employee relationship and those without such a relationship (self-help groups and very informal communities). In the Maasai community, for example, the female members do beading on products for EFAL. There are no formal policies and procedures in place. Work is done outside their huts in between doing household chores. Most of the people are illiterate with no documentation within the community. In such groups, it is therefore recognized that having policy documentation or a written workplace code of conduct is irrelevant. For those very informal communities, assessments should instead focus on checking the effectiveness of awareness-building programs. In communities where there is an employer-employer relationship, however, assessments can focus on internal management systems (basic systems for recording attendance, hours of work and wages), policies, procedures and their implementation.

- One size does not fit all. Workplace rules and fair labor principles need to be defined in a way that makes them applicable to individual situations and communicated to community members (workers) through means that are

fully understood and accepted. For example, the essence of each code of conduct element should be taken out of the standard format and translated in a way that means something for the community. The same approach should be applied to external assessment where the assessment team will adapt the assessment focus and methodology to the specific context.

- EFAL's social responsibility program for the most informal communities will focus on capacity building as opposed to labor standards monitoring. EFAL will regularly organize participative workshops to help them to understand the perceptions of workers in each community and define capacity building activities to address workers' needs. For this reason, FLA external assessments in these regions will focus more on measuring progress made through capacity building activities than traditional "compliance auditing."

- In each community, the assessment team should at a minimum check that the fundamental labor standards – such as child labor, forced labor or serious health and safety issues – are being upheld.

- In addition, key questions and indicators from the Social Impact Assessments should be identified and integrated into the tools while conducting the assessments at the community level.

- Participatory approach to assessment will form the basis of assessments carried out at the community level.

# CONCLUSION

FLA's collaboration with ITC and EFAL has been a valuable learning experience and has led to the development of an effective methodology and tools for assessments in the informal sector. As indicated by the Impact Assessment results, the ITC Ethical Fashion Initiative is already making improvements in the lives of individual workers and is reducing poverty in the community by providing workers with opportunities to earn higher incomes while imparting new competences and skills, and building self-esteem. ITC and EFAL are committed to making improvements for workers and take ownership for reaching a higher level of social responsibility by implementing FLA labor standards with rigor. The expansion of ITC's Ethical Fashion Initiative to other parts of the world is an encouraging signal of its intention to continue to collaborate with FLA and will allow for even greater impact.

FLA's experience during this special project with ITC's Ethical Fashion Initiative has led to the creation of an umbrella project within FLA called FAIR-ART (Artisans for Responsible Trade)[20]. FAIR-ART is dedicated to tackling labor issues in the informal sector, and the tools developed during this special project can be applied to other parts of the world and utilized by other FLA affiliates who conduct business in informal settings.

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20  To know more about the FLA's FAIR-ART project, please contact FLA staff or visit www.fairlabor.org

# ANNEX I: EXTENDED AND OUTREACH COMMUNITY GROUPS THAT EFAL IS WORKING WITH

| EXTENDED REACH | | | |
|---|---|---|---|
| GROUP NAME | JURIDICAL NATURE | SKILLS | SOCIAL AGENDA |
| Satubo Women SHG [Laikipia] | Self-Help Group | Beading | Access to clean water (hygiene); maternal health; education; environment |
| Enongishu Development Group [Mara] | Self-Help Group | Beading | Access to clean water (hygiene); maternal health; environment |
| Enduata Nalepo Women Group [Ngong Hills] | Self-Help Group | Beading | Access to clean water (hygiene); maternal health; education |
| Olonana Women Group [Olonana] | Self-Help Group | Beading | Access to clean water (hygeine); maternal health; education |
| Old Nyati Women Group [Old Nyati] | Self-Help Group | Beading | Access to clean water (hygiene); maternal health; education; environment |
| Rumuruti women Group | Self-Help Group | Beading | Access to clean water (hygiene); maternal health |
| St. Nicholas Group of Disabled and Able [Kinangop] | Self-Help Group | Crocheting, knitting, wool spinning, beadwork | Education |
| Smart weavers [Kayole] | Individual Entrepreneur | Loom weaving | Education |

## OUTER REACH

| GROUP NAME | JURIDICAL NATURE | SKILLS | SOCIAL AGENDA |
|---|---|---|---|
| Banda Bidwa [Kampala] | Self-Help Group | Paper beading | Health |
| Paper crafts | Self-Help Group | Paper beading and other paper crafts | Education |
| Saen Women [Namanga] | Managed by a limited company | Beading | Education and maternal health |
| Wasya wa Mwaitu Cooperative [Mwingi] | Cooperative | Basket weaving using Sisal | Education; access to clean water |
| Machakos Coperative MDC [Machakos] | Cooperative | Basket weaving using Sisal | Education |
| Shalom Women Group [Makweni] | Self-Help Group | Basket weaving using Sisal | Education |
| Akolong Crafts [Lodwar] | Cooperative | Loom weaving; bone crafting; beading; screen printing; basket making | Education and maternal health |
| Kinawataka Women Initative [Kampala] | Women Initiative | Weaving using recycled drinking straws | Education |