

MADE-BY



Benchmark for Social Standards

-Summary-

General

This document is a summary of the MADE-BY Benchmark for Social Standards finalised in October 2009. The full document is public and can be downloaded via:

<http://www.made-by.nl/downloads.php?lg=en>

This document relates to MADE-BY's vision of social changes to be realized. In other documents MADE-BY's vision on environmental issues is set apart.

In order to improve social circumstances in the chain of production MADE-BY for the moment puts a priority on the conditions in sewing factories. This is the last stage in the chain of production where apparel and footwear is assembled into the final product. Reason for this focus is the relatively large amount of workers involved in this stage of production when compared to other stages.

Several different monitoring and certifying instruments and codes have been developed to help brands, retailers and factories to improve the social conditions in sewing factories. The used instruments and codes vary in its content and in its way of implementation and verification. At the moment six internationally recognized codes are widely used within the industry: the Business Social Compliance Initiative (BSCI), the Ethical Trading Initiative (ETI), the Fair Labor Association (FLA), the Fair Wear Foundation (FWF), Social Accountability 8000 (SA8000) and Worldwide Responsible Apparel Production (WRAP).

MADE-BY has no intention of launching its own code of conduct. MADE-BY is an umbrella label accepting internationally acknowledged standards and promotes the exchange of information on code, brand and supplier level in order to avoid multiple audits and corrective action plans per supplier.

To enable the use of the different codes but at the same time recognizing the differences between them, MADE-BY has defined a benchmark for social standards. By comparing each code or standard to the benchmark, the differences between the codes will become clear and transparent and will also make it possible to classify codes according to their social effectiveness. MADE-BY will always stimulate the adoption of codes with the highest social effectiveness and assists brands and suppliers in the implementation process.

The benchmark consists of two parts. The first part is a reflection on the current effectiveness of standards used. The second part is the actual benchmark where standards are described and classified based on defined characteristics.

The Effectiveness of Social Standards in the Garment Industry

Based on impact studies conducted by several parties one can conclude that standards used so far seem to be most effective on the improvement of the health and safety within factories. They have some positive influence on wages, overtime, child labour and forced labour and fail on more complex issues like realizing freedom of association and collective bargaining and non-discrimination.

MADE-BY explains this limited effectiveness from the fact that the systems currently used within the fashion industry are mostly control systems. They are top-down models based on the control of suppliers in order to protect brands from loss of reputation and/or as an answer to concern of western NGOs, consumers and the brands themselves. This compliance based approach leads to rules (the codes of conduct), procedures to enforce them (audits) and punishment (no certificate and/or no business). Control based systems are by nature effective when issues are addressed which benefit from clear rules and procedures like health and safety but fail when more social complex issues like discrimination, overtime or freedom of association are addressed. MADE-BY promotes a values-based and stakeholder oriented approach in order to complement existing systems based on control. Training and stakeholder inclusion is put central in this approach.

The limited effectiveness of current systems can further be explained due to the production of garments in so called low wage countries with lower levels of social and economical development. Complex issues like discrimination, a living wage and freedom of association can only (or more easily) be accomplished in societies which have socially and economically developed itself over time to a certain development stage. The industry normally leaves countries developing to a higher level and will relocate to new less developed regions with lower wage levels. It leads to an industry with a “split-personality”. On the one hand the garment industry will always be criticized and will be directly connected to labour conditions not seen as matching with the minimum conditions we would like to see. On the other hand this often described “race to the bottom” also brings positive elements because the garment industry also drives economies in the early stages of their economic development.

This reflection on the overall effectiveness of current systems used in the fashion industry is linked to MADE-BY’s preference for integral long term improvement programs. These programs are never based on certification or monitoring alone, but consist of additional elements like capacity building and training, market access, improved trade conditions and dialogue with local civil society. The preference for this way of working is underlined by the double weight factor for the characteristic capacity building in the later described Benchmark.

The MADE-BY Benchmark for Social Standards

1. Characteristics of the MADE-BY Benchmark for Social Standards

The MADE-BY Benchmark for Social Standards is developed in order to describe standards, to compare standards and in order to classify them according to their social effectiveness. The Benchmark is build up out of eight characteristics carefully selected in order to realize these purposes

The Characteristics taken into account are the following:

- Type
- Content
- Management system
- Monitoring or certification
- Audits and verification
- Transparency
- Scope
- Capacity Building

Below each characteristic is described and per characteristic MADE-BY's preference is explained.

1.1 Type

MADE-BY distinguishes between three types of codes: Company codes, Industry codes and Multi-stakeholder codes.

MADE-BY prefers codes which are constituted as a multi-stake holder initiative. Because parties with diverse interests are engaged a balanced process is created. Industry codes are then preferred over company codes. Though both types are not balanced by the influence of various stakeholders, industry codes have the advantage that they do not contribute to further proliferation of codes as is the case when each company works with its own code of conduct.

1.2 Content

Most codes of conduct used are based upon internationally accepted conventions of which the conventions and recommendations of the International Labour Organization (ILO) are most important.

MADE-BY follows the "Workplace Standards" as described in the Draft Code of Labour Practice of the Joint Initiative on Corporate Accountability and Workers Rights (JO-IN) when it comes to the content of a code of conduct. The main reason for adopting this code is the fact that it is built using the expertise of six internationally acknowledged organizations active in improving supply chain conditions worldwide. The result can be regarded as best practice and has lead to a standard with the highest level so far.

1.3 Management System

Implementation of the content of the chosen code is best implemented when integrated in a management system. A management system integrates the social policy into the overall policy of an organization, involves (top)management, makes it possible to structure, follow and report on topics addressed and therefore supports continuous improvements.

When a code is implemented without using a management system, chances that certification or monitoring becomes superficial and is aimed at just passing the audit becomes greater.

When a management system is used, the system is often located on brand or supplier level. A management system on brand level creates involvement of the brand and gives insight in the supply chain and social progress realized within the brands operation. MADE-BY prefers a management system on supplier level. This helps implementing, structuring and measuring progress on the level where change is desired.

1.4 Monitoring or certification

In the garment industry one can distinguish between codes based on a monitoring system and codes based on a certification system. Monitoring is based on the principle that the brand is “supply chain responsible”. The brand has committed to a code, promotes the code through its supply chain and is monitoring the process and improvements made. Within a certification system the supplier is responsible. The “ownership” lies with the supplier.

MADE-BY prefers certification -factory ownership- above monitoring. This is based on two basic principles. The first principle is based on MADE-BY’s vision that a sustainable way of working is more likely realized when an integral supply chain approach is followed. Per link in the chain sustainability problems are addressed by certifying to appropriate standards. Per link each form of certification of a product or producer adds economic value to the product. The second principle comes from MADE-BY’s believe in the importance of empowerment of a supplier. Ideally the supplier independently decides to adopt social changes. The responsibility, costs and efforts but also the added value is for the supplier. When owned by the factory the process of social change continues when the brand leaves. When the certification process is successfully completed the factory receives a certificate which they can use to prove their level of social conditions to their stakeholders but also provides a unique selling point attracting brands who regard good working conditions as a clear added value.

1.5 Audits and verification

In order to ensure a qualitative audit and verification process, MADE-BY values the following aspects:

- a. An open, balanced and long term partnership between the brand and its supplier is crucial.
- b. The audit team should be diversely skilled and experienced in social auditing.
- c. Auditing is a mean not an end. The steps to be made should be put central in the process.
- d. Interviewing employees and management on and off premises.
- e. Announced audits and unannounced audits.

- f. A complaint procedure which enables workers to complain anonymously or without fear of repercussions.
- g. Third party verification.
- h. Sufficient frequency of audits.

1.6 Transparency

Efforts done by a brand, supplier and the initiatives drafting the codes should be transparent to other than the direct involved parties. This makes it possible to let the efforts be judged by other parties and therefore raises credibility of the results reported.

MADE-BY distinguishes between transparency on initiative, brand and factory level. Although MADE-BY stimulates transparency on all levels it assigns the most value to transparency on factory level since this is the level where change is needed most.

1.7 Scope

Depending on the size of the brand, they are working with one to hundreds of suppliers. Each supplier is responsible for delivering one or several ready made articles according to the agreed quality standard, within the agreed time frame and in the agreed volume. Depending on the setup of the supplier, a supplier engages other factories (subcontracting) or individuals (homeworkers) for work it is unable to do by itself or in cases of insufficient production capacity. An example of subcontracting can be the outsourcing of printing to printing factories. An example of homework is embroidery done by women specialized in this work.

Depending on the instrument used the scope of the code varies. The main unit with whom the brand is in direct contact is always included. Factories used for subcontracting or homeworkers are not always included in the scope of the code. MADE-BY prefers codes including subcontractors and homeworkers within its scope.

1.8 Capacity Building

Capacity building is here defined as the creation of an enabling environment in a long term, continuing process based on the values of all participating stake holders.

MADE-BY sees two important components enabling stakeholders to operate in a more effective manner. The first component is research and analysis, the second is the development of organizations, management and workers which can be realized by training of various groups of stakeholders and stakeholder engagement.

MADE-BY prefers to work with codes who take capacity building seriously. Ideally this can be done by integrating these elements in the audit and remediation process but in this phase of development in the social “industry” also loose or pilot projects and trainings are necessary in order to come to best practices which can be integrated in a later stage. Due to its crucial role to increase effectiveness, capacity building has a double weight factor when standards are evaluated.

2. Comparing codes to the MADE-BY Benchmark

In the Benchmark six internationally acknowledged standards are compared to the MADE-BY Benchmark. The Benchmark is based on the developments of these standards

following their development until December 2008 and was based on publically available sources.

The selected standards are:

- Business Social Compliance Initiative (BSCI)
- Ethical Trade Initiative (ETI)
- Fair Labor Association (FLA)
- Fair Wear Foundation (FWF)
- Social Accountability 8000 (SA8000)
- Worldwide Responsible Apparel Production (WRAP)

Comparing the description of the codes per characteristic to the Benchmark leads to the overview below. Per characteristic the codes are rated on a scale from 1 (lowest) to 5 (highest). The evaluation and weight per characteristic lead to an end evaluation per code.

A full description of all six standards per characteristic and a more detailed comparison per code and per characteristic is available in the complete version of the MADE-BY Benchmark for Social Standards.

	Weight	BSCI	ETI	FLA	FWF	SA8000	WRAP
Type	1	3	5	5	5	4	4
Content	1	3,9	4,7	4,4	4,3	4,4	3
Management System	1	3,7	2,3	2,3	2,3	3,7	1
Monitoring/certification	1	3,4	3,4	3,4	3,4	3,8	3,8
Audits and verification	1	3	3	3,5	3,8	4,3	3,5
Transparency	1	2	2	3	1,3	3,3	2,3
Scope	1	4	5	3	4	4	4
Capacity Building	2	2,5	4	3	3	3	1,5
End evaluation		3,1	3,7	3,4	3,3	3,7	2,7

4. Classifying codes

MADE-BY classifies the initiatives following the categorization below: are classified as below (A = highest, C = lowest, 0 = not relevant):

Classification	End evaluation
-A	≥3,5
-B	≥3,0 and <3,5
-C	≥2,5 and <3,0
- 0	<2,5

Initiatives evaluated in a lower class when compared to the evaluation of last year, keep their score in the higher class for a period of one year. The reasons are to give the initiative involved the chance to improve over a period of one year and in order to limit possible negative influences of changes in the rating of standards for brands and suppliers involved. Initiatives classified higher than last year will be classified in the higher category in order to “reward” them for their better performance.

If looked at the end evaluation of the initiatives, the initiatives can be divided into four groups. ETI and SA8000 generally do better than FLA, FWF and BSCI followed by WRAP. Of the higher evaluated initiatives, ETI outperforms on the characteristics scope and capacity building while SA8000 is the most transparent initiative and performs best on audits and verification. In the first version of the MADE-BY Benchmark for Social Standards –published March 2008- , the group of the highest evaluated initiatives was formed by ETI, SA8000 and FWF. FWF is now evaluated less positive than last year. This is due to the lower score on transparency. In last years report FWF was still transparent on initiative level. This year FWF did not continue to report on initiative level. The classification of FWF in the highest class is maintained for one year following the rules for classification just described. Just as last year BSCI and FLA form the middle group. The rating of BSCI is negatively influenced due to its relatively low scores on multi stake holder level and low transparency. The FLA -together with ETI and FWF- score highest on multi stake holder level. As last year the relatively low end evaluation of WRAP follows the weak content of the code, the absence of a management system, the low transparency and the low emphasis on empowerment.

Following the above the standards are classified as below:

<u>Classification</u>	<u>End evaluation</u>
-A	ETI, FWF and SA8000
-B	BSCI and FLA
-C	WRAP
-0	Non certified and monitored factories

As described in the MADE-BY document regarding social policy in developing countries, factories in the defined developed countries are classified in the highest category (A).

5. MADE-BY Scorecards for brands

Because of the importance of transparency, MADE-BY communicates the performance per member brand on environmental and social aspects. This is done by a scorecard published in the MADE-BY year report and on the MADE-BY website. In order to be able to report on the level of social compliance of a brand, a score is built up taking into account the volume produced per supplier and the level of compliance per supplier. Following the above described classification the status of each supplier is established. The status of a certified supplier is easy to verify using the regular updated lists of certified suppliers on the SAI and WRAP websites or checking the certificate of the supplier. The status of a supplier being monitored through a member brand of BSCI, ETI, FLA or FWF is more difficult since there is no transparency on supplier level and because a supplier might be in the beginning or the end of the improvement process. In order to establish the level of compliance, MADE-BY relies on (audit) reports issued by the brand, suppliers or initiator of the code. Suppliers in the beginning of the process are classified as non certified or monitored, suppliers at the end are classified in category A (ETI and FWF) or B (BSCI and FLA). Suppliers in the process of being certified (but not certified yet) are classified as non certified or monitored.