



MAKING GLOBALISATION SOCIALLY EQUITABLE

Implementing Core Labour Standards
in Selected German Development
Cooperation Projects

The Working Group on Social Standards

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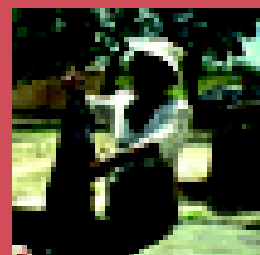
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PREFACE



Dear readers,

in recent years, the conditions in which people in developing countries work and produce goods have become a matter of increasing public concern. Today, the social dimension of globalisation is a topic of discussion throughout the world. The core labour standards of the International Labour Organisation (ILO) serve as the benchmark for *establishing decent working conditions. They include abolition of the worst forms of child labour, elimination of forced labour, non-discrimination at the workplace, freedom of association and the right to collective bargaining.* In 1998, in the joint Declaration on Fundamental Principles and Rights at Work, national governments, employers and trade unions agreed to observe, promote and implement these standards in the ILO member countries. This made them legally binding in those countries even if they were not expressly ratified.

The German Government attaches great importance to implementing internationally accepted social standards, regarding them as an important part of human rights to which all countries – and business enterprises as well – must measure up. We aim to contribute to global economic development and at the same time to help establish decent working and living conditions in developing countries. In this context, the ILO quite rightly points out that labour standards play a special role in achieving a greater balance between social progress and economic growth. The significance of the core labour standards as the foundation of a socially responsible economic system is also clearly set out in the Programme of Action 2015, the German Government's approach to halving extreme poverty worldwide. In September 2003, we – the German Federal Ministry for Economic Cooperation and Development (BMZ) – issued a list

of activities and measures that specified the contribution by German development cooperation towards implementing the core labour standards.

The Roundtable on Codes of Conduct was set up in 2001, comprising companies, business associations, non-governmental organisations, trade unions and representatives of the German Government. Based on this exchange of experience, joint recommendations are drawn up on the introduction, monitoring and verification of voluntary codes of conduct for business enterprises.

Neither laws nor the proof of economic advantages guarantee that social standards will be consistently and sustainably observed. Instead, what is needed is a suitable environment of know-how, resources, committed actors and active political support for this cause. That is why our work takes a multi-level approach that includes cooperation with international organisations, bilateral projects, joint work with non-governmental organisations and cooperation with the private sector.

The present brochure will give you some insight into the steps German development cooperation is taking to promote core labour standards. This publication was initiated by the Working Group on Social Standards, which coordinates this topic within German development cooperation.

Yours truly,

Heidmarie Wiecek-Zeul

German Federal Minister for Economic Cooperation and Development

INTRODUCTION

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CONSOLIDATING CORE LABOUR STANDARDS – PROTECTING HUMAN RIGHTS, PROMOTING ECONOMIC DEVELOPMENT

Compliance with core labour standards is an integral part of social development. With the adoption of the International Pact on Economic, Social and Cultural Rights by the United Nations in 1966 and the Declaration on Fundamental Principles and Rights at Work by the International Labour Organisation (ILO) in 1998, the core labour standards became a component of universal human rights. They include

- **abolition of the worst forms of child labour** (ILO conventions nos. 138, 182)
- **prohibition of forced labour** (nos. 29, 105)
- **freedom of association** and the **right to collective bargaining** (nos. 87 and 98)
- **non-discrimination at the workplace** (nos. 100, 111).

The frequently used phrase “social standards” extends far beyond the core labour standards, in that it encompasses requirements such as health care, job security and minimum wages. The examples from projects described below primarily concern possible ways of putting core labour standards into practice. However, most of these examples show that effective implementation of broad social standards is already an integral part of German development cooperation. At least with regards to the core labour standards, it is now generally recognised both in theory and in

practice that they are not only a goal but an important means to achieving successful development processes.

Core labour standards as a contribution to economic and social development processes

According to the (neo-)classical concept of how labour markets function, implementation of core labour standards comes about more or less automatically as a result of economic growth processes. In this view, government intervention to enforce core labour standards has a counterproductive impact, i.e. it inhibits growth. But the assumptions on which the neoclassical labour market model is based do not apply in most developing countries. Moreover, the history of the industrialised countries shows that labour is not a “normal commodity”, and that asymmetrical power relationships prevail in the labour market between employers and employees. The government can therefore certainly meet its obligation to enforce core labour standards without this necessarily being associated with economic drawbacks.

On the contrary: recent empirical investigations show that compliance with core labour standards benefits not only employees, but also the economic development process as a whole. Contrary to widespread

¹ Cf. e.g. Aidt, T. / Z. Tzannatos (2002): Unions and Collective Bargaining: Economic Effects in a Global Environment, World Bank, Washington, D.C., and Windfuhr, M. (2001): Mindestsozialstandards und Beschäftigungsförderung im Rahmen der Entwicklungszusammenarbeit, German Development Institute, Bonn.



assumptions, adherence to core labour standards also pays off directly at corporate level.

Thus a higher degree of trade union organisation, only made possible by *freedom of association* and the *right to collective bargaining*, contributes to higher wages and more training for employees as well as to keeping them at the same enterprise longer. In addition, unions help to achieve optimal company operations by intervening as moderators in conflicts, thus cooperating to find socially equitable resolutions to economically difficult situations. In macro-economic terms, unions help reduce income imbalances and achieve greater economic performance capacity (in the form of higher labour productivity and better adaptability to changing conditions, for example).

The *abolition of forced and exploitative child labour* benefits not only its victims, but also serves the cause of economic progress. Workers are no longer bound to outdated business sectors that would not be competitive without forced labour. Children are enabled to acquire human capital through education and by doing so they can find better-paid employment later (and in this way contribute at the macro-economic level to creating added value). Generally speaking, it is more profitable in the medium term for companies to avoid exploitative child labour and instead to invest in the productivity of its employees. This is all the more true in the light of public campaigns conducted in the industrialised countries which can potentially result in slumping sales for companies and their suppliers.

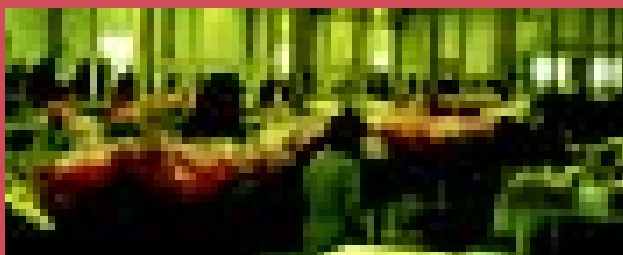
Implementing *non-discrimination* in employment and occupation reduces social conflict within the companies and fosters peace in society as a whole. Eliminating discrimination also promotes the economically optimal use of the workforce and thus increases economic growth. This often goes hand in hand with a learning process in the companies, just as it did in the industrialised countries. The process ends with most companies realising that it is more humane and more profitable to end discrimination and to employ workers according to their abilities.

The implementation of core labour standards is thus not only a moral imperative, but economically advantageous as well. Core labour standards increase productivity and improve framework conditions for economic growth by creating institutions that promote better use of labour and the peaceful settlement of conflicting interests. Contrary to earlier fears, there is little sign that enforcing core labour standards will damage the competitive position of developing countries in the short term. These standards neither raise production costs to any substantial extent, nor do they discourage foreign direct investments.

Naturally, despite these general findings, there are country-specific exceptions. Some isolated countries and companies achieve economic success while disregarding elementary core labour standards. But there is good reason to assume that this will scarcely be possible in the future. Economic globalisation is accompanied by the rapid spread of information about violations of human rights, which can lead to

INTRODUCTION

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worldwide economic consequences for the producers. Non-governmental organisations (NGOs) contribute to this. State sanctions are often unnecessary, since consumers in the industrialised countries increasingly criticise and refuse to buy goods produced in “unjust social conditions”.

*Klaus Liebig
German Development Institute**

** The German Development Institute (GDI) carries out consulting and training on the basis of independent scientific research. It conducts studies on development-policy issues for public institutions in the Federal Republic of Germany and abroad, and advises them on current aspects of cooperation between developing and industrialised countries. In addition, it trains university graduates from the Federal Republic of Germany and other EU member states for professional service in public and private German and international development cooperation agencies.*

DEVELOPMENT-POLICY CLASSIFICATION OF PROJECT EXAMPLES

The German Government's development-policy priorities include implementation of core labour standards and promotion of social standards – for economic, human rights and humanitarian reasons. To this end, the German Federal Ministry for Economic Cooperation and Development (BMZ) supports measures at various levels, as the *selected project examples* in this brochure illustrate:

- **Cooperation with international organisations** is a priority of the BMZ's work. This includes cooperation with the World Bank Group, the World Trade Organization (WTO), the United Nations, the European Union and the International Labour Organisation (ILO) as the leading organisation in implementation of the core labour standards. The BMZ supports an ILO programme to combat child labour in more than 40 countries as well as the implementation of core labour standards in Central Asia and south-eastern Europe, for example. The first project example, implemented by the *Friedrich-Ebert-Stiftung (FES)*, illustrates cooperation between unions, the World Bank and the ILO to implement core labour standards in several African countries.



● **Cooperation within the framework of bilateral projects** includes both financial promotion and technical and human resources support.

The *KfW Entwicklungsbank* (KfW Development Bank) monitors all German financial cooperation projects (promotion of social and economic infrastructure projects) for compliance with core labour standards. The bank's loan guidelines provide for legally binding assurance that the core labour standards in force in the country are met when awarding commissions in developing countries. Within the framework of technical and human resources cooperation, the governments of partner countries are advised on introducing and enforcing core labour standards and broader social standards. Projects promoted include those aimed at establishing effective labour legislation and inspection. Concurrently, the positive impacts of social standards are emphasised in policy dialogue with developing countries. *InWEnt – Capacity Building International, Germany* presents a programme to raise awareness of social standards among Latin American protagonists and a corporate training programme to promote social standards in South East Asia among its project examples.

● **Cooperation with the private sector** has been constantly expanded in recent years. Enterprises that have adopted the model of sustainable development do not gear their activities exclusively towards eco-

nomic benefits, but are also concerned to avert environmental degradation and to uphold human rights. Many German businesses have made voluntary commitments to respect fundamental social and environmental standards in their worldwide production and manufacturing facilities. This is done in particular through upgrading and certification, either individually or in the scope of a common approach adopted by a whole industry. The *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH* (German technical cooperation) illustrates this in a joint project with an international enterprise that has adopted a binding social charter for its sites worldwide. A further example is the promotion of socially and environmentally friendly flower production in a number of African and Latin American countries. Yet another example is a project implemented by the *German Investment and Development Company (DEG)* to promote an enterprise that also bases its worldwide activities on a social charter.

● **Cooperation with non-governmental organisations** to implement core labour standards is also being stepped up by the BMZ. In addition to capacity-building measures in partner countries, greater communication and coordination with NGOs in Germany play an important role. The concluding project example, implemented by the FES, shows how trade unions team up with NGOs and works councils to monitor the Indonesian clothing industry and thereby promote compliance with codes of conduct.

COMPLIANCE WITH CORE LABOUR STANDARDS . . .

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INTERNATIONAL COOPERATION



Core labour standards and poverty reduction – How African trade unions contribute to World Bank policies

For a long time, the international financial institutions based in Washington, DC – the World Bank and the International Monetary Fund (IMF) – did not adequately appreciate the positive impacts of upholding core labour standards on a country's economic and social development. Trade unions and wage negotiations were seen instead as obstacles to growth and development. In the name of deregulation and “making labour markets more flexible”, the structural adjustment programmes of the World Bank and the IMF tended to undermine employees' rights and weaken the position of trade unions in developing countries.

Changing the poverty reduction strategy

It was not until structural adjustment failed to produce positive results in terms of growth and poverty reduction that a different strategy was adopted. In September 1999, poverty reduction strategy papers (PRSPs) took the place of structural adjustment programmes in the process of granting low-interest loans to developing countries. At the same time, preparation of PRSPs became a condition for debt remission. In this context, it is considered very important that the country in question should identify itself with the poverty reduction measures, something that required the participation of leading civil society groups. The unions, as an important part of civil society and as representatives of low-income workers, ought to have played a significant role here. However,

the unions were often excluded from discussions during the first PRSP rounds. The same kind of gap can be seen between statements of official policy and actual practice on the ground when it comes to compliance with the ILO's fundamental labour standards. Although the IMF and the World Bank have now declared their support for enforcing the core labour standards, cases of obvious violation continue to occur, whether in the granting of loans or in policy advice to individual countries.

Capacity-building strengthens trade union participation in poverty reduction

It was against this background that the *Friedrich-Ebert-Stiftung (FES)** developed a project in 2001 to promote compliance with core labour standards and consideration of employee interests in nine African countries. To this end, trade unions are empowered to play a greater role in the national PRSP process in their country. After agreement was reached within the international trade union organisations and with the World Bank, a cooperation project with FES and the ILO's Bureau for Workers' Activities was established with the financial support of the German Government. The project includes exchange of information and experience and training of union leaders at regional level. In addition, continuous support was given by the FES country offices to those national unions participating in the ongoing consultations on poverty

... A CONTRIBUTION TO POVERTY REDUCTION



reduction. Discussions focused on topics such as labour market and employment policies, general economic policy, privatisation or reform of the public sector, enforcement of core labour standards and social security issues. In all these areas, the goal is to build the capacities of African trade unions and to put external support to use, thus enabling the unions to represent their interests more effectively vis-à-vis governments and the World Bank. At the same time, project implementation has led to the ILO (the leading organisation in the field of core labour standards) gaining greater influence vis-à-vis the World Bank.

Lessons learned by the World Bank and trade unions

One of the project's high points was a one-week dialogue and training programme for union leaders from nine African countries organised in conjunction with the World Bank and held in Lusaka, Zambia in De-

cember 2002. The meeting between leading representatives of trade unions, the World Bank, union-related research institutes, the ILO and the FES provided an opportunity to discuss the shortcomings of the consultation process to date and to involve the ILO as a competent partner in the dialogue, particularly on poverty reduction issues.

In 2003, activities focused on the national level. With the support of the project, the majority of the participating national union confederations have begun to play a greater role in the national poverty reduction strategy negotiations in their countries. They have succeeded in increasing their participation in the PRSPs and in improving the quality of the political process itself. After the conference in Lusaka, the World Bank also began to explore union participation in national PRSP processes more systematically. For this purpose, an African trade union economist was employed for one year by the World Bank.

** The Friedrich Ebert Stiftung (FES) was founded in 1925 as the political legacy of Germany's first democratically elected president, Friedrich Ebert. The foundation's goal is to further the political and social education of individuals from all walks of life in the spirit of democracy and pluralism, to facilitate access to university education and research for gifted young people by providing scholarships, and to contribute to international understanding and cooperation. As a private cultural institution run on a non-profit basis, it is committed to the ideas and basic values of social democracy.*

DISCUSSION OF SOCIAL STANDARDS AND CERTIFICATION ...

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BILATERAL COOPERATION



Exposure Programme –

Awareness raising on social standards and certification systems in Europe

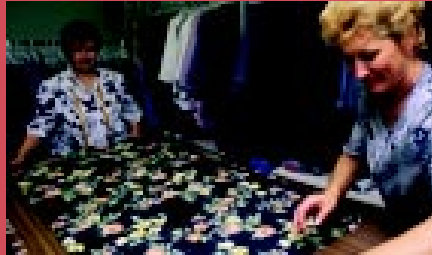
*InWEnt – Capacity Building International, Germany** has developed an exposure programme called “Tour of Corporate Social Responsibility in Europe” to give representatives from 12 developing countries an opportunity to exchange ideas directly with experts from Germany, the Netherlands and Belgium. The pilot programme was primarily geared towards the agricultural and agro-industrial sectors and to the textile and clothing industry. In October 2003, 23 selected representatives from business enterprises, associations, certification organisations and NGOs in Latin America were able to gain a practice-oriented insight into the significance of social standards and seals of approval in Europe.

Learning about enterprises with international operations

The programme’s development-policy goal was to inform participants about the growing significance of international social standards and the resulting demands made on the European market. Company visits also provided insights into the marketing strategies of international enterprises in the textile and food sectors. In addition, sector-specific auditing and certifying companies spoke to participants about new business opportunities and about requirements for certification and the awarding of seals of approval. The role of NGOs and trade unions in this process was also touched upon during the study tours.

To make international trade relationships more transparent, participants also spoke to representatives of the European Union. In addition to a guided tour of Rotterdam Harbour as an import and export centre, the programme was rounded off with a visit to the food industry trade fair ANUGA in Cologne, considered the world’s most important forum for innovation and information of the food industry.

... IN EUROPE



Interlinking activities

In addition to the acquisition of key skills for implementing social management systems in enterprises, compact workshops provided a platform for sharing experience and networking ongoing activities. Thus, even while the exposure programme was still in progress, participants from various Latin American

countries were able to discuss how their countries could adapt to social standards as developed in Europe.

The great demand for this programme demonstrates its current relevance and the steadily growing interest in the subject of worldwide corporate social responsibility.

** InWEnt – Capacity Building International, Germany, is an organisation for international human resources development, training and dialogue. It was created through the fusion of the Carl Duisberg Society and the German Foundation for International Development and is based on their decades of experience in international cooperation. Its practice-oriented programmes are directed at experts, managers and decision-makers from business and industry, politics, public administration and civil society from all over the world.*

DISSEMINATION OF CORE LABOUR STANDARDS ...

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Establishing core labour standards in South East Asian enterprises – Building local capacities



The introduction of core labour standards is controversial in many developing countries. The Seal Desk Asia set up by InWent – *Capacity Building International* serves as a new contact point for entrepreneurs, trade unions and other civil society protagonists in the Philippines, thus helping to spread social standards in the South East Asian region.

Social Standards Exchange of Experience in South East Asia and Practical Learning (SEAL)

The acronym SEAL stands for InWent's activities in the field of social standards in South East Asia:

- One-day awareness-raising workshops
- A seven-month training programme on social management, based on the Social Accountability Standard SA8000
- Handbooks and computer training for further study in the respective national language
- Free support for associations in training trainers
- Integration of various stakeholder groups
- Capacity-building for small and medium-sized enterprises
- Forum for cooperation: www.seal-asia.org

Scepticism about core labour standards

The implementation of core labour standards continues to encounter resistance from private enterprises and public-sector employers in many developing countries. They suspect that efforts to introduce social standards are a pretext for industrialised countries to put up more non-tariff trade barriers and to circumvent the comparative trade advantages of the developing countries. The core labour standards are based on ILO conventions. Many countries have signed the ILO conventions, but in practice do not always adhere to them. Now, however, it is becoming increasingly apparent that compliance with core labour standards also entails economic advantages.

Advantages for partner enterprises

Business enterprises are trying harder to gain SA8000 certification from the NGO Social Accountability International. So far, only about 30 companies in the world have reached this goal. The certificate stands for a system of assessment and certification of social standards in business enterprises. Since many Asian entrepreneurs produce goods for a wide range of European clients, their standards must often comply with the codes of conduct or requirements of various international importers. Through the SEAL programme, InWent supports entrepreneurs in the Philippines, Indonesia and Vietnam in gaining the SA8000 certification and in raising their competitive capacities through external auditing of their companies.

... BY THE SEAL DESK ASIA



The Social Accountability Standard (SA) 8000

In the late 1990s, the New York-based Council on Economic Priorities Accreditation Agency, in cooperation with other NGOs, employers, consultants and certification companies, developed SA8000 as a standard for assessing working conditions. Besides the fundamental ILO labour rights, companies have to demonstrate that they meet the following criteria:

- Guarantee of safe and healthy working conditions
- Ban on corporal punishment and mental coercion
- Observance of statutory or collectively agreed rules on working hours
- Remuneration that does not fall below a minimum standard (sufficient to meet basic needs)
- Compliance with national laws
- Continuous improvement of working conditions and documentation of action taken.

The SEAL Desk Asia combines exchange of experience with practical learning

The SEAL Desk Asia serves as a platform for sharing experience among trade unions, NGOs and business, administrative and governmental organisations. Partners include the Philippine management consultancy *Environmental Compliance Consultants International (ECCI)* and a number of government export agencies

and regional consulting firms. Mistrust is still widespread. The frequently prevailing view is that this is another international standard to be met that entails a competitive disadvantage in world trade. Introducing social standards thus places heavy demands on a participatory procedure. That is why in the context of SEAL, InWEnt works exclusively with local partners.

Many companies fear that social standards will entail high costs and increasing trade union influence in their operations, as revealed by a SEAL analysis carried out in the Philippine textile sector. At present, only 20 per cent of the 45 companies surveyed have union representation. The relationship between employees and employers remains sensitive. SEAL therefore does not confine itself to introducing SA8000-based social management systems, but also trains enterprises in leadership and conflict management.

“The aim of SEAL is to show companies that better working conditions also affect quality and productivity,” said ECCI chief executive Narayanan Sreenivas. Great interest was shown in the SA8000 information and awareness-raising events held by InWEnt in the Philippines and Vietnam in 2002. “Companies need constant assistance on this long road,” says Ronaldo Limbago, who supports the InWEnt project at the Philippine Trade and Training Center.

FLOWERS GROWN IN LATIN AMERICA AND AFRICA...

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COOPERATION WITH THE PRIVATE SECTOR



Socially and environmentally sound flower production – The Flower Label Programme

With production in more than 50 countries, the flower industry is a typical example of globalisation. Nearly every third cut flower sold in Germany today comes from Africa or Latin America. German households alone spend about 4 billion euros annually on cut flowers, making Germans the leading European consumers. An increasing consumer interest in product quality and in the production process offers a great opportunity to bring social and environmental standards into play as quality indicators when buying flowers. This in turn could help improve working and living conditions for people in developing countries. This objective is supported by the *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH* (German technical cooperation) in the framework of a public-private partnership with the German flower importers and wholesalers association BGI.

In the 1990s, an ever-growing number of developing countries consolidated their position in the world flower market, bringing them foreign currency and created new jobs. At the same time, reports of exploitative working conditions, markedly high rates of pesticide-related health disorders and repressive measures against trade unions increasingly reached

the European public. The Flower Campaign, a German coalition of NGOs, addressed these problems in order to inform the general public about working conditions in African and Latin American flower plantations and to exert pressure on the producers.

International code of conduct for sustainable flower production

In order to protect the industry in the medium term against serious damage to its image and to avert a loss of profits, the BGI developed a seal of approval in the mid-1990s. However, the Flower Label Programme (FLP), as it was called, provoked criticism from NGOs, primarily for its lack of transparency and inadequate social standards. In 1999, the BGI, the German florists' trade association FDF and the German construction, agriculture and environment trade union IG BAU agreed with the Flower Campaign on jointly supporting a seal based on new guidelines. The international code of conduct for the socially and environmentally sustainable production of cut flowers is founded on universal human rights, the core labour standards of the ILO and fundamental environmental standards.

² They included the human rights organisation FIAN International – FoodFirst Information and Action Network, the children's relief agency terre des hommes and the Protestant aid organisation Bread for the World.

... POPULAR PRODUCTS FOR INDUSTRIALISED COUNTRIES



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A seal for flowers produced under socially and environmentally sustainable conditions

Since then, the FLP seal has become a quality seal for flowers produced in socially and environmentally sustainable conditions. In addition to the benefits deriving from compliance with the core labour standards, workers in FLP companies also gain from further-reaching social standards such as a guaranteed living wage, permanent work contracts, working weeks of no more than 48 hours, and special health and work safety provisions. Industry, NGOs, unions and producers bear equal responsibility for awarding the quality seal. An independent monitoring body accredited by the European Union conducts the initial inspection of flower farms. In addition, local bodies carry out annual follow-up checks, while trade unions and NGOs ensure continuous on-site monitoring.

In the 1990s, GTZ was tasked with advising flower farms in Ecuador, East Africa and Zimbabwe on making changes in order to meet the FLP criteria. International experts on social standards and integrated plant protection were assigned this job and prepared 18 flower producers in eastern and southern Africa and 30 companies in South America for FLP certification. The GTZ is currently financing a project office in

Bonn which is responsible for coordination with the flower farms in partner countries and supports public relations work in Germany.

Economic viability, environmental protection and social responsibility

Since 1999, the number of FLP companies in Ecuador, Kenya, Zimbabwe, Tanzania and the Republic of South Africa has risen from 20 to 51. The working and living conditions of around 12,000 workers have notably improved in that time, as has environmental protection in the vicinity of the flower farms. In addition, internationally acceptable standards are now being met. From the perspective of the companies, there are both ethical and economic reasons for complying with social minimum standards: through FLP certification, they secure long-term access to the European market. At the same time, greater employee satisfaction and motivation result in improved product quality. Investments in work safety measures and optimal work procedures lower the number of work-related accidents and reduce the sickness rate. Further potential savings by companies arise from the opportunity to address the problem of high worker turnover in the flower industry and to establish a steady working basis in their operations.

** The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH is an international cooperation enterprise for sustainable development with worldwide operations. It provides viable, forward-looking solutions for political, economic, ecological and social development in a globalised world. GTZ promotes complex reform and change processes, often working under difficult conditions. Its corporate objective is to improve people's living conditions on a sustainable basis. The German Federal Ministry for Economic Cooperation and Development (BMZ) is its main client.*

WORKING CONDITIONS . . .

14



Global market leader with a social charter – A tradition of social commitment

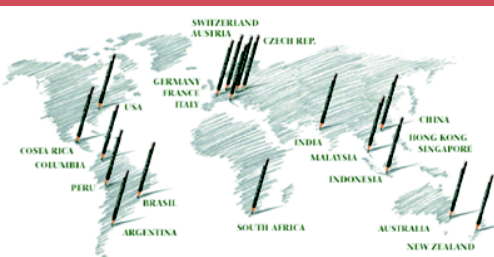


Faber-Castell AG is one of Germany's oldest industrial enterprises and leads the global market in the production and marketing of high-quality writing, drawing and colouring instruments. The company is internationally oriented and now employs about 5,500 people; it markets its products in over 100 countries. Faber-Castell earns 85 per cent of its income outside Germany. The company's tradition of social commitment goes back to the mid-19th century, when it was one of the first German companies to establish a company health insurance scheme for its employees and to set up kindergartens and company housing. In 2000, Faber-Castell decided to bring working conditions in its manufacturing and supply operations around the world into conformity with minimum social standards, and the GTZ promoted this goal by means of a public-private partnership.

Socially responsible operations around the world

Early in 2000, Faber-Castell pledged to introduce employment and working conditions that were in accord with national statutes and with ILO recommendations in all its corporate subsidiaries. To this end, together with the German metal workers' union IG Metall Frankfurt, it drew up a social charter based on eight ILO conventions. In addition to the core labour standards, the charter guarantees employees reasonable working hours, a minimum wage and a safe and hygienic workplace. Its global validity and scope gives this charter a pioneering role at international level. The company's own in-house monitoring of social standards was integrated into the existing management system FABIQUS, which since then has guaranteed adherence both to quality standards and to environmental and social standards. IG Metall and the International Federation of Building and Wood Workers (IFBWW) also monitor compliance with the agreed social standards.

... IN ACCORD WITH ILO CONVENTIONS



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A pilot development-policy project in India

The experience gathered in the course of various projects with German companies and associations such as Deichmann, Otto and the Foreign Trade Association of the German Retail Trade (AVE) was of decisive importance for cooperation with the GTZ. Faber-Castell's social charter was initially put into effect in a pilot project in India. This entailed audits of about 60 companies, on the basis of which "corrective action plans" were prepared. Special training was subsequently provided to support the companies in making the indicated improvements. The GTZ also advised Faber-Castell in adapting the social charter to the national characteristics of other countries and in integrating local institutions into the project.

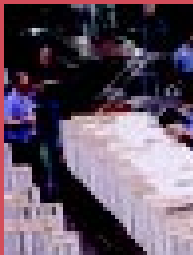
The project encourages all those involved to confront and address the issue of establishing and observing social standards. The employees at the Indian production plant have gained sustainably improved working conditions and a better social environment. The prospects for establishing long-term business relationships with Faber-Castell increase the willingness of suppliers to carry out far-reaching internal reforms. The director of Faber-Castell's Corporate

Quality and Systems Department, Hermann Belch, regards uniform standards as part of the corporate strategy for ensuring global market leadership, because: "Poorer working conditions often lead to poorer product quality."

Altogether, cooperation with Faber-Castell is considered the first public-private partnership in which civil society – in the form of the trade unions – was already involved in the planning stage. The later stages of implementation, too, were carried out jointly with unions, NGOs and groups representing local employees. In terms of development policy, this project underlines the BMZ's approach: to increasingly rely on multi-stakeholder partnerships in order to address development issues jointly.

A SOCIAL CHARTER STRENGTHENS EMPLOYEES' RIGHTS...

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A social charter offers security for employees – Social values as an integral part of corporate policy



The DEG – German Development and Investment Company* is participating in the financing of LEONI Wiring Systems' ultra-modern production plant in Romania, which manufactures hi-tech products (wires, cables and wiring systems) for the automobile industry. In dealing with its employees throughout the world, the company follows the principles that were laid down in May 2003 in the form of an in-house social charter and that are in conformity with the ILO's international labour standards. This social charter made LEONI one of the world's first companies to draw up a "declaration on social rights and industrial relationships". In it, LEONI acknowledges its social responsibility and its obligation to protect the human rights of its employees as an integral part of its corporate policy. In order to document the extent and the significance of this self-commitment, LEONI has concluded a global agreement with the International Metal Workers' Federation (IMF) and the company's European works council.

"For us, safeguarding workers' rights and assuming social responsibility have always been indispensable components of value-oriented business management. For LEONI, the principles of the social charter are therefore binding worldwide."

*Dr. Klaus Probst
Board Chairman of LEONI AG*

The LEONI Group, which also includes the new plant in Romania, is represented around the world with about 19,000 employees and more than 60 production sites. About 85 per cent of its employees work outside Germany. Because long-term international competitiveness is the basis for its success as an enterprise and an employer, the company must seize the opportunities posed by globalisation. In this process,

... AT 60 PRODUCTION SITES AROUND THE WORLD



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the company regards it as one of its principal social obligations to do its best to safeguard and increase employment.

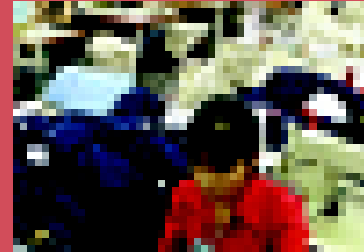
The social charter helps alleviate the fear and uncertainty caused by globalisation and make employees feel more secure. In all its global operations, LEONI ensures to respect human rights and the fundamental rights of employees as formulated in the ILO conventions. These guarantee the right of all employees to form or to join trade unions and em-

ployee interest groups as well as safety in the workplace and protection of health, equal opportunity and non-discrimination at work. The declaration also bans all forms of child labour and forced labour. In pursuing its aims, the social charter also takes into account national legislation, the frequently substantial cultural differences and the diversity of values and customs. All LEONI managers are bound to observe the rights and principles enshrined in the charter, which is also made available to all employees and their representatives in a locally appropriate form.

**For more than 40 years now, the German Investment and Development Company (DEG) has supported the expansion of private-sector structures in developing and transition countries as a contribution towards sustainable economic growth and better living conditions. The DEG invests in profitable, environmentally and socially sound private enterprise projects with sustainable development impacts. It is a member of the KfW banking group, which is involved in investment financing within Germany, in export and project financing, in promoting developing and transition countries, and in providing consulting and other services. While the KfW Development Bank is responsible for financial cooperation with government institutions, the DEG focuses on developing private-sector structures.*

IMPLEMENTING CODES OF CONDUCT ...

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COOPERATION WITH NON-GOVERNMENTAL ORGANISATIONS



Trade unions support compliance with codes of conduct in the Indonesian clothing industry – A “win-win” situation

As one of the leading producers in the world of clothing and shoes, Indonesia primarily supplies the top brand names in the United States, Europe and Japan. Competition in this labour-intensive industry is intense, putting constant pressure on the wages and working conditions of millions of employees – in particular women – in Indonesia and elsewhere.

On the other hand, multinational corporations react very sensitively to anything connected with the reputation of their products or their brand names. Consequently, a growing number of suppliers in the producing countries are now being required to comply with what are known as “codes of conduct”. Most western importers have reached agreement on these corporate guidelines in order to protect themselves from negative headlines when infringements of international labour standards or cases of social dumping are made public.

Needs for action in the implementation of standards

Aside from reaching agreement on certain standards, the problem of implementing them at the operational level is still more complex. Most enterprises rely either on internal auditing or on external commercial auditors. The *Friedrich-Ebert-Stiftung* (FES) firmly believes that independent and competent trade unions are the best guarantee that corporate management

really complies with the relevant labour standards and national laws. Since 2001, the FES has thus supported a pilot project in eight Indonesian factories supplying the larger German clothing and shoe importers. This is being done in cooperation with the Clean Clothers Campaign, the works councils of German companies, Indonesian trade unions in the clothing and leatherwear sectors, and several union-related NGOs. Their primary goal is to empower unions to monitor compliance with the agreed codes of conduct effectively at company level.

Monitoring at company level depends on training and information

In the first place, monitoring of this kind requires comprehensive knowledge of the relevant codes. Initial talks with union representatives clearly showed that most employees in the selected enterprises were unaware that corporate codes of conduct existed. Local managers and international purchasers had neglected to tell employees about these protective regulations. In February 2002, a one-week seminar was therefore held at which employee representatives were informed about the content of their companies’ codes of conduct and about the model code of the International Confederation of Free Trade Unions (ICFTU). A questionnaire was jointly prepared to record and analyse company compliance with the code’s provisions.

... IN THE INDONESIAN CLOTHING INDUSTRY



This questionnaire is based on the following standards: abolition of child labour and forced labour, freedom of association and collective bargaining, freedom from discrimination in the workplace, payment of a living wage, a ceiling on hours of work, guaranteed safety and health protection, and legally binding work contracts. The data were collected in the factories between August 2002 and January 2003.

Codes of conduct as instruments for improving working conditions

By early 2003, 90 informative questionnaires had been submitted from seven factories. Despite the existing corporate codes, substantial infractions of international labour standards by seven suppliers were recorded. More than half of the employees complained about forced overtime, one-third of the women employees reported sexual harassment, two-thirds of respondents mentioned other forms of physical or verbal abuse, and more than 90 per cent indicated that their daily wage was insufficient to cover their basic needs. Only 25 per cent of respondents said that management had informed them of the existence of a corporate code of conduct. Interestingly, however, more than half of the interviewees regarded such regulations as a chance to improve working conditions in their factory.

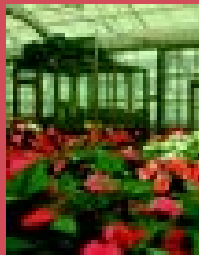
Although these results are not representative for all of Indonesia, they confirm a general trend: though substantial shortcomings still exist in compliance with codes of conduct, these kinds of corporate regulations can prove to be effective tools for improving working conditions. This presumes that employees and union-related NGO networks are involved in monitoring them.

Both the pilot project and the survey are being continued and extended. By using the questionnaire, the codes of conduct are to be integrated more firmly into the unions' daily work in supplier firms. In the next phase, appropriate complaint mechanisms are to be developed to provide employees with effective protection against harassment in the workplace.

If codes of conduct are put into practice with the active involvement of the employees and as part of international cooperation between unions and NGOs, all parties benefit. Local businesses and the importers can label their products as "clean clothing", thus gaining a marketing advantage. And the trade unions can establish the right to negotiation and improved working conditions in the companies. This task must largely be performed jointly by employers and employees.

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