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General Session Presentation:

Genuine Worker Participation – An Indispensable Key to Effective Global OHS

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First of all, let me thank the organizers of this conference, and especially Jas Singh, for their kind invitation to me to speak today.

For the next 45 minutes I would like to look at four issues: 1) the characteristics of the global economy, 2) what efforts have been made to date to protect workers' health and safety in global supply chains, 3) why these efforts have largely failed; and 4) what we can do, in light of this 15 years of experience, to actually protect workers in global supply chains.

The Global Economy

As many of you know, 51 of the 100 largest economies in the world are not countries but rather transnational corporations. The 500 largest corporations control 70% of world trade, 1/3rd of manufacturing exports, 3/4th of trade in commodities, and 4/5th of technical and management services.

There has been a profound shift in manufacturing over the last two decades. Production has shifted from relatively "well regulated," high wage, often unionized plants in the developed world to very low wage, basically unregulated, non-union plants in the developing world. All of these plants are now competing with one another for maximum competitive advantage in low production costs.

Global manufacturing, especially in consumer goods, consists of long, long production chains that start with the international "brand" which ultimately sells the product, to contractors who operate the factories where the products are made, to sub-contractors and sub-sub-contractors who operate factories producing parts of the final product, to brokers and agents, to industrial homework in workers' houses.

For example, Nike sources its products from more than 700 factories in 52 countries with more than 600,000 workers – but not a single one of these workers works for Nike. The Gap sources from 2,000 factories world-wide. Disney has 6,000 licensees with a supply chain of 40,000 factories. Again none of the supply chain workers are employed by the Gap or Disney.

Wal-Mart is the 800-pound gorilla, of course, with 62,000 factories worldwide – 20,000 of these in southern China alone – supplying products sold in Wal-Mart stores. Wal-Mart is the indirect employer of millions of workers globally, and is now the largest private sector employer in the United States.

On the global level, the workers in the supply chains are drawn from a very vulnerable population. According to the International Labor Organization, there are 225 million children between the ages of 5 and 14 at work part-time or full-time in the world every day. There are 310 million immigrant or migrant workers – with about 190 million migrant workers in China alone – working outside their home countries or regions. There are 67 million workers in “Export Processing Zones” around the world with few or literally no rights under the law. And there are millions working as contingent, temporary, or “perma-temp” workers in both the developed and developing worlds.

The world’s workers live in a situation of deep poverty and growing inequality. Forty per cent of the world, about 3 billion people, lives on less than \$2 a day. 1.4 billion people live on less than \$1.25 a day. The top 1% of the world’s population has more wealth than the bottom 57% of the population.

The number of “least developed” countries – that is nations with a per capita income of less than \$75 a month – doubled from 25 to 49 countries from 1979 to 2000. Eighty countries saw a per capita decline in income over the 1992-2002 period. The World Bank and OECD have just released reports documenting increased inequality within as well as between countries in both the developed and developing world. All these trends will obviously get worse with the current economic crisis.

With the economic power of transnational corporations comes political power as well. Wal-Mart’s 2007 sales amounted to \$344.9 billion. This is \$100 billion more than Russia’s entire 2007 budget (\$206.1 billion) and twice as much as India’s 2007 budget (\$154.6 billion). General Electric’s 2007 revenues came to \$173 billion, which is greater than the 2007 Gross Domestic Product of Costa Rica, Luxembourg, Syria, Ghana, Sri Lanka and Turkmenistan all combined.

The top six transnational corporations in the global economy have annual revenues that are greater than the combined budgets of 64 countries with 58% of the world’s population.

The corporations’ economic gives them the resources necessary to influence or even dominate – as we have seen in our own country – political parties and national, regional and local governments. The corporations have the resources and political influence to either promote or obstruct the promulgation of new health and safety regulations, and the enforcement of all regulations.

Thus the global political economy consists of a ferocious competition between corporations roaming the world in search of the lowest possible production costs and the

most accommodating governments, at the same time there is a huge labor pool of people who are so desperate for work that they are unable to refuse any worker, no matter how dangerous or unhealthy.

So this is a thumb-nail sketch of the global supply chains, which I think is essential to understand if we are to design and implement effective occupational health and safety (OHS) programs.

A world of sweatshops

Beginning in the early 1990s, you may remember, there was one set of scandals after another in the mass media about “sweatshops” producing consumer goods sold in the United States. The headlines and exposés highlighted very long hours of work, very low pay, numerous cases of pay withheld altogether, unsafe and unhealthy conditions, child labor, physical abuse and sexual harassment, and workers’ lack of even the most basic rights under the law.

In response, “anti-sweatshop” campaigns were begun by students, labor and religious groups, as well as “ethical investors.” The campaigns started by targeting transnational corporations in the garment and athletic shoes industries, but have spread over time to toys, electronics and consumer goods in general.

The response of the targeted corporations was to establish “corporate social responsibility” (CSR) programs involving corporate codes of conduct, in-house monitoring of the codes, third-party or “independent” monitoring of factories, CSR business associations, and multi-stakeholder initiatives involving non-governmental (NGO) and community-based (CBO) organizations.

There is now a sizeable global CSR “cottage industry” which now involves literally millions of dollars annually for conferences, magazines, journals, websites, CSR consultants and “social auditors.”

But after 15 years of CSR what is the status of global factories? Unfortunately, sweatshops are alive and well throughout the global economy – both in developing and developed countries.

There has been some progress made in improving factories conditions, but it has been very limited. Ironically, the most progress has been made in the OHS arena, which is not one of the ILO’s four “fundamental rights” for workers – these core rights are no child labor, no forced labor, no discrimination, and the right to unionize and collectively bargain.

Progress in OHS areas includes improvements in “life safety” issues and procedures (such as fire control and evacuation); elimination of many visible safety hazards; improved housekeeping and lighting; greater availability of personal protective

equipment; and the establishment, on paper in any case, of occupational health and safety programs and management systems.

But major problems continue throughout global supply chains. These include unevaluated and uncontrolled exposure to chemicals, noise and ergonomic risk factors; uncorrected safety hazards such as unguarded machinery, electrical hazards and inadequate lockout/tagout procedures. There are few factories that have comprehensive, integrated safety programs led by qualified on-site OHS professionals.

The balance sheet of 15 years of CSR programs is only marginal improvements for global supply chains as a whole; uneven, haphazard progress among industry leaders; while the vast majority of transnational corporations have no OHS programs for their supply chains at all.

A 2006 study by the Investor Responsibility Research Center found that of 6,000 leading transnational corporations, only 2,000 filed annual CSR reports and only 12% of these had the requirement that their suppliers comply with the corporate code of conduct.

A River of Information

So how do we know that this is really the CSR balance sheet to date – maybe I'm just making this all up? There are four major sources of information in what is an ongoing river of information on global supply chains: 1) continuing news media exposés; 2) factory reports from NGOs; 3) reports from CSR business associations and multi-stakeholder initiatives; and 4) CSR reports of the transnational corporations themselves.

Just in the last 12 months there have been several dozen media reports of terrible working conditions in global supply chains, including some of the leading corporate practitioners of CSR programs.

Mattel famously has had problems with lead paints on its toys, which is a hazard for consumers but also for the workers making the toys. A Disney supplier in southern China had a full-scale riot by workers over working conditions, hours and pay. The Gap was embarrassed by documented reports of child labor in a supplier factory in India. General Electric had significant mercury poisoning of Chinese workers producing compact fluorescent light bulbs. A Nike supplier in Malaysia was using forced labor of Vietnamese and Burmese workers whose passports had been confiscated and the workers told that they had to work off large "recruitment fees" before they would get their passports back.

Perhaps the most troubling aspects of these 2007-08 scandals are that the factories producing for Disney and the Gap supposedly had been "cut off" by the transnationals and were no longer producing for them; while the Malaysian factory had been working for Nike for 14 years. Clearly Disney and the Gap still do not know exactly who is producing – directly or as a subcontractor – for them; while even a long-term relationship with Nike did not ensure even minimal rights for immigrant workers in Malaysia.

The second category of information is the scores of research reports by NGOs and CBOs in all corners of the world, but especially from China and Asia. (See reference information in sidebar box.)

Some of these reports focus on a specific company – such as SACOM’s “Looking for Mickey Mouse’s Conscience: A survey of the working conditions of Disney supplier factories in China;” or China Labor Watch’s “PUMA Supplier’s Unchanged Dreadful Conditions.”

Or the reports can cover entire industries – such as CEREAL’s “Electronics Multinationals and Labour Rights in Mexico;” or AMRC’s “Report on Industrial Relations and Working Conditions in IMF-Related TNCs in China;” or PlayFair 2008’s “Clearing the Hurdles: Steps to improving wages and working conditions in the global sportswear industry.”

Or the reports focus on specific OHS issues – such as China Labor Watch’s “The Long March: Survey and case studies of work injuries in the Pearl River Delta region;” or China Labour Bulletin’s “Bone and Blood: The price of coal in China.”

Again these are reports of unsafe and unhealthy workplaces that have been subject to years of CSR programs, code of conduct monitoring, and millions of dollars of efforts by leading international “brands.”

The third source of information is reports from CSR business associations and multi-stakeholder initiatives (MSI). The MSIs involve different combinations of transnational corporations, NGOs, CBOs, unions, and government agencies.

One leading U.S.-based multi-stakeholder initiative is the Fair Labor Association (FLA). The FLA periodically conducts “Independent External Monitoring” of its member companies’ suppliers. The latest IEM report covered 147 factories with 110,000 workers supplying the 38 member companies. The IEM report documented 2,511 “non-compliance issues” with 76% of these related to “substantive” benchmarks, rather than minor breaches of corporate codes of conduct. The OHS problems in the report included chemical management, inadequate ventilation, electrical hazards, evacuation and personal protective equipment issues.

In December 2007, the FLA noted “despite the extensive remediation efforts of FLA-affiliated companies, the 2006 IEM findings clearly indicate that Health and Safety issues continue to be pervasive around the globe.”

Finally, the fourth category of information about global supply chains comes are the CSR reports of the transnational corporations themselves. These reports – to the credit of the companies – are often quite revealing.

Nike's "2005-06 Corporate Responsibility" report indicated ranges of supplier plants that had not met the Nike Code of Conduct:

- 50-100% of supplier factories exceeded the hours of work limits in the Nike Code of Conduct;
- 25-50% of supplier factories exceeded the hours of work limits established under law in the countries where the plants were located;
- 25-50% of supplier factories paid wages below the legal minimum wage of the country where they were located;
- 25-50% of supplier factories had worker reports of physical, verbal and sexual abuse; and
- 10-25% of supplier factories were located in countries where freedom of association does not legally exist.

Nike's 2007 Corporate Responsibility report focused exclusively on China in the run-up to the Beijing Olympics. The report indicated there were "persistent problems" in all areas, including OHS, with Chinese supplier factories. This is despite Nike's CSR efforts over 10 years involving \$100 million and a CSR staff of over 100 people worldwide.

Another prominent CSR practitioner in the sports shoe and equipment industry is the German firm adidas. Adidas' 2007 CSR report covers its 1,080 factories in 65 countries, 67% of which are in Asia, with 22% of the total in China alone. Adidas' report indicated that 56% of the non-compliance issues in supplier factories related to occupational health and safety.

Let me state clearly here that sweatshop factories are not just a problem in China or other developing countries. I know this very well from my work as a Cal/OSHA inspector in California where I have done several dozen inspections of the 8,000 garment sweatshops in Los Angeles and Orange County where working conditions, wages and hours are no better than in sweatshops in other parts of the world. The problem of sweatshop conditions is a global problem in both developing and developed countries.

Why So Little Progress?

So what's the problem? Why has there been so little progress, despite so much money and effort over the last 15 years?

The traditional model for workplace health and safety involves concerted action by three key players: government, employers and workers. Effective OHS programs require three strong pillars to raise the platform of workplace safety. But the current reality is that one pillar (workers) is missing altogether and the other two are of different lengths and strengths.

Let's take a quick look at each of the three pillars of OHS:

Governments in the developing world

As you may know from your own work, many governments in the developing world have limited or almost no OHS regulations on the books. In addition, even those with laws often have very limited resources – financial, human and technical – to implement any regulations. This resource-gap is only going to get worse in the near future with the current global economic crisis.

Moreover, developing world governments are under intense internal and external pressure to minimize regulations and reduce enforcement in order to attract foreign investment that is crucial for economic development and job creation.

For example, Mexico has a foreign debt of \$212 billion and must pay \$11 billion every year, just in interest. Anything that “discourages foreign investment” – such as actual enforcement of Mexican workplace safety regulations – is economic suicide and a political impossibility. While it has this enormous foreign debt, Mexico will never, ever enforce its OHS regs.

China has plenty of money, of course, but it must generate 24 million new jobs every year to meet the needs of young people coming into the workforce for the first time. Again anything that discourages foreign investment risks creating social upheavals generated by rural poverty and widespread unemployment.

In addition, there is the problem – again not just in the developing world – of corruption undermining effective government protection of workers’ health and safety.

Looking at China, just by way of example, it has been documented that “Communist” China has 108 billionaires – with 90% of them reportedly the children of senior cadre of the Chinese Communist Party. There are now 345,000 millionaires in China, and at least 50% of these are relatives of party or government officials. So you have a situation where the “private section employer” is the virtually same person as the “government regulator.”

This problem has been frankly recognized by the Chinese government itself. In January 2008, Li Yizhong, national director of the State Administration for Workplace Safety, noted “in terms of our work, there are many weak links, and the power of the government has been weakened from the central to local levels. It’s true there are still officials who break the law for selfish ends and trade power for money.”

Sometimes the governments in the developing world have “other priorities” for their limited funds. In China, there are some 22,000 labor inspectors – but there are 90,000 government censors of the Internet. Imagine what the impact on workplace safety would be if this ratio was reversed and China had 90,000 labor inspectors!

This toxic combination of government inaction and irresponsible employers is clearly evident throughout the global economy – from the Turkish shipyards, to Bangladeshi factory fires and collapses, to the “export processing zone” sweatshops in the Americas

and Africa, and including the United States if we look at the disaster at the Crandall Canyon mine, the Imperial Sugar explosion, and numerous construction fatalities in Las Vegas and New York City.

In summary then, for governments in the developing world, the biggest obstacles for safe factories are a lack of regulations, a lack of human, technical and financial resources, “other priorities” for existing resources, and a lack of political will to make workplace safety a top priority.

So the government pillar is only halfway up...

Employers in global supply chains

Let’s turn now to our second pillar, that of employer OHS policies, programs and activities.

As many of us know, there are a significant number of “low road” employers in global supply chains. These low-roaders not only have terrible working conditions in their own plants, but also exert tremendous downward pressure on all employers in the famous “race to the bottom” in working conditions to cut production costs and maximize profits.

But as I noted just a minute ago, even “high road” employers have managed only marginal improvements throughout their supply chains over the last 15 years. The dominant CSR approach of top-down, command and control, management system-focused OHS programs has simply failed.

The primary culprit for this failure is the schizophrenic business model of trying to maximize CSR program implementation at the same time as driving down production costs. This model has generated an intense internal conflict between the transnational corporations’ CSR and sourcing departments. There has been no integration of CSR goals with the sourcing department’s “iron triangle” of low price, high quality and on-time delivery. Moreover, there has been a lack of brand support for contract factory-level CSR programs mandated by the brand’s own CSR policies.

Here’s how it works:

On Tuesday, a factory in the Pearl River Delta, or outside Jakarta, or in Bangladesh, is visited by the brand’s CSR staff. The CSR staff tell the factory owners that in order to keep the brand’s orders next year, the factory must obey all legal limits on hours of work, must obey all legal minimum wage and overtime pay laws, must obey all national OHS regulations, as well as meet the requirements of the brand’s corporate code of conduct if it is stricter than national law. The CSR staff may also require the factory owners to implement new CSR programs – paid for out of contractor’s own pocket – such as computer or English classes, or improved recreational facilities. This is Tuesday...

On Thursday, the same brand's sourcing department buyers visit the factory. The sourcing department staff tell the factory operator that in order to keep the brand's order next year, the factory must meet the same quality criteria, must meet the same, or faster, delivery schedules, and do so while the price paid by the brand is cut X% next year and cut XX% the year after. How the factory operators are to meet their own profit goals – let alone meet the CSR staff's increased mandates – is of no concern to the brand's sourcing department. If the factory operators don't like this deal, then the brand's buyers will walk down the street to another factory who will take the deal, and there are many factories down the street who will take the deal just as offered.

This is the dominant business model in global supply chains today, and it means that CSR and sourcing departments are working at cross-purposes, actually work against one another. From an OHS point of view, no real progress in ending sweatshops will be possible until this contradiction is resolved.

“Gaming the CSR System”

The internal contradictions of this schizophrenic business model are made worse by transnational corporations that “game” CSR systems and by contract factory operators who also “game” CSR systems.

In terms of the first problem, a very concise explanation of how transnational corporations game CSR systems was provided in a recent article by T.S. Frank who worked for six years for Cal Safety in southern California, one the largest code of conduct monitoring organizations both nationally and internationally.

Frank wrote in the April 2008 *Washington Monthly* magazine:

Monitoring by itself is meaningless. It only works when the company that's commissioning it has a sincere interest in improving the situation. In the case of Chun Si, inspectors visited five times, according to *Business Week*, and kept finding trouble. Now, anyone in the business knows that when inspections uncover safety violations or wage underpayment more than once or twice – let alone five times – it's a sign that bigger problems are lurking beneath. Companies rarely get bamboozled about this sort of thing unless they want to.

And many prefer to be bamboozled, because it's cheaper. While many companies like to boast of having an ethical sourcing program, such programs make it harder to hire the lowest bidder. Because many companies still want to hire the lowest bidder, “ethical sourcing” often becomes a game. The simplest way to play it is by placing an order with a cheap supplier and ending the relationship once the goods have been delivered. In the meantime, inspectors get sent to evaluate the factory – perhaps several times, since they keep finding problems – until the client, seeing no improvement in the labor conditions, severs the bond and moves on to the next low-priced, equally suspect supplier.

For the half-assed company there are also half-assed monitoring firms. These specialize in performing as many brief, understaffed inspection as they can fit in a day in order to maximize their own profits. That gives their clients plausible deniability: problems undiscovered are problems avoided, and any later trouble can be blamed on the compliance monitor. It is a cozy understanding between client, monitoring company and supplier that manages to benefit everyone but the workers.

But even for transnational corporations that are sincerely trying to implement their code of conduct, their contract factories have tremendous economic incentives to “game the system.”

The best book to read this year about this issue is Alexandra Harney’s [The China Price: The true cost of Chinese competitive advantage](#). Harney speaks Mandarin and was a reporter for London’s *Financial Times* for many years in Japan and China.

Harney lays it all out in terms of how the CSR systems are gamed in China, specifically in three key areas: “fabrication engineers,” “shadow factories,” and bribed and threatened workers.

Contract factories in China often keep multiple sets of books, both on financial accounting and on wages and hours worked. One set of books will be the real set of books. A second set of books are those shown to the Chinese government for tax purposes. The third set of books are those shown to the brands’ CSR staff and third-party code monitors.

The “fabrication engineers” are the young computer programmers who create these multiple books that can be spit out automatically depending on who is receiving them. Some factories have gotten so sophisticated with this that, if they have four international brands as clients, they can provide four separate set of books, each customized to meet the code of conduct requirements of the specific client.

Contract factories often have more than one actual worksite. There is the “trophy factory” where clients and monitors are taken, which is calm, clean, well lit and code-compliant. Then there is the “shadow factory” around the corner where the bulk of production actually occurs in conditions that routinely violate national law and brands’ codes of conduct. No one inspects the shadow factories – either national regulators or international monitors.

A big part of the code of conduct monitoring is interviews of factory workers by the auditors. However, almost all inspected plants “prepare” their employees for the monitors’ visits. The workers, who have to live with their supervisors and managers while the auditors are there for a day at best, are coached as to how to answer questions about hours of work, wages, overtime pay, days off, etc. Workers who give auditors the “right” answer often get a monetary “bonus,” and get to keep their jobs as well; while those that “make trouble” during the audit are frequently shown the door.

So, in addition to a schizophrenic business model, CSR implementation faces an uphill battle between transnational corporations and local contract factories that successfully “game the system.” Moreover, employers have responded to “market forces” in ways that undermine effective workplace safety as well.

“The market made me do it”

In 2007 and 2008, when China proposed changes in its labor law to protect migrant workers who have been routinely underpaid, over-worked and abused in contract factories producing for international brands, the American and European Chambers of Commerce launched intense campaigns to oppose the legislation. Their pressure succeeded in weakening some, but not all, worker protective aspects of the law now in effect.

Part of the transnational corporations’ campaign against the labor law was to threaten to move operations out of China. Recently a combination of economic factors has reduced China’s “competitive advantage” and companies are now using relocation threats to undermine regulatory enforcement of occupational and environmental health laws.

Todd Cheung, the general manager of an export sports shoe factory in China’s Pearl River Delta told the *Washington Post* in February 2008 that “we will either move inland or out of China altogether. It’s not political, it’s economic. A lot of Taiwanese companies are moving to inner provinces because the land is cheap, the labor is cheap and the local governments don’t insist on expensive anti-pollution measures as they do here.”

It’s not just contract factory operators who are moving operations and undermining government efforts at worker protection. Adidas CEO Herbert Hainer told the German business magazine *Wirtschaftswoche* in July 2008 that “salaries which are set by the government have become too high” in China. “We have already opened our first factory in India. Countries like Laos, Cambodia and Vietnam will be added. Production will also return to former Soviet republics and eastern European countries.”

If even “leading CSR practitioners” find China “too expensive” and its OHS regulations “too stringent,” then one can only wonder what working conditions will be like in India, Laos, Vietnam, Romania or Bulgaria.

We could spend the entire conference on employer implementation of CSR programs, and, in fact, there are a score of such conferences every year, but there are only a few organizations that have addressed the fundamental underlying issues.

The U.S.-based Business for Social Responsibility has hosted several conferences on “Beyond Monitoring” to examine the underlying issues of bad working conditions. The UK multi-stakeholder Ethical Trading Initiative has conducted case studies on how purchasing practices impact working conditions. (See appendix for references.)

So, in summary for employers, the second OHS pillar, sustainable and deep-rooted improvements in OHS conditions in the global supply chains have been blocked by a schizophrenic business model, gaming of CSR programs by transnational corporations and by contract factories, and by “market forces” prompting employers to undermine government actions and/or relocate operations to even less regulated, lower wage countries.

The employers’ OHS pillar may be higher than that of governments in the developing world, but the employer pillar is fractured internally.

Workers in global supply chains

Turning finally to the third OHS pillar, that of workers’ role and activities, we find that the pillar is missing altogether. Workers have been excluded from any meaningful participation in workplace OHS by governments, international brands and contract factory operators.

The main obstacles to workers’ participation have been ideological opposition by many employers; lack of knowledge and skills among workers; and the high turn-over rates and concerns on the part of workers about OHS activities cutting into their pay, which is often determined by meeting production goals.

As we all have experienced at some point, there are employers who are unwilling to cede any authority to workers, to allow any employee activity that is not under their direct supervision and control. Unfortunately, this approach is entirely compatible with the top-down, “command and control,” management system-focused OHS programs which are dominant in global supply chains today.

In terms of workers knowledge and skills, most of the workers in global chains are young and inexperienced, come from rural areas, often with little formal education or even urban life skills. In addition, the majority of workers are women, who are often second-class citizens in their societies to begin with. These workers usually require training to meet their production tasks, let alone to take on meaningful participation in plant-level workplace safety activities.

But any worker training is currently difficult because workers’ incomes, and often that of a group of employees working as a team, are dependent on meeting production goals. Time away from the production line, unless specifically compensated by management, means lost pay for the employees performing non-production OHS program activities, and possibly for their co-workers as well.

Moreover, the worker turnover rates in global supply chain factories are very high and a disincentive for any kind of employee training. In China, for example, “good” factories have annual turnover rates of 35-40%, while “bad” factories have turnover rates of 90% or more.

As a result, there are currently few or no production-line workers on plant health and safety committees, few or none conducting inspections or training co-workers.

But this worker non-participation is a tremendous lost opportunity, and must be overcome if effective, sustainable, deeply rooted OHS programs are to actually improve working conditions.

All OHS experts agree that “employee involvement” is indispensable for effective OHS programs anywhere in the world. This is because workers are on site all day, every day; workers know the process and problems of normal operations; workers have ideas for resolving safety problems; and workers can verify whether hazard corrections are implemented and actually work.

There is a growing body of evidence in the scientific literature about an OHS-positive “union effect.” Workplaces throughout the world that have unions and significant worker participation in plant-level OHS activities have been found to have lower rates of injuries and illnesses, and improved rates of recognition and correction of workplace hazards. The UK-based *Hazards* magazine’s website has posted many of these research studies.

Workers can play an essential role

Trained, empowered and active workers can play essential roles in plant-level OHS programs by conducting inspections and identifying hazards, investigating accidents and exposures, verifying and evaluating hazard corrections, and conducting peer training with co-workers.

This is especially true in global supply chains where production occurs in giant factories of tens of thousands of workers in a single factory complex, and where managers are have multiple responsibilities in the plant and production concerns are foremost. There is simply no way that small, management-only health and safety committees can conduct effective plant OHS programs.

The unrealized potential for workers participation in OHS programs has been recognized by experienced transnational corporations. Doug Cahn, who directed Reebok’s CSR programs for 15 years, told the *Financial Times* in 2002 that “we have inspections of factories, both announced and un-announced. But we just don’t have the assurance that things will be the same the next day. Factories in China are incredibly sophisticated at finding ways to fool us. The best monitors are the workers themselves.”

As we all know, we will never have enough government inspectors, we will never have enough corporate-level OHS staff, and we will never have enough plant-level OHS staff. But informed, empowered and active workers can fill the gap, can compensate for weaknesses or deliberate failures in contract factory OHS programs.

Informed, empowered and active workers are not a substitute for government and employer actors in effective OHS programs. But workers participants in plant-level OHS

programs can compensate for a lack of regulations or lack of enforcement by governments, they can counter-act gaming of CSR systems by contract factory operators, and they can call attention to failures of hazard correction implementation.

With strong, worker-involved OHS committees, responsible international brands and contract factory operators have an indispensable partner for accurate plant inspections, accident investigations that get to the root causes of incident, knowledgeable assessments of hazard controls' effectiveness, and the training of thousands of workers.

The simple fact of the matter, in my view, is that without real, meaningful participation by workers in factory OHS programs there is no real hope of substantial improvements in health and safety in global supply chains.

Experiments in worker participation

In closing, let me describe some experiments in worker participation that have occurred over the last few years. Even though these projects have not been "scaled-up" for widespread application, they are examples of what could be done with sufficient political will and resources.

These experiments include: the Dongguan City three-factory training; the Kong Tai Shoes OHS committee, the "Better Factories Cambodia" project; NGO and MSI projects; internal initiatives of transnational corporations; and several "paradigm shift" projects. [See the appendix for references on these projects.]

The Dongguan City project occurred in 2001 with three Taiwanese-operated factories with 51,000 workers producing for adidas, Nike and Reebok. The four-day training was designed to provide 45 workers, supervisors and managers with information and skills needed to establish health and safety committees in each plant with production-line workers as full members of the committees. Another 45 participants came from Chinese labor rights NGOs and international brand CSR staff.

During the training, participants had classroom lectures punctuated with "field trips" to the floor of the operating 30,000-worker factory where the event was held to measure noise levels, identify safety hazards, and evaluate ergonomic risk factors. On the fourth day of the training each factory met separately to design their plant's committee and set goals.

The three plants' committees presented their plans to the other two and a "friendly competition" was established between the committees. A year later the three committees met again to exchange experiences and lessons learned. [Project details available at www.igc.org/mhssn.]

The best of the three OHS committees was located at the Kong Tai Shoes (KTS) plant in Longguan where there was an overlap between worker members of the safety committee and members of the executive committee of the plant union. Reebok had required the

Taiwanese plant operator to hold secret ballot elections for the plant union's executive committee, and three of the executive committee members were also on the safety committee.

The KTS safety committee conducted monthly inspections, during which literally dozens of safety hazards in the 5,000-worker plant were identified and corrected; conducted some accident investigations; and also began peer training of co-workers on chemical hazards. Unfortunately this level of activity lasted only 18 months as the plant was sold to new owners who then limited the activity of the committee and its worker members.

A more long-lasting experiment is the "Better Factories Cambodia" project to improve conditions in garment factories in Cambodia. This eight-year-old project involves direct monitoring by the International Labor Organization of plant conditions with increased sales opportunities tied to improved working conditions. More than 50% of the factories have unions and most have joint health and safety committees with worker members. The ILO has issued a series of reports on working conditions and worker participation, including its 20th "Synthesis Report" in June 2008. [Project details available at www.betterfactories.org.]

In the area of NGO and MSI projects, there have been several focusing on increasing worker participation on health and safety issues as well as other labor rights. The Clean Clothes Campaign, based in Amsterdam, has conducted several, as has the UK's Ethical Trading Initiative.

Six transnational corporations and six MSIs worked together in Turkey for four years in the "JO-IN" project to establish a joint code of conduct, standardized monitoring protocols and increased worker participation for contract factories.

In the run-up to the Beijing Olympics, four major sports shoe and equipment manufacturers have joined with MSIs, NGOs and several unions in a "Better Work" project to improve health and safety and other conditions in factories which will assemble products for the 2010 and 2012 Olympics.

Leading transnational corporations, on their own or "encouraged" by anti-sweatshop campaigns, are developing new initiatives around factory safety and worker participation.

For example, Nike – the poster child of sweatshops for many years – has made "business integration" of its CSR and sourcing staffs a priority. In the toy industry, Disney and McDonald's (the world's fourth largest toy producer with its "Happy Meals") joined with several NGOs on a "Kaleidoscope Project" which issued its final report in March 2008.

There are several business organizations that focus on improving working conditions, sometimes with increased worker participation in the effort. These include the U.S.-based Business for Social Responsibility and "Business & Human Rights" website, as well as the U.K.-based Ethical Corporation and Ethical Performance organizations.

Lastly, in terms of significant worker participation in plant OHS programs, there are several “paradigm shifting” efforts in global supply chains. These include worker-owned or worker cooperative factories producing “sweat-free” consumer products, primarily in the apparel sector.

The U.S.-based Workers Rights Consortium has been promoting for several years its “Designated Supplier Program” in which universities would establish long-term contracts for its logo products with designated factories with good working conditions and meaningful worker participation

What are the prospects for improved OHS?

With all the challenges I have just described, what are the prospects for better OHS in global supply chains?

Clearly there are no “magic formulas” or “silver bullets,” but it’s also not a hopeless situation. There are ongoing experiments and there has been some progress made over the last 15 years. Ironically, the current global financial crisis shows that if there is a political will, there are financial resources available.

You may know that the Chinese word for “crisis” consists of two characters: one represents “danger” and the other “opportunity.” The market failure on Wall Street gives us the opportunity to address another market failure – that of workplace health and safety in the global economy.

What we need to do is raise awareness about this continuing failure, focus concern on what this means in human terms for workers in global supply chains, and to generate a similar sense of urgency that these problems must, and can, be solved. The starting point is to understand how the global economy really works, what has worked in protecting workers’ safety and what has not worked, and the reasons why.

What’s our role as occupational health professionals in this process? I believe it is to be educators and advocates. We can and should help – as industrial hygienists always try to do – to *recognize* the problem, *identify* its root causes, *develop* an effective response, and *verify* its ongoing implementation.

Industrial hygienists can take the lead in this effort within our own companies, especially transnational corporations with global supply chains; within our professional associations; as citizens, constituents and consumers; and as champions of a “big picture” perspective and a pro-worker approach.

To achieve these goals, we need – as we are doing at this conference – a deeper discussion of root causes, a broader discussion of the various options and alternative policies, genuine political will on the part of the government and employers at all levels, and sufficient resources to carry out new policies, practices and programs.

If we can raise awareness, focus on effective strategies, mobilize the necessary political will and resources, then we can bring about a 21st century global OHS that is based on a genuine integration of CSR into sourcing decisions and practices, on support for government efforts to establish a “level playing field” for all, and on workers as informed, empowered and active participants in supply chain plant OHS programs.

Thank you for your kind attention.

Appendix – Selected Resources

Key organizations and websites

- Asia Monitor Resource Center (Hong Kong) – www.amrc.org.hk
- Business for Social Responsibility – www.bsr.org
- Business and Human Rights – www.business-humanrights.org
- China Labour Bulletin (Hong Kong) – www.china-labour.org
- Clean Clothes Campaign (Europe) – www.cleanclothes.org
- Ethical Corporation (UK) – www.ethicalcorp.org
- Ethical Trading Initiative (UK) – www.ethicaltrade.org
- Maquila Solidarity Network (Canada) – www.maquilasolidarity.org
- Maquiladora Health & Safety Support Network – www.igc.org/mhssn

Specific factory and industry reports

- **Asia Monitor Resource Center:** *Report on Industrial Relations and Working Conditions in IMF-related TNCs in China*, commissioned by the International Metalworkers' Federation (2006)
- **Garrett Brown:** *Lean Manufacturing Comes to China: A case study of its impact on workplace health and safety* (2007) and *special issue on workplace safety in China* (2003), both in the International Journal of Occupational and Environmental Health at www.ijoh.com
- **CEREAL:** *Electronics Multinationals and Labour Rights in Mexico, Second report on working conditions in the Mexican electronics industry* (2007), CEREAL, accessible at www.goodelectronics.org
- **China Labour Bulletin:** *Bone and Blood: The Price of Coal in China* (2008); *Falling Through the Floor, Migrant Women Workers' Quest for Decent Work in Dongguan, China* (2006); and *Deadly Dust: The silicosis epidemic among Guangdong jewellery workers and the defects of China's occupational illness prevention and compensation system* (2005)
- **China Labor Watch:** *The Long March, Survey and Case Studies of Work Injuries in the Pearl River Delta* (2007) at www.chinalaborwatch.org
- **PlayFair 2008:** *Clearing the Hurdles: Steps to Improving Working Conditions in the Global Sportswear Industry* (2008), PlayFair 2008 and *No medal for the Olympics on labour rights* (2007), both at www.playfair2008.org
- **SACOM - Scholars and Students Against Corporate Misbehavior:** *High Tech, No Rights? One Year Follow-Up Report on the Working Conditions in the Electronics Hardware Sector in China* (2008) and *Looking for Mickey Mouse's Conscience – A survey of the working conditions of Disney's supplier factories in China* (2005-07), both at www.sacom.hk
- **SICCA – Sethi International Center for Corporate Accountability:** audit reports from *Mattel, Inc. Managed Plants in Asia and China* (October 2008), at www.ICCA-corporateaccountability.org
- SOMO - Centre for Research on Multinational Corporations:** *Silenced to Deliver: Mobile phone manufacturing in China and the Philippines* (2008) at www.somo.nl

- **Lori Todd**, et. al. *A Survey of Airborne and Skin Exposures to Chemicals in Footwear and Equipment Factories in Thailand*, Journal of Occupational and Environmental Hygiene, March 2008.

Other organizations issuing frequent and ongoing reports

- China Labor Watch – www.chinalaborwatch.org
- Comite Fronterizo de Obreras (Mexico) – www.cfomaquiladoras.org (English)
- CSR Asia Weekly (newsletter) – www.csr-asia.com
- Fair Labor Association – www.fairlabor.org
- National Labor Committee – www.nlcnet.org
- European Coalition for Corporate Justice (UK) – www.corporatejustice.org
- Verite – www.verite.org
- Workers Rights Consortium – www.workersrights.org

Codes of Conduct and CSR Programs

- **Clean Clothes Campaign**: *Looking for a quick fix; How weak social auditing is keeping workers in sweatshops* (2005)
- **Ethical Trading Initiative**: *Report on the ETI Impact Assessment 2006; The ETI Code of Labour Practice: Do workers really benefit?* (2006) and *Getting smarter at auditing; Tackling the growing crisis in ethical trade auditing* (2006)
- **T.A. Frank**, *Confessions of a Sweatshop Inspector*, Washington Monthly, April 2008
- **Alexandra Harney**: *The China Price, The true cost of Chinese competitive advantage*, Penguin Press (2008)
- **Maquila Solidarity Network**: *Codes Memo 23: Who's got the Universal Code?* (April 2008), *Codes Memo 22: The next generation of CSR reporting – Will better reporting result in better working conditions?* (December 2007)
- **Roseann Casey**: *Meaningful Change: Raising the Bar in Supply Chain Workplace Standards*, Roseann Casey, Working Paper #29, J.F. Kennedy School of Government, Harvard University (2006), at www.ksg.harvard.edu/m-rcbg/csr/home.htm
- **Richard Locke**: *Does Monitoring Improve Labor Standards?: Lessons from Nike*, MIT Sloan Working Paper #4612-06 (2006), at <http://ssrn.com/abstract=916771>
- **Don Wells**: *Too weak for the Job: Corporate codes of conduct, Non-Governmental organizations and regulation of international labor standards*, Global Social Policy, v. 7, no. 1 (April 2007)

New Approaches

- **Better Factories Cambodia**: Eight year program in Cambodia led by the International Labor Organization at www.betterfactories.org
- **Business for Social Responsibility**: *Pilot Summary report: Building Capabilities to Implement CSR Management Systems at ICT Suppliers in China* (2008)
- **Clean Clothes Campaign**: *Full Package Approach to Labour Codes of Conduct* (2008)

- **Ethical Trading Initiative:** *Purchasing Practices: Case studies to address impacts of purchasing practices on working conditions* (November 2007)
- **Oxfam Australia:** *Sector-wide Solutions for the Sports Shoe and Apparel Industry in Indonesia* (2008) at www.oxfam.org.au
- **Project Kaleidoscope Working Group:** *A Collaborative and Dynamic Approach to Code of Conduct Compliance* (2008) at www.asyousow.org