

# COMPARISON OF CRITICAL ELEMENTS OF WSR VS. CSR AND MSIs

## CSR AND MSIS

## WSR

### MONITORING

Audits are rushed and superficial. They are conducted by individuals with limited training and without deep knowledge of relevant workplace issues. Auditors are paid by, and are beholden to, the brand whose supply chain is being monitored, or an MSI that is dependent on the brand, or the factory itself. If auditors interview workers, they usually do so onsite, at the workplace, where workers are unable to speak candidly about conditions. Most audit reports are kept secret, even from the workers themselves.

Inspections are in-depth and comprehensive. They are conducted, on a frequent basis, by well-trained investigators with industry-specific experience and sufficient knowledge of the issues they are tasked to assess. Investigators operate independently of the industry and are neither paid nor employed by the company whose supplier is being investigated—or by the supplier. Monitors prioritize worker interviews, which are done offsite whenever possible, and always outside the presence of managers. Workers are fully informed as to the result of all inspections.

### ENFORCEMENT OF BRAND/RETAILER OBLIGATIONS

Virtually all CSR and MSI schemes lack an effective enforcement mechanism. Because the commitments of brands and retailers under such schemes are purely voluntary, there are no meaningful consequences for failure to comply. In the case of some MSIs, non-compliance may result in the company's membership in the MSI being revoked, but this is a slap on the wrist. MSI's simply do not have the ability to legally compel a member brand to meet the commitments it has made or to undo the harm its past non-compliance has caused. Making matters worse, a brand or retailer can quit an MSI whenever it chooses, with no significant consequence.

Effective enforcement of brand and retailer obligations is a defining element of WSR. A binding and legally enforceable agreement between worker representatives and corporations at the top of the supply chain is the foundation of a WSR program. If a brand or retailer fails to fulfill a commitment (to pay a required price premium, to terminate abusive suppliers, etc.), worker represents can use legal mechanisms (via judicial systems or private arbitration) to force the brand or retailer to remedy past violations and to comply going forward. And because WSR agreements are a legal contract, brands and retailers cannot just quit the program when they please.

## CSR AND MSIS

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### ENFORCEMENT OF SUPPLIERS' OBLIGATIONS

There are no sure and swift consequences for suppliers that fail to meet a buyer's or an MSI's labor standards. Often, the suppliers can successfully hide violations from auditors. When violations are identified, a mere promise to comply in the future is often considered sufficient under buyers' and MSIs' procedures, which then often fail to hold suppliers accountable to those promises. Even when a supplier is caught persistently and flagrantly violating standards, it is, in most cases, up to the buyer to decide whether to stop doing business with the supplier. If the buyer sees financial value in the relationship, the buyer can keep buying from the supplier, as it sees fit. By contrast, if suppliers don't meet buyers' price and delivery demands, they know that loss of business is virtually certain. This is why it is not only common, but economically rational, for suppliers to ignore labor standards in favor of minimizing production costs.

In some CSR and MSI schemes, a buyer or supplier may lose certification from the program when violations are identified, but face no other consequences aside from the decertification, the consequences of which are nebulous at best. Loss of certification does not necessarily result in actual loss of sales or other financial consequences, which is the only potential value of decertification as a means of encouraging compliance, but which has no intrinsic negative value in and of itself.

### COMPLAINT MECHANISM

As a rule, complaint mechanisms in CSR and MSI schemes are rare and where they do exist, result in little or no real reform. If such a mechanism does exist, complaints often go directly to the employer or the brand, or to a contract organization acting at the brand's direction, rather than to an independent party that represents workers' interests. Workers understandably have very little trust in such mechanisms and, if they do file a complaint, are typically not protected from retaliation by employers.

## WSR

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Under WSR, violations are far more likely to be identified, remedial requirements are much tougher, and brands and retailers are legally obligated to cease doing business with any supplier that commits violations and fails to effect remedies. The buyer's desire to keep using the supplier because it needs to the product is immaterial. Suppliers know that abusive labor practices will lead, swiftly and surely, to a loss of customers.

Workers can file a complaint directly with an independent body responsible for investigating such complaints and dedicated to protecting workers' interests. Workers who access the complaint mechanism are protected from retaliation. Workers gain trust in the process because they see complaints resulting in timely and effective action. In WSR, workers' complaints are often the primary mechanism for identifying bad actors and bad practices and reforming the workplace.

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## WSR

### ECONOMIC RESPONSIBILITY FOR REMEDATION

Corporations squeeze their suppliers in an effort to secure the lowest possible price, forcing suppliers to cut labor costs, often at the expense of workers' economic well-being and labor standards, in order to remain competitive. Traditional CSR and MSI schemes do nothing to address this problem, which is the single biggest factor leading to abuses in global supply chains.

Corporate buyers are required to provide financial support so that suppliers can afford the increased costs associated with operating in compliance with labor rights standards. Such support can come in the form of higher prices, direct payment for the costs of monitoring and improvements, low cost loans, substantial wage premiums paid directly to workers, or up-front payment for goods.

### WORKER EDUCATION

Under CSR and MSIs, workers typically receive very little information about their rights. A copy of the relevant code of conduct may be posted in the workplace but workers do not receive effective training on their rights and have no meaningful recourse when violations occur. If training is conducted, it is superficial and is carried out by the factory or the brand, without participation by worker representatives, offering little of value to workers.

Under WSR, workers receive regular, detailed training about their workplace rights, including how to access an independent complaint mechanism. Such training is typically carried out at the time of hire, by worker representatives or other experts who are independent of the buyer and the employer and have the trust of workers, during working hours and in the course of remedying code violations discovered by the program, as a form for underscoring the standards violated and the importance of compliance for workers and supervisory personnel alike. Effective training empowers workers to serve as frontline monitors of their rights.

### STANDARDS

Standards often fail to account for the risks and dangers specific to a particular industry or type of workplace, lack sufficient detail and specificity, and reflect little or no understanding about the realities that workers face on a daily basis.

Workers and their organizations design industry-specific codes of conduct focused on eliminating the specific forms of abuse that are unique to that industry or workplace.

### TRANSPARENCY

Information about which suppliers are covered by a particular CSR or MSI scheme is kept confidential, unless voluntarily disclosed by the buyer.

WSR includes public disclosure of the names and locations of covered suppliers.