MARRYING JEKYLL WITH HYDE? TRANSNATIONAL ENTERPRISES, PRO-POOR DEVELOPMENT AND SUSTAINABLE ETHICAL LEARNING

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DISCUSSION DRAFT[1]
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'For leading companies helping to achieve the Millennium Development Goals is not only a matter of corporate social responsibility, embedded in compliance, risk management and philanthropy, but also a matter of corporate social opportunity, embedded in innovation, value creation and competitiveness'
(Nelson and Prescott 2003 Business and the Millennium Development Goals)

MNCs [now have] a unique opportunity – a "license to imagine," to re-conceptualize the corporation in a manner that can recognize and serve the diversity of needs and values of people across the globe. By creating a new, more inclusive brand of capitalism, one that incorporates previously excluded voices, concerns, and interests, it may be possible for the corporate sector to become a catalyst for a truly sustainable form of world development—and to prosper in the process.
(Base of Pyramid Draft Protocol 2004)

' The idea that publicly traded corporations constituted for the sole purpose of maximising short-term profits can provide consequential and constructive leadership toward resolving any of the Millennium Development Goals is simply wishful thinking'
(David Korten quoted SustainAbility 2004)

The key question is whether the aim is genuinely profits for social justice, or social justice just as far as necessary in order to make profits'
James Beebe final remarks at BoP workshop October 2005

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[1] This is an issue on which the author will be doing more work over the coming year. She very much welcomes any comments. She can be contacted at l.mayoux@ntlworld.com. Links to many of the background sources quoted in the paper can be accessed from her website: www.lindaswebs.info

INTRODUCTION: JEKYLL OR HYDE? TNES AND PRO-POOR DEVELOPMENT

Transnational Enterprises (TNEs)[2] are an important source of direct and indirect employment creation in the global economy, particularly in labour intensive sectors such as clothing, food and sports goods. In 2001 the foreign affiliates of TNEs were estimated to account for 54 million employees[3] (Milberg 2002). TNEs are also key suppliers of consumer products: health care, food and soft drinks, agricultural seeds and fertilisers, domestic cleaning products, packaging, plastics, energy, electronic goods. The sheer size and global nature of their operations means that they are inevitably key agents of economic, environmental, social and also political change – for good or for ill.

Global sourcing by TNEs and large buyers has had the positive effect of stimulating employment, including job opportunities for women. Some employment within global value chains can be of a good standard, with workers rights and protection observed. For those workers, globalisation has yielded positive benefits in terms of employment creation and labour standards (Moran 2002 quoted Barrientos 2003). However there are numerous documented cases of abuses in human rights and the environment. Flexible labour and informal work are often associated with low employment standards, and critics have highlighted the poor wages, long hours, insecure employment, and lack of trade union rights often found within export production (Madeley 1999; Klein2000). A number of prominent NGOs have convincingly argued that trade liberalization and the purchasing practices of global buyers directly contribute to poor conditions for workers within the factories and farms supplying TNEs (Curtis 2001; Oxfam International 2002, 2004). There has also been concern with the role of TNEs in accelerating environmental degradation, cultural hegemony, and loss of national and local autonomy.

In the 1980s and 1990s co-operation between civil society actors, particularly trade unions and NGOs, exerted increasing pressure on TNEs through high profile exposure of malpractice (Gallin 2000 quoted Barrientos 2003). Some campaigns, particularly around emotive issues such as child labour in the production of footballs for FIFA, or the use of slave labour in the production of chocolate, were able to generate a significant amount of media publicity, and galvanise the support of a section of northern consumers. These early campaigns have now developed into increasingly organized and vocal global civil society networks of organisations, especially trade unions and NGOs, linked by Internet and other global communication media. Recent prominent global advocacy and consumer campaigns have been around genetically modified seeds, intellectual property rights and the broad-based anti-globalisation movement.

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[2] The term TransNational Enterprises (TNEs) is used here in preference to other terms such as Multinational Enterprises (TNEs) to indicate the fact that these corporations now consist of complex relationships between different actors along the value chain rather than discreet 'companies' and that their operations transcend national boundaries in a hierarchical structure rather than bringing together different national entities on equal basis.

[3] This compares with 24 million in 1990 and does not include employment by independent suppliers linked to TNEs via global value chains, for which there are no reliable estimates Millberg 2002 quoted Barrientos 2002.

Largely in response to the commercial risks posed for individual companies targeted by this external pressure there have been a growing number of Guidelines and Codes for Corporate Social Responsibility (See Appendix 1). The main sectors covered include apparel, toys, sporting goods, food and beverages[4]. Other sectors are also engaged in social responsibility initiatives, such as telecommunications, pharmaceuticals, mining, oil and energy. Some Codes have focused mainly on labour and employment issues, based on the 1966 International Covenant on Economic, Social and Cultural Rights and 1977 ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy[5]. Others, like UNDP's Global Compact (Box 1) and OECD and EU Guidelines have covered a broader range of human rights, labour and environmental issues. These are backed by reporting and social auditing standards like SA8000 and the Global Reporting Initiative (2002). More recently participatory methods have been developed which attempt to put monitoring on a more reliable, sustainable and constructive basis.

BOX 1:   *UN GLOBAL COMPACT (2000)*

The UN Global Compact seeks to promote good practice by large corporations and TNEs. It draws together a number of UN agencies, including UNEP, OHCHR, ILO and UNDP and also involves including governments, companies, civil society organisations. The Global Compact seeks to provide a globally authoritative contextual framework to encourage innovation, creative solutions, and good practices among participants. It aims to combine voluntary initiatives and regulatory systems to encourage the wide adoption of responsible corporate citizenship.

THE NINE UN PRINCIPLES

HUMAN RIGHTS:
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS:
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: eliminate discrimination in respect of employment and occupation.

ENVIRONMENT:

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[4] For example NIKE see http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&cat=code and Oxfam's Nike watch http://www.oxfam.org.au/campaigns/nike/reports/index.html and campaigns on other Sportswear suppliers http://www.oxfam.org.au/campaigns/nike/reports/other.html.
[5] For a history and overview of development of Codes of Conduct see Hausermann 1998 and Barrientos 2000. Barrientos 2003 cites Richard Howitt MEP UK as having more than 500 such codes in his office (Jenkins 2002b), and the ILO database includes approximately 300 codes (www.ilo.org/basi). For more general discussions of corporate social responsibility see for example: (Zadek, Pruzan et al. 1997; Blowfield 1999; Picciotto and Mayne 1999; Bendell ed 2000; Forstater, MacDonald et al. 2002; Utting 2002)

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies

(www.unglobalcompact.org)

More recently negative assessments of the developmental role of TNEs have begun to change to one of tentative optimism in some quarters about their potentially positive role in economic development, environmental protection and social change. This builds on the view, not only that TNEs are important agents of economic growth, but also that compliance with Codes of Conduct can in itself lead to certain forms of competitive advantage:

Better labor relations lead to increased productivity and lower costs of staff turnover. Bad labour relations are also bad management.
Environmental concerns can be an opportunity to develop markets for clean technology and innovative products, and to increase efficiency through less waste and pollution.
In both cases companies have the opportunity to maximise market competitiveness based on ethical reputation and brand loyalty.

Rather than focusing on minimisation of the negative impacts emphasis is on maximising 'business case win-win scenarios' whereby corporate social and environmental responsibility can also increase the profits and sustainability of the TNEs themselves.

Some recent debates have taken the logic of these arguments even further to identify not only complementarities between ethical and business 'Best Practice', but a range of active and positive roles for TNEs as agents of pro-poor development. Building on Global Compact 2000 a joint initiative by UNDP and International Business Leaders Forum produced 'Business and the Millennium Development Goals: a Framework for Action' (Nelson and Prescott 2003) which identifies both a framework and specific interventions which large businesses can make to further the MDGs. As discussed in more detail below, these include:

 - Producing safe and affordable products and services.
 - Creating local jobs and building local businesses.
- Investing in training, skills development and health and safety in the workplace and along the supply chain.
- Supporting local technology development.
- Establishing physical and institutional infrastructure.

A US-based initiative called 'Base of the Pyramid' (BoP) involving some leading US-based TNEs, NGOs and academics[6] goes yet further still in arguing for change. The organisers argue that, given the current combination of political, economic and social forces, TNEs now have little option but to re-imagine their business models. TNEs must 'co-develop' a commercial model aimed at positively improving the lives of the billions of people at the "base of the pyramid" (BoP), including those who earn less than $5 per day. 'By creating a new, more inclusive global market system, one that incorporates previously excluded voices, concerns, and interests, it may be possible for the corporate sector to become a catalyst for a truly sustainable form of world development—and to prosper in the process.'[7] Building on current theories and methods at the cutting edge of modern business practice and participatory market research TNEs should actively:
- seek new markets to meet the needs of poor people
- develop new ways of relating with communities and building sustainable livelihoods
- ensure as far as possible that all TNE activities leave sustainable benefits in the form of capacity building, resources and infrastructure and environmental enhancement.

Ethical aims are now official policy, not only of small but prominent pioneering companies like Body Shop, but also some large US-based TNEs (See Box 2). Some TNEs started from social enterprises with philanthropic aims and programmes and have from their founding had social as well as business goals enshrined in the corporate guidelines. Others have changed corporate policy because of external pressure from NGOs and/or consumers and/or internal leadership for change. Prime examples of positive changes here are GAP and Chiquita[8]. External pressures are set to intensify in future with increasing levels of international organization assisted by rapid global dissemination of information about any malpractices, including the growing strength of the anti-globalisation movement.

BOX 2:   THE NEW FACE OF TNES?

BASE OF THE PYRAMID PROTOCOL

To create inclusive, mutually beneficial business processes through which the private sector and local communities build economic, social and environmental value.

TETRAPAK
We commit to making food safe and available, everywhere.

HEWLETT PACKARD

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[6] BoP partners include Center for Sustainable Global Enterprise, Cornell University, Base of the Pyramid Learning Laboratory, University of North Carolina, World Resources Institute and The Johnson Foundation Racine and funded through Dupont, SC Johnson, Hewlett Packard and Tetrapak. For updates see the BOP website www.bop-protocol.org .

[7] Hart and Sharma 2004.

[8] For GAP See 2003 Social Responsibility Report: http://ccbn.mobular.net/ccbn/7/645/696/index.htm. For Chiquita see the CSR Codes and Reports on http://www.chiquita.com/.

We are focused on helping people apply technology in meaningful ways to their businesses, personal lives and communities.

DUPONT

The vision of DuPont is to be the world's most dynamic science company, creating sustainable solutions essential to a better, safer and healthier life for people everywhere.

B0DY SHOP

We are against animal testing, support community trade, activate self-esteem, defend human rights, protect out planet.

NESTLE:

The Company's priority is to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives.

Fundamentally, we believe this world should be a better place for our having been here.

However despite the potentially positive role which TNEs can play, and despite increasing promotion of an ethical image by TNEs, all the indications are that progress has so far been slow (ACCA 2004; Barrientos 2003; Oxfam International 2004). From the perspective of critics, the content of these various Codes has often been very limited and implementation very uneven. Civil society organisations and NGOs point to widespread lack of openness and transparency and suspect official statements of ethical concern as yet more instances of 'whitewash' and 'greenwash' concealing 'Business as usual'. In this context the dismissal of NGOs and civil society with legitimate concerns as 'smart mobs' in much of the literature and discussion in relation to Base of Pyramid initiative is hardly constructive.

On the other side, from the TNE perspective, although the 'win-win' business case for ethical practices can be made for some companies in some contexts, for many companies and in many contexts there are added costs to implementing ethical codes. Moreover the degree to which any one company can make changes is in some cases quite limited without jeopardising market competitiveness. Shareholders, including Northern worker pension funds, demand ever-increasing returns on capital. Consumers demand ever-lower prices and better quality. Questionnaire surveys generally reveal a significant 'ethical gap' between what consumers say they think is desirable and actual purchasing decisions.

This paper does not attempt to duplicate the growing number of in-depth discussions of the extent of change in corporate business practice[9]. It focuses on recent innovations which can contribute to a key element in seeking constructive ways forward: the building of a participatory ethical learning process which can increase trust, transparency and mutual accountability.

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[9] For these the reader is referred to the excellent series of papers on the UNRISD website on Business for Sustainable Development, SustAinability 2000, Barrientos 2000 and the references in those papers and the end of the current paper.

Part 1: Policing Mr. Hyde: Current Innovations in Social Auditing focuses on current innovations in Code auditing which can be built on and outlines some of the remaining gaps and challenges.

Part 2: Promoting Dr Jekyll: Innovations in management and market research gives an overview of some of the developments in corporate practice and market research based on the Base of the Pyramid literature and work of participants at the BoP conference in Racine, US 2004.

Part 3: Towards an innovative marriage: builds on the author's work on Participatory Action Learning Systems to propose a framework for a more sustainable ethical learning process and some key tools which could be used.

It is not the aim of this paper to minimise the inevitable and inherent challenges in negotiating conflicts of interest where the inequalities in resources and power between the different stakeholders is so great. Nevertheless, unless the challenges are addressed, not only will considerable potential opportunities be lost, but sustainable pro-poor development is unlikely.

PART 1: POLICING MR HYDE: CURRENT INNOVATIONS IN SOCIAL AUDITING[10]

Until recently the main focus of NGOs, Unions and other civil society organizations has been around promoting and monitoring ethical Codes of Conduct, and exposing cases of malpractice. This has succeeded in making 'ethical risk management' an issue of concern in corporate management. There has been some concern also with environmental and ethical standards in products sold in the South – Nestle's baby milk being a prime example. The main focus has however been on employment practices of TNEs outsourcing production to the South for sale in the North.

1.1 External social audits

Up till the end of the 1980s implementation of Codes of Conduct was largely left to self-regulation by TNEs and/or external pressure and exposure by Trade Unions and NGOs. However in 1990s many TNEs sought to increase credibility, and also improve their practice through use of professional bodies or auditing companies to verify compliance with their codes of conduct. Drawing on financial auditing, technical audits of health and safety, production standards and environment and social audits are now commonplace in Southern export factories and farms supplying Northern-based TNEs. Internal auditing by the companies themselves are often done in advance of a visit by an auditor or certification body. Second and third party auditing of suppliers along the value chain are

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[10] This Section draws heavily on the detailed discussion and critique of social auditing in Barrientos 2000.

then carried out either by the TNE itself, or by a professional auditing company to check compliance by its suppliers.[11]

Typically auditing is carried out over a fairly short time period, based on a one-off visit by the external agency, although this will vary according to the requirements of the client and the type of auditing body used. The auditor will be given or draw up a checklist against the code they have been asked to audit. Sometimes the components of the checklist will be graded according to 'must/should'. If a supplier fails an audit on the basis of a 'must', they are deemed to have failed the audit. If the supplier fails on a 'should', remedial action is agreed within the company. Third party audits of suppliers against independent codes that provide certification of compliance also provide TNEs with a recognised form of external verification that minimum labour standards are being adhered to within their value chain.

However few 'professional' audits engage in the detailed process required to reliably assess compliance. Serious shortcomings have been identified, particularly for social auditing:

The scope of any audit depends on the content of the code being audited against, as well as the requirements and resources provided by the client company. For example, if a code itself does not embody core labour standards, auditing it will not enhance labour rights. Early individual company codes were often developed without wider stakeholder consultation, did not necessarily cover all Fundamental ILO Conventions, and their content was fairly arbitrary[12].

A 'snap-shot' approach is often ineffective in ensuring Codes are observed. If any advance warning is given of an audit there are ample opportunities for falsification. Fire doors which are normally locked can be left open at the time of audit and the environment specially cleaned. Child labourers can be excluded till the inspection is over. Many social issues in particular can only be verified through independent verification outside the audited company itself. Employment grievances such as discrimination, verbal abuse and sexual harassment are difficult to investigate through shop-floor interviews with the victims.

Some professional auditing companies often use foreign auditors who pay 'flying' visits, are unfamiliar with the language and culture and are mistrusted at all levels, including employees.

The costs of audits are generally passed down the chain. Large suppliers like Tesco expect all the costs to be covered by their suppliers who in turn pass the costs down to workers in decreased wages (Oxfam International 2004).

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[11] Some companies also use one-day risk assessments rather than full social audits. Risk assessments are designed to quantify the level of risk of non-compliance, rather than provide a comprehensive list of compliances and non-compliances (Barrientos 2000).

[12] According to an ILO study of 258 codes, of the enterprise codes examined only 33 per cent contained references to freedom of association and/or collective bargaining (Urminsky n.d quoted Barrientos 2000).

1.2 Local multi-stakeholder initiatives

Increasingly it has been realised that for codes to be beneficial in diverse country and sector contexts, an approach is required that involves local stakeholders. If Labour Codes of Conduct are to genuinely address the problems facing workers, it is important that the interests of workers are incorporated in the auditing process through the engagement of trade unions that represent them, and NGOs that can reflect their interests and provide information (Barrientos 2000).

There are now some very positive examples of local initiatives in Africa, Asia and Latin America involving trade unions and civil society organisations in the process of monitoring and verification[13]. Some are fairly broad, and address more general issues of corporate social responsibility, including worker welfare. Others are more specifically focused on issues around monitoring and verification of codes of conduct. Independent initiatives involved in monitoring and verification of labour Codes of Conduct are most advanced in Central America in the Maquilas and other areas of export production[14]. Similar individual country initiatives are beginning to emerge in Africa, particularly in agriculture as a result of ETI pilot projects in the region[15]. These southern initiatives reflect a move away from a northern-based focus, to local engagement in the process of code implementation that can more genuinely address the needs of workers, and improve workers' rights and employment conditions.

1.3 Participatory Social Auditing

A second innovative and promising approach currently being developed is Participatory Social Auditing (PSA) (Bendell 2001; Auret 2002; Auret and Barrientos 2004). Participatory social auditing was developed as part of the ETI pilot in Zimbabwean horticulture, and its use is being further explored across African horticulture (Dolan and Barrientos 2003). Its use is also being explored in relation to garments factories in China (Auret and Barrientos 2002). Rather than merely checking for one-off compliance, Codes of practice are approached as a process of learning and improvement that must be sustainable in the longer term if working conditions are to be genuinely improved. PSA

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[13] For details see again Barrientos 2000.

[14] These include GMIES in El Salvador (see www.gmies.org.sv/gmies/), CORVECO in Guatemala, and CIPAF in the Dominican Republic. For details. In addition to GMIES, and COVERCO, this includes the Reflection and Research Team of the Jesuit Community in El Progreso in Honduras, the Honduran Women's Collective (CODEMUH), the "María Elena Cuadra" Movement of Working and Unemployed Women of Nicaragua, the Center for Feminine Studies, CIPAF of the Dominican Republic and the Association of Labor Promotion Services, ASEPROLA, of Costa Rica, who are participating in this effort. An important role is also played by support organisations based in the north, such as Maquila Solidarity Network (MSN), Central American Women's Network (CAWN), Women Working Worldwide (WWW), Homenet (all quoted Barrientos and Blowfeld 2001).

[15] One is the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ), set up following the ETI pilot project in Zimbabwe. A similar type of body, The Wine Industry Ethical Trade Association (WIETA) was set up at the end of 2002 in South Africa, following the ETI wine pilot in the Western Cape. This is an autonomous body involving company and trade union representatives and NGO observers on its board, to oversee a process of local independent monitoring and verification of its code which is based on the ETI base code (Barrientos 2000).

adapts and applies tools from Participatory Rural Appraisal to the process of social auditing and involves workers as central to the whole auditing process, but also including management (see Box 4).

BOX 3;   _PARTICIPATORY SOCIAL AUDITING_

A participatory approach to auditing labour standards:
- Encourages active involvement of workers and managers in the auditing process
- Enables discussion and allows the freedom for both workers and employers to share their ideas and perceptions about labour and social issues
- Creates awareness and enables people to identify problems/priorities
- Encourages the building of better relationships between employees and employers
- Enables joint planning and decision-making
- Enables access to a considerable number of people in a day, so is time and cost-effective

Source: (Auret 2002)

A participatory social audit involves a preparatory phase, in which both workers and managers are given information and education on the nature of the audit, what it involves and how it will be carried out. Management and workers prepare for the social audit, and carry out a pre-audit before the full social audit is initiated. Workers are interviewed individually and collectively in focus groups discussions, paying particular attention to differentiation between workers along gender, ethnic and other divisions. If workers appear intimidated, off-site interviews can also be arranged. The aim is always to make workers feel comfortable, and to create an environment of trust between them and with the auditor/facilitator of the discussion. Rather than question and answers, tools from PRA are used, such as the use of Wheels, Matrix Ranking, Spider Diagrams and Role Play, in which workers engage. Workers are asked to explore and discuss their employment conditions and problems, in order to assess their employment conditions, whether or not a code is being complied with, but also if there are other issues of concern to workers (such as for example sexual harassment), that the code may not specifically identify (Auret 2002).

PSA is particularly useful when social auditing is taking place amongst marginal and informal workers who lack formal trade union representation, and has also proved more effective in revealing sensitive issues such as gender and racial discrimination that are often embedded in existing employment practices. When well conducted, Participatory Social Audits are both considerably more reliable and cheaper than 'expert' extractive processes. They do however require an openness on the part of the business to ideas and suggestions for improvement from employees and clear guidelines to ensure that employees participating are not subsequently victimised for honesty.

PART 2: PROMOTING DR JEKYLL: 'CREATIVE IMAGINATION' AND 'RADICAL TRANSACTIVENESS'

Although accountable and transparent promotion by TNEs of Codes of Conduct in relation to employment, human rights and environment are essential in order to ensure accountability and social responsibility of their economic activities, a sole focus on these would miss also the very positive possibilities for active pro-poor development by TNEs. TNEs have the power and resources to potentially provide the sorts of levels of investment in infrastructure, research and development and so on needed to complement those of governments and development agencies. In UNDP and International Business Leaders Forum's 'Business and the Millennium Development Goals: a Framework for Action 2003', Nelson and Prescott outline many possible ways in which large businesses can go beyond philanthropy contribute to progress towards MDGs (See Box 4 for the summary framework). The authors then go on to discuss very specific recommendations in relation to gender equity and women's empowerment, literacy, health, environment and civil society development (Nelson and Prescott 2004).

BOX 4:   CORPORATE CONTRIBUTION TO MDGS

CORE BUSINESS ACTIVITIES
- Obey the law, manage risks, minimise negative social and environmental impacts and create positive value for host countries and communities by:
- Producing safe and affordable products and services
- Generating income and investment – through paying local wages, taxes, dividends, royalties, making timely payment to local suppliers and earning foreign exchange etc
- Creating jobs – recruiting locally, both within the company and along the supply chain, and facilitating positive organised labour relations.
- Developing human resources – investing in training, skills development, health and safety in the workplace and along the supply chain.
- Building local business – through supplier and distribution networks, especially with medium, small and micro-enterprises.
- Spreading responsible international business standards and practices – to areas such as health and safety, management, human rights, ethics, quality etc.
- Supporting technology development – investing in local research and development and introducing technologies and processes for cleaner and safer production systems.
- Establishing physical and institutional infrastructure – for example investing in plant and machinery, telecommunications and transport systems, and legal and financial frameworks and institutions.

SOCIAL INVESTMENT AND PHILANTHROPIC ACTIVITIES
- Supporting education, training, youth development, environmental, and health and nutrition projects in local communities.
- Building capacities of community leaders and social entrepreneurs.
- Training local technical specialists in environmental management.
- Building the governance capacity and voice of local civil society groups and media organisations.

- Supporting multicultural education programmes.
- Assisting with voter education initiatives.
- Establishing and supporting micro credit programs and small-business support.

POLICY DIALOGUE AND ADVOCACY ACTIVITIES
- Working with governments to improve social infrastructure by supporting healthcare and education reform and quality improvement
- Addressing environmental regulatory and fiscal policies with governments and civil society
- Engaging in global dialogue on issues such as climate change and biodiversity
- Supporting local and national governments to achieve: the elimination of bribery and corruption, efficient public administration service delivery; fair and transparent regulation; and respect for human rights.
- Helping to increase ability to attract and retain foreign and domestic investment.
- Advocating for improved access for developing country exports to OECD markets.
- Advocating for increased levels of government aid to developing countries.

Nelson and Prescott 2003 p6

2.1 Engaging with new stakeholders for 'disruptive innovation': Radical Transactiveness and management of risk

Making these possibilities a reality on a large enough scale to make a significant contribution to pro-poor development will require a conscious effort to mainstream very different practices throughout the business decision-making process. In some cases change can partly rely on the basis of ethics and morality itself, and compliance with corporate codes of conduct, on the assumption that not all TNE managers are as bad or as Machiavellian as they are often painted. Change can also be argued partly on the basis that modern management 'Best Practice' increasingly emphasises the importance not only of flexible working, but crucially of creativity, innovation and flexibility. Recent approaches to business creativity focus on the importance of increased employee diversity, lateral thinking, and conventional R&D and technology management. In the wake of high profile corporate scandals like Enron the recent concept of 'Radical transparency' involves going beyond statutory accounting requirements to a full and open disclosure of the firm's current activities, strategies, and impacts. This has become increasingly important to maintain general business confidence.

The organisers of the 2004 BoP workshop go even further that Nelson and Prescott to assert that innovation is not only possible, but increasingly an imperative[16]. Data from US indicates acceleration in turnover of firms[17]. It is argued that enterprise survival and

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[16] In this section the author relies on the accuracy of information and reliability of arguments presented at the BoP workshop and expressed in Hart and Sharma 2004.

[17] Hart and Sharma 2004 cite Foster and Kaplan's book *Creative* Destruction which give empirical evidence that the base rate of the US economy has been accelerating over the past eighty years, with dire consequences for industry incumbents: the turnover rate for the S&P 500 has increased from about 1.5 per

competitive advantage in the fast changing world cannot rely on lowering cost or differentiation in existing industries and businesses. Future competitive advantage will increasingly depend on the capacity for exploration, 'disruptive innovation', creative destruction, and corporate imagination. More radical innovations will allow firms to reap higher profits due to longer competitor response times. What is needed is 'a new capability focused on engaging the stakeholders necessary for managing disruptive change and creating competitive imagination'.

BOX 5:   BASE OF PYRAMID DRAFT PROTOCOL "CODE OF CONDUCT"

{The BOP Protocol is} a process-based framework by which a corporation can acquire a deep understanding of local needs and perspectives and then develop sustainable business models in partnership with BoP communities. The Protocol, which is written from the perspective of the corporation, is divided into three interdependent phases, each with specific business outcomes:

Opening Up – Launch non-business specific immersion guided by two-way dialogue and humility to co-identify local needs, capabilities and business opportunities

Building the Ecosystem – Generate a diverse network of partners to advance ideas for mutual value creation and to support the co-creation of a business plan

Enterprise Creation – Formalize a business venture by pilot testing, evaluating, and scaling-out business experiments that generate triple-bottom-line value for all constituencies

BOP DRAFT CODE OF CONDUCT

- Design businesses that increase earning power, remove constraints, and build potential in the BoP
- Ensure that wealth generated by the business is shared equitably with the local community
- Utilize only the most appropriate – and sustainable – technologies
- Promote the "development" of affected communities as broadly as possibly in ways that defined by local people themselves
- Track the "triple bottom line" impacts associated with the entire BoP business system
- Monitor and address any unintended negative impacts associated with the business model
- Share best practices with local partners to the extent possible
- Report transparently and involve key stakeholders in on-going dialogue
- Commit to increase community value regardless of the business outcome

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cent per year in the 1920s to nearly 10 per cent today. This implies that the average number of years spent by a firm on the Standard & Poor's Index has declined from sixty-five years in the 1920s and 1930s (S&P 90) to ten years in the 1990s (S&P 500). By 2020, "more than three-quarters of the S&P 500 will consist of companies we don't know today—new companies drawn into the maelstrom of economic activity from the periphery, springing from insights unrecognized today."[12]

Such innovation moreover requires engagement of new stakeholders. Conventional management stakeholder analysis focuses on groups that are critical to the firm's survival in its current business: investors, employees, customers, suppliers, and the government, and others whose claims are considered powerful, urgent, and legitimate by managers. By doing so, it is argued that firms can gain competitive advantages in the form of customer loyalty, supplier relationships, lower employee turnover, and improved reputation. Radical Transparency is targeted primarily at managing core stakeholders—those who can directly affect the current business by virtue of their power, urgency, or salience.

Hart and Sharma however go even further to argue for 'Radical Transactiveness' (RT) by which TNEs seek new forms of engagement with communities and dialogue with stakeholders previously considered extreme or fringe. (See Figure 1). Drawing on Robert Chambers' 'Putting the Last First' they argue that stakeholder integration needs to move beyond the static "management" of known parties in the center of a network to the dynamic process of identifying and engaging actors from the "fringe.": the poor, weak, isolated, non-legitimate, disinterested, and even non-human[18] (See Figure 2). The RT framework proposes that 'firms should "fan out" to identify these fringe stakeholders by following the linkages of existing stakeholder networks to the periphery to consciously seek out remote stakeholders that are non-legitimate, non-urgent, and powerless'. These arguments have been further reinforced in a BoP background paper by Erik Simanis which present a critique of conventional stakeholder analysis in the corporate sector (Simanis 2004).

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[18] In this Hart and Sharma build on earlier work by Freeman in 'Strategic Management: A Stakeholder Approach' which has become a central text in stakeholder management theory. He argues that the firm should consider in its strategic management process not only those groups who can affect it but also those who are affected by its operations. Consideration of the latter is important because "the ensuing strategic management model will be sensitive to future change."
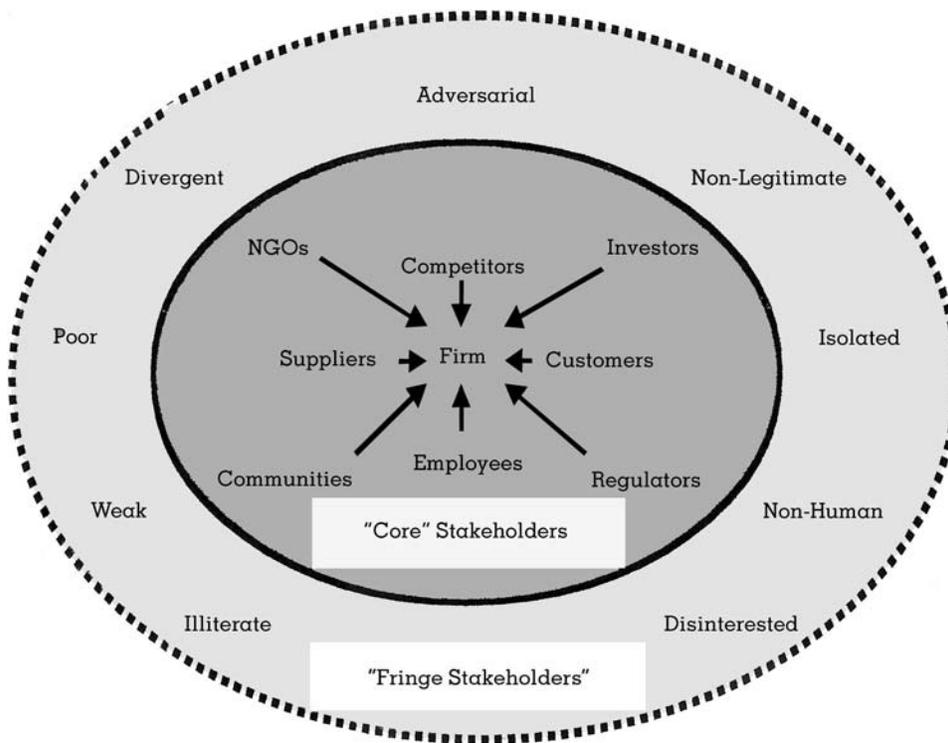
Figure 1: New Stakeholders Hart and Sharma 2004

The concern with these new stakeholders is partly to 'avoid stakeholder swarms' and avoid unanticipated conflicts with 'Internet-connected smart mobs' like the attacks on Monsanto and manage 'disruptive change'. However, it is also seen as necessary for 'competitive imagination' in identifying and developing new future products, services, markets, and business models'. 'Radical Transactiveness' helps firms cast a wider, more inclusive net in order to 'to continuously acquire and combine knowledge from fringe stakeholders with radically differing views'. Putting the last first 'reverses the logic of the established business and seeks to generate imagination and ideas about unmet needs, potential new products, and business innovations. The capability of "fanning in" requires building the managerial capacity for empathizing with diverse and disconfirming stakeholder perspectives; understanding the culture, thought processes, and language of distant stakeholders; and acquiring the capability to reconcile the contradictions between the existing business model and the views of fringe stakeholders. By generating complex interactions, firms can develop the intimacy and trust needed for honest two-way exchange to occur between managers and those on the fringe of the company's established stakeholder network.' Furthermore it is argued that RT not only helps individual enterprises, but also impacts the macro-level through identification of new strategies for a 'smarter form of globalization', which seek from the outset to address social and environmental problems.
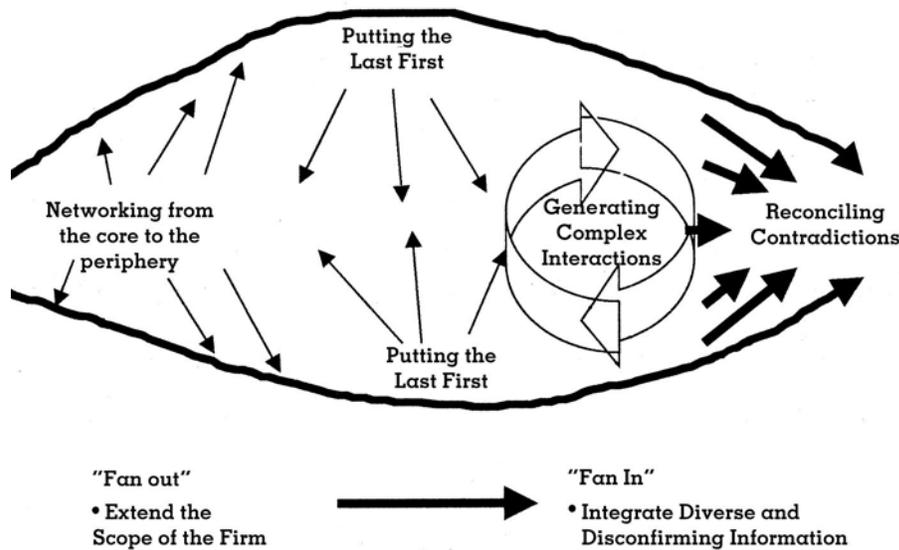
Figure 2: New forms of engagement. Hart and Sharma 2004.

2.2 New trends in market research

The main focus of attention so far has been on TNEs as suppliers of products needed by very poor people. Participants at the BoP workshop presented a number of examples of changes and efforts by TNE management to understand and engage with poor communities and produce products which significantly benefit them. A number of Case Studies are given in Prahalad 2005, notably developments in soap and detergents which can decrease diarrheal infections and which are marketed with a health message. Other examples can be found from partners in ETI and other partners in ethical trade.

BOX 6:   *SOME NEW APPROACHES TO MARKET RESEARCH*
HEWLETT-PACKARD'S "LIVING LAB" Established In the village of Kuppam in India to look at possibilities of information technology and Internet products and services for use by the rural poor in developing countries.
UNILEVER LIMITED Unilever Head Office has begun adding managers from subsidiaries in low-income countries to its board of directors and top management committees. This has led to increased innovation in conventional R&D and product development. Hindustan Level Limited (ULL–Unilever's Indian subsidiary) requires its managers to spend six weeks living in rural areas to generate knowledge about the hygiene needs and

practices of the rural poor. This knowledge has resulted in new product ideas (such as a combined soap and shampoo bar) and promotional programs (such as street theatre) for rural markets. The company has also created a rural R&D center in rural India that focuses specifically on technology and product development to serve the needs of the poor and sources raw materials almost exclusively from local producers.
These innovations have also been adopted by Unilever subsidiaries in Brazil and other developing countries. HLL requires all company employees to spend six weeks living in rural villages and actively seeking local consumer insights and preferences as they develop new products. HLL uses a wide variety of local partners to distribute their products and also supports the efforts of those partners to build additional capabilities. By developing local understanding and empathy, and experimenting with co-development through new partnerships, HLL has been able to generate substantial revenues and profits from operating in low-income markets. Indeed, by the late 1990s, low-income markets represented more than half of HLL's business.

DUPONT BIOTECHNOLOGY ADVISORY PANEL

Set up to consciously seek divergent views from a diversity of stakeholders from India, Africa, and Latin America' to help it formulate a more robust strategy for biotechnology development. The company has purposefully invited environmental advocates such as the former head of Greenpeace International to provide divergent views on the issue. Exposing senior managers and business leaders to radically different perspectives has resulted in significant modifications and improvements to the company's approach to and strategy for biotechnology commercialization. New ideas have been generated for future business models in accordance with the company's push to move away from products based upon petrochemical feed stocks and into knowledge-intensive businesses with a biological base.

EXCEL INDUSTRIES

In Excel industries, one of India's largest chemical companies, managers spend time in poor villages to generate radical new ideas and innovations. The CEO of Excel Industries asked his managers to avoid prejudices and biases by stating, "Who are you to adopt a village? Go and be a part of it. Let the village adopt you."

Source: Hart and Sharma 2004

A key part of this change are new trends in market research methodologies which include Participatory Learning and Action techniques, ethnography, photography and video. New participatory and qualitative market research tools have been the subject of a number of recent workshops and conferences like the AboutWithAndFor conference held in November 2004 Illinois Institute for Technology[19]. At the BoP workshop a number of examples were given where the use of qualitative and participatory methods in poor communities had led to both more reliable information than previously gained through questionnaires and where it had led to new and profitable products.

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[19] Presentations and discussions can be found on the website: http://www.id.iit.edu/events/awf/.

However market research on its own is not a solution. Market research to identify which products poor people can be persuaded to buy (manipulated into buying through advertising?) at a profit is not the same thing as identifying products from which they will significantly benefit. Poor people like anyone else can be manipulated into buying things which are positively harmful (e.g. cigarettes, strong alcohol, skin-bleaching cosmetics) and are in many senses more vulnerable because they have less choice, less access to information and are under just as much pressure to maintain some self-respect through status symbols. Moreover there are serious dangers that firstly TNEs will be able to use their power to supplant local producers through advertising, packaging and other forms of promotion even if their products are not as beneficial and do not employ local labour on such good terms. Secondly through 'gathering local knowledge and expertise' they may be stealing local intellectual property rights before local people are aware of the value and significance of their knowledge.

In view of the extreme complexity of the interests and power inequalities involved there will inevitably be continuing concerns about for example:

- Whether people really 'need' what even participatory market research indicates they can be persuaded to buy persuading people to 'want' and buy?
- Whether the success of TNEs is at the cost of displacement of local businesses?
- How far is participatory market research simply taking peoples own ideas and patenting them to the advantage of TNEs?

PART 3: TOWARDS AN INNOVATIVE MARRIAGE: FRAMEWORK AND CHALLENGES FOR SUSTAINABLE ETHICAL LEARNING

It is clear that there are no easy answers to reducing global inequalities, through TNEs any more than through development aid and other types of development intervention. TNEs are very diverse in terms of they types of activities in which they are involved – whether they focus on low-cost, flexible production of things like textiles or food stuffs from the South to sell in the North, or on high tech production of products like pharmaceuticals for mass sale in the South or any combination of the two along the way. This has implications for the ways in which ethical considerations can be addressed. Many of the ethical issues, even those involved in the Codes of Conduct are not 'black or white' but tricky shades of grey which need to respond to contextual and business realities as a process. There are inevitably conflicts of interest as well as complementarities about the balance of 'who wins exactly how much of the win-win'.

A sustainable ethical learning process will be crucial for establishing trust between the different stakeholders and evaluating the claims and counterclaims. Methodological innovations in participatory social auditing and participatory market research are likely to be important elements in a constructive ethical learning process:

Participatory social auditing enables active involvement and discussion between workers and management in deciding priorities for improvement towards compliance with international standards and also constructive suggestions for acting on the findings of monitoring processes.

- Participatory market research enables active involvement of communities in improving design of products and ways of reaching customers.
- Both enable detailed collection of information about contextual opportunities and risks
- Both can form the basis of active involvement on ways forward: who needs to do what in a balanced system for mutual accountability.

BOX 7:   PALS TOOLS WHICH COULD BE INCORPORATED INTO THE ETHICAL LEARNING PROCESS

CIRCLE DIAGRAMS: participatory value chain mapping to identify possible points of leverage and 'win-win' change in the supply and production chain.

DIAMONDS: a tool for clarifying ethical goals, values and priorities: what is ideal, what is acceptable and what is completely unacceptable in relation to the range of internationally agreed ethical goals, for how many people these occur and how the most unacceptable practices / those most vulnerable can be addressed.

PROBLEM/SOLUTION TREES: to examine in detail the various causes of problems identified by different stakeholders and systematically identify potential solutions and courses of action.

ROAD JOURNEYS: for strategic planning of progress towards goals and solutions

For more details of these Tools see L.Mayoux website www.lindaswebs.info.

Ethical learning must however go beyond both participatory social auditing and participatory market research as they are currently practised. It will need to address inherent challenges of any participatory process[20] require a much more sustained process of participatory value chains analysis whereby workers and poor communities themselves are engaged in monitoring and contributing to innovation on an ongoing basis. Participatory learning could usefully incorporate some of PALS Tools being developed by the author for individual and community participatory learning for non-literate people in micro-finance and enterprise training (See Box 7).

The key requirements for the ethical learning process are a firm commitment by those with power (TNEs, shareholders and consumers) to:

- ***Inverting the diamond:*** accountability to, and prioritisation of the interests of, those at the' Base of the Pyramid' not just in terms of attention to those 'at the Top of the Base,

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[20] For an overview of these challenges and what the author sees as some of the ways forward see Mayoux 2005.

but those at the bottom of what is in reality a 'poverty diamond' where there are also differences between those under the pyramid baseline.

- ***Co-creation of 'win-win' situations*** as far as possible through improving products, sales and hence business profits which goes beyond minimal compliance with standards to active seeking of ways of increasing both business success and the proportion of this success going to those at the bottom.

- ***Capacity building*** for ethical learning at all levels integrated as far as possible into ongoing business and community-level activities to ensure ongoing accountability to those who are most vulnerable. This includes equipping these people with the skills and capacities to collect their own information using Tools like the PALS Tools indicated in Box 7 not as a one-off extractive process, but an ongoing process of downward accountability[21]. Employees and local communities themselves have an interest in monitoring things like earnings, changes in working practices, impacts of Codes of Conduct, incidence of sexual harassment, adverse effects of certain products and so on.

- ***Transparency***, mutual respect and commitment to ethical learning by all stakeholders. Information must also be reliable enough to enable consumers and shareholders to make informed choices between products with minimal compliance with ethical standards and those which have a significant positive developmental component.

- ***Integration as far as possible into ongoing interactions at different levels of the chain*** This learning process must also as far as possible be mainstreamed within business practice in order to be fully effective in improving this business practice. This means integration of ethical questions and concerns into commercial decision-making, routine communications with suppliers and routine collection of business information. Ethical practice must be seen as an integral part of 'corporate best practice' not an optional expensive add-on. Ensuring corporate transparency and compliance can also be integrated into the ongoing activities of TNEs, NGOs and other organisations involved in local economic development and regulation. This includes local government and community organisations and also local research institutes.

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[21] For detailed and up to date discussion of grassroots learning methodologies see the Participatory Action Learning Systems page on my website www.lindaswebs.info. These would however have to be adapted for the specific purposes of TNEs.

APPENDIX: GLOBAL INITIATIVES ON CORPORATE SOCIAL RESPONSIBILITY AND EMPLOYMENT

OECD Guidelines (revised 2000)

The OECD Guidelines are recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from the 33 countries that have agreed to adopt them (plus Argentina, Chile and Brazil). The basic premise of the Guidelines is that principles agreed internationally can help to prevent conflict and build an atmosphere of confidence between multinational enterprises and the societies in which they operate. They provide non-legally binding principles and standards covering a broad range of issues in business ethics including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology. The recently concluded Review of the Guidelines recommended significant changes to all chapters of the Guidelines. It also proposed new chapters on combating bribery and protecting consumers (www.oecd.org). They cover:

- employment and industrial relations,
- human rights,
- environment,
- information disclosure,
- competition,
- taxation,
- science and technology,
- corruption and consumer rights.

The revised Guidelines also contain implementation procedures that improve the role of National Contact Points (NCPs), – government offices, in adhering countries whose role is to promote the Guidelines – through enhanced transparency and social responsibility (OECD 2000). Many see the Guidelines, as having important potential in addressing MNE's role environmental and social issues, especially given the OECD Council's recognition that as TNEs operate globally, so should the Declaration.

European Union Forum on Corporate Social Responsibility (2001)

The European Union has also advanced a number of initiatives to promote corporate social responsibility. In 2001 the European Commission produced a Green Paper on CSR, and following a debate issued a Communication on CSR in 2002. This recognizes the voluntary nature of CSR, and proposes a comprehensive approach that addresses economic, social and environmental interests, including compatibility with instruments such as fundamental labour standards and the OECD Guidelines. The Commission has

launched a multi-stakeholder Forum on Corporate Social Responsibility that includes representatives from employers, workers and consumer organizations and NGOs, as well as observers from the European Parliament, ILO, OECD and UN Global Compact. This initiative provides another step towards a more integrated approach to corporate responsibility by TNEs, including labour standards, across a wide range of international stakeholders and organizations.

The Global Reporting Initiative (1977)

The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. It seeks to make voluntary sustainability reporting covering economic, environmental and social dimensions of business activities, products and services as routine and credible as financial reporting in terms of comparability, rigour, and verifiability. Set up in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP) it became independent in 2002. As well as being an official collaborating centre of UNEP and working in collaboration with the UN Global Compact, GRI involves the active participation of corporations, NGOs, accountancy organisations, business associations, and other stakeholders from around the world. There are 36 members of the GRI Stakeholder Council.
 (www.globalreporting.org).

A2: MULTISTAKEHOLDER LABOUR CODES OF CONDUCT[22]

The ILO MNE Tripartite Declaration of Principles (1977)

The ILO Declaration is based on a broad vision:

 'The aim of this Tripartite Declaration of Principles is to encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise, taking into account the United Nations resolutions advocating the Establishment of a New International Economic Order (Clause 2, ILO, 2001).

The principles are intended to guide governments, employers' and workers' organizations and multinational enterprises in taking measures and actions and adopting social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, in order to further social progress (www.ilo.org).

This Declaration sets out principles agreed on a tripartite basis that act as guidelines for governments, employers relating to the fields of employment, training, conditions of work and life and industrial relations. Governments, employers' and workers' organizations and

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[22] Draws on Barrientos

multinational enterprises are recommended to observe these on a voluntary basis.   The principles it addresses are:

- Employment promotion;
- Equality of opportunity and treatment;
- Security of employment;
- Training;
- Conditions of work and life;
- Wages, benefits and conditions of work;
- Safety and health;
- Industrial relations
- Freedom of association and the right to organize;
- Collective bargaining;
- Consultation and Examination of grievances;
- Settlement of industrial disputes.

These incorporate, but also move beyond the core ILO Conventions, that often form the basis of many company codes and are based only on the principles of minimum compliance.

Core ILO Conventions
No. 87   Freedom of Association and Protection of the Right to Organise Convention
No. 98   Right to Organise and Collective Bargaining Convention
No. 29   Forced Labour Convention
No. 105   Abolition of Forced Labour Convention
No. 111   Discrimination (Employment and Occupation) Convention
No. 100   Equal Remuneration Convention
No. 138   Minimum Age Convention
No. 182   Worst Forms of Child Labour Convention

Social Accountability (SA) 8000

SA 8000 was developed in 1997 in the USA by the Council on Economic Priorities Accreditation Agency (CEPAA), affiliate of the Council on Economic Priorities (CEP). CEP was founded in 1969 with the mission to 'provide accurate and impartial analysis to evaluate corporate social performance and to promote excellence in corporate citizenship'.

SA8000 is overseen by an eleven country multistakeholder advisory board including representatives from business, trade unions, human rights organisations, certification bodies and government. It is an auditable standard, which can be used across sectors including agriculture but does not cover mining or home workers. A number of companies have been accredited as auditors for SA8000, and it can be used as a benchmark for auditing either a company and/or its suppliers.

SA8000 is based on international workplace norms in the ILO conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child. The full official standard can be found at www.sa-intl.org but can be summarised as:

1. Child Labor: No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working

2. Forced Labor: No forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters

3. Health and Safety: Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water

4. Freedom of Association and Right to Collective Bargaining: Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining

5. Discrimination: No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment

6. Discipline: No corporal punishment, mental or physical coercion or verbal abuse

7. Working Hours: Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement

8. Compensation: Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions

9. Management Systems: Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

Ethical Trading Initiative (ETI) Base Code (1997).

The ETI was set up as a learning based initiative, and has established a number of pilot projects with the aim of experimenting with different multi-stakeholder approaches to monitoring and verification (which includes different forms of auditing). Two of these pilots were in Africa (wine in South Africa and horticulture in Zimbabwe), and established important learning links with the viniculture and horticulture sectors in various African countries. Other pilots were set up in China (garments) and Costa Rica (bananas). The

aim of the pilots was to develop a learning process in relation to different approaches to the implementation, monitoring and verification of the base code.[23]

The ETI baseline code was initiated in 1997 in the UK (ETI 1998). It was based on collaboration between a number of stakeholders including NGOs, trade unions and companies, receiving support from the Department for International Development. The ETI baseline code is not in itself a defined auditable standard. ETI member companies have to meet the minimum requirements set by the ETI base code in their own company codes, which they can use as an auditable standard. The provisions of this code constitute minimum and not maximum standards, and this code should not be used to prevent companies from exceeding these standards. Companies applying this code are expected to comply with national and other applicable law and, where the provisions of law and this Base Code address the same subject, to apply that provision which affords the greater protection:

1. EMPLOYMENT IS FREELY CHOSEN

    1.1   There is no forced, bonded or involuntary prison labour.

    1.2   Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

2. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED

    2.1   Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.

    2.2   The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

    2.3   Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.

    2.4   Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

3. WORKING CONDITIONS ARE SAFE AND HYGIENIC

    3.1   A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

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[23] The ETI members are now composed of 29 companies, 15 NGOs, 3 international trade unions and the UK Trades Union Council. It is supported by the UK Department for International Development (www.eti.org).

3.2   Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

3.3   Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

3.4   Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

3.5   The company observing the code shall assign responsibility for health and safety to a senior management representative.

4.   CHILD LABOUR SHALL NOT BE USED

4.1   There shall be no new recruitment of child labour.

4.2   Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; "child" and "child labour" being defined in the appendices.

4.3   Children and young persons under 18 shall not be employed at night or in hazardous conditions.

4.4   These policies and procedures shall conform to the provisions of the relevant ILO standards.

5.   LIVING WAGES ARE PAID

5.1   Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2   All workers shall be provided with written and understandable Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3   Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

6.   WORKING HOURS ARE NOT EXCESSIVE

6.1   Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.

6.2   In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7

day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

7. NO DISCRIMINATION IS PRACTISED

7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

8. REGULAR EMPLOYMENT IS PROVIDED

8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub- contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

9. NO HARSH OR INHUMANE TREATMENT IS ALLOWED

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

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