

Reviewing Santa's Workshop, SwedWatch report, draft 2009-10-21

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Third party inspection and verification projects are crucial elements in the process of improving working conditions in low-wage countries. And in addition to that, they are instrumental in the efforts of modernising and professionalising management in these countries. They help social demands from consumers to find their way to the suppliers.

Normally one would suspect these demands to be channelled through the retail chain, but experience tells otherwise. Individual consumers, when they make their buying decisions, do not always know or they may not even care about working conditions in the factories. But they do care about the living conditions of others when these conditions become well known to them – as in the case of the “lead-paint scandal”, for instance. The large number of national and international rules and regulations in this area also give witness to a profound and well spread concern for these issues, channelled through the national and international political system. It comes as no surprise then that “CSR” has become a strategic issue for most companies today.

But over and over again, we learn that signing a Code of Conduct is just a first step. It's implementation and surveillance must be controlled by all included actors – including the workers – as well as by governmental and NGO bodies. Surely, transparency is increasing fast, making it more and more risky for low performing actors to rely on secrecy or short memory, but not fast enough to stop the exploitation of millions of workers trying to sustain themselves from day to day. A good process has definitely started but it needs the momentum and the support that independent verifications can supply.

Reviewing Santa's Workshop is therefore an important report. It is informative about the Chinese toy-manufacturing situation in general, and about the situation in six specific factories in particular. Moreover, it is a *re-view*, it tells about possible dynamics in these factories.

In that sense, the report is good news: things can be improved if pressure from retailers, from workers and from NGOs is put on local factory management. Several of the problems discovered in 2004 have been improved. This is encouraging.

By comparing the situation in these different factories it also becomes apparent that other types of programmes – like ICTI, retailer specific activities, or ACFTU – does not necessarily have the wanted effects. Working conditions differ a lot despite these efforts making independent verification all the more important also for improving the efficiency of those programmes.

SwedWatch have been forced to make some compromises in order to produce this report. The names of the suppliers remain unknown to us. So is the name of the

investigating consultant in China. This makes it difficult for an outsider to check on, or form an independent judgement of all data. On the other hand, insisting on full transparency would probably have meant that no report could have been written. We have to rely on the credibility of *SwedWatch*. From what I have seen in similar projects, and from what is presented in other similar reports, *Reviewing Santa's Workshop* gives an impression of being well planned and carefully carried out. The way in which data is being presented in the report, the balanced way in which the analysis is being put forward and the reasonable recommendations made, soothe the worries of this commentator at least.

I find all recommendations well founded and they should be taken seriously, not only by the retailing firms and other organisations included in this report, but also by other retailing companies facing similar situations, for instance in the textile industry.

I especially appreciate that *SwedWatch* underlines the importance of including CSR-issues in the price- and delivery-terms discussions taking place between suppliers and retailers. This is absolutely necessary. However, it is a complex issues. It is not certain that workers automatically may benefit from retailers paying more. In order for that to happen, the negotiating power of the workers *versus* the employer also have to be improved, thus raising the issue of collective bargaining systems.

Suggesting more capability building projects from retailers is also something good, of course. At the same time, it might be difficult or even a bit presumptuous for a retailer/customer – that might even be small, relatively speaking – to insist on special training in these matters. The base for this must be a long-term commitment to develop a business relationship between buyer and seller. *SwedWatch* seems to be well aware also of this problem when suggesting that each retailer should decrease the number of suppliers.

Tomas Brytting, 2009-10-27