

Fair labour certification schemes for clothing

A report for Good on You

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Fair trade certification schemes

Good on You rely on certification schemes as part of how they rate clothing brands and businesses but it's not always clear what the certifications mean. In this report we explain Ethical Clothing Australia (ECA), Fairtrade International, Social Accountability International's (SAI) SA8000, Global Organic Textile Standard (GOTS) and Fair Wear Foundation (FWF).

We conclude that Good on You can rely on current certification by ECA, SA8000, GOTS and Fairtrade and verification by FWF as part of rating a product, brand or company as 'good' or 'great'. But the schemes cover different stages of the process for making clothes, from cotton farming to fabric making and garment manufacture. So Good on You needs to assess all stages before giving a rating.

ECA accreditation means businesses making products in Australia are providing a fair wage and conditions under Australian awards and laws to all workers, including outworkers and contractors.

Fairtrade is an international scheme that focuses on agriculture including cotton. It certifies that farmers and farm workers receive a fair price for their produce along with other basic labour rights.

SA8000 sets international standards for fair labour conditions and prices which are independently audited and certified. It covers workplaces in the garment sector including factories, cotton mills and outworkers across the full supply chain.

FWF focuses on brand accountability to improve labour conditions for garment workers. Unlike the other schemes it doesn't have independent certification. It verifies that companies comply with its Code of Labour Practices and sets goals for them to improve in areas that have the greatest impact.

GOTS certifies organic status and ethical labour conditions in textile making and manufacture. It covers processes from harvest of the raw materials to manufacture of a textile. It certifies that a textile product labelled 'contains organic' is made from at least 70 per cent certified organic fibres.

The schemes require full compliance with their standards and codes. They actively support members to address problems but will terminate membership if they fail to meet requirements.

Labour standards

The labour standards set by these schemes are based on universal principles of human rights described in the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. They apply national laws if they are consistent with or better than the UN and ILO principles. The areas the standards evaluate are:

- prohibition on child labour and on forced labour
- a living wage
- working hours
- safe and healthy workplace
- discrimination

- disciplinary practices
- freedom of association and collective bargaining

The concept of a living wage is central to the international schemes. SA8000 champions the concept of a 'basic needs' wage, meaning wages paid for a standard working week should enable workers to meet their basic needs such as food, clean water, clothes, shelter, transport, education and a discretionary income. Fairtrade requires sustainable prices to be paid for farm produce, which must never fall lower than the market price for the commodity in that region.

Certification and governance

The biggest criticism of the schemes is not about their standards but about whether their certification and audit processes are adequate. News reports of the fire at the Rana Plaza building in Dhaka that killed 1,130 garment factory workers claimed some of the factories operating from the building were fair labour certified. SAI made a statement saying they had checked and no program members were sourcing from any of those factories.¹ There have been other claims that audits had been completed without the required onsite inspections, and that voluntary schemes only serve the interests of companies and don't empower workers.²

An American Federation of Labour-Congress and Industrial Organisations (AFL-CIO) report in 2013 specifically criticised SAI over the adequacy of their inspections, for not making their audit reports public, and accused them of not engaging workers in the audit process. SAI's detailed response says that workers are explicitly involved in inspections and audits and receive copies of audit reports. SAI agreed to consider the recommendations for improving its accreditation and inspection processes. (See *SAI Response to AFL-CIO 'Responsibility Outsourced' Report*)

Design of certification schemes

The other big criticism is about whether the schemes actually achieve the goal of reducing poverty and advancing the conditions of workers in the developing world. The AFL-CIO report, for example, says there is no research on whether SAI certification has actually resulted in progress for workers at those companies (there's no research to say it hasn't). It says voluntary certification schemes do not support freedom of association and collective bargaining. AFL-CIO prefers alternative arrangements that focus on organised labour such as global framework agreements between global union federations and multinational companies. It also supports multi-stakeholder initiatives based on collective bargaining, such as the 2011 protocol on freedom of association in the Indonesian footwear and apparel industry, and the 2013 [Accord on Fire and Building Safety in Bangladesh](#).

Development economists argue that schemes such as Fairtrade do more harm than good. They say the schemes distract from the real causes of low prices being paid for agricultural commodities in developing countries and don't deliver improved conditions to farmers. In fact they lock-in the guaranteed minimum price and prevent farmers benefiting at times when prices go up.³

How the schemes rate

Good on You currently rates a product as 'great' for labour rights if there is no specific evidence of child or forced labour in the supply chain and the brand is certified by a credible certification body relevant to labour rights. It rates a product as 'good' if there is no evidence of forced labour or child labour, the company produced a Corporate Social Responsibility Report with a labour rights section

¹ <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1446#.Vibd89IrKmU>

² [Voluntary social audits and certifications in the garment supply chain after the Rana Plaza collapse](#), May 2013

³ [Unfair trade](#), Foreign Affairs, Amrita Narlikar and Dan Kim, April 2013; and [Fair trade is fair](#), Foreign Affairs, Harriet Lamb, August 2013

with detailed and credible information or the company has joined a multi-stakeholder initiative to find joint solutions to complex issues such as child labour.

The criticisms of SAI's audit process and the design of fair trade schemes are part of a healthy debate about how best to influence change. The voluntary certification schemes we've reviewed are a powerful weapon for consumers in developed countries to express support for fair labour conditions in the clothing industry. Good on You is part of that movement and can rely on assessments by those schemes with confidence.

More about each scheme

Ethical Clothing Australia

Any business manufacturing or arranging for the manufacture of textile, clothing and footwear products in Australia (including the value adding onto Australian made product) can apply for accreditation. ECA accreditation effectively 'maps' a company's supply chain and verifies that all workers within it are receiving their legal entitlements.

ECA accreditation applies to an entire business, not individual products. There is no partial compliance level accepted. ECA accreditation has three core characteristics:

- a multi-stakeholder approach to provide balance
- an independent audit carried out annually to ensure ethical standards are being up kept
- a commitment to ensuring transparency throughout the supply chain

The Textile, Clothing and Footwear Union of Australia actively participate in the accreditation process, engaging with workers as well as management. ECA carries out independent annual audits to ensure the standards are being kept.

Businesses that also manufacture some of their products overseas are eligible to apply for accreditation in relation to their Australian 'Cut, Make and Trim' production. Value adding activities on Australian made garments are also eligible but value adding activities on imported garments are not, on their own, eligible for accreditation.

Fairtrade International

Fairtrade works with small farmers' organisations and commercial farms setting standards for 'hired labour'. Their standards exist for food products and non-food products, including cotton. Fairtrade International sets the standards, and works with farmers and workers to help them meet them.

The benefits of being a Fairtrade cotton producer include: receiving a stable price; receiving an additional Fairtrade premium; education and assistance with crop diversification, environmental sustainability and safe use of pesticides and chemicals.

According to its website, Fairtrade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world. It addresses the injustices of conventional trade, which traditionally discriminates against the poorest, weakest producers. It enables them to improve their position and have more control over their lives.

The Fairtrade Standards include a guaranteed Fairtrade Minimum Price for seed cotton and the additional Fairtrade Premium for farmers to invest in strengthening their organisations, developing their businesses and improving the infrastructure of their communities.⁴ Its standards cover labour, economic and environmental requirements.

⁴ http://www.fairtrade.org.za/uploads/files/Business/Cotton_Commodity_Briefing_2015.pdf

A separate international certification company, FLO-CERT is responsible for regularly inspecting and certifying against the Fairtrade Standards to certify all farmers, workers, processors and exporters in the country of origin. The products of importers and companies in the supply chain outside of the country of origin are certified either by FLO-CERT or by the local Labelling Initiative. Fairtrade ANZ and FLO-CERT share responsibility for certifying Fairtrade products in Australia and New Zealand.

Workers can join Fairtrade if they are organised into a democratic organisation with legal status (normally into trade unions) and the company owner is prepared to share the benefits of fair trade status. Companies working with hired labour can be certified if they comply with the requirements of the standards to pay decent wages, guarantee the right to join a trade union, ensure health and safety standards, and provide adequate housing and other social provision where relevant. Eligible companies include commercial or privately-owned farms, estates and plantations.

Finished products such as cotton that carry the FAIRTRADE Program Mark must not be composite products – they must contain 100 per cent of the certified commodity in the product.⁵ New Fairtrade Sourcing Programs create opportunities for cocoa, sugar and cotton farmers to sell more of their product on Fairtrade terms. They facilitate Fairtrade farmers selling to companies who are focussed on one or two key commodities, rather than certifying end consumer products.⁶

SAI and SA8000

SA 8000 is a set of auditable social certification standards for decent workplaces across all industrial sectors. It spans industry and corporate codes to create a common language to measure social performance. In September 2015 SAAS had certified 3,490 facilities in 72 countries across 65 industries. Textiles, apparel and footwear make up a large proportion of the industries covered.⁷

SAI takes a management systems approach by setting out the structures and procedures that companies must adopt to ensure compliance with the standard is continuously reviewed.

According to its website SAI convenes key stakeholders to develop consensus-based voluntary standards, conducts cost-benefit research, accredits auditors, provides training and technical assistance, and assists corporations in improving social compliance in their supply chains. SAI partners with trade unions, local NGOs, multi-stakeholder initiatives, organic, fair trade, and environmental organizations, development charities, and anti-corruption groups to carry out research, training and capacity-building programs.

Social Accountability Accreditation Services (SAAS) evaluates and accredits auditing organizations to assure they are qualified to hold their clients accountable to social standards. Accrediting bodies include, for example, LRQA and ABS Quality Evaluations. Once a company is certified it undergoes semi-annual on-site audits by an independent SAAS-accredited certification body. Audits include:

- extensive private and confidential worker interviews
- onsite investigation of housing if provided by the employer
- verification of the certification applicant compliance with local and national law
- review of documentation of pay and working hours and benefits
- review of implementation of health and safety procedures
- review of hiring practices in terms of discrimination, child labour, and forced labour
- verification of the existence of a functioning grievance system

⁵ <http://www.fairtrade.net/composite-products.html>

⁶ <https://fairtrade.com.au/page/faqs>

⁷ <http://www.saasaccreditation.org/?q=node/23>

Evaluation and audit reports are not made public. SAI says ‘for auditors to gain access to facilities they must agree to confidentiality.’⁸ SAAS is responsible for addressing all allegations and complaints about an SA8000 certification. SAAS accreditation and assurance programs include SA8000 Certification and BSCI Code of Conduct Audits and GoodWeave International.

SAI supports companies’ continually improving their complaints management through capacity-building programs on workplace communications and complaint management systems.

In 2013 SAI said it would consider the recommendations in the AFL-CIO report for improving certification assessments and inspection processes. These include alerting relevant authorities that a facility is seeking certification, and informing workers that the facility in which they work is undergoing SA8000 certification (election of worker representatives or involvement of existing worker representatives is a requirement of the standard). SAI has a requirement since 2013 that during audits the worker representatives must participate during opening and closing audit meetings, enabling workers direct access to all audit findings and plans for remediation. SAI also supports multi-stakeholder initiatives encouraging global brands to consolidate their supply chain to reward compliance with greater volume and longer-term relationships and to sever ties with noncompliant factories. (*SAI Response to AFL-CIO ‘Responsibility Outsourced’ Report*)

SA8000 Certification Methodology requires facilities to remedy major violations before they may be certified and the worker representative is integral to this process. (*SAI Response to AFL-CIO ‘Responsibility Outsourced’ Report*)

Fair Wear Foundation

FWF focuses on brand accountability to improve labour conditions for garment workers in factories. FWF has Affiliate membership for companies that produce their own sewn goods - clothing, bags, footwear, home textiles etc, and Ambassador membership for companies who resell the products of other FWF member brands.

Affiliate members commit to implementing the Code of Labour Practices throughout its supply chain, and to identify areas where the changes they make can have the greatest impact. Ambassadors must commit to sourcing at least 40 per cent of their sewn products from FWF affiliates or members of comparable initiatives, with special recognition for those reaching 60 per cent or 90 per cent. A maximum of 10 per cent of sales may be own production. FWF is piloting factory membership with a small number of manufacturing companies which supply active FWF affiliates.

FWF’s member companies are based in seven European countries, and FWF is active in 15 production countries in Asia, Europe and Africa.

FWF has six guiding principles which include supply chain responsibility, internationally-recognised labour standards, multi-stakeholder verification, a process approach to implementation (building functioning industrial relations systems over time to achieve sustainable workplace improvements), involving stakeholders in production countries, and transparency - keeping stakeholders informed and publicly reporting on member company efforts to fulfil FWF requirements.

FWF does not certify companies, brands or products. It verifies whether companies comply with its Code of Labour Practices through factory audits and a complaints procedure, through management system audits at the affiliates and through extensive stakeholder consultation in production countries. Brand Performance Checks of members are annual.⁹

⁸ *SAI Response to AFL-CIO ‘Responsibility Outsourced’ Report*, 2013

⁹ http://search.standardsmap.org/assets/media/FairWearFoundation/English/AtAGlance_EN.pdf

FWF shares its knowledge and (local) contacts with the member companies, providing them with information on local legislation, labour standards and culture. FWF's verification systems are:

- at factory level, pre-planned audits and staff interviews offsite to support workplace improvements – rather than a policing exercise.
- a complaints procedure in the 15 countries where it is active to ensure workers in member companies' supply chains have recourse in instances of non-compliance.
- at the company level FWF staff visit the headquarters of each company's programme to audit its progress in upholding its FWF obligations. FWF staff review company documents and databases, interview staff, and, where possible, test company systems. Using this information FWF staff provide recommendations and requirements for improvement and can assist in shaping future compliance plans.
- FWF publishes the outcomes of brand performance checks so stakeholders and the public can keep track of how companies are doing.¹⁰

According to FWF's website 'An audit's main goal is not to find the problems. Audits are part of a broader process aimed at fixing the problems, and collaboration is the best way to achieve solutions.' Membership can be terminated if members fail to make adequate progress towards the Code of Labour Practices, as outlined the Brand Performance Check reports.

Global Organic Textile Standard

According to the GOTS website 'GOTS is the world's leading processing standard for textiles made from organic fibres. It defines high-level environmental criteria along the entire organic textiles supply chain and requires compliance with social criteria.'¹¹

The standard covers the processing, manufacturing, packaging, labelling, trading and distribution of textiles. The final products may include fibre products, yarns, fabrics, clothes and home textiles. The standard does not set criteria for leather products.

The key criteria for fibre production are:

- organic certification of fibres on basis of recognised international or national standards (IFOAM family of standards, EEC 834/2007, USDA NOP)
- certification of fibres from conversion period if the applicable farming standard permits
- a textile product carrying the GOTS label grade 'organic' must contain a minimum of 95% certified organic fibres
- a product with the label grade 'made with organic' must contain a minimum of 70% certified organic fibres

The social criteria in GOTS covers the key principles of the ILO including no forced or child labour, fair wage, no excess working hours, safe workplace and freedom of association. All processors and manufacturers must meet them and they must have a social compliance management system with defined elements in place to ensure that the social criteria can be met.¹²

A company participating in the GOTS certification scheme must comply with all criteria of the standard. GOTS relies on a dual system to check compliance with the relevant criteria consisting of on-site auditing and residue testing.

¹⁰ <http://www.fairwear.org/514/about/verification/>

¹¹ <http://www.global-standard.org/>

¹² <http://www.global-standard.org/the-standard/general-description.html>

Fibre producers (farmers) must be certified according to a recognised international or national organic farming standard that is accepted in the country where the final product will be sold. Certifiers of fibre producers must be internationally recognised through ISO 65/17065, NOP or IFOAM accreditation and accredited to certify according to the applicable fibre standard.

Operators from post-harvest handling up to garment making and traders have to undergo an onsite annual inspection cycle and must hold a valid GOTS scope certificate applicable for the production / trade of the textiles to be certified. Certifiers of processors, manufacturers and traders must be internationally accredited according to ISO 65/17065 and must hold a 'GOTS accreditation' in accordance with the rules as defined in the 'Approval Procedure and Requirements for Certification Bodies'.¹³

GOTS approves independent third party certifiers. Third party independent audits are required annually and surprise audits. GOTS requires certified companies to operate in immediate full compliance with all criteria in the standard. GOTS uses a pass/fail approach and it carried out by GOTS approved certifiers.

References and links

[Ethical Clothing Australia](#)

[Fairtrade International](#) and Fairtrade Australia

[Social Accountability International SA8000](#)

[GOTS](#)

[Voluntary social audits and certifications in the garment supply chain after the Rana Plaza collapse](#), May 2013

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[Does fair trade mean a fair go?](#) Miranda Herron, Kate Browne, Choice, 8 April 2015

¹³ As above