
The Development of a Fair Labour Scorecard for ‘Woord en Daad’

Master Thesis International Management

By Tamara van Steeden

University of Twente
November 2008



Graduation Committee:

1st Supervisor: S.J. Maathuis MSc.

2nd Supervisor: Prof. dr. ir. E.J. de Bruijn

External Supervisor: Dr. ir. W.J. Blok

Management Summary

The objective of this research was to develop an instrument for fair labour standards that the partner organizations (JBCs) of Woord en Daad can apply to the firms they negotiate with in order to find a job or internship for their students. The instrument should be applicable to different types of companies in different countries. It will have the character of a minimum standard, including only those elements that are absolutely crucial for fair labour conditions. The reason for the development of this instrument, is that Woord en Daad receives every four year (last time was in 2007) a subsidy (five million euros) from the Dutch government. They need to give account about, amongst other things, the percentage of students of their partner organizations that finds an internship or job at a company with 'fair' labour standards.

First, five international models of labour standards have been analyzed. The models were from the following organizations: the International Labour Organization (ILO), the United Nations Global Compact, the Organization for Economic Cooperation and Development (OECD), the Fair Labor Association (FLA), and Social Accountability International (SAI). These models are all based on the four fundamental rights of the ILO and are generally applicable. This resulted in a list of seven labour standards and accompanying definitions. Secondly, practical experiences were examined from the Fair Labor Association (FLA), the Fairtrade Labelling Organizations (FLO) International, the Centre for Research on Multinational Corporations (SOMO), and the Job and Business Centers (JBCs). This resulted in two additional labour standards and directions for the design of the instrument. After these steps, a preliminary scorecard has been created and also a questionnaire has been created for the JBCs and for Woord en Daad. The preliminary scorecard has been adjusted based on the feedback from these two groups. This resulted in the pilot fair labour scorecard. The pilot fair labour scorecard has been presented to an expert and has been tested during a field test executed by four JBCs. New adjustments were made and this resulted in the final fair labour scorecard and a guideline to ensure the right use of the instrument.

This report also deals with the implementation of the scorecard. There appeared to be two implementation levels: first of all the implementation of Woord en Daad, and secondly the implementation or monitoring done by the JBCs. It is expected that the first-level implementation will not lead to any problems. In the second-level implementation, however, there is one big problem: the companies have absolutely no interest in the inspection, and this might cause unwillingness to cooperate. This unwillingness can be reduced or eliminated by emphasizing that: (1) the JBC is an independent and local organization; (2) the JBC does not get paid for the inspection; (3) under no circumstances the JBC will penalize the company; (4) the students are valuable: the training they receive is tailored to the demand of the companies. If there is an overall need for certain skills, these skills will be taught.

The scorecard is a well-constructed instrument that complies with the criteria of legitimacy, rigor, and accountability. However, it is only an instrument to collect the level of labour standards and has no value on itself. Value can be created by using the data collected with the scorecard as a starting point for further action. Recommendations are therefore made to increase the value of the fair labour scorecard. Woord en Daad should not only use the data collected to calculate the average number of students that go to companies with fair labour conditions, they should also analyse data by labour standard. The content of the scorecard should be taught to the students during their training. A third recommendation is to develop a training program for the companies with mediocre labour standards in order to make them improve their labour standards until these are fair. Further, Woord en Daad and the JBCs should use the fact that they use a fair labour scorecard, to demonstrate their concern for good labour conditions in the external communication in order to keep current donors and to attract new donors. The last recommendation is to establish sector-specific health and safety standards.

Table of Content

1. Research Plan.....	6
1.1 Background and Objective	6
1.2 Problem Formulation.....	8
1.3 Research Approach	8
1.4 Structure of the Research	10
2. Theoretical Framework.....	12
2.1 International Models of Labour Standards	12
2.2. Labour Standards found in the International Models.....	15
2.3 Conclusion.....	20
3. Practical Experiences	22
3.1 Fairtrade Labelling Organization International.....	22
3.2 Fair Labor Association Non-Compliance Assessment.....	24
3.3 SOMO – Critical Issues.....	25
3.4 Information collected from the JBCs	26
3.5 Conclusion.....	27
4. Creation of the Pilot Fair Labour Scorecard.....	28
4.1 Translation of the Theoretical and Practical Elements into a Functional Instrument	28
4.2 Development of the Questionnaire for the JBCs.....	30
4.3 Feedback from the JBCs and Woord en Daad	30
4.3.1 Feedback from the JBCs	31
4.3.2 Feedback from Woord en Daad	32
4.4 Conclusion.....	35
5. Improvement of the Pilot Fair Labour Scorecard.....	37
5.1 Expert Opinion	37
5.2 Field Test.....	38
5.3 Conclusion.....	39
5.4 Final Fair Labour Scorecard.....	41
6. Implementation	44
6.1 Different Types of Labour Standards Regulation	44
6.2 First-Level Implementation.....	46
6.3 Second-Level Implementation	47
6.4 Conclusion.....	49
7. Conclusion.....	51
8. Reflection on the Fair Labour Scorecard.....	53
9. Recommendations	55
References	56
Appendix 1. Partner Organizations Woord en Daad	59
Appendix 2. Comparison of the International Labour Standards Models.....	60
Appendix 3: Preliminary Fair Labour Scorecard.....	65
Appendix 4. Questionnaire	68
Appendix 5. Results of the Questionnaire sent to the JBCs.....	76
Appendix 6: Pilot Fair Labour Scorecard.....	79
Appendix 7: Guideline Fair Labour Scorecard	82

Glossary

CCC	Clean Clothes Campaign
CSR	Corporate Social Responsibility
EC	European Community
FLA	Fair Labor Association
FLO	Fairtrade Labelling Organizations
ILO	International Labour Organization
JBC	Job and Business Center
MNE	Multinational Enterprise
NAALC	North American Agreement on Labor Cooperation
NAFTA	North American Free Trade Agreement
NGO	Non-governmental Organization
OECD	Organisation for Economic Cooperation and Development
SAI	Social Accountability International
SME	Small and Medium Enterprises
SOMO	Centre for Research on Multinational Corporations
TVET	Technical and Vocational Education and Training
UN	United Nations
US	United States
VET	Vocational and Educational Training

Preface

This report is the result of my Master Thesis and is developed for the Dutch non-governmental organization Woord en Daad. There are a lot of people without whom I would not have been able to conduct this research. First and foremost my gratitude goes out to my supervisor from Woord en Daad, Mr. Blok. Our discussions helped me very much. I would also like to thank my supervisors from the University of Twente, Mr. Maathuis and Mr. de Bruijn. Further gratitude goes out to Ms. Kreijkes, who helped me with the collection of data from the JBCs. I also thank Mr. van Essen for his time and comments. Last, I want to thank all other persons who have contributed to this research, but are not mentioned by name.

Tamara van Steeden

November, 2008

1. Research Plan

1.1 Background and Objective

Woord en Daad is a Dutch, Christian non-governmental organization (NGO) that was founded in 1973. During the last few years, the organization has been growing very fast. In the year 2007, the organization had 55 employees, 750 local volunteers, and a budget of €26.995.354.¹ They are working in nineteen countries around the world. Their mission is to fight poverty in Africa, Asia, and Central-America from a biblical perspective. The organization does this by supporting local Christian partner organizations. Woord en Daad does not execute the projects itself. The execution is done by the local organizations. The support that Woord and Daad gives, does not only take the form of financial resources, also human resources (knowledge) are contributed.

Woord en Daad has four main areas on which it focuses in order to accomplish its mission²:

- Education
- Job and Income
- Basic Needs
- Emergency Aid

Emergency Aid forms only a very small and separate part of their activities and expenditure (5%). The Basic Needs program (15% of expenditure) focuses on water, food, health, and agriculture. It is meant to provide the preconditions for the Education, and Job and Income programs. These last two programs form the core of the work of Woord en Daad, with respectively 48% and 24% of the expenditure.³ Education does not necessarily lead to a job. That is why it is necessary to negotiate between the students and companies: to find the students an internship or a job. The program of Job and Income supports the Education program, and can be divided into three parts: Vocational and Educational Training (VET), Job and Business Centers (JBCs), and Micro-Enterprise Development.⁴

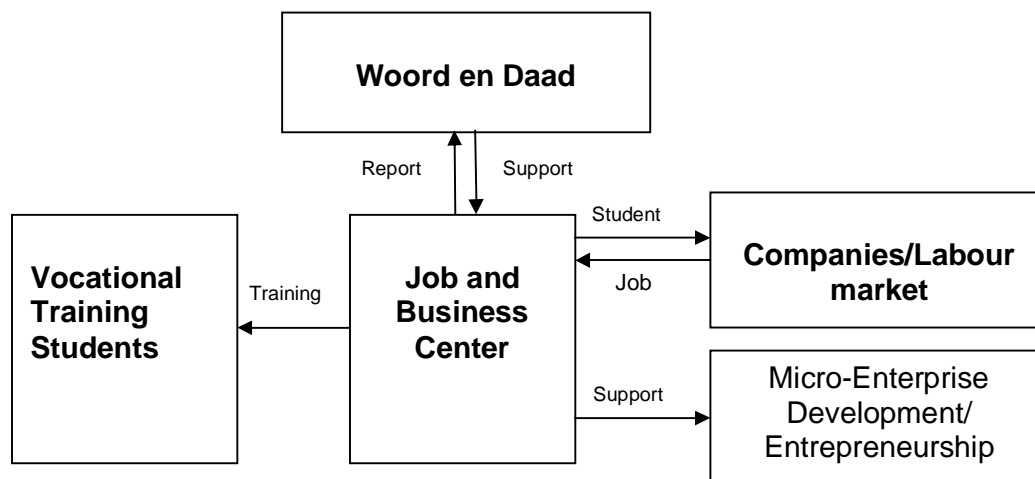


Figure 1: Structure of the situation

¹ Jaarverslag 2007, p. 5

² Jaarverslag 2007, p. 5

³ Jaarverslag 2007, p. 5

⁴ Jaarverslag 2007, p. 33

The task of the Job and Business Centers is to support students that want to start their own company (micro-enterprise development). Another important task of the JBCs is to form the link between the students of the vocational training on the one side, and the companies forming the labour market on the other side. The focus of this report will be on the second task: the mediation between students and existing companies forming the labour market.

A JBC is started by a partner organization of Woord en Daad and exists normally out of two people, namely an employment intermediary and a business development manager. The business development manager “will stimulate the setting up of SME businesses and will help these become viable, self-supporting businesses that provide employment for the underprivileged.”⁵ The employment intermediary will focus more on the mediation between students and already existing companies. The business development manager is bearing primary responsibility towards the partner organization and Woord en Daad. Not all JBCs have both functions. Some of them are only focusing on the mediation between the students and companies. Woord en Daad does stimulate, advice and monitor the JBCs mostly from a distance. The JBCs must submit periodic (financial) reports (per every quarter) and once a year the JBCs will be visited in order to maintain a good relationship with them.⁶

There is a need to add additional function to the other functions of the JBCs: the inspection of labour conditions. The JBCs are negotiating with companies to see if their students can do their internship with the company or can get a job. Woord en Daad wants to make sure that these students go to companies with good labour conditions. The JBCs pay attention to this already but this is done in a rather informal and subjective way, data and procedures are not well registered and procedures differ widely between JBCs of different partners. As a consequence, Woord en Daad has currently no means to collect uniform data from which the percentage of job placements complying with fair labour conditions can be calculated. However, that is necessary in order to report and justify their activities to the Dutch government. Woord en Daad is receiving MFS subsidy from the Dutch government. Woord en Daad receives this subsidy every four years (the last time was in 2007, and the next time will be in 2011) and is about five million euros. They receive this subsidy based on, amongst other things, the indication that in the year 2010 at least 75% of the students do find an internship or job through the program and the workplace will comply with the criteria of fair labour.

At this moment, Woord en Daad does not have a good definition of ‘fair labour’, it does not have criteria for it, and it does not have an instrument to measure the labour conditions of companies in developing countries. This brings us to the objective of this research:

The objective of this research is the development of an instrument for fair labour conditions that the JBCs can apply to the firms they negotiate with.

In order to ensure that all JBCs will use this instrument, it is important that it is as simple as possible and applicable in all countries where the partners of Woord en Daad with a JBC are located. The instrument will have the character of a minimum standard, including not all relevant aspects but only those elements that are absolutely crucial for fair labour conditions. This research will not only result in an instrument for fair labour conditions, but also in an implementation plan. The JBCs must be made aware of the scorecard and they must be informed about the use of the instrument.

⁵ Vision Document Woord en Daad: Job & Business Centres (JBCs), p. 23

⁶ Vision Document Woord en Daad: Job & Business Centres (JBCs)

The development of an instrument that measures the labour conditions in companies that the JBCs negotiate with will be of scientific importance. It is the development of a new tool for the organization: an evaluation technique. But because of its application, there will be as well important social consequences: the labour conditions can be evaluated and therefore Woord en Daad can make sure that at least 75% of the students will be placed at companies that have labour conditions that do match the desired level of Woord en Daad.

1.2 Problem Formulation

Based on the foregoing, the research question will be formulated as follows:

How can 'fair' labour conditions be evaluated in a uniform way for different countries and for different types of companies that the JBCs negotiate with?

The following sub-questions will help lead to the answer on the central research question:

1. How to measure labour standards according to the theory and practical examples?
2. Which pilot instrument can be developed based on the theory and practical examples and with input from Woord en Daad and the JBCs?
3. What adaptations should be made to the pilot instrument based on the experience of experts and a test in practice by the JBCs?
4. What implementation guidelines should be developed for the final instrument?

1.3 Research Approach

First, an exploratory research will be done in order to get familiar with the subject.⁷ This will be done by reviewing the relevant, existing literature on this topic. To find relevant literature, I will use electronic data bases (for example JSTOR), search engines (like Google Scholar), and university libraries. In the table below you can find the key terms that I will use in this literature search (in combination with each other). Because the field of labour standards is quite dynamic with a lot of new developments, one of my criteria of the literature is that the articles have to be from 1998 or more recently. I have taken the year 1998, because that was the year that the ILO established its Declaration on Fundamental Principles and Rights at Work. This was a milestone in history, because it was the first and still only time that some agreement had been reached about global core labour standards, and many works have been based upon this Declaration. I will only use articles that are older, if it is relevant to this research and the content is not outdated and still valuable. First, I will study the titles that come up after using the key terms. From the articles with titles that look relevant, I will study the abstracts. After that, another selection will be made. Those articles that seem to be still relevant after reading the abstract will be studied in depth. I will also study the references made in the articles that will be studied in depth, to see if there is some more relevant literature to include in my research. The second step in the research will be the evaluation of organizations in comparable situations that have already experience with this subject. I will examine their tools and processes to find common practices that have proven their applicability in real life situations. I will examine what kind of difficulties and problems they have experienced and what their remedy was. I will do this to increase the practicability of the scorecard, to minimize the potential problems, and to make sure that no unfeasible criteria will be set.

⁷ Babbie, 2001

Research can be divided into two broad categories: quantitative and qualitative research. “Quantitative research involves studies that make use of statistical analyses to obtain their findings. (...) Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. Qualitative studies typically involve interviews and observations without formal measurement.”⁸ This research will be a qualitative research. In order to obtain the necessary data, I will make use of face-to-face interviews and of a questionnaire. The interviews will be held with relevant staff members of Woord en Daad. They will be persons with knowledge of the JBCs, and persons from the research department. The exact persons still need to be determined, but they will form a small group, which makes it possible to make use of interviews. The advantage of interviews over questionnaires is that in an interview one can ask another question to ascertain the right interpretation of what is said, and to find the reasons behind their beliefs. The interviews will be semi-structured interviews, a mix of questions and discussion. A discussion might be very useful in order to obtain the best end result. The interviewees have good knowledge of the actual situation in the developing countries and can form a good judgment about what will be possible, and the interviewer has a specific theoretical knowledge with respect to this subject. A disadvantage of doing interviews is that the interview might be biased by the interviewer.⁹ In this case, the bias might be no problem. The interviewees are all well-educated, with a lot of experience in the field of NGOs and their work. They will be able to form their own opinion, even though this differs from the opinion of the interviewer. The discussion-element will also stimulate the forming of different opinions.

The questionnaire (Appendix 3) will be sent to all of the partner organizations of Woord en Daad in the developing countries that are having a JBC. The exact lists can be found in Appendix 1. The purpose of this questionnaire is to find out what the end-users of the instrument (who are also the persons with the best knowledge of the specific situations of the companies) find important labour standards/criteria, what kinds of improper situations they often experience, and to find out what they think about the feasibility of the instrument. This will make sure that the instrument will be tailored to the needs, wishes and capacity of the JBCs. Because of the distance, it will be impossible to conduct interviews with them. A questionnaire is a good and cheap alternative. Using a questionnaire instead of interviews will also increase the comparability of the data. This analysis of the specific situation will lead to a pilot instrument.

I will present is pilot instrument to two experts (exact persons are to be determined later) to find out their opinion about it. I will also have some JBCs testing the pilot instrument to evaluate the functioning of the instrument in practice. Based on these two tests, adaptations will be made to the pilot instrument, and the final instrument will be presented.

Then, there will be a chapter devoted to the implementation of the scorecard. All necessary aspects will be dealt with to make sure that the JBCs will be capable of using the scorecard and will have all the necessary knowledge and information. This chapter will also present a critical reflection on the value of the instrument and its potential problems. Also, all possible (future) functions of the instrument, including its use in the external communication, will be explained.

Labo(u)r standards	Labo(u)r conditions	NGO	Code of conduct
Implementation	Monitoring	Informal sector	SME
Scorecard	CSR	Labo(u)r criteria	Developing countries

Table 1: Key terms to be used in search for relevant literature

⁸ Marczyk et al., 2005

⁹ Rea and Parker, 1992

1.4 Structure of the Research

The structure of this research can be presented using the following figure:

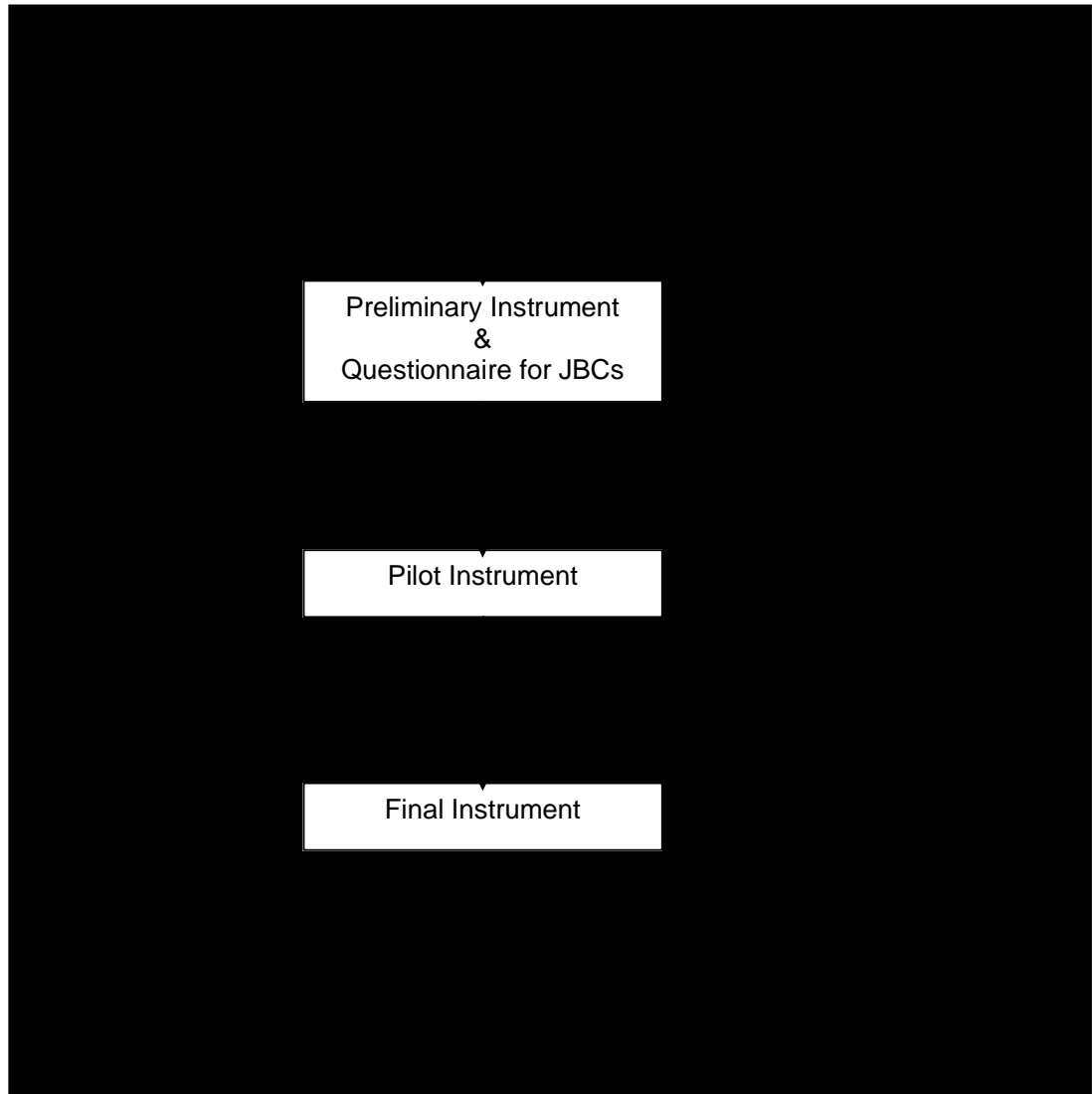


Figure 2: Research structure

This figure shows the elements of the research and their sequence. However, this research is at the same time structured around the steps that are necessary in order to come to a code of conduct and measurement of the elements of the code. Based on Murray (1998), Jenkins (2001) and Sethi (2002) I have been able to form the following sequence of elements that need to be dealt with:

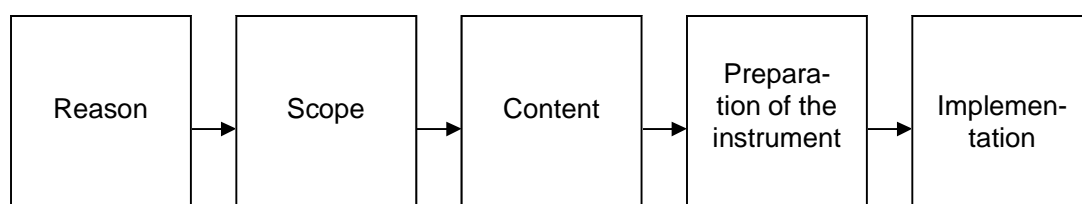


Figure 3: Elements related to the establishment of a code of conduct

This sequence of elements is more related to the content. All these elements will come forward during one or more steps of the research. The two different structures (design and content) can be combined into one table:

	Research Plan (Chapter 1)	Theory (Chapter 2)	Practice (Chapter 3)	Feedback JBCs & W&D (Chapter 4)	Field Test & Expert Opinion (Chapter 5)	Implementation (Chapter 6)
Reason	x					
Scope	x					
Content		x	x	x	x	
Preparation of the instrument			x	x	x	
Implementation			x			x

Table 2: Structure of this report

2. Theoretical Framework

2.1 International Models of Labour Standards

The last century, there has been increasing attention for labour standards. Especially the last few decades, this topic became very important due to the globalization of the economy. Many multinational enterprises (MNEs) did set up factories in developing countries where the labour standards are not as good (enforced) as in the developed countries. The problem was and still is that labour standards are defined by national laws. Each country sets its own rules for labour standards, and there is a lack of worldwide legally enforceable core labour standards. When comparing the local laws, there is no consensus over the labour standards and/or the level of these standards. For example, not all countries see safety as a labour standard, and those that do see it as a labour standard differ in opinion about the content. Especially in the developing countries, the enforcement of legally set labour standards is very minimal. This disharmony of labour standards and the minimal enforcement lead to worse working conditions in factories. Consumers and non-governmental organizations (NGOs) became aware of this, forcing the companies to have good labour standards in their factories. Also governments started to realize the need for good labour standards worldwide, because there was a “mismatch of regulatory scope and actual economic structures”.¹⁰ “The most effective regulatory bodies belong to national governments, but the subjects they seek to regulate are by definition international, sprawling across the globe.”¹¹ There were different initiatives to establish worldwide recognized core labour standards from international organizations like the International Labour Organization (ILO), the United Nations Global Compact, the Organization for Economic Cooperation and Development (OECD), NGOs like the Fair Labor Association (FLA) and Social Accountability International (SAI), but also companies started to make their own voluntary codes of conducts (private regulation). I will now explain the initiatives of the ILO, UN Global Compact, OECD, FLA and SAI. These organizations have established well-known labour codes of conduct, that are all based on the four fundamental rights of the ILO, and that are generally applicable. That means that they are not designed for a specific sector/industry or company. The instrument that will be designed for Woord en Daad must also be generally applicable.

1. The ILO

The International Labour Organization (ILO) was founded in 1919, and was based on the vision that universal, lasting peace could only be achieved when based upon decent treatment of working people. It became the first specialized agency of the United Nations (UN) in 1946. It is the only tripartite agency of the UN in that it brings together representatives of governments, employers and employees in the design of policies and programmes. It is responsible for developing and overseeing international labour standards.¹² At this moment, it has 181 member countries.¹³

The ILO recognizes four fundamental human rights in its Declaration on Fundamental Principles and Rights at Work (1998):

- Freedom of association and effective recognition of the right to collective bargaining
- The elimination of all forms of forced and compulsory labour
- The elimination of discrimination in respect of employment and occupation
- The effective abolition of child labour

¹⁰ Murray, J., 1998

¹¹ Sabel et al., 2000, p. 11

¹² <http://www.ilo.org>

¹³ <http://www.ilo.org>

These fundamental rights are universal: they apply to all people in all countries, regardless of the level of economic development.¹⁴ The Declaration:

'Declares that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of Membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions.'

It does apply to multinational enterprises (MNEs) as well as to national firms. The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (2001) states:

*'The principles laid down in this Declaration do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all. Multinational and national enterprises, wherever the principles of this Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular.'*¹⁵

The desire is to establish a universal minimum level of human rights with this Declaration.¹⁶ These four fundamental human rights are broadly recognized as will be seen in the next paragraphs.

Next to the four fundamental human rights does the ILO (in: The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 2001) mention other rights/standards that have to do with the following subjects: employment promotion, security of employment (including income protection for workers whose employment has been terminated), training, wages and benefits, conditions of work, minimum age, health and safety, industrial relations, no threat to transfer, information, consultation, examination of grievances, and settlement of industrial disputes.

2. The United Nations Global Compact

The United Nations Global Compact (1999) "is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption."¹⁷ At this moment, more than 4000 businesses in 120 countries around the world are participating. The four fundamental human rights as established by the ILO are used to form the labour standards. No additional labour standards are added.

3. The OECD

The Organization for Economic Cooperation and Development (OECD) developed in the year 2000 the OECD Guidelines for Multinational Enterprises. The Guidelines are "recommendations addressed by governments to multinational enterprises operating in or from adhering countries (the 30 OECD member countries plus ten non-member countries (...)). They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, environment,

¹⁴ <http://www.ilo.org>

¹⁵ ILO, Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 2001; Blanpain and Colucci, 2004

¹⁶ Blanpain, 2000

¹⁷ <http://www.unglobalcompact.org>

information disclosure, competition, taxation, and science and technology.”¹⁸ The standards for employment and industrial relations are actually labour standards. They contain the four fundamental standards defined by the ILO, and they contain other standards that deal with rights in the areas of: information, consultation, minimum standards of employment, health and safety, training, notice of changes and mitigation of accompanying effects, no threat to transfer, and access to representatives of management.¹⁹

4. The FLA

The Fair Labor Association (FLA) is a non-profit network established in 1999 that combines “the efforts of industry, civil society organizations, and colleges and universities to protect workers’ rights and improve working conditions worldwide by promoting adherence to international labor standards.”²⁰ Its participants should implement the FLA Workplace Code of Conduct. This code of conduct exists out of nine subjects, which include the four fundamental human rights of the ILO. The other five subjects are: harassment or abuse, health and safety, wages and benefits, hours of work, and overtime compensation.²¹

5. SAI

Social Accountability International is “a non-governmental, international, multi-stakeholder organization dedicated to improving workplaces and communities by developing and implementing socially responsible standards.”²² In 1997, this organization launched SA8000 (Social Accountability 8000). This is a voluntary standard for workplaces, based on ILO and UN conventions. It is “currently used by businesses and governments around the world and is recognized as one of the strongest workplace standards.”²³ Participants that comply with SA8000 will be certificated. SA8000 is said to be the first auditable social standard that can be applied to practical work-life situation in an independent process.²⁴ SA8000 contains the four fundamental human rights as defined by the ILO, and also standards in the following areas: health and safety, discipline, working hours, compensation, and management systems.

In Appendix 2 you can find a table in which the precise criteria of these models are stated and compared. All these initiatives to create widely established labour standards have the same disadvantages. First, they are inconsistent in that one places different or higher demands on companies than the other. Second, they are not legally binding.²⁵ Some of them do have mechanisms to enforce compliance, but legal enforcement can only be done using national laws.

The conclusion is that there is still too much fragmentation in the field of international labour standards and too much reliance on the national laws. There is a need for a legally binding international framework for labour standards. Because this does not exist, Woord en Daad needs to establish its own model of labour standards for the companies at which it will place students. This framework should be based on the ILO-standards, because these standards are the basis of almost all models and are universally recognized as being very important.

¹⁸ <http://www.oecd.org>

¹⁹ OECD Guidelines for Multinational Enterprises, 2000; Blanpain and Colucci, 2004

²⁰ <http://www.fairlabor.org>

²¹ FLA Workplace Code of Conduct

²² <http://www.sa-intl.org>

²³ <http://www.sa-intl.org>

²⁴ <http://www.sa-intl.org>

²⁵ Murray, 1998

2.2. Labour Standards found in the International Models

In chapter 2.1, I have already mentioned the fact that there are different initiatives to establish worldwide recognized labour standards, and that these initiatives differ considerably in scope and content. I have examined the initiatives of the ILO, UN Global Compact, OECD, FLA, and SAI, and a comparison can be found in Appendix 2: Codes of Conduct: a Comparison.

First of all, we can see great difference in the scope of these initiatives. The UN Global Compact contains only four labour standards, were the ILO declaration contains seventeen different labour standards. I have reduced the list of twenty-four standards, as can be found in Appendix 2, to twenty-one, because there was some overlap. Harassment or abuse (No. 20) and discipline (No. 23) are combined into one standard, and work conditions (No. 9) and minimum standards of employment (No. 18) are removed, because they are actually comprised by the other standards, like health and safety, wages and benefits, etc. The final list can be seen hereunder, together with the number of initiatives they are mentioned in.

1. Freedom of association and effective recognition of the right to collective bargaining	5
2. The elimination of all forms of forced and compulsory labour	5
3. The elimination of discrimination in respect of employment and occupation	5
4. The effective abolition of child labour	5
5. Health and safety	4
6. Wages and benefits	3
7. Information	3
8. Consultation	2
9. Training	2
10. Industrial relations	2
11. Facilities to assist in the development of effective collective agreements	2
12. Examination of grievances	2
13. Notice of changes and mitigation of accompanying effects	2
14. Harassment or abuse	2
15. Hours of work	2
16. Overtime compensation	2
17. Employment promotion	1
18. Security of employment	1
19. No transfer threat (of part or whole unit or worker)	1
20. Settlement of industrial disputes	1
21. Management systems	1

There are only four labour standards mentioned by each initiative and these four labour standards happen to be the core labour standards as established by the ILO. This again emphasizes their importance and there is no doubt that these standards should be included in the instrument. Further, there are three labour standards that are mentioned by more than half of the initiatives, which shows their importance and justifies their incorporation into the instrument. As stated before, the instrument will have the character of a minimum standard, including not all relevant aspects but only those elements that are absolutely crucial for fair labour conditions. Therefore, only those labour standards that are at least mentioned by three of the five initiatives (more than half of the number) will be included into the preliminary instrument. This is a number of seven labour standards, namely: freedom of association and effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the elimination of discrimination in respect of employment and occupation, the effective abolition of child labour, health and safety, wages and benefits, and information. As was already stated in chapter 2.1, does their exist inconsistency in the

content of the different models.²⁶ Even small differences in wording can become very important later on when checking the labour standards. Therefore, the differences in wording of the five organizations will be discussed in order to come to a definition for each labour standard that will be taken as a starting point for the development of the accompanying criteria.

1. Freedom of association and effective recognition of the right to collective bargaining

ILO: “Workers employed by multinational enterprises as well as those employed by national enterprises should, without distinction whatsoever, have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. They should also enjoy adequate protection against acts of anti-union discrimination in respect of their employment.” And: “Workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organizations of their own choosing recognized for the purpose of collective bargaining.”

UN Global Compact: “Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: respect the right of their employees to be represented by trade unions and other *bona fide* representatives of employees, and engage in constructive negotiations, either individually or through employers’ associations, with such representatives with a view to reaching agreements on employment conditions.”

FLA: “Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.”

SA8000: “The company shall respect the right of all personnel to form and join trade unions of their choice and to bargain collectively. The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all such personnel. The company shall ensure that representatives of such personnel are not the subject of discrimination and that such representatives have access to their members in the workplace.”

The UN Global Compact, OECD, FLA and SA8000 all make statements in the form of an obligation for the companies. The ILO is the only one that takes another view and establishes a right for the workers. Because Woord en Daad does not want to oblige the companies to adopt the code, it is better to establish a right for the workers, instead of an obligation for the companies. The ILO definition very much covers all the other definitions, but can be simplified. Also, the discrimination element has been taken out, because this will be dealt with already by another labour standard, namely ‘the elimination of discrimination in respect of employment and occupation’. The definition that is the result and will be taken as starting point for the preliminary instrument will be: *All workers have the right to form and join organizations of their own choosing and to bargain collectively.*

2. The elimination of all forms of forced and compulsory labour

ILO: “The elimination of all forms of forced and compulsory labour.”

UN Global Compact: “The elimination of all forms of forced and compulsory labour.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: contribute to the elimination of all forms of forced or compulsory labour.”

²⁶ Murray, 1998; Diller, 1999

FLA: “There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.”

SA8000: “The company shall not engage in or support the use of forced labour, nor shall personnel be required to lodge ‘deposits’ or identity papers upon commencing employment with the company.”

The first four definitions are all more or less the same. However, SA8000 mentions a very important element that could lead to forced or compulsory labour: no lodging of ‘deposits’. I will not make this part of the definition, but it will be one of the criteria that will be used to measure compliance with this standard. The definitions are all in the form of an obligation for the companies. In the preliminary instrument, I want to represent this point as well in the form of a right for the workers: *Nobody shall in any way be forced to work.*

3. The elimination of discrimination in respect of employment and occupation

ILO: Multinational enterprises should be guided by the general principle “to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin.” However, “multinational enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels in cooperation, as appropriate, with representatives of the workers employed by them or of the organizations of these workers and governmental authorities.” “Multinational enterprises should accordingly make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff at all levels.”

UN Global Compact: “Eliminate discrimination in respect of employment and occupation.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: not discriminate against their employees with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.”

FLA: “No person shall be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.”

SA8000: “The company shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age. The company shall not interfere with the exercise of the rights of personnel to observe tenets or practices, or to meet needs relating to race, caste, national origin, religion, disability, gender, sexual orientation, union membership, or political affiliation. The company shall not allow behaviour, including gestures, language and physical contact, that is sexually coercive, threatening, abusive or exploitative.”

The ILO definition is too much focused on MNEs and is not suitable for this purpose. Most of the companies that will be checked will be national companies. So, the statement that nationals should have priority is not very relevant. The OECD, FLA and SA8000 all have some good points and differ slightly from each other. I will combine them into one new definition which will be included in the preliminary instrument: *No person shall be subject to any discrimination in employment, including hiring, remuneration, training, advancement, discipline, termination or retirement, on the basis of gender, race, caste, religion, age, disability, sexual orientation, nationality, political opinion, union membership, or social or ethnic origin, unless selectivity concerning employee characteristics furthers established*

governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.

4. The effective abolition of child labour

ILO: “Multinational enterprises, as well as national enterprises, should respect the minimum age for admission to employment or work in order to secure the effective abolition of child labour.” And: “The minimum age (...) shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years. Notwithstanding (...), a Member whose economy and educational facilities are insufficiently developed may, after consultation with the organisations of employers and workers concerned, where such exist, initially specify a minimum age of 14 years.”²⁷

UN Global Compact: “The effective abolition of child labour.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: contribute to the effective abolition of child labour.”

FLA: “No person shall be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.”

SA8000: The company shall not engage in or support the use of any work by “Any person less than 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age would apply. If, however, local minimum age law is set at 14 years of age in accordance with developing-country exceptions under ILO Convention 138, the lower age will apply.”

The ILO, FLA and SA8000 are more specific and concrete than the UN Global Compact and the OECD. These three are all the same, but the definition of the FLA is short and understandable, containing all the elements of the other two. This definition will therefore be part of the preliminary instrument.

5. Health and safety

ILO: “Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: take adequate steps to ensure occupational health and safety in their operations.”

FLA: “Employers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.”

SA8000: “The company, bearing in mind the prevailing knowledge of the industry and of any specific hazards, shall provide a safe and healthy working environment and shall take adequate steps to prevent accidents and injury to health arising out of, associated with or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.”

The ILO definition says that MNEs should maintain the highest standards of safety and health. This definition will not be suitable for use in this scorecard, because the scorecard needs to be an instrument containing only minimum labour standards. The other definitions are more or less the same, but they are all stated in the form of an obligation for the company. As stated before, because the companies do not have to adopt the code, it is better to put the standards in the form of a right for the workers. Therefore, the definition that will be used in the preliminary instrument will be: *The employees all have the right to a safe*

²⁷ ILO Convention 138: Minimum Age Convention, 1973

and healthy working environment in order to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.

6. Wages and benefits

ILO: “Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.” They should be “at least adequate to satisfy basic needs of the workers and their families.”

FLA: “Employers recognize that wages are essential to meeting employees’ basic needs. Employers shall pay employees, as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.”

SA8000: “The company shall ensure that wages paid for a standard working week shall always meet at least legal or industry minimum standards and shall be sufficient to meet basic needs of personnel and to provide some discretionary income. The company shall ensure that deductions from wages are not made for disciplinary purposes, and shall ensure that wage and benefits composition are detailed clearly and regularly for workers; the company shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered either in cash or check form, in a manner convenient to workers.”

Here we can see quite some differences between the definitions. The ILO states that the remuneration should at least satisfy basic needs, not only of the worker him/herself, but also of the family members. SA8000 states the need for the satisfaction of basic needs as well, but only of the personnel, and additionally, it states the need for some discretionary income. Both the FLA and SA8000 mention the legal minimum wage and the industry minimum wage. The FLA requires that the highest of these two will be paid, SA8000 not. The instrument should contain only the minimum standards. That is why I will take only the minimum of these definitions. The definition to be used in the preliminary instrument is: *Wages shall meet at least the legal minimum, and should be sufficient to satisfy the employees’ basic needs.*

7. Information

ILO: “Multinational enterprises should provide workers’ representatives with information required for meaningful negotiations with the entity involved and, where this accords with local law and practices, should also provide information to enable them to obtain a true and fair view of the entity or, where appropriate, of the enterprise as a whole.”

OECD: “Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices: provide meaningful information to employee representatives which are needed for meaningful negotiations on conditions of employment.”

SA8000: “Where required by contract, the company shall provide reasonable information and access to interested parties seeking to verify conformance to the requirements of this standard.”

These definitions all emphasize the side of the company. Based on the above definitions, the following definition is made and will be used in the preliminary instrument: *Employee representatives have the right to information required for meaningful negotiations on conditions of employment.*

2.3 Conclusion

There is a great difference in the number of labour standards that the different international models of labour standards contain. The labour standards that were used by more than half of the models have been selected and examined in depth.

We can conclude that most of the definitions in the international models of labour standards are phrased as an obligation for the company (e.g. "The company should..."), in stead of as a right for the workers (e.g. "The workers have the right to..."). The reason for this is that the models above are all made with the intention of making companies comply with the labour standards: the companies are obliged to adopt the labour standards. Woord en Daad just wants a checklist and will not force the companies to comply. For them, the most important point is to make sure that they send their students to companies with 'fair' labour standards. Their concern is the well-being of the students. Therefore it is more appropriate to phrase the labour standards as a right for the workers in stead of as an obligation for the company.

Aggarwal (1995) makes a distinction between process- and outcome-standards. Outcome-related standards, like minimum wage, always depend on levels of productivity and economic development and are therefore not good candidates for standards that will be applied in different countries. Process-related standards are concerned with the organization of the labour market, but do not specify any particular market outcome.²⁸ We can see that most definitions have only small and subtle differences. These are the process standards. There is only one outcome standard, namely wages and benefits. As was already stated, these are the most difficult to determine. This outcome standard is indeed the only standard where the definitions differed considerably from each other.

In table 3, a summarizing list can be found of the final labour standards and their definition that will be included into the preliminary instrument, based on the theory. These definitions will be used as a starting point for the development of the accompanying criteria that the preliminary instrument will contain.

²⁸ Brown, 2001

Labour standard	Definition
1. Freedom of association and effective recognition of the right to collective bargaining	<i>All workers have the right to form and join organizations of their own choosing and to bargain collectively.</i>
2. The elimination of all forms of forced and compulsory labour	<i>Nobody shall in any way be forced to work.</i>
3. The elimination of discrimination in respect of employment and occupation	<i>No person shall be subject to any discrimination in employment, including hiring, remuneration, training, advancement, discipline, termination or retirement, on the basis of gender, race, caste, religion, age, disability, sexual orientation, nationality, political opinion, union membership, or social or ethnic origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.</i>
4. The effective abolition of child labour	<i>No person shall be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.</i>
5. Health and safety	<i>The employees all have the right to a safe and healthy working environment in order to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.</i>
6. Wages and benefits	<i>Wages shall meet at least the legal minimum, and should be sufficient to satisfy the employees' basic needs.</i>
7. Information	<i>Employee representatives have the right to information required for meaningful negotiations on conditions of employment.</i>

Table 3: Labour standards extracted from theory to include in the preliminary instrument.

3. Practical Experiences

The models and theory provide the basis for making the preliminary instrument. However, it is also very important to examine some real-life cases that have already been functioning for some time. These cases can provide us with a lot of information about how to measure standards, and about the actual feasibility in practice. We can learn from the problems they have experienced and, as a consequence, increase the performance of the scorecard that will be developed. Where chapter 2 was completely focused on the content, this chapter will focus on the content of the instrument and on the preparation of the preliminary instrument.²⁹

I will start with the examination of the practices of the Fairtrade Labelling Organizations (FLO) International. Next, I will examine some data collected during the last few years by the Fair Labor Association (FLA) regarding non-compliance. Further, I will discuss an article of the Centre for Research on Multinational Companies (SOMO) that deals with the recent developments on monitoring and verification in the field of the garment and sportswear industry. To finish this chapter I will discuss the outcome of a questionnaire, developed by a former employee of Woord en Daad, which has already been filled in by the JBCs before this research started.

I have chosen for these four practical examples for different reasons. First of all, because they provide different insights: FLO International is mainly focused on the food sector, where the article of SOMO is focused on the garment and sportswear industry. The FLA has been designed for all kinds of companies, and the questionnaire provides insight into the specific situation of the future end-users of the scorecard. The final scorecard will be applied to all different sorts of companies. That is why it is useful to take into account these different insights. A second reason for using the questionnaire is that Woord en Daad explicitly asked me to do this. Also, it gives a good idea of what the JBCs think about some labour standards. These opinions can be included in the prototype scorecard, which makes it possible to ask more specific questions in the questionnaire that will be developed especially for this research. A third reason for using these four practical examples is that they are complementary. Each provides guidelines in a different area. FLO International gives for example guidelines for the design of the instrument that will be used for the measurement of the labour standards, and the FLA for the monitoring process. The fourth reason is that these practical examples are all very relevant for this specific situation and give very practical and useful guidelines to keep in mind when designing the scorecard.

3.1 Fairtrade Labelling Organization International

"Fairtrade Labelling Organizations (FLO) International is the umbrella organization of twenty national labelling initiatives.³⁰ One of these labelling initiatives is the Dutch organization Stichting Max Havelaar.³¹ FLO International is very much focused on the food sector (from the seventeen products, only three are non-food)³², and it develops and reviews the Fairtrade standards. The Fairtrade standards are developed in cooperation with stakeholders from the member organizations, producer organizations, traders, and external experts, and form the basis for the Fairtrade Certification.³³

²⁹ See Table 2: Combination of Structures, p. 10

³⁰ www.fairtrade.net

³¹ www.maxhavelaar.nl

³² FLO International, 2008

³³ www.fairtrade.net

FLO International has divided its standards into generic and product standards. The “FLO generic standards apply to all situations whatever the product,”³⁴ and the product standards are standards for a specific product, for example standards for producers of bananas. The generic standards will be very useful in this specific situation, the product specific standards not, because the scorecard of Woord en Daad should be applicable to all sorts of companies, producing many different products.

The generic standards are divided into two groups: minimum requirements and progress requirements. The minimum requirements must be met by all organizations from the moment they join Fairtrade. The progress requirements show the areas in which organizations will be expected to improve and by when.³⁵ FLO International is working with a timeline and at certain points in time; certain criteria (the compliance criteria) must be met at that moment in time. At the start (time=0), the compliance criteria exist of the minimum requirements. After three years (time=3), certain progress requirements must be met, and after six years (time=6), the last and most comprehensive progress requirements should be met.³⁶ For Woord en Daad at this point in time, only the minimum (generic) requirements will be useful. FLO International has established minimum generic standards (time=0) in the following areas: non-discrimination, forced labour, child labour, freedom of association and collective bargaining, conditions of employment (=wages and benefits), and occupational health and safety. The exact compliance criteria can be found in the following document: ‘Public Compliance Criteria List, Small Farmers Organisations’ of FLO-CERT, the certification organization of FLO International. I will use this as a guideline when making the prototype scorecard. If we compare this list of standards with the list of standards that has been extracted from the models of international labour standards (chapter 2.4), there is quite some similarity. In the latter however, we can find the standard ‘information’. This standard is not included by FLO International.

An interesting point is that FLO International does make an exception for the smaller companies in relation to the standard ‘freedom of association and collective bargaining’. This standard only applies to organizations in which a significant number of workers are employed. ‘Significant’ is not further specified into a concrete number of workers. Because the JBCs are negotiating with all kind of companies, some with only a very small number of employees and others with a considerable number of employees, it might be useful to make this same exception. A lot of these small companies they negotiate with form even part of the informal sector, and it is unlikely that these companies will comply with this standard.

FLO International “follows certain internationally recognised standards and conventions, especially those of the ILO (International Labour Organization), as these form the basic labour rights most widely accepted throughout the world.”³⁷

The audit of a company by FLO-CERT exists of the following parts: document review, interviews, and a site visit. During the document review, the following documents are controlled: organization chart/distribution of tasks, financial and accounting documents, statutes, internal policies, work plans, labour documents, and policies related to occupational health and safety. The information gathered from these documents will be cross-checked during the interviews and focus group discussions. During the site visit, the auditor is always accompanied by an appointed responsible person who can answer questions and give explanation.³⁸

³⁴ FLO International, 2006

³⁵ FLO International, 2006

³⁶ FLO International

³⁷ FLO International, 2007, p. 3

³⁸ www.flo-cert.net

3.2 Fair Labor Association Non-Compliance Assessment

I have already discussed the code of conduct of the Fair Labor Association (FLA) in chapter 2. This code is translated into a scorecard and different assessments have been executed. During the past years, information has been collected about the compliance with each labour standard. In figure 2, the compliance percentages of the year 2006 can be found.

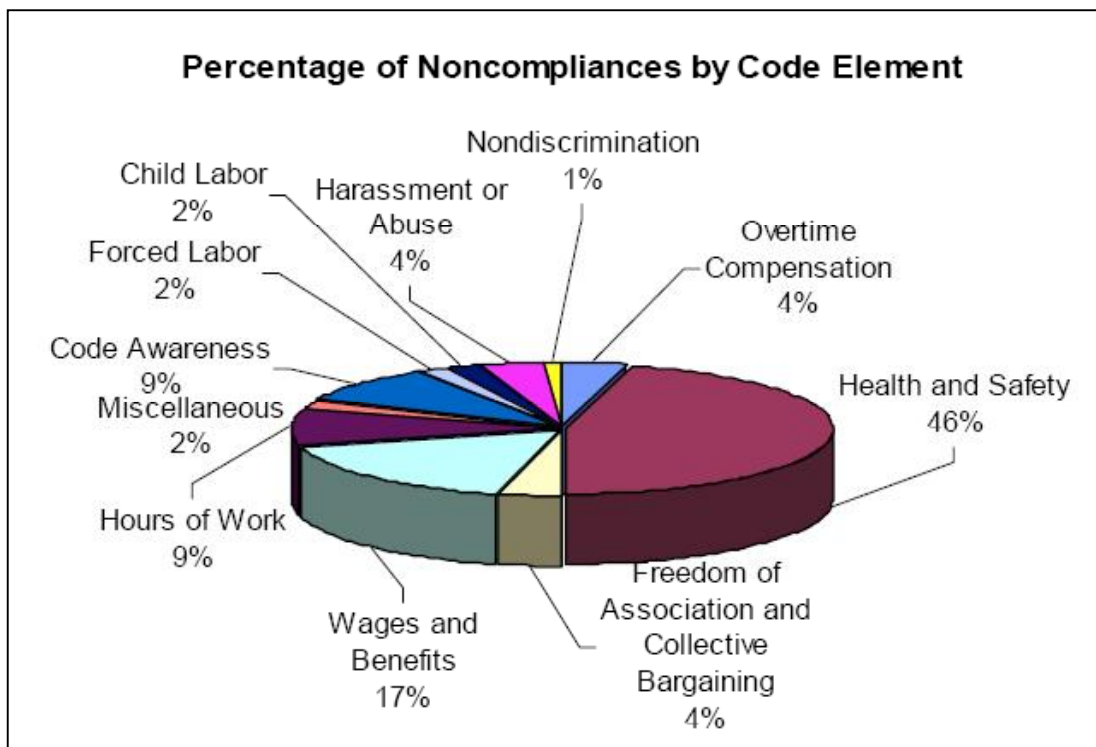


Figure 4: Source: FLA, Annual Report 2007

This figure is the result of 147 factory audits during which in total 2,511 noncompliances have been observed. This picture is the same as the years before, and is therefore very stable.³⁹ From the ten labour standards, there are eight of them that have a non-compliance percentage of below ten percent. So, over ninety percent of the companies complies with these standards, which is a very high percentage. Based on this information, I conclude that these eight labour standards are easily to achieve. The other two labour standards have higher percentages of non-compliance. In seventeen percent of the cases, the criteria in the area of wages and benefits are not achieved. And in almost half of the cases (forty-six percent), the criteria in the area of health and safety are not complied with. This might justify giving the different labour standards different importance. The first and most important group might consist of the labour standards with a non-compliance rate of below ten percent: nondiscrimination, child labour, forced labour, harassment or abuse, overtime compensation, freedom of association and collective bargaining, code awareness, and hours of work. The relative weight of these standards will be high. The second group might consist of all labour standards with a non-compliance rate of below twenty-five percent. This applies to only one standard: wages and benefits. The third group might consist of all labour standards with a non-compliance rate of below fifty percent. This also applies to only one standard: health and

³⁹ FLA, 2005 and 2006

safety. This standard will have the lowest relative weight, because the figure shows that it is a standard that is difficult to comply with, considering the high non-compliance rate.

The FLA has established for each labour standard some benchmarks. These benchmarks are divided into substantive and procedural benchmarks. This is comparable to the minimum and progress requirements of FLO International. The substantive benchmarks require compliance at any time, where the procedural benchmarks define a course of action to be taken over time.⁴⁰ This upholds the idea that some criteria are difficult to achieve for a company, and that, in order to comply with these criteria, the company will need support of an expert organization. This justifies the fact that Woord en Daad only wants to include in the scorecard the minimum standards.

Their monitoring process contains the following elements: gathering of external data from local knowledgeable sources, worker interviews, management interviews, capacity review, records review, and a visual inspection.⁴¹ The first element will not be useful for the JBCs, because they themselves are one of the local knowledgeable sources. The worker interviews, records review and the visual inspection are part of almost every organization's monitoring process. However, the FLA has two additional aspects: the capacity review and the management interview. The capacity review is to make sure that the organization has the resources to produce the products in the quantities booked. This will not be useful for the JBCs, because it is not measuring the labour conditions. The management interview might be very useful for Woord en Daad, because when they negotiate with companies in order to find their students a job or internship, they usually do this with the manager. They can easily bring up the labour standards during one of these conversations.

3.3 SOMO – Critical Issues

The Centre for Research on Multinational Companies (SOMO) is a Dutch, non-profit research and consultancy organization. One of its research areas is how to do business in a social responsible way (MVO). In the year 2001 they have, in cooperation with the Clean Clothes Campaign (CCC), produced an article about the recent developments on monitoring and verification in the garment and sportswear industry.⁴² This article shows what the critical issues are when monitoring the companies in developing countries.

One of the first critical issues deals with the disclosure of information and reporting. Most companies are very hesitant to cooperate, because they are afraid that they will have to reveal sensitive or confidential information. The solution found for this problem was that sensitive information had to be revealed only to an independent body. The JBCs are independent bodies, as a result of which this problem should already be reduced. However, there must be clear agreements on which information they need to disclose and what will be done with it. Still, some companies may be unwilling to cooperate and it must be clear how to deal with this. Secondly, in most cases, interviews form part of the company audit. The research of SOMO and the CCC found that, in order to obtain dependable worker interviews, these should be done by a local organization that is trusted by the workers. The JBCs are all locally present, are independent, and there is basically no reason not to trust them. A third issue is the standardization of (the content of) the scorecard, because this will help to develop a standardized way for monitoring and verification in all countries. A fourth issue is the fact that the monitors should have sufficient capacity and knowledge, and a sense of ownership before they can conduct good audits. In the specific case of Woord en Daad, the JBCs will get a feeling of ownership, because we involve them in the process of designing

⁴⁰ FLA, 2007

⁴¹ FLA, 2007

⁴² SOMO, 2001

the scorecard by using questionnaires to ask their opinion. The next issue deals with a complaints system. There should be a complaints system in place that enables the workers to express their dissatisfaction with the employment conditions. "As it may prove to be very difficult to audit *all* workplaces (...), the complaints system will be an important part of a sustainable monitoring and verification system. An accessible and trusted complaints system may actually be the only solution to guarantee some protection to violations of labor standards, for all workers concerned."⁴³ The last two issues concern two specific labour standards. Freedom of association appears very hard to measure and there is no quick and easy solution for this problem. The second labour standard is living wage. The companies examined in the research required a living wage instead of a minimum wage. "There are more and more studies on how to determine a living wage, but it is still difficult to translate this standard into auditable criteria."⁴⁴

3.4 Information collected from the JBCs

Already before this research was started, a questionnaire was sent to the partner organizations by one of the former employees of Woord en Daad. The questionnaire was, amongst other things, about labour standards. The input of this questionnaire can already be taken into account when designing the prototype scorecard and as a result of this, the questions in the questionnaire for the JBCs that will be designed especially for this research can be more specific. I will now discuss the main outcomes of the questionnaire that are relevant for this research.

The great majority of all of the respondents agree with the fact that 15 years should be the minimum age for work. There are some of them who do allow children that are younger than 15 to work, but on certain conditions: only in small family enterprises, the right to education is respected, and the work is according to his/her capacity. However, in the question it was already suggested that all labour under 15 years old is child labour, so the answers might be biased. This question will be asked again, in a more neutral way, in the questionnaire that will be developed next.

Where most of the respondents agree on as well, is the fact that at least the minimum wage should be paid. The comments show that in almost all cases this is not yet even sufficient to cover the basic needs. There are some who say it is acceptable, simply because of the circumstances. There are such high rates of unemployment, that there is no other option but to accept a wage that is below the official minimum wage. One organization (Hope) from Ethiopia even states that there is no law in their country that sets a minimum wage.

The following points are important to the JBCs and seen as unacceptable: wages (height of wages, but also should the workers get paid on time), lack of overtime compensation, lack of safety measures, unhealthy work environments, discrimination, and working hours (too much in many cases). This justifies their incorporation into the prototype scorecard. Most of these labour standards already came forward in chapter two, during the examination of the international models of labour standards and their content. The JBCs yet mention two additional labour standards: overtime compensation and working hours. The list of seven labour standards that was derived of the theory will, based on the JBC input, be extended to a list of nine labour standards. These two additional labour standards do not have a definition yet. I have followed the same procedure as for the other seven labour standards in chapter two of comparing the definitions of the different international models of labour standards, and came to the following definitions for them:

⁴³ SOMO, 2001, p. 40

⁴⁴ SOMO, 2001, p. 39

Overtime compensation: Workers are compensated for their overwork at such premium rate as is legally required or, in those countries where such laws do not exist, at a rate at least equal to their regularly hourly compensation rate.

Working hours: Except in ordinary cases, working hours do not exceed 48 hours per week and overtime never exceeds 12 hours per week.

3.5 Conclusion

The practical examples have shown us very useful points of interest that should be taken into account when designing the labour standards instrument for Woord en Daad. These points can be divided according to their focus on: content, preparation of the instrument, or implementation.

Organization	Points of attention - Content
FLO International	<ul style="list-style-type: none"> - use only generic standards/criteria, not product specific standards/criteria - use the document 'Public Compliance Criteria List, Small Farmers Organisations' as a guideline when establishing the criteria
FLA	<ul style="list-style-type: none"> - difference between substantive and procedural benchmarks
JBCs	<ul style="list-style-type: none"> - at least the minimum wage should be paid and they should be paid on time - incorporation of two additional labour standards: overtime compensation and working hours

Organization	Points of attention – Preparation of the Instrument
FLO International	<ul style="list-style-type: none"> - some standards should not be applied to smaller companies, because it is too difficult for them to comply with - an audit is performed by using: interviews, document review, and a site visit -their specification of documents can be used in the guideline
FLA	<ul style="list-style-type: none"> - the different labour standards have different compliance rates that are consistent over time and justify different weights - the for Woord en Daad useful aspects of their audit are: records review, visual inspection, worker interviews, and management interview
SOMO	<ul style="list-style-type: none"> - standardize the instrument and the process of monitoring

Organization	Points of attention – Implementation
SOMO	<ul style="list-style-type: none"> - emphasize the fact that the JBC is an independent, locally present organization during the audit - establishment of a complaint system

Table 4: Points of attention resulting from practical examples

4. Creation of the Pilot Fair Labour Scorecard

In order to come to the Pilot Fair Labour Scorecard, a few steps have to be taken. First, a Preliminary Fair Labour Scorecard will be created, based on the international models of labour standards and the practical experiences. Then, a questionnaire will be created and sent to the JBCs and to four employees of Woord en Daad. The Preliminary Fair Labour Scorecard will be adapted, based on the feedback obtained with help from the questionnaire. This will result in the Pilot Fair Labour Scorecard.

4.1 Translation of the Theoretical and Practical Elements into a Functional Instrument

In chapter two we came, based on the international models of labour standards, to a list of seven labour standards that should be used in the instrument for Woord en Daad. In chapter three, we have seen that the JBCs (end users of the instrument) found two other labour standards very important, namely overtime compensation and working hours. This results in a final list of nine labour standards that will form the basis of the instrument:

1. Freedom of association and the right to collective bargaining.
2. The elimination of all forms of forced and compulsory labour.
3. The effective abolition of child labour.
4. The elimination of discrimination in respect of employment and occupation.
5. Health and safety.
6. Wages and benefits.
7. Information.
8. Working hours.
9. Overtime compensation.

Now, the content “must be translated into a quantifiable and standardized audit instrument that would lend itself to objective and consistent measurement by different authors.”⁴⁵ Woord en Daad expressed a preference for the form of a scorecard. Also, this form of instrument is the most common one in practice. Non-governmental organizations like the FLA, and certification organizations like FLO-CERT all use a scorecard for the audit of a company. It is a convenient tool that is easy to handle and the only one that is able to represent such an amount of information in a well-organized way. Therefore the instrument that will be designed for Woord en Daad will be a scorecard.

The scorecard will be a special form of performance measurement. Performance with regard to the labour conditions within companies will be measured. However, this type of performance measurement is not captured in the normal performance measurement models, like for example the Balanced Scorecard.⁴⁶ These models measure criteria in areas like financial performance, customer satisfaction, and internal efficiency. Not much has been written about the relation between the performance achieved in the area of labour standards and the performance in the other areas. Therefore these models will not be used in this research. There has been some research about the linkage between corporate social responsibility (CSR) and financial performance. Waddock and Graves (1997) found that CSR is positively linked to financial performance and also that financial performance is positively linked to CSR. The causation runs in both directions. However, this has been a research focused on the five hundred biggest American companies. This type of company is

⁴⁵ Sethi, 2002, p. 29

⁴⁶ Kaplan and Norton, 1996

completely different from the group on which the labour standards scorecard will be applied. Those companies have their origin in a developing country, are much smaller, and some of them form even part of the informal sector. The American companies have to deal with clients and a broader public that are aware of and concerned about the conditions under which their product have been produced. The companies that form the focus of this research do not have such a conscious public. Their clients do not care about the labour conditions under which the product has been produced; they only care about the price. Therefore, the linkage between CSR and financial performance can not be copied to this situation. There are too many differences. Now we have no evidence of a linkage between financial performance and labour conditions in this situation, we can not use any of the models that measure financial performance.

In the scorecard, the general labour standards will be operationalized into more specific criteria. These criteria must meet certain requirements. A useful and well-known model that can be used in this situation is the SMART-model. Criteria and objectives should be specific, measurable, achievable, relevant and time bound (SMART).⁴⁷ Given the fact that the scorecard will only be used for a random indication, the last aspect will not be applicable. The labour standard will be measured at a certain moment, and at that moment the company must comply with the standards, because they are all minimum standards. There is no deadline in the future for these standards in case the company does not comply with them. This leaves us with the other four standards. These are very important to keep in mind when constructing the scorecard. For the standardization of the application of the scorecard and the standardization of the data that will be collected, it is especially important that the criteria are very specific (without ambiguity) and measurable. "The more specific codes are, the better they can be measured and, subsequently, monitored."⁴⁸ The achievability is very important considering the fact that the scorecard contains minimum labour standards. Relevance is necessary in order to make sure that the criteria really are related to the accompanying labour standard.

For the operationalization of the labour standards into the criteria, I have made use of the existing codes of conduct from the ILO, UN Global Compact, OECD, FLA, SAI, and FLO International and their criteria. Based on this, I have already established in chapter two a definition for seven of the nine labour standards. In chapter three, two additional labour standards were found and for them I have also established a definition. Most of these definitions can be used as criteria. Others (especially 'health and safety' and 'the elimination of all forms of forced and compulsory labour') needed more specification in order to be specific, measurable, achievable and relevant. For the specification, I have not only used the models just mentioned, but for the labour standard 'Health and safety' I have also used the document 'Work Improvement for Safe Home: Action manual for Improving safety, health and working conditions of home workers' from the ILO (2006). Although this document focuses on home workers, it appeared also to be very useful in this context. The document provides very concrete instructions in order to achieve a safe and healthy workplace. Because the scorecard for Woord en Daad should contain only the minimum criteria and the instrument should be applicable to all sorts of different companies, I have chosen only the general instructions that are relevant for and applicable to all occupations as criteria for the scorecard.

Besides the content, the design of the scorecard is also important. The practical experiences of chapter three already pointed our attention to some other interesting elements, some of which should already be used during the design of the instrument. These can be summarized into the following concrete points:

- Some standards will be only applied to companies that have 50 or more employees

⁴⁷ Tsim et al., 2002; Murray, 2001

⁴⁸ Kolk and Tulder, 2001, p. 271

- The labour standards will have different weights
- For measurement of the criteria will be made use of: interviews, document review and observation

So, after determining for each labour standard the criteria, I have incorporated these points into the scorecard. I also had to determine the exact way of measurement for each criterion. Based on the procedures of FLO International and FLA, I have found three ways to do this: interviews, document review, and observation. For each criterion, I have decided on the best way of measurement by looking at the information that was needed. Not each labour standard was having the same number of criteria. Therefore, I had to make sure that each labour standard was equally important and I used percentages for the criteria: each labour standard is worth in total 100%. When a labour standard has five criteria, each criterion is worth 20% ($5 \times 20 = 100$). When a labour standard has only one criterion, this criterion is worth 100%. Now I could add the different weights for each labour standard, based on the different compliance rates from the FLA. The result of all this, is a preliminary fair labour scorecard that can be found in Appendix 3. This scorecard will later on be adapted based on further research and tests.

4.2 Development of the Questionnaire for the JBCs

In order to customize the scorecard for the JBCs, I will send them a questionnaire with questions that will help me understand their opinions, preferences and situation. The outcomes of the questionnaire will be incorporated into the scorecard. Several authors (Sethi, 2002; Oldenziel, 2005; Tulder and Kolk, 2001; Diller, 1999) mention that it is very important to involve the important stakeholders. In this way, acceptance of the scorecard will be increased and the quality of the scorecard will be raised because of the incorporation of different views.

When designing the questionnaire, I have used the book 'How to conduct self-administered and mail surveys' (Bourque and Fielder, 1995) as a guideline. I will indicate briefly what the relevant aspects where that I have used during the design. First of all, the questionnaire must be clear: use of a clear letter type, enough space between the questions, enough space for each answer, and a question may not be split between pages. Secondly, a questionnaire should always start with some general questions in order to collect demographic data. A third point is that it is best to use closed-ended questions. In some cases, it is possible to use open-ended question. One of those situations is when you have highly motivated respondents. According to Bourque and Fielder, the more loyal the respondents, the more motivated they are. In this case, the respondents do already work for longer time with Woord en Daad, and they have the same goals. Loyalty is high in this case. Also, the JBCs will be the end-users of the scorecard, so the topic is very relevant to them. Open-ended questions were necessary to collect all the relevant data, but I have tried to use as much as possible close-ended questions. A cover letter was developed by Karin Kreijkes, a staff member of Woord en Daad, and was sent together with the questionnaire and the preliminary labour standards scorecard to the JBCs.

The questionnaire can be found in Appendix 4.

4.3 Feedback from the JBCs and Woord en Daad

The questionnaire was sent to twelve partner organizations from Woord & Daad. The exact list of organizations can be found in Appendix 1. From the twelve organizations that have received the questionnaire, eight of them have filled it in and returned it. That is a return rate of 66%. Most of them have completed the questionnaire very well, others left some questions

empty. In a very few cases, a question was misunderstood and there was given an invalid answer which therefore will or can not be used.

The questionnaire has also been sent to four employees of Woord en Daad:

- Karin Kreijkes, Programme Officer VET and JBC projects
- Wim Blok, Manager Research
- John Lindhout, Programme Officer Enterprise Development
- Cees Oosterhuis, Coordinator TVET and JBC projects

These persons are familiar with the subject and therefore I also wanted to incorporate their view. All four have filled in and returned the questionnaire: a return rate of 100%. Initially a discussion was planned, but due to different time schedules and holidays it was not able to meet with all four together. The only way to obtain their view was to make them fill in the questionnaire that was designed for the JBCs, as far as possible and relevant to them.

The questionnaire used only a few open questions, the rest were closed questions. The closed questions used almost all a nominal scale. "Nominal scales have no numerical value and produce data that fit into categories."⁴⁹ In order to analyze the data, it is only possible to use descriptive statistics, like: proportion, percentage, and ratio. A proportion is the number of observations with a certain characteristic divided by the total number of observations. A percentage is a proportion multiplied by 100%. And a ratio is one part divided by another part.⁵⁰ In this case it will be sufficient to use percentages. The results of the questionnaire will be presented below.

4.3.1 Feedback from the JBCs

The results of the questionnaire sent to the JBCs can be found in Appendix 5. We can conclude that not all the answers showed a significant trend, but some of them did, and these will be highlighted now.

- All organizations believe that it is possible to check all the companies once a year, so the guidelines of the scorecard will oblige each organization to check each company they have active contacts with once a year.
- 'Health and safety', and 'Wages and benefits' are considered to be the two most important labour standards and should form the absolute minimum requirements for the test.
- The following labour standards should not be applied to small companies (<50 employees), because they were mentioned by at least 50% of the organizations: 'freedom of association and collective bargaining', 'the elimination of discrimination in respect of employment and occupation, and 'the elimination of all forms of forced and compulsory labour.
- Most of the health and safety criteria are mentioned by at least 50% of the organizations and should therefore be included in the scorecard. Only 'The workplace should be light enough for the type of work done' has been mentioned only three times and should therefore be removed.
- In most countries, the legal minimum wage is higher than the living wage. Therefore, the legal minimum wage should be used as a criterion. However, in two countries, there is no legal minimum wage: another criterion must be set for them.
- The majority of the organizations believes that overtime should be compensated at a premium rate.

⁴⁹ Finke, 1995, p. 4

⁵⁰ Finke, 1995.

- 63% of the organizations believes that some labour standards are more important than others, and therefore the labour standards should be assigned different weights in the scorecard according to their importance.
- The final scores must be categorized and according to the JBCs, the groups should be as follows:
 - Acceptable: 59% - 100% of total points (Only this group passes the test.)
 - Reasonable: 32,5% - 50% of total points
 - Unacceptable: 0% - 32,5% of total points
- Interviews, document review and observations all have some potential difficulties. Therefore it will be necessary to use them complementary. One technique can overcome the disadvantages of the other, with a good and reliable impression of the company as result.

4.3.2 Feedback from Woord en Daad

Four employees of Woord en Daad also gave feedback. The results of the questionnaire sent to the four employees of Woord en Daad were very similar to the results of the questionnaire sent to the JBCs. However, there were some important differences and points of attention which will be highlighted now.

Labour standards not applicable to smaller companies

The JBCs and the employees of Woord en Daad have indicated different labour standards from which they believe can not be applied to the smaller companies (< 50 employees). However, they do agree on one labour standard, namely freedom of association and collective bargaining. From the JBCs, 50% mentioned the labour standards 'elimination of discrimination in respect of employment and occupation' and 'elimination of all forms of forced and compulsory labour'. These labour standards were not mentioned at all by an employee of Woord en Daad. Most employees of Woord en Daad did mention another labour standard, namely overtime compensation. This was also mentioned by three of the eight JBCs. So there is also some agreement about this labour standard. Based on this, the labour standards 'freedom of association and collective bargaining' and 'overtime compensation' will not be applied to smaller companies. The labour standards 'elimination of discrimination in respect of employment and occupation' and 'elimination of all forms of forced and compulsory labour' will be applied to all companies.

Overtime compensation

There was also a disagreement about the overtime compensation. Five of the eight JBCs indicated that this should be done minimally at a premium rate; the other three indicated that this should be done minimally at a rate equal to the normal hourly compensation rate. The employees of Woord en Daad agreed with the latter. In order to include both views, the criterion will be: 'Workers are compensated for their overwork at a rate at least equal to the normal hourly compensation rate or at such premium rate as is legally required.'

Classification of the results

For the classification of the results, there are three groups: acceptable – reasonable – unacceptable. The classification of the JBCs has to be adjusted after the input of Woord en Daad. I have calculated the average score based on the input of the JBCs and the employees of Woord en Daad. All individual input has been summed up, and divided through the total number of outputs in order to come to this average number. The new groups will be as follows:

- Acceptable: 62,8% - 100% of total points

- Reasonable: 41,7% - 62,8% of total points
- Unacceptable: 0% - 41,7% of total points

These percentages will be applied to the total score and then the groups will be classified according to their points. These points will be rounded off to round figures. Only the companies that score 62,8% or more of the total points will be recognized as companies with fair labour conditions. Companies with only 41,7% or less of the total points have unacceptable labour conditions. I have added one group between acceptable and unacceptable, based on future uses of the scorecard. At this moment, Woord en Daad purely wants to use it as an instrument to divide companies in “fair labour conditions” and “unfair labour conditions”. However, there might be companies that are in the middle of both groups, full of potential to grow to the “acceptable-group”. Through the use of a “reasonable-group”, these companies can be targeted and in a later stage information and training can be offered in order to help this group of companies.

Minimum age of employment

Just like the JBCs are the employees of Woord en Daad quite divided over the minimum age for employment. It is not possible to discover a clear trend in the answers and therefore it is necessary to change this standard from a process- to an outcome-standard (see chapter 2.4). This reduces the specificity of the criteria, but increases the relevance. This disagreement over the minimum age of employment might be caused by the fact that there is not a good, single definition of child labour. First of all, is it about the age for fulltime employment or part-time employment? There is a big difference of course between a fourteen year old child performing a few hours a week some light work and a fourteen year old performing a fulltime job. Secondly, the legislation in the different countries differs. In these countries, the compulsory education does not end everywhere at the same age. And therefore, thirdly, what is considered completely normal in one country can be considered child labour by another country. Making this an outcome standard means that certain flexibility is allowed to accommodate differences among countries.⁵¹ This is also done by the ILO. When making the new criterion it is very important that it is based on the national law, that the employment is considered appropriate for their age, and that the work does not interfere with their school attendance.⁵² Because the scorecard is about minimum standards, we will set a minimum age of 14 years, an age that is often used in the international labour standards models as well. The new criterion will therefore be: ‘There is no person employed younger than the legal minimum age for employment (or not younger than 14 years old in case there is no legal minimum age for employment), the employment is considered appropriate for their age, and the work does not interfere with their school attendance.’ This new criterion will allow part-time work.

Weight factors

The JBCs and the employees of Woord en Daad have ranked the labour standards from most important (1) to least important (9). The only important difference here was about the labour standard ‘the effective abolition of child labour’: the JBCs ranked the effective abolition of child labour number 5, where the employees of Woord en Daad ranked this labour standard number 1. With the ranking of the JBCs and of the employees of Woord en Daad, the average of all points can be calculated (total points/number of responses) in order to come to a final ranking of all labour standards:

⁵¹ Anker et al., 2002

⁵² Anker et al., 2002

1. Health and safety (2,5)
2. Wages and benefits (2,8)
3. The effective abolition of child labour (3,9)
4. The elimination of all forms of forced and compulsory labour (4,3)
5. The elimination of discrimination in respect of employment and occupation (4,4)
6. Working hours (5,6)
7. Overtime compensation (6,4)
8. Freedom of association and collective bargaining (7,2)
9. Information (7,9)

'Health and safety' and 'wages and benefits' form the two most important labour standards. Based on the outcome of the questionnaire, these two labour standards would form the minimum requirements. However, referring back to chapter 3.2, we can now conclude that the two labour standards that are found most important (the minimum requirements) have the lowest weight factors. This was reason to discuss the weight factors (and their establishment) and the use of minimum requirements with Wim Blok (Woord en Daad). We came to the following conclusions:

- In the scorecard no minimum requirements will be used (which was originally the plan). One of the minimum requirements would be 'health and safety', and this labour standard consists out of five criteria. You can have a situation in which a company complies with all criteria except with one of the five 'health and safety' criteria. In this case the company would not pass the test and receive the label 'unacceptable'. This would absolutely misrepresent the actual situation of the company, which would result in distortion of the data that Woord en Daad receives.
- New weight factors will be established. Chatterji and Levine (2006) already point out that there are many different weighting systems, and that it depends on the situation which one will be the best. The old weight factors were based on data from practical experiences, but in practice they appear not to work. The labour standards with the lowest weight factor were found to be indicated as the most important labour standards and that is conflicting. The new weight factors are based on the final ranking given by the JBCs and the employees of Woord en Daad that we have just discussed. We have to establish a new weighting system that is objective and reflects the differences in importance of the labour standards. I will establish like earlier on four different groups/weight factors. In total, we have nine labour standards. Scores could be given to the labour standards from 1 to 9. Now we can make a simple calculation to establish equally divided groups.

$$9 - 1 = 8 \quad \rightarrow \quad 8 / 4 = 2$$

Each of the four groups has a range of two points. The group that is closest to one, will have the highest weight factor, because the more important the labour standard, the less points it has. In figure 5 we can see which labour standards receive which weight factor.

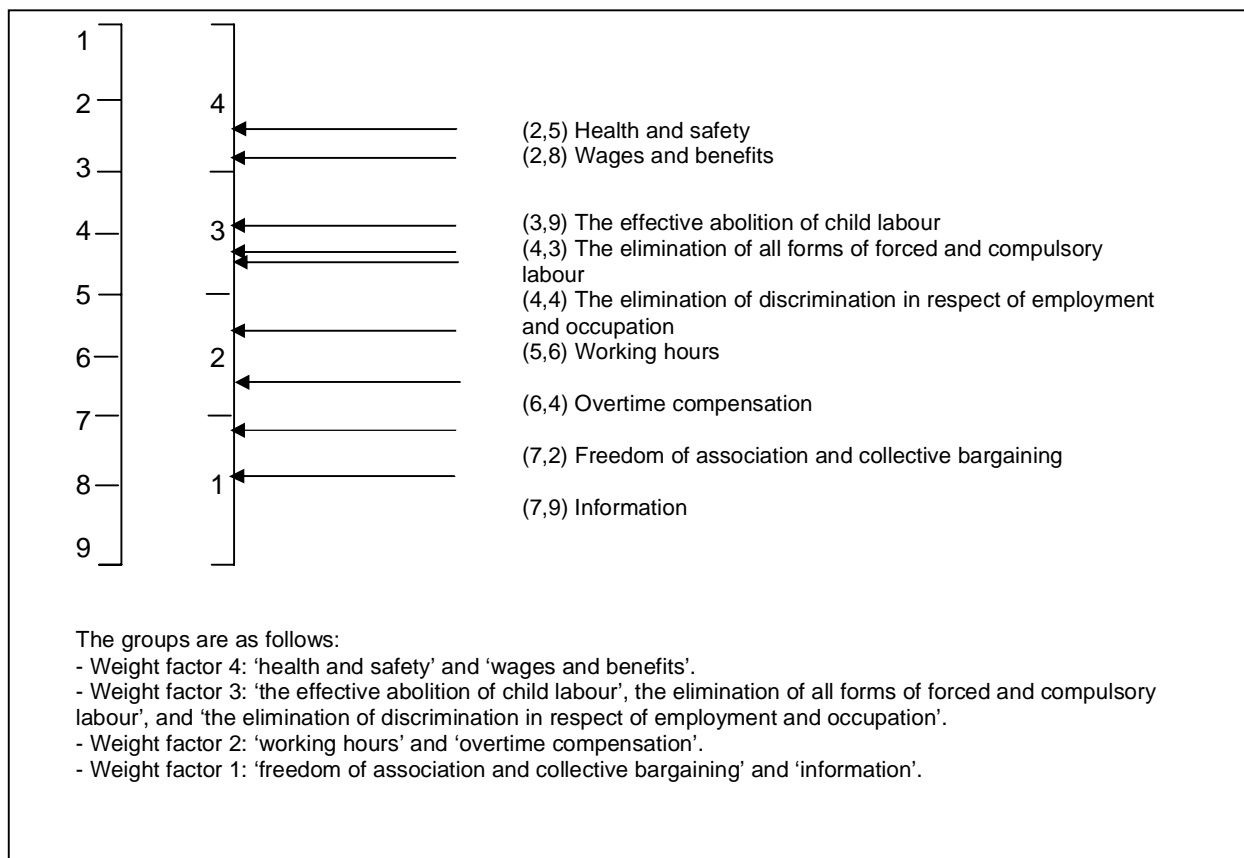


Figure 5: Establishment of weight factors

4.4 Conclusion

In this chapter, a questionnaire was developed for the JBCs. This questionnaire has also been answered by four employees of Woord en Daad. First, the feedback from the JBCs was analyzed. Secondly, the feedback from the employees of Woord en Daad has been analyzed. The feedback from both groups was in most cases consistent, however, there were some important differences. The employees gave much more importance to the labour standard 'child labour' than the JBCs. This might be a consequence of the differences in surroundings: the contrast of the developed and the developing world. The importance of labour standards is conditioned by the degree to which it is acceptable to the organization.⁵³ In developing countries, child labour will be more common than in the developed countries, and therefore it is probably less seen as an issue. The opinions on 'overtime compensation' also differed: the JBCs state that overtime should be compensated minimally at a premium rate, where Woord en Daad states that this should happen at a rate equally to the normal hourly compensation rate. Further there was some disagreement about which labour standards should not be applied to smaller companies (<50 employees): most of the JBCs indicated 'the effective elimination of discrimination in respect of employment and occupation' and 'the elimination of all forms of forced and compulsory labour', but these labour standards were not mentioned at all by the employees of Woord en Daad. The feedback of both groups has been incorporated into the scorecard, which led amongst other things to the removal of the use of minimum requirements and a change of the weight factor system. Now, the most

⁵³ Diller, 1999

important labour standards have the highest weight factors. The result can be found in Appendix 6: Pilot Fair Labour Scorecard. This scorecard is tailored to this specific situation.

A field-test is the next step: the scorecard shall be used a few times by some JBCs to find out where there is a lack of clarity. The JBCs will give feedback on the use of the pilot fair labour scorecard and this will be used to optimize the guideline that will accompany the scorecard. At the same time, the scorecard will be presented to an expert in order to find out his opinion about the achievability and usefulness.

5. Improvement of the Pilot Fair Labour Scorecard

The Pilot Fair Labour Scorecard will be tested in two ways: firstly, by asking an experienced auditor about his opinion with regard to the scorecard; secondly, some of the JBCs will participate in a small-scale field test. The expert will give information about the achievability of the scorecard, and with his practical experience he will be able to indicate any potential problems. The JBCs will give feedback on the content of the scorecard, and on the use of the pilot labour standard scorecard. The latter will be used in order to create a guideline that will accompany the scorecard. So, both tests will be executed in order to find out where there is a lack of clarity and to see which problems will arise when applying the scorecard in practice. In this way, the scorecard and the use of it can be optimized, and a guideline can be created.

5.1 Expert Opinion

For the expert opinion searched for a person that has practical experience in the area of checking labour standards. Someone with practical experience will be familiar with a scorecard and can therefore see very well where the (potential) problems are or where there is a lack of clarity. Mr. Louis van Essen was prepared to cooperate with this research. He is 'Lead Auditor System Certification' at KEMA and has knowledge about, amongst other things, OHSAS 18001⁵⁴ and the ISO-standards. During a one hour session we have discussed the content and use of the Fair Labour Scorecard.

The following important points with regard to the content came forward in this discussion:

- The labour standard 'Health and safety' is lacking a lot of elements in his eyes. After explaining that only aspects that were generally applicable (to every type of company) were incorporated, he indicated two aspects that he would have added: a company emergency plan and a risk analysis (inventory of risks and presence of measures to prevent the risks from happening). These are also generally applicable. The company emergency plan is indeed a good point to add and should exist of a plan how to leave the building in case of fire. Also unobstructed exits must be present. The risk analysis is more difficult to incorporate. One of the first questions that arises, is how comprehensive such an analysis should be? I have discussed this point with Woord en Daad and we have decided that this is not a minimum requirement, but already a step further. The risk analysis will therefore not be included in the scorecard.
- Labour standard number 3, 'the effective abolition of child labour', is too extensive. The statement that the employment must be considered appropriate for the age should be left out. This statement is too subjective and can not be measured.
- Labour standards number 4, 'the elimination of all forms of forced and compulsory labour', is divided into four criteria. However, the first criterion ('nobody is forced to work') is also tested in the other three criteria and can therefore be removed.
- Labour standard number 5, 'the elimination of discrimination in respect of employment and occupation', contains a lot of elements on which a company should not discriminate. If a company discriminates on only one of them, it immediately loses 300 points. The elements should be subdivided into a few smaller criteria. This subdivision can be made by splitting up the elements in innate elements and other elements.
- Labour standard number 6, 'working hours', is too strict in his eyes and should be adapted to the national law. This means that this labour standard should be changed from a process-standard to an outcome-standard. In the cases where there is no national law on this, the

⁵⁴ "OHSAS 18000 is an international occupational health and safety management system specification."
(<http://www.ohsas-18001-occupational-health-and-safety.com/>)

current criteria can be maintained. The phrase 'except in ordinary cases...' is very dangerous and should be substituted by 'Normal...'.

Also, one important point with regard to the preparation of the scorecard came forward:

- The columns 'percentage' and 'weight of criteria' can be combined into one column.

5.2 Field Test

The Programme Officer VET and JBC projects from Woord en Daad has selected five partner organizations for the field test. Two important criteria were: return of the questionnaire sent earlier and maturity of the JBC program. There were eight partner organizations that had returned the questionnaire. From these eight organizations, five organizations were chosen for the field test based on their maturity. This means that these organizations are experienced with the JBC program and have already a network of companies that they are negotiating with in order to have their students placed. The five organizations are that were asked to use the Pilot Fair Labour Scorecard (Appendix 6) are: AMG India, AMG Philippines, CDA (Colombia), Hope Enterprises (Ethiopia), and Mfesane (South Africa). Four of the five organizations have returned examples of how they have used the scorecard. The objective of this field test was to find out their experiences with regard to the application of the scorecard. They were asked to apply the scorecard a few times, and return the completed scorecards together with their comments on the use/application of it. However, all four of them only returned the completed scorecards without comments on the use of it. Due to a lack of time, these comments could not be obtained anymore. This means that this field test has only partly succeeded. Fortunately, based on the completed scorecards, some improvements can be recommended.

AMG India has returned one scorecard that was filled in. It was filled in correctly, but AMG India did not indicate which company it was or how many employees it had. We can learn from this that there should be two separate field above the scorecard where they have to fill in the name of the company inspected and the number of employees. Also, they did not fill in the column 'Compliance' (yes or no). They immediately filled in the number of points. So this row might be seen as unnecessary.

CDA has used the scorecard to inspect two different companies, and therefore handed in two completed scorecards. Also, they had added comments with regard to the content. However, they have used the preliminary fair labour scorecard which we had sent them as attachment with the questionnaire, instead of the (more recent) pilot fair labour scorecard. Therefore not all of their comments and changes are relevant:

- They have adjusted the weight factors in the scorecard without giving a reason for these adjustments. However, based on the outcome of the questionnaire, the system of weight factors has already been changed in the pilot fair labour scorecard (see chapter 4.3.2).

- They have allocated in some case a certain percentage of the total points. This was possible with the preliminary scorecard, but not anymore with the pilot scorecard. The allocation of only part of the points thus has not been the result of a lack of clarity, but as a result of using an old and therefore not up-to-date version of the scorecard.

Fortunately, still some relevant points can be found despite the use of the wrong version of the scorecard:

- Just like AMG India did CDA not fill in the column 'Compliance' (yes or no). They also immediately filled in the number of points. This underlines the assumption that this row should be eliminated.

- They have filled in under the column 'Total score' a percentage rather than the number of points. This came also forward in the discussion with Mr. van Essen. The columns

'Percentage' and 'Weight of criteria' will be pulled together into one column. That will eliminate the uncertainty about what to note down in the concerning columns.

- They indicated that the labour standard 'the elimination of discrimination in respect of employment and occupation' should be extended by including discrimination based on marital status. This will be done.

- CDA did add the name of the company above the scorecard. As already mentioned, here a separate field should be added where this can be noted down, together with the number of employees.

Mfesane returned three completed scorecards. Two of them have been filled in decently. The third scorecard however has completely invalid scores. So again there is some difficulty with the allocation of the points. None of the scorecards had a company name on it.

Hope has applied the scorecard to three different companies. The organization has added the names of the companies on top. Hope also had problem filling in the scorecards correctly: they have adjusted the percentages where they found that the company did not comply completely with the criteria.

Three of the four companies had difficulties filling in the score. Apparently, it was not clear enough for them how to do this. In most cases, the organizations have adapted the score somehow: adaptation of the percentage, weight factor, or score. For the sake of the standardization and comparability of the data, it is important that only all points are given, or none. In order to make it impossible for them to adapt the scores, they will only have to fill in the row 'Compliance' in the final scorecard. Here, they can choose between 'yes' and 'no'. Using a programme that will be made by an employee of Woord en Daad, the score will then automatically appear in the next column. If the organization fills in 'yes', all points will automatically be allocated. If the organization fills in 'no', zero points will appear.

5.3 Conclusion

Based on the discussion with Mr. van Essen and the results of the field-test performed by four JBCs, adjustments will be made to the Pilot Fair Labour Scorecard in order to come to the Final Fair Labour Scorecard. The adjustments are subdivided based on their focus: content or preparation of the instrument.

Adjustments to the Pilot Fair Labour Scorecard – Content
- 'Health and safety' will be extended with the following two criteria: (1) an emergency plan must be present and visible, and (2) unobstructed exits must be present.
- 'The effective abolition of child labour' will be shortened: the sentence 'the employment is considered appropriate for their age' will be removed.
- The criterion 'Nobody is forced to work' will be removed.
- The criterion of the labour standard 'The elimination of discrimination in respect of employment and occupation' will be divided into innate and other elements.
- The criterion of 'Working hours' will be changed. 'Except in ordinary cases...' will be substituted by 'Normal...', and it will be changed into an outcome-standard (dependent on the national law).
- 'The elimination of discrimination in respect of employment and occupation' will be extended with marital status.

Adjustments to the Pilot Fair Labour Scorecard – Preparation of the instrument
- The columns 'Percentage' and 'Weight of criteria' will be combined into one column 'Points'. Here, the points will automatically appear after filling in the column 'Compliance'.
- A field will be added above the scorecard for the name of the company and the number of employees.

Table 5: Adjustments to the Pilot Fair Labour Scorecard

The final Fair Labour Scorecard can be found below. Also, a guideline has been created based on all the information that has been collected. The guideline informs the JBCs about the reason and scope, it will ensure the right use of the scorecard, and it will increase the comparability of the data that will be collected. The Guideline Fair Labour Scorecard can be found in Appendix 7.

5.4 Final Fair Labour Scorecard

Company: _____

Number of employees: _____

Labour Standard	Criteria	Way of measurement	Compliance (Yes / No)	Points*
Applicable to all companies:				
1. Wages and benefits	Wages are set for each function and meet the legal minimum wage. In those countries where there is no legal minimum wage, the wages must meet the prevailing industry wage and should be sufficient to cover the employee's basic needs. Wages are paid on time, at least monthly.	Document review		200 / 0
2. Health and safety	The company provides all workers with clean bathrooms, and access to potable water. The workplace should have good ventilation and clean air. The company provides adequate clothes and personal protective equipment such as glasses, shoes, and gloves. The company makes sure that machines are well-maintained and have no broken or unstable parts. The company has first-aid equipment present.	Document review or interview Observation Observation Observation Observation		200 / 0 57 / 0 57 / 0 57 / 0 57 / 0

	An emergency plan is present and visible for all employees.	Observation		57 / 0
	Unobstructed exits are present.	Observation		57 / 0
3. The effective abolition of child labour.	There is no person employed younger than the legal minimum age for employment or not younger than 14 years old in case there is no legal minimum age for employment, and the work does not interfere with their school attendance.	Document review		300 / 0
4. The elimination of all forms of forced and compulsory labour.	Personnel is not required to lodge 'deposits' or identity papers upon commencing work.	Interview		100 / 0
	The organization does not retain part of the wages or benefits of the workers in order to force them to remain	Interview and document review		100 / 0
	The organization does not use any form of physical or psychological measures in order to force the workers to remain.	Interview and observation		100 / 0
5. The elimination of discrimination in respect of employment and occupation.	Nobody is subject to discrimination on the basis of gender, age, race, caste, disability, nationality, social or ethnic origin, unless selectivity concerning employee characteristics furthers established government policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.	Interview		150 / 0
	Nobody is subject to discrimination on the basis of religion, political opinion, sexual orientation, union membership, or marital status, unless selectivity concerning employee characteristics furthers established government policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.	Interview		150 / 0

6. Working hours	Working hours are in line with the national laws, and where such laws do not exist, normal working hours do not exceed 48 hours per week and overtime never exceeds 12 hours per week.	Document review and interview	200 / 0
7. Information	Employee representatives have the right to information required for negotiations on conditions of employment.	Interview	100 / 0
Only applicable to companies with 50 or more employees:			
8. Overtime compensation	Workers are compensated for their over-work at a rate at least equal to the normal hourly compensation rate or at such premium rate as is legally required.	Document review and interview	200 / 0
9. Freedom of association and the right to collective bargaining.	All workers have the right to form and join organizations of their own choosing and to bargain collectively.	Interview	100 / 0
Total score:			

*This column will automatically be filled in, and is dependent on the column 'Compliance'.

End result:

The end result:

For companies with 50 or more employees:

Fair labour standards: 1450 - 2299 points.
Mediocre labour standards: 950 - 1450 points.
Unacceptable labour standards: 0 - 950 points.

For companies with less than 50 employees:

Fair labour standards: 1250 - 1999 points
Mediocre labour standards: 850 - 1250 points.
Unacceptable labour standards: 0 - 850 points.

6. Implementation

In this specific case, there are two layers of implementation as can be seen in figure 6. The first level is that Woord en Daad should make the JBCs familiar with the scorecard. The second level is that the JBCs will apply the scorecard to the companies. I will deal with both implementation levels separately and I will explain what should be done and what the expected difficulties are. Nevertheless, I will first explain why the situation of Woord en Daad can lead to specific implementation problems.

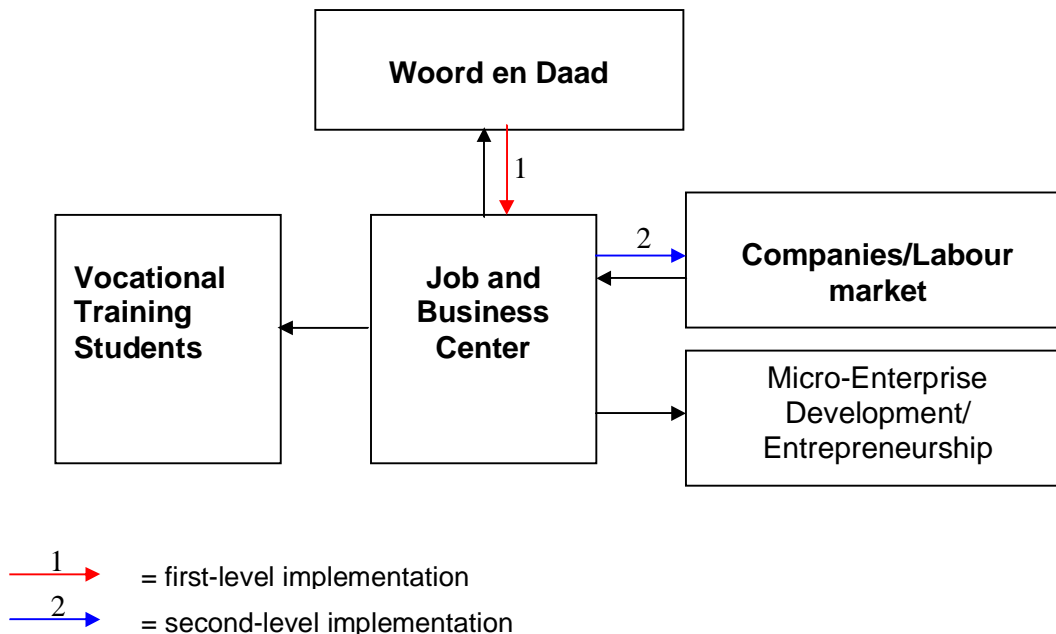


Figure 6: Structure of the Situation

6.1 Different Types of Labour Standards Regulation

Most of the literature with regard to labour standards is focused on MNEs, and international or multi-stakeholder initiatives. Block et al. (2001), Sabel et al. (2004), and O'Rourke (2006) have all made a classification of the initiatives for the regulation of labour standards.

Block et al. make a difference between the traditional model of labour standards regulation, which is within-country legislation and enforcement, and the emerging models of labour standards regulation. Four emerging models of international labour standards exist: the legislative, the direct trade sanctions, the multilateral enforcement, and the voluntary standards model. In the legislative model, rules are promulgated in which labour standards are determined. The European Community (EC) is a good example of this model. Directives are issued and the member states have to comply with them. In the trade sanctions model, trade is linked to international labour standards. It is used in the United States (US). The US have denied trade benefits to certain countries where their trading partners had worse labour standards. The North American Agreement on Labor Cooperation (NAALC) is an example of the multilateral enforcement model. By encouraging the voluntary adoption of labour standards or by denying the benefits of the North American Free Trade Agreement (NAFTA) to the members, the NAALC makes sure that each member country is committed to full

enforcement of their national existing labour legislation. It uses a system of publicizing disputes and the associated labour practices to make them more accountable. The voluntary standards model has two types: codes of conducts and certification. Codes of conduct are a form of private regulation: a company voluntarily adopts a code of conduct. Lots of companies have done this, like Nike and IKEA. SA8000 is an example of certification. The objective is to identify companies that comply with the criteria set by the certification body. Customers then know that products from these companies are made in circumstances with good labour standards.

Sabel et al. distinguish four different situations. First of all, they recognize the firm-centered initiatives. Political and public pressure because of bad labour conditions throughout the dispersed subcontractor network has forced many companies to establish a code of conduct. A good example of a firm-centered initiative is Nike. Secondly, they distinguish the NGO-led efforts. This is about NGOs who have themselves established as a certifying body. This results in more independent monitoring and therefore more reliable monitoring. Companies who comply with the code of the certifying body are eligible to use the accompanying label of the organization. Examples are SA8000 and the Fair Labor Association (FLA). A third initiative is a partnership between a MNE and a NGO. This is actually a combination of the first two types of initiatives: a company and a NGO work together in this situation to monitor (and improve) the labour conditions of the company. The cooperation between Reebok and the NGO IHS is an example of this. The fourth type of initiative is public disclosure, forced by the law court. In the United States (US), students “have won public disclosure agreements from their administrations which require licensees (i.e. factories producing university-logo goods) to disclose factory locations.” (p. 24)

O’Rourke distinguishes besides the traditional, state-centric model of governance also four different types of non-governmental regulatory initiatives. First, there are individual companies paying to be certified. Secondly, we have the MNEs who internally monitor their contractor factories on the basis of a code of conduct. A third type that he distinguishes is the multi-stakeholder initiative where third-parties are involved in the inspection of the factories. The fourth type of initiative is that independent NGOs inspect factories individually or in coordination with worker campaigns.

We can make a difference here between (inter)national initiatives and non-governmental initiatives. Especially the classification of Block is focused on the (inter)national initiatives. Only the voluntary standards model is a non-governmental initiative. The other two authors did focus on the non-governmental initiatives. Only the forced public disclosure from Sabel has also involvement of the government. The non-governmental initiatives or models are most applicable to this specific situation of Woord en Daad and its partner organizations. The fair labour scorecard is a voluntary initiative of a single NGO and there is no direct involvement of the government. The different classifications of the three authors of the non-governmental initiatives for the regulation of labour standards are summarized in Table 5.

Initiative \ Authors	Block et al. (2001)	O’Rourke (2006)	Sabel et al. (2004)
Code of conduct	x	x	x
Certification	x	x	x
Multi-stakeholder initiative		x	x
Independent NGO inspection		x	

Table 5: Different non-governmental initiatives for the regulation of labour standards

As we can see, all three authors mention in their classification the code of conduct and certification. They use all different wording, but it comes down to the same thing. A code of conduct and certification are the two most well-known non-governmental initiatives for the

regulation of labour standards. Also the multi-stakeholder initiative is nowadays often used. In all three of these initiatives is the company from which the labour standards will be inspected involved. The company has an interest in the initiative and that is the big difference with the situation that we have at hand here. Here we have the situation of an independent NGO individually inspecting the labour standards of companies. The companies from which the JBCs are going to check the labour standards do have absolutely no interest at all in the inspection. They are local companies producing for domestic consumption only and they lack ethically inclined customers.⁵⁵ For them, the inspection is only time-consuming and the fact that someone is asking all kinds of information will not be exactly welcomed. The fact that the companies are not involved in the initiative and do not have any interest in the inspection leads to very specific implementation problems. O'Rourke is the only one mentioning the independent NGO individually inspecting factories. Unfortunately, he did not go deeper into it and did not examine the implementation problems that are specific for this situation. It is a very uncommon situation and needs absolutely further investigation.

As mentioned before, the implementation can in this situation be divided into two levels. I will deal now as far as possible with the implementation and the accompanying problems of the scorecard of Woord en Daad for each level. As you will see, the specific problems arising from the uncommon situation as explained above, will come forward in the second-level implementation.

6.2 First-Level Implementation

The first-level implementation of the scorecard is that Woord en Daad should prepare its own organization for the use of the scorecard, and it should make the JBCs familiar with the scorecard and make sure that they can use it.

First of all, the reason of the scorecard must be clear to the JBCs.⁵⁶ They should know why they will have to use this new tool and what will be its purpose. Only when they understand what can be gained by using the tool, they will be willing to use it. In this case, the reason is that Woord en Daad needs to collect the number of companies that comply with fair labour conditions in order to receive the MFS-subsidy of the government. This will be explained to them in the accompanying guideline. The cooperation of the JBCs then will be no problem, because there exists a long relationship between Woord en Daad and the JBCs, and the JBCs are financially supported by Woord en Daad. The JBCs have therefore an interest in cooperating. If they do not cooperate, Woord en Daad can stop the financial aid. Secondly, the JBCs should know exactly the coverage of the code,⁵⁷ which means that they know what their target group is and to which companies the scorecard should be applied. In this way, they can make estimates about time and (human) resources needed. In this case, all the JBCs indicated that they believe that it is possible to check all the companies with the (human) resources they have now. So at this moment there is no problem regarding resources and time and, as Mr. Blok stated in his questionnaire, the pool of companies to be checked is not likely to expand very fast. Therefore, in the near future no problems with the availability of resources and time are to be expected. Thirdly, there must be a contact person at Woord en Daad. When the JBCs have questions, suggestions or any other comments, they must know who the person they can address themselves to is. This person will be the coordinator of this project and will also be responsible for the collection of all the data. At Woord en Daad, there are two persons responsible for the JBCs, namely Karin Kreijkes and Cees van Breugel. Each is responsible for their own group of JBCs. One of them will be appointed as the coordinator. For the collection and consequent analysis of the data, an

⁵⁵ O'Rourke, 2003, p. 22

⁵⁶ Murray, 1998

⁵⁷ Jenkins, 2001

information system is needed. This system must be able to calculate the percentage of companies complying with the criteria for fair labour. This percentage was the primary goal, because it is an important performance measure that the Dutch government uses in the evaluation of Woord en Daad. However, it would be useful if the information system could also analyse the data by country and by labour standard. In this way, the countries can be compared with each other on their overall performance. Also can be seen which labour standard has the best and worst score. This can help to get more insight in the specific situation. In first instance Microsoft Excel will be used, but when this computer program appears not to be able to satisfy expectations, there is an employee of Woord en Daad who can design a new program himself, or the help of volunteers will be used. In this way, no additional costs will be made. The comparability of the collected data is very important.⁵⁸ In this case, the data will be very comparable, because the scorecard is a standard tool that will be used by all JBCs. So every JBC is collecting the same information and will report the results in the same way. The fact that the criteria are designed to be as specific and measurable possible is contributing to this comparability. What is also very important is transparency.⁵⁹ Therefore Woord en Daad must make sure that the way the companies are checked upon and the results of the check will be available for all relevant stakeholders. The relevant stakeholders are: the Dutch government, the companies and the JBCs. The Dutch government will receive from Woord & Daad a document with the accomplished results. The companies will each receive a copy of the completed scorecard, so that they know the results of their own company. Because the JBCs will do the inspections, they will already have already the data they collected themselves. Woord en Daad could also send them once a year a summary of the data collected by all the JBCs.

A good first-level implementation forms a precondition for a successful second-level implementation.

6.3 Second-Level Implementation

The second level implementation is about the JBCs using the scorecard. This deals with the actual application of the scorecard. Therefore this second level implementation can also be called monitoring. This is the level in which the situation-specific problems discussed in chapter 6.1 will come forward.

As was explained in chapter 6.1, the companies that the scorecard will be applied to, are not involved in the initiative and do not have any interest in the inspection that will be executed by a member of the local JBC. This in contrast to the normal situation in which a code of conduct is made by a multinational enterprise (MNE). The MNE normally also requires that its suppliers comply with the code of conduct. If the suppliers do not want to comply with the code of conduct, the company will stop doing business with this supplier and search for another supplier. This means that in this situation, the suppliers do have an interest in complying with the code of conduct, because they can not afford it to lose business. The situation we have here is different. Most of the companies that form the target group do not export, but are local companies producing for domestic consumption only. They lack ethically inclined customers⁶⁰ and as a consequence they do not see the importance of good labour conditions. The companies have no interest at all in having the JBCs checking their labour standards. This might possibly cause unwillingness to cooperate: they need to give the JBC all kinds of information, it will cost them time and therefore money, but they will not gain anything with it. A great advantage that the JBCs have, is that they are an external organization and do not get paid for the check up. Also, they will not be judged on the results

⁵⁸ Diller, 1999

⁵⁹ O'Rourke, 2003

⁶⁰ O'Rourke, 2003, p. 22

of the inspections. This makes them independent and objective.⁶¹ Besides that, the JBCs are locally present organizations, which will increase trust in them.⁶² All this should be emphasized and should reduce or eliminate the (potential) unwillingness of the companies to cooperate.

There are however situations in which the companies might have an indirect interest in the inspection of their labour standards. The JBCs are giving vocational and educational training to students. They try to adjust the training as much as possible to the demand of the companies. So if there is an overall demand for certain skills, these skills will be taught during the training of the students. In this way, the students are a valuable asset for the companies. This is especially the case in countries or areas where there is a tight labour market. In those situations, the companies with the best labour standards will obtain the students. So, in order to obtain students, they must allow the inspection and have fair labour standards. Unfortunately, this is not everywhere the case. There are also countries or areas where the labour offer is much bigger than the demand for labour and where the overall skill-level is good. In those situations, the students of the JBCs are not more valuable than other people and then, there is no indirect interest. In the cases where the students of the JBC are a valuable asset at the labour market, this should be emphasized in the communication with the companies that do want to obtain those students. That will also reduce or eliminate their (potential) unwillingness to cooperate.

Further problems are to be expected in relation to the techniques that the JBCs use in order to check the labour standards. Document review might be difficult, unreliable, or even impossible due to several reasons. The entrepreneur might be unwilling to give access to documents and even if there is access to the documents, the documents will not always represent the truth. In some cases, there will also be the problem that there does not exist any documentation. This is especially the case in the informal sector.⁶³ The disadvantages of observation are quite similar: the access to the production site might be prohibited, and even if access is allowed, might what you see be misinterpreted or not represent the normal course of events. In order to discuss the disadvantages of the interview, we have to make a distinction between an interview with a manager/owner of the company and an interview with one or more employees. The disadvantage of an interview with a manager or owner of the company is that they will always present the positive aspects of their company, and try to hide the negative aspects. Then, the result will be a misrepresentation of the actual situation. The employee-interview might represent a danger for the employee(s) in question. The employees that are involved in the interview might be punished afterwards by the manager or owner of the company. It is absolutely not the aim of this check to bring employees in a difficult position, and therefore the employee-interview should not be used. The information received by document review, observation, and an interview with the manager or owner of the company together should be sufficient. The information found using one technique can be crosschecked by another technique. The techniques complement each other.

Often, a complaint system is established. This is mostly done in cases where not all members of the target group can be visited and checked. In this situation, all companies will receive a visit and will be checked. Therefore, it is not necessary to implement a complaint system.

Also, a code of conduct is usually accompanied by a penalty system. But, when the code of conduct comes from a NGO the situation is different. "NGOs cannot exercise any direct power over corporations because they do not hold any stakes against them. They can coerce

⁶¹ O'Rourke, 2003

⁶² SOMO, 2001

⁶³ Feedback from JBC-questionnaire

business only through legislative efforts.”⁶⁴ If we look at Sabel et al. (2000), we come to the same conclusion. Sabel et al. (2000, p. 32) make a difference between “formal (e.g. legal penalization), associational (e.g. exclusion from accreditation regimes (...)), and informal (public pressure and corporate campaigns) sanctions.” In this situation, we deal with local companies without ethically inclined customers. Therefore, the associational and informal sanctions can not be used. The only possible form of penalization that is left then is the formal sanction. The formal sanction can only be used for companies in the formal sector. Companies in the informal sector do officially not exist and therefore the law can not be applied to them. So, the formal sanction has only a restricted applicability. However, there are good reasons why not to use this type of sanction at all. The objective of the scorecard is just to check the labour standards of the companies and to find out the percentage of companies that have fair labour conditions. This is already an additional task for the JBCs. Penalizing the companies that do not have fair labour conditions would be another task. Normann (1986) makes a difference between ‘core services’ and ‘peripherals’. He warns that a lot of organizations add too many ‘peripherals’ and lose sight of their ‘core services’. This is especially the case by non-profit organizations: if they focus on their core service, they must close their eyes for misery in other areas. The temptation to offer assistance in these other areas is great, but this will be at the expense of the quality of the ‘core service’. This decrease in quality will be, amongst other things, due to the fact that penalizing the ‘bad’ companies is time consuming and costly (time is money). Especially, because if the JBCs are going to penalize the ‘bad’ companies, they will also have to deal with indirect, adverse effects.⁶⁵ One of the best examples to illustrate these side-effects is the prohibition of child labour. If the children are prohibited from working, they must be offered an alternative. Otherwise, they will try to find another job which probably has even worse conditions or they will end up in prostitution. Also, firms may reduce the overtime where the employees need the extra money to survive. So, plenty of reasons why the JBCs should not penalize the ‘bad’ companies.

6.4 Conclusion

There are two different levels of implementation. The first level dealt with the implementation that will be executed by Woord en Daad. Woord en Daad should prepare its own organization for the use of the scorecard, and it should make the JBCs familiar with the scorecard and make sure that they can use it. It is expected that this implementation will not lead to any problems.

The second level deals with the application of the scorecard to the companies by the JBCs. The situation of an individual NGO checking the labour standards of companies is very unusual. In this special situation, the company is not involved in the initiative and does not have any interest in the inspection. This leads to the problem of (potential) unwillingness to participate in the second-level implementation. This unwillingness can be reduced or eliminated by emphasizing that:

- the JBC is an independent and local organization;
- the JBC does not get paid for the inspection;
- under no circumstances the JBC will penalize the company;
- the students are valuable because the training is tailored to the overall demand (this can only be used in situation where the labour market is tight).

These points will be included in the guideline of the fair labour scorecard.

Further we have decided that no employee-interviews will be used, because this can lead to major problems for the employees. If the result of the inspection is negative, the employees

⁶⁴ Braun and Gearhart, 2004, p. 188

⁶⁵ Diller, 1999; O’Rourke, 2003

that were interviewed will probably be blamed and punished. Also came forward that no penalization should be used by the JBCs. This is too costly and time-consuming, and is too far away from the core services.

7. Conclusion

A fair labour scorecard has been developed specifically for (the partner organizations of) Woord en Daad with the objective of external accountability towards the Dutch government.

First, the content had to be decided on. According to Jenkins (2001, p. 21), “the selection of which issues are covered (and which are avoided) is a key element of any code of conduct.” The issues have been selected after extensive research of existing labour standards models and practical experiences. A list of nine labour standards was the result:

1. Freedom of association and the right to collective bargaining.
2. The elimination of all forms of forced and compulsory labour.
3. The effective abolition of child labour.
4. The elimination of discrimination in respect of employment and occupation.
5. Health and safety.
6. Wages and benefits.
7. Information.
8. Working hours.
9. Overtime compensation.

This list of labour standards has been elaborated into a preliminary fair labour scorecard. Elements from the practical experiences were used for the design of the scorecard. The content was based on the existing codes of conduct from the ILO, UN Global Compact, OECD, FLA, SAI, and FLO International, and the document ‘Work Improvement for Safe Home: Action manual for Improving safety, health and working conditions of home workers’ from the ILO (2006). The criteria in which each labour standard has been elaborated, are designed to be as specific, measurable, achievable and relevant possible. Only generic criteria were used to make sure that the scorecard can be applied to all sorts of companies, from different industrial sectors, and in different countries.

Next, a questionnaire has been developed which was sent together with the preliminary fair labour scorecard to the JBCs and to employees of Woord en Daad. By using this questionnaire, the content of the preliminary fair labour scorecard has been adjusted and tailored to the specific situation at hand. This resulted in the pilot fair labour scorecard.

To make sure that any possible lack of clarity or potential problems are discovered before the scorecard will be used by all JBCs, the scorecard has been presented to an expert, and a small field test has been executed. The expert, Mr. van Essen, gave useful directions about the content. The objective of the field test was to obtain comments on the design and the use of the instrument. Unfortunately, this was misunderstood by the JBCs and no feedback has been received on the use of the scorecard. Therefore, the field test resulted in only in directions with regard to the design of the scorecard. The pilot fair labour scorecard has, based on this, been adjusted which resulted in the final fair labour scorecard. Also, a guideline was established to ensure the right use of the scorecard.

The implementation was divided into two levels: first all of the implementation of Woord en Daad, and secondly the implementation or monitoring done by the JBCs. In the first-level implementation there are no problems to expect. Important is the appointment of a project coordinator and transparency: the results should be made available to all relevant stakeholders. The second-level implementation or monitoring does face some potential problems. The main issue here is that the companies have no interest at all in participating in the inspection. This might cause unwillingness to cooperate. However, this unwillingness can be reduced or eliminated by: explaining them the purpose of the check; emphasizing the fact

that the JBC is completely independent and objective; emphasizing that the JBC does not get paid for the inspection; and by emphasizing that even if the labour standards are very bad, they will not get penalized. Only in certain circumstances do the companies have an interest in the inspection: in cases of a tight labour market, the students are valuable. Only those companies with the best labour standards will be able to 'obtain' a student. Another problem stems from the employee-interviews. The employees who have participated run the risk of being called to account. Therefore, no employee-interviews will be used.

The central research question of this report was:

How can 'fair' labour conditions be evaluated in a uniform way for different countries and for different types of companies that the JBCs negotiate with?

The answer to this question can now be given: by using the Fair Labour Scorecard that has been created specifically for (the partners of) Woord en Daad in the course of this research. 'Fair' labour means in this case receiving more or less 62,8% of the total points. This means for a company with 50 or more employees that it receives 1450 or more of the 2299 points available. For a company with less than 50 employees it means that it receives 1250 or more of the 1999 points available.

8. Reflection on the Fair Labour Scorecard

A good system for measuring labour standards should comply with the following criteria: (1) legitimacy – are key stakeholders involved? (2) rigor – do the criteria meet or exceed the ILO conventions, and are they measurable? (3) accountability – is monitoring independent and transparent?⁶⁶ The scorecard has been made with input from employees of Woord en Daad and all the JBCs have had the possibility to give input by filling in the questionnaire. Also, a few selected JBCs have executed a field test after which they again could give their comments. So, all key stakeholders have been involved and therefore the scorecard is legitimate. The scorecard is also rigorous, because it is based on the ILO labour standards. The scorecard also complies with the third requirement, namely accountability. Monitoring is done by the JBCs: they are an external organization and they do not get paid for it. Also, the JBCs will not be judges on the results of the inspections. All of this makes them independent and objective. Woord en Daad will make sure that all relevant parties will have access to the information collected. So we can conclude that this scorecard is a profound instrument that complies with the criteria.

However, there are two aspects that limits the value of this scorecard. The first aspect is subjectivity and is inherent to all codes of conduct. “Codes of conduct are voluntary self-regulatory tools.”⁶⁷ The fair labour scorecard can be seen as a special form of a code of conduct. Both form a statement about the level of labour standards wanted. The only difference is that companies are expected to take measures in order to comply with the code of conduct, and the scorecard will only be used as a tool to check the labour standards. Companies do not have to comply with it. The subjectivity of codes of conducts stems from the way they are defined. Because it is a form of self-regulation, companies (the ones that create the code, not the ones that get the code imposed) themselves can decide on the content of the code. The leading method of the establishment of labour standards is self-definition. This means that they create their own definitions of labour standards. Often, they also refer to one of the following sources: national law, international labour standards, and industry practice.⁶⁸ This scorecard has also been created using self-definition and references to international labour standards and national law. The content represents ‘fair’ labour according to Woord en Daad and the JBCs: it is their definition of ‘fair’ labour and therefore the scorecard is subjective. Unfortunately, there is no single definition of ‘fair’ labour and accompanying criteria, which makes it impossible to create an objective scorecard. The involvement of different stakeholders during the creation of the scorecard (legitimacy) reduced the subjectivity somewhat. A compromise between different views has been made, which resulted in a comprehensive scorecard.

The second aspect that limits the value of this scorecard is that it does not improve the situation. As Graham and Woods (2006) state, having a code of conduct does not necessarily mean that corporate behaviour changes. In this situation, this is certainly the case: the code will not be imposed on the companies. The code will only be used for a yearly inventory of the labour standards of the companies. Locke, Qin and Brause (2006) have, based on extensive research, concluded that “monitoring alone appears to produce only limited results.”⁶⁹ Monitoring led to different results: in some cases labour conditions improved something, but in other cases they stayed the same or even deteriorated. This research confirms that only applying the scorecard will not (significantly) improve the labour

⁶⁶ O’Rourke, 2006

⁶⁷ Pearson and Seyfang, 2001, p. 52

⁶⁸ Urminsky, 2001

⁶⁹ Locke et al., 2006, p. 2

standards. Monitoring should be accompanied with interventions that tackle the root causes of poor labour standards.⁷⁰ Only then, significant improvements will take place.

Woord en Daad gave the Dutch government the indication that 75% of their students would be placed at a company with 'fair' labour standards. The actual percentage (or outcome) is not yet known, but there are two options:

- the outcome is below 75%
- the outcome is 75% or higher

If the outcome is 75% or higher, Woord en Daad does not need to take action. However, if the outcome is lower than 75%, Woord en Daad also does not need to take action. The subsidy they applied for using the 75% has already been received. When they apply for the next term (each four year), they could simply adjust the percentage downward based on the outcome.

Based on all foregoing, we can conclude that this scorecard is a well-constructed instrument that complies with the criteria of legitimacy, rigor, and accountability. However, this scorecard is only an instrument to make an inventory of the level of labour standards and has no value on itself. Value can be created by using the data collected with the scorecard as a starting point for further action. Without further actions that will tackle the root causes of poor labour standards, this scorecard is only good for appearances' sake. Therefore, further action will be one of the recommendations.

⁷⁰ Locke et al., 2006

9. Recommendations

In order to increase the value of the fair labour scorecard, I will recommend Woord en Daad the following:

1. Do not only calculate the percentage of companies with fair labour out of all the data collected. This is the only number needed to inform the government, but analyzing the data also by labour standard can yield valuable information. Ranking the labour standards based on the average compliance percentage will give information about which labour standards have the highest compliance rate and the lowest compliance rate. This will show clearly what the problematic issues are and where assistance is needed.
2. The content of the fair labour scorecard should be used in order to teach the students of the JBCs about labour standards. This will make them familiar with their rights and ensures the fact that they will be able to recognize situations that are not correct.
3. Take further action to make sure that actual improvements will take place. Develop a special training program for the companies that fall into the group with 'mediocre labour standards'. This category has specifically been created for this purpose. This group has the potential to improve its labour standards and to make the switch to the group with 'fair labour standards'. This training can take the form of a one-day session once every few months for the representatives of all companies from the group with 'mediocre labour standards'. In this session, the representatives will receive explanation about each labour standard and why it is important. This training does not need to be expensive, but can yield considerable results. Also, it will not take too much time, which is good for the JBC and for the participants. With this training, the total percentage of companies with 'fair labour standards' can be increased.
4. Woord en Daad only wants to use the data in order to report to the Dutch government. This external accountability can be extended to donors. Woord en Daad and also the partner organizations can use the fact that they use a fair labour scorecard to demonstrate their concern for good labour conditions in the external communication in order to keep current donors and to attract new donors.
5. The labour standard health and safety is very minimal. Only generally applicable criteria are incorporated in the scorecard. I recommend to make an inventory of sector-specific dangers (e.g. use of chemicals) and to extend the scorecard with these sector-specific dangers.

References

Publications:

- Aggarwal, M., 1995. *International Trade, Labor Standards, and Labor Market Conditions: an Evaluation of Linkages*. USITC, Office of Economic Working Paper No. 95-06-C (June).
- Anker, R., Chernyshev, I., Egger, P., Mehran, F., and Rotter, J., October 2002. *Measuring Decent Work with Statistical Indicators: Working Paper No. 2*. International Labour Office, Geneva.
- Block, R.N., Roberts, K., Ozeki, C., and Roomkin, M.J. 'Models of International Labor Standards' in *Industrial Relations*, Vol. 40 (2001), No. 2, pp. 258-292.
- Braun, R., and Gearhart, J. 'Who should code your conduct? Trade union and NGO differences in the fight for workers' rights' in *Development in Practice*, Vol. 14 (2004), No. 1&2, pp. 183-196.
- Chatterji, A., and Levine, D. 'Breaking Down The Wall Of Codes: Evaluating Non-Financial Performance Measurement' in *California Management Review*, Vol. 48, No. 2 (2006), pp. 29-51.
- Diller, j. 'A social conscience in the global marketplace? Labour dimensions of codes of conduct, social labelling and investors initiatives' in *International Labour Review*, Vol. 138 (1999), No. 2, pp. 99-129.
- Graham, D., and Woods, N. 'Making Corporate Self-Regulation Effective in Developing Countries' in *World Development*, Vol. 34, No. 5 (2006), pp. 868-883.
- Jenkins, R., 2001. *Corporate Codes of Conduct. Self-Regulation in a Global Economy*. United Nations Research Institute for Social Development.
- Kolk, A., and van Tulder, R. 'Multinationality and Corporate Ethics: Codes of Conduct in the Sporting Goods Industry' in *Journal of International Business Studies*, Vol. 32, No. 2, (2nd Qtr., 2001), pp. 267-283.
- Locke, R., Qin, F., and Brause, A. 2006. *Does Monitoring Improve Labour Standards?: Lessons from Nike*. MIT Sloan School of Management.
- Maskus, K.E., 1997. *Should Core Labor Standards Be Imposed Through International Trade Policy?* World Bank Working Paper No. 1817.
- Murray, J., 1998. *Corporate Codes of Conduct and Labor Standards*. International Labour Organization.
- Murray, V. 'The state of evaluation tools and systems for nonprofit organizations' in *New Directions for Philanthropic Fundraising*, No. 31 (Spring 2001), pp. 39-50.
- Oldenziel, J., 2005. *The added value of the UN Norms. A comparative analysis of the UN Norms for Business with existing international instruments*. Centre for Research on Multinational Companies (SOMO).
- O'Rourke, D. 'Outsourcing Regulation: Analyzing Nongovernmental Systems of Labor Standards and Monitoring' in *The Policy Studies Journal*, Vol. 13 (2003), No. 1, pp. 1-29.
- Pearson, R., and Seyfang, G. 'New Hope or False Dawn? Voluntary Codes of Conduct, Labour Regulation and Social Policy in a Globalizing World' in *Global Social Policy*, Vol. 1 (2001), No. 1, pp. 49-78.
- Sabel, C., O'Rourke, D., and Fung, A., 2000. *Ratcheting Labor Standards: Regulation for Continuous Improvement in the Global Workplace*. Social Protection Unit, Human Development Network, The World Bank.
- Sethi, S.P. 'Standards for Corporate Conduct in the International Arena: Challenges and Opportunities for Multinational Companies' in *Business and Society Review*, 107:1 (2002), pp. 20-40.
- Tsim, Y.C., Yeung, V.W.S., and Leung, E.T.C. 'An adaptation to ISO 9001:2000 for certified organisations' in *Managerial Auditing Journal*, 17/5, 2002, p. 245-250.

- Urminsky, M., 2001. *Self-regulation in the workplace: Codes of conduct, social labeling and socially responsible investment*. International Labour Office, Geneva,
- Waddock, S.A., and Graves, S.B. 'The Corporate Social Performance-Financial Performance Link' in *Strategic Management Journal*, Vol. 18, No. 4 (Apr., 1997), pp. 303-319.

Books:

- Babbie, E., 2001. *The Practice of Social Research*. Wadsworth, Belmont, USA.
- Blanpain, R., 2000. *Multinational enterprises and the social challenges of the XXIst century: the ILO declaration on fundamental principles at work: public and private corporate codes of conduct*. Kluwer Law International, The Hague, The Netherlands.
- Blanpain, R., and Colucci, M., 2004. *The Globalization of Labour Standards. The Soft Law Track*. Kluwer Law International, The Hague, The Netherlands.
- Bourque, L.B., and Fielder, E.P., 1995. *How to conduct self-administered and mail surveys*. SAGE Publications, California, USA.
- Finke, A., 1995. *How to Analyze Survey Data*. Sage Publications, California, USA.
- Kaplan, R.S., and Norton, D.P., 1996. *The balanced scorecard: translating strategy into action*. Harvard Business School Press, Boston, Massachusetts.
- Marczyk, G., DeMatteo, D., and Festinger, D., 2005. *Essentials of Research Design and Methodology*. John Wiley & Sons, Hoboken, USA.
- Normann, R. 1986. *Service Management, Strategy and Leadership in Service Business*. John Wiley & Sons, Chicester.
- Rea, L.M., and Parker, R.A., 1992. *Designing and conducting survey research*. Jossey-Bass Publishers, San Francisco, USA.

Websites:

- <http://www.fairlabor.org>
- <http://www.fairtrade.net>
- <http://www.flo-cert.net>
- <http://www.ilo.org>
- <http://www.maxhavelaar.nl>
- <http://www.oecd.org>
- <http://www.ohsas-18001-occupational-health-and-safety.com/>
- <http://www.sa-intl.org>
- <http://www.unglobalcompact.org>

Other:

- FLA, Annual Report 2005
- FLA, Annual Report 2006
- FLA, Annual Report 2007
- FLA, 2007, 'Monitoring Guidance & Compliance Benchmarks'
- FLA Workplace Code of Conduct
- FLO International, 'Producer Audit Standard Operation Procedure'
- FLO International, 2006, 'Explanatory Document for the Generic Fairtrade Standard for Small Farmers' Organisations'
- FLO International, 2007, 'Generic Fairtrade Standards for Small Farmers' Organizations'
- FLO International, 2008, 'List of Product Specific Standards'
- ILO, 2001, Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- ILO, 2006, Work Improvement for Safe Home: Action manual for Improving safety, health and working conditions of home workers

- OECD Guidelines for Multinational Enterprises, 2000
- SOMO, 2001, 'Overview of Recent Developments on Monitoring and Verification in the Garment and Sportswear Industry in Europe'
- Vision Document Woord en Daad: Job & Business Centres (JBCs), 2005
- Woord en Daad, Jaarverslag 2005
- Woord en Daad, Jaarverslag 2006
- Woord en Daad, Jaarverslag 2007

Appendix 1. Partner Organizations Woord en Daad

The following is a list of all partner organizations of Woord en Daad that are having a JBC. The questionnaire will be sent to these organizations.

- AMG Philippines*
- AMG India*
- Word and Deed India
- CDA (Colombia)*
- DEDRAS (Benin)
- CREDO (Burkina Faso)
- CSS (Bangladesh)*
- Hope Enterprises (Ethiopia)*
- INDEF (Nicaragua)*
- Ladder of Hope (Sri Lanka)
- Mfesane (South Africa)*
- Parole et Action (Haiti)*

*These organizations have filled in and returned the questionnaire.

Appendix 2. Comparison of the International Labour Standards Models

Organization Standard on	ILO	UN Global Compact	OECD	FLA	SA8000
1. Freedom of association and effective recognition of the right to collective bargaining	Yes	Yes	Yes	Yes	Yes
2. The elimination of all forms of forced and compulsory labour	Yes	Yes	Yes	Yes	Yes
3. The elimination of discrimination in respect of employment and occupation	Yes	Yes	Yes	Yes	Yes
4. The effective abolition of child labour	Yes	Yes	Yes	Yes	Yes
5. Employment promotion	Yes, MNCs should promote full, productive and freely chosen employment, increase employment opportunities and standards, and give priority to nationals of the host country	No	No	No	No

6. Security of employment	Yes, MNLs should provide stable employment, arbitrary dismissal procedures should be avoided, and they should provide form of income protection for workers whose employment has been terminated	No	No	No	No
7. Training	Yes, relevant vocational training and guidance for all levels of employees	No	Yes	No	No
8. Wages and benefits	Yes, should be not less favourable to the workers than those offered by comparable employers or at least adequate to satisfy basic needs of the workers and families	No	No	Yes	Yes, wages shall always meet at least legal or industry minimum standards and shall be sufficient to meet basic needs of and to provide some discretionary income, no deductions for disciplinary purposes
9. Work conditions	Yes, should be not less favourable to the workers than those offered by comparable employers	No	No	No	No
10. Health and safety	Yes, adequate safety and health standards, in conformity with national requirements	No	Yes	Yes	Yes, adequate steps to prevent accidents and injury to health, senior manager responsible,

						personnel should receive regular and recorded health and safety training, clean latrines, access to potable water, sanitary facilities for food storage, clean and safe dormitory facilities
11. Industrial relations	Yes, should be not less favorable than those observed by comparable employers	No			No	No
12. No transfer threat (of part or whole unit or worker)	Yes	No			No	No
13. Information	Yes	No			No	Yes
14. Consultation	Yes	No			No	No
15. Facilities to assist in the development of effective collective agreements	Yes	No			No	No
16. Examination of grievances	Yes, right to submit grievance without suffering any prejudice as a result	No			No	Yes, the company shall refrain from disciplining, dismissing or otherwise discriminating

17. Settlement of industrial disputes	Yes, equal representation of employers and workers	No	No	No	No
18. Minimum standards of employment	No	No	Yes, should be not less favorable than those observed by comparable employers	No	No
19. Notice of changes and mitigation of accompanying effects	Yes	No	Yes	No	No
20. Harassment or abuse	No	No	No	Yes	No
21. Hours of work	No	No	No	Yes, normally not more than (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country do not limit the hours of work, the regular work week in such country plus 12 hours overtime and he entitled to at least one day off in every seven day period	Yes, as defined by law but shall not exceed on a regular basis 48 hours, at least one day off every seven-day period, overtime may never exceed 12 hours per employee per week

22. Overtime compensation	No	No	No	Yes, in accordance with national law, or at least normal hourly compensation	Yes, at a premium rate
23. Discipline	No	No	No	No	Yes, no use of corporal punishment, mental or physical coercion, and verbal abuse
24. Management systems	No	No	No	No	Yes, must set, implement and monitor standards, and must have one management and one non-management representative responsible, keep records

Appendix 3: Preliminary Fair Labour Scorecard

Labour Standard	Criteria	Way of measurement	Compliance (yes/no/almost?)	Percentage	Weight of criteria	Total score
Applicable to all companies:						
1. The elimination of all forms of forced and compulsory labour.	Nobody is forced to work.	Interview		25%	3	300
	Personnel is not required to lodge 'deposits' or identify papers upon commencing work.	Interview		25%	3	
	The organization does not retain part of the wages or benefits of the workers in order to force them to remain.	Interview and document review		25%	3	
	The organization does not use any form of physical or psychological measures in order to force the workers to remain.	Interview and observation		25%	3	
2. The effective abolition of child labour.	There is no person employed at an age younger than 15 (or 14 where the local law allows this), or younger than the age for completing compulsory education where such age is higher than 15.	Document review		100%	3	300
3. The elimination of discrimination in respect of employment and occupation.	Nobody is subject to discrimination on the basis of gender, age, race, caste, religion, disability, sexual orientation, nationality, political opinion, union membership, or social or ethnic origin, unless selectivity concerning employee characteristics furthers established government policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job.	Interview		100%	3	300
4. Health and safety	The company provides all workers with	Observation		16,66%	1	300

	clean bathrooms, and access to potable water.	Observation						
	The workplace should be light enough for the type of work done.	Observation	16,66%					
	The workplace should have good ventilation and clean air.	Observation	16,66%					
	The company provides adequate clothes and personal protective equipment such as glasses, shoes, and gloves.	Observation	16,66%	1				
	The company makes sure that machines are well-maintained and have no broken or unstable parts.	Observation	16,66%	1				
	The company has first-aid equipment present.	Observation	16,66%	1				100
5. Wages and benefits	Wages are set for each function and meet legal minimum, and are sufficient to meet the workers' basic needs.	Document review	50%	2				
	Wages are paid on time: at least monthly.	Document review or interview	50%	2				200
6. Working hours	Except in extraordinary cases, working hours do not exceed 48 hours per week and overtime never exceeds 12 hours per week.	Document review and interview	100%	3				300
7. Overtime compensation	Workers are compensated for their over-work at such premium rate as is legally required or, in those countries where such laws do not exist, at a rate at least equal to their regularly hourly compensation rate.	Document review and interview	100%	3				300
8. Information	Employee representatives have the right to information required for negotiations on conditions of employment.	Interview	100%	?				300
								?
Only applicable to companies with more than 50								

<u>employees:</u>									
9. Freedom of association and the right to collective bargaining.	All workers have the right to form and join organizations of their own choosing and to bargain collectively.	Interview						100%	3
									Total score:
									300
									(2100 + ? = maximum score)

Appendix 4. Questionnaire

Organization:.....

Country:.....

Number of staff members:.....

Please answer the questions below by encircling the letter corresponding with your answer (a, b, c, d, e, f, g, h, or/and i). Thank you.

1. How many students do you, on average and per year, support in finding a job or internship?

- a. 1-10
- b. 11-20
- c. 21-30
- d. 31-50
- e. More than 50

2. With how many companies do you have active contact at this moment about job placements /internships? (That means: the total number of companies using students that you are still guiding and of companies you are negotiating with in order to get students placed.)

- a. 1-10
- b. 11-20
- c. 21-30
- d. 31-50
- e. More than 50

3. The scorecard requires that all companies receive each year a visit of you to check on the labour conditions. Do you think this is possible?

- a. Yes
- b. No. Please explain:.....
.....
.....
.....
.....

4. How many of the companies that are using your students form part of the informal sector?*

- a. Less than 10%
- b. Between 10% and 25%
- c. Between 25% and 50%
- d. More than 50%

(*Informal sector = all the companies of a relatively small size that are unregistered and whose employees do not enjoy protection of the government.)

5. What is the average size of the companies that are using your students?

- a. Less than 5 employees
- b. Between 5 and 25 employees
- c. Between 25 and 100 employees
- d. Over 100 employees

6. The labour standards listed below are included in the scorecard. Please indicate the importance of these labour standards by ranking them from most important (number 1) to least important (number 9):

- Overtime compensation_____ : _____.
- Freedom of association and collective bargaining_____ : _____.
- Minimum wage and benefits _____ : _____.
- Information_____ : _____.
- Health and safety_____ : _____.
- The effective abolition of child labour_____ : _____.
- Working hours (not more than 48 normal working hours per week, and not more than 12 hours overtime per week)_____ : _____.
- The elimination of discrimination in respect of employment and occupation_____ : _____.
- The elimination of all forms of forced and compulsory labour_____ : _____.

7. Please indicate for the same list of labour standards which one(s) you think can not be applied to small firms (= less than 50 workers) by encircling the(se) labour standard(s).

- a. Overtime compensation
- b. Freedom of association and collective bargaining
- c. Wages and benefits
- d. Information
- e. Health and safety
- f. The effective abolition of child labour
- g. Working hours
- h. The elimination of discrimination in respect of employment and occupation
- i. The elimination of all forms of forced and compulsory labour

8. What do you think should be the minimum age for employment?

- a. 14 years
- b. 15 years
- c. Other, please explain:.....
.....
.....
.....
.....

9. What is the legal minimum age for employment in your country?

- a. 14 years
- b. 15 years
- c. Other, namely:.....
.....
.....
.....

10. Which health and safety criteria(s) of the list below should as a minimum be included in the scorecard? Please indicate by encircling the(se) criteria(s).

- a. Clean bathrooms and access to potable water for all employees
- b. Presence of first-aid equipment
- c. The workplace should be light enough for the type of work done.
- d. Machines are well-maintained and have no broken or unstable parts
- e. Presence of adequate clothes and personal protective equipment, such as gloves, shoes and glasses.
- f. The workplace should have good ventilation and clean air.

11. Please write down the problems in the area of health and safety that you frequently see in the organizations you are dealing with in order to find the students an internship or a job.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

12. Who do you think should measure the health and safety criteria? Think about the trade-off between costs and accuracy. Please explain.

- a. Specialized monitors (for example a public body)
- b. Employees of the JBCs who have received training with respect to the measurement of these criteria
- c. Employees of the JBCs without any training with respect to the measurement of these criteria

Explanation:.....

13. Is there any formal institution for the health/safety inspection of the companies in your country? If so, does it work and do they really inspect most of the companies?

.....

14. What is higher in your country: the legal minimum wage or the living wage?*

- a. Legal minimum wage
- b. Living wage
- c. There is no difference
- d. In our country there is no legal minimum wage

(*Legal minimum wage= the minimum wage as determined by national law.)

(*Living wage= a wage that is sufficient to meet the basic needs (food, water, shelter and clothing) of the worker and provides some discretionary income as well.)

15. In the cases where the living wage is higher than the legal minimum wage, do you think that it is possible to persuade the companies to pay the living wage to the employees? Please explain.

a. Yes

b. No

Explanation:.....

16. Do you agree with the fact that normal working hours should not exceed 48 hours per week and overtime should never exceed 12 hours per week?

a. No, normal working hours can be longer

b. Yes

c. No, normal working hours should be shorter

17. Do you think that overwork should be compensated?

a. No

b. Yes, minimally at a rate equal to the normal hourly compensation rate

c. Yes, minimally at a premium rate

18. Do you think that some labour standards are more important than others and should therefore have higher weights? (As already shown in the scorecard.)

a. Yes

b. No, all labour standards are equally important

19. The companies will be classified based on their total scores. There will be three groups: acceptable – reasonable – unacceptable. There must be decided on the range of these groups. Please indicate the percentage of the total score that must be achieved minimally to belong to the following groups:

a. Acceptable: from.....%

b. Reasonable: from.....%

22. Take the absolute minimum standards of the previous question as a starting point. Have you ever seen unacceptable situations with regard to these minimum standards at the companies that you are dealing with as part of your job? If yes, what was the situation and what did you do?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

23. Looking at the scorecard as it is right now: can you make an estimation about the percentage of companies that you have active contacts with, that would score 75% or more of all points?

- a. Less than 25% of all companies
- b. Between 25% and 50% of all companies
- c. Between 50% and 75% of all companies
- d. Between 75% and 100% of all companies.
- e. No

24. Can you please make an estimation of the time required to check one company?
 _____hours.

25. Is there any labour standard that should be added to the scorecard? Please indicate.

.....

.....

.....

.....

Thank you very much for filling in this enquiry!

If you have any additional comments, please note them down here.

[illegible]

Appendix 5. Results of the Questionnaire sent to the JBCs

- **Question 1:** 86% (6x) of the organizations support more than 50 students on average per year in finding a job/internship; 14% (1x) helps only 1 to 10 students on average per year.

- **Question 2:** The number of companies that the organizations have active contact with at this moment differs greatly: 43% (3x) between 1 and 10 companies; 29% (2x) between 31 and 50 companies; 29% (2x) over 50 companies.

(The total is 101% due to the round off to whole percentages.)

- **Question 3:** All organizations (7x) do believe that it is possible to check the labour conditions of all companies once a year. That is a score of 100%.

- **Question 4:** The number of companies using students that form part of the informal sector differs greatly: 43% (3x) less than 10% of all companies; 14% (1x) between 10% and 25% of all companies; and 43% (3x) more than 50% of all companies.

- **Question 5:** The average size of the companies that the organizations are dealing with is different:

- | | |
|---------------------------------|-----------|
| a. Less than 5 employees | 9% (1x) |
| b. Between 5 and 25 employees | 27% (3x) |
| c. Between 25 and 100 employees | 45% (5x) |
| d. Over 100 employees | 18% (2x): |

Some organizations gave more than one answer at this question; that is why the total number of responses is 11 (more than the 8 questionnaires filled in).

(The total is 99% due to the round off to whole percentages.)

- **Question 6:** The organizations were asked to rank the 9 labour standards from most important (number 1) to least important (number 9). The outcome is:

1. Health and Safety (2,66 (= average score))
1. Wages and benefits (2,66)
3. The elimination of discrimination in respect of employment and occupation (3,83)
4. The elimination of all forms of forced and compulsory labour (4,83)
5. The effective abolition of child labour (5)
6. Working hours (5,33)
7. Overtime compensation (6)
8. Freedom of association and collective bargaining (7,16)
9. Information (7,5)

- **Question 7:** The organizations had to indicate which labour standards they thought could not be applied to small firms (less than 50 employees). The outcome is:

1. Freedom of association and collective bargaining (5x)
2. The elimination of discrimination in respect of employment and occupation (4x)
2. The elimination of all forms of forced and compulsory labour (4x)
4. Overtime compensation (3x)
5. Working hours (2x)
5. The effective abolition of child labour (2x)
5. Information (2x)
8. Health and safety (1x)
8. Wages and benefits (1x)

- **Question 8:** The organizations are divided about the preferred minimum age for employment: 14% (1x) says 15 years; 43% (3x) says 16 years; and 43% (3x) says 18 years.

- **Question 9:** There is quite some similarity in the legal minimum age for employment in the countries of the organizations: 17% (1x) is located in a country with a legal minimum age of 14 years; 83% (5x) is located in a country with a legal minimum age of 18 years. In Colombia, the legal minimum age for employment is 14 years with a parent's permission. When they reach 18 years old (legal age), this permission is not necessary anymore.

- **Question 10:** This question was about which health and safety criteria were the most important and should be included in the scorecard. The following is the result:

- a. Clean bathrooms and access to potable water for all employees 5x

- b. Presence of first-aid equipment 5x
- c. The workplace should be light enough for the type of work done. 3x
- d. Machines are well-maintained and have no broken or unstable parts 4x
- e. Presence of adequate clothes and personal protective equipment, such as gloves, shoes and glasses. 4x
- f. The workplace should have good ventilation and clean air. 4x
- **Question 11:** Most of the health and safety issues mentioned as seen frequently in the companies are the same as the ones mentioned in question 10. Other points mentioned are: no insurances, no ergonomic office furniture, quarters in which employees live are not properly maintained.
- **Question 12:** There is agreement about who should measure the health and safety criteria within companies: all organizations (7x) indicate that it should be done by specialized monitors. That is a score of 100%. However, two of them (29%) have also encircled the option that it should be done by employees of the JBCs who have received training with respect to the measurement of these criteria. Another two mentioned this option in the explanation. The organization Noluthando Training Industries (South Africa) is one of these two, and indicated that the choice depends on the size of the organization as well as on organizational preference. The reasons why to choose a specialized monitor are numerous: they come from different sectors and can give neutral recommendations; they do have the power for the enforcement; in order not to fall in direct conflict with the employer; inviting experts for training is expensive.
- **Question 13:** All organizations are located in countries with a formal institution for the health/safety inspection, but almost half of them indicate that this institution does not function properly.
- **Question 14:** 75% (6x) of the organizations is located in countries in which the legal minimum wage is higher than the living wage. The other 25% (2x) are located in countries in which there is no legal minimum wage.
- **Question 15:** 83% (5x) of the organizations do not think that it is possible to force companies to pay the living wage, in cases where this would be higher than the legal minimum wage. Only 17% (1x) does think it is possible and companies would be willing to do so, in order to keep the employees motivated and productive.
- **Question 16:** 63% (5x) of the organizations believe that normal working hours indeed should not exceed 48 hours per week and overtime should never exceed 12 hours per week; 26% (2x) of the organizations believes that normal working hours should be shorter than this; and only 13% (1x) of the organizations believes that normal working hours can be longer. (The total is 102% due to the round off to whole percentages.)
- **Questions 17:** All the organizations do agree that overtime should be compensated: 38% (3x) believes overtime compensation should equal the normal hourly compensation rate; 63% (5x) believes that the overtime compensation should be at a premium rate. (The total is 101% due to the round off to whole percentages.)
- **Question 18:** 63% (5x) of all organizations believe that some labour standards are more important than other labour standards and should therefore have higher weights; 38% (3x) of the organizations believes that all labour standards are equally important and should therefore have the same weights. (The total is 101% due to the round off to whole percentages.)
- **Question 19:** If the scores are to be divided into three groups, the groups should have the following distribution: acceptable from 59% (mean of all the answers) upward; reasonable from 32,5% to 59%; and unacceptable all scores lower than 32,5%.
- **Question 20:** The disadvantages of interviews are: the employer will always present the positive aspects of its company; no authorization to do interviews; no time for interviews due to production issues; collection of inaccurate information. The disadvantages of document review are: no access to the documents; false documents; inexistence of documents, especially in the informal sector; secrecy of information. The disadvantages of observation are: access to all facilities might be difficult; what you see, is not always the truth.

- **Question 21:** The following is the list of labour standards and the number of organizations that think the labour standard should form an absolute minimum requirement for the companies in order to pass the test:

1. Health and safety	7x
2. Wages and benefits	6x
3. Working hours	5x
4. Overtime compensation	4x
4. The elimination of discrimination in respect of employment and occupation	4x
6. The elimination of all forms of forced and compulsory labour	3x
7. Freedom of association and collective bargaining	2x
7. Information	2x
7. The effective abolition of child labour	2x

- **Question 22:** In case of unacceptable situations with regard to the labour conditions at a company, most of the organizations will discuss this with the company in question, in order to improve the situation.

- **Question 23:** The estimation about how many percent of all companies would score 75% or more of all points is very divided: 29% (2x) of the organizations believe that less than 25% of all companies would score 75% or more points; another 29% (2x) of the organizations believe that over 75%; the rest (3x) of the organizations believe that the percentage is in between these two categories.

- **Question 24:** most companies agree more or less about the time that is needed for checking one company: 86% (6x) of all organizations gave indications between 3 and 8 hours; only one organization gave a completely other estimation, namely 72 hours. The mean including the 72 hours is 14,5 hours, and the mean without the 72 hours is 4,9 hours.

Appendix 6: Pilot Fair Labour Scorecard

Labour Standard	Criteria	Way of measurement	Compliance (yes/no)	Percentage	Weight of criteria	Score
Applicable to all companies:						
1. Wages and benefits	Wages are set for each function and meet the legal minimum wage.* (*In those countries where there is no legal minimum wage, the wages must meet the prevailing industry wage and should be sufficient to cover the employee's basic needs.)	Document review		50%	4	
	Wages are paid on time: at least monthly.	Document review or interview		50%	4	
2. Health and safety	The company provides all workers with clean bathrooms, and access to potable water.	Observation		20%	4	
	The workplace should have good ventilation and clean air.	Observation		20%	4	
	The company provides adequate clothes and personal protective equipment such as glasses, shoes, and gloves.	Observation		20%	4	
	The company makes sure that machines are well-maintained and have no broken or unstable parts.	Observation		20%	4	
	The company has first-aid equipment pre-sent.	Observation		20%	4	
3. The effective abolition of	There is no person employed younger than	Document review		100%	3	
						400

Appendix 7: Guideline Fair Labour Scorecard

1. Purpose of the Fair Labour Scorecard

1.1 The purpose of this scorecard is to check the labour standards of the companies that you are negotiating with. Woord en Daad needs to have detailed data about this in order to receive a considerable subsidy from the Dutch government. They receive this subsidy based on, amongst other things, the indication that in the year 2010 at least 75% of the students does find an internship or job through the program at a company that has a workplace that complies with the criteria for 'fair labour'. They want to be able to underpin this with facts, and therefore this scorecard has been developed. Also, it is a personal conviction from Woord en Daad to make sure that your students will work as much as possible for companies with fair labour standards.

1.2 This Fair Labour Scorecard has the character of a minimum standard. Only basic elements are included in order to define a minimum level of labour conditions.

1.3 You will not be judged on the results of the inspections. The objective is just to inventarize the current situation with regard to labour standards.

2. The scope of the Fair Labour Scorecard

2.1 The scorecard will be applied to:

- a) companies at which you have placed students who you are still coaching or following
- b) companies that you are planning to place your students at

3. Frequency of application of the Fair Labour Scorecard

3.1 The scorecard shall be applied to the companies once each year, as long as they fall into one of the two categories mentioned in section 2 "The scope of the scorecard".

4. Reporting requirements

4.1 After the inspection, each company will receive a copy of the completed scorecard.

4.2 Woord en Daad will receive once each year an overview of all completed scorecards. When this will be, will be determined in consultation with Woord en Daad.

5. Use of the Fair Labour Scorecard

5.1 Applicability

Labour standards one to seven are applicable to all companies. Labour standards eight and nine are only applicable to companies with fifty or more employees. This means that these two labour standards will not form part of the inspection when a company has less than fifty employees.

5.2 Measurement

There are three ways to obtain information, namely interviews, document review, and observation. Interviews shall not be held with employees, only with the owner(s) or manager(s) of the company. No interviews with employees should be held, because in case the end result is not good the employees that were interviewed can be called to account. Behind each criterion the best way of measurement is indicated. When it is not possible to obtain the information needed with the indicated way of measurement, you should try to obtain the information using another way of measurement.

5.3 Lack of information

If, after using all three ways of measurement, you can not obtain the information needed to check a certain criterion, you will give zero points with regard to this criterion.

5.4 Refusal of cooperation

Try to make the company cooperate by emphasizing that:

- the JBC is an independent and local organization;
- the JBC does not get paid for the inspection;
- under no circumstances the JBC will penalize the company;
- the students are valuable for the company, because the training is tailored to the overall demand. This can only be used in situation where the labour market is tight: the students will be placed at those companies who have the best labour conditions.

If a company is not willing to cooperate with the inspection, it will automatically receive zero points and therefore the predicate "Unacceptable labour standards".

5.5 Allocation of points

The only thing you have to do, is filling in the column 'Compliance'. After doing that, the points will automatically be allocated. Each criterion represents a certain number of points.

There are two options:

- a) the company complies with the criterion ('yes') and receives all available points.
- b) the company does not comply with the criterion ('no') and receives zero points.

There are no in-between options in order to optimize the comparability of all data.

5.6 Health and safety

If the company can present prove of approval with the health and safety conditions within the company of a specialized monitor (for example a public body), it is not necessary anymore to check the health and safety criteria that are incorporated in the scorecard. You can automatically give them all the points of this labour standard.

6. Classification of the results

6.1 After filling in the column 'Compliance', the points will automatically be allocated (see section 5.5). At the bottom of the column 'Points', the total score can be found.

6.2 As you can see, there are two different classification schemes: one for companies with fifty or more employees, and one for companies with less than fifty employees. Based on the number of employees of the company that you have inspected, you can find in one of the two schemes the end result (fair/mediocre/unacceptable labour standards). This end result should be filled in below the total score.

6.3 Only those companies that obtain the end result of "Fair labour conditions" comply with the criteria for 'fair labour'.