

The Belgian social label: A governmental application of Social LCA

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Introduction

Since 2003 Belgium has had a world first: a social government label for products and services that are bought and sold in Belgium. It is a label with the seemingly simple conditions of respecting the internationally recognised fundamental conventions of the International Labour Organisation (ILO) throughout the entire production chain. This means that companies have to meet the conditions of the international conventions as regards freedom of association, child labour, discrimination and forced labour. Verification of this is conducted by an independent verification organization. The label's mission is to contribute to the reduction of the social burden of production and consumption, by offering guidance to consumers through identifying socially preferable products, and by encouraging manufacturers to develop socially correct products and services.

The label is an important initiative, because it was launched by the government and because it supports these fundamental ILO conventions. It also counters the often justified criticism that voluntary initiatives for socially responsible enterprise are often used to undermine labour negotiations.

However, only few companies can currently confirm that their products meet these conditions, even though the international attention for the social responsibility of companies in their production chain is increasing. Companies rarely know much about the social circumstances within the production chain. At the international level, more and more references are made to the social responsibility of companies for their production chain. Many NGOs denounce the scandalous conditions in low wage countries and do not hesitate to point out the Western companies that buy from them directly or indirectly. If it wants to examine whether all major companies in the production chain meet international regulation and are socially correct, the company has to develop towards total chain management.

Fundamental ILO conventions

In 1998, the Labour Conference adopted the important 'ILO Declaration on Fundamental Principles and Rights at Work', which states that four important rights are so fundamental that all member states have a duty to implement them independently from their ratification of the 8 separate conventions. The basic rights of the 1998 Declaration therefore apply in all member states. These conventions are most important, because they constitute an alternative to international social legislation, which is currently still non-existent. Companies all over the world have to meet these regulations and the social label allows to examine whether they are actually doing so.

According to the ILO conventions, unions must be able to do their work and there may not be any child labour, discrimination or forced labour present in the companies. This means that the Indian cotton of the T-shirt has to be manufactured without child labour and that the lumberjacks in Indonesia can actually unite in order to avoid being exploited. But the respect of the ILO conventions is not just a third world problem. In Europe as well it is not obvious whether these conventions are being applied. Who can guarantee that all its suppliers do not discriminate at job interviews? Exploiting students during holiday work is a well-known problem and some European companies are still avoiding union representation.

Despite criticism on union working, we cannot deny its necessity. It is and remains the way to maintain a balance of power between employees and employers here and in the southern countries. Of course, it is not a perfect instrument, but the presence of unions and the fact that company management respects the rights of these unions is a guarantee for the respect of the rights of the employees and

better working conditions. In some countries, such as China, there is no freedom of union, since only the state union is allowed. Products that are produced in part or in whole in these countries can only be allowed the label if an alternative employee representation is present in the company that can affiliate itself with an international union.

Discrimination is a difficult point. From what point can we speak of discrimination and to what extent must we take into account local culture? Discrimination is not only about equal wage for equal work and the equal treatment of women and men. It is also about respecting other people's religion, sexual orientation, origin and culture. Worldwide, discrimination is a very sensitive issue. An example is the fact that in Europe non-natives clearly have fewer chances on the labour market and women remain underrepresented in management positions. In general it remains difficult to prove that a company discriminates.

Child labour is a theme that we associate more with third world countries. Nevertheless, last year in the United Kingdom more than one million school children worked, of which many were underpaid¹. Also in Belgium child labour has been established that is unacceptable. In general, it is not about the fact that children cannot work, but the fact that they have to work under poor working conditions and that they are not paid correctly. If the principle of equal wage for equal work were to be applied, employers would tend to hire adults.

In most cases, child labour is a consequence of poverty. Parents do not earn enough to make ends meet or cannot find work and send their children to work in order to survive. The ILO convention regarding child labour states that children under 13 years of age cannot work, children between the ages of 13 and 15 can only perform light work and that no one under the age of 18 may carry out hazardous work.

Forced labour can take on various forms. In some countries, prisoners are obliged to work for minimum compensation. In other countries, debts can lead to forced labour. Labourers or sometimes even entire families are obliged to work at a very low wage to pay off these debts. Due to high interests debts are sometimes carried over from generation to generation leading to some sort of slavery.

Production chain

The social label requires a chain management of the entire production chain down to the raw material phase. This means that the company must map out the most important steps of the production chain.

The entire production process must be known as to draw the process tree. To get the production chain the production units must be localised. If someone produces a T-shirt, not only the sewing workshops must be known, but also the textile factory and even the cotton fields. Few other labels go that far. Chain delimitation is indispensable for example in the light of the expenses related to the monitoring, which can form an obstacle to the practical workability, especially in the frame of the label. The evaluation of the complete chain can be too expensive and time consuming. To keep the analysis workable, in many cases the production chain will have to be delimited.

The delimitation can be done based on a formula elaborated by the Belgian social label, one of the first instruments using a methodology for the social analysis of the whole production chain. It is based on volume, weight, costs and risks. But even here a proposal has to be made for each new product, as there is still a lack of experience and practical cases.

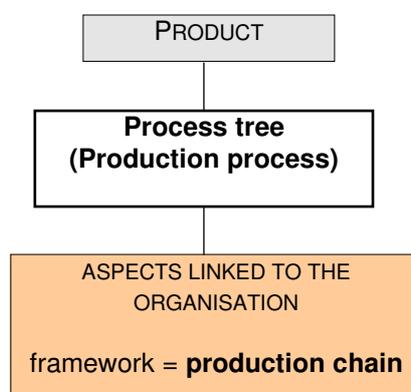
Organising production chains in order to make them more transparent and solid is a very important step towards sustainable production patterns. Working with long term contracts can also allow making

¹ http://news.bbc.co.uk/cbbcnews/hi/uk/newsid_2574000/2574199.stm

agreements on other sustainability themes (e.g. long term contracts including conditions on social and environmental subjects).

A transparent production chain has many other advantages. A company that knows where the production takes place can provide better risk management and can establish better relationships with its suppliers. Working with subcontractors, or the subcontractors of subcontractors, who do not respect the rights of their employees can be very damageable to the reputation of a company. To be awarded the label all these companies must be contacted and asked to sign a statement in which it declares to respect the ILO conventions. Depending on the production chain, this requires much time and effort. It is also a valuable indication for NGO's and consumers.

Total chain management gives the company the chance to profile itself as socially responsible and will increase the awareness of all companies in the chain. Executing a chain policy as such proves that the company believes in the working conditions in which their products or services are executed. It helps them see if there are problems in the chain and solve them or maybe look for other solutions



In many cases, it is not easy to know which companies execute these production steps and to set up the production chain. A company often never has any contact with producers who are a few steps further down the chain. The shoe seller will rarely know where the leather comes from. Usually, the entire production chain is known well if it is short, as is the case with raw materials, such as the Belgian blue stone or with agricultural products. As well, in top quality systems, the chain will be known. It is difficult to know the origin of cheap coffee, while high quality brands often mention the origin of the beans on the package. However, products with various parts and longer chains can also find out the localisation of their production chain. This was the case for the Lithos light switch; an industrial product made as much as 10 different parts, all coming from different producers. Some of those parts had production chains that had to be found out till 5 steps behind. This did not prevent them from being able to draw the total chain. Thanks to the enthusiasm of the company they even got as far as obtaining the social label.

Verification and application

Whether the conditions of the label have been met within the chain will be verified by an independent organisation. The procedures for this verification are written down in a so called referential. This referential is based on the organisational part of the CDO model for integrated life cycle analysis.

The CDO model was developed by the Centre for Sustainable Development (University of Ghent, Belgium) and Ethibel in the frame of a research project on a 'sustainable development label' for products. The study was part of the Belgian government's policy to enhance the harmonisation of labels across Europe. The methodology for chain analysis is partly based on the Environmental LCA

method used by the European ecolabel. As environmental LCA is not applicable as such on social aspects a model for a twofold analysis was developed.

Environmental Life cycle assessment (LCA) is a widespread and accepted method to evaluate the global environmental impact of a product. However, if one wishes to include social and economic aspects in the product evaluation, the LCA-approach turns out to be inadequate. An environmental LCA employs an input-output model, making an inventory of the flows of raw materials, energy and emissions without taking much account of what happens within the company. The actual production process is considered more or less as a black box. Since essential social criteria such as wages, working hours and discrimination are characteristic of what happens during the production process and within the organisation itself, this black box model is not applicable for social impacts.

Considering these restraints, a theoretical model for the evaluation of environmental, social and economic aspects related to the life cycle of a product and its associated businesses was developed. This twofold model makes a clear distinction between aspects closely related to the product on the one hand, and organisation-specific aspects on the other. The generic assessment of the product-related environmental aspects is based on the LCA method, which analyses the product's process tree. To include social and economic aspects, the model incorporates an approach considering the organisations involved in the production chain. The analysis of the process tree only concerns environmental aspects, while the analysis of the production chain concerns environmental as well as social and economic aspects. The social label only uses this second part of the model, that could be considered as a framework for social LCA

One of the main differences with environmental LCA is the necessity to know in which country each of the main companies taking part in the production processes are situated. This means that even at a generic level it is not possible to limit the knowledge to the determination of the process tree. It is necessary from the beginning to know at least in which countries the production chain is located. In the case of a T-shirt e.g. the country of origin of the cotton has to be known. Social production circumstances in India, Turkey or the US are not comparable. It is impossible to give a general description of social working conditions in a particular sector without being able to situate the area of production.

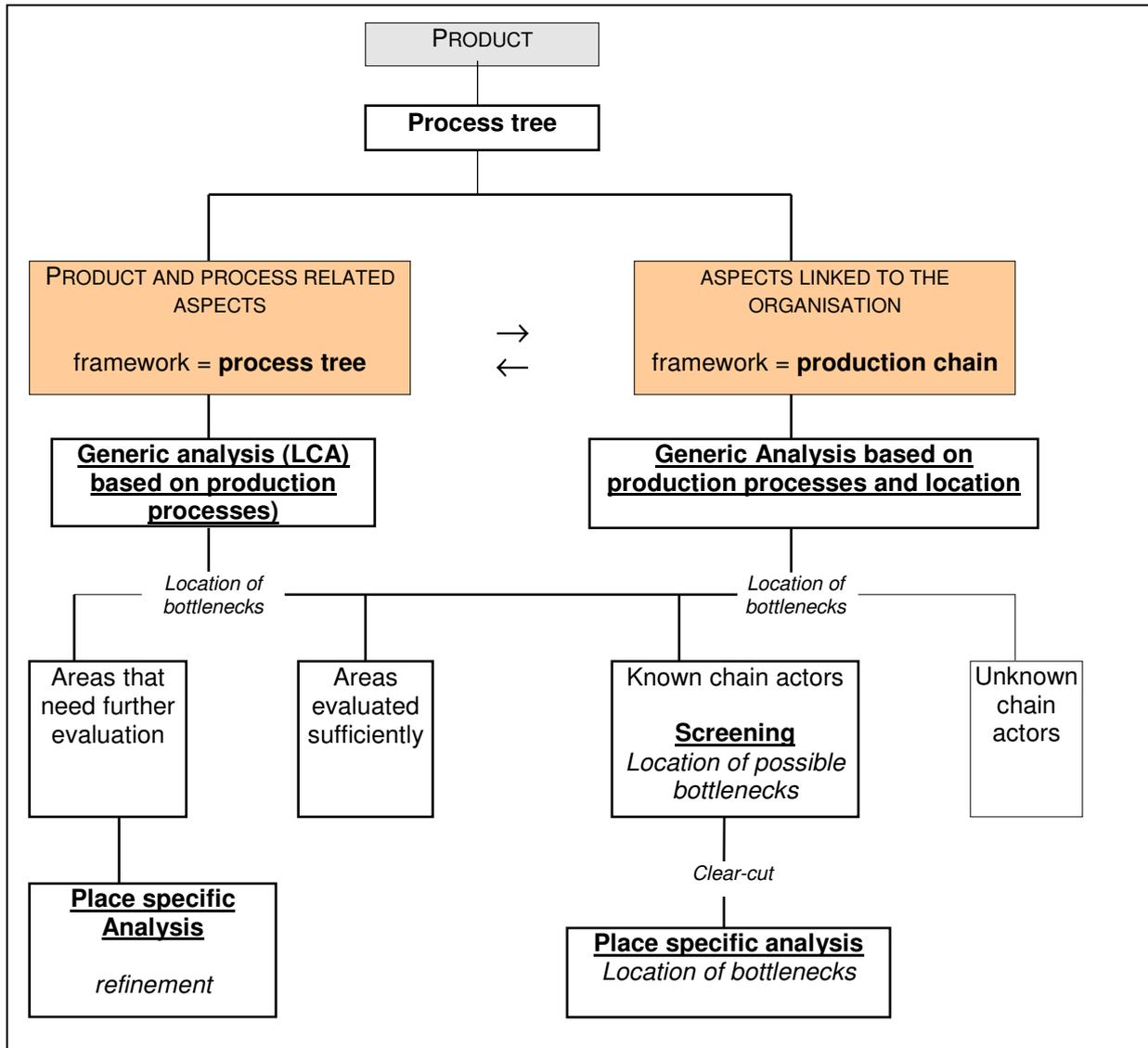


Figure 2: Theoretical model for an integrated approach to chain analysis

The most difficult step consists in verifying if the companies related to the production chain comply with the criteria. Ideally, the place specific analysis would be carried out by paying each chain actor a visit, but this would be far too expensive and time consuming, even with a limited chain. The number of visits could be limited using statistically sound random checks, but this implies the risk to overlook serious problems and is therefore considered too hazardous. Therefore, a more cost-efficient system including generic analysis, desktop screening and a limited number of visits on the spot is proposed.

So the first step of this verification consists in a generic analysis that gives an overview of the social problems in the area (country, region) where the company is situated. There is not yet an exhaustive overview available of all generic data on social working circumstances within industrial sectors per country, but research groups are working on it. The location approach differs from the environmental LCA approach, as for the environmental aspects only the impact of the production processes is taken into account. Similar to the environmental LCA, the social generic approach procures only a risk analysis. In order to become a more detailed idea of the real problems the production chain is facing, a more in depth screening and monitoring is necessary. It is possible that some of the bottlenecks

appearing in the generic analysis do not represent any problem in the production chain. On the other hand problems can appear there were the generic analysis did not suspect them. Not all companies active in a country with a high rate of forced labour use this kind of workforce. But it is perfectly possible that a company situated in a country where freedom of association is part of the legislation and the culture is known for its union busting.

The company specific information is first gathered through a desktop screening. This is a research method carried out according to standard written procedures. These procedures contain the search of controversies on the company by consultation of the Internet, literature and various specialised databanks. Besides that, relevant stakeholders of the companies have to be consulted, with priority to the union representatives representing the workers of the company and environmental NGO's. Note that the definition of the relevant stakeholders and contacting them can be difficult.

Based on desktop screening and the generic analysis the chain actors where problems are most likely to occur can be identified and visited if considered necessary. For the social label, a method was developed which classifies the companies in different risk groups. If companies seem to be high-risk, on-site visits are organised. The visits will also be carried out following a well defined method, using persons that are familiar with the local language and the cultural susceptibilities. During the visits, it is not just the management and the employees that are interviewed. Relevant stakeholders such as trade unions are always consulted.

The reliability of the label depends on the verification to a large extent. For this reason the system opted for an independent verification by a recognised organisation. Controlling organisations have to be accredited by a governmental organisation (Belac). Also SAI-accredited inspection organisations are allowed to do the control for the social label. As said, all steps of the verification must follow strictly the methodology of the referential. A complaint procedure gives all parties the chance of contacting the administration of the label directly.

Award of the label

The social label is guaranteed by the government. The label is based on the Belgian law for socially responsible production of 27th of February 2002 and misuse can lead to punishment. The awarding is done under stringent advice from the Committee for Socially Responsible Production. This committee is made up of representatives from the business world, consumers, NGOs, unions and government. The advantages of the stakeholder committee is the trustworthiness of the label, a larger societal support for the label and the collaboration of all stakeholders to achieve better working conditions

For three years now the label can be costless applied for with the government. Only the independent verification has to be paid for by the company. However, the label is still virtually unknown by consumers and companies. Up until now, only five products and services have received it. The main reason is the lack of communication about the label. The only source of information is the website www.social-label.be. Currently the government is planning to address the matter, so that the label can finally be put in its rightful place. They want to encourage companies to obtain this label and to put them in the spotlights. Once a number of labels have been obtained, a large-scale campaign aimed at consumers will be launched. The problem will be that it is hard to convince companies to obtain a label unknown by their customers. A promise to hold a campaign when enough products will have the label seems to be a weak incentive. There is a chance that this could become a pat situation. No labels on the market, no information to consumers, no information to consumers, no interest from the companies, no labels.

The government hopes to avoid this circle by introducing another incentive. They are creating a market for sustainable products introducing sustainability criteria into their own public contracts. Products with a social label will thus have a considerable advantage on their competitors. This

measure is very recent and still not applied by all civil servants. As the authorities represent a considerable market in Belgium it can in due time show have a considerable effect on the importance accorded to the label.

Conclusion

In a society that is becoming more and more global with increasingly complex production chains, it is becoming harder and harder to find out what the working conditions are throughout the creation of a product or service. The increasing number of tenders also blurs companies' responsibility for their social chain policy. It allows companies to insist on low prices without being held accountable for the social consequences. In these times of globalisation, international solidarity is a must.

The official Belgian social label is one of the first instruments using a form of social LCA. Integral chain management, going all the way back to the raw material phase, is a challenge for the future. Social LCA forces companies to be transparent to prevent them from hiding behind ignorance. Furthermore it stimulates social responsibility, in revealing what happens within companies' production chains. The ILO standards, which the companies must meet, form the basis of a still to feeble international social regulation. The combination of these conditions and an independent verification system offers companies a way of proving that a product was produced in a dignified way throughout the entire line.

With the social label the Belgian Government gives not only a tool to consumers to put on pressure, but also gives trade unions the opportunity to support positive companies and to indict companies that do not meet basic ILO standards. It is an instrument of renewal and as such needs time to gain momentum.

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