



BSR Conference 2009  
**Reset Economy. Reset World.**

## Responsible Transitions

Breakout Session Summary  
Wednesday, October 21, 2009 | 9:45 a.m.-noon

### Speakers

- » **Caitlin Morris**, Director, Sustainable Business and Innovation, Nike
- » **Sasha Muench**, Economic Development Specialist, Mercy Corps
- » **Jane Stewart**, Special Representative and Director, International Labour Organization's Office to the United Nations
- » **Ayesha Barenblat**, Director, Advisory Services, BSR (moderator)

### Highlights

- » Today's economic conditions have instigated factory and site closures in company supply chains around the globe, prompting companies, government, and civil society to reevaluate their roles in providing a social safety net for the millions of workers that are suddenly unemployed.
- » The lack of real-time data on the impact of factory closures is a barrier that must be overcome in order for business and other stakeholders to responsibly manage factory and site transitions.
- » While government needs to be in a position to provide social protection for workers, corporations need to partner and amplify government efforts and investments in infrastructure.

### Memorable Quotes

*"With mounting unemployment, the economic crisis has moved from Wall Street to the streets of Guangzhou and Phnom Penh."* —Ayesha Barenblat, BSR

*"The big question is how to use the issue of responsible transitions in the current crisis in a galvanizing way to prepare ourselves for the future."* —Caitlin Morris, Nike

*"This is an obvious opportunity to look at new technology as a way to access individuals' observations as to how workers are being affected by the financial crisis."* —Jane Stewart, International Labour Organization's Office to the United Nations

*"We see a real opportunity in this difficult time to build resilience in communities and to improve the productive relationship between communities and corporations."* —Sasha Muench, Mercy Corps

### Overview

Barenblat introduced the session by providing context on the issues associated with business moving in and out of regions, and how those issues are exacerbated by the global economic crisis. The economic downturn has halted the demand for goods and services, which in turn has devastated job markets around the world. The International Labour Organization (ILO) estimates that there have been 50 million job losses due to the recent economic crisis, and these figures are expected to increase through 2011. As production demand decreases, suppliers are closing facilities, laying off workers, and, in some cases, failing to pay severance. Progress in achieving the UN Millennium Development Goals, particularly the alleviation of poverty, has regressed. As young women lose their jobs, they are often forced into shadow economies in order to support



families. The situation has begged the question: What is the role of business, government, and civil society in mitigating the adverse affects of shrinking production and factory closures?

A key challenge is the lack of transparency and information about the real impacts of a factory closure. Stewart emphasized the need for real-time information about the number of workers affected, whether those workers find new work, and what provisions local governments provide to the unemployed. She suggested that technology be part of the solution—providing on-the-ground information to companies that source from a particular facility and to other stakeholders. Stewart highlighted the work of the ILO in creating the Global Jobs Pact—which is a portfolio of labor practices and policy guidelines aimed at protecting workers and their families—and in working with local governments to create infrastructure, such as healthcare and education, which provides greater long-term resilience to factory transitions. According to Stewart, the strength of responsible transitions is predicated on partnerships among government, workers, and employers.

Morris provided a business perspective on the issue. Factory closures in the supply chain and the issues that come with it are different from other supply chain issues; once the factory or site closes there is no longer an organization to negotiate with and no pressure point for brands to take action. Through the Responsible Transitions Working Group in the MFA Forum, Morris has worked with others to develop responsible transitions guidelines to help governments, buyers, suppliers, workers, NGOs, and other stakeholders work on these issues collaboratively. In addition, they have developed a three-prong strategy for responding to today's large-scale economic contraction: (1) preventing facility closures by helping suppliers get access to credit; (2) creating public-private partnerships that collaborate to protect worker interests; and (3) investing in training and economic opportunities in the community, which can stimulate new jobs and absorb shifts in employment.

In reflecting on the economic downturn's impact on local communities, Muench described reductions in expenditures on food, education, and healthcare to be among the ripple effects. Muench emphasized the need to focus on the "fundamentals," such as training workers on financial management to better leverage the money they earn and create some stability in the event of another major economic contraction. Business needs to be thinking beyond this current market shock and identify ways to increase long-term stability.

Through small group discussions, participants worked to identify solutions for minimizing the impact of business shifts on workers and communities. Potential solutions included:

- » Partnering with technology companies, local government, and on-the-ground organizations to get real-time information on the impacts of business decisions.
- » Investing in better assessments of the economic health of a supplier factory or site, which can be accomplished by integrating targeted questions into existing supplier monitoring programs.
- » Providing notice periods to supplier factories or sites so that suppliers have more time to take responsible steps in the event of significant reductions in customer demand.
- » Increasing investment in training and capacity building, particularly for strategic suppliers.
- » Leveraging public and private networks to make linkages about the changing dynamics of a factory or site, and to agree on indicators for monitoring situations.

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