



Stories From the Field

14 Case Studies from BSR's Responsible Competitiveness Project
in Central America and the Dominican Republic

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Overview: Case Studies

DR-CAFTA Responsible Competitiveness Project

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

Introduction

Workers are the obvious beneficiaries of responsible labor practices. Organizations and governments representing the interests of labor are the first to press for high labor standards in factories and farms. But how about business owners and managers—does respect for workers' rights also serve their bottom-line interests?

From 2008 to 2010, BSR and its partners executed 14 demonstration projects in Central America and the Dominican Republic that suggested that responsible labor practices not only benefit workers but can also yield important and measurable gains for business.

Box 1. Defining Responsible Labor Practices

Responsible labor practices are understood to mean “as a minimum legal floor” adherence to mandatory national labor codes and key international conventions, for example as reaffirmed in the DR-CAFTA Free Trade Agreement. In addition, many firms will take further responsible labor measures that benefit employees while bolstering labor productivity and firm profitability – such as continuous skills upgrading in technological innovations; modern labor-management techniques, including quality circles and employee participation in rising productivity and profits; techniques in health and productivity management, such as ergonomics and stress reduction; life skills training, such as management of family health and personal finances; and employee assistance with transportation, housing, credit and child care.

Source: Richard Feinberg, “Diagnostic: Strategic Analysis of Responsible Labor in CAFTA-DR Countries.” BSR, 2008.

Through the DR-CAFTA Project, BSR forged partnerships with national business associations dedicated to advancing responsible social practices among their members. Together, they implemented 14 demonstration projects covering labor challenges that ranged from labor strife and high employee turnover to health and safety issues and underage labor. Businesses participated with the hope that the projects would allow them to devise strategies to address outstanding labor issues and improve efficiency and productivity.

In addition, BSR made recommendations to two Central American governments for the design of comprehensive whole-of-government strategies to marshal public sector incentives to align business interests with their responsible labor practices. Such partnerships can help create an enabling environment that supports better labor practices by increasing the impact of and minimizing the costs of implementation.

The 14 case studies in this volume document the obstacles these projects faced, the successes they achieved, and the learnings they gathered that could benefit other companies. It is hoped that this publication will facilitate and motivate replication of proven practices across firms, industry associations, and governments throughout the DR-CAFTA region and beyond. (The case studies are also available at www.bsr.org.) Already the case studies provided the foundation for executive education seminars offered by BSR and its DR-CAFTA partner associations across the six countries of the region in 2010.

Historical Context

BSR's DR-CAFTA Responsible Competitiveness Project arose in the context of a region seeking to enhance the international competitiveness of its farms and factories. Only by becoming more competitive can Central America create the jobs it desperately needs for its growing populations—jobs that will show citizens that integration into global markets can produce shared benefits and that democracy can deliver broad-based prosperity. Understood in this context, competitiveness has become a core strategic objective for government, business, labor, and society at large in Central America today.

The Free Trade Agreement between the United States and the Dominican Republic, El Salvador, Costa Rica, Guatemala, Honduras, and Nicaragua opens doors for local producers, but it is up to these firms to compete successfully in these new markets and create jobs through growing trade and investment flows. Unless local producers have the capacities and the necessary market data to seize these opportunities, trade agreements will not deliver on their promise of enhanced prosperity.

The primary purpose of the demonstration projects was to assist local firms to increase their competitiveness through responsible-labor innovation. Traditionally, the drivers of firm competitiveness include such variables as technological innovation, capital investment, management techniques, and marketing skills. The DR-CAFTA Project marshals concrete experience to argue that responsible labor practices can also drive company-level, as well as sector- and national-level, competitiveness in the global marketplace.

Box 2. DR-CAFTA: Labor Standards Commitments

Chapter 16 of the DR-CAFTA Agreement states:

“The Parties reaffirm their obligations as members of the International Labour Organization (ILO) and their commitments under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998) (ILO Declaration). Each Party shall strive to ensure that such labor principles and the internationally recognized labor rights set forth in Article 16.8 are recognized and protected by its law.”

Article 16.8 spells out these internationally recognized labor rights:

- » The right of association;
 - » The right to organize and bargain collectively;
 - » A prohibition on the use of any form of forced or compulsory labor;
 - » A minimum age for the employment of children and the prohibition and elimination of the worst forms of child labor
- Acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

The Fourteen Demonstration Projects

The 14 demonstration projects span four economic sectors and the six DR-CAFTA countries. Each of these economic sectors (sugar, bananas, coffee, and apparel) account for significant exports and employment and will likely remain vital to the region's economies. Many have also been plagued by poor labor conditions, which often affect productivity rates and other variables that influence business profitability. The implementation and results of these demonstration projects provide the region with replicable examples of socially responsible, profitable, and competitive labor practices.

For each project, BSR and its local partners applied a step-by-step methodology: we developed diagnostics; mapped stakeholders; conducted gap analyses and benchmarkings against international and local best practices; performed materiality assessments; promoted stakeholder dialogue; designed company action plans; and finally recommended first steps toward implementation.

RESULTS: BUILDING THE BUSINESS CASE

The demonstration projects aligned responsible labor issues with stakeholders' interests by finding common ground and setting mutually beneficial goals for businesses and workers. Each project resulted in some immediate, and other anticipated, benefits to both workers and companies (summarized in Figure 1). Stakeholders will rank results according to their own interests, but in each case participating companies found that improvements in labor practices yielded gains to their businesses.

- » Where the companies undertook health and safety risk assessments and implemented more robust protections for workers—leading to decreased injuries and lower costs associated with first-aid visits and worker absenteeism—these business benefits were most evident. Others saw a direct link between improving health and safety for workers and accessing premium prices for their products (usually exported) through social certifications. (See Development of a Responsible Labor Strategy for Sugar Company Tres Valles and Occupational Health and Safety System in Costa Rican Coffee Production)
- » The introduction of formal communication mechanisms and increased worker-manager dialogue reduced tensions and increased productivity. (See Worker Empowerment in Honduran Banana Production and Building the Capacity for Effective Multisector Dialogue at AgroAmérica, S.A.)
- » Implementing a bottom-up approach that gives workers a voice in decision-making increased employee loyalty and satisfaction. (See Culture of Responsible Labor in Salvadoran Sugar Production and Responsible Labor Management in Costa Rican Technology Firms)
- » The knowledge gained from stakeholder engagements allowed companies to adjust their employee programs and target the root causes of labor issues—potentially redirecting resources to more effective programs and increasing company return on investment. (See Strengthening Occupational Health and Safety Management Systems at a Gildan Factory and Labor Conditions and Human Rights in Dominican Sugar Production)
- » Public-private partnerships can decrease program implementation costs and effectively increase the competitiveness of a sector through socially responsible programs. (See Eradicating Child Labor - Another World Is Possible and Responsible Labor in Costa Rican and Salvadoran Public Policy)

Many of the 14 demonstrations projects motivated companies to change in one-to-two-year time frames—even where manager-worker relations were conflictive and fragile. These results suggest that investments targeted at bettering labor practices can reform social interactions that were stuck in the ways of the past.

Figure 1: Immediate Results of the Demonstration Projects

Demonstration Project	Results
Culture of Responsible Labor in Salvadoran Sugar Production: Strengthening Company Values at Grupo CASSA	<ul style="list-style-type: none"> » Increased awareness of project participants of CSR, company culture, and stakeholder interests » Improved communication between senior management and staff » Enhanced company loyalty reported by employees participating in workshops
Eradicating Child Labor - Another World Is Possible: Documenting the Salvadoran Sugar Industry's Efforts to Eradicate Child Labor in Sugar Cane Production	<ul style="list-style-type: none"> » Reduced child labor in El Salvador's sugar industry » Sector-wide implementation of zero child-labor tolerance policies » Increased public awareness of negative effects of child labor » Implementation of successful cross-sector partnership to address child labor
Development of a Responsible Labor Strategy for Sugar Company Tres Valles	<ul style="list-style-type: none"> » Improved health and safety conditions for workers and cost savings for the company associated with reduced worker injuries » Improved internal staff and worker communication » Clearly defined company vision and policy to guide the implementation of responsible labor practices
Labor Conditions and Human Rights in Dominican Sugar Production	<ul style="list-style-type: none"> » Increased visibility and awareness of labor conditions within the company » Renewed focus on solving root causes of labor problems
<u>Worker Empowerment in Honduran Banana Production: Finca Tropical S.A.</u>	<ul style="list-style-type: none"> » Strengthened workers' committee to voice employee opinions and collaborate on farm production issues » Implementation of financial incentives tied to production » Increased productivity (around 12 percent), which managers link to increased dialogue, and increased income, as reported by employees » Increased worker-management communication » Implementation of formal communication mechanisms
Building the Capacity for Effective Multisector Dialogue at AgroAmérica, S.A.	<ul style="list-style-type: none"> » Installation of message boards, posters, and secure suggestion boxes » Increased professional training for middle managers » Improved communication and reduced tensions between farm administrators and workers, as reported by project participants » Decreased work stoppages because of increased communication, according to managers
Occupational Health and Safety System in Costa Rican Coffee Production: Consorcio de Cooperativas de Caficultores de Guanacaste y Montes de Oro R.L. (COOCAFE)	<ul style="list-style-type: none"> » Safer storage of agrochemicals and tools » Purchase of new personal protection equipment (PPE) for agrochemical application » Increased farmer awareness of personal safety measures for agrochemical application » Addition of health and safety topics to farmers' technical trainings » Development of peer training for responsible labor topics

Child Labor Eradication in Nicaragua's Coffee Zones	<ul style="list-style-type: none"> » Creation of new partnerships to combat child labor » Dissemination of successful practices to reduce child labor
<u>Strengthening Occupational Health and Safety: Management Systems at a Gildan Factory</u>	<ul style="list-style-type: none"> » Incorporation of health and safety topics into management evaluations » Revision of health and safety trainings according to findings of stakeholder engagement and materiality analysis » Increased focus on health and safety prevention by senior managers » Increased participation of workers in health and safety trainings and preventive programs
<u>Capacity Building in Multi-Sector Dialogue for the Free Trade Zone Tripartite Commission: Apparel Industry in the Dominican Republic</u>	<ul style="list-style-type: none"> » Tripartite Commission's (CTP) meetings allowed labor, private, and public sectors to openly debate issues and grievances » Agreement on CTP's mission, vision, and goals » Creation of subcommittee to follow-up on proposed pilot projects
Responsible Labor Management in Costa Rican Technology Firms: Cámara Costarricense de Tecnologías de Información y Comunicación (CAMTIC)	<ul style="list-style-type: none"> » Implementation of employee-friendly policies have led, according to company managers, to increased productivity, employee motivation, and customer satisfaction and have reduced turnover time for projects » Decreased variable costs for participating companies » Increased focus on the development of personal skills in employee training programs » Increased frequency of employee-management meetings
Occupational Health on Nicaraguan Farms: Asociación Nicaragüense de Formuladores y Distribuidores de Agroquímicos (ANIFODA)	<ul style="list-style-type: none"> » Improved transportation and storage logistics of used agrochemical containers » Collaboration with the Ministry of Agriculture and Forestry to emphasize container recycling during workshops offered to farmers
Responsible Labor in Costa Rican Public Policy: Designing a Public Policy Framework that Promotes Responsible Labor	<ul style="list-style-type: none"> » Increased emphasis on how responsible labor practices affects national competitiveness » Project's broad stakeholder engagement elevated the importance of responsible labor in the private and public sectors » Commitment of civil organizations in Costa Rica to push for the implementation of the project's recommendations
Responsible Labor in Salvadoran Public Policy :Designing a Public Policy Framework that Promotes Responsible Labor	<ul style="list-style-type: none"> » Increased awareness of the links between responsible labor and competitiveness » Disseminated the idea that advancement of CSR is the joint responsibility of the government, private sector, and workers' unions » Initiated the debate around specific policy proposals to advance responsible labor issues » Produced extensive inventory of laws and regulations that can be used to advance responsible labor practices

Lessons Learned

The projects' outcomes are rich in lessons that can be applied by local producers, international brands, business associations, and public sector agencies seeking to advance labor practices in the DR-CAFTA region, as well as other regions around the world. Associations of workers and NGOs can also draw valuable conclusions from these rich experiences. Lessons should not be applied mechanically but rather adopted to the specific local or regional context. Among the chief takeaways from the DR-CAFTA demonstration projects are the following.

- » Management buy-in and leadership are essential for success and sustainability.
In DR-CAFTA firms, many of which are family owned, hierarchy remains the dominant organizational modality, and middle management is particularly sensitive to signals sent from the top. Executive suite leadership is essential to motivating change. But it is also critical that management buy-in spread beyond the initial driver of change to other senior executives and to middle-level management where management-worker relations are most intense on a day-to-day basis.
- » Open dialogue between management and workers can bring tangible results.
Open channels of communication among executives, middle management, and workers can foster firm loyalty and solidarity and promote bottom-up innovations. Company relations with the surrounding community may also benefit. While causal relations can be difficult to measure with certainty, managers and workers in several projects attributed increased productivity to better communications. More open channels of communication may begin with management leadership, but they should be formalized through regularly scheduled meetings, routine sharing of information, and procedures that ensure that workers' suggestions are addressed seriously and in a timely manner.
- » Use best practices as a benchmark.
Larger firms in the DR-CAFTA region that participate in global supply chains are well served to benchmark their practices against international standards. Local ministries of labor seeking to enlist the leverage of other government or private agencies to catalyze responsible labor can look to the practices of other governments for inspiration. For example, the U.S. procurement code, which demands compliance with labor standards, applies widely across federal entities.
In some cases, local firms are the most relevant benchmarks. BSR and local partner Asociación Empresarial para el Desarrollo (AED) conducted a survey to identify best labor practices to retain valuable employee talent in small and medium-sized technology firms in Costa Rica. The results suggested that companies that provided training opportunities were more likely to retain employees.
- » Investment in employees is often the low-hanging fruit.
Sometimes firms underinvest in training for fear that employees will move their skills elsewhere, or because the returns in higher productivity are realized only over time. These cost-benefit realities justify external public sector subsidies to education. But firms should not lose sight of the multiple, sometimes less obvious, returns on training. To more easily convene workers in a familiar, friendly setting, training programs should leverage existing networks of expertise, such as those used to provide farmers with technical assistance.

- » Align incentives to stimulate responsible labor practices.
In market-driven societies, our expectation is that economic actors—be they owners or workers—respond rationally to economic incentives. Thus responsible labor must be integrated into company culture and core business strategies. Public agencies command a host of incentives that could encourage better labor practices—for example, the policy frameworks prepared for the governments of El Salvador and Costa Rica included many existing government programs that, with some tweaking, could positively affect the behavior of business. Using this innovative tool—a whole-of-government offensive—advocates can assess and use government incentives to align public and private interests around better working conditions.
- » Multi-stakeholder partnerships optimize value.
Specialized international agencies, public sector entities, business associations, and expert NGOs each bring talents, resources, and constituencies to the table. Too often, corporate responsibility initiatives overlook these actors' potential contributions. These stakeholders played an invaluable role in driving many of the projects forward and achieving successful outcomes.
- » Sustainability must be a core goal from a Project's inception.
Over the years, far too many development projects have left little trace of their presence once funds ran out and external consultants departed. BSR has learned that sustainability must be: 1) built into the company's core business model, 2) bolstered by incentives both internal and external to the company, 3) embedded in durable public and private institutions, and 4) funded from regenerating sources. The long-term results of many labor projects also hinges on continuing leadership commitment—itsself a function of managers' and executives' awareness of the business case for responsible labor practices.

Challenges and Responses

The demonstration projects tackled a series of very challenging problems and required innovative thinking, sensitive cultural antennae, and rapid adaptation to stakeholder opinions. With its legacy of conflictive management-labor relations—and decades of violence more broadly—Central America offered difficult challenges. As a result, the projects are extraordinarily rich in what works—and what can go seriously wrong and require innovative solutions. Several of these tough challenges are particularly instructive for future efforts to advance responsible labor practices.

INVEST IN POLITICAL DUE DILIGENCE

In the complex Central American political setting, company managers must devote time to understanding the historical background and political perspectives of all stakeholders. Behind pleasant smiles and handshakes may lay deep-seated animosities rooted in ideological divisions and simmering political tensions. After all, Central America was the backdrop for a series of civil wars only two decades ago. Specifically, business owners often view worker organizations with distrust and consider NGOs to be offshoots of left-wing political parties that disparage business interests. Conversely, many workers harbor equally strong suspicions of management given the latter's history of hostility toward movements seeking to improve labor conditions. Understanding these dynamics is essential for conducting successful projects to improve working conditions.

UNDERSTAND THE STRENGTHS AND WEAKNESSES OF LOCAL BUSINESS ASSOCIATIONS

Business associations can greatly facilitate improvements in labor practices. They bring credibility to new ideas and can quickly disseminate good practices among their members. Industry collaboration can create economies of scale and dramatically reduce implementation costs. These positive contributions were brought to light in working with the Salvadoran Sugar Association and the Costa Rican Chamber of Information Technology and Communication.

But it is also true that not all industry associations will have good working relations with government agencies, will represent a full range of business interests, or will have significant resources to contribute to projects. In addition, it is not unusual for elements of business associations to retain traditional views of corporate responsibility as philanthropy and to not yet grasp the business case for responsible labor practices. Managers should be aware of these nuances and decide accordingly on how to engage business associations and, alternatively, when to work directly with member companies.

GOOD MEASUREMENT REQUIRES PLANNING, TIME, AND RESOURCES

The argument sustained throughout the case studies is that responsible labor practices can be good for business, and the projects made efforts to express these effects in quantitative form. But tracking change over time requires benchmark data against which to compare—something that doesn't exist in most firms in the DR-CAFTA region. Calculating cost-benefit ratios proved particularly challenging because firms were not compiling data on such costs as the time spent communicating with workers or time invested in additional worker training. It was generally easier to calculate benefits, but unless the costs are clear, businesses may question whether investments in better working conditions really offer reasonable rates of return.

In determining the key variables driving labor productivity, cause and effect is a particularly thorny issue in part because some results, such as better communications and heightened staff morale, can be hard to quantify and harder still to link definitively to other outcomes. In addition, the full effects of labor practices will likely take longer to be realized than the length of these projects, and thus it may be too soon to judge whether they will be sustained. Responsible labor practices can help companies increase productivity, reduce costs, enhance their reputations, and open up markets, but the full business case for responsible labor, with compelling quantitative results, remains a work in progress.

BRAND LEVERAGE IS A VITAL INCENTIVE FOR PRODUCERS TO ADOPT RESPONSIBLE LABOR PRACTICES

In many projects, managers and workers were motivated by international brand attention to their labor practices. The Costa Rican consortium of coffee cooperatives COOCAFE was well aware that responsible labor practices are required by powerful international roasters and retailers and, therefore, help producers gain access to premium prices. Gildan is under constant pressure from socially aware consumers to ensure high labor standards in its Central American apparel factories. The Coca-Cola Company worked with El Salvadoran sugar producers to respond to published reports of violations of child labor laws. Finca Tropical in Honduras recognized the need for responsible practices, as social certifications increasingly become required for banana producers to sell to large multinationals.

In addition, international brands may want to consider additional steps, such as joining with national ministries of labor to forge partnerships for labor standards enforcement or continuing to work with their supply chains to disseminate responsible labor practices. Above all, brands may wish to look for opportunities

to develop a rigorous and consistent approach for measuring the effects—both short- and long-term—of their labor innovations.

About This Publication

These case studies were researched and written by independent consultants Tamar Benzaken Koosed, Kimberly Ascoli, Andrea Castillo, and Evaydee Perez. Richard Feinberg, Professor of International Political Economy, University of California, San Diego, served as senior editor. Alison Colwell, Associate, BSR Advisory Services and Terry Nelidov, BSR Project Manager of the DR-CAFTA Responsible Competitiveness Project, directed the entire process.

BSR wishes to thank the firms, industry associations, and governments for accepting the challenge of leadership, choosing to participate in the case studies, and assisting the study authors in gathering documentation and conducting on-site interviews. The participating firms were allowed the courtesy of commenting on drafts, and BSR thanks them for their cooperation.

The local partner associations played essential roles in selecting and carrying out the demonstration projects. They also provided invaluable assistance to the case writers in facilitating their in-country visits and stakeholder interviews. An important goal of the project was to strengthen the capacity of these associations to promote socially responsible behavior among their corporate members. These five associations are: Fundación Empresarial para la Acción Social (FUNDEMÁS) in El Salvador, Fundación Unión Nicaraguense para la Responsabilidad Social Empresarial (uniRSE) in Nicaragua, Asociación Empresarial para el Desarrollo (AED) in Costa Rica, Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE) in Honduras, and El Centro para la Acción de la Responsabilidad Social Empresarial (CentraRSE) in Guatemala.

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DISCLAIMER

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SUGAR





Culture of Responsible Labor in Salvadoran Sugar Production Strengthening Company Values at Grupo CASSA

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About FUNDEMAS

Fundación Empresarial para la Acción Social (FUNDEMAS) was founded in May 2000 by a group of farsighted Salvadoran businesspeople to contribute to El Salvador's sustainable economic and social development by promoting CSR culture, entrepreneurial behavior, and better-quality education countrywide. Visit www.fundemas.org for more information.

Executive Summary

Grupo CASSA and its production facilities, Central Izalco and Chaparrastique Sugar Mill, partnered with BSR and FUNDEMAS to implement a project aimed at strengthening the company's corporate social responsibility (CSR) culture. CASSA already had a strong external CSR program in place; however, leaders wanted to implement a more strategic CSR program that permeates all levels of the company's operations. To meet the project's goal, BSR and FUNDEMAS facilitated several workshops with a sample of employees that focused on redefining the company's existing values. Later, the workshop participants presented the new values along with recommended indicators to measure their implementation to the senior management team at CASSA. The company's senior team is currently finalizing plans to disseminate the new values among staff and measure their implementation.

Project participants reported immediate results: 1) increased awareness and understanding of CSR, company culture, and stakeholder interests, 2) improved communication between senior management and staff, and 3) enhanced company loyalty. In the long-term, it is anticipated that the project will contribute toward the development of company culture that is aligned with its CSR strategy, both internally and externally. However, the project's impact will depend on how well CASSA communicates the new values among staff and what kind of mechanisms it puts in place for measurement.

Several lessons learned from this project can be useful to other companies seeking to replicate this process. The CASSA project showed that it is critical to:

- » Obtain the support of the senior team before beginning the process.
- » Include as many departments of the company as possible.
- » Make use of external facilitators.
- » Communicate regularly with participants and company employees.
- » Ensure the senior team follows up and pushes the process forward.

Opportunity

El Salvador is the smallest, most densely populated country in Central America with close to 7 million inhabitants.¹ Agriculture remains an important source of revenue for the country; in 2007 it comprised nearly 11 percent of El Salvador's GDP.² Coffee and sugar are its main exports, with sugar cane cultivation and sugar production jointly representing 2.3 percent of GDP.³ The sugar industry is equally important for employment. The Asociación Azucarera de El Salvador

¹ El Salvador Country Profile 2008. Economist Intelligence Unit.

² El Salvador Country Profile 2008. Economist Intelligence Unit.

³ Asociación Azucarera de El Salvador website.

About CASSA

Established more than 45 years ago, CASSA is the largest sugar refinery in El Salvador. The company employs more than 17,000 people at its two mills, Central Izalco and Chaparrastique. In the 2007–2008 season CASSA produced more than 120,400 tons of raw sugar. Visit www.grupocassa.com for more information.



Aerial view of the Central Izalco refinery

“The DR-CAFTA Free Trade Agreement, which went into effect in 2006 in El Salvador, gives CASSA 33% of the country’s sugar quota.”
—from the CASSA website

(AAES) estimates that 3 percent of the country’s total population is directly or indirectly employed in the industry.

The largest company operating in the industry is the Compañía Azucarera Salvadoreña (CASSA), which owns two of the country’s six processing mills, Central Izalco and the recently acquired Chaparrastique. The company has more than 45 years of experience producing sugar and sugar-derived products and employs more than 17,000 people directly. Over the last few years, CASSA has developed a strong CSR program, which focuses on creating a better working environment for employees, as well as reducing the company’s environmental impact.

Despite the success of these efforts, CASSA leaders continue to face the challenge of creating and implementing a holistic CSR strategy that permeates all levels of the company and interactions with all its stakeholders. Mr. Tomas Regalado, member of CASSA’s Board of Directors, explains that the company wants to create a company culture where “all employees are disseminators of the company’s values and CSR practices.” With this in mind, BSR and local partner FUNDEMAS designed and facilitated a three-part workshop with two key goals: 1) to redefine the company’s values and 2) to create a system to measure the relevance of these values for staff.

Strategy

In initial interviews with BSR and FUNDEMAS, company leaders expressed their vision to make CASSA a CSR leader in the sugar industry and in the country. They also acknowledged that to implement a sustainable CSR strategy, all employees must feel connected to and valued by the company. Previous experiences at other companies have shown that one way to develop a strong sense of connection between employees and companies is by including staff in strategic planning decisions, for example, by discussing company values with staff.

Initial interviews with CASSA staff showed that employees were not aware of CASSA’s nine values. Additionally, they did not feel that these values reflected the company’s culture. One respondent stated that “the values are too general” and “are not well communicated among staff.” Another worker commented that “the link between the company values and staff members is missing.”

Presented with this challenge, BSR and FUNDEMAS proposed facilitating a series of workshops to redefine the company’s existing values and to discuss how to disseminate and measure the newly formulated values. The BSR proposal called for a bottom-up and inclusive approach, which would be led by a group of mid-level employees from various departments within the company. Middle managers were specifically chosen as key stakeholders to disseminate the message because they are able to directly communicate the new values to workers and also ensure follow-through and implementation.

To ensure the sustainability of the revised values, BSR confirmed the buy-in of CASSA’s senior management team prior to beginning the project. Additionally, senior management participated in the last part of the process, in which they approved the new values and agreed to next steps for implementation.

“CASSA understands that CSR is a commitment that the whole company must make. We make an effort to contribute to improve the livelihood of our employees, their families, and the community. Likewise, CASSA also focuses on environmental protection and conservation.”

—from the CASSA website

The company has also developed environmental and social metrics that it uses to measure its CSR practices, including:

Emissions
Waste water recycling
Energy use
Worker safety
Professional development
Community health and education

Implementation

BSR and FUNDEMAS facilitated a three-part workshop, which was carried out at an off-site location over the course of three months. The first and second sessions, which lasted eight hours each, were held in August and September and were attended by 30 mid-level staff members. Participants for sessions one and two were chosen by CASSA’s CSR committee, based on the desire to have diverse representation of functional areas and of levels of awareness and support of CSR. Effort was made to include as many departments as possible and to include staff with direct supervisory roles. The last session, which lasted four hours, was held in October and was attended by 23 members of the senior management team.

In the first two workshops, staff defined the company’s main stakeholders and the values they expect from the company. These values were narrowed down to the six most important, which are now CASSA’s new values. Three weeks later, the same participants discussed and defined actions that reflect the identified values. Based on these behaviors, the group developed indicators that CASSA could use to measure how well values are being put into practice. For example, participants suggested adding questions related to values to existing staff surveys and including similar questions in yearly performance reviews. More specifically, participants outlined possible indicators for each of the six new values (such as the number of new projects developed as an indicator of innovation).

In the last workshop, BSR and FUNDEMAS presented the proposed values and the draft measurement plan to the company’s senior management team. Subsequently, the group proposed ways these values could be disseminated among staff and reviewed the draft measurement plan. At the time of writing, CASSA’s management team was still finalizing the plan.

Results

SHORT-TERM RESULTS

All workshop participants who were interviewed agreed that their involvement in the project had been a positive and educational experience. One person exclaimed that the whole process was a “phenomenal tool” for CASSA. Overall, the short-term outputs observed in participants fall into three broad categories:

1. **Increased awareness of CSR.** Many of the participants explained that their involvement in the process gave them a clearer understanding of CASSA’s mission and its internal and external stakeholders, such as clients, nearby communities, and the local government. This complete picture clarified what the company’s values and CSR strategy need to reflect. Several individuals mentioned that they had never before contemplated what each of the stakeholders expected of the company; moreover, they had never thought of themselves as stakeholders. Carlos Consani, Chief of Electrical Maintenance at Central Izalco, explained that the workshops helped him see that “as a stakeholder he has the right to demand a good working environment, but also the responsibility to provide this environment for others.”
2. **Improved communication.** The project also helped to increase and improve communication between senior management and mid-level staff. Prior to the project, several senior staff thought that the existing values and CSR strategy were clear to all employees. The workshops helped them understand where the gaps and challenges lie. For example, Antonio Lopez, Agricultural Director for Chaparrastique, “realized that the existing values were not reaching everyone.” On the flip side, the project allowed mid-level staff to realize how committed CASSA’s management team is to CSR. Several staff admitted that they had been skeptical in the beginning, thinking that the

process “was like a play with an end that had already been decided.” But as the process unfolded, these staff changed their minds and appreciated the trust that they were given.

3. **Enhanced company loyalty.** Many workshop participants feel a “deeper connection” to CASSA as well as a “stronger sense of belonging” after being involved in the process. The bottom-up approach that was used empowered employees. Alejandro Duque, Director of Administration at CASSA, explained that “everyone is responsible for creating an excellent business culture at CASSA with strong values.”

Before this project, strategic decisions at CASSA relating to company culture and values had traditionally been made only on the executive level. Although several interviewed staff members acknowledged having initial doubts about the bottom-up approach used by BSR and FUNDEMAS, workshop evaluation forms demonstrate that the methodology was successful. One workshop attendee explained that she had had “serious doubts about the approach”; however, she “now sees the importance of having the buy-in of both senior staff and mid-level managers.”

ANTICIPATED LONG-TERM OUTCOMES

The long-term impact on company culture and competitiveness will depend in large part on how well the new values are communicated and disseminated among staff. Also, the long-term effects will only be measurable if CASSA implements the measurement system.

CASSA anticipates developing a communication plan that reflects and reinforces the new values with its entire workforce. Additionally, the company will work with the Human Resources team to incorporate these values into company policies and procedures.

Several workshop attendees have already begun to incorporate the new values into their team meetings. For example, Mr. Consani explained that he now regularly encourages his team members to propose new ideas for simplifying and streamlining processes. Plus he stresses that innovation (one of the new values) is important not only in his department but also for CASSA.

In the long-term, Tomas Regalado, member of CASSA’s Board of Directors, hopes that “all employees will feel engaged and empowered, like they can make a real difference through their work.” The company expects the following outcomes as the new values permeate the company culture and enhance its reputation:

- » Improved staff satisfaction
- » Increased staff retention
- » More proactive dialogue among stakeholders, such as workers, unions, and management
- » Enhanced relationships with clients and communities

LESSONS LEARNED AND USEFUL TIPS

Everyone interviewed for this case study recommended replicating this project with other companies. Participants made a number of suggestions to ensure success:

- » Obtain the support of the senior team before beginning the process. The CASSA project would not have worked had it not begun with the complete buy-in of senior staff.



Carlos Consani, Chief of Electrical Maintenance, CASSA

CASSA’s new values:

Innovation
Discipline
Responsibility
Honesty
Loyalty
Respect

- » Include as many departments of the company as possible. The mix of departments present at the workshops was critical to the project's success. The new values take into account each area's unique perspectives. Identify and include the specific roles in each department that need to be involved to ensure that the message is transmitted to all workers.
- » Make use of external facilitators. Having a respected outside group or groups (in this case BSR and FUNDEMAS) facilitate the process added credibility and a sense of fairness that an internal team might not have achieved.
- » Communicate regularly with participants and company employees. It is critical to keep all employees informed on the process and its goals.
- » Ensure that the senior team follows-up and pushes the process forward. It is vital for the senior management team to maintain momentum and agree to concrete next steps, such as final dissemination and measurement plans.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.



Eradicating Child Labor - Another World Is Possible Documenting the Salvadoran Sugar Industry's Efforts to Eradicate Child Labor in Sugar Cane Production

Prepared by Kimberly Ascoli under the supervision of Dr. Richard Feinberg,
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April 2010



A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About FUNDEMAS
Fundación Empresarial para la Acción Social (FUNDEMAS) was founded in May 2000 by a group of farsighted Salvadoran businesspeople to contribute to El Salvador's sustainable economic and social development by promoting CSR culture, entrepreneurial behavior, and better-quality education countrywide. Visit www.fundemas.org for more information.

Executive Summary

The Asociación Azucarera de El Salvador (AAES), which represents the nation's refineries, partnered with BSR and FUNDEMAS to systematize the successful efforts of the Salvadoran sugar industry to reduce the use of child labor in sugar cane production. The project culminated with the publication of a manual intended to help other sugar producers and agricultural industries in Central America learn from the Salvadoran experience and replicate practices that may prove useful in their national environments.

In 2004, El Salvador was publicly criticized for employing children on its sugar cane harvest by the nonprofit organization Human Rights Watch (HRW). However, the report titled "Deaf Ears" had not considered the efforts made by the sugar industry to reduce child labor in the sugar fields. In response to HRW's accusations, the AAES coordinated with government agencies and the International Labour Organization (ILO) to integrate and complement previous efforts and developed a strategic long-term plan to reduce and eventually eradicate child labor.

As a result of these continuous efforts and taking into account the data from the Ministry of Education's annual registration census, it was observed that, by 2008, the number of children working in sugar cane fields had decreased by 72 percent vis-à-vis 2003.

Furthermore, the strategic partnership between the private sector, the government, and international agencies is working successfully to increase public awareness of the effects of child labor, and has also helped unify the country's sugar industry toward this goal.

The Asociación Azucarera de El Salvador has drafted its own Code of Conduct and all of the refineries enforce a "zero tolerance for child labor clause" in their contracts with producers from whom they buy sugar cane. In the long-term, El Salvador expects to eliminate child labor in the sugar cane harvest, as well as institutionalize relevant programs and make them sustainable. Additionally, the reduction of child labor has led to an improved image and reputation abroad for El Salvador's sugar industry.

About AAES

The Asociación Azucarera de El Salvador (AAES) is the country's sugar industry trade association. Its goal is to promote and develop a world-class sugar industry in the country. All six of the Salvadoran refineries are members. Visit www.asociacionazucarera.com for more information.

The BSR and FUNDEMAS manual will include tips and recommendations for other agricultural industries wishing to replicate the experience, including the following principles:

- » **Sustainability of Efforts:** Preventing and eradicating child labor requires changing deep-seated cultural habits in society and, hence, demands a long-term commitment nationwide.
- » **Compliance with the Law:** Creating and strengthening mechanisms to ensure awareness of and compliance with national and international child labor laws is crucial.
- » **Developing Partnerships:** Working in collaboration with other sectors and institutions is important because it takes advantage of the knowledge and expertise and it improves the success and contributes to the sustainability of results.
- » **International Acknowledgment:** It is important that international agencies and companies acknowledge the efforts made so that their markets may value “child labor-free” products.
- » **Industry-wide support:** Obtaining the support of the entire refinery industry is necessary in order to apply common standards to all sugar cane growers.
- » **Communication:** Keeping both the population at large and target audiences informed of the industry's efforts and achievements is critical, so that the industry may be acknowledged as a key player in preventing and eradicating child labor in the sugar cane harvest.
- » **Awareness-raising:** It is important to raise the awareness of all value chain members (communities, refinery staff, sugar cane producers, among others) on the need to prevent children under the age of 18 from conducting hazardous work that may damage their health or affect their education.

Opportunity

El Salvador is the smallest, most densely populated country in Central America with close to 5.7 million inhabitants.¹ Agriculture remains an important source of revenue for the country; in 2007 it comprised nearly 11 percent of El Salvador's GDP.² Coffee and sugar are its main exports, with sugar cane cultivation and sugar production jointly representing 2.3 percent of GDP.³ Six large refineries in El Salvador produce refined sugar and other sugar-derived products. These refineries have access to less than 10 percent of the country's sugar cane fields following a land reform that changed the land tenure system and resulted in at least 7,000 independent sugar cane producers who sell their raw product to the mills.

The sugar industry employs more than 48,000 people, including full-time and seasonal workers. Of these, 44,000 work in the sugar cane fields (26,000 full-time and 18,000 seasonal workers), and the remaining 4,000 work in refineries or in other jobs, such as transportation.

El Salvador has repeatedly been signaled out as using child labor in the sugar cane fields, both in the planting and cutting stages. The severity of the problem was confirmed in 2004 with the inclusion of a labor child module in the Registration Census administered by the Ministry of Education that found that more than 12,000 children under the age of 18 worked directly or indirectly⁴ in the sugar cane harvest while attending school.

¹ El Salvador Country Profile 2008. Economist Intelligence Unit.

² El Salvador Country Profile 2008. Economist Intelligence Unit.

³ Asociación Azucarera de El Salvador website.

⁴ “Indirectly involved” means those who accompany and help their parents with different tasks in the sugar cane fields.

Despite threatening the sugar industry's relationships with international buyers, these statistics warned on the need to design a broader strategy to solve the problem. Although some buyers openly stated their decision to stop buying Salvadoran sugar, others showed an interest in joining the effort to reduce this problem and their commitment to conducting audits to monitor country and sugar industry progress, as did The Coca Cola Company.

In response, the AAES increased its commitment to prevent and eradicate child labor and developed numerous internal and external communication channels to publicize progress in fighting this practice together with the ILO and the Salvadoran government (specifically the Ministries of Labor, Education, and Health.).

On the other hand, the decentralization of sugar cane producers in El Salvador (approximately 7,000 counting independent producers and cooperatives) may hamper monitoring of child labor, unless industry efforts and resources are integrated with the corresponding government institutions, such as the Ministry of Labor and Social Protection (MTPS) through coordinated and organized work. This will ensure compliance with the labor law, international agreements, the policy of zero tolerance for child labor, and the sustainability of efforts.

Based on this experience, the BSR and FUNDEMAS project has created a good practice guide for other businesses and countries to be aware of and use in their efforts to eradicate child labor in the agricultural business.

Strategy

The documentation of the Salvadoran sugar industry efforts demonstrates that effective elimination of child labor requires a long-term strategy that capitalizes on the knowledge and expertise of responsible agencies and institutions. The description on the left offers an overview of how the AAES, together with the Ministries of Labor and Education and the ILO, developed and implemented the country's first comprehensive strategy for eliminating child labor in the sugar cane harvest.

The AAES communicated its commitment against child labor to all its buyers, both local and abroad, and provided details of the efforts it was making. As a result, companies that had stated their purpose to stop purchasing Salvadoran sugar reversed their decision and decided to maintain their business relationship with the country, under the condition that the country and its sugar industry would continue along the expected path.

To this end, in 2006 the AAES adopted a Code of Conduct that all the country's refineries endorsed. The code applies to all aspects of their work, including labor hiring, respect for the environment, and respect for ethical principles and regulations. In 2007 all the refineries agreed to require and enforce "zero tolerance for child labor" clauses in their contracts with sugar cane producers. These clauses clearly state that mills will not purchase sugar cane from producers that employ children under the age of 18.

The adoption and application of this set of standards across the industry is another important factor in the success of the strategy, together with the clear message of zero tolerance for child labor communicated to producers and the strengthening of follow-up mechanisms to check their enforcement.

Based on the Salvadoran experience, these essential steps are needed to create a holistic strategy aimed at eliminating child labor:

Recognize the problem.

Understand the problem.

What are its root causes? What are the main obstacles to overcome? What efforts have been made? How do you set your baseline? Which indicators are established?

Determine the main responsible sectors.

How can each contribute to minimizing the problem?

Jointly develop a strategy and implementation plan involving all responsible sectors.

Evaluate implementation. Adjust strategies if necessary.

Communicate efforts.

Regularly share how challenges have been faced and what good practices have been used.

Implementation

The joint national strategy was coordinated by the National Committee against Child Labor, which encouraged the drafting and implementation of the “National Plan to Eradicate Child Labor in El Salvador for 2006–2009”. The Plan deals with the issue of child labor in several areas, including sugar cane production, fishing, and garbage collection, and identifies seven strategic action areas:

1. Strengthening of the legal framework
2. Strengthening of the institutional framework
3. Education
4. Health
5. Recreation, culture, and sports
6. Income increase
7. Communication and awareness-raising

The strength of this plan and its implementation was that it addressed both the social, cultural, and economic root causes that lead to children's work in the sugar cane fields. Also, it approached the problem with long-term and holistic solutions under the responsibility of each of the national institutions, thus building a partnership to solve the issue.

Results

SHORT-TERM RESULTS

All involved sectors interviewed for this case agreed that the partnership among AAES, the Salvadoran government, and the ILO has been extremely successful. The outputs can be grouped into four broad categories:

1. Reduced child labor. The Ministry of Education's registration census, released in 2009, shows a 72 percent reduction in children under the age of 18 who attend school and work in sugar cane fields. Estimated at more than 12,000 in 2004, the number has dropped to fewer than 3,470. In an article published on their website in September 2009 Human Rights Watch recognized the reduction in child labor in the Salvadoran sugar cane harvest.
2. Increased public awareness. El Salvador has successfully raised awareness of the negative impact of child labor, both with the population at large and the families in rural areas that engage in this practice. Through continuous information and awareness-raising, many parents are now aware of the fact that child labor in sugar cane fields damages their children's health and have therefore sought alternatives for them, such as school attendance or other forms of safer, legally-acceptable work.
3. Successful cross-sector partnership. All responsible sectors, (including government bodies, international agencies, and the AAES) agree that joint coordination has enhanced mutual understanding and tangible collaboration among sectors as well as among government agencies. There has been regular and fluid communication and challenges are faced together. Responsible sectors maintain that the strategy has worked well because “there is willingness and a common goal” and that each party contributes to the cause with its own strengths.
4. Increased unity of the sugar industry in implementing zero child-labor tolerance policies. The problem's severity made the Salvadoran sugar industry join forces in relation to this issue and succeeded in making all of the mills' senior management adopt the commitment as their own. An example of this unity can be seen in the AAES Code of Conduct. Likewise, international

“According to official statistics from the Ministry of Education in El Salvador, child labor in the sugar cane industry dropped by 70 percent between 2003 and 2008.”
—Human Rights Watch website, September 2009

sugar buyers have demonstrated their strong support for the AAES campaign by contributing to efforts aimed at reducing child labor.

ANTICIPATED LONG-TERM OUTCOMES

The long-term outcomes will depend on how well the National Plan to Eradicate Child Labor continues to be implemented, on the commitment of national institutions and agencies, and on the collaboration of international agencies.

Work continues regarding six outcomes:

1. **Continued reduction** in child labor until eradication is attained. All stakeholders anticipate that the actions established in El Salvador's National Plan to Eradicate Child Labor will continue to diminish the number of workers under 18 employed in the sugar cane production, and that this is feasible in a 10-year period.
2. Increased institutionalization of the issue within government ministries. **Involvement from different players to eradicate child labor has resulted in significant achievements in the country.** Active involvement from government agencies is key, as it guarantees the sustainability of the outcomes obtained. Moreover, developing partnerships with other players such as non-governmental organizations, private companies, community organizations, etc. is also important.
3. The clear and manifest **commitment of the sugar industry and the government of El Salvador translates into very successful results.**
4. **Government ministries responsible for dealing with this issue must be reinforced**, both regarding the provision of basic social services to the population and the oversight and control of compliance with the laws against child labor. To do so, they must have a budget specific to support their actions.
5. Likewise, **the ministries should establish multidisciplinary technical teams** specialized in the matter, for example, the Child-Labor Eradication Unit (UETI) created by the Ministry of Labor and Social Protection to deal specifically with this issue.
6. **Increased competitiveness** of the country's sugar. There is no doubt that the reduction of child labor has led to an improved image and reputation abroad for the Salvadoran sugar industry. New markets have become available to the industry since the implementation of the National Plan. Similarly, the Public Affairs and Communications Manager of Coca-Cola for Central America explained that "labor and environmental issues represent the competitive edge of the 21st century." El Salvador will become more attractive to socially conscious buyers as its track record improves regarding the eradication of child labor in the sugar cane harvest.

LESSONS LEARNED AND USEFUL TIPS

The BSR and FUNDEMAS manual will share the Salvadoran sugar industry experience with other agricultural industries of the region that seek to eradicate child labor. Specifically, the manual will detail lessons learned and will provide useful guidelines for replicating the experience in other contexts. The main recommendations are summarized below.

- » **Persistence and continuity are key: Addressing child labor is a long-term commitment.** All involved sectors must be clear that child labor is a complex problem to address, and that its transformation requires continuous long-term efforts.
- » **Multisector partnerships.** Partnering with public and private organizations, with civil society organizations, and with international agencies will strengthen the likelihood of success and ensure its sustainability.
- » **Adaptability and flexibility are essential.** All responsible sectors must remain open to changes and be willing to make the adjustments needed in their work plans to reach the common goal of eradicating child labor.
- » **It is crucial to educate and raise the awareness of the public and the responsible sectors about the issue.** All responsible sectors should communicate the same message but adapt it to the different audiences, such as decision-makers, sugar cane producers, rural communities, local leaders, parents, cooperatives, etc.
- » **The movement must obtain support from all members of the industry.** In El Salvador the support of the industry is evidenced by the AAES Code of Conduct and the “zero child-labor tolerance” clause in the contracts between refineries and producers.
- » **The industry should communicate its efforts and the challenges faced.** With the publication of the HRW report, the sugar industry realized that it needed to more effectively communicate its efforts and achievements to eliminate child labor. Preparing CSR reports on a regular basis is one way to inform the public.
- » **Gain the support of international companies.** There are many multinational companies, such as Coca Cola, who seek out products that are free of child labor in their production chains. Socially responsible companies should seek the support of national and international markets that value products made in safe and responsible ways.

About the DR-CAFTA Project

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Development of a Responsible Labor Strategy for Sugar Company Tres Valles

Prepared by Andrea Castillo and Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



FUNDAHRSE

About FUNDAHRSE

FUNDAHRSE is a private development organization aimed at promoting, training, researching, and implementing CSR in Honduras. FUNDAHRSE's membership includes 71 leading companies, both local and multinational. FUNDAHRSE is a member of FORUM EMPRESA, an organization that brings together companies from all over the Americas engaged in promoting CSR. Visit www.fundahrse.org for more information.

Executive Summary

Agriculture contributes 13 percent of the gross domestic product of Honduras, and the country's sugar industry plays an important role in the sector, employing 10 percent of the economically active population. Yet, the industry faces tough competition from dynamic Brazilian and major Asian producers. Unable to influence international prices, the Honduran sugar industry has looked for ways to improve its efficiency and increase investments and output. In this industry that remains labor intensive, especially during the harvest season, firm profitability is directly linked to worker productivity.

Honduras's sugar producers however, face labor problems that can negatively affect worker performance and can risk access to international markets. Despite implementation of some safety measures, occupational accidents remain a frequent occurrence, especially among sugarcane cutters. Burning fields for sugarcane harvesting is also a dangerous activity for workers, as they breathe heavy fumes and often lack appropriate protective equipment.

Of particular concern, child labor remains a prevalent problem. The U.S. Department of State 2009 Human Rights Report states that approximately 170 thousand children between the ages of five and 14 are child laborers in Honduras and are oftentimes found harvesting sugarcane.¹ The report also highlights persistent issues with workers' right of association and collective bargaining. It asserts, "[T]he Ministry of Labor frequently failed to provide effective protection to labor organizers."²

Compañía Azucarera Tres Valles (CATV), one of Honduras's sugar mills, seeks to become a more efficient and responsible sugar producer—recognizing that labor standard violations can jeopardize access to international markets and that implementing responsible labor practices (RLPs) can lead to positive returns. BSR and *Fundación Hondureña de Responsabilidad Social Empresarial* (FUNDAHRSE), a Honduran corporate social responsibility NGO, partnered with CATV to provide strategic recommendations on how to link business objectives and benefits to the implementation of robust labor policies and programs. The project focused on recommendations related to: 1) salaries and benefits, 2) worker quality of life, 3) health and safety, 4) child labor, and 5) freedom of association.

The project's short-term results have included:

- » Improved health and safety conditions for workers and cost savings associated with reduced injuries
- » A renewed commitment to sustainable community development

¹ U.S. State Department. "2009 Human Rights Report: Honduras." March 11, 2010. www.state.gov/g/drl/rls/hrrpt/2009/wha/136117.htm.

² Ibid.

About CATV

CATV started in 1975 as a state-owned enterprise and became a privately owned firm in 1994. The company exports 30 percent of its refined sugar to the international market and has improved its production efficiency by 40 percent in the past 15 years. CATV is an active member of the Association of Honduran Sugar Producers (APAH) and the Sugar Foundations (FUNAZUCAR) and was one of the first sugar mills in Honduras to work with the UN and Japanese technology to generate electricity from sugarcane waste, known as bagasse.



Sugarcane cutters in one of the company's fields

- » Improvements in internal staff and worker communication
- » A clearly defined company vision and policy to guide the implementation of RLPs. Anticipated long-term outcomes could include increases to productivity and further reduction in costs associated with occupational injuries, decreases in instances of child labor, and increased company respect for employees' freedom of association.

Opportunity

The Honduran sugar industry is a vital component of the national economy employing 10 percent of the population and generating more than US\$25 million in paid salaries yearly.³ Private sugar mills own 50 percent of the land, and independent producers own the remaining half, but often rent out their land to the sugar mills. Production has become more efficient in recent years, and with increased consumption and favorable weather conditions, figures from the Central Bank of Honduras state that the U.S. dollar value of exports increased by 39 percent from 2008 to 2009, from US\$20.9 million to US\$29.1 million.⁴

Child labor violations and inadequate safety measures for sugarcane cutters have persisted, in part because of the Ministry of Labor's lack of resources and limited auditing capacity. In addition, cane cutters suffer from bronchial infections, kidney pains, headaches, and hearing problems. Freedom of association is also severely limited because of strong private sector opposition.⁵

When CATV was a state-owned firm, its workers were represented by labor unions and received financial rewards, known as "sugar bonuses," at the end of the year. The company also made financial donations to surrounding communities. Before being privatized and becoming Tres Valles, the union was dissolved, which resulted in a tense relationship between the sugar mill and the worker community. Today the atmosphere has largely improved, but workers still identify areas for improvements in the company. Specifically, employees identify that company decisions should be made more transparently—and suggest that this goal can be achieved through increased communication with managers.

Additionally, although each year the company has increased support for community health, education, and local government organizations, the surrounding community continues to wish for increased corporate contributions to foster community development.

Given company plans to expand production and increase market share, CATV wished to find ways to improve its labor productivity, while working to continue gaining community support and improve its workers' quality of life. CATV worked with BSR and FUNDAHRSE to implement stronger RLPs to help the company achieve better worker-management relations, higher worker productivity, and more collaborative community relations.

³ Ana Gomez. "Honduras: Sugar Annual, 2010." USDA, April 13, 2010.

⁴ Ibid.

⁵

Ayax Irías Coello. "Diagnóstico sobre la producción y las condiciones laborales en la agroindustria de la caña de azúcar en Honduras," Tegucigalpa, Honduras, 2005.

Strategy

To evaluate CATV's labor policies and safety programs and to design a responsible labor strategy, BSR and FUNDAHRSE conducted a series of activities and met regularly with the company's management team to follow-up on recommendations.

As a first step, the BSR and FUNDAHRSE project team researched international labor practices and buyers' expectations in the sugar industry through a benchmark study. The team, together with CATV, then mapped the company's stakeholders and conducted interviews to better understand internal and external stakeholders' concerns and perspectives on responsible labor and the company's performance. The team also conducted a materiality analysis, an assessment of the importance of different issues raised by stakeholders based on impact on business strategy and society.

The BSR and FUNDAHRSE team conducted a gap analysis to understand the differences between "best practice" in each area and the company's current policies and management systems. They also engaged management in an internal exercise to define and establish a company vision. Finally, the BSR/FUNDAHRSE team coached the company's human resources group, who led the project internally, on effective ways to implement RLPs.

Implementation

BSR and FUNDAHRSE presented the findings of the benchmarking study to company management, using examples from Coca-Cola, Pepsi Co., and Nestle to demonstrate the expectations of international buyers regarding suppliers' social practices. The project team also used the example of the Salvadoran Sugar Association's efforts to eliminate child labor and implement other RLPs to show how a regional competitor addressed a pressing social issue and demands from international buyers.

Next, the team mapped the company's stakeholders and conducted interviews to gather perceptions of the company and its policies.

Interviews with management and workers revealed the following concerns:

- » Although there was little opportunity for professional advancement within the company, workers sought more technical and on-the-job training to improve their skills and advance their careers.
- » Employees wanted more education on health and workplace safety.
- » Workers expressed dissatisfaction with low salaries, and lack of transparency around pay scales and of clear, consistent financial incentives.
- » Worker-manager communication, especially regarding salaries, was seen as very poor. Workers also wished to be more aware of the company's objectives and would like to become more involved in the changes needed to achieve such long-term goals.
- » Managers and workers agreed that the company child labor policy was not enforced and that this was a persistent issue in the sugar fields.

In interviews, members of the surrounding community expressed these opinions:

- » The company was recognized as the area's main source of employment, subsequently raising community expectations regarding the firm's financial contributions to community development.

- » More specifically, external stakeholders believed CATV should make more investments in infrastructure, education, and other public services.
- » Community-company communications were seen as weak and reactive. The community wanted to establish communication mechanisms to voice grievances and provide suggestions.
- » During the harvest season, the company was seen as negatively impacting their health and the environment, mainly because of the burning of sugarcane and increased traffic.

Through a materiality analysis using these interviews as input, BSR and FUNDAHRSE ranked issues according to importance to stakeholders and their impact on company success. Five main areas on which CATV should focus emerged: 1) salaries and benefits, 2) worker quality of life, 3) health and safety, 4) child labor, and 5) freedom of association.



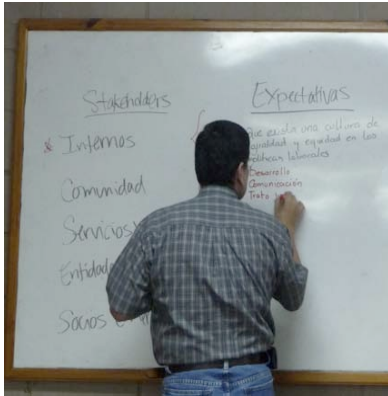
Local consultant during project meeting

With these priorities defined, the consulting team performed a gap analysis to identify specific areas for improvements for CATV. The analysis evaluated existing programs and labor policies and assessed the effectiveness of their implementation. The following gaps in the company's program were identified:

- » The company has the required written labor policies, as mandated by the national labor code, but there is inadequate follow-up or effective implementation.
- » Safety measures and child labor policies are not enforced well enough in the sugar fields, especially during harvest season with temporary employees.
- » There is no effective, consistent communication with employees regarding labor issues. Workers believe the company is not transparent in its decision-making processes, especially with regard to salary and compensation.
- » The company does not have adequate or properly targeted training programs—especially with regard to health and safety—so workers are unaware of the risks of laboring in the sugarcane fields and in the company's mill.

To address these inconsistencies and to improve the company's labor practices, the following recommendations were presented to CATV management who quickly embraced them and began to implement them:

- » **Develop a company-wide, "two-way" system of communication.** Effective management communication should work on all levels of the company, and workers should be able to easily and effectively provide feedback and ideas to managers.
- » **Strengthen a proactive corporate culture.** Workers and managers need to understand their obligations and responsibilities regarding work health and safety. If company policies are not met, CATV must have defined and clear disciplinary measures. Enforcing accountability, following-up on company policies, and conducting evaluations are essential management practices to create a corporate culture that proactively addresses social and labor issues.
- » **Establish a worker-training program for each department.** Each activity performed by employees needs a formal training program focused on health and safety and raising awareness of risk prevention.
- » **Create a culture of continuous improvement.** Improvement should be based on a set of steps that involve: responsible labor planning and goal-setting, program implementation, regular performance measurement and analysis, follow-up actions, and revision of strategies to improve performance.



Company vision exercise

BSR and FUNDAHRSE also worked with CATV management to define a company vision. While defining the vision, managers took into account what various stakeholder groups expected of them and how they would prefer to be perceived by their stakeholders. Aware of stakeholder expectations, managers wished to be perceived as partners in sustainably developing the surrounding communities while generating benefits for the company, its employees, and the neighboring population.

Finally, a coaching session with the human resources team focused on ways to effectively design and implement corporate programs. The session also identified a list of success factors that would help the company effectively execute this project's strategic recommendations, including: 1) obtaining executive and managerial support, 2) developing standardized processes, and 3) holding meetings to evaluate progress and obtain feedback.

Results

Notwithstanding project difficulties due to the serious political crisis in the country, several key results were attained and more are expected to follow given the implementation of some of the specific and targeted suggestions provided to CATV.

SHORT-TERM RESULTS

The company took several steps that resulted in the following significant and immediate positive outcomes:

- » **Reduction in work-related injuries.** Human resources director Luis Colindres says he “used the information from the materiality analysis to conduct an internal risk assessment and analyze work-related injuries.” He identified Frente 2—a specific plot of the company's sugarcane plantation—as the number-one site for accidents for the company in the previous five months.
- » Mr. Colindres focused on implementing new safety measures for Frente 2. He found that inadequate personal protection equipment and technical training led to accidents as cutters often slashed their left shins and forearms. Cutters received protective shin guards and training on sugarcane cutting techniques, and supervisors participated in a safety and hazards workshop.
- » These measures resulted in the reduction of 77 accidents in one month, saving the company more than 7,000 Honduran Lempiras (equivalent to US\$369), based on reduced sick-leave pay and not including savings related to avoided medicals costs. Additionally, the numbers represent the decline from one month to the following only, as the company just recently started analyzing this data as a result of BSR's project. These savings are seen as significant as they depict the potential savings that these types of interventions could have if implemented in all areas of the company.
- » **Focus on community development and sustainability of projects.** Results from external stakeholder interviews led Luis Colindres to explain, “To change the way in which we donate, we cannot simply give money to these communities.” The company will present a detailed strategic community investment plan, which delineates several entrepreneurship opportunities to promote project sustainability, to the community. Ideas for community development include donating chickens so families can start egg-selling businesses and donating pigs to start a butcher shop. Tres Valles also plans to involve the local government in the implementation of future projects, including requesting their financial contribution, to ensure long-term longevity of development initiatives.



Sugarcane cutter with shin guard

- » **Awareness-raising and improved compliance through information sharing and communication of labor policies.** Industrial Engineering Manager Joseph Hernández called a special meeting with his team to share the country's laws against work-place harassment, child labor, and overtime. He stated, "The group was unaware of the existence of these laws," and they decided to share the information with industrial supervisors and coordinators at the end of the busy harvest season. These informational meetings have never been done before and have helped to increase awareness to ensure that engineering staff and workers comply with labor laws.
- » **Defining the company's vision and outlook on responsible practices.** Tres Valles's vision on RLPs was also formalized and documented as follows: "To be a company that promotes strategies with shared benefits, integrated development, and continuous improvements that have mutual benefits for its collaborators and communities to improve their quality of life and allow the sustainable development of the company and a social license to operate." This formal vision will help the company set strategies to achieve its newly defined goals and align this mission with the company's overall strategy. This defined vision can also help guide the company's internal and external communication.
- » **Defining labor policies that support the company's vision.** Once priorities were identified, Tres Valles's management team developed a set of labor policies addressing each of the focus areas. The policies describe the company's position regarding different labor issues, as well as the company's commitment to their implementation and internal controls to ensure proper follow-up to these measures.

As part of its efforts to improve different labor issues within the company, Tres Valles has also drafted an extensive plan with specific action items for the implementation of its various labor policies. For example, the company has begun to standardize the performance evaluation of its employees and implement public recognition programs that reward work achievements. Tres Valles has also created an accessible employee welcome manual that contains information on the company's policies, benefits, and procedures,

In addition, Tres Valles has drafted a communication strategy to improve worker-manager dialogue. The plan outlines various formal communication mechanisms, the message they should carry, how frequently they should be updated, their target group within the company, and the person responsible for managing them.

ANTICIPATED LONG-TERM OUTCOMES

Management is committed to finding the best means to implement better labor practices. Upon the completion and implementation of clearly elaborated labor policies, several benefits should follow:

- » **Increases in worker productivity.** Implementing appropriate trainings, reward systems, and communication mechanisms will reengage workers and improve employee satisfaction with the workplace. According to Manager Luis Guzman, "Technical workshops will be tailored according to each worker's needs." With a more capable workforce, CATV will be able to achieve higher productivity levels.
- » **Enhanced worker participation.** During interviews, company management expressed opinions like "labor unions pose a risk to the company." The company was not open to the idea of freedom of association until recently and now considers the formal representation of workers in management-worker relations as important. Participation in worker associations, like solidarity or cooperative associations—a form of worker association with both labor and management representation funded partly by the company and partly by deductions from workers' wages—or other types of associations are being considered. Although unconstrained freedom of association continues

to be a controversy, these associations could improve communication and create opportunities for workers, for example, by allowing workers to own a small portion of company stock and create a self-financed fund for loans and investments in recreational activities.

- » **Significant reduction in incidences of child labor.** Developing a responsible, proactive, and law-abiding corporate culture will result in more results-driven action plans and improved training for supervisors and coordinators. This change will increase the awareness of company staff about the company's child labor policies and allow CATV to evaluate the effectiveness of its strategies. These efforts, along with improvements in primary school education for the surrounding communities, could eventually lead to sharp reductions in illicit child labor at CATV, helping the company meet international buyers' demands and expectations.
- » **Formation of strategic alliances with external stakeholders to tackle community development issues.** Given management's interest in sustainability and community expectations of the company, partnerships are being developed with Dutch-based international NGO Netherlands Development Organization and the Pan American Development Foundation (PADF) to provide the company with technical expertise to implement appropriate solutions for community development. These partnerships have the potential to create jobs in the community, alleviate extreme poverty, and improve relationships between CATV and its surrounding communities.

LESSONS LEARNED AND USEFUL TIPS

In replicating this project, the following tips can be useful to companies looking to improve their RLPs:

- » **Formalize and document company policies and establish efficient communication channels.** Writing down regulations and internal policies and disseminating them to all members of the company results in more efficient communication. Understanding company policies and clearly communicating them is crucial for the implementation of RLPs.
- » **Conduct interviews with multiple stakeholders.** The successful implementation of strategic RLPs requires knowing the views and opinions of the company's internal and external stakeholders. As seen in this project, results from these interviews can serve as an effective guide for designing a strategic responsible labor program.
- » **Establish a comprehensive approach for reducing illicit child labor.** Some field workers say they allow children because they "feel bad for the family's situation" and that children assist with their families' income. The company should look into opportunities to strengthen the surrounding communities' abilities to provide an alternative for children who are in the workplace (i.e., education programs). Providing viable alternatives for children and raising awareness among parents about the perils of child labor can be effective ways to decrease incidences of child labor in the sugar industry.

About DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.



Labor Conditions and Human Rights in Dominican Sugar Production

Prepared by Evaydée Pérez under the supervision of Dr. Richard Feinberg,
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August 2010

About BSR
A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. For more information visit www.bsr.org.

Executive Summary

International agencies, commercial partners, and the public demand ever more accountability in the treatment of workers and the protection of their rights. Although important, complying with the law does not satisfy concerns. Both international players and domestic producers are held accountable for their actions and their ethics. Companies engaging in monocultures, such as sugarcane, in Central American and Caribbean countries, face particular challenges in maintaining responsible labor practices and protecting workers' rights, and they must strengthen their capacities in both areas.

With increased openness of trade derived from market globalization, further stepped up by the DR-CAFTA, companies in Dominican Republic need to improve labor conditions for their employees. Above all, they need to significantly improve enforcement of workers' rights and standardize the situation of migrant workers. Despite taking various actions to improve labor conditions, the companies making up the Consorcio Azucarero de Empresas Industriales (CAEI) have faced accusations of exploiting sugarcane cutters and violating their rights.

To help achieve these goals, BSR and CAEI designed "Labor Conditions and Human Rights in Dominican Sugar Production," a baseline study of the labor conditions of the company's sugarcane cutters. Establishing a baseline is a first step toward institutionalizing practices that will improve such conditions, while rendering companies more competitive in a globalized marketplace.

The challenge consisted of identifying the root causes that interfere with better life and working conditions for sugarcane cutters, mitigating their negative impact on sustainability and on the company's image, and bringing about enhanced corporate sustainability. An innovative experience for both industry and the Central America and Caribbean region, this project is one of the few examples in the Dominican sugarcane industry where a company has trusted an external organization to conduct a baseline study of its strategies and operations. The company gave BSR unrestricted access to its plantations and bateyes¹ and was fully supportive.

The study gathered data about the actual labor conditions of sugarcane cutters, which were brought into the limelight through the fieldwork and survey conducted among CAEI workers. Using this information and BSR recommendations, CAEI executives examined the reasons underlying their labor problems and identified both preventive and corrective actions to maximize financial and human resources and increase productivity.

¹ Name given to the patio taken up by boilers, warehouses, and dwelling areas for sugar mill and other field workers in the Antilles.

About CAEI

The Consorcio Azucarero de Empresas Industriales (CAEI) was founded in 1859 as a company committed to developing sugar production in Dominican Republic. CAEI is formed by three sugar mills: Caei, Cristóbal Colón, and Angelina. CAEI accounts for 20 percent of sugar production in the Dominican Republic, and it has the longest standing in this industry. For more information visit www.caei.com.

Opportunity

The Dominican sugarcane industry has historically employed migrant workers. Early on many workers came from Puerto Rico, then later many came from the Lesser Antilles and, starting in the 1920s, more were from Haiti. The industry generates some 30,000 jobs each year,² approximately 10,000 of which are seasonal (during the sugarcane harvest period). Most of these workers are Haitian migrant workers, oftentimes with no personal identification documents (a birth certificate, passport, or personal ID) issued by Haiti or the Dominican Republic.



Cane cutting front

A major agroindustrial company in the Dominican Republic, CAEI ranks second as sugar producer and top in terms of longevity and tradition in the sugar industry; it includes members from four generations. CAEI's total headcount of 2,900 employees breaks down into 1,800 field workers, 900 factory workers, and 200 administrative staff. In turn, the 1,800 workers in the field include 1,100 cutters and 700 planters.³ CAEI's production capacity is 80,000 tons per production cycle.⁴ Despite these figures, the company has faced annual financial deficits of approximately US\$10 million that jeopardize its sustainability.

Numerous efforts undertaken by CAEI in the past to improve the labor conditions of sugarcane cutters had not yet had a material impact. These efforts included corporate audits, adult literacy programs, scholarships, health care, and preparatory and elementary education.

With funding by the U.S. Department of State, BSR and CAEI developed a project to study the labor conditions of the company's sugarcane cutters. The two groups saw this as a first step toward improving labor conditions, while rendering companies more competitive in a globalized marketplace.

Potential benefits of a baseline study include:

- » Developing effective systems to manage responsible labor and human rights within the company.
- » Establishing a benchmark against which the company may measure its mid- and long-term impact on responsible labor and human rights.
- » Providing the company with tools and techniques for assessing its management and more easily spotting period-over-period progress.
- » Developing best practices that other companies may replicate.

Baseline

The baseline is the measure of current performance indicators previously selected for the systematic follow-up and assessment of the policies and programs in place.

² Instituto Nacional del Azúcar (INAZUCAR), or National Sugar Institute, 2008.

³ Data supplied during a meeting with CAEI executives, February 2010.

⁴ Ibid.

Strategy

CAEI believes that its future profitability may result from combining increased efficiency in sugar production in order to reduce its costs, with power co-generation and with the sustained growth in the production of sugar and other sugarcane byproducts. It is therefore focused on developing institutionalized systems that ensure compliance with domestic and international corporate citizenship, as well as production and efficiency standards. CAEI's new corporate leadership wants to position the company in the global marketplace and establish environmental and socioeconomic sustainability.

The company has identified six topics related to responsible labor, which are represented in the fundamental International Labour Organization (ILO) Conventions, namely:

- » Freedom of movement
- » Freedom of association
- » Child labor
- » Discrimination
- » Living wage
- » Labor and occupational safety and health conditions



Typical cane cutter's meal

Living Wage

A living wage is the pay sufficient for a worker and his or her family to survive comfortably.

Noteworthy is the company's initiative in the very setting of these objectives. While BSR suggested "minimum wage," the company responded that it already meets the national minimum wage and opted for the higher "living wage."

CAEI and BSR agreed to conduct a baseline study on the labor and living conditions of some 1,200 sugarcane cutters in the Ingenio Cristobal Colón bateyes during the sugarcane harvest time. The study included all six topics mentioned above.

To ensure the truthfulness and completeness of the information being surveyed, the following were considered essential:

- » The company must be closely involved throughout the process (technical and methodological design, logistics, and operating planning).
- » The surveys should be conducted at the cutting front itself, thus ensuring the right target population was addressed (i.e., CAEI sugarcane cutters).
- » The surveyed population should always remain anonymous.
- » The surveyors must be fluent in the workers' language (i.e., their ability to speak both Spanish and Creole, the Haitian dialect) and be able to issue materials in both languages.

Implementation

A team consisting of two BSR consultants, a local consultant, and five Haitian university students settled in the Dominican Republic to survey a population of 1,200 sugarcane cutters. A committee of BSR experts also acted as advisers throughout the process. Moreover, BSR experts in responsible labor and human rights analyzed the survey, the process, the conclusions, and the recommendations made following the study.

The survey was developed as a tool to gather information on the six responsible labor topics included in the study. Each section of the survey focused on a

"This process is just the beginning; it internalizes the problem to build a win-win situation."

—Luis Sanz,
Director of CAEI

“ The project itself has been a challenge and is part of a radical change within the company.”

—Amelia Vicini, VP for Corporate Sustainability with Grupo Vicini



BSR consultant conducting baseline study interview

different topic, in an effort to help respondents feel as if they were engaging in normal conversation.

The team undertaking the survey was trained in perception and survey management techniques to create an atmosphere where cutters would feel at ease and free to speak their minds. The whole process conducted in the field was built upon a fruitful dialogue within a framework of flexibility and trust.

The information was surveyed in six stages:

1. **Preliminary research:** BSR conducted prior research with the company, local players, and international experts to understand all six subject areas.
2. **Development of information-gathering tools:** Questionnaires for local interviews and surveys for sugarcane cutters were developed for the pilot phase. The company reviewed and assessed the questionnaire before the pilot proceeded.
3. **Pilot data gathering phase:** Sugarcane cutters were interviewed in person in various fields owned by Ingenio Cristóbal Colón to test the questionnaire's efficiency.
4. **Information gathering:** Surveys were conducted among the study sample.
5. **Cross-verification of information:** The information gathered was checked against information from other sources, such as hospitals, schools, the workers' partners, statistics and information supplied by experts and by the company to account for the sensitivity of the issues being surveyed and the difficulty of validating all answers as honest and accurate.
6. **Analysis and recommendations:** BSR experts submitted a report summarizing the findings and offered recommendations.

Results

The results of the baseline study were delivered to CAEI through a personal presentation and a written report, in which BSR put forward the following recommendations:

- » **Finalize CAEI's code of conduct** and align its operations with the code.
- » **Assess the wages of sugarcane cutters** and the payment method to make any necessary changes and ensure they receive better pay.
- » **Increase the support to workers' families to prevent them from turning to children to raise income.** This awareness will help safeguard the time children need for study and recreation.
- » **Identify and manage potential alternatives for sugarcane cutters** so that they are issued their national identification documents.
- » **Adjust safety and health practices and policies at plantations** to meet international standards.
- » **Revisit internal communications channels and processes and modify them** as applicable to ensure they are effective and efficient.

CAEI responded favorably to all key recommendations and immediately started to implement corrective actions.



Cane cutter dormitory

“Responsible labor practices are a matter of justice, not of legality. You have to be responsible, whether you win or lose.”

—Fernando Ferrán,
Director for Institutional
Relations

“To the extent we ensure the conditions that encourage workers’ improved performance, the people win and CAEI wins.”

Rafael Velez, CEO of CAEI



Cane cutter working

SHORT-TERM RESULTS

The baseline allowed CAEI executives to:

- » Understand how its labor standards compare to those of the general market.
- » Understand the issue of labor conditions from the workers' standpoint and in their own language.
- » Focus more clearly on the root causes of labor problems and identify preventive and corrective actions to maximize available financial and human resources.
- » Gain an insight of the company's need to have a comprehensive corporate vision (human, social, and productive-environmental capital). A clearly defined vision would allow CAEI to undertake sound, feasible actions before its stakeholders.

ANTICIPATED LONG-TERM OUTCOMES

Potential mid- and long-term impacts identified include the following:

- » **Enhanced market access.** The company could increase their market loyalty. Complying with international standards would let them compete in new international markets (such as Europe). Also they would become regional leaders, and even a role model of sorts. Other companies may try to replicate CAEI's success.
- » **Improved productivity and living conditions.** The company projections indicate a significant improvement in productivity (up to 20 percent approximately), and will train cutters so that they may become more efficient. The company expects to see improved understanding and enforcement of responsible labor and human rights at the cutting front encouraged by the code of conduct and corporate policies. To ensure that labor policies and ethical standards are enforced, the company will increase the efficiency of company follow-up and control systems. The implementation of these initiatives will lead to improved living conditions for sugarcane cutters and their families.
- » **Increased wages.** Cane cutters may achieve a living wage as a result of the review and improvement of the payment system, including increasing total compensation, offering a Christmas bonus and productivity bonus to cutters who exceed the established daily average cane tonnage cut, and potentially offering double pay for work on public holidays (a benefit pending approval by the CAEI Board of Directors).
- » **Provision of company documentation to workers.** The company will issue individual ID cards to cutters hoping to help cutters obtain work permits from the Dominican government for the largest possible number of migrant workers. The company's actions will contribute to the search for regulatory and systemic national-level solutions to manage migrant laborers in Dominican agricultural companies.
- » **Improved labor and occupational safety and health conditions.** The company will create a Seasonal Workers' Unit reporting to Human Resources. The company will provide training on first aid, safety, and protection to field monitors and supervisors; develop a nutritious menu to improve the calorie and protein content in cutters' diet; and provide drinking water at the cane cutting fronts.

THE MAIN LESSONS LEARNED AND USEFUL TIPS

Main lessons learned from this project are the following:

- » A carefully developed, deliberately undertaken baseline study surveying workers' labor conditions and opinions may be useful in improving management-worker relations and productivity. The baseline study on labor

“We should have conducted this study years ago to have a clearer idea of the problem and better understanding of our plan of action.”

—Luis Sanz,
Director of CAEI

conditions of sugarcane cutters at CAEI offered the elements required to stay focused on the problem and on the need to improve workers' well-being. This seemingly simple change helps the company gain allies and has a positive effect on productivity and sustainability.

- » Companies should ensure effective and constant communication between its executives and other workers. Establishing a communication system between executives and workers allows both parties to better understand each others' circumstances and reality. CAEI executives used to establish policies for cutters under a vertical approach in the understanding that they would improve workers' conditions, but failed to realize they needed the workers' feedback on the impact they had. Thus, misperceptions influenced perspectives on both sides. By underscoring the importance of dialogue and cutters' feedback, CAEI has acknowledged the role of effective communication in making the right decisions and not wasting human and financial effort and resources.
- » Documentation for migrant workers. Companies employing migrant workers in seasonal jobs need to champion the establishment of effective documentation and registration systems for them. This action:
 - Greatly facilitates the management and control of these employees. Most CAEI cutters hold no national or company ID and so cannot be adequately registered and are not subject to company policies.
 - Grants fundamental rights and duties. If CAEI workers were issued an ID, the employer-worker relationship would be based on each party's duties to and respect for each other, and therefore would be much more fruitful.
 - It opens up a range of social opportunities for these workers within the company, which reduces their dependence. Under a handout approach, CAEI is the sole responder to their needs. The lack of documentation makes CAEI cutters consider the company the sole option for their survival, with the ensuing increase in the company's social burden.
- » Systems to measure the impact of corporate policies are of the essence for decision-making purposes. In the case of CAEI, attempting to do things right once did not suffice; it was necessary to do them right on an ongoing basis. Throughout this natural, experimental process a company builds a platform to become more efficient in the fields of responsible labor and human rights.
- » Failing to account for their workers' social well-being reduces a company's potential for growth. Companies willing to operate appropriately need healthy employees and so must offer them a proper diet and access to health and other basic services. Meeting these basic needs contributes to improved performance and, hence increased productivity. As a result of the baseline study, CAEI understands the need to move from minimum wage to a living wage. This shift lets sugarcane cutters meet their basic needs and therefore be more productive.

About the DR-CAFTA Project

This case study was conducted thanks to a grant from the US Department of State to BSR for the Project called “DR-CAFTA Responsible Competitiveness.” This project works with growers, workers' representatives, governments, and international purchasers to promote responsible labor practices in DR-CAFTA member countries. For further information visit www.drcafta.bsr.org.

BANANAS





Worker Empowerment in Honduran Banana Production Finca Tropical S.A.

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego
May 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



FUNDAHRSE

About FUNDAHRSE

FUNDAHRSE is a private development organization aimed at promoting, training, researching, and implementing CSR in Honduras. FUNDAHRSE's membership includes 71 leading companies, both local and multinational. FUNDAHRSE is a member of FORUM EMPRESA, an organization that brings together companies from all over the Americas engaged in promoting CSR. Visit www.fundahrse.org for more information.

Executive Summary

Honduras's banana sector grapples with one of the serious problems that drove large multinationals to reduce their direct ownership of the country's farmlands—the rocky relationship of company owners and farm managers with farm workers. As bananas continue to be one of the country's main cash crops, leading producers have sought to differentiate their business by improving management-worker relations. However, the lack of appropriate communication tools and channels to resolve disagreements and bolster worker identification with business goals inhibit progress. In response to this challenge, BSR partnered with local NGO Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE) to help Finca Tropical S.A. improve management-worker communications and drive farm productivity by empowering workers.

The project implemented a series of initiatives aimed at developing employees' technical and interpersonal skills, improving supervisors' people management skills, and developing formal communication mechanisms. The project's overall objective was to strengthen worker representation and create adequate dialogue spaces for employees to help solve the farm's problems.

Immediate outcomes of the project include: 1) formation of a workers' committee that actively engages with management to find solutions to the farm's problems, 2) implementation of formal communication channels between workers and managers, 3) increases in farm productivity, fruit quality, and worker income, and 4) an overall positive change in interactions between managers and workers, which has kept problems from escalating.

Anticipated long-term outcomes for the project consist of continued increases in productivity and quality of the fruit and decreases in farm costs. These positive results can only be sustainable if the banana farm continues to prioritize worker empowerment, invests in the professional and interpersonal development of its employees, and proactively measures the positive outcomes of such initiatives to ensure management buy-in and commitment.

Opportunity

The history of Honduras is marked by fractious relationships between companies and the nation's workers and communities—and the country's banana industry is no exception. In response to these tensions, some large multinationals have decreased their direct ownership of productive land in the country over the past 30 years, opening the way for independent producers who have inherited this legacy of company-worker tension.¹

Banana production in Honduras remained stagnant throughout the 80s and 90s, producing a little more than 1.5 million tons of bananas, and—although

¹ "The World Banana Economy, 1985–2002." Food and Agriculture Organization. www.fao.org/docrep/007/y5102e/y5102e00.htm#Contents

About Finca Tropical

The farm is one of two dozen farms that independently produce for companies such as Chiquita Brands International, Dole Food Company, and Del Monte Foods. Yearly, the farm exports 80 to 90 percent of its production, with the remaining lower quality portion remaining in the local market. Close to 100 percent of the farm's exports are purchased by Chiquita. Because of social and environmental demands of international buyers, the farm today has obtained GLOBALGAP and Rainforest Alliance certifications. The farm also undergoes annual internal social audits administered by Chiquita.

production rose thereafter—the sector now represents a smaller percentage of the country's total exports, totaling more than 54 million dollars in 2008 out of more than 1 billion dollars in exported products.^{2,3} Nonetheless, Honduras continues to be one of the world's top exporters of bananas, and the fruit is still a main cash crop for the nation.

While producers are grappling with the legacy of conflictive company-worker relationships, global brands are requesting third-party certifications, such as that of Rainforest Alliance, that look after workers' rights and worker participation in decision making. Auditors check for institutionalized frameworks that allow workers the freedom to associate and express their opinions, and international brands increasingly base their purchasing decision on the achievement of such certifications. For example, all Chiquita wholly-owned farms in Latin America are Rainforest Alliance-certified, and the company demands the same certification from independent producers.

As a result, leading producers have sought to improve management-worker relations in pursuit of stable productivity and continued access to international markets. However, many managers and workers lack appropriate communication tools and channels to resolve disagreements and bolster worker identification with business goals.

If banana producers in Honduras engage creatively with those farming their lands to jointly make decisions and solve shared problems, the farms could benefit in several ways, including:

- » **Building a better work environment** with more satisfied and productive workers.
- » **Increasing product quality and farm productivity** thus boosting income for owners, managers, and farm workers.
- » **Reducing production cost** per box of bananas produced.

In response to this challenge of maintaining competitiveness and improving responsible labor practices in banana production in Honduras, BSR partnered with local NGO FUNDAHRSE to work with Finca Tropical S.A., a farm with 234 hectares of productive land and 217 employees, to empower workers to identify and implement improvements to the farm's operations. Improving communication systems between workers and managers positively affects the competitiveness and productivity of the farm.

Strategy

To determine how to best engage workers in the farm's activities, FUNDAHRSE and BSR conducted an internal company diagnostic and gap analysis by reviewing production processes and human resources policies and indicators, as well as conducting interviews with a sample of the farm's workers.

FUNDAHRSE and BSR also applied FUNDAHRSE's corporate social responsibility (CSR) indicators tool to assess the weaknesses and strengths of company practices in five different areas: 1) vision, mission, and ethics, 2) workers' quality of life, 3) responsible supply chain, 4) environmental practices, and 5) engagement with surrounding communities. These assessments suggested Finca Tropical could improve management-worker relations by taking these steps:

² "Estadísticas de Comercio Exterior Mercancías Generales Periodos, 2005–2008." Instituto Nacional de Estadísticas.

³ "Países exportadores de banano." Food and Agriculture Organization of the UN. www.fao.org/docrep/007/y5102s/y5102s05.htm



Workers present their ideas for the company's vision, mission, and values.

- » Develop together with the workers' committee the firm's vision, mission, and values, as well as disseminate these concepts internally to reflect the company's commitment to CSR.
- » Continually invest in worker training.
- » Formally plan for annual projects with the community and engage in strategic partnerships in the surrounding areas.

In light of these findings and with their knowledge of international best practices on work empowerment, BSR and FUNDAHRSE, together with Finca Tropical, determined the areas in which improvements to the firm would have the strongest impact on productivity. They chose to focus on developing employees' technical and interpersonal skills, improving supervisors' people management skills, developing formal communication mechanisms, and strengthening the workers' committee to allow the group to help solve the farm's problems. The project aimed to affect all workers of the farm and to institutionalize worker empowerment practices.

Implementation

The project's first step in implementing these practices was to gather background information, both from company documentation and through interviews with management, supervisors, and workers. An analysis of the data collected revealed the following:

- » Although some managers and supervisors felt they personally had good communications with workers, **formal communication channels**, including channels for communicating workers' grievances, were absent.
- » **Workers did not propose ideas or feedback on their work and believed their role was to simply obey orders.** In the words of one interviewee, "A worker is like a child that should obey the orders of his boss."
- » The existing **Comité de Trato Justo**, a committee that represents workers' opinions and is recognized by the Ministry of Labor, was widely seen as inefficient, non-collaborative, and having little influence on the farm's decisions.
- » Although it is improving, **communication between the Comité and management has tended to be a monologue**—either of updates and new directions from management to workers or of inflexible demands from the workers to management.
- » Because of faulty communications mechanisms, **management at times did not obtain buy-in from workers**, and policies addressing production issues were not implemented.

Based on these results, BSR and FUNDAHRSE identified strengthening the Comité de Trato Justo as a top priority. The Comité was increased from 3 to 12 workers, with employees representing different production stages and the farm's different geographical areas. Employees are assigned to the same hectares of land every day and work in groups of two or more; therefore, the committee's increased size and its representative composition guarantee that information is passed and discussed among the workers. Members are chosen through votes by their peers and gather with workers to hear their opinions before meeting with the management team.

The Comité also received training on how to run effective group meetings. The training included tips and tools for organizing meetings, dividing up roles and responsibilities during meetings, facilitating and documenting meetings, and communicating effectively and respectfully.

To set about the efforts of workers and manager collaborating for a common goal, BSR and FUNDAHRSE administered a training session on the definition, purpose, and importance of a company's mission, vision, and values as they relate to creating a company culture that promotes responsible labor practices. As part of the workshop, the Comité members and management worked together through several activities to develop new versions of these concepts that reflect the company's commitment to social responsibility and worker empowerment.

Throughout the project, BSR and FUNDAHRSE also conducted a number of workshops with the farm's management team and with farm supervisors to create an environment that actively encourages worker empowerment and improved communication. Because they interact with workers throughout the farm more frequently than management, supervisors are critical to the successful implementation of worker empowerment practices. The workshops thus aimed at achieving their buy-in to the project and developing their management skills. Workshop topics included:



Stakeholder mapping workshop

- » **Effective communication:** This discussion focused on benefits and challenges of good communication and gave illustrations of efficient channels of corporate communication.
- » **Revision of existing communication mechanisms and creation of new formal communication channels:** This brainstorming session aimed at creating new formal communication mechanisms for the farm and improving existing ones. Ideas included using suggestion boxes and information boards, having more frequent meetings with workers, and formalizing the use of these mechanisms—suggestions the Comité de Trato Justo later approved.

In addition to regular monthly farm visits throughout the project, to ensure proper implementation of recommendations and support the project's activities, BSR and FUNDAHRSE conducted the following workshops with the management team:

- » **Mapping of stakeholders:** Participants learned about the importance of identifying the groups, companies, and government agencies in their sphere of influence whose actions could affect the farm. The workshop showed the benefits of focusing on and investing in the relationship with employees as the first step to improving relationship with other stakeholders.
- » **Best practices in worker empowerment:** BSR consultants defined aspects of worker empowerment and methods to achieve it, and presented its benefits for workers, managers, and owners. The activity also showcased examples of international best practices programs through a benchmarking study performed by BSR.

Results

BSR and FUNDAHRSE conducted several follow-up visits to hear feedback and reflections about the project from workers and management, especially around noticeable changes to communications between workers and management and the impact of new farm policies and practices to promote worker empowerment.

SHORT-TERM RESULTS

These immediate outputs included:

- » In addition to its regular meetings to discuss worker concerns, the **Comité de Trato Justo has evolved** from an organization that limited itself to presenting worker grievances and demands to the company to an organization that provides suggestions to improve the conditions of workers and the firm. The Comité meets once a month to discuss problems and possible improvements to the farm and is summoned by management for problems that need immediate attention. The Comité now runs its own meetings and actively proposes solutions. Already numerous worker suggestions have been implemented and have led to increased productivity and fruit quality.
- » **Managers now regularly meet with supervisors and workers to share the farm's production goals.** Management also implemented a profit-sharing mechanism with workers, where employees receive a year-end bonus when production targets are met.
- » **Workers reported increases in their monthly income,** in addition to the bonus, as a result of higher productivity. They believe this change was largely because the project allowed them to communicate to management ways in which they could improve their work and better perform their tasks.
- » **Management adopted the recommendations of establishing more formal communication mechanisms.** For example, they implemented the above-cited meetings, created suggestion boxes, expanded information boards, and started using loudspeakers in the packaging area to convey messages.
- » **Workers reported an overall positive change in communication with managers.** The Comité de Trato Justo highlighted that “effective communication in all levels of the company” was an important concept promoted by the project. According to them, this new approach has kept problems from escalating. Workers are now more comfortable proactively approaching managers to address issues.

“After spending a significant amount of time improving the work environment, the project has boosted these efforts and now we can sense peace in the workplace.”

—Oscar Quiroz,
Production Manager, Finca Tropical



A Comité de Trato Justo meeting

Workers and managers stated, in interviews, that these significant changes were made possible because of the direct link that worker participation and empowerment have to productivity and fruit quality—which lead in turn to economic gains. One of the workers summed up, “What motivates a person are the money bills.” But workers also commented on the improvements to their work environment once they noticed that their suggestions were being implemented. Mr. Quiroz says that management went from a more traditional management system to interacting with employees through more open dialogue. He states, “With the Comité de Trato Justo [managing employees] is different, it is about interacting with them rather than confronting them.” These changes have also led to an improved image of the farm among neighboring communities, which has attracted a larger pool of applicants for the farm’s jobs and in turn improved the quality of the workforce.

Although Finca Tropical already has a number of social certifications, management stated that the project complements its efforts to maintain its social accreditations. As Mr. Quiroz puts it, “Without the certifications we don’t have

clients.” Worker empowerment plays a crucial role in obtaining these certifications.

In addition, during follow-up interviews, members of the Comité de Trato Justo mentioned that attending the workshops has helped them develop their professional and personal skills. Many also feel proud of being part of the committee and see it as an important leadership role among their colleagues. The farm owner, Mr. José Obregón, welcomed these results and has now defined skills training as a company goal; he believes that, for his company, the long-term process of empowering workers is centered in educating and developing the workforce.

Finca Tropical had its most productive year in 2009, producing more than 580,000 boxes of bananas. Although it is difficult to infer the direct causality of the project on this number, both management and workers agree that this record was largely possible because of their joint work and the improved communication they had successfully established. The company has also seen dramatic increases to the quality of their fruit. Improvements to fruit quality have more direct links to the project’s activities. With strengthened communication between workers and managers, employees now have a better understanding of the company’s production process and can provide suggestions to improve it. These achievements have further fueled engagement with workers, and Mr. Obregón now plans to replicate the project on the three other banana farms he owns. He has also proposed its implementation to the National Association of Independent Banana Producers of Honduras.

“The production of bananas depends one hundred percent on those that take care of it.”

—José Obregón,
General Manager, Finca
Tropical

ANTICIPATED LONG-TERM OUTCOMES

The anticipated long-term results of the changes implemented at Finca Tropical include continued increases to productivity and quality of the fruit and decreases in farm costs. Improvements to fruit quality will also allow the farm to increase the percentage of first-class fruit that is sold at higher prices to the international market and thus increase revenue and competitiveness. In addition to a better work environment, ongoing engagement of workers in the farm’s activities can help guarantee them higher incomes and improved quality of life.

In the future, Finca Tropical can measure these benefits with the indicators developed by the project, which include: production costs per box produced, percentage of rejected bananas during quality control, percentage of first- and second-class bananas, number of banana bunches required to complete one box, and absenteeism and employee turnover rates. Tracking these indicators on Finca Tropical and reporting this information to other farm owners will persuade them that worker engagement and empowerment are beneficial to business, thereby encouraging other farmers to replicate the project.

LESSONS LEARNED AND USEFUL TIPS

Useful tips based on the project’s successes and challenges include:

- » Farm owners should measure changes in productivity and quality of the fruit to increase buy-in from managers and team supervisors. In many banana farms, supervisors and managers are accustomed to only giving orders to workers and do not always see the benefits of worker empowerment and modern internal company communications. Seeing how such projects affect productivity and fruit quality ensures their buy-in, indispensable to the project’s success.
- » Companies should invest in worker training and education. Many employees of banana farms in Honduras have received limited, if any, education. Investing in work-related training and interpersonal skills development can increase workers’ understanding of farm operations and their stake in farm productivity.



- » Companies must ensure that communication mechanisms and worker empowerment programs are used to listen to workers. Pressure from international certifications may lead plantation owners to create communication mechanisms to engage workers. Many times, however, “communication” continues to be a one-sided discourse where managers fail to prompt worker participation. Creating new frameworks for worker empowerment but failing to increase worker participation may exacerbate, instead of alleviate, workplace tensions.
- » Worker committees are useful on large farms for disseminating information to and gathering inputs from employees. The Comité de Trato Justo was a successful mechanism for workers to come together and discuss necessary improvements and for management and workers to implement changes. The committee members also play a critical role in conveying information from other workers to management and vice versa. Communicating progress and engaging all workers would be challenging without a similar organizational format.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.



Building the Capacity for Effective Multisector Dialogue at AgroAmérica, S.A.

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego
September 2010



About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About CentraRSE

Created in 2003, CentraRSE is an organization with more than 100 member companies that belong to more than 20 sectors and subsectors of the economy. They represent around 30 percent of Guatemala's gross domestic product and employ 150,000 families, making up the most influential coalition of companies promoting CSR in the country and one of the most important at a regional level. Visit www.centrase.org for more information.

Executive Summary

Guatemala's banana sector is plagued by conflict between the private sector and labor, a legacy of the country's civil war—the longest and one of the most brutal in contemporary American history. Improved communication and constructive dialogue among farm administration, field workers, and unions can help mitigate the mistrust and yield positive results. Recognizing these potential gains, AgroAmérica—one of Guatemala's largest agribusiness companies employing more than 8,000 workers—worked with the BSR and CentraRSE project team to build a more constructive dialogue at two of its banana farms in northern Guatemala.

The project team implemented a series of workshops to demonstrate the benefits of collaboration and to strengthen participants' communication skills, creating a learning and communication platform for farm administration, field workers, and union representatives. The project team also recommended that the farms implement formal communication mechanisms. Additionally, BSR and CentraRSE provided AgroAmérica with management tools to support the company's efforts to improve communications with internal and external stakeholders.

Although it is challenging to determine the project's direct causality on improvements at the farm, it has contributed to a series of short-term results, including:

- » The creation of new formal communication mechanisms;
- » Increased training for middle managers;
- » Improved dialogue and relations between workers and managers;
- » Development of professional skills for workers and managers;
- » Improved management attitude toward relations with workers that may have helped decrease stoppage time.

Despite these short-term results, the project team and the company were unable to garner support from a majority of the farm workers, who voted (through their union) *not* to participate in the final workshop.

Nevertheless, if AgroAmérica continues to give a voice to its workers, the company can, not only improve workers' lives, but also achieve productivity increases, greater access to markets, and influence the practices of the country's banana sector by showing that business benefits can be achieved through improved dialogue and worker relations.

Companies looking to replicate these efforts should expect that in complex, conflictive social settings, long-term, continuous, on-the-ground interactions are necessary to achieve positive results. Additionally, engaging with external

About AgroAmérica

AgroAmérica has operations in Central America and Mexico, producing bananas, pineapples, and palm oil. The company also owns logistical and service companies, which allow for the vertical integration of the business. The farms participating in the project employ about 420 workers, of which around 350 are permanent workers. The farms' main clients are Del Monte, purchasing the majority of production, and Fyffes.

First U.S. Labor Case Against Trade Agreement Partner

As a potent example of Guatemala's poor enforcement of labor laws, Guatemalan unions, together with the American Federation of Labor and Congress of Industrial Organizations (the AFL-CIO) filed a complaint to the U.S. Department of Labor's (DOL) Office of Trade & Labor Affairs in 2008, under the auspices of the DR-CAFTA trade agreement. The petitioners allege that Guatemala has failed to enforce its labor laws. DOL's investigations found that the Guatemalan government is indeed failing to enforce laws concerning the right of association, the right to organize and bargain collectively, and acceptable conditions of work. Guatemala could face monetary fines of up to US\$ 15 million or trade sanctions if the government is found guilty of repeatedly violating the treaty.

Source: Office of the U.S. Trade Representative

stakeholders to garner internal worker support for such initiatives can be essential for their success. Companies should also consider external third-party project facilitators or organizations that are active within workers' movements to help implement similar projects.

Opportunity

Guatemala's conflictive history has made dialogue among companies, workers, and unions challenging. Even though peace accords were signed in 1996, the social divisions inherited from the country's civil war persist and are powered by unreliable public institutions, corruption, and crime.

This historic perspective has become more complex given the lack of government enforcement of the country's freedom of association and collective bargaining laws, which, the U.S. State Department's 2009 report on human rights describes as "weak and ineffective." According to the report, crimes against union leaders also remain largely uninvestigated, fueling conflicts between business and labor.¹ This situation is evidenced most recently by a labor complaint brought against Guatemala under the legal provisions of the DR-CAFTA agreement and the U.S. government's request for a consultation with the Guatemalan government regarding these issues—the first time the U.S. has taken such action under a trade agreement (see sidebar at left for details). Failing to enforce labor laws negatively influences the reputation of Guatemalan businesses in international markets.

The country's banana sector sees many worker-manager conflicts. Protests and work stoppages have made the industry unstable, especially on Guatemala's eastern coast. However, bananas continue to be a major cash crop for the country—Guatemala is one of the world's top exporters of bananas, accounting for around 7 percent of the world's export, behind only Costa Rica in Central America.²

Banana production remains very labor intensive, and investments in employee programs and labor relations can yield significant business results, such as higher productivity and improved company reputation, while also enhancing workers' standard of living. Improving company dialogue with employees and external stakeholders gives workers and communities a voice and provides opportunities for collaboration and for examination of diverging viewpoints.

Recognizing the potential gains of improving worker relations and communications, AgroAmérica worked with BSR and CentraRSE to build a constructive dialogue among farm administration, field workers, and union leaders in two of its banana farms in northern Guatemala—farms historically plagued by labor conflicts and productivity problems that threatened their closure.

Strategy

To successfully implement a program that would lead to continuous and constructive dialogue, BSR and CentraRSE first engaged with external and internal stakeholders to better understand the context of labor relations at the farms and at the regional and national levels. Meeting with and discussing the project with labor organizations such as the Guatemalan Confederation of Trade Union Unity (CUSG) and Federation of Unions of Workers in the Food, Agro-Industrial, and Similar Industries (FESTRAS), umbrella organizations to which

1 "2009 Human Rights Reports: Guatemala." U.S. Department of State. March 2010. www.state.gov/g/drl/rls/hrrpt/2009/wha/136114.htm

2 "Market Information on the Commodities Area: Banana Market." UN Conference on Trade and Development. www.unctad.org/infocomm/anglais/banana/market.htm#exports. Data is the yearly average from 2002 to 2006.

External stakeholders interviewed included:

Guatemalan Confederation of Trade Union Unity (CUSG)

U.S. Embassy

Commission for the Verification of Codes of Conduct (COVERCO)

Ministry of Labor

Mario López Larrave Foundation

International Labour Organization

Federation of Unions of Workers in the Food, Agro-Industrial, and Similar Industries (FESTRAS)

Internal stakeholders consulted included:

AgroAmérica senior managers

Farm administrators

Farm union leaders and representatives

Farm workers

the farms' union belongs, were instrumental in getting the farms' union leaders to agree to implement the project.

These engagements and the review of company documentation led to the following findings regarding the state of communication at the farms:

- » Farm administration and union leaders met frequently to address issues related to signed collective agreements or problems arising in daily operations.
- » Informal meetings took place among area supervisors and workers to relate daily responsibilities.
- » Meetings too often consisted of zero-sum negotiations, often leading to work stoppages.
- » Prior to the project, the farm administration and union agreed to change some of their key leaders in an effort to improve dialogue at the farms.
- » Workers tended to voice their opinions solely through the union.
- » Workers lacked knowledge about banana production, which made it difficult for them to understand how each worker affected the farm as a whole.

Based on this information, BSR and CentraRSE decided to implement a series of workshops to improve communication at the farms and also to draft recommendations for the company on how to advance beyond the project. Workshops focused on the following topics:

- » Effective communication
- » Improved banana production process
- » Effective meeting management

Once this framework was set, BSR and CentraRSE presented the business case for improved communication to farm and corporate managers. The project team focused on several themes, including:

- » Win-win vs. zero-sum relationships: The project team stressed the importance and benefits of creating long-term constructive relationships with stakeholders that build win-win situations.
- » Virtuous vs. vicious cycles: BSR and CentraRSE highlighted the problems with communications focused on hierarchical relationships and punitive actions and offered examples of behaviors that either build up or erode trust.
- » Business benefits: The project team presented qualitative and quantitative data of constructive dialogue's impact on decreased tensions, increased productivity and profitability, and better firm reputation.

To achieve worker buy-in, BSR and CentraRSE met with the group of union leaders and workers that would participate in the workshops to communicate the project's objectives and benefits. Workers participating in the workshops were chosen by the managers and union leaders based on criteria developed by the project team—which included representation of workers from different production areas, varying years of seniority, and differing viewpoints of the labor situation on the farms.

The project team, together with the farm administration, also called a general workers' assembly to communicate this same message. However, only about 5 percent of the 420 farm workers attended, partly because of floods. To mitigate this low turnout, BSR and CentraRSE communicated the project's objective through posters displayed throughout the farm, a practice continued during the project to communicate workshop activities and topics.

Implementation

The first of BSR's and CentraRSE's workshops was a two-day activity with field workers, union board members, and farm administration—with a total of 25 people in attendance, of which two-thirds were workers. The workshop focused on the following:



Project consultants and farm administration at a participating farm

- » Banana production: The regional manager for AgroAmérica subsidiary Frutera presented the farm's productivity numbers and the phases of banana production—outlining the impact of each employee in the overall value chain. He used the workers' knowledge of their individual tasks to make the session participatory and highlight the fact that workers understand their roles very well but at times lack full understanding of the roles of their peers.
- » Effective communication: The project team discussed how messages are delivered and how barriers can affect communication. The project team also defined effective communication and demonstrated how it can be achieved despite differing interests within a company. Group exercises allowed the different actors to interact while also learning important lessons about communication and working effectively in groups.

At the end of the workshop, project consultants facilitated a discussion as the group jointly brainstormed recommendations for the implementation of effective communication mechanisms for the farms—the first two of which the farm implemented:

- » Install suggestion boxes.
- » Post and regularly update message boards and posters to inform employees of company policies, events, and production goals and achievements.
- » Establish weekly meetings with small groups of workers, as well as bimonthly meetings with all farm workers.

After this activity farm administration and workers participating in the workshop also agreed to a 15 percent increase in the number of boxes produced for the current year, which was later presented to and discussed with the farmers' union.

Following this workshop, BSR and CentraRSE faced resistance from some of the union members and workers who did not participate in the workshop. Although the reasons varied—including distrusting an initiative that was changing the traditional approach to labor relations and feeling excluded for not being selected for the workshops—workers were mainly suspicious that the project's underlying purpose was to destabilize the union and promote solidarity associations in its place. Although the project team had used different means to communicate the project's objective and had asked workers participating in workshops to hold small meetings to transfer information learned during trainings, these actions were not sufficient to gain the confidence of all the workers.

Nevertheless, BSR and CentraRSE conducted a second workshop that was attended by most of the same participants as the first. The second workshop trained attendees on how to conduct effective group meetings. Specific tools taught included: the importance of assigning roles during meetings, basic rules that can be adopted for efficiency, the importance of clearly stating objectives, and evaluating meetings through feedback.

As the project progressed, it continued to face resistance from some groups of workers. Although workers participating in the workshops individually agreed on the project's benefits, they nevertheless voiced opposition when talking with their peers in the field. In the end, the union voted to discontinue the project. BSR, CentraRSE, and AgroAmérica respected the union's decision, which meant



New message board at an AgroAmérica farm

“Prior to the project, workers did not see the administration as a partner, but after the workshops it became evident that the farm and employees are in the same boat together.”

—Anonymous,
Field Worker, AgroAmérica

“After working many years on banana farms, I have never heard of workers sitting down with their superiors to learn together.”

—Anonymous,
Field Worker, AgroAmérica

forgoing the implementation of the project’s final workshop.³ BSR and CentraRSE continued to engage with farm administrators and AgroAmérica’s senior management to finalize the project and provide the company with additional support to strengthen communication at the farms.

BSR and CentraRSE held a closing meeting with AgroAmérica management where the group agreed on a series of formal communication mechanisms to be installed at the farm. The project team also held a meeting with all farm workers to thank them for their collaboration during the time of the project.

BSR and CentraRSE also delivered a number of management tools to assist AgroAmérica in its efforts at improving communication with internal and external stakeholders to give these actors a voice regarding the company’s impacts. Tools provided to the company include:

- » **Internal communication tool** improves dialogue with proposed additional formal communication vehicles and tracking tools that highlight roles and responsibilities to ensure implementation.
- » **External communication tool** outlines the project’s objectives and key messages associated with it. The document guides conversations with external stakeholders about the project.
- » **Stakeholder tool** maps the farms’ external stakeholders. It proposes ways for the company to engage with these groups and outlines opportunities to collaborate to improve dialogue between the company and workers.

Results

SHORT-TERM RESULTS

During follow-up visits and interviews, BSR and CentraRSE staff observed noticeable improvements to the internal dialogue of AgroAmérica’s two farms.

- » **Creation of new formal communication mechanisms.** Based on BSR and CentraRSE’s recommendations, AgroAmérica has installed message boards and continued to use posters to increase communication with workers. Posters are regularly updated to communicate production goals, and message boards communicate company events and recreational activities.
- » **Increased training for middle managers.** Fernando Bolaños, one of AgroAmérica’s owners, stated that the “project highlighted the importance of training middle managers and supervisors, as it made evident the gap between them and workers on the field, an issue the company was not aware of.” As a result, AgroAmérica has signed a partnership with a Guatemalan university to train middle managers on basic management skills and worker communication.
- » **Improved dialogue and relations between field workers and farm administration.** Interviewees agreed that the project strengthened ongoing company efforts to improve dialogue and contributed to favorable changes in management attitude toward worker relations. Workers interviewed said the project increased trust and reduced tensions at the farm. According to one worker, “Prior to the project, workers did not see the administration as a partner, but after the workshops it became evident that the farm and employees are in the same boat together.”

³ A Future Search workshop aimed at raising awareness of the farm’s history, examining differing perceptions at the farm, and forging a common vision to facilitate the achievement of mutual goals was called off after the union vote.

“The project highlighted the importance of training middle managers and supervisors, as it made evident the gap between them and workers on the field, an issue the company was not aware of.”
—Fernando Bolaños, CEO, AgroAmérica

Additionally, the project, through the workshops, created a new platform where field workers and farm administration could interact and debate ideas. A worker expressed how exceptional it was to be sharing this learning space, “After working many years on banana farms, I have never heard of workers sitting down with their superiors to learn together.”

- » **Development of professional skills.** According to participants, the workshops were a source of professional training in effective communication. As an example, one interviewee stated that the skills he developed during the project helped him secure a promotion within the farm’s administration.
- » **Improved management attitude may have helped reduce stoppage time.** AgroAmérica’s two farms are on pace to reach this year’s production goal of one million boxes, making 2010 the farm’s largest production year thus far. As of July, the farm has produced nearly 546 thousand boxes compared to 438 thousand over the same period in 2009.⁴ No direct causality of the project on production numbers can be inferred, but farm administration believes improved communication may be linked to an increase in output.
- » This link is perhaps driven by decreases in work stoppages. This year workers have orchestrated a smaller number of strikes, and the strikes that did happen were shorter than in the past, primarily because workers and farm administration reached agreements more easily. According to AgroAmérica’s senior management lost work time has decreased by as much as 63 percent this year (calculated by annualizing hours lost in 2010 and comparing the figure to total lost hours in 2009). In turn, employees have reported increased income, an average of 27 percent in 2010 compared to 2009 salaries, with average monthly salaries at 3,427 Quetzales (equivalent to around US\$ 420) compared to 2,669 Quetzales (equivalent to around US\$ 330) over the same period in 2009.⁵
- » **Increased investments in infrastructure and land.** Because of greater social and production stability, AgroAmérica reports increased investment in the two farms. Fernando Bolaños stated that, prior to the project, investing in the farms was too risky. Workers have noticed infrastructure improvements, and the company has invested in herbicides, fertilizers, and other improvements to the farms’ lands.

The suggestion boxes installed at the farms are not being widely used; it is not a familiar concept to workers, and farm administration has not clearly explained the process of addressing suggestions and grievances. AgroAmérica has not yet institutionalized formal meetings with workers, still only holding them on demand. Administration reports meeting with union leaders more frequently, but the company has not implemented regular meetings to communicate with farm workers as a whole or with smaller worker groups.

AgroAmérica senior managers may replicate the workshops on one of their Costa Rican farms. Managers have also installed posters and suggestion boxes on all other AgroAmérica farms.

Communication may have been further improved if BSR and CentraRSE had gained the buy-in of the majority of farm workers and had been able to conclude the workshops. The project team was unable to reach and convince most workers about how the project could affect dialogue and how improved communications could benefit them personally.

ANTICIPATED LONG-TERM OUTCOMES

If AgroAmérica continues its management efforts to improve relations and communication with its workers, additional benefits could be achieved:

⁴ AgroAmérica production records.

⁵ AgroAmerica third-party audited accounting records.

- » **Improvements to productivity.** If the company remains focused on using communication mechanisms and management continues to build relations with workers, employee satisfaction could increase and work stoppages could decline.
- » **Greater access to markets.** As productivity rises, so does the company's competitiveness, increasing sales, and market presence. With greater stability at the farms, AgroAmérica can invest in additional certifications and gain premium prices for its products. According to CEO Fernando Bolaños, the company is considering applying for fair trade certification for the two farms.
- » **Improved worker-manager relations in the banana sector.** In an interview about the project, Mr. Mario Illescas, the country's Vice-Minister of Labor, highlighted its importance in preventing social conflicts. According to Mr. Homero Fuentes, Director of COVERCO, an NGO that monitors labor standards in Guatemala, if AgroAmérica continues to forge dialogue with unions and workers, the company can influence other independent producers by demonstrating that it is possible to collaborate with unions and achieve positive business results.

LESSONS LEARNED AND USEFUL TIPS

This project's implementation provides lessons for firms working to improve dialogue with unions and workers.

- » **Reaching numerous workers through workshops.** Much of the pushback encountered by BSR and CentraRSE had to do with workers' conceptions regarding the project's objective, partially attributed to the small number of workers trained during brief one- to two-day workshops. Incorporating more workers into more extensive trainings would allow for wider and more persuasive dissemination of the project's contents. This approach would entail more intensive activities and deeper financial investments. In complex, conflictive social settings, intensive on-the-ground interaction is necessary to change behavior. To achieve results, communication cannot be limited to union leaders but must reach the workforce and obtain their majority buy-in.
- » **Choosing an external project facilitator.** During follow-up interviews some internal and external stakeholders stated that CentraRSE and BSR were organizations that represented the private sector's interests and not those of workers. It is important to acknowledge these perceptions as they influence project outcomes. In situations where relations between administration and workers are delicate, companies should consider external project facilitators or even organizations that are active within the union movement to assist in the project's implementation.
- » **Linking communication and increased worker income.** One way to garner support for similar projects is to demonstrate the impact of improved communication on productivity and, hence, employee income. If employees can identify tangible individual benefits, they are more likely to participate in the project's activities.

About the DR-CAFTA Project

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Occupational Health and Safety System in Costa Rican Coffee Production

Consorcio de Cooperativas de Caficultores de Guanacaste y Montes de Oro R.L. (COOCAFE)

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About AED

AED encourages building CSR principles into business management models. It serves as a channel for companies to make strategic, socially-responsible investments and promotes public-private **partnerships**. AED has accompanied the Costa Rican business sector in self-evaluation processes, encouraging companies to build best practices into their management systems. Currently, AED's membership includes more than 80 business firms. As a Costa Rican chapter, it acts on behalf of major international organizations. Visit www.aedcr.com for more information.

Executive Summary

Supporting more sustainable environmental and social standards in the coffee supply chain, international coffee certifications present an opportunity for farmers to differentiate their coffee and gain access to premium prices. However, small producers generally lack the training and knowledge to respond to these demands and are often unable to implement responsible labor practices on their farms. In response to this challenge, BSR and Asociación Empresarial para el Desarrollo (AED) partnered to develop an educational system for improving health and safety practices at the farm level, in collaboration with the Consorcio de Cooperativas de Caficultores de Guanacaste y Montes de Oro Responsabilidad Limitada (COOCAFE), a consortium of 10 coffee cooperatives in Costa Rica.

Coopellanobonito, one of COOCAFE's cooperatives, was chosen to implement a robust health and safety program and to serve as example for the consortium's cooperatives. BSR and AED adopted a peer education or "train the trainers" strategy to reach producers' communities and conducted a two-day health and safety training workshop to jump-start the education of community leaders, who would disseminate the information among their peer producers.

The project's immediate outcomes include these benefits to producers: 1) greater awareness of risks associated with coffee growing and increased knowledge of prevention mechanisms, 2) safer storage and management of agrochemicals, 3) application of personal safety measures, and 4) formation of community committees to disseminate lessons learned during the project.

Anticipated long-term outcomes for the project consist of continued access to premium international markets for coffee producers, reduction of medical costs, and increased labor productivity as a result of fewer injuries and reduced intoxication of agrochemicals. These beneficial long-term outcomes can only be guaranteed if the individual coffee cooperatives and their consortium prioritize issues of health and safety, dedicate adequate resources for the implementation of health and safety programs, and, collectively, assist their small farmer members in bearing some of the costs associated with implementing responsible labor practices. The "train the trainers" program can be an effective tool for improving health and safety throughout Costa Rican co-ops—which are responsible for processing 40 percent of the national coffee crop¹—impacting the industry's competitiveness at large, if widely and effectively implemented.

¹ Roberto Mosheim, "Efficiency and Survival: The Impact of the International Coffee Agreement's Demise on Costa Rica's Cooperative Coffee Processing, 1988–2005." *Annals of Public and Cooperative Economics*, Vol. 79, No. 1, pp. 79–106, March 2008. <http://ssrn.com/abstract=1093432>

About COOCAFE

With more than 6,000 small producers grouped in 10 independent cooperatives and employing more than 30,000 seasonal workers, the COOCAFE consortium generates economies of scale and supports coffee coops with sales, marketing, and access to new markets. COOCAFE producers are spread throughout six of the country's seven districts.

Efforts to obtain fair trade certifications have been part of the consortium's goal since its founding in 1988. The consortium's mission is "to provide farmers and their families a better quality of life and to be socially and environmentally sustainable."

A study conducted by INCAE (Central American Institute of Business Administration) found the health and safety of workers deteriorates during harvest season, as the coffee must be picked in a limited timeframe. The study also pointed out that coffee farmers direct most of their resources toward ensuring the high quality of their beans, giving lower priority to improving labor practices.

Source: "The Role of Labor Practices in the Central American Coffee Sector". INCAE. (Unpublished)

Opportunity

Coffee continues to be Costa Rica's main cash crop, accounting for more than \$300 million in export revenues (2008) and employing more than 70,000 growers.² However, in response to the changing demands of international markets, the production and marketing of Costa Rican coffee has transformed dramatically within the last two decades.

International brands search the globe for premium beans to supply top consumer markets—and for product from farms that can pass certifications for sustainable environmental and social practices. Global buyers often provide technical assistance producers to add value to their coffee crops and to implement sustainable agricultural techniques. Costa Rican coffee farmers work hard to obtain international certification systems such as Starbucks's C.A.F.E. Practices certification and to pass UTZ certified audits.

In their training and auditing, "fair trade" systems tend to emphasize production techniques and environmental sustainability. However, they often lack an effective mechanism for promoting and enforcing responsible labor practices within the cooperative system. As a consequence, many coffee farmers—whether as family landowners or wage employees—lack adequate training and knowledge to fully implement responsible labor practices. Failing to grasp the risks associated with coffee production, many farmers, especially smaller and medium-sized producers, fail to implement prevention mechanisms that could avoid costly accidents and prevent serious health problems.

If Costa Rican coffee producers improve their responsible labor practices, in particular health and safety practices at the farm level, they could benefit in several ways, including:

- » **Increasing international competitiveness**, by improving the likelihood of attaining brand and audit certifications, thereby increasing access to higher prices for beans that meet both quality and social criteria.
- » **Increasing firm competitiveness**, by reducing health and safety risks and thereby raising worker satisfaction and productivity and driving down medical expenditures and costs.

In response to this challenge of implementing and improving responsible labor practices in coffee production among smaller producers in Costa Rica, BSR partnered with local NGO AED to develop a system for improving health and safety practices at the farm level, in collaboration with the Consorcio de Cooperativas de Caficultores de Guanacaste y Montes de Oro R.L. (COOCAFE), a consortium of 10 coffee cooperatives with more than 6,000 small producers.

Strategy

Through visits to COOCAFE member cooperatives and interviews with COOCAFE staff, BSR and AED conducted a gap analysis that revealed the following challenges:

- » **Remote sites:** The structure of Costa Rica's long coffee supply chain allows farmers in remote locations to drop their beans off at collection points, but maintaining communications, providing training, and ensuring implementation of responsible labor practices is more challenging at these remote sites.
- » **Limited resources:** COOCAFE co-ops include many small farmers with very limited resources, who are unlikely to implement health and safety measures

² Ronald Arce et al. PROCOMER. "Estadísticas de comercio exterior de Costa Rica 2008". May, 2009.

On Choosing Coopellanobonito

The coop presents many of the challenging characteristics found in other COOCAFE cooperatives. Its farms are distributed along a mountainous 10-kilometer radius and its drop-off points inhibit communication with producers. The coop is located in the region of Los Santos, an area that receives 11,000 migrant workers from Panama and Nicaragua every year. Coopellanobonito producers hire this migrant labor force during the harvest season. Like other COOCAFE coops, Llanobonito will soon undergo audits for certifications. At present, the coop is Fair Trade and C.A.F.E. Practices certified.



Producers during a two-day workshop administered by ILO-certified technician

that require up-front investment expenditures, in the absence of support from COOCAFE or another external agent.

- » **Lack of audits and training:** The national Ministry of Labor, short of personnel assigned to the agricultural sector in general and coffee farming in particular (with only 90 auditors for all sectors nationwide), rarely administers audits and trainings at COOCAFE's small farms. Indeed, labor laws do not apply in the case of family farms, where there is no employer-employee relationship.
- » **Lack of emphasis on labor issues:** International coffee brands focus more on quality and environmental issues than on labor issues in the COOCAFE region, such that filling the gap for responsible labor practices remains a challenge.
- » **Migrant workers:** Hired during harvest and usually traveling with their families, seasonal migrant workers are rarely formally contracted, and therefore are at a disadvantage when accessing health care—they may not even be covered for work-related injuries. They also suffer from poor housing and sanitation facilities and lack of ready access to potable water.

The BSR and AED determined that, in the area of health and safety, the main challenges were: 1) deficient knowledge regarding the administration and risks of agrochemicals; 2) hazardous storage of agrochemical substances; 3) lack of health insurance for both farm owners and wage laborers, including seasonal migrant workers; and 4) poor housing conditions for hired workers during the harvest season.

Furthermore, the gap analysis, through interviews with producers, narrowed down the root causes for these health and safety problems: insufficient education and training regarding the risks associated with coffee farming, especially exposure to agrochemicals; cultural factors, including inertia associated with traditional farming practices and a certain *machista* disregard for physical risks among male farmers; and lack of resources to invest in preventive measures even where farmers had some awareness of associated risks.

In light of the large and dispersed membership of COOCAFE, the AED, BSR, and COOCAFE partnership decided to adopt a peer education or “train the trainers” strategy. They selected one of the 10 cooperative federations, Coopellanobonito, with its 600 producers, for a robust training program that could model the positive benefits of institutionalizing a health and safety program and, ultimately, persuade both COOCAFE and its other nine member cooperatives of its value. The partnership also wanted to convince COOCAFE to insert the program into its management systems and make it part of the services routinely provided to its associated producers.

Implementation

The partnership adopted a “train the trainers” model as a cost-effective means of reaching large numbers of Coopellanobonito cooperative's 600 producers. The cooperative divides itself into 10 main communities, and so the goal was to train leaders from each community who would, in turn, disseminate information on health and safety among their peer producers. BSR contracted ILO-certified trainer Mr. Carlos Acuña with expertise in health and safety, to deliver a two-day workshop. This first training was attended by 19 producers, representing seven of Llanobonito's 10 communities. Training topics included:

- » The importance of health and safety, including first aid and security policies for workers
- » Women's health and general worker health and hygiene
- » Use, care, and maintenance of tools



Workshop with COOCAFE co-ops to relate Coopellanobonito's progress

- » Health impacts, protective equipment, storage, labeling, and proper disposal of agrochemical

Following the workshop, the partnership agreed on this work plan:

- » Continue health and safety trainings.
- » Incorporate health and safety issues into the cooperative's regular community meetings (Comites de Apoyo, or Support Committees). Coopellanobonito conducts two such meetings per week, thereby reaching all ten of its communities in five weeks. The agronomist of Coopellanobonito, Mr. Jorge Ortiz, who leads such grassroots dialogues, reported that the first five community meetings had been successfully completed.
- » Develop community leaders through the health and safety trainings. Agronomist Ortiz has developed special training materials for these purposes, drawing on the experience of the first training workshop and his years working with cooperatives.

A second workshop, conducted by Ortiz to inform COOCAFE coops of the progress registered by Coopellanobonito, was attended by 16 managers and personnel of eight COOCAFE cooperatives. The workshop let co-op staff debate how they would implement the program within their own cooperatives.

Results

Following the training workshop in Coopellanobonito, BSR and AED staff undertook a follow-up site visit, and witnessed visible improvements by co-op farmers that had participated in the workshop.

SHORT-TERM RESULTS

The immediate outputs included:

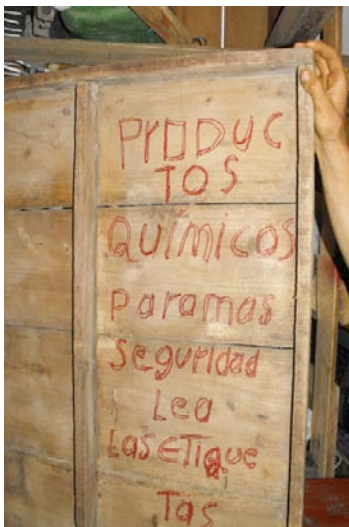
- » Safer storage for agrochemicals (see photos on next page)
- » More careful organization of warehouses and safer storage of tools
- » Removal of food items from warehouses where agrochemicals are stored
- » Purchase of new personal protection equipment (PPE) for agrochemical application
- » Application of personal safety measures, such as taking showers immediately after applying agrochemical and washing clothes used during agrochemical application separately from family clothing.
- » Creation of community committees where leaders from each of Coopellanobonito's main communities disseminate the lessons learned during the project to other coffee producers.



Before and after pictures of one of Coopellanobonito's farmer's warehouse

In interviews, the co-op members attributed their enthusiasm for training sessions, and immediate implementation of corrective measures, to several factors. With enhanced awareness of the risks associated with coffee farming, producers had become more concerned with the health and safety of themselves and their families engaged in the business. The farmers were also more aware that certification systems and the associated price premiums required not only sustainable environmental practices, but also responsible labor practices. A manager at Coopellanobonito asserted that, asserted that “no one will get us, cooperatives and producers, out of this challenge but ourselves, and the pool of customers will only get smaller as years progress—unless co-op members achieve certifications.”

In addition, farmers expressed a willingness to protect seasonal hires. As a farm owner remarked, “It will be a financial sacrifice, but now we know how to protect ourselves, and it will be more expensive to treat a worker if he becomes sick.” At the same time, the follow-up visit underscored that implementing more costly preventive measures continues to be a challenge.



Example of inexpensive improvements: A farmer built a wooden structure for storage of agrochemicals and labeled it: “Chemical products, for increased safety please read labels.”

A critical project achievement is the successful testing of the “train the trainers” model for the diffusion of health and safety and the incorporation of that module into an ongoing technical education program and its associated peer education network. As was the case with Jorge Ortiz, the agronomist of Coopellanobonito, each co-op agronomist who will conduct technical training sessions is already well-known and respected among co-op members. Farmers are more receptive to their advice than, for example, that of a random health inspector who might visit the farmers sporadically. Moreover, it is more cost-effective for agronomists to deliver the health and safety module than to circulate an expert, and convene the farmers, for that sole purpose.

The project also successfully leveraged the existing peer education system, whereby representatives from each of the base communities pass workshop information on to their community neighbors during the regularly scheduled Support Committee meetings. Existing social networks—channels of cooperative solidarity—offer a familiar and trusted venue for training in responsible labor practices.

The ongoing training programs and social networks of Coopellanobonito, into which the new health and safety training is embedded, provide the institutional mechanisms for project sustainability. Mr. Alvarez Gómez Ferreto, manager of COOCAFE, stated his willingness to continue the project among remaining cooperatives. Contingent on its final results, COOCAFE plans to continue the implementation under consortium management so that the cohesion and information-sharing platform implemented by BSR and AED is not lost.

ANTICIPATED LONG-TERM OUTCOMES

The anticipated long-term outcomes of the changes made by farmers include continued access to premium international markets for their coffee production, reduction of medical costs, and increased productivity as a result of fewer injuries and reduced intoxication of agrochemicals. Anticipated long-term impacts will result in increased international and increased firm competitiveness for the cooperative farmers.

To continue to persuade farmers of the value of training and investments in health and safety, COOCAFE could develop and track metrics to better quantify impacts. COOCAFE will need external technical assistance to accomplish this challenging task. Some health and safety metrics that could be collected include: number of work accidents per year (including cases of intoxication), critical noncompliance found in external audits, percentage of permanent and seasonal workers covered by health insurance, number of workshops dedicated to health

and safety, and percentage of houses or dormitories for seasonal workers with access to potable water.

LESSONS LEARNED AND USEFUL TIPS

Useful tips based on successes and challenges of the project include:

- » **Cooperatives should use existing communication channels with small producers to implement health and safety trainings.** A challenge in implementing health and safety systems in coffee co-ops is the farms' remote locations. Cooperatives should use established communication links, for example, those used to provide farmers with technical assistance, to educate producers about health and safety issues.
- » **Cooperatives should emphasize the gains for producers associated with responsible labor practices.** Trainings should highlight the advantages of responsible labor practices in achieving certifications and price premiums. This positive incentive motivates them to implement health and safety practices. Emphasizing that prevention mechanisms lead to cost reductions for the farm is also effective.
- » **Cooperatives, consortiums, and international coffee buyers should assist small producers with investments in health and safety.** Small producers are less likely to implement costly health and safety measures. The costs of personal protective equipments, improving access to potable water, and improving housing conditions of seasonal workers must be shared—for example, with coffee consortiums and co-ops, with international brands selling to socially conscious consumers, or with Costa Rican government agencies. One option would be to transfer financial resources to small producers on the condition of improvements to health and safety.
- » **Cooperatives should reach out to the country's Ministry of Labor and related agencies for assistance and access to education materials.** Frequently, government agencies do not have adequate resources to provide workshops and educational materials to small farmers, but they often have developed relevant training materials (i.e., posters, brochures, and presentations) on health and safety. Organizations could replicate these materials and distribute them to employees and associates. If the country has an International Labor Organization office, as Costa Rica does, they are also likely to share useful materials with cooperatives.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

Child Labor Eradication in Nicaragua's Coffee Zones

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About uniRSE

The Fundación Unión Nicaragüense para la Responsabilidad Social Empresarial (uniRSE), is a business agency, working in Nicaragua in the field of CSR since 2002. uniRSE cooperates on this issue with other agencies at the national level. At the international level uniRSE is a local chapter of the World Business Council for Sustainable Development (WBCSD), headquartered in Geneva, Switzerland, board member of FORUM EMPRESA (the CSR umbrella body in the Americas), and a member of the Central American CSR Network. Visit www.unirse.org for more information.

Executive Summary

Nicaragua's constitution prohibits children younger than 14 from working and limits the work of young people aged 14 to 17 to jobs that do not endanger their health and safety. In spite of this, traditional practices of employing children during the coffee harvest season continue to be widespread.¹ On the other hand, as international buyers increasingly demand certifications that forbid child labor, Nicaraguan coffee growers that export to international markets seek solutions to combat child labor in their farms.

The government, along with the International Labour Organization (ILO), UN International Children's Emergency Fund, and international NGOs, has implemented educational programs to discourage child labor on coffee farms.² Nevertheless, and despite some gains, the sector still employs thousands of children.³

Fundación Unión Nicaragüense para la Responsabilidad Social Empresarial (uniRSE), a Nicaraguan NGO, partnered with BSR to document successful efforts at eradicating child labor in the country's coffee plantations and to promote their replication. Through various farm visits and interviews, the BSR and uniRSE documentation shows that child labor can be reduced at the farm level through several initiatives, including supporting and sponsoring educational programs for children; training parents on the hazards of children working in farm settings and raising awareness about the importance of children's education; implementing certification programs in farms and cooperatives; and forging cooperation alliances among farms facing child labor issues.

The ongoing project will organize a national forum to disseminate information on the benefits of eradicating child labor. Anticipated outcomes of the project include the formation of new local partnerships to tackle child labor, dissemination of good practices in child labor eradication, and, pending a decrease in the number of children working in Nicaraguan coffee farms, an increase in the sector's international competitiveness.

Opportunity

Nicaragua is the second poorest country in Latin America, with a (GDP) per capita of a little more than one thousand dollars (in current US\$).^{4,5} Nicaragua has also suffered a demographic explosion—approximately half its citizens are younger than 18.⁶ Many impoverished families in rural Nicaragua depend on their

¹ Political Constitution of Nicaragua, Article 84.

² Comisión Nacional para la Erradicación Progresiva del Trabajo Infantil y Protección del Adolescente Trabajador (CNEPTI), January 2008.

³ "Worst Forms of Child Labor in Nicaragua." www.globalmarch.org.

⁴ International Labour Organization, "IPEC en la Región." Nicaragua, Contexto Sociodemográfico, 2002.

⁵ The World Bank. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

⁶ Human Development Index Report, 2009.

The ILO defines hazardous child labor as “work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children.” Additionally the organization defines hazardous child labor as “work in dangerous or unhealthy conditions that could result in a child being injured and/or made ill as a consequence of poor safety and health standards and working arrangements.”

Source: International Program on the Elimination of Child Labor

Labor issues, specifically child labor eradication, have grown in the U.S. government’s global agenda. In a recent statement to the House of Representatives, Sandra Polaski, Deputy Undersecretary for International Affairs of the U.S. Department of Labor and a leader in the Obama Administration in international labor policy, asserted that the United States is improving efforts to reduce exploitative child labor. “The [Bureau of International Labor Affairs,] ILAB has been a leader in the worldwide effort to eliminate the worst forms of child labor. Congress has made this work possible by appropriating approximately \$780 million for this purpose since 1995. In the Obama Administration, we are placing a much greater emphasis on addressing the root causes of child labor,” said Polaski.

children’s work for survival. The coffee sector, which composes 5 percent of the national GDP and generates a third of rural employment, is one of the largest contributors to the most perilous forms of child labor.⁷ Harvest season coincides with primary schools’ vacations and, according to some NGOs, coffee growers employ around 65,000 children every year.⁸

Large Nicaraguan coffee growers such as Ramacafe and Nicafrance have strong incentives to obtain internationally recognized certifications such as that of the Rainforest Alliance and UTZ to obtain direct access to higher international prices—and therefore must prohibit child labor. Small farms, such as El Negrito, often also have indirect access to the international market through certified cooperatives and associations such as Asociación Pueblos en Acción Comunitaria (APAC). APAC, for example, is a member of the 4C Association and upholds its socially responsible code of conduct. The organization is also certified by the Ministry of Agriculture and Forestry’s (MAGFOR) *buenas prácticas agrícolas*. Both systems forbid child labor at the farm level.

However, with certification demands being driven largely by international markets and the national Ministry of Labor lacking necessary resources to enforce labor law compliance, farms that sell solely to the national market for local consumption and do not belong to cooperatives lack incentives to eliminate child labor. Additionally, on isolated coffee farms, children do not have viable economic and social alternatives to working at the farm and contributing to their family’s income.

Given this complex situation, the aforementioned successful companies that have obtained higher yields and prices without resorting to child labor function as models to farms that currently hire children. The good practices of some of these model farms have been documented by uniRSE and BSR and will be disseminated through a national forum for coffee producers. The key goal is to inform other coffee farmers of these examples and promote their replication.

Strategy

The project began by documenting the efforts of Ramacafe, a large Nicaraguan coffee-growing company that has successfully improved its workers’ lives through strong responsible labor practices. As documentation efforts developed and uniRSE and BSR consultants conducted field visits, the project scope expanded to include the efforts of small and medium growers to capture and disseminate information reflective of coffee farmers who vary in size and run their businesses in different settings.

During visits to 13 farms, uniRSE and BSR consultants gathered data to identify good practices in child labor eradication and the challenges different farm initiatives face. The consultants:

- » Interviewed coffee farm owners, children, and parents benefiting from the farms’ social programs.
- » Verified the infrastructure necessary to run effective programs to avoid child labor and farm documentation related to responsible labor activities.
- » Conducted randomized interviews with supervisors and employees to gather opinions on child labor, as well as to assess the current situation of each farm.

⁷ Sanchez, Marco, and Rob Vos. “Liberalizing Trade, and Its Impact on Poverty and Inequality in Nicaragua.” UN, 2009, p. 4.

⁸ “Worst Forms of Child Labor in Nicaragua.” www.globalmarch.org.

La Virgen: An Example

A large coffee farm of 35 families near Matagalpa, La Virgen is owned by Ramacafe, sells directly to powerful buyers such as Starbucks and Illy Coffee, and has Rainforest Alliance, UTZ, and Fair Trade certifications. With sizeable investments, child labor has not existed at La Virgen since 2006 when it was certified. The farm focuses on four areas to help combat child labor:

Education: The farm runs a primary school with a 100 percent retention rate.

Health: A full-time nurse runs a medical center. The farm employs a dentist part-time and offers 84 days of paid maternity leave.

Infrastructure: There is a small inn for guests and eco-homes for 35 families on-site.

Environment: Children design labels for trees and create signs posted throughout the farm to encourage recycling.



School at La Virgen farm

Implementation

The BSR and uniRSE team conducted two sets of field visits to coffee farms. The visits took place at different phases of coffee farming, but not during the peak of the coffee bean harvest, when the most workers are present. The consultants documented the different program implementation challenges faced by both large and medium farms (with more than 50 employees, including temporary workers during harvest season) and small ones (with fewer than 50 employees).

The majority of the large farms had financial incentives from international certifications to enforce a no child labor policy. Large and medium farms also have more resources available to implement social programs that provide children with alternatives to working in the fields. The project team found that large and medium farms that have had successful experiences in eliminating child labor have implemented the following programs:

- » **Educational programs and improved infrastructure:** Farms have schools and recreational activities for children and intensify those during vacation time. Many farms also run clinics and cafeterias for children on their property. Some support their local middle and high schools so that children can continue their education.
- » **Awareness raising and training:** Some farms conduct regular educational meetings with workers about the risks of child labor and the importance of schooling their children. Many farms, especially those that have obtained certifications, focus more broadly on social responsibility and administer worker-training sessions on various responsible labor and environmental topics.
- » **Established alliances:** Some farms partner with foundations, NGOs, commercial partners, and government agencies to implement and guarantee the sustainability of their social programs.

The BSR and uniRSE project team also witnessed the lack of resources of small farms, which are oftentimes family farms, necessary to implement responsible labor programs. Many farmers view farmwork as part of their historic culture, lack knowledge about the perils of child labor, and are rarely inspected by the Ministry of Labor. As a small coffee farmer explained during an interview: "I am not worried about having children help out during harvest season because no one checks up on us and children are the best cutters. It's a tradition."

Some small farms, however, have taken actions to combat child labor. Often times these farms have been certified or are in the process of obtaining social certifications. Some of the implemented programs include:

- » **Farm policies against child labor:** Some farms have written policies prohibiting child labor and have hiring requirements to guarantee the implementation of such policies.
- » **Collaboration with other farms:** Small farms partner up to sell their coffee jointly and access better prices and markets through organizations such as APAC, which provides financial services and other assistance services to small farmers, or through farmer cooperatives. These organizations usually have a social agenda that promotes responsible labor practices, giving small farmers access to these topics.
- » **Assistance to local communities:** Although this is done less frequently and on a smaller scale compared to large and medium farms, owners of some small farms contribute money to local schools, award scholarships, and grant loans to workers' families. Many times these community outreach programs are the result of Fair Trade certification, which requires its social premium to be invested in community development projects.

A Small Farm's Commitment

Although it began as a coffee producer with only a small plot of land, El Negrito now sells a coffee toaster they designed and their ground coffee to the local market. Plus, they donate a significant portion from the sale of each bag of coffee to social programs focused on children's education.

Owners Salatiel and his wife, Olga, say "We help out the children in the community as much as we can. Even though we do not have our own school, because we do not have the resources, we like helping out with programs in our community." They are committed to children's rights to education and do not employ children as cutters during harvest season.

The BSR and uniRSE project team verified the findings of the documentation process during a workshop, where stakeholders interactively presented their opinions about the document's conclusions. During the workshop, coffee farmers discussed their experiences with child labor eradication.

The major issues debated by stakeholders during the workshop included:

- » **Participants agreed that educating adults about the importance of children's education and recreational school programs** have decreased child labor on coffee farms. Parents whose children participate in summer school programs commented, "My child belongs in school; the one who works in this family has to be me."
- » **Even though many small farmers wish to do more to eliminate child labor, resources for social programs are very limited.** Large growers have to finance their own schools, summer programs, housing for employees, and health care. Smaller farmers cannot make the large investments these programs require.
- » **Cooperatives and coffee associations provide valuable benefits to participating growers.** They offer technical assistance with international certification processes, often training farmers about responsible labor issues.

The project's next step is to disseminate the verified information through a national forum. In addition to disseminating the good practices of farms in the fight against child labor, the forum will allow for greater dialogue and stakeholder collaboration on the issue. It will include coffee growers, government ministries, international NGOs, and local cooperatives. Farms that have eradicated child labor will present their efforts, aiming to promote the replication of such programs. The participation of various stakeholders can also lead to synergies and partnerships to address the challenges documented by the project. Although this forum is yet to be implemented, Ramacafe, the development NGO CARE, and the Ministry of Labor have all expressed interest in actively participating.

Results

SHORT-TERM RESULTS

During follow-up visits to Nicaragua, BSR consultants verified the following positive outcomes of the project:

- » **Documentation results support existing research on child labor eradication practices.** Several organizations, such as the ILO and Save the Children, as well as the Nicaraguan National Commission for the Eradication of Child Labor, have researched child labor on coffee farms and have documented efficient ways to combat it. This project reinforced the finding that one of the most effective ways to eradicate child labor is by educating parents and children.
- » **Small growers feel more motivated to share their successes.** Small producers who attended the workshop shared inspirational stories about their personal fight against child labor. These small producers were motivated to share their stories in a larger setting at the upcoming dissemination forum.
- » **Creation of new partnerships.** Some of the workshop attendants were not aware of all the efforts of large and small growers. After the workshop, CARE director Glenda Reyes expressed her interest in working with uniRSE in implementing the ILO International Program on the Eradication of Child Labor's Manual, which targets the most hazardous forms of child labor and guides employers about how to set up programs to end child labor.

Although BSR and uniRSE have successfully documented the efforts of a small number of Nicaraguan farms in their fight against child labor, one of the project's

Workshop participants included small and medium farms:

El Negrito farm
Small grower Hugo Lagos
El Recreo
Nicafrance
Ramacafe

Other stakeholders:

NGO CARE International
APAC
La Virgen farm teachers and nurse



Validation Workshop

main undertakings was to disseminate these successful practices so they could be replicated. This phase of the project is yet to be implemented because of delays during the documentation phase. Stakeholders also voiced their desire that the project resources be focused less on documentation and more on developing multi-stakeholder workshops.

ANTICIPATED LONG-TERM OUTCOMES

The long-term outcomes of the project depend heavily on the successful implementation of the impending uniRSE and BSR dissemination forum. If coffee farmers better understand the benefits of eliminating child labor and how successful companies have done so, some anticipated long-term results of the project include:

- » **Decreased child labor rates.** Through the dissemination of current efforts, continued education, and with assistance from cooperatives and associations, more growers will likely commit to not hiring children. One verification workshop participant said that she was looking forward to attending the forum because “one of the best outcomes [of the workshop] was the motivation and inspiration felt from listening to the successful experiences of small growers on eradicating child labor and promoting child education.”
- » **Increased inter-institutional collaboration on the eradication of child labor.** Many organizations on various levels are already working to document child labor issues and eradication efforts and actively contribute to its reduction on coffee farms. Just as CARE and uniRSE formed a new relationship, organizations that attend the dissemination forum will likely find new partnerships and combine their specific areas of expertise to promote child labor eradication.
- » **Increased competitiveness for the Nicaraguan coffee sector.** As more coffee growers understand the benefits of certifications and become motivated to stamp out child labor from their farms through these dissemination forums, they will be able to go beyond the local market and qualify to export their coffee beans. “The international coffee market is one of the key drivers for child labor eradication,” says Franklin Sandoval, an APAC technician who works closely with small farmers, “It is how we get to the heart of the small grower and get them to join us.” Nicaragua has the opportunity to become a very attractive stop for powerful, socially responsible international buyers.

LESSONS LEARNED AND USEFUL TIPS

The implementation of this documentation project provides various learning experiences for organizations and firms working to eradicate child labor. Here are some lessons:

- » **Thorough background research.** To prevent delays and to have effective field interviews, gather as much information as possible regarding current child labor eradication efforts. In the case of Nicaragua, the ILO and the national government have attempted to map out the problem of child labor in the country’s coffee farms. Plus a series of initiatives target child labor eradication in the country. The same is true for many countries in Central America. Using the available information and engaging with stakeholders involved in efforts to fight child labor as a starting point can save project managers significant time.
- » **Continuous information sharing.** To maintain stakeholder engagement, project leaders and key stakeholders should communicate regularly. Short drafts or informal reports should be shared with participants prior to activities to ensure they use meetings to forge ahead with future activities. Establishing effective communication channels, given logistical challenges, is a key to attaining this goal.



Computer classes at one of Nicafrance’s farms

- » **Replication of successful initiatives in the fight against child labor.** Nicafrance's summer camp director says: "Our biggest success was to work with children, conquer their hearts, and have them fall in love with school." Education, nutritious foods, field trips, and sports competitions that are affordable or free for children on coffee farms effectively remove children from the fields and, therefore, should be replicated.
- » **Engagement between buyers and local growers.** Coffee growers, according to Henry Hueck, Ramacafe's manager and owner, have more incentives to attend CSR-type workshops when socially responsible buyers are in attendance. Networking opportunities that could lead to new buyer-grower relationships serve as important incentives for local coffee farms to actively participate in responsible labor forums and activities.
- » **Collaborating in the implementation of responsible labor efforts.** Coffee farms often lack the resources to establish effective responsible labor programs. Neighboring farms should work together to develop and gather needed resources to decrease child labor in their farms (e.g., hiring teachers, constructing schools, developing after-class activities, etc.). Together they can lower their investment cost in these activities of proven value.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

APPAREL





Strengthening Occupational Health and Safety Management Systems at a Gildan Factory

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

September 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



FUNDAHRSE

About FUNDAHRSE

FUNDAHRSE is a private development organization aimed at promoting, training, researching, and implementing CSR in Honduras. FUNDAHRSE's membership includes 71 leading companies, both local and multinational. FUNDAHRSE is a member of FORUM EMPRESA, an organization that brings together companies from all over the Americas engaged in promoting CSR. Visit www.fundahrse.org for more information.

Executive Summary

In the global apparel industry, competition with highly efficient, large-scale Asian exporters is intense. While some Central American companies choose to ignore national laws and regulations to cut costs, others have recognized the competitive advantage of implementing responsible labor practices. Gildan Activewear saw an opportunity to differentiate itself in the region by moving away from a compliance model toward one of continuous improvement. For this effort, the company decided to join forces with BSR and the Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE), or Honduran Foundation for Business Social Responsibility, with the goal of improving its occupational health and safety (OHS) practices in Gildan San Miguel, one of its apparel factories in Honduras. Together, they carried out a series of initiatives to evaluate the company's OHS management system. These initiatives assisted in the identification of existing gaps and the recommendations for improvements. The goal was to create corporate management systems that encourage preventive measures for occupational illnesses and on-the-job accidents and the continuous improvement of health and safety issues.

The project's immediate results included:

- » The incorporation of health and safety indicators into manager and supervisor evaluations at all levels
- » Improved manager and supervisor response time regarding the implementation of health and safety suggestions and taking corrective action to guarantee compliance
- » The inclusion of the project's recommendations in the OHS regional manager's annual implementation goals
- » The incorporation of the concerns identified during the employee interviews conducted by BSR and FUNDAHRSE into the OHS training program
- » A greater institutional-level focus on OHS preventive activities
- » A more dynamic worker involvement in the OHS programs

In addition to improving worker health and well-being, the project's expected long-term results include a higher rate of compliance with the company's health and safety policies, a decrease in health and safety risks as a result of preventive measures, and fewer absences and employee rotations. Likewise, it is expected that healthier workers will be more satisfied with their work—thus increasing productivity and reducing defect rates. These beneficial results can be guaranteed in the long term if the company's senior management remains committed to improving health and safety preventive controls and if they offer employees incentives to actively participate in OHS programs.

About Gildan

The company is a vertically integrated marketer and manufacturer of basic apparel. Its global net sales totaled US\$1.04 billion dollars in 2009. Gildan-San Miguel, one of the company's three sewing factories in Honduras, is the largest Gildan factory in Central America. Gildan also owns three textile factories in the country.

Opportunity

The Honduran assembly-manufacturing sector employs some 140,000 people, predominately in textiles and apparel.¹ Today, Honduras is the leading textile and apparel exporter to the United States among Central American and Caribbean countries.²

In seeking ways to differentiate themselves from low-cost Asian suppliers, some Central American companies have recognized the competitive advantages that can be gained from responsible labor practices. Within labor standards, certifications, and social audits, a prominent theme is the health and safety of workers.

Improving occupational health and safety practices (for example, improving workplace conditions and providing greater access to health services) has a direct impact on the quality of life of workers and collaterally benefits their families. These improvements also directly affect business productivity and profitability. A critical element to ensure that these benefits for workers and company are sustainable is a business model focused on responsible labor. Although some Honduran manufacturers have improved their compliance with specific health and safety requirements, few have implemented systems that lead to a corporate culture of risk prevention.

Should apparel companies decide to further improve their responsible labor practices—particularly as they relate to effective health and safety systems—they could benefit in many ways, including:

- » Better international competitiveness: More likely to obtain brand and auditory certifications while reducing compliance costs
- » Improved corporate profitability: Fewer health and safety risks and medical expenses and higher job quality as a result of improved worker health and satisfaction
- » Improved productivity: Fewer absences and reduced employee rotation because of work-related injuries, allowing workers to specialize and become more efficient

Gildan is a Canadian-based textile company with a significant presence in Honduras, where its largest operations are located. It presently employs 17,000 people in Honduras, which represents 18.7 percent of all employees working in member companies of the Honduran Maquila Association. Gildan has made significant efforts to improve its responsible labor practices and decided to join the DR-CAFTA Responsible Competitiveness Project, headed by BSR and FUNDAHRSE, to improve health and safety practices in one of their apparel factories in Honduras.

Strategy

To evaluate the occupational health and safety management system at the San Miguel apparel factory, BSR and FUNDAHRSE decided to conduct a series of activities to identify the factory's most pressing challenges and determine the root causes of OHS problems. Main activities included stakeholder mapping, internal and external stakeholder interviews, an OHS materiality analysis, and a gap analysis of the health and safety management systems at the Gildan San Miguel factory.

1 "Background Note: Honduras." U.S. Department of State. www.state.gov/r/pa/ei/bgn/1922.htm.

2 "2009 Country Commercial Guide." U.S. Commercial Service. www.buyusa.gov/honduras/en/ccg2009.html



Mapping of stakeholders at Gildan

BSR and FUNDAHRSE, together with Gildan, mapped the company's internal and external stakeholders, using as criteria each stakeholder's level of influence on and importance within the company. Later, the team conducted a series of stakeholder interviews to understand their perspectives and identify main health and safety issues and their general impact on production at the San Miguel factory.

Based on the information obtained in the stakeholder interviews, BSR and FUNDAHRSE performed a materiality analysis to identify the top OHS issues. The goal of this work was to ensure that company resources would be focused strategically on issues that most directly impact workers' lives and company performance.

BSR and FUNDAHRSE also conducted a gap analysis of the OHS management system at the Gildan San Miguel factory to identify areas for improvement in OHS policies, as well as challenges for compliance with existing ones. To do this, BSR and FUNDAHRSE gathered existing documentation (practices and policies) and compared these to best international practices and standards. Later they conducted additional interviews to determine the effectiveness of current policies and procedures as they relate to actual on-the-ground implementation.

Implementation

As the first step in determining areas for improvement in OHS, BSR and FUNDAHRSE interviewed internal stakeholders to obtain factory-specific information and external stakeholders to obtain perceptions of industry-wide OHS trends.

External stakeholder interviews (see list in sidebar) revealed the following perceptions about the textile industry in Honduras and globally:

- » **Injuries caused by repetitive motion are common within the textile industry at a global level.** Some of the external stakeholders interviewed believe that the production system based on the legally-sanctioned "4 x 4" work week in Honduras and in other countries, where employees finish their work week in four days and rest four days, can cause additional OHS risks because workers are exposed to prolonged periods of task-related movement.
- » Some external stakeholders also remarked that **production goals in the textile industry can lead supervisors and coworkers to exert pressure on one another**, increasing the risk of work-related stress and injuries.
- » **Doctors and nurses in the textile sector rarely implement preventive programs** since they spend the majority of their time providing medical treatment to workers.

The most important results from interviews with internal stakeholders (see list in sidebar) were the following:

- » **Muscular pains and musculoskeletal injuries are perceived as the most important challenges.** The interviewees cited the following as potential causes: poor posture, repetitive motion, the need for additional equipment in some areas to reduce musculoskeletal impact, and worker noncompliance with work methods, internal controls, and company policies regarding the use of assigned personal protective equipment (PPE). Some of the reasons mentioned for workers' noncompliance with controls established by Gildan were: not wanting to use PPE, not understanding the benefits of using them, and worker perception that the controls obstructed the fulfillment of production goals.

External Stakeholders Interviewed

Honduran Ministry of Labor
Honduran Social Security
Maquila Solidarity Network (MSN)
Fair Labor Association (FLA)
Worker Rights Consortium (WRC)
Maquiladora Health and Safety Support Network
CODEMUH (Women Factory Workers in Honduras)

Internal Stakeholders Interviewed

Corporate directors
Corporate managers
Factory management
Factory medical staff
OHS workers committee members
Workers

- » **Respiratory problems and other common illnesses such as the flu, colds, and headaches were also cited as important issues.** The interviewees perceived that the work environment aggravated these illnesses. Most interviewees agreed that these health problems could often be avoided if employees were diligent about complying with company policies, for example, the proper use of PPE.
- » **Employees mentioned concerns about psychological problems,** such as depression and stress—both personal and work-related. They would like more information about these issues.
- » **The Honduran Social Security Institute is perceived as an entity that has limited capacity to provide adequate assistance** to employees who have been diagnosed with medical conditions. Also, they lack specialized human resources to properly diagnose illnesses and injuries as typical or occupational and to issue recommendations to the company concerning the relocation of injured employees.
- » **Reproductive health and sexually transmitted diseases are not of principal concern** to employees. However, for the company and other stakeholders, such as government entities and health workers, they are highly relevant issues because of employee demographics.

BSR and FUNDAHRSE used the information collected during stakeholder interviews to conduct a materiality analysis to identify the top OHS issues that the Gildan San Miguel factory should focus on. The findings and recommendations from this analysis were presented and discussed in a workshop attended by regional directors and several factory managers involved in the process.

Finally, to guarantee the appropriate implementation of their recommendations, BSR and FUNDAHRSE conducted an OHS management systems gap analysis. This analysis included a document review to compare existing policies and procedures to international standards and best practices, as well as additional interviews to determine the causes of lack of current policies.



Worker interviews at Gildan

The most pertinent positive findings of the gap analysis include the following:

- » **Robust OHS policies and procedures.** The San Miguel factory has very specific policies governing occupational health and safety. There is an OHS coordinator who is responsible for maintaining and enforcing defined policies and procedures and making sure that employees are aware of them.
- » **Strong OHS compliance metrics.** The company uses quantitative and qualitative indicators to gauge compliance with OHS policies.
- » **Availability of health services for factory OHS workers.** The San Miguel factory also employs a team of doctors and nurses to provide primary health care and preventive medicine for workers. This care includes first aid and treatment for occupational injuries, as well as diagnosis and treatment of common illnesses that are not necessarily work-related.
- » **Self-monitoring.** In addition to external audits required by social certifying organizations, the company, as part of internal controls, carries out weekly audits to identify noncompliances, as well as annual follow-up audits. The factory also undergoes quarterly corporate social responsibility (CSR) audits that contain OHS components.
- » **Ergonomics program.** Gildan, with the support of the North Carolina State University Ergonomics Center, is implementing a continuous improvement ergonomics program with the goal of institutionalizing preventive measures. Key components of this program include training employees in ergonomics and involving them in the elaboration and implementation of preventive measures. Currently almost 100 percent of the workers at the San Miguel factory have been trained in this area.



Gildan employees during an exercise break

Areas for improvement in the factory's OHS program include:

- » **Increasing worker participation.** Employees have limited participation in the development of OHS policies and preventive activities. There is a health and safety committee composed of both workers and company representatives, but it has served only as a communication channel for expressing complaints to the OHS coordinator and implementing policies established by management. Employees can play an important role in identifying risks, investigating accidents, and revising OHS policies and trainings.
- » **Aligning incentives.** Health and safety compliance affects the performance review of the health and safety coordinator and the manager of the factory but not the evaluations of area supervisors and department managers. This situation limits the OHS coordinator's ability to enforce company policies. It also creates a culture of reaction versus preventive action and continuous improvement. Aligning these incentives can lead to greater OHS compliance and continuous improvement.
- » **Demonstrating the value of preventive measures.** During periods of increased production demands, preventive measures such as training sessions can become less of a priority at a moment when they are most needed. A shared understanding of the benefits of preventive measures can demonstrate the impact that such initiatives have on the company's productivity.

BSR and FUNDAHRSE met with the OHS and CSR regional managers to review the results and recommendations and to consider steps for implementation.

To more actively engage workers in addressing health and safety issues, FUNDAHRSE and BSR also helped Gildan with a peer-to-peer training program, which is being implemented in addition to regular OHS trainings. Based on voluntary applications received from interested workers, leaders were chosen using objective criteria such as leadership, empathy, organizational and planning skills, and ability to communicate.

FUNDAHRSE also conducted an introductory workshop about the program, the peer training methodology and the OHS principles at the Gildan San Miguel factory (one of which was the ergonomics program being developed with the Ergonomics Center of the North Carolina State University). Later, these workers will serve as reliable resources for their colleagues seeking OHS information, as well as consultants for coworkers who do not feel comfortable asking their superiors or company doctors questions. The pilot program is being carried out in Gildan San Miguel to evaluate its replication potential for other factories.

Results

BSR and FUNDAHRSE staff members undertook follow-up site visits during the six months after the project ended and observed noticeable improvements to the company's health and safety program.

SHORT-TERM RESULTS

- » **Annual performance reviews for managers and supervisors at all levels now include a health and safety performance indicator.** This policy change means that each manager and supervisor is now accountable for the health and safety performance of his or her areas. Annual reviews are quantitative and evaluate performance against goals to determine pay raises. Progress is also evaluated during monthly management meetings, where continuous improvements can be discussed. The factory's health and safety coordinator confirmed improvements in the time it takes supervisors and

“At the end of the day, what is good for the employee is good for the company.”

- Claudia Sandoval,
Vice-President of Corporate
Citizenship, Central America
and Caribbean
Gildan Activewear

“[Workers are] more aware of adopting correct postures at their work stations and are more open to reporting non ergonomic conditions to their immediate supervisors.”

- José Amaya,
OHS Regional Manager
Gildan Activewear

managers to implement his suggestions and address noncompliances and attributed these improvements largely to the new incentive structures and the factory personnel's increased commitment.

- » **Implementation of recommendations resulting from the health and safety system gap analysis is included among the main goals** assigned to Gildan's regional health and safety manager and will be examined in his annual performance evaluation.
- » **Stakeholder mapping and the materiality analysis allowed the company to compare its priorities to those of its stakeholders and make appropriate adjustments.** As a result of the materiality analysis, the factory has modified health and safety training topics.
- » To strengthen OHS preventive measures, **Gildan has also contracted a specialist in occupational medicine to work at the corporate level to design and standardize medical procedures and preventive health programs**, which are being implemented in all of the company's sewing factories in Central America.
- » As part of its efforts to raise awareness of OHS issues, **Gildan engaged workers in preventive programs at the San Miguel factory.** For example, representatives from different areas have administered training sessions on ergonomics and workers themselves have helped create informational videos about PPE and correct postures to prevent occupational injuries and illnesses. These videos are shown in the factory cafeterias. By innovatively involving workers in the implementation of preventive programs, Gildan hopes to more efficiently improve workers' behavior regarding OHS.

In interviews, managers recognized that the health and safety of workers impacts business performance. They testified that healthy workers are more productive and are also better able to accumulate seniority in the company, thus becoming more specialized in and efficient at their activities. Senior managers also link a good health and safety program to reduced employee turnover and higher quality products. As Claudia Sandoval, the company's Vice-President of Corporate Citizenship for Central America and Caribbean, stated, “At the end of the day, what is good for the employee is good for the company.”

Gildan's regional managers and directors welcomed the project's initial results and, contingent on final outcomes, the company plans to replicate the projects in its other sewing factories in Honduras, the Dominican Republic and Nicaragua. Ultimately, Gildan's goal is to achieve a world-class management system in OHS within five years.

ANTICIPATED LONG-TERM OUTCOMES

Important long-term benefits from the changes implemented at the Gildan factory in San Miguel include improved worker health and well-being and improved working conditions. The OHS Regional Manager José Amaya assures that workers are “more aware of adopting correct postures at their work stations and are more open to reporting nonergonomic conditions to their immediate supervisors.” Workers' behavioral changes resulting from the company's efforts to implement continuous OHS improvement measures, in the long term, will result in fewer occupational injuries and an overall improvement in worker well-being.

Anticipated longer-term business benefits include higher compliance rates with health and safety policies, decreases in health and safety risks from implementing new preventive measures, reductions in medical costs, and decreases in absences and personnel rotation. Healthier workers are also expected to be more productive and satisfied with their work, thus increasing productivity and reducing turnover rates. Additionally, addressing health and

safety issues improves the company's image among stakeholders and international customers.

LESSONS LEARNED AND USEFUL TIPS

In replicating this project, useful tips based on the successes and challenges of the project include:

- » **Companies should prioritize and incentivize continuous improvement to health and safety.** Rewarding employees based solely on productivity can lead them to ignore preventive measures meant to improve their health and safety. Companies must link health and safety compliance and continuous improvement to employees' performance reviews, salaries, and upward mobility within the company.
- » **Companies should maintain health and safety programs even during heavy production periods.** The production capacity of a textile or apparel factory must allow for peaks in demand or additional production resulting from external factors. Additional production must be handled in a way that does not disrupt working conditions, essential for guaranteeing worker health and safety. If training programs must be postponed, they should be promptly rescheduled.
- » **Corporate senior management support is essential for guaranteeing the successful implementation of health and safety projects.** In Gildan's case, the high priority that various levels of corporate senior and regional managers gave the project had an enormous impact on its progress. The visible buy-in of senior management is especially critical for the implementation of programs that require a longer time frame to display tangible results.
- » **Active worker participation is crucial for a solid OHS program.** In addition to personally having the most at stake in OHS performance, people working on the factory floors bring on-the-ground knowledge of OHS practices and risks. Formal and informal channels of communication should be established to allow a fluid, two-way flow of information between workers and managers. The opinions of the workers working in the factories should also be routinely tapped, as their expertise is invaluable for the successful design and implementation of preventive health and safety practices.

About the DR-CAFTA Project

This case study was made possible by a grant from the U.S. Department of State to BSR for the "DR-CAFTA Responsible Competitiveness Project." This project works with producers, labor representatives, governments and international buyers to promote responsible labor practices in DR-CAFTA countries. For more information, visit www.drcafta.bsr.org.



Capacity Building in Multi-Sector Dialogue for the Free Trade Zone Tripartite Commission Apparel Industry in the Dominican Republic

Prepared by Andrea Castillo and Tamar Benzaken under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

About the MFA Forum

The Multi-Fiber Arrangement (MFA) Forum was created in 2004 to understand the implications for workers of the end of the Multi-Fiber Arrangement—a quota system that enabled developing countries to have access to markets in the U.S. and Europe and expired in 2005, negatively changing the exporting landscape for many Central America producers. The MFA Forum also works to define collaborative approaches to mitigate negative impacts of the end of the quota system. The MFA Forum is composed of brands and retailers, NGOs, and trade unions.

Executive Summary

With the political stability of the last few years and its proximity to the vast U.S. consumer markets, the Dominican Republic (DR) has become a center for textile manufacturing in the Caribbean basin. However, the nation's ability to compete within the industry has been negatively impacted by a massive manufacturing shift to low-cost Asia complicated by labor productivity decreases at home attributable to escalating conflicts between workers and private manufacturing firms located in free trade zones (FTZs). In 2008, textile manufacturers employed only 40 percent of the FTZ's workforce, down from 70 percent in 2004.¹ Factories shutting their doors have yielded massive layoffs and enraged workers.

To better address labor conflicts in the DR's FTZs and the declining competitiveness of the country's apparel industry, BSR, together with a local consultant, engaged the Tripartite Commission of the Free Trade Zones, in Spanish, the Comisión Tripartita de Zonas Francas (CTP), a commission composed of government, labor, and private sector representatives created in 1997. The project's goal was to strengthen the CTP's institutional capacity to help it become a legitimate and welcoming venue for multi-sector discussions and, in the future, enhance the country's competitiveness strategy. BSR led workshops focused on identifying the most pressing issues for employers and labor in the free trade zone, defining the commission's mission and role, and creating action plans that targeted areas of shared concern.

Immediate project outcomes include:

- » Some participants expressed renewed interest in reinvigorating the CTP.
- » CTP meetings allowed different sectors to openly table their grievances.
- » Participants clarified the CTP's mission, vision, and goals.
- » A subcommittee was created to follow-up about proposed pilot projects.

However, the project's sustainability remains uncertain because of insufficient financial resources and limited representation of the domestic private sector. Throughout the project, local manufacturers had been presented with weak incentives to participate in tripartite dialogues; indeed, the CTP offered few apparent benefits for peacefully and rapidly resolving labor conflicts. International brands are interested in advancing responsible labor practices in the region and are active participants in the Multi-Fiber Arrangement (MFA) Forum. Nonetheless, brands found it challenging to leverage their relationships with local manufacturers to drive the successful realization of the CTP's vital agenda.

Opportunity

The challenges posed by declining business in the FTZs led the DR government to create a National Competitiveness Plan in 2007. The 2007 plan laid out

¹ National Council for Free Trade Zones and Exports, "Statistical Report 2004, 2008."



Union representatives during one of the project's workshops

About the Tripartite Commission

The CTP was created by a government decree in 1997 with a mandate of creating policies that would benefit firms and employees working in free trade zones through tripartite dialogues. Since its inception, the CTP has signed a small number of agreements, but it has been unable to provide an efficient space for formulation of multi-sector consensus and the implementation of projects to improve the competitiveness of the apparel industry.

CTP members include:

CTP Executive Director

Labor unions, such as FEDOTRAZONA, FUTRAZONA, and FENATRAZONA

Government regulating entities, including

the Ministry of Labor, which presides over the commission;

Proindustria;

and the National Council of Free Trade Zones

Association of private firms operating in the free trade zones (ADOZONA)

strategies for the country to take advantage of globalization and its free trade agreements, and to improve its infrastructure and know-how for the benefit of manufacturers. The overall goal was to achieve sustainable growth rates while “promoting integral human development that offers people greater hope and quality of life.”² However, as brands have chosen to relocate sourcing to minimize labor costs and conflicts, the DR’s competitiveness in the apparel sector has slipped, leaving a very uncertain future for local manufacturers.

One representative from the Asociación Dominicana de Zonas Francas (ADOZONA), the private sector representative organization, asserted “factories focus on cost-cutting strategies in an attempt to not lose any more contracts.” However mandatory and market-driven, these adjustments often reduced worker benefits and increased worker-owner conflicts.

Notwithstanding shifting patterns of global sourcing, local manufacturers could still benefit from addressing and resolving labor conflicts and implementing responsible labor practices by:

- » Decreasing business risk and increasing foreign investment due to more stable work environments.
- » Enhancing national competitiveness by increasing labor productivity.
- » Decreasing costs associated with work stoppages and social unrest.
- » Increasing firm competitiveness through higher product quality, reliable delivery times, and lower defect rates.

In 2005, the Dominican Republic, together with five Central American nations, signed the “White Paper,” a series of commitments by the partner countries to address labor issues, including strengthening labor laws and enforcement, eliminating discrimination and child labor, and promoting a culture of compliance.³ Since that signing, International Labour Organization (ILO) staff has made country visits to document the DR’s progress. One of the ILO’s continuous recommendations is that the country further invests in tripartite dialogues to promote labor rights and resolve labor issues.⁴

To jumpstart efforts to address labor conflicts more effectively in the DR’s FTZs and to stem the declining competitiveness of the country’s apparel industry, BSR worked with the CTP. This effort, according to a public sector member, “would define and supply a much needed framework” so the CTP could become a venue for multi-sector discussions and, eventually, contribute to the country’s national competitiveness strategy.

Strategy

BSR consultants, through various engagements in the DR and with textile manufacturers in the country, were aware of the following challenges facing the industry and consequentially BSR’s project:

- » High labor costs relative to alternative locations have tempted brands to source elsewhere, even as labor groups argued that the minimum wage fails to ensure decent living conditions.

² “The National Competitiveness Plan.” <http://dr1.com/trade/articles/271/1/The-National-Competitiveness-Plan/Page1.html>. August 2007.

³ “The Labor Dimension in Central America and the Dominican Republic. Building on Progress: Strengthening Compliance and Enhancing Capacity” Report from the Working Group of Vice Ministers of Labor and Trade of Central America and the Dominican Republic. April 2005.

⁴ “Verification Report on the Implementation of the White Paper Recommendations.” International Labor Organization. February–July 2009.



BSR's Regional Project Manager facilitates a discussion with union representatives during a workshop.

- » Unreliable electricity supply, poor transportation infrastructure, and inefficient shipping of products have led to increases in production costs and have decreased the industry's economic competitiveness.
- » Many apparel manufacturers continue not to comply with labor norms related to freedom of association and collective bargaining.
- » Neither the government nor the national apparel industry had developed an integrated strategy to position textile exporters in the face of intense competition from Asian manufacturers and to address management-labor conflicts.
- » ADOZONA had limited influence on its members and represented only 60 of the 500 companies, or 12 percent, in the FTZs, an underrepresentation that impeded implementation of CTP decisions.

After debating possible project scopes, BSR agreed to make fortifying the CTP's institutional capacity a priority. Only a stronger CTP could become a viable platform for the much-needed multi-sector dialogue. BSR consultants then returned to the DR to discuss possible project objectives with each CTP sector. All members of the CTP and BSR agreed to implement the following action plan in a sequence of three workshops:

- 1 Identify the most pressing issues cited by employers and labor in the FTZs, as well as the shared concerns for the three participating sectors.
- 2 Define the CTP's mission and key roles.
- 3 Create both short-term and long-term action plans targeting shared areas of concern.

Additionally, the MFA Forum conducted a fact-finding trip to the DR in 2007 and created the Dominican Republic Working Group, now cochaired by BSR and Social Accountability International, to find solutions to the country's declining apparel sector. In response to a request by the CTP to better understand the causes of this decline, BSR and members of the MFA Forum returned to the DR in April 2008. The DR Working Group platform was charged with keeping international brands and other MFA Forum members updated, gaining their feedback on the project, and—it was initially hoped—using their collective market leverage to advance the project's goals. The working group also fostered dialogue between the MFA Forum and the DR. The MFA Forum and BSR communicated in monthly calls.

Implementation

BSR and the local consultant facilitated three workshops. During the project's first workshop, employers identified these needs and priorities:

- » Greater government support
- » A concrete national competitiveness plan
- » Improved policies that would contribute to the sector's efficiency and productivity

Representatives of the labor sector identified different concerns:

- » Creation and preservation of employment
- » Promotion of the freedom of association and collective bargaining
- » Social programs for their constituents

The feminization of unemployment in the apparel sector is a worrisome consequence of the decline in textile manufacturing in the DR. According to a study commissioned by the U.S. Agency for International Development, women are less successful in finding new formal employment once displaced from their work, with 69 percent of women interviewed by the study remaining unemployed after losing their jobs in FTZs. The consequences of female unemployment extend beyond loss of household income to loss of access to health care and insurance and a decrease in intergenerational transfers.

Source: "The Impact of the Recent Dynamics in the Free Trade Zones on Dominican Women." USAID, February 2008.

Following discussions, representatives of government, business, and labor recognized that they did share some priorities—namely, job preservation and creation. The parties also agreed that they were more likely to achieve these shared goals with government support and the implementation of policies targeting competitiveness and responsible labor practices. Members of the CTP agreed to develop a common agenda to address these issues.

Despite this initial progress, “the lack of trust, structural issues, and lack of commitment [was] pervasive in the CTP,” according to a labor union representative, and “impeded follow-up by CTP members.” For a variety of reasons, CTP participants were unable to formulate a common work plan to begin to implement the agreed-upon goals:

- » Lack of resources for the commission’s programs discouraged engagement between the parties.
- » Those attending meetings are often not responsible for making decisions and committing to programs.
- » CTP attendants had to return to their organizations and coordinate buy-in among their members in order to endorse agreements.
- » ADOZONA has limited influence on members, making the process even more inefficient.

In its second workshop, BSR continued to advocate for joint efforts and, together with participants, succeeded in more clearly defining the role of the commission and the key challenges going forward. Consequently, the CTP and BSR formed a subcommittee to identify and elaborate pilot projects to address competitiveness and responsible labor practices in FTZ companies.



CTP members evaluate projects in a plenary session.

During the CTP’s third and final workshop, participants presented and heard feedback from both BSR and the MFA Forum about the three projects the commission chose. The pilot projects focused on these critical topics:

- » Promotion of a conflict resolution and problem-solving culture within FTZ companies.
- » Encouragement of good practices and compliance with national labor laws in FTZ companies.
- » Launching of a tripartite promotion strategy to understand the challenges of and trends in the evolving FTZs.

The workshop concluded with a ranking of the pilot projects and identification of the pilot project “Tripartite promotion strategy to understand the challenges and trends in the evolving FTZs” as the top priority. Additionally, some participants proposed that the CTP meet more often, and the group set a date for the next meeting.

Results

During BSR follow-up interviews and visits, it became clear that the project's core objective of strengthening the CTP’s institutional capacity—so it could contribute to the creation of a national competitiveness strategy that would advance responsible labor practices—had made partial, but tentative progress.

SHORT-TERM RESULTS

The project attained some short-term results, mainly related to the CTP fulfilling its role of being a venue for multi-sector discussions. However, their sustainability is not guaranteed. These advances included:



A private sector representative shares with the plenary during one of the workshops.

- » The CTP meetings allowed the different sectors to speak openly about their issues and grievances.
- » Participants reached agreement on the CTP's mission, vision, and goals.
- » A subcommittee was created to facilitate the CTP's participation in BSR's project and to follow-up about the CTP's proposed pilot projects.

Many factors limited these short-term results. Participants criticized the CTP's lack of financial resources and institutional capacity to achieve concrete outcomes. Without the necessary financial resources to implement projects, they found it difficult to commit to action plans.

In addition, the local private sector has not been very active in CTP dialogues. Company owners are not present in CTP meetings, in part because they have direct access to high-ranking government officials through other communication channels. ADOZONA must always obtain buy-in from all its members before it can commit to any proposals. Without the direct participation of companies, meaningful, concrete actions are rarely agreed upon.

ANTICIPATED LONG-TERM OUTCOMES

BSR's workshops have fomented a culture of multiparty dialogue, as the exchanges provided a rare opportunity for all three sectors to meet in a mediated space. Still, it is the responsibility of CTP participants to hold future meetings to establish tripartite solutions to conflicts in the FTZs. If meetings continue to take place, the CTP could become a meaningful mechanism to promote multi-sector dialogue, define a shared strategy for the apparel industry's competitiveness in the international marketplace, and build a platform to address labor conflicts.

Continued multi-sector engagement through the CTP and effective, large-scale change are more likely if international buyers provide specific incentives and support for manufacturers to engage in the CTP's proposed projects and achieve tripartite dialogue. This engagement proved challenging even for the MFA Forum DR Working Group and for BSR. Most international brands have limited involvement in manufacturing in the DR, making it a challenge for them to focus their efforts in the country. Without tangible market incentives for resolving labor conflicts in this tripartite setting for all three parties, successful results will be hard to achieve.

Participants should also consider other mechanisms to address their unresolved issues and conflicts. If the tripartite setting does not render positive results, participants should engage through other communication mechanisms that allow direct interactions among involved parties. Implementing effective communication mechanisms between management and employees within companies is a good first step to avoid labor conflicts and solve existing ones. Another viable option is to create a mechanism with unbiased third-party mediators to help the parties reach negotiated solutions to contentious problems.

LESSONS LEARNED AND USEFUL TIPS

This project's implementation presents numerous lessons for businesses, labor groups, and government when they engage in multi-sector dialogue in country settings similar to those of the DR:

- » **Senior management or officials of all participating sectors should be present at tripartite dialogues.** As a project stakeholder complained, "Those participants who attend CTP meetings have limited decision-making power and have to speak with their superiors" to obtain support from their organizations. Multi-sector dialogues should have decision-makers in attendance to guarantee the implementation of action items and continuous progress of the tripartite platform proposals. Having senior management and officials present also allows the commission to formulate effective strategies

to improve industry competitiveness. Without the presence of decision-makers, these strategies are unlikely to be made and carried out.

- » **International brands should encourage manufacturers to participate in multi-sector dialogues.** The absence of business owners from the apparel sector in the tripartite dialogue hindered progress and resulted in underrepresentation of the sector's needs and opinions. International buyers and brands operating in the DR's FTZs can provide incentives for manufacturers to join the CTP efforts. These incentives could take various forms, e.g., tripartite efforts in the supplier performance assessment indicators. Manufacturers are more likely to participate in these dialogues if they receive the dedicated support of their international buyers and will then be more likely to find solutions to labor conflicts.
- » **The CTP should take advantage of its relationship with the MFA Forum and engage with brands to implement responsible labor practices in FTZs.** With the creation of the DR Working Group, the CTP has a new communication channel and avenue for work with the MFA Forum. The commission should proactively use this opportunity to move forward, in collaboration with international brands, with the initiatives it has proposed during the BSR project.
- » **Tripartite dialogues should be created jointly by those that see a need for it, and, when possible, they should be independent of any sector.** The CTP in the DR was created as a result of a presidential decree, and its executive director is an appointed government official. Although labor unions have pushed for the commission's actions, the birth of the CTP did not result from a multi-sector effort to work together. Tripartite commissions are more likely to succeed when they arise from a need and commitment of all participants. Additionally, although tripartite commissions most often are either created or approved by governments, CTP members expressed that "this setting makes representation skewed toward government decisions and creates a biased environment from the onset." Tripartite commissions that represent no particular agenda are more likely to generate broad stakeholder buy-in.
- » **Tripartite commissions should have an established and independent financial contribution system.** Sufficient financial resources to allocate budget for projects and a salaried staff contribute to the success of tripartite dialogues. Tripartite commissions should have a working framework to obtain funds from participants or other available sources.
- » **Accountability and monitoring are crucial to the successful implementation of agreements reached through tripartite dialogue.** Tripartite commissions must nominate individuals responsible for following up on action items and for reporting back to the commission periodically on progress. Having individuals accountable for implementing decision points and continuously communicating are keys to a successful program.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

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Responsible Labor Management in Costa Rican Technology Firms

Cámara Costarricense de Tecnologías de Información y Comunicación (CAMTIC)

Prepared by Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

April 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About AED

AED encourages building CSR principles into business management models. It serves as a channel for companies to make strategic, socially-responsible investments and promotes public-private partnerships. AED has accompanied the Costa Rican business sector in self-evaluation processes, encouraging companies to build best practices into their management systems. Currently, AED's membership includes more than 80 business firms. As a Costa Rican chapter, it acts on behalf of major international organizations. Visit www.aedcr.com for more information.

Executive Summary

Costa Rica's information and communication technology (ICT) industry has experienced costly rates of employee turnover during its rapid expansion. In response to this challenge, BSR and the Asociación Empresarial para el Desarrollo (AED) partnered with the Cámara Costarricense de Tecnologías de Información y Comunicación (Costa Rican Chamber of Technologies of Information and Communication, or CAMTIC) to create a robust human resources program of responsible labor practices within six small and medium enterprises (SMEs), who are members of the chamber, to enhance employee retention. The goal was for these companies to serve as models for other CAMTIC members of the positive effects of responsible labor practices on employee turnover.

BSR and AED created a dialogue platform, by conducting regular meetings with participating companies to compare results, address implementation challenges, and discuss best practices of responsible labor programs. Immediate short-term results of the monthly meetings between AED and participating companies include: 1) institution of more employee-friendly policies, 2) implementation of regular employee-management meetings, including meetings focused on personal development, and 3) the reevaluation of employees' training needs and plans to increase the number of training hours. Anticipated longer-term outcomes for the project include increases in labor productivity and competitiveness of participating companies and significant drops in their employee turnover rates.

These long-term benefits can impact the sector of ICT service providers at large if CAMTIC prioritizes the promotion of this project among its remaining member companies. By reaching out to top management, CAMTIC can replicate this dialogue platform among several small groups of companies and enhance the competitiveness of the sector by improving employee retention rates in SMEs.

Opportunity

Costa Rica's rapidly expanding information and communication technology (ICT) industry now accounts for nearly 12 percent of the country's GDP and 27 percent of its total exports. The country has attracted major international corporations, like Intel, to undertake large greenfield, foreign direct investments, spurring the formation of an internationally competitive cluster of ICT service providers, whose exports in 2008 surpassed US\$650 million.

The ICT service sector's domestic growth has been largely driven by SMEs with fewer than 100 employees. As the industry expands rapidly, the supply of highly educated workers has not kept up with the demand for their services. In recent years, new courses for the ICT industry (in universities and technological institutes) have mushroomed, but not fast enough to accommodate labor market demands. This labor market imbalance results in prejudicial rates of employee turnover within SMEs.

About CAMTIC

CAMTIC is a nonprofit business association established in 1998 to strengthen and support the ICT industry. CAMTIC represents companies in software and component manufacture and ICT service providers. Its membership totals more than 170 companies.

CAMTIC's main activities and priorities include:

Training and education of workers and students in ICT careers,

Accessing new markets for member companies

Lobbying governments for policies and projects that will benefit both the country and the industry.

Participating CAMTIC Companies

ArtinSoft
Consorcio Sysco-eProm
DACTIV
Electromática
Hermes Soft
Logosoft

When firms have high turnover rates, their production declines, and they incur costs searching for and training new employees. High turnover rates can be symptoms of other workplace issues, such as dissatisfied workers, poor customer service, and high incidences of absenteeism, all of which translate into financial losses. They have been associated with increased average unit labor costs for Costa Rican electronic companies and can weaken firm competitiveness.

Implementing responsible labor practices that extend beyond legal requirements has improved retention rates in companies throughout the world. These practices can range from family-friendly benefits to a greater emphasis on employee training.

In response to this challenge, BSR partnered with local NGO Asociación Empresarial para el Desarrollo (AED) and the Cámara Costarricense de Tecnologías de Información y Comunicación (Costa Rican Chamber of Technologies of Information and Communication, or CAMTIC) to create a series of responsible labor practices that go beyond legal standards within six of CAMTIC's member companies. The objective is to reduce the companies' most pressing self-diagnosed problem—employee turnover—and for these six companies to serve as implementation models for other CAMTIC members. The six companies are all SMEs, with workforces ranging from 6 to 80 employees.

Strategy

The project's main steps in diagnosing the problem and creating a work structure were:

- » **Gap analysis of firms' human resources practices** based on site visits to participating companies and company self-evaluations.
- » **Employee surveys** (of 95 participants) about the work factors they value most.
- » **Benchmarking participating companies' practices** against those of ICT transnationals in Costa Rica and to BSR projects within the industry worldwide.

GAP ANALYSIS

The key findings of the gap analysis included:

- » **Cost per employee** for programs is higher in smaller companies.
- » **Limited upward mobility** in small companies can contribute to employee turnover.
- » Companies had limited knowledge of **compensation practices** within the industry.
- » None of the companies had **incentive-based pay systems**.
- » Companies lack **formal mechanisms for information sharing** with employees.
- » Four of the six participating companies have **training programs**, although their extent varies with company resources. Some provide sporadic training, for instance, totaling six hours per employee per year, while others have structured training programs that provide more than 30 hours of training to workers and grant employees 50 percent university scholarships.

Within the six participating SMEs, the gap analysis also uncovered factors that help support the implementation of responsible labor programs:

Establishing Logosoft Values and Mission

Mrs. Silvia Álvarez, owner of Logosoft, has implemented regular company-wide meetings to review and educate employees on Logosoft's values and mission statements. The company has considered employee opinions and revised its statements accordingly.

Logosoft's values now include a focus on issues of personal employee development. The company plans to hold short weekly workshops on topics that improve employees' quality of life.



Mrs. Álvarez and local consultant Maria Fernanda at Logosoft

- » Informal systems to **address workers' grievances**, incorporating employee suggestions into company practices and promoting communication between management and workers.
- » Policies honoring **individual human rights**, including non-discriminatory hiring policies, and policies to treat all workers equally.
- » Minimal, inflexible, bureaucratic systems.
- » Lean structures making it easier to innovate and adopt new ideas.

EMPLOYEE SURVEYS

Employee surveys determined that, beyond salary, workers' top priorities when choosing a company included:

- » Company demonstrates concern and commitment to improve working conditions beyond the legal requirements (60.7 percent workers identified in the top three).
- » Company has a policy for worker retention (45.8 percent).
- » Company includes worker trainings in annual budget (35.1 percent).
- » Company practices transparency in information sharing with employees (28.7 percent).

INDUSTRY BENCHMARK

The industry benchmark revealed that participating companies score well on employee respect, but need to improve their policies regarding employee training, dialogue, and participation. Participating companies scored the lowest on compensation policies: Most had no formal guidelines for setting salaries, had no variable salaries to compensate individual or group performance, and did not provide noncash benefits beyond the legal requirements.

Implementation

Based on the gap analysis, employee surveys, and benchmarking, BSR and AED developed a set of recommendations on how to embed responsible labor practices into human resources systems. BSR and AED focused on issues beyond salary. Although competitive salaries reduce employee turnover, salary increases are primarily driven by increases in firm productivity. BSR and AED's recommendations target programs that can be implemented immediately by CAMTIC and the SMEs, despite their financial constraints.

Recommendations for SMEs included:

- » **Build a participatory culture** to engage and commit employees. Some methods include holding regular company meetings to communicate company strategy, reevaluate goals, discuss financial position, and hear employees' opinions on these various topics.
- » **Estimate the cost of employee turnover** to better understand its impacts on a company's financial situation.
- » **Create a compensation policy based on rewarding employee efforts**, thus enhancing quality of work and productivity (i.e., individual and group bonuses and variable salaries).



Programmers at Consorcio Sysco-eProm

Evaluations 360: The Example of ArtinSoft

Since participating in the project, ArtinSoft has implemented a series of responsible labor practices, among them a new form of evaluating employee performance and workplace satisfaction. Employees now fill out self-evaluations and are reviewed by peers and management.

From these evaluation results, employees and management identify the department and projects that best fit the employees' career goals and skills. Employees can also be placed in "internships," where their peers from different departments train them in new areas of the company's operations.

Although it is too soon to measure productivity impacts, the company reports improved employee satisfaction.

Recommendations for CAMTIC included:

- » Support associates by conducting a **survey on salary and human resources practices** among all its member companies.
- » Provide member companies with **workshops** to educate them **on legal health and safety requirements**.

These recommendations were presented to participating companies and a CAMTIC representative during a half-day workshop. Since then, companies and AED have held monthly meetings, totaling six as of the end of November 2009, to communicate and debate their implementation of responsible labor practices. Topics included:

- » **Existing practices:** Companies shared presentations on their existing human resource practices, including employee programs they believed increased worker loyalty.
- » **Implementation of non-costly responsible labor programs:** Companies brainstormed ideas for programs that fit their financial constraints (i.e., holding regular company meetings and establishing an open-door policy).
- » **Making use of economies of scale:** To negotiate better prices, companies chose to undertake certain projects jointly. Companies will sponsor a health fair with clinics and health service providers and will seek to negotiate corporate group rates for all employees, an event that could become CAMTIC-wide. Another group event companies are planning is the *TICnologo* day, a day of activities and recreation for all employees.
- » **Taking advantage of government policies and programs:** Companies have contacted the National Insurance Institute and requested a government-subsidized health and safety workshop.

In a recent monthly meeting, companies received a two-hour workshop from a law firm on different compensation mechanisms and associated legal obligations. This workshop addressed companies' doubts about how to set up individual and group bonuses and other noncash benefits for employees.

BSR and AED have also provided companies with a quantitative tool to assess the costs of employee turnover. It allows companies to input direct and indirect costs associated with hiring new employees and losing current ones and can also be used to quantitatively evaluate employees' input to projects and ensure that salaries reflect their contribution to company performance.

Results

One of this project's major accomplishments is opening up a dialogue in which companies can develop their capacity to implement responsible labor practices. By comparing results, addressing implementation challenges, and discussing best practices, human resources managers and company owners become better equipped to implement their individual responsible labor policies.

SHORT-TERM RESULTS

A series of responsible labor practices have emerged from these monthly meetings, contributing to the following short-term results.

- » Companies have instituted **more employee-friendly policies** (i.e., more flexible working hours, allowing employees to work from home, and formalized open-door policies)—which, according to companies' statements, have increased employee motivation, boosted productivity, reduced turnover time for projects, and increased customer satisfaction. Reductions in office supplies and other variable costs were also immediately recorded.

- » **Employee-management meetings** now take place more often and regularly.
- » Companies also increased the number of **workshops focused on personal development** (i.e., balancing personal and professional life and workshops on health related issues). These innovations have increased employee satisfaction and improved company image.
- » Companies are **reevaluating employees' training needs** and plan to increase the number of training hours per employee. Employees consider additional training as noncash benefits and, according to employee surveys, it influences whether they remain with a company.

Other immediate results of the project include enhanced company image, as participating firms took a leadership role on corporate social responsibility (CSR) and gained increased visibility among CAMTIC members, who include potential clients. According to CAMTIC's executive director, the project also successfully raised awareness of CSR issues within the chamber, modifying the organization's interpretation of social responsibility and demonstrating the positive connection between CSR and firm competitiveness. The chamber now has a permanent CSR working committee and plans to dedicate a section of its newsletter to the topic. The project will culminate in a presentation open to all CAMTIC members to showcase the experiences and successes of participating companies in implementing responsible labor practices in their human resources program.

ANTICIPATED LONG-TERM OUTCOMES

Anticipated long-term outcomes of the project include increases in labor productivity and competitiveness of participating companies as a result of better worker performance and higher satisfaction regarding their workplace. With productivity increases come higher profits and improved salaries, affecting the welfare of participating companies and their workers. Although a certain natural level of employee turnover is expected in a highly competitive industry with tight labor markets, these rates are expected to decrease in the long run, and consequentially reduce training and hiring costs.

To convince companies to continue implementing responsible labor policies, they should collect metrics associated with their new human resources programs, for example, keep accurate records of employee turnover, regularly administer employee and customer surveys to measure satisfaction, and estimate increases in productivity and revenue. As AED continues to support companies in implementing responsible labor practices and incorporating new CAMTIC members into the project, it can promote the value of and assist in the establishment of such metrics.

LESSONS LEARNED AND USEFUL TIPS

As CAMTIC moves forward to replicate this responsible labor project among other member companies, some useful tips include:

- » Create a flexible dialogue platform for companies to address successes and challenges in implementing responsible labor practices. The project was designed to carefully evaluate the deficiencies and advantages of participating companies, but did not impose a pre-set list of action items. Companies (of different sizes and financial capacities) came together and developed programs that best suited their own special needs. Firms were free to select among the proffered solutions.
- » Use company-specific experiences as case studies for future implementation. Develop learning materials based upon companies' experiences in embedding responsible labor practices within human

resources programs (i.e., PowerPoint presentations). Success stories from familiar companies can be especially compelling.

- » Assign a point person to coordinate meeting platforms for companies interested in replicating the project. It is important to have a CAMTIC staff member responsible for maintaining a fluid dialogue among companies and ensuring that deadlines are met and meetings are well attended. This person can also be responsible for promoting the program and enlisting companies to participate. Companies can be organized into small discussion groups, like the six-company group created by this pilot partnership.
- » Engage decision-makers in the project. Without the buy-in of senior level management, ideas for responsible labor programs may not be implemented. To reach out to top management, CAMTIC could sponsor roundtables to demonstrate the business case for responsible labor practices.
- » Prioritize training programs when implementing responsible labor practices. Employee surveys and follow-up visits showed that workers in the dynamic ICT industry see companies that provide regular training programs to workers as most desirable. ICT employees need to always be informed about the newest programs and technologies and therefore greatly value training and education as an important noncash benefit.
- » Provide competitive salaries. Companies should constantly evaluate their employees' salaries and strive to maintain them at or above market levels. Incremental salary increases may be less costly for the company than costs associated with high employee turnover rates. If the company's budget prevents salary increases, managers should inform employees of the company's financial state and make future company goals clear. Offering competitive salaries and engaging employees in the decision-making process can mitigate the problem of turnover rates.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

AGRO-INDUSTRY





Occupational Health on Nicaraguan Farms

Asociación Nicaragüense de Formuladores y Distribuidores de Agroquímicos (ANIFODA)

Prepared by Andrea Castillo and Tamar Benzaken Koosed under the supervision of Dr. Richard Feinberg, Professor of International Political Economy, University of California, San Diego

September 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.



About UniRSE

The Fundación Unión Nicaragüense para la Responsabilidad Social Empresarial (UniRSE) is a business agency, working in Nicaragua in the field of CSR since 2002. UniRSE cooperates on this issue with other agencies at the national level. At the international level UniRSE is a local chapter of the World Business Council for Sustainable Development (WBCSD), headquartered in Geneva, Switzerland, board member of FORUM EMPRESA, the CSR umbrella body in the Americas, and a member of the Central American CSR Network. For further information visit www.unirse.org

Executive Summary

For decades, Nicaraguan farmers have used fertilizers and pesticides to protect crops and increase yields. Approximately US\$450 million of Nicaragua's agricultural products are destined for the international market each year and US\$2.5 billion are consumed in the local market where standards and requirements are not as stringent.¹ Nicaragua consumed nearly 56 thousand metric tons of fertilizer in 2002, and thousands of agrochemical containers were buried, burned, or unsafely reused.² Acute pesticide poisoning among farm workers takes place mainly because of inadequate application of and unsafe exposure to pesticides while working.³

In reaction to widespread negative campaigns against the use of pesticides and other crop protection products, agrochemical importers and distributors in Nicaragua decided to counteract public campaigns and implement the Campo Limpio program through the Asociación Nicaragüense de Formuladores y Distribuidores de Agroquímicos (ANIFODA). The program focuses on easy steps for cleaning and recycling used agrochemical containers.

UniRSE, a Nicaraguan corporate social responsibility (CSR) NGO, partnered with BSR and ANIFODA to document the barriers to the wider use of ANIFODA's members' agrochemical container collection centers. As a result, BSR and UniRSE have developed a series of recommendations to improve the association's container collection program and will develop a strategy for ANIFODA to expand its program.

Some of the projects' immediate results include:

- » Prioritizing the implementation of simple recycling guidelines for used agrochemical containers to new farms instead of attempting to implement more complex and costly certification systems
- » Hearing farmers' feedback on the program and addressing their concerns
- » Partnering with Nicaragua's Ministry of Agriculture and Forestry (MAGFOR) to increase trainings on container recycling for farmers.

If ANIFODA's recycling program is expanded throughout Nicaragua, as tentatively planned and recommended by the project, the project could, in the long-term, improve the quality of health of thousands of workers and neighboring farm communities, as well as national environmental sustainability. These improvements can lead to higher productivity and a decrease in costs associated

¹ CIA World Factbook. www.cia.gov/library/publications-the-world-factbook/geos/nu/html. March 18, 2010.

² "Agricultural Inputs: Fertilizer Consumption." EarthTrends. <http://earthtrends.wri.org/text/agriculture-food/variable-196.html>

³ Corriols, Marianela, J. Marin, et al. "Incidence of Acute Pesticide Poisonings in Nicaragua: A Public Health Concern." Occupational and Environmental Science. November 21, 2008.

About ANIFODA

ANIFODA has 22 members, 14 of which are Nicaraguan distributors and formulators and 8 of which are international companies such as Dow Chemicals. ANIFODA uses its membership fees to implement programs such as used container collection by establishing triple-washing practices. The business association's 20 technicians also help train workers about safety measures and teach them the correct ways to use agrochemicals in the fields.

About Campo Limpio

When workers empty out containers, they must rinse them immediately with water three times so that less residue remains in the containers. The worker then perforates the container with a machete or knife and puts it in a shed (or "jumbo") to store it before transporting it to the recycling center. ANIFODA compacts these containers and transports them to recycling centers. Since the implementation of the Campo Limpio program in 2009, ANIFODA has built two recycling centers, with another being built this year, and recycled 37 metric tons of used containers. The goal is to build a total of eight centers and achieve 75 percent collection rate of used containers from farms that purchase from ANIFODA distributors and producers.

with reduced occupational maladies, thus making the entire agriculture sector more competitive.

Opportunity

From the 1960s through the 1980s, many producers in Nicaragua used virulent pesticides in their crops. Farmers applied these agrochemicals freely without many safety measures—as their dangers were unknown to agricultural workers. Mismanagement of the use and application of these pesticides resulted in hundreds of deaths and high infertility rates for males and females who came in contact with it. This scandal and several massive peaceful marches protesting the situation brought significant international attention to Nicaraguan farms and chemical companies.^{4,5}

Today, agrochemical companies and medium and large farms are well aware of the negative publicity and increased awareness around the harmful effects of agrochemicals. To avoid "claims that we are the people's enemies," says Orontes Lacayo, ANIFODA President and Vice-General Manager of RAMAC, an agrochemical distribution company, ANIFODA promotes the protection of workers' health and advancing environmental conservation efforts through proper agrochemical use and container disposal.

ANIFODA members are also committed to implementing a successful recycling program for used containers to suppress the black market of agrochemicals. Empty containers are resold to unauthorized stores where they are often filled with fake agrochemicals. Small farmers buying these fake products often complain that certain products don't kill their crops' pests, resulting in a poor reputation for many agrochemical companies, whose names are found on the containers. At the same time, empty containers are marketed as household items for water, milk, or food storage, resulting in an elevated number of renal failures and infertility cases in unsuspecting communities.

By implementing a successful agrochemical container recycling program, farm owners and agrochemical producers and distributors would benefit from:

- » Higher sales revenues by curbing the pesticide black market that depends on used containers
- » Better image and improved reputation of the quality and effectiveness of legally marketed agrochemicals
- » Reduction in healthcare costs and improvement in worker output by reducing and avoiding agrochemical-related injuries and sickness
- » Better market opportunities for their products

In light of these benefits, ANIFODA worked with BSR and UniRSE to diagnose the challenges to improving its recycling efforts and expanding its Campo Limpio program to new farms.

Strategy

At the onset of the project, ANIFODA had already started its container collection program, named Campo Limpio. The program simply recommends triple washing and puncturing agrochemical containers before farmers return them to the stores where they originally purchased them. From the stores, containers are sent to Campo Limpio's collection centers. Farmers can also transport used containers

⁴ "Victims of Nemagon Hit the Road." *Revista Envio*. June 2005.

⁵ "Banana Workers Win Against Dow, Shell, Standard Fruit." PANUPS. January 6, 2003. www.panna.org/node/524.

About BPA

BPA, or *buenas prácticas agrícolas*, are agricultural guidelines for the safe consumption of vegetables and similar products established by MAGFOR. The certification process is in part sponsored by the U.S. Department of Agriculture (USDA). BPA includes 165 requirements and requires 80 percent compliance for MAGFOR certification. MAGFOR has BPA-trained technicians to assess farms, provide recommendations, and evaluate farms for certification.



Compacted containers ready for recycling at ANIFODA's center

directly to ANIFODA's collection centers; the association has built two centers so far and plans to build an additional six throughout the country. ANIFODA will inaugurate its third center this year.

ANIFODA also advocates for the implementation of MAGFOR's *buenas prácticas agrícolas* (BPA) among farmers. BPA is a set of 165 guidelines issued by the ministry regarding the safe production of agricultural goods. Although triple washing and container disposal are two of the certification's guidelines that Campo Limpio addresses, the program does not focus on these two issues alone.

ANIFODA and the BSR and UniRSE team worked to find ways that the association's Campo Limpio program could be improved and expanded. The team designed a diagnostic questionnaire to better understand obstacles to implementing and expanding the program in a rural setting. The first phase was to use the questionnaire during field visits. The second phase was to document the findings and develop recommendations. Next, the project team will work on forging alliances with organizations that are working on farmer training programs and leverage those existing networks to expand ANIFODA's efforts in the issue of triple washing and used container collection.

Implementation

As a first step, BSR and UniRSE collected information about ANIFODA's current practices for its container collection program:

- » **Send qualified technicians to run workshops** where workers learn to safely and properly use agrochemicals according to the Campo Limpio method.
- » **Donate personal protection equipment** to several farms so that they can improve their agrochemical application procedures.
- » **Reach out to small farmers** through radio advertisements during baseball games (the most popular sport in the country) and informational posters on the risks of agrochemical exposure that include a short description of the Campo Limpio program.
- » **Promote partnerships between farmers and agricultural product buyers** that condition their purchases on the implementation of higher environmental and safety standards. ANIFODA technicians inform farmers of the benefits of selling to these responsible buyers and the requirements they must fulfill to do so. On the other side, ANIFODA also provides information to agricultural product buyers about which of its farmers are implementing the Campo Limpio program.

To develop the diagnostic tool, the project team and ANIFODA member and Campo Limpio coordinator Julio C. Hernández visited six farms and one agrochemical distributor. These visits allowed consultants to gather information and data needed to generate some recommendations for Campo Limpio improvements. Mr. Hernández also collected important feedback on the program's process since he had the opportunity to speak with several interviewees.

Project visits shed light on some of the barriers to implementing ANIFODA's Campo Limpio program and the more complex BPA guidelines. Some of the main challenges are:

- » **Insufficient outreach to farmers:** With only three technicians working on the Campo Limpio program, ANIFODA does not have sufficient capacity to change the behavior of all farmers and users of agrochemicals. As Mr.

Hernandez explained, “It is hard to reach medium-sized farms and individual, small-scale farmers because they are not organized under a cooperative and often deny entrance to technicians.” ANIFODA is far from its goal of reaching the majority of farms to which its associates sell, fulfilling only 20 percent of its targeted Campo Limpio trainings.



ANIFODA collection center

- » **High operation costs:** ANIFODA members hesitate to approve additional collection centers because of the high costs of running them. For example, according to ANIFODA, one compacting machine costs approximately US\$15,000. The recycling program and construction of collecting centers are financed through association member fees. ANIFODA does not profit from the program and runs its recycling efforts as an expense.
- » **Lack of financial incentives:** ANIFODA claims that containers that have *no* monetary value help thwart container robberies so the association does *not* offer financial incentives for farmers to return used agrochemical containers to recycling centers or collection points. Meanwhile, the black market does provide financial incentives for farmers, who sell their used containers for a profit. This situation has led to widespread sales of fake pesticides and fertilizers that may end up in the hands of unauthorized dealers. According to ANIFODA President, Mr. Orontes Lacayo, “Over 60 percent of agrochemical distributors and stores are not registered as authorized distributors—so long as they pay municipal fees, they can open a business.”

The recommendations formulated by the project team will be formally presented to ANIFODA members so that farms can improve triple washing and collection practices. Below are some of the most relevant recommendations developed by the project to date:



Illegal sale of large containers, usually sold for household storage

- » **Create multi-stakeholder partnerships** with industry associations or groups, NGOs, and local government authorities to create both logistical links for recycling program and to leverage existing channels to increase communication and awareness on the topic. These partnerships could also use their existing networks to train farmers about container collection and triple-washing programs.
- » **ANIFODA members should train their staff** working at agrochemical stores to educate farmers and transfer information on the association’s Campo Limpio program. This channel of communication could reliably disseminate the importance of triple-washing practices and increase the number of containers collected by ANIFODA’s program.
- » **Invest in the construction of smaller collection points closer to farms.** ANIFODA can collect from these smaller centers and transport the used containers to its main collection centers. This approach is especially useful around areas populated by small farmers, who are less likely to be pay to transport their used containers to distant recycling centers.
- » **Provide financial incentives** for farmers to return the containers.

The project team has already presented two recommendations to ANIFODA with the hopes that these would be implemented in the short-term:

- » **The expansion of ANIFODA’s container collection efforts should prioritize the implementation of the Campo Limpio program,** instead of advocating for the extensive and broad BPA and obtaining MAGFOR certification in conjunction with promoting the program. Campo Limpio can be used as a platform to raise awareness about improved environmental practices, and farmers can build up their programs to gain MAGFOR certification at a later stage.
- » It was challenging for BSR, UniRSE, and ANIFODA to obtain buy-in from farmers on all the BPA guidelines necessary to achieve certification. Farmers

found it hard to grasp all the information related to the 165 BPA guidelines and were also unwilling to make the financial investment involved with BPA compliance. BSR and UniRSE recommended that ANIFODA focus on expanding the Campo Limpio program. This way, farmers new to container recycling would be less likely to be overwhelmed and could focus on one goal at a time, building up to the BPA guidelines.

- » **ANIFODA should contact MAGFOR and other organizations** that currently conduct farmer-training programs so that the Ministry's and other technicians conduct container-recycling workshops focused on Campo Limpio guidelines. Prior to the BSR project, MAGFOR technicians focused on farms interested in implementing BPA guidelines and their workshops covered all 165 guidelines. BSR and UniRSE suggested that ANIFODA contact MAGFOR to implement workshops focused on Campo Limpio, thereby expanding outreach and increasing training capacity. MAGFOR technicians are qualified in and knowledgeable about proper agrochemical use and recycling, as it is also part of BPA.
- » BSR and UniRSE have also conducted a first round of stakeholder mapping to identify organizations, including ANIFODA members, engaged in farmer-training programs. With this information, ANIFODA can reach out to appropriate organizations and forge the aforementioned links to increase farmer training on the Campo Limpio guidelines.

Results

The information gathering through the project team's site visits and diagnostic tools resulted in a better understanding of the steps needed to strengthen and expand the Campo Limpio program. ANIFODA has agreed to proceed with some of the project's recommendations and to consider others in the longer-term.

SHORT-TERM RESULTS

- » **A specific focus on Campo Limpio implementation instead of MAGFOR certification.** Farms that did not have recycling practices feared that they could not afford even a handful of the 165 requirements for MAGFOR certification and were extremely overwhelmed. ANIFODA agreed with the consultants' recommendation and decided to shift the focus for the expansion of their container collection program. Farmers re-affirmed their interest in implementing Campo Limpio and remain committed to implementing safe container recycling on their farms.
- » **Immediate feedback and action taken to improve transportation and storage logistics.** Mr. Hernandez received feedback on the Campo Limpio project from workers, farm owners, store managers, and technicians as a direct result of accompanying the consultant during their visits. He reported that some farms "wouldn't buy agrochemicals from distributors that do not give them the jumbos," so ANIFODA members decided to donate jumbo containers in which used containers can be stored and transported to the collection centers.
- » **More training workshops.** As a result of the consultants' recommendation, ANIFODA obtained MAGFOR's support to train workers on safe agrochemical use, with a focus on container washing and collection. MAGFOR technicians, who previously focused on implementing all BPA guidelines, are dedicating more time to speak to farmers about triple washing.

As part of the efforts to expand ANIFODA's Campo Limpio program, BSR and UniRSE contacted the Association of Nicaraguan Exporters and Producers (APEN), an association whose mission is to provide services to its 280 members that strengthen their supply chains and allow them to increase market presence,

to work with ANIFODA to identify farms for Campo Limpio's expansion. APEN plans to utilize its communication channels and producer networks to promote participation in the program.

Karlyn Stubbart, APEN's Coordinator for Exports and Market Research, was enthusiastic about the program and believes that APEN's members have much to benefit from Campo Limpio. Mrs. Stubbart stated that implementing recycling and agrochemical management practices is not only increasingly a requirement for exporting but it also makes companies more competitive.

ANTICIPATED LONG-TERM OUTCOMES

The successful implementation of the project's recommendations and replication of the Campo Limpio program could lead to the following long-term results:

- » **Increase the number of collected containers and participating farms.** If offered monetary incentives, more farmers consistently return their containers. Smaller collection points closer to farms are easier to reach and make farmers more likely to return their containers.
- » **Improve environmental quality.** Before Campo Limpio's implementation, many toxic containers were buried underground or burned, resulting in groundwater and air pollution. As more containers are kept off the fields, contamination levels will decrease.
- » **Improved worker and community health.** Careful and proper use of pesticides and fertilizers will reduce kidney infections, and sterility and prevent unnecessary deaths. Trained, educated workers also teach their families about the dangers of reusing agrochemical containers, possibly reducing health risks for entire communities.
- » **Increase in competitiveness for Nicaragua's agricultural sector.** Multistakeholder partnership can result in increased industry competitiveness. For example, some farm product distributors, such as Comercializadora de Mani SA (COMASA), now refuse to purchase peanuts from farms that do not implement Campo Limpio practices. These types of demands could motivate farms to adhere to higher standards to access the higher paying export market.

LESSONS LEARNED AND USEFUL TIPS

Based on the project's successes and challenges, a few additional useful tips for the wide base of stakeholders involved in recycling practices include:

- » **Educational and training workshops need to be implemented by well-qualified technicians on a country-wide scale.** Experienced, educated technicians with excellent communication skills conducted successful triple washing and container collection education workshops for ANIFODA, resulting in effective program implementation at the farm level. Farm workers especially liked the informal, familiar setting of the workshops. It is important that entities implementing recycling programs finance these activities and seek partnerships with organizations that have existing networks to educate farmers.
- » **Increase government capacity to enforce the law.** The many unauthorized and illegal agrochemical distributors and stores contribute to the products' black market and seriously set back container recycling programs. Municipalities and national law enforcement agencies should, over time, be given the capacity to ensure that fertilizer and pesticide businesses comply with the law and have all the necessary permits.
- » **ANIFODA should implement targeted incentives for container collection to help attract small producers.** So far ANIFODA has been unwilling to offer financial rewards for the return of used containers. The business association should consider a less costly program targeting small farmers,

who are in fact less likely to transport their containers to collection facilities because of the costs associated with doing so.

- » ANIFODA could recruit small farmers to participate in an incentive-based program where they would be paid a small fee per container (capped at a certain number of containers per month). Farmers would only be paid if they bring their clean perforated containers to the collection center or stores where they purchased the products with proper identification. The collection center or stores would verify each farmer against a list of participants before paying. The incentive program could incrementally increase the number of participating farms and containers collected to phase in the costs. Other forms of incentives, such as logistical support for transportation of used containers and greater accessibility to collection points, would help.
- » **Government should provide financial incentives for container recycling.** Because of the scale of the problem of agrochemical intoxication and environmental damage, the Nicaraguan government must ensure the protection of the different public goods involved with agrochemical mismanagement. One solution is for the government to devise a policy to impose a refundable tax on fertilizers and pesticides that is refunded to the buyer when the original receipt and container are both returned.
- » **Agricultural exporters should be required to obtain environmental management certifications.** Exporters have access to competitive and potentially profitable international commodities markets. These companies, who often purchase from various domestic producers, should condition a sales contract on a farm's successful implementation of Campo Limpio-type programs. When farms do not comply, the exporter should not purchase their products.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

PUBLIC SECTOR





Responsible Labor in Costa Rican Public Policy Designing a Public Policy Framework that Promotes Responsible Labor

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About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

Executive Summary

Renown for its stable and relatively egalitarian social democracy, Costa Rica has also built an international reputation for environmental responsibility, attracting nature adventurers and tourists seeking eco-friendly vacations. The country's social democratic tradition has meant that the government seeks to promote development through public and private investments in education, health, infrastructure, and other welfare programs. President Laura Chinchilla, elected in 2010, has paid close attention to labor issues in the country. She has vowed to defend the economic rights of women and promised to double the number of labor inspectors at the Ministry of Labor to ensure increased compliance with labor laws.¹

Costa Rica's focus on social and responsible labor issues is largely driven by its increased openness to international markets and the importance of its export sector to corporate earnings and job creation. The country's ratification of new free trade agreements, notably with the European Union, also gives heightened urgency to upholding international labor conventions. While a few leading national companies have embraced corporate social responsibility (CSR) as part of their business strategy, much of the private sector still fails to fully recognize the many benefits of responsible labor practices (RLPs).

In light of the current opportunity to contribute to a more socially responsible Costa Rica, BSR designed a project to develop a national public policy framework that promotes RLPs to enhance the country's competitiveness. The strategy, which will be formally presented to the government in mid-2010, outlines ways in which Costa Rica can create a comprehensive public strategy to earn the reputation of "Green and Responsible." The BSR project's main recommendations to the Costa Rican government are:

- » Build a "whole-of-government mobilization" to incentivize RLPs
- » Extend CSR and RLPs to small and medium enterprises (SMEs)
- » Promote gender equity
- » Build a culture of compliance

In the short-term, the project has stimulated dialogue about RLPs across sectors and emphasized the link between RLPs and national competitiveness. Local CSR organizations have also taken ownership of BSR's recommendations and plan to push for their implementation, ensuring the sustainability of the project's activities. Potential long-term outcomes include increased public-private partnerships to address responsible labor issues, greater coverage of the working population by social audits, increased awareness of the business case

¹ "The gap between women's and men's salary widens." Nación.com. February 2010. www.nacion.com/2010-02-21/EIPais/NotaPrincipal/EIPais2275771.aspx.

for responsible labor, and enhanced international reputation and competitiveness for the country.

Opportunity

Costa Rica showcases a success story among its Central American counterparts. The country's economic progress is accompanied by the longest period of unbroken democracy in the region, and, as a result, Costa Ricans enjoy the highest standard of living in Central America and among the highest in Latin America and the Caribbean, with a poverty level among the lowest.

Peru's Mining Industry

The Peruvian government's voluntary Mining Program of Solidarity with the People aims to help alleviate poverty in Peru. Corporations sign agreements with the government in which they agree to contribute to the fund in years when the prices for metals are above the threshold determined by the contract. The funds are used for local and regional projects. Contribution to the fund is voluntary.

Costa Rica's government, shaped largely by a social democratic agenda, views openness to international trade and investments in social programs as paramount to the creation of wealth for the country. Former President Oscar Arias focused on the ratification of the U.S.-Central America free trade agreement (DR-CAFTA), which was approved by the Costa Rican population in a popular referendum in 2007. The recent presidential election victory of Laura Chinchilla represents continuity for the promotion of responsible social practices and the pursuit of increased national competitiveness in international markets.

In her acceptance speech President Chinchilla spoke of her intended focus on health and education and on making Costa Rica the first carbon neutral country in the world.² The Chinchilla government will also continue to pay attention to responsible labor issues in the country. In ratifying the DR-CAFTA agreement and signing the "White Paper" in 2005 (a series of commitments made by the region's governments to address labor issues), Costa Rica has pledged to implement RLPs throughout its various industries.³ Additionally, the European Union and Central American countries have just concluded negotiations on a free trade agreement, and European nations continue to highlight the importance of stricter compliance with international labor standards.⁴

In light of the opportunity to promote RLPs in the uniquely favorable settings found in Costa Rica, BSR implemented an innovative strategy to promote CSR in the country. As part of the DR-CAFTA Responsible Competitiveness project, BSR designed a public policy framework that advances RLPs and is aligned with strengthening the competitiveness of Costa Rica. These recommendations, which form a robust public policy framework, will be officially presented to the Costa Rican government in mid-2010 for evaluation and possible implementation in whole or in part.

² Laura Chinchilla. "Discurso de aceptación del triunfo. Elecciones Presidenciales 2010." February 2010. www.laurachinchilla.com/blog/discurso_esp.php.

³ "La dimensión laboral en América Central y República Dominicana: Fortaleciendo el cumplimiento y mejorando la capacidad." Informe del Grupo de Trabajo de los Viceministros de Comercio y de Trabajo de los países de Centroamérica y de la República Dominicana. April 2005.

⁴ "Country Report Costa Rica." Economist Intelligence Unit. April 2010.

Strategy

The BSR project followed three main strategies in the development of a public policy framework to promote RLPs in Costa Rica:

Align business incentives with the implementation of RLPs: There is mounting evidence that RLPs positively affect businesses through cost reductions, increased productivity, lower turnover, and, with increasing numbers of responsible buyers and consumers, greater access to international markets. The project thus focused on identifying policies that the government could enact to incentivize businesses to implement RLPs. These incentives are especially important when investments in RLPs are high and the returns too distant, which may discourage businesses from making such investments (i.e. advanced training or purchasing expensive personal protective equipment). The project suggests a public policy framework that aligns the incentives for businesses with the implementation of RLPs and that can enhance national competitiveness.

1. **Develop a holistic, strategic approach to CSR:** Costa Rica has been active in the promotion of environmental practices through public policy and government programs—successfully promoting itself as a “green” country. This project aimed at placing RLPs in a broader CSR strategy for the nation, with the goal of re-branding Costa Rica as “Green and Responsible.” To achieve this, the project’s strategy called for various ministries and government agencies to promote CSR and implement a holistic government approach to the issue, shifting away from the model where responsible labor issues fall strictly under the auspices of the Ministry of Labor.
2. **Build on existing institutions and instruments:** In line with the idea of creating a holistic government approach to CSR, the project focused on incorporating the promotion of RLPs into existing policy instruments and institutions. Multiple government agencies and existing policies deal with issues closely related to responsible labor and have established networks and infrastructures that could be used to promote RLPs. The project’s strategy then was to focus on efficient government instruments and include responsible labor as a component of their implementation.

Implementation

To propose a public policy framework that promotes RLPs, the project took several steps:

1. **Benchmarking of international good practices of public policies that promote CSR:** As a first step to the project, BSR completed a benchmarking study to understand how governments throughout the world are engaging with the private sector to advance responsible labor. The research focused on seven countries in various stages of economic development. The benchmarking found that the types of policies being implemented are diverse and reflect each country’s unique social, political, and economic make-up; however, several trends in national policy were observed across countries, including:
 - Voluntary guidelines or binding standards that guide or demand companies to implement socially responsible practices
 - National campaigns that raise awareness about CSR issues
 - Government funds made available to the private sector for the implementation of CSR programs

This research helped BSR consultants assess challenges and successes in past implementations of public policies that promote CSR and use that knowledge while designing the framework for Costa Rica.

CSR and Public Policy in Uruguay

In May 2010 the executive branch of the government of Uruguay created the National Council of Corporate Social Responsibility composed of members from the public, private, and civil sectors, including multiple national ministries and labor groups. Very similar to the roles of the Inter-Agency Committee proposed by the BSR project, the mandate of the council is to coordinate national policies and instruments that promote CSR.



Managers from the Coca-Cola Concentrate Plant in Costa Rica receiving INAMU's Certificate for gender equity

Promoting CSR in Tourism

To promote sustainability among hotels and tour operators, Costa Rica's Institute of Tourism (ICT) launched the voluntary Certificate of Sustainable Tourism. Auditors evaluate the firm's internal operations, environmental impact, and community involvement. Firms are also expected to comply with labor laws. Tour operators must implement employee safety measures.

The certificate is awarded by the National Accreditation Commission, a public-private body. Positive incentives for participation include listings on the ICT website and official tourism maps and promotion at trade fairs.

Researched Costa Rica's existing laws and incentives: The BSR team reviewed the country's laws and consulted national experts to better understand existing regulations in Costa Rica that address CSR and labor issues. BSR consultants also examined existing incentives available to companies that could encourage compliance with labor laws.

Conducted stakeholder interviews: BSR experts interviewed 40 stakeholders, including government representatives, members of the private sector, labor union representatives, and leaders of other civil society organizations. During these interviews, BSR consultants discussed current government policies related to CSR and assessed their effectiveness. The interviews also allowed the team to gather information about existing policies and government programs that could be modified to incorporate the promotion of RLPs in their implementation.

Prepared recommendations for public policy framework, accounting for stakeholder feedback: Based on the information gathered, the BSR team prepared a series of public policy recommendations for the Costa Rican government, all of which build on existing government institutions and instruments. These proposals were circulated and presented to more than 50 stakeholders during a series of meetings. The team then formulated a final report that reflects the project's research and stakeholder feedback.

Project consultants also received expert input from local NGO Asociación Empresarial para el Desarrollo (AED), regarding different sections of the report, in particular gender issues in Costa Rica. AED was also instrumental in facilitating meetings with government officials, actors of civil society, and private sector leaders.

This final report will be presented in a series of events attended by government officials and leaders of the private and civil sectors. Public presentations are scheduled for mid-2010.

REPORT RECOMMENDATIONS

The main recommendations outlined in the final report are described below:

- » **Building a "whole-of-government mobilization" to incentivize RLPs:** The report outlines a series of existing and potentially potent policy instruments that could be harnessed to incentivize the implementation of RLPs. It also recommends, as an example, that the presidency establish an Inter-Agency Committee on Responsible Labor Practices, cochaired by the Ministry of Labor and Social Security (MTSS) and the Ministry of the Economy, Industry, and Commerce (MEIC). The committee's primary task could be to evaluate the government instruments highlighted in the project's report and consult appropriate agencies to implement changes. It could also engage the private sector and help build the business case for RLPs, promoting their connection to national competitiveness.
- » **Extend CSR and RLP to SMEs:** The project recommends that the government educate SME (defined as firms employing fewer than 100 workers) on CSR issues and reward global brands that are currently leveraging their supply chains to reach SMEs and instruct them about RLPs. The report also advocates for the MTSS and global brands to form partnerships to increase the enforcement level of RLPs. By collaborating they could avoid duplicating efforts, increase coverage of workers, share resources, enhance efficiencies, and reduce costs.
- » To implement these recommendations alongside SMEs, the BSR project points out that greater government efforts are needed to alter the incentive structures that inadvertently encourage informality.
- » **Promote gender equity:** The BSR team found that the Costa Rican government currently has a useful, but underused mechanism to promote gender equity in the private sector. The Sistema de Gestión Laboral en



A Chiquita farm certified by ISO-14001 and SA-8000

Igualdad y Equidad de Genero (SIGEG), created by the National Institute for Women (INAMU), offers participating firms a diagnostic on their business practices and gender equity and assists in the design and implementation of a remedial plan to comply with normative laws and regulations. Participation is voluntary and successful implementation of policies that lead to greater gender equity results in the certification of the firm. The project recommends that the government increase the rewards associated with participation in the program to further promote gender equity in the country.

- » **Build a culture of compliance:** The project recommends that the government take a stronger role in building a culture of compliance within the country. In order to do so, government institutions must provide information and measurable indicators of progress to the public, offer education and training on fundamental CSR concepts, and provide continual feedback to stakeholders and rewards for success.

The BSR team suggests that to advance a culture of compliance, Costa Rica should first establish a national system to measure labor productivity and international competitiveness. Second, to meet the need for more monitoring and feedback, Costa Rica should establish a national market of social auditors. Finally, the government could take the lead in establishing a DR-CAFTA regional training center, to partner global brands with local suppliers and assist them in improving their labor and environmental management systems.

Results

During follow-up interviews with Costa Rican stakeholders, BSR consultants were able to assess the immediate project results in the country.

SHORT-TERM RESULTS

Within the private sector, the project has served to emphasize the link between RLPs and national competitiveness. According to Luis Mastroeni, CSR Manager for Purdy Motor Group, while a few private sector leaders and transnational corporations realize the benefits of incorporating CSR practices into the firm's core business strategy, the logic is not widespread in Costa Rica. Mr. Mastroeni stated that he "believes the BSR project serves to make the business case more evident."

According to Mr. Guido Alberto Monge, Director of the Consejo Consultivo Nacional de Responsabilidad Social (Social Responsibility National Advisory Council), a broad coalition of public and private entities: "The project has provoked debate and disseminated the idea of responsible labor practices and competitiveness." The project's broad stakeholder engagement, meeting with more than 90 people and organizations in the country during information-gathering interviews and consultations for feedback on the report, was able to elevate the importance of the topic within the civil and public sectors.

Another immediate result of the project was the commitment and enthusiasm of civil organizations in Costa Rica to push the project's recommendation toward implementation. Organizations such as the previously mentioned Social Responsibility Council and Aliarse, an NGO that promotes public-private partnerships, have agreed to discuss the project's suggested policies. Mr. Monge has invited the newly appointed minister of labor to participate in talks about the project's recommendations. The council hopes to present its members the full report in mid-2010 to open the debate and seek implementation of the project's recommendations.

Local organizations have thus seized ownership of the BSR report and will take leadership in advocating for its recommendations. This commitment is much needed, as progress to achieve a holistic national CSR strategy is likely to be a



Luis Garnier, DR-CAFTA Regional Manager and Dr. Richard Feinberg, DR-CAFTA Senior Project Advisor, presenting the public policy framework to Sandra Pizsk, Costa Rica's Labor Minister

long-term process. Additionally, local organizations can have more thrust in recommending public policy frameworks because they are seen as local partners and can deflect the sporadic aversions to foreign-sponsored projects.

ANTICIPATED LONG-TERM OUTCOMES

The project's long-term outcomes depend on the political willingness of the newly elected president and appointed ministers to prioritize responsible labor issues and identify viable innovations for the country's policies in the project's proposed framework. During follow-up interviews, BSR consultants spoke to many stakeholders who stated that these are very opportune times for the project. Alicia Fournier, elected deputy of the Legislative Assembly, welcomed the project's recommendation, "BSR's work can provide valuable input to guide public policy on the topic."

If the project's proposed framework is implemented, several outcomes could follow, including:



Training of SMEs by the National Learning Institute and Café Britt

- » **Heightened awareness of the business case for responsible labor.** During follow-up interviews, many stakeholders stated that the private sector often fails to implement CSR programs because of costs. As stated by an interviewee, "While the private sector sees the link between labor compliance and competitiveness, they often fail to implement necessary policies because of costs." Through existing networks, the Costa Rican government can raise awareness of the positive returns that RLPs have on business practices. This makes it more likely that firms will implement responsible labor programs.
- » **Increased public-private partnerships to address responsible labor issues.** By increasing dialogue on responsible labor issues, the Costa Rican government can be a strong partner for corporations and the implementation of their responsible labor programs.
- » **Greater coverage of the working population by social audits.** The creation of market of social auditors and increased dialogue between corporations and the government regarding auditing practices can lead to more coverage of employees and thus increased enforcement of labor laws.
- » **An international reputation as "Green and Responsible."** Costa Rica is known for its environmental responsibility, which has led to many benefits for the nation. By becoming a regional leader and seriously tackling issues of responsible labor, Costa Rica can create a reputation of both green and socially responsible, leading to numerous benefits, such as higher levels of foreign direct investments, increased tourism revenues, and an enhanced international reputation.

LESSONS LEARNED AND USEFUL TIPS

Tips for governments seeking to replicate this strategy include:

- » **Government should implement a whole-of-government approach to promoting compliance with labor laws and labor standards.** The resources available to national labor ministries is often insufficient to guarantee compliance and promote RLPs. Governments have a variety of instruments available to promote responsible labor and should use them, including those outside the auspices of the Ministry of Labor, to comply with high-quality labor standards.
- » **Positive incentives are powerful tools to promote RLPs.** During the course of the project, corporations were often concerned that government involvement in issues of corporate responsibility would simply lead to new laws to abide by. Business executives welcomed positive incentives as they allow companies to choose whether to opt in to programs and give corporations that implement RLPs a comparative advantage vis-à-vis their competitors.

- » **Increasing dialogue on responsible labor across sectors can lead to successful synergies.** During stakeholder engagements in Costa Rica, many leaders of civil society organizations, private businesses, and public officials showed great interest in working to advance the responsible labor agenda. Increasing cross-sector dialogue and collaboration can help promote higher labor standards in the country.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.



Responsible Labor in Salvadoran Public Policy

Designing a Public Policy Framework that Promotes Responsible Labor

Prepared by Kimberly Ascoli under the supervision of Dr. Richard Feinberg,
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April 2010

About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

Responsible labor is best envisioned as a component of a broader CSR agenda that includes environmental sustainability and community investment. Specifically, responsible labor suggests long-term investment in human capital and wages that rise fairly in tandem with rising productivity.

Executive Summary

This project aims to assist El Salvador in designing a public policy framework that encourages responsible labor practices in a manner that benefits workers and improves the country's overall competitiveness. The project is based on the concept that corporate social responsibility (CSR) and responsible labor advance the broad national interest and should be promoted jointly by the government, private sector, and civil society. Specifically, the project produced a report with recommendations to help the government develop a wide spectrum of policies that encourage the private sector to adopt responsible labor practices.

The project team, led by BSR, implemented a consultative and research-based strategy. In the first phase BSR completed an international benchmarking study to understand how other governments interact with the private sector to advance responsible labor. Subsequently, the team engaged in a wide-ranging national dialogue with stakeholders from the public, private, and civil sectors that yielded an understanding of existing laws and possible incentive instruments. Based on the findings, BSR prepared a report with specific recommendations that, if implemented, can advance a policy framework that encourages responsible labor practices in the private sector of El Salvador. The final report was publicly launched in December 2009.

In the short-term, the project has increased awareness in the public, private, and civil sectors of the "business case" of responsible labor. If the recommendations are widely debated and implemented, BSR expects that in the long-term the project will lead to:

- » Increased awareness of the business case for responsible labor
- » Improved cooperation between government agencies
- » Growth of successful public-private partnerships
- » Augmented foreign direct investment and exports that create good jobs

Opportunity

El Salvador is committed to enforcing internationally-recognized labor standards, both through its own laws and policies, and through the DR-CAFTA free trade agreement, which the country ratified in 2004. Additionally, in 2005 the country, represented by its Ministries of Labor and Economy, participated in the Inter-American Development Bank's report on labor issues in the region¹ (known as the "White Paper") and the International Labour Organization's (ILO) follow-up verification project. By participating in and endorsing these projects, the country agreed to advance high-quality labor standards.

¹ *The Labor Dimension in Central America and the Dominican Republic: Building on Progress: Strengthening Compliance and Enhancing Capacity*. The Inter-American Development Bank, 2005.

By signing the DR-CAFTA agreement, El Salvador committed itself to “effectively enforce its labor laws, and to strive to ensure that its laws provide for labor standards consistent with the internationally recognized labor rights.”
—DR-CAFTA, Chapter 16

“We are the leading civil service institution in terms of Labor and Social Security, entrusted with fostering labor relations based on dialogue, on social agreement and on tripartite involvement. Our main objectives are to improve real wages and the labor and living conditions of both male and female workers, as well as to improve production and productivity in a framework of social justice and equity.”
—Ministry of Labor, “Mision, Vision and Main Policies,” July 2009

On the domestic front, El Salvador is currently undergoing a political transition. After two decades of rule by a political party closely aligned with the private sector, in June 2009 a new government took office that views the middle and working classes as its core constituencies. This historic moment poses opportunities for a new government committed to improving working conditions to consider new initiatives. On the other hand, the new government and the nation’s private sector also must seek common ground that advances both public and private goals—without which neither sector can achieve its fundamental interests.

Having a policy framework that promotes CSR and responsible labor practices contributes significantly to a country’s overall competitiveness. This issue is especially relevant for El Salvador, whose economy is driven by an abundant labor force.² Above and beyond national labor laws, CSR and responsible labor practices can advance labor productivity and improve competitiveness in national, regional, and global markets.

In response to El Salvador’s unique circumstances and the international justification for responsible labor practices, BSR designed a project that recommends how the country could implement a public policy framework that advances CSR and responsible labor to enhance its long-term competitiveness.

Strategy

BSR firmly believes that CSR and responsible labor are not concerns purely of the private sector, but rather are increasingly pertinent and relevant to the public sector. Furthermore, a country’s public policy can be instrumental for the promotion of both CSR and responsible labor. Therefore, public policy should take a holistic, strategic, and “whole of government” approach.

In a comprehensive government approach, the task of advancing responsible labor should be a collaborative effort of the Ministry of Labor with various other government agencies. Likewise, the private sector and civil society should also assume responsibility for advancing responsible labor practices, and should seek synergy with the work of the Ministry of Labor.

Another fundamental task for the BSR project team was to make “the business case” for responsible labor. For a public policy framework to lead to a culture of compliance, private firms must be persuaded that responsible labor practices are in their self-interest. By offering incentives for responsible labor practices, the public sector can align itself with the self-interests of the private sector, namely to increase productivity and competitiveness. In some instances, this mutuality of interests is self-evident. However, some responsible labor practices may require investments that, in the short run, are costly to the firm. In such cases, it is appropriate for the public sector, acting on behalf of the common welfare, to establish a framework of balanced incentives, to advance responsible labor practices.

² *Building a Framework for Corporate Social Responsibility as a Development Tool: El Salvador.* Foreign Investment Advisory Service, 2006.

A Model in Singapore

The Workplace Safety and Health Council, made up of government, business, and worker representatives, as well as professional experts, is a successful public-private partnership that advances responsible labor in Singapore. The council seeks to advance worker health and safety in key economic sectors and reduce the national worker fatality rate, thereby rebranding Singapore one of the world's safest, most efficient business locations. Specifically, it sets safety and health standards, helps build capacity in participating firms and publicly recognizes industry leaders.

Implementation

Specifically, the project produced a report to help El Salvador create a public policy framework centered on incentives that encourage responsible labor practices in the private sector. To generate compelling suggestions, BSR followed these steps:

- » **Researched international good practices of public policies that promote CSR and responsible labor.** BSR completed a benchmarking study to understand how other governments are engaging with the private sector to advance responsible labor. The study uncovered many interesting examples of public policies and programs. One example, found in Singapore is the Workplace Safety and Health Council, which advances worker safety and comprises representatives from the government, private sector, and worker movements.
- » **Researched El Salvador's existing laws and incentives.** The BSR team reviewed the country's laws and spoke with national experts to understand what existing laws in El Salvador deal with CSR and labor issues. Also, the team examined existing incentives—or those that might be embedded in regulations—to encourage compliance with labor laws.
- » **Consulted key stakeholders to understand what policies are working.** The project team conducted interviews with more than 70 domestic stakeholders, including government agencies, private sector enterprises, and civil society organizations, including labor union representatives, to comprehend what policies have been successful and what new approaches might be taken. The team found that in recent years the Salvadoran Congress has inserted labor clauses in a number of laws, one of which is the law regulating government procurement.
- » **Prepared a report and made revisions based on stakeholder feedback.** Based on field research and the stakeholder dialogues, BSR completed an analysis of Salvadoran public policy instruments currently being used and highlighted opportunities for creating incentives for the private sector. The team incorporated stakeholder feedback into the final version.
- » **Publicly presented report.** To stimulate public debate on its conceptual framework and policy recommendations, BSR launched the final report in December 2009, with high-profile presentations to leaders from the public and private sectors.

REPORT RECOMMENDATIONS

Based on the project team's extensive consultations, the report makes the following recommendations to the Salvadoran government and society, which should be implemented gradually (suggestions 1–5 should be the top priority):

1. **Adopt a “whole of government” approach to advancing responsible labor.** The Ministry of Labor could lead an inter-agency action committee to design and drive a government-wide strategy.
2. **Strengthen existing forums and open new spaces for meaningful dialogues among key stakeholders.** Conflicts over labor standards are part of a much larger pattern of extreme social strife that El Salvador must overcome. Communication spaces should be strengthened and broadened.
3. **Build a partnership for labor standards enforcement between the Ministry of Labor and global brands operating in El Salvador.** It is time to bring the parallel auditing systems currently being operated separately by the public and private sectors to the same table. The ministry should invite brands to share methodologies and best practices, and to explore efficient modes of collaboration in advancing responsible labor practices.

LACAP: Importance of Laws
Decreed in 2000, The Public Administration Law for Procurement and Contracts (LACAP) is the Salvadoran law that regulates the procurement programs of public sector institutions, including autonomous agencies and the Salvadoran Social Security Institute. LACAP requires bidders on government contracts to show evidence that they are current with payments to social security and employee pensions. Without doubt, LACAP has focused more attention on responsible labor and has set an important precedent for broadening public sector procurement powers to consider contractors' other responsible labor practices.

4. **Focus on top goals, such as eliminating the worst forms of child labor and advancing gender equity.** Clear, attainable goals build credibility and enthusiasm. Allegations of child labor can threaten a region's reputation and relationships with international buyers.
5. **Coordinate better among international donors and projects advancing responsible labor.** International donors support an impressive number of projects in El Salvador advancing labor practices. Avenues for sharing information, experiences, and strategies among projects should be reactivated.
6. **Establish a national system for monitoring and reporting measures of labor productivity and international competitiveness.** Reliable metrics are an important piece of making a persuasive business case for high labor standards. The responsible entity could be a public-private partnership.
7. **Foster public-private partnerships that strengthen responsible labor and CSR.** Partnerships give concreteness to and open spaces for stakeholder dialogues. Partnerships can be forged on a sector or industry basis.
8. **Enable a market for auditors.** Sharing an objective of compliance with labor standards, the government inspection teams, jointly with global brands, could create synergies to fulfill future inspection needs and could fill any gaps with independent auditors.

Results

SHORT-TERM RESULTS

In the short term, the project activities and final report have helped to increase awareness in the public, private, and civil sectors of the link between responsible labor and national competitiveness. Jorge Hasbun of the Salvadoran Chamber of Commerce explained that "not everyone sees the connection between responsible labor practices and productivity, but this project has put the topic on the table." Mario Roger Hernandez, the Vice-Minister of the Economy, concurred, saying that "CSR is still thought of as philanthropy and not linked to competitiveness, but slowly the message is being disseminated."

The project and the report's public launch spread the message that advancing the CSR and responsible labor agenda is the joint responsibility of the government, private sector, and workers' unions. To gain traction, must be all leading sectors must share a sustainable long-term vision. Further, the launch ignited a national debate around specific policy proposals to advance responsible labor and national competitiveness.

Lastly, the project produced an extensive inventory of laws and regulations that can be used to advance responsible labor. This list can be found in the final report.

ANTICIPATED LONG-TERM OUTCOMES

The long-term impact of this project depends on the degree to which the report's conceptual framework and policy recommendations to the Salvadoran government and society are debated and implemented. Several of the anticipated outcomes include:

- » Increased awareness of the business case for responsible labor. BSR expects that over time El Salvador's private sector will see the concrete benefits responsible labor practices have on their businesses, specifically increases in worker productivity and overall competitiveness.

- » Improved coordination among government agencies. A policy framework that promotes CSR will also foment cooperation and unity within government agencies, particularly between the Ministries of Labor and Economy.
- » Growth of successful public-private partnerships (PPPs). El Salvador can increase the collaboration between sectors by focusing on a common objective, such as responsible labor. As other successful PPPs show, each stakeholder must clearly see the individual benefits. In this case, the private sector will see the long-term business benefits of responsible labor practices, the public sector will improve law enforcement, and the worker movement will see better working conditions.
- » Augmented foreign direct investment and exports. By enhancing its reputation as a responsible country, El Salvador will become an attractive investment location for responsible supply chains, particularly in industries sensitive to labor issues such as the apparel and agricultural sectors. Further, by improving labor conditions the country can avoid DR-CAFTA sanctions.

LESSONS LEARNED AND USEFUL TIPS

During this project's implementation BSR has made several observations that can be useful to other countries seeking to replicate this strategy, including:

- » **A whole of government approach to labor standards enforcement** vastly widens the scope of instruments and incentives that can be deployed to advance responsible labor practices.
- » **Engaging in cross-sector stakeholder dialogue** increases awareness of shared interests and encourages each sector to assume partial responsibility for advancing the responsible labor agenda.
- » **Offering successful case studies from other countries** is extremely useful to demonstrate, via concrete examples, the feasibility of policy suggestions.
- » **Recommendations** should be presented as short- and long-term suggestions, making them more realistic and attainable.

About the DR-CAFTA Project

This case was made possible by a grant from the U.S. Department of State to BSR for its "DR-CAFTA Responsible Competitiveness Project." The project works with producers, labor, government, and international buyers to promote responsible labor practices in countries of the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). For more information, visit www.drcafta.bsr.org.

