

ETHICAL PUBLIC PROCUREMENT IN MALTA - INDICATIONS FROM THE WORKWEAR SECTOR

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Introduction

In September 2000, at the United Nations Millennium Summit, world leaders agreed to a set of measurable goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. These are the Millennium Development Goals¹ and have a target date of 2015. In the discussion paper on Malta's Overseas Development Policy, the Ministry of Foreign Affairs states that poverty eradication and the achievement of the Millennium Development Goals are the priority of this decade. The Ministry of Foreign Affairs also recognises trade as "an obvious important tool in the fight against poverty" and states that "Malta supports the integration of developing countries into the world economy which should be governed by just, legitimate regulations in which all countries can participate on the same terms." Furthermore, "development of the local private sector in developing economies is crucial. Malta will promote the principle of Corporate Social Responsibility (CSR) so that all stakeholders are rendered sensitive to development issues."²

In its communication *Corporate Social Responsibility: A business contribution to Sustainable Development*, when referring to public procurement policy, the European Commission states that "Community law offers numerous possibilities to public purchasers who wish to integrate social and environmental considerations into public procurement procedures, whilst at the same time ensuring respect of the principle of value for money for taxpayers and equal access for all EU suppliers." In the same document the Commission states the following: "Public administrations, including the Commission, need to practice CSR principles in their own management and with their own 'stakeholders'." It also affirms: "The Commission invites public administrations at national, regional and local level to also examine their practices with a view to integrating social and environmental considerations."³

¹ The Millennium Development Goals are: 1) Eradicate extreme poverty and hunger 2) Achieve universal primary education 3) Promote gender equality and empower women 4) Reduce child mortality 5) Improve maternal health 6) Combat HIV/AIDS, malaria and other diseases 7) Ensure environmental sustainability 8) Develop a global partnership for development.

² *Malta's Overseas Development Policy, discussion paper* p. 4, 6 and 8 www.mfa.gov.mt

³ *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development* (Brussels 2.7.2002 COM 347 final), page 21-22, 24.

As major consumers, governments have considerable power to influence the behaviour of companies. Public authorities have a key role to play in ensuring good labour conditions, not only by regulation of the private sector but also through regulation of their own activities. The Maltese Government has recently expressed its wish to help in the international effort to eradicate poverty in the world. It is therefore pertinent to ask ourselves if this official commitment is reflected in the Country's public purchasing policies? Is the Maltese Government acting in a consistent manner when purchasing goods for the public service?

Responsible Public Purchasing

The Contracts Division within the Ministry of Finance is responsible for Government procurement. It is an established and accepted fact that public procurement has “great relevance in the economic relationships between individual countries and between trading blocks since it represents a considerable part of the global economic activity.”⁴ As the largest buyer in the country, the Government wields considerable financial power in its procurement of public goods and services. Over the past three years it undertook some Lm 50 million worth of contracts annually.⁵ The Contracts Division is responsible for all tenders having an estimated value over Lm 20,000. Contracts whose value does not exceed Lm 20,000 are regulated and administered by each contracting authority. If all public purchasing were taken together, the total sum would be much higher.

Authorities have the responsibility to spend money wisely and must therefore secure best value for money. The Procurement Directives of the European Union, transposed into Maltese law in 2006,⁶ have clarified some fundamental principles concerning environmental and, to a lesser degree, social criteria in public purchases. This offers an opportunity for public authorities to purchase socially and environmentally ‘responsible’ products.

European procurement regulations are built on three basic principles:

Transparency: All bids must be evaluated through objective and transparent procedures.

Equal treatment and non-discrimination: Calls for tender must be widely advertised and all interested parties must have a fair and equal chance to compete for the contract.

Best value for money: Purchasing decisions can be based on an assessment of the price of bids alone, but should also take quality criteria, such as environmental impact or community benefits, into account.

The concept of best value requires that purchasing decisions are based not only on the price of offers, but also on their quality and ability to deliver additional benefits. When including social and environmental criteria in a procurement process, public authorities must consider the following aspects:

⁴ Public Contracts Regulations, L.N. 177 of 2005.

http://www.greennetwork.gov.mt/files/gpp_public_contracts_regulations2005.pdf

⁵ Data made available by Director (Compliance) Contracts Division, during a telephone interview on 25 January 2007.

⁶ Information made available by Forum Malta fl-Ewropa.

1. Any 'responsible' requirements must be relevant in terms of the object of the purchase, must relate to the capability of the contracting company to deliver the contract or must enable the contracting authority to deliver or improve its services to the public.
2. Any environmental or social criteria that will be used to evaluate a bidder or a bid must be published together with the contract notice or call for tender.
3. Specifications regarding product performance or performance conditions should make reference to recognised international standards, such as eco-labels and standards of working conditions (the ILO conventions, for example), but equivalent standards must always be accepted.⁷

By February 2007 at the latest, the Maltese Government should be announcing a Green Public Action Plan, whose draft was open for consultation. The press commented favourably on the proposal: "The Government's initiative in line with EU requirements is to be welcomed. Anything that promotes the needs of the environment, and not simple the economic and cost factors, when buying products or services, must be a step in the right direction. Environmentally-friendly or 'green' public procurement could have significant benefits for us all. So much money is spent by public authorities in public procurement that it makes sense to use that money to help achieve environmental goals. (...) Moreover, in establishing a 'green' procurement policy and demonstrating the results of that action, the Government will be showing clearly that something can indeed be done to save the environment and that it leads to concrete results. By promoting 'green' procurement, the Government is providing the impetus to industry to adopt 'green' technologies."⁸

Mr Anthony Fava, Director (Compliance) at the Contracts Division, who is involved in the drafting of the Green Public Procurement Action Plan, states that the Action Plan is a way to entrench environmental clauses. "It is also a way to raise awareness and show support from the political level on how to target the problems."

Until today no social or ethical criteria have been included. "At this stage we do not intend to include such criteria," Mr Fava explained. Although the Procurement Directives of the European Union, which open up such possibilities, have been transposed into Maltese Law, there has not been a discussion within the Contracts Division about introducing social criteria into public purchasing procedures.

Public Authorities Serving Fair Trade Products

On the 6th of July 2006 the European Parliament adopted a Resolution on Fair Trade and Development. The European Parliament states that Fair Trade has proved to be an effective way of promoting sustainable development and is an important instrument to reach the Millennium Development Goals, particularly Goals 1 and 8. Although prices for many of the main agricultural exports of developing countries, such as sugar, cotton, cocoa and coffee, fell by 30 to 60 percent between 1970 and 2000, forcing small farmers to sell their

⁷ *Work in progress: Labour policies of workwear companies supplying public authorities in Europe* Sanne van der Wal and Bart Slob, SOMO November 2005 p 5, 10.

⁸ Greening Procurement www.doi.gov.mt/EN/commentaries/2006/10/tim13.asp

goods below the cost of production and reducing the revenue of many of the poorest countries in the world, Fair Trade can provide solutions.

The European Parliament recognises the criteria defined by the Fair Trade Movement as:

- a) a fair producer price, guaranteeing a fair wage, covering the costs of sustainable production and living;
- b) part payments to be made in advance if so requested by the producer;
- c) long term, stable relations with producers and producers' involvement in Fair Trade standard-setting;
- d) transparency and traceability throughout the supply chain to guarantee appropriate consumer information;
- e) conditions of production respecting the International Labour Organisation (ILO) Core Conventions;
- f) respect for the environment, protection of human rights and in particular women's and children's rights and respect for traditional production methods which promote economic and social development;
- g) capacity building and empowerment for producers, particularly small-scale and marginalised producers and workers in developing countries, their organisations as well as the respective communities, in order to ensure the sustainability of Fair Trade;
- h) support for production and market access for the producer organisations;
- i) awareness-raising activities about Fair Trade production and trading relationships, the mission and aims of Fair Trade and about the prevailing injustice of international trade rules;
- j) monitoring and verification of compliance with these criteria, in which southern organisations must play a greater role, leading to reduced costs and increased local participation in the certification process;
- k) regular impact assessments of the Fair Trade activities.⁹

Sales of Fair Trade products in Europe have grown by 20 per cent since 2000, and the European Parliament estimates that it still has a huge margin of growth potential. An increasing number of Fair Trade products such as coffee, tea, fruit and snacks are already available on the market. The European Parliament calls on public authorities in Europe to integrate Fair Trade criteria into their public tenders and purchasing policies. The European Parliament uses Fair Trade products in their internal service and encourages other European institutions to do the same. Public authorities are major consumers of such products for use in canteens, vending machines and catering at events and meetings.

The United Kingdom seems to be the fastest growing Fair Trade market in the world. British Institutions using Fair Trade products include the House of Commons, the Scottish Parliament, the Welsh National Assembly, the Department of Trade and Industry, the Department of Health, the Department for International Development, and the Treasury.

⁹ *Resolution on Fair Trade and Development* European Parliament A6-0207/2006 p 6-7. The ILO core conventions from the Declaration on Fundamental Principles and Rights at Work covers the following areas: Freedom of association and the right to collective bargaining; the elimination of forced and compulsory labour; the abolition of child labour and the elimination of discrimination in the workplace.

Many local authorities have become supportive of Fair Trade through the *Fair Trade Town* movement. There are now 140 Fair Trade towns and cities in the UK whose councils have passed resolutions supporting Fair Trade and who have committed themselves to using Fair Trade products.

The institutions in the UK are not alone. There are plenty of prominent users of Fair Trade coffee and tea, amongst whom: the Presidential Palace and several provincial governments in Austria; the Royal Palace, the administration of the City of Brussels as well as many other towns in Belgium; the Office of the President, the Parliament, the Senate, the Ministry of Foreign Affairs, as well as many local administrations in France and the Parliament, the Government offices and SIDA (the Swedish Development Agency) in Sweden.¹⁰

So far, no Maltese institutions chose to follow the good practice of serving Fair Trade products during official meetings and events, although the Malta Environment and Planning Authority (MEPA) did temporarily use Fair Trade coffee in the recent past.¹¹

‘Clean’ Workwear?

The workwear market is a large market: between 25 and 50 per cent of all European employees wear specific workwear. This clothing is often bought from local/national workwear companies due to the short delivery times and customisation. However, the market is becoming increasingly international. While some production still takes place in target-market countries, it is clear that most workwear is now manufactured in low(er) income countries. Many European workwear companies have subsidiaries in Eastern Europe, Tunisia, Algeria, Morocco and the Far East.

The outsourcing of production to subcontractors is widespread and becoming more popular. There are few studies and scant information in the media regarding the social and environmental impact of the supply chain of European workwear companies. Research on working conditions in the fashion sector in garment-producing countries is however abundant and shows that violations of labour rights, such as excessive overtime and extremely low wages, are common. Other serious problems are inadequate health and safety measures, and violations of trade union rights. In China, for example, workers are not allowed to join a free trade union. As there are many similarities between fashion and workwear production it seems very plausible that similar violations are occurring in the workwear sector as well.¹²

The Clean Clothes Campaign (CCC) is an international campaign, focused on improving working conditions in the global garment industries. The CCC is made up of coalitions of consumer organisations, trade unions, solidarity groups, researchers and other groups. The CCC informs consumers about the conditions under which their garments are produced and pressures brands and retailers to take responsibility for these conditions. It demands that

¹⁰ *Fair Trade in Europe 2005, facts and figures on Fair Trade in 25 European counties* p 67 www.ifat.org

¹¹ If you are interested in learning more about Fair Trade procurement please visit: www.iclei-europe.org/buyfair You can find information about the Fair Trade towns initiative at www.fairtrade.org.uk

¹² *Work in progress: Labour policies of workwear companies supplying public authorities in Europe* Sanne van der Wal and Bart Slob, SOMO November 2005 p 4, 8, 13-14. For further readings on violations of workers' rights in the garment industry, see www.cleanclothes.org

companies accept and implement a good code of labour standards that includes monitoring and independent verification of code compliance. The Clean Clothes Campaign cooperates with organisations all over the world, especially self-organised groups of garment workers.

Codes of Labour Practices

The Clean Clothes Campaign has published a code which lays down the guiding principles for acceptable working conditions in the garment industry. The code sets forth minimum standards for wages, working time and working conditions. All the core standards of the International Labour Organisation are included. Companies adopting the code are expected to take positive actions in applying it and to insist on compliance with the code by any of their contractors, subcontractors, suppliers and licensees organising production that would fall under the scope of the code. Companies adopting the code will also be expected to engage an independent institution established for the purpose of monitoring compliance with the code.¹³

Fair Wear Foundation (FWF) is an initiative of business associations in the garment sector, trade unions, and NGOs to promote humane labour conditions in the garment industry. FWF works with its own code, which includes the core labour standards of ILO. Member companies that endorse this code commit themselves to auditing labour conditions in their factories and to implementing improvements where necessary. There are currently 26 FWF members, among them twelve workwear companies.

Social Accountability 8000 (SA8000) is a worldwide, multi-sector standard for monitoring and certifying labour conditions. The standard was developed by Social Accountability International (SAI). The SA8000 is based on the Universal Declaration of Human Rights and augmented with a number of important ILO conventions regarding safety and health, working hours and a living wage. There are 167 SA8000 certified apparel manufacturers to date, some of which manufacture workwear.

The European Apparel and Textile Organisation (EURATEX) and the European Trade Union Federation of Textiles, Clothing and Leather have formulated a code of conduct (based on the ILO core conventions) and are calling on their members to actively encourage the companies and workers of the European textile and clothing industry to comply with the code.¹⁴

‘Clean Clothes Communities’ and Other Initiatives for Ethical Public Procurement

Public authorities, such as the police, public cleaning, public hospitals and the army spend a significant amount of money on uniforms and other workwear. The Clean Clothes Campaign believes that all workwear worn by public workers should be produced in workplaces that respect workers’ rights. It is for this reason that the CCC is campaigning on public procurement. The aim is to encourage authorities to start a process to ensure that they

¹³ *Code of labour practices for the apparel industry including sportswear* www.cleanclothes.org

¹⁴ *Work in progress: Labour policies of workwear companies supplying public authorities in Europe* Sanne van der Wal and Bart Slob, SOMO November 2005 p 12. Fair Wear Foundation: <http://en.fairwell.nl/> SA8000: www.sa-intl.org/

only purchase workwear sourced under fair labour conditions. A city or municipal authority that wants to become a *Clean Clothes Community* first adopts a resolution and then it has to formulate an ethical procurement policy and develop a plan of action so that, within a specified period of time, buying ‘clean’ uniforms becomes a reality. In this way public authorities can set an example of good consumption and improve working conditions in the global workwear industry.

Clean Clothes Community campaigns have taken off in a number of countries. In France there are no fewer than 250 communities which have adopted a resolution to take labour standards into account when tendering for new clothing orders. The campaign has developed a model resolution, and a guide on how to implement it. In Belgium, 60 municipalities have become Communities. In addition to this, the *Clean Clothes at Work* project has been set up, in cooperation with two unions. Here, the purpose is to get people in the workplace to look critically at the clothes that their employers make them wear, and to ask for ‘clean clothes’.

In Amsterdam, following a resolution adopted by the City Council in December 2000 and subsequent research by the Dutch CCC, a ‘guide’ for the purchase of clean workwear was written. This guide was presented in 2004 to the thirty city employees who handle purchasing decisions. In 2004 Amsterdam won an award for this handbook from the Dutch Ministry of Housing, Spatial Planning and the Environment.

In Spain, an extensive programme on ethical procurement was initiated in the Catalonia region in September 2004, with three different local governments involved: Barcelona, Manresa and Badalona.

In the UK, the project is part of a broader campaign on public procurement, in which the CCC UK cooperates with many other organisations and the University of Cardiff. A preliminary study of the UK legal framework for public procurement was done in 2004, and a questionnaire has been sent out to all local authorities to establish their purchasing practices and policies with regard to workwear.

In Sweden, in February 2005, the Swedish CCC began campaigning on public procurement. The campaign is called ‘Se Upp’ which is a short form for the Swedish ‘Community for Ethical Procurement’ but also means ‘Watch Out!’ The campaign brings together the CCC with other Swedish Fair Trade groups and, as in the UK campaign, does not focus only on clothes but takes them as a useful example. Other participants include the Swedish Association of Health Professionals and the Trade Union for Community Officers. Among the first activities, there have been seminars for local authority buyers, and the release of a book about public procurement.¹⁵

The European Commission encourages awareness-raising among public purchasers, by facilitating the exchange of experiences about the possibilities to take into account social considerations in public procurement.¹⁶ In April 2007 a conference organised by *The Fair*

¹⁵ www.cleanclothes.org

¹⁶ *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development* (Brussels 2.7.2002 COM 347 final), p 24

Procura project will take place to share views on Fair Trade considerations in public procurement policies. The conference is targeted at European institutions, national public authorities, Fair Trade organisations and other relevant institutions. *The Fair Procura* project is co-financed by the European Commission. It is a three- year project (Oct 04 - Sep 07) which aims “to increase the contribution of public authorities and institutional buyers to sustainable development through public fair purchasing policies and practices, and to encourage public authorities to serve as an example for responsible consumption and production for their citizens.”¹⁷ The project is conducted jointly by the European Fair Trade Organisation and national Fair Trade organisations. Koperattiva Kummerç Gust (KKĠ), the Maltese Fair Trade organisation, has been invited to take part in the second part of project, if it is approved by the European Commission.

In December 2006, KKĠ organised a seminar called *Cotton/Caught in a dirty business*. On the behalf of the participants of the seminar KKĠ sent a declaration to the Prime Minister, the Chairman of the Public Accounts Committee and the Director-General of the Contracts Division, calling on Maltese public bodies to follow the example of many institutions in Europe that use Fair Trade products in their internal service and take ethical aspects into consideration when buying goods.¹⁸

Workwear Companies, Methodology and Questions of the Study

Which companies supply the Maltese public sector with garments? Where are the uniforms and workwear used by the public workers produced? Do the Maltese companies take responsibility for the labour conditions at the supplying factories? Is there a discussion within the companies about ethical rights and duties towards society? These are the questions that we will try to answer by the end of this paper.

A widely quoted definition of Corporate Social Responsibility (CSR) is that used by the World Business Council for Sustainable Development: “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”¹⁹ So it would seem pertinent to ask whether the workwear companies that supply Maltese public authorities have a CSR policy.

In the business directory of *Malta Enterprise* (under the headline Workwear, protective clothing and uniforms) and in the *Yellow pages* (under the headlines Uniforms-catering, Uniforms-military, Uniforms-office, Uniforms-schools, Clothing-hospital and Clothing-industrial) 32 companies are listed. After contacting them by phone to explain the purpose of the study and to ask some questions, it was found out that seven of the companies do not supply the public sector. From the remaining 25, two companies refused to participate and ten did not respond to our phone calls or emails, leaving a balance of thirteen companies. Seven of these have, at one point or another, been awarded tenders exceeding Lm 20 000 by the Contracts Division.²⁰

¹⁷ <http://www.european-fair-trade-association.org/FairProcura/index.php>

¹⁸ The website of Koperattiva Kummerç Gust: www.l-arka.org

¹⁹ *Doing good to your stakeholders* The Times 7th Jan 2007

²⁰ The archive of awarded contracts (Jan 03- Dec 06) The Contracts Division www.gov.mt

A questionnaire²¹ was sent out to all the thirteen companies. They readily accepted to cooperate, but then it turned out that none of them filled in the questionnaire despite our many reminders. Questions about company structure, turnover, net profit and other detailed information about business relations had to be excluded. The focus of the study has been CSR and therefore a shorter telephone interview based on the following questions, was carried out. The company profiles that follow under a ‘Company number’ were sent to the companies so as to allow them to correct and make additional comments.

The questions were the following:

1. Do you have customers within the public sector? Please name the most important.
2. Do you manufacture garments in Malta?
3. Do you have suppliers from other countries? Please name the most important.
4. Do you have a CSR or code of conduct policy (ethical guidelines for the production regulating labour conditions)? If not, why not?
5. Are you familiar with codes of conduct in the workwear sector like the Clean Clothes model code, Fair Wear initiative code and SA8000? If so, would you consider implementing such a code?²²

The second part of the study targeted the level of public awareness about the selected companies concerning their CSR performance and their supply chains. Are the Maltese people aware about the labour conditions under which their workwear are produced?

By reading *The Times*, a daily newspaper in English in Malta, one should get an idea whether there has been a discussion about these issues. The archives between March 2001 and January 2007 were searched through, with the following keywords: ethical public procurement; garment workers; garment industry; workwear; and Corporate Social Responsibility (CSR). This aspect will be analysed in the “Media Coverage” section.

CSR of the Maltese Workwear Companies Which Supply Public Authorities

Company No. 1

According to one of the owners of this small business, Co. No. 1 has on some occasion provided local authorities with formal wear. It has no direct contact with suppliers in other countries. The company does not have a CSR policy.

Company No. 2

²¹ The questionnaire was taken from the SOMO report *Work in progress: Labour policies of workwear companies supplying public authorities in Europe* Sanne van der Wal & Bart Slob, Nov 2005

²² Selected questions from the above mentioned questionnaire.

Co. No. 2 usually submits tenders to the Contracts Division and has also got contact with local authorities. The company does not manufacture in Malta; the garments are provided by suppliers from Europe and the USA. A couple of orders have also been placed with factories in China. But a director we spoke to found it difficult to communicate with the Chinese management because of the language barrier. For this reason, besides the fact that the Chinese companies are restricted by European quotas, the company does not intend to place any orders from China for the foreseeable future, even though the goods from China are cheaper (one of the main reasons many other companies trade with Chinese counterparts). In fact, the director reveals that many European workwear companies let factories in China manufacture the garments, and then they put the label on in Europe, misleading the consumers about the origin of the products. With reference to competitive secrecy, he did not want to reveal the contact details of the two factories in China with which Co. No. 2 had contracts in the past. He says he would consider working with Chinese companies again in the future. "Everybody is working with China," he added.

Co. No. 2 does not have a CSR policy or code of conduct. "In fact, there is not even a discussion about these issues in Maltese society. Doing business is just like a rat race," the director states. "It would be an ideal thing to be able to guarantee good conditions for the workers who produce the garments, but to imagine all the people living life in peace, as John Lennon sang, is impossible today," according to his reasoning. "As long as the customers only care about price and quality, the company has no other obligations to fulfil," he says. There is no discussion about CSR within Co. No. 2. Unless this is something all other companies start to adopt, the director does not think that Co. No. 2 would adopt such a policy.

Company No. 3

Co. No. 3 is a relatively big work wear company in Malta, with many customers in the public sector. Some of the products it supplies are manufactured in Malta.

Co. No. 3 has suppliers in Europe and the Far East. When ordering from the suppliers in the Far East (from about 20 factories in total) agents provide the information and contact with the factories. The company does not have a written CSR policy or a code of conduct: "Sometimes it is better not to have a written policy, as this gives you more freedom to act case by case, according to the circumstances. We have an unwritten policy, discussed internally several times over the past ten years, where the directors of the company insist that it is morally wrong and unethical to buy goods from companies that use children in their production process. As a company we insist that we would not work with factories of this type. We also strongly believe that children should not be exploited and that, ultimately, even the quality standards would go down if children were involved." The director makes personal inspections in the factories before the company decides to place orders there. He draws attention from personal experience to the fact that child labour exists in many countries, especially in the Far East, Africa and South America.

The director has not come across any of his usual suppliers employing children. Most of the Chinese factories that his company works with are owned by the Chinese Government, and according to him, it is not likely that they would employ under-aged employees. "We keep

reminding all our agents in these countries that we would not accept work from factories that exploit children or their workers in general. We believe that the workforce involved in the production of our goods should enjoy an acceptable quality of life and this would ensure high quality standards.”

Company No. 4

40 per cent of the business of Co. No. 4 is within the workwear sector. In this case, customers of the public sector are of major importance. These garments are imported ready-made from suppliers in China. According to the manager, the main reason for this is that China offers the lowest prices.

Co. No. 4 does not have a code of conduct or a CSR policy. “No, that is taken care of by the Chinese Chamber of Commerce, which has agreements with the European Trade Department. Everything is according to European laws and the CE certificate.” On further enquiry, one sees that this certificate regulates standards for quality and shipping, no ethical guidelines for the production are included. After hearing a definition of CSR, the manager we spoke to stated: “To put it in plain English, as long as I get the products in time, it does not interest us to have a CSR policy.” He added: “I am bound by the contracts with the Government.” The manager says he is aware of general concern about labour conditions in China. Regarding the responsibility of his own company he reasons: “It is not our main area, although we take it into consideration. We are interested in getting the products in time. It is an unfortunate situation for the workers in China who have to face these problems.” He has “a vague idea” about codes of conduct in the workwear sector, and he might consider in the future implementing such a code. The main reason why he does not do it today is because of lack of time.

Company No. 5

Co. No. 5 has supplied workwear to the public sector. It has its own factory in Malta and also subcontracts to other factories in Malta. About five per cent of the manufacturing is outsourced to Europe and the Far East. The contact with the two supplying factories in the Far East (not revealed by name according to the policy of the company) is handled through Maltese agents, besides some direct telephone and email contact. When suppliers are selected for new orders Co. No. 5 tries to find out as much information as possible about the factory and the working conditions are expected to be according to the national law. The director does not deny that violations of human and union rights exist within the production of workwear. “But we would not know if there is actually something wrong going on in the factories, it is out of our control,” he asserts. Co. No. 5 tries to have a long-term relation with its suppliers. “Good working conditions are reflected in the production quality,” he says. The company does not have a written CSR policy or a code of conduct. “I suppose we are not giving it enough attention, due to lack of awareness,” he concludes.

Company No. 6

Co. No. 6 works sporadically with the Government. The company does not carry out any production in Malta. All products are bought from European companies who in their turn buy the products from China and the Far East. It does not have a CSR policy. According to the manager there is no discussion about CSR within the company, mainly because it is a small company. “At the end of the day it is up to the customer. The only thing the Government is interested in is a good price. If they included other criteria, of course we would have to consider them.”

Company No. 7

The salesman who was directed to speak to the author said that Co. No. 7 submits tenders to Government departments and local councils. It works as an agent and has a small production in Malta. But the main part of the manufacturing is done by subcontractors in Europe and the Far East (not revealed by name). According to the salesman, the company does not have a CSR policy. He is not aware what it is, and does not give the reason why the company does not have such a policy. “Of course we have to respect human rights, but there is no discussion within our company about these issues.”

Company No. 8

Only a small percentage of Co. No. 8’s business deals with garments. The company submits tenders to the Government. All the manufacturing of garments is done in Europe; but there is no factory in Malta. According to the financial controller, the management is aware of the problems that exist for workers in the global garment industry. The Company does not have a CSR policy. It does not give a reason. “We do not look into the detail of the production. The director is mainly looking at the price.”

Company No. 9

Co. No. 9 provides professional clothing for business and industry. The company works with public sector clients. It has suppliers in Europe. A limited amount of manufacturing is carried out in a factory in Malta, but most of the ready-made garments are bought from subsidiaries in the Mediterranean region. The company prefers not to give the names of the factories. It finds the questions about CSR too sensitive, and does not want to answer them. “Can we call it a day and stop here?”, so we did.

Company No. 10

Co. No. 10 is a small business, with the public sector as a main customer. A small percentage of the garments is produced in Malta. The rest of the products are imported from the Far East and Europe (East and West) and the contact is handled by agents. The director had never heard of CSR before.

Company No. 11

Co. No. 11 sells clothing bought from Maltese companies (some of which also included in this study). The company does not have a CSR policy. Its manager “would not attach any importance to these issues, since we are not directly involved in the production.”

Company No. 12

Co. No. 12 supplies Government departments and local councils. 30 per cent of the garments are produced in Malta. 70 per cent are imported from Europe, the Mediterranean and the Far East. Most of the contact with these suppliers is handled through Maltese agents. But Co. No. 12 does have some direct contact with the suppliers too. It has no CSR policy. “Usually the suppliers ask for our requirements regarding quality and price.” The director had never heard about CSR before. He is aware that violations of human and union rights do exist. In his opinion “Everybody has a responsibility, but we are a small company.” He might consider implementing a CSR policy in the future. “We have to keep up to standards,” he concludes.

Company No. 13

Co. No. 13 provides garments to the public sector. It has a factory in Malta but 60-70 % of the manufacturing is outsourced to Europe (East and West), the Far East and the Mediterranean. The director did not want to reveal which factories it buys from; he states that this is company policy. The company does not have a CSR policy or a code of conduct concerning the labour conditions in the factories. The director does not regard the workers of the supplying companies as his company’s responsibility. “They are their workers, not mine. I just place the orders.” What is important for him is to get good quality, a good price and fast deliveries. The reason why the company does not have a CSR policy is simply because “everybody is busy.” There is not a discussion within the company about these issues. According to him, the company might consider adopting a CSR policy, “If it is something we can benefit from, and as long as it doesn’t cause any hassle for our trading partners.” He continues: “And if there are directives coming from Brussels, of course we have to follow, since Malta is a member of the EU.”

Media Coverage

Media discussion about the meaning and implications of CSR and towards whom a company is responsible has been modest. Only a few articles in *The Times*’ archives concern CSR and human rights. One of these articles follows the line that CSR pays dividends, and another discusses whether CSR should be made compulsory at law or whether it should remain the prerogative of the company concerned. A few articles report about seminars concerning CSR, while others talk about CSR initiatives of some of the bigger companies established in Malta.

The information about the supply chain of companies is almost non-existent. A search for ethical public procurement gave no matches at all; neither did CSR in connection with the workwear sector. Any detailed articles about working conditions in the global garment industry do not exist. *The Times* published two articles in connection with the seminar

Cotton/caught in a dirty business, organised by Koperattiva Kummerç Ġust. A couple of articles dealt with the effects of the ending of the *Multi-Fibre Agreement* in January 2005.

The World Bank estimates that China will more than double its share of the total world garment exports to nearly 50 per cent by the end of the decade. The articles in *The Times* say that factories in other countries are closing down and jobs are threatened as the competition from China increases. Working conditions in the garment industry are mentioned just briefly in these articles. An article about the Chinese economy mentions the fact that China has a long way to go when it comes to fulfilment of human rights. It also quotes some statistics from *The Economist* (15th February 2003) which reported that the average wage in industry in China was 40 US\$ cents an hour - less than a third of Mexico's. However, the same article states that investment in China should not trouble the ethics of a conscientious moneyman. The richer China becomes, the greater its sense of Corporate Social Responsibility will become.²³

Conclusions of the Study

Despite repeated reminders, none of the companies were willing to fill in the questionnaire that was sent to them. Some continued to pledge they would do it, but still no answers were received. Only a few of them eventually stated why they did not want to answer: they pleaded pressure of work or that questions were too complicated and detailed. Others said they did not want to provide information that they deem confidential. Because of this lack of information it has not been possible to draw up a complete company profile, with figures of turnover, net profit and company structure.

The following conclusions are based on the findings from the telephone interviews. It must be noted that when providing the answers, some of the interviewees were more willing than others to elaborate.

Four companies have a small workshop (1-4 employees) and four other companies do not have any production at all in Malta. Five companies have comparatively big factories (30-45 employees) in Malta where some production of workwear and uniforms takes place. Four of the last category are also the ones who have been mostly awarded contracts by the Contracts Division. These companies all get ready-made garments from suppliers in low(er) income countries in the Far East, East Europe and the Mediterranean. The contact is either direct or through agents.

Some of the rest of the companies also import ready-made garments from countries in the Far East, Eastern Europe and the Mediterranean. Most of them work through agents, but some have also got direct contact with factories in these countries.

²³ Articles from *The Times* referred to in the text: *Human rights and Corporate Social Responsibility* 10th of Nov 02, *Human rights and Corporate Social Responsibility* 15th Dec 02, *Corporate Social Responsibility pays dividends, top executive says* 19th Oct 06, *Doing good to your stakeholders* 7th Jan 07, *Corporate Social Responsibility* 15th Jan 04, *Swede highlights plight of Cambodian garment workers* Dec 06, *Petition to urge use of fair trade products* 10th Dec 06, *BoV seminar on Corporate Social Responsibility* 1st Aug 04, *New recruits for CSR Day* 19th Mar 06, *Asia fears China onslaught as apparel quotas end* 27th Aug 03, *Africa hit hard as global textiles market opens* 31st Dec 04, *The Chinese economy*-29th Jan 05.

There are so many participants in the production chain in the global garment industry that it is easy to put the blame on someone else. The director of one company does not regard the labour conditions at the supplying factories as his company's responsibility: "It is their workers, not mine." "We are not responsible, we just place orders" and "We are not directly involved in the product chain" are two other comments from the managers.

None of the workwear companies selected for this study had a written CSR policy. Based on the findings of this study one can conclude that CSR is not a matter of priority for these companies. Only one company says it has a policy not to buy goods from companies that use children or exploit workers in the production process. The director says he has put forward these demands to the agents and that no child labour exists at their supplying factories. The chairman of another company found the questions about CSR and working conditions at the supplying factories too sensitive. He did not want to answer them at all.

Most of the managers had never heard about CSR before. One of them remarked that there is no discussion about these issues in Maltese society. Another said that at the end of the day it is up to the customer. As long as the customers only care about price and quality, the company has no other obligations to fulfil, commented one director. Another puts it very plainly, as long as he gets the products in time, it does not interest him to have a CSR policy. According to some of the directors, the only thing the Government is interested in is a good price. If it would put up other criteria, of course the companies have to consider them, since they are bound by the contracts with the Government. They also have to keep up to standards.

Regarding the explicit question whether the companies consider it important to respect human rights of the workers in the production line, all of them agreed that it is. "It is an unfortunate situation for the workers in China who have to face these problems." says the manager of one company. However, designing a policy to regulate those labour conditions is not his priority today and he has not even considered doing it. Two of the managers insist that good working conditions will be reflected in the quality of the products. The manager of one company says he is aware that violations exist, but he feels it is out of his control. Confessing his lack of awareness, he seems open-minded and willing to improve. In general there is a lack of knowledge among the managers: only one of them had heard about codes of conduct initiatives within the workwear sector, and he had a "vague idea". A few of them say they might in the future consider implementing such a code. "If it is something we can benefit from," as the manager of one company puts it.

All the companies refused to disclose information on their suppliers and there is scant information in the media regarding the social impact of the supply chain of Maltese workwear companies. If publicly available, this kind of research might lead to the sector becoming more transparent and more focused on CSR.

Summarising Discussion

Procurement directives from the European Union open up possibilities for public purchasers who wish to integrate social criteria into public purchasing policies. The European Commission encourages public administrators to examine their own practices. What is

needed on a national level is a political initiative to introduce ethical principles into purchasing policies.

Who is most responsible for the working conditions in the global garment industry? It is hard to say, with so many participants in the product chain. Conclusions from this study show that the companies who place the orders do not yet have an incentive to adopt a CSR policy or a code of conduct. Their aim is to make a profit, by delivering what the customer wants. As long as the customer, in this case the Government, appears not to care about anything but the price and the quality, the companies have no other obligations to fulfil. In a world with a global market one must consider how our purchasing affects the situation of workers on the other side of the world. Today, there are no guarantees that Maltese tax money is not contributing to violations of labour rights! Initiatives like *The Clean Clothes Campaign* demands companies to respect basic human rights at the workplace. The minimum recommendations are:

1. The companies declare their responsibility for the working conditions under which the workwear and uniforms they sell are produced. The responsibility extends to all workers in the supply chain.
2. The companies pledge to observe the core labour standards of the International Labour Organisation (ILO) and to ensure that workers are provided with living wages and decent working conditions.
3. The companies pledge to make observance of the code a condition of any agreements that they make with contractors and suppliers.²⁴

Authorities have the responsibility to spend money wisely and must therefore secure the best value for taxpayer money. It is possible for authorities to award contracts to bids offering best value for money rather than to the 'lowest price tender'. Many public authorities in Europe have set up ethical procurement policies. A Green Public Procurement Action Plan has been designed in Malta. The next step for the Maltese Government is to formulate an ethical procurement policy, demanding that the companies which provide the Government with products should guarantee fair conditions for the workers in the production chain.

EU Trade Commissioner Peter Mandelson has said that "Trade policy is about using trade to make poverty history."²⁵ The Maltese Government has stated that poverty eradication and the achievement of the Millennium Development Goals are the priority of this decade. It can set an example of 'good' consumption by using Fair Trade products in the internal service and providing the impetus for companies to adopt CSR policies. If a plan of action is developed, it is possible that within a specific period of time only goods produced under fair labour conditions will be purchased.

²⁴ *Code of labour practices for the apparel industry including sportswear* The Clean Clothes Campaign, Feb 1998 p 2-3
The ILO core conventions covers the following areas: Freedom of association and the right to collective bargaining; the elimination of forced and compulsory labour; the abolition of child labour and the elimination of discrimination in the workplace.

²⁵ <http://www.europeanfairtradeassociation.org/FairProcura/Doc/Brochures/The%20Fair%20Trade%20Agenda%20-%20Mandelson%20220606.pdf>