

Labor Link

Improving workers' lives through web and mobile technologies that increase transparency across global supply chains.

A look at Labor Link's 2010 pilot in Peru



The Problem

Americans have a long history of promoting workers' rights at home and abroad. During the 1990s, a particularly vibrant movement formed against "sweatshop" conditions in third-world factories. Multinational brands responded by establishing codes of conduct and developing industry-wide standards. They then policed standards via a burgeoning, third-party social auditing industry. Today, the Ethical Trading Initiative estimates that **brands spend \$50 billion annually on third-party auditing of suppliers.**¹

Despite this effort, worker abuses are still pervasive across the world. An estimated 12.3 million people endure forced labor conditions and 6,000 workers die daily of work-related accidents or diseases. Brands are often unaware these issues exist in their supply-chains until it's too late; either the media discovers the situation or a dramatic episode draws attention to prevailing problems. The result is bad press, a decline in company morale and, in high-profile cases, profit loss (see right).

Pundits attribute this dichotomy to difficulties inherent to the social auditing process. Large firms struggle to get accurate data due to savvy factory managers that skew results by coaching workers and/or hiding particularly ill-treated workers. Add in the fact auditors are susceptible to pressure, bribes, etc and it is easy to understand why abuses are sometimes overlooked under the existing system. In addition, workers often fear negative repercussions for speaking out about conditions, so rarely express grievances with auditors. Brands are stuck with an expensive, less-than-ideal service, while workers lack the voice they need to improve their situation.

The Labor Link Project

World of Good Development Organization (WoGDO) launched Labor Link in 2010 to create a direct link between multinational brands and workers at the base of their supply-chains. In short, Labor Link leverages

¹ Ethical Trading Initiative, <http://www.ethicaltrade.org/in-action/issues/auditing-working-conditions>

² Engadget, <http://www.engadget.com/2011/03/31/foxconn-reports-218-million-full-year-net-loss-exceeding-analy/>

Foxconn Reports Dramatic Profit Loss in 2010 Following Worker Suicides

Foxconn, the world's largest contract electronics manufacturer, made international news when 14 employees committed suicide by jumping off buildings in 2010. Both Foxconn and those sourcing from the company - including Apple, Dell, HP and Nokia - received widespread negative attention following the suicides. Reports focused on abusive supervisors, military style management, excessive overtime and ongoing worker demonstrations. Foxconn responded by installing nets under buildings, providing a 24-hour counseling hotline and increasing pay by 20 percent. The damage, however, had already been done. In March 2011, Foxconn reported a \$218 million loss for FY10 as opposed to a \$38.59 million net-year profit in 2009. Foxconn noted that the loss was partially due to pay-raises as well as "cost streamlining actions" related to the suicides.²

the rapid spread of phones in the developing world and the latest in mobile technology to deliver a worker-centric monitoring system beneficial to brands and workers alike. It operates in two ways:

1. **Workers receive text messages and voice recordings that educate them on rights, health, and skill-development.** Labor Link also disseminates mobile surveys to workers to collect information about job satisfaction, working conditions, compensation, etc. All information collected is anonymous to encourage workers' participation and candor.
2. **Brands receive near real-time reports informing them about potential abuses in their supply chains, as well as workers' living conditions.** Companies also have the ability to "push" messages en masse to workers regarding their rights and available services.

Workers benefit from relevant, actionable information they can use to improve their own condition, as well as that of family and friends. They also are provided a channel through which they can air grievances without fear of retribution. Brands benefit from cheap, timely and direct supply-chain oversight that helps them identify and fix problems before

Differences between Today's Auditing Model & Labor Link		
Variables	Today's Auditing Model	Labor Link
• Cost	High	Low
• Training Tool for Capacity Building	No	Yes
• Reach: Factory Workers	Yes	Yes
• Reach: Informal Workers	No	Yes
• Data Collection	Primarily Management	Management & Workers
• Early Warning System	No	Yes
• Information Delivery	Slow	Near Real-Time
• Positive Impact Assessment	No	Yes

suffering negative PR. Brands can also use Labor Link to create dialogue between workers and factory managers, which can improve efficiency, productivity and long-term planning.

Labor Link does not replace existing social auditing, but can improve the process, making it more precise, less costly and easier to implement over time. Also since Labor Link employs modern mobile and cloud-based technologies, achieving widespread scale will be efficient and cost-effective, leading to truly global impact.

Peru Pilot

Labor Link's pilot commenced in March 2010 involving Indigenous Designs, a US apparel brand, a Peru-based supplier and approximately 100 full-time workers. The pilot's primary objectives were to test selected technologies on-the-ground and gauge stakeholders buy-in to the concept.

Technology: Interactive Voice Response

While Labor Link was initially imagined as a SMS-based project that pushed information to and collected information from workers using text messages, after a thorough technology review and user testing, a decision was made to use interactive voice response (IVR) technology instead of SMS. IVR is a technology that allows a computer to interact with humans through the use of voice and telephone keypad inputs.

IVR technology offered several key advantages to SMS including the ability to:

- Survey illiterate workers and reach the most disadvantaged populations, since IVR is a more user-friendly and universal technology.
- Administer more robust questionnaires quickly and efficiently, as IVR is not limited to character spacing constraints.
- Provide toll-free services to encourage participation from workers.

The solution utilized an international call routing service that provided Labor Link with a local Peruvian number. Workers placed a "missed call" by calling the number and, after several rings, hanging up; a practice Peruvians often use to contact others at no-cost. "Missed calls" were returned immediately by the IVR solution and workers completed a 15 question survey using their touchtone keypad, with questions ranging from the amount of overtime worked and their earnings to whether they felt like a part of a team at the facility. Information was captured within a cloud-based database, making information instantly available to WoGDO staff based in the U.S.

The IVR platform was launched in June 2010 to facilitate two-way communication with workers. The IVR solution proved successful on





many levels. Approximately 70 percent of targeted workers completed the survey; and nearly all of those surveyed stated they would participate in future surveys. This was well above expected levels and on par with the target range for more costly scientific/academic studies. The expense of administering the IVR solution also compared favorably to the costs of other survey modes, such as SMS. Finally, the IVR medium allowed the project to collect more information than anticipated, enabling a more robust dataset for project partners.

Buy-In: Winning Participation

A strategic decision was taken early in the pilot to pursue partners positively motivated to work with Labor Link. This way WoGDO staff could focus on refining its technology component instead of having to spend valuable time winning participation from clients. Since Indigenous Designs is a leader in the socially responsible and fair trade apparel sector, they were an excellent match for the pilot. They believed Labor Link could help validate their impact and, in so doing, differentiate their products from competitors. They also take pride in being a first adopter of socially responsible technologies. Indigenous Designs' enthusiasm never wavered during the pilot and they have since asked WoGDO to expand within their supply-chain.

“Labor Link represents the future of supply-chain transparency within the global apparel sector and Indigenous Designs is excited to be partnering with World of Good Development Organization in developing this exciting new tool.”

Scott Leonard,
CEO Indigenous Designs

The participating supplier had some initial reservations. The supplier was concerned that a poorly designed



survey could bring negativity to the work place and reduce worker morale. The supplier's anxiety was resolved after better understanding the survey's content and format, which was multiple-choice as opposed to open answer. The supplier was a strong advocate of the project thereafter and played a vital role in wording survey questions (to fit local dialect) and sensitizing workers to Labor Link through all-staff meetings.

Seven out of 10 workers chose to take part in the pilot. Their participation was partially due to the supplier's efforts discussed above. Raffle prizes were also offered as an incentive – a basket of non-perishable food valued at \$35 – rewarded to three random/lucky participants (pictured). Participation may have been even higher had the project effectively communicated the survey's duration. During end-of-project interviews, several workers noted they did not participate because they thought the survey was over after colleagues started receiving informational content from Labor Link - an issue that can be easily remedied in the future.

Thanks to an introduction facilitated by Indigenous Designs, Fair Trade USA (FTUSA) also elected to join the pilot. The supplier was in the process of fair trade certification, which requires that employees understand their rights, as well as the fair trade process. Accordingly, FTUSA saw the inclusion of Labor Link as a way to reduce initial fair trade assessment costs. Three fair trade-related educational messages were distributed to workers during the pilot via IVR. Unfortunately, during the evaluation of the pilot, WoGDO learned that some of the workers did not receive the educational messages because they did not recognize the number from their incoming call, so they did not answer it. This will also be resolved in future iterations of Labor Link with improved communication to the workers.

Opportunity: Mainstreaming and Beyond

Although the pilot engaged a socially responsible supply-chain, Labor Link was originally conceived as a means to enhance social auditing practices within conventional supply-chains. By getting information straight from workers' through a confidential and anonymous channel, as opposed to in-person audit interviews, brands can better monitor conditions in their supply-chain. This enables them to mitigate risk, as well as improve worker productivity, by ensuring workers are paid fair wages and provided good working conditions. Most brands already spend heavily on this, and Labor Link could tap into this growing market.

This idea was warmly received by several apparel brands during the pilot. In particular, two large UK-based brands expressed interest in Labor Link and paying for its implementation within their supply-chains. One of the largest coffee distributors in the US also was keen on testing Labor Link. These and other brand interactions during the pilot suggest Labor Link's relevancy within the mainstream social auditing space.

Labor Link also garnered attention from organizations in the social investment and impact assessment arena. For example, an investor was completing due diligence on Indigenous Designs during the pilot. The investor felt Labor Link could help the brand measure impact, which is a requirement of all their investees. Other firms active in the space reiterated that point, and thought Labor Link could sell its services to large social investment funds. This is still a place of exploration, but it is clear Labor Link has applications beyond supply chain monitoring.

The Future

The future of Labor Link is bright and WoGDO will continue exploring the concept over the coming year. The project will roll-out to two or three additional locations and incorporate 1,000 workers in 2011. The project will also look to create the right technology partnerships to improve on its IVR solution, start the build of a marketable user interface and develop a detailed sustainability strategy. Project staff will spend time on improving survey methodology and increasing business development.

While Labor Link has the opportunity to be a game-changing technology in the field of supply chain monitoring and transparency, WoGDO will have to work through several key challenges in the next year to ensure success. For instance, how will Labor Link be communicated to workers effectively when a supplier's management fights against its implementation? Can WoGDO address this by distributing Labor Link through

local labor unions or worker associations? Can Labor Link replace traditional pen and paper surveying techniques by gathering accurate and statistically relevant data from large populations? And finally, as Labor Link scales, will the project need to invest in on-the-ground infrastructure to take advantage of local mobile tariffs and reduce costs?

“The Labor Link program gives workers a seat at the table that 15 years of factory auditing has failed to do.”

Heather Franzese, former sustainability manager, Columbia Sportswear; current apparel program director, Fair Trade USA.



Special thanks to Cisco Foundation, Peery Foundation, Rudolf Steiner Foundation, eBay Foundation, Ishiyama Family Foundation and Swanson Family Foundation for their generous support and to our pilot partners, Indigenous Designs and Fair Trade USA.

If you have questions, comments or are interested in learning how you can engage with Labor Link, contact Tom Rausch at tom@worldofgood.org.

World of Good Development Organization is a 501c(3) organization based in Oakland, CA. We aim to increase the economic and social livelihoods of disadvantaged workers around the world through collaborative partnerships, targeted education and the use of appropriate, scalable technology. We focus specifically on individuals most vulnerable to exploitation, including informal or otherwise unorganized laborers. Founded in 2004, the organization has improved the wages of 30,000 workers in 60+ countries via the roll-out of its award-winning Fair Wage Guide. Find out more at www.worldofgood.org.