Social responsibility and the multinational corporation: the case of Levi Strauss' code of conduct in the Philippines

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Acknowledgment

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Abbreviations

AIP Apparel Industry Partnership
CBA Collective Bargaining Agreement
CIT Community Involvement Teams
CRR Company Rules and Regulations
DOLE Department of Labor and Employment
ECC Environmental Compliance Certificates
FLA Free Labor Association
IEP Independent Evaluation Project
LMC Labor Management Council/Cooperation
LSC Levi Strauss and Company
TOE Terms of Engagement
TSS Total Suspended Solids
Named after Saint Therese of Lisieux, ‘Teresa Mercado’ was born and baptised in Leyte in the southern part of the Philippines during the years of Cory Aquino and the country’s return to democracy. An extremely poor province, Leyte gained notoriety for being the domicile of Imelda Marcos before she became Miss Manila and eventually First Lady of the Philippines. Leyte is also a habitué of women who are the perfect candidates for immigration—either to Hong Kong, Singapore, Japan or any of the Middle Eastern countries where domestic helpers are in demand, or to metropolitan Manila, where young women like Teresa combine their eagerness to escape rural desolation with the chance to earn a living. Typically these women start out as maids, courtesy of a relative or a neighbour. They become waitresses in restaurants or work at the cash registers of cinemas or department stores. Others less fortunate end up in beer gardens or night clubs, paid to dance in skimpy outfits for an audience of drunken men.

So it was with Teresa, who, at 14 years old, left Leyte with her mother to join a cousin in Manila. There was the promise of a job as a *yaya* (nanny), taking care of a three-month old infant in a Chinese family who lived in a five-family compound. The extended household was large enough to keep Teresa occupied not only with housework, but with an instant social network with the other *yayas* who took care of the numerous children within the compound walls. As a new arrival in the city, Teresa felt this was the ideal set-up: far away from her home province but part of an instant household—a veritable *barrio*—where she might insulate herself against homesickness.

Besides, the job was easy enough. The infant was mostly asleep and there would be time to listen to the radio soap opera in the afternoons. Teresa was also interested in the discussions amongst the other maids who had heard about a factory being set up just outside their village. ‘They are looking for women,’ one of the girls said, ‘to sew and to iron pants.’ This didn’t sound difficult and it would pay more than what they were getting as housemaids in the compound.

On Teresa’s day off that Sunday, she ventured to the factory gates with her cousin and waited with a crowd of women. At 8 a.m. a tall man with a protruding belly came to them with a sheet of paper. They were asked to write down their name, age and schooling. One of the women told Teresa to ‘write down 16 years old,’ she said. ‘If you tell him your real age, they will not hire you. If he asks for your birth certificate, tell him you left it in Leyte, and you will get a copy when you go home next year for vacation.’

With those instructions, Teresa filled out the sheet of paper and handed it to the man with the belly. He told her to report next week, on Monday at 8 a.m. For the next ten years Teresa worked at the Levi Strauss factory. But every year, she would only be hired for five months. After her contract period was over, she would return to the Chinese compound. Maids and factory workers alternated in the Chinese compound—a stable labour pool of rotating employees.
Teresa came into contact with the world of labour standards in 1998, when a group of five strangers came to the factory. They were from a non-government organisation hired by Levi Strauss in the United States to look at the conditions in the factory. Teresa did not know what a non-governmental organisation (NGO) was, but she agreed to answer some of their questions.

One lady asked about whether there was a union in the factory. Teresa did not know what a union was, so she did not answer. The others said there had been attempts in the past, but because the workers kept leaving after every five months, it was difficult to organise. Also, they heard that, in the other factories, the manager had closed down the factory when the unions were organised, and many people had lost their jobs. Asked if she would like to become a union member, Teresa replied, ‘only if they will transfer me to the office with air conditioning, pay me more, or keep me permanently. I have been here for ten years and always, I work only five months each year.’

Asked how much she got paid, Teresa replied, ‘five hundred pesos a day’, which was equivalent to about US$10. This was slightly above the minimum wage and certainly more than what she was getting as a household maid. With that salary, she was able to pay for her small room which she shared with her cousin, buy a few things, and even send home a small amount to her parents. With overtime, Teresa would receive double her salary, and she would have more than enough for the Christmas season. After December, she would return to the Chinese household, and whatever she had saved from her factory earnings would be spent in those lean months.

Finally, she was asked what changes she would like to see in the factory. Immediately, Teresa thought of her swollen feet and fingers. She wanted more windows so there could be more air, she said. Also, maybe a mask to keep the cotton debris from entering her nose. She noticed she was sneezing more these days, and also she had a mysterious cough that had lasted for weeks. The other workers at the factory said this was common to all of them. They inhaled cotton dust from the cuttings of the fabric and, because the work area had no windows, the dust would gather and circulate inside the factory. ‘Yes’, Teresa said, ‘more windows please.’

Teresa’s biography mirrors that of thousands of Filipino women who leave the rural areas in pursuit of what Nelson (1979:51) terms ‘gambling in the urban lottery’. For Teresa, the gamble paid off. Her work life at Levi Strauss is that intriguing place where personal biography and the global economy intersect. Levi Strauss, like some other multinational apparel manufacturers have made a commitment to pay attention to labour welfare concerns, such as those raised by Teresa, by endorsing a Global Code of Conduct. From a management point of view these codes seek to improve quality and strengthen worker motivation. The independent evaluation conducted by the team Teresa met in 1998 provides another view of how the codes might operate. The following discussion provides a background to that report by looking at the company’s commitment to responsible management, its process of production and the workforce this involves.
Levi Strauss’ commitment to corporate responsibility

Levi Strauss and Company’s (LSC) commitment to social responsibility goes back to 1968 when it introduced the ‘Community Involvement Teams’ (CIT) under the banner of Corporate Volunteerism. Under this program, the company encouraged its employees to take an active part in their communities. The company allowed its full-time employees to offer up to five hours a month time off to volunteer in a charitable organisation at the company’s expense. Not only did this encourage volunteerism, it also raised employee awareness about the vital issues in their communities.

Through the Levi Strauss Foundation, the company is also engaged in a global program which makes charitable gifts to community organisations in more than 40 countries. In 2000, the foundation budget was US$16 million. Among the activities it supported were AIDS prevention programs, anti-discrimination and anti-racism programs, and community self-sufficiency programs. In 1984, the company was awarded the (US) President’s Volunteer Action Award for Corporate Volunteerism. In 1997, it received the first National Business and Labor Award for Leadership on HIV/AIDS from the United States Center for Disease Control. And in 1998 it received the Ron Brown Award for Corporate Leadership for outstanding achievements in employee and community relations. While none of this makes Levi Strauss a model employer, it does indicate that the company has a view of itself as being serious about social responsibility.

The company’s involvement with labour codes shows some of this same serious intent. In 1992, company directors approved the Global Sourcing and Operating Guidelines for all their business partners (see Appendix A). This was a significant development as the in-country production is in the hands of contractors. The practices covered include fair employment practices, worker health and safety standards, and environmental requirements. The corporate intention was that these guidelines would form the cornerstone of the relationships between Levi Strauss and their business partners; those who were unwilling or unable to meet these guidelines were terminated. Thus, the Global Sourcing and Operating Guidelines predate the Workplace Code of the AIP, for which LSC received the US Corporate Conscience Award for International Commitment from the Council on Economic Priorities.1

In 1999, the company initiated an independent evaluation project in two countries, the Dominican Republic and the Philippines. These would serve as pilot tests for the company’s internal code of conduct implementation and monitoring process. In both countries, external evaluators were chosen through arrangements with local NGOs. In the Philippines, the company contacted Philippine Business for Social Progress (PBSC) to assist the company in identifying the independent evaluation team.2

Levi Strauss’ current involvement with corporate codes of conduct is better understood against the history of the formation of the Apparel Industry Partnership (AIP). The AIP is a coalition of
apparel and footwear companies, consumer groups, labour unions, human rights associations, religious organisations, and universities. It was initiated by President Clinton in 1996 who responded to ‘growing public anger against brand-name apparel companies for abuses abroad (child labour, sweatshop conditions, abuse of workers’ right to organize, and starvation wages).’ President Clinton convened a taskforce which would negotiate a voluntary ‘no sweat’ code of conduct and labelling system to protect workers and guide consumers in making better-informed purchasing decisions from among many competitors.

The taskforce came to be known as the Apparel Industry Partnership and the ‘Workplace Code of Conduct’ was developed as a universal code that the AIP members would adopt. To put teeth into the code, a non-profit organisation was created which would monitor the labour practices of companies, including their contractors and suppliers overseas. The Free Labor Association (FLA) was thence founded by four other NGOs, the Lawyers Committee, the Labor Rights Fund, the National Consumers League, and the Robert F. Kennedy Memorial Center for Human Rights. Apart from Levi Strauss, other companies who participated were Nike, Liz Claiborne, Reebok, Adidas-Salomon, and Phillips van Heusen. These members agreed to open up their factories for inspection by independent external monitors. Also, there are 143 colleges and universities affiliated with the FLA to ensure that companies producing goods under their licenses are operating in accordance with the principles espoused by the FLA.

Levi Strauss in the Philippines
In order to understand the evaluation process, some background is provided here about Levi Strauss’ operations in the Philippines, and the workforce profile in the contracting facilities.

The three-step manufacturing process
In its Philippine operation, Levi Strauss follows a simple three step manufacturing process: cutting and sewing, finishing and laundering, and distribution. In its Cutting and Sewing Facility, raw materials are received and placed in storage. These come in the form of fabric rolls, rivets, buttons, labels, and other minor materials. Contractors are responsible for ensuring the quality of these fabrics is in accordance with Levi Strauss standards. When the fabric is ready for cutting, a stencil or paper marker is laid on top of the fabric layers to guide the cutters. As much as 60–120 layers of fabric are cut into different panels and sub-panels of a garment at one time. Cutters use either a hand-held electric cutting machine or a programmed robotic cutting machine.

The cut panels are then bundled with each panel identified by a number representing its sequence in the sewing operation. Once these panels are adequately prepared, they move into the assembly stage where they are sewn into a full garment. Contractors are responsible for quality control throughout this process.

Once assembled, the sewn garments move into the finishing/laundering stage. This treats the garments according to market requirements. That is, they are rinsed, scraped, dyed, over-dyed, or
stonewashed to give them different colours and appearances. Then they go through a final rinse to eliminate residual chemicals. Finally, the washed garments are dried and pressed to eliminate creases and crumpling. A check is done by removing excess threads, checking colours/shades, and detecting manufacturing defects before the garments are ticketed and labelled. The garments are now ready for packing. A last audit is conducted by Levi Strauss personnel to ensure that all the goods delivered by the contractors meet quality requirements. Once released, these are shipped to the distribution centres.

Shipped garments are stored in numerous distribution centres. From the centres, the garments are further packed into boxes ready for distribution to the retail sites. The facilities are mostly located within the immediate vicinity of metropolitan Manila. Two are located in the nearby province of Cavite, south of Manila, while one is in the Pampanga province, north of Manila. Two facilities are located in the export processing zones, three in the vicinity of residential communities, and five in industrial zones.

Levi Strauss originally had 11 contractors in the Philippines, but one closed down during the evaluation period. Three contractors perform laundry functions, while the rest are in cutting and sewing operations, with a few contractors engaged in a mix of sewing and laundering operations.

Workforce profile
At the time of the evaluation, the Levi Strauss core workforce ranged from under 100 to almost 1,000 employees. Overall, the total number of employees in the contractors’ facilities numbered 4,097. Table 1 presents a gender based comparison of the contractors’ workforces. Of the total, 71 per cent were female and 29 per cent male. The highest concentration of females was found in Contractor D (18 per cent) while males were spread evenly, except for Contractor E, which had 8.5 per cent male employees. The largest workforce (21.7 per cent) was found in Contractor D and the smallest in Contractor A, which had 1.8 per cent of the total workforce. Table 2 presents the gender division of the contractors’ workforces on the basis of occupation. Of the women employed, over half (57.3 per cent) are employed in sewing. A much lower percentage of men are sewers (32.3 per cent) while an equal proportion of men and women are employed as finishers (23.7 per cent and 22.5 per cent respectively). Men are concentrated in the maintenance functions (20.4 per cent of men are employed as washers), and a higher percentage of the men are employed as washers (10.8 per cent) compared with 1.8 per cent of women).

Labour turnover is widely seen as a significant indicator of workforce satisfaction. Here we see that 28 per cent of women have been working for the company for more than 10 years. In
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Table 1  Distribution of employees in contractor facilities by gender (per cent)

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1.0</td>
<td>0.8</td>
<td>1.8</td>
</tr>
<tr>
<td>B</td>
<td>2.4</td>
<td>2.4</td>
<td>4.8</td>
</tr>
<tr>
<td>C</td>
<td>3.8</td>
<td>6.7</td>
<td>10.5</td>
</tr>
<tr>
<td>D</td>
<td>3.6</td>
<td>18.1</td>
<td>21.7</td>
</tr>
<tr>
<td>E</td>
<td>8.5</td>
<td>5.9</td>
<td>14.4</td>
</tr>
<tr>
<td>F</td>
<td>.5</td>
<td>6.9</td>
<td>7.4</td>
</tr>
<tr>
<td>G</td>
<td>3.0</td>
<td>8.9</td>
<td>11.9</td>
</tr>
<tr>
<td>H</td>
<td>1.6</td>
<td>7.7</td>
<td>9.3</td>
</tr>
<tr>
<td>I</td>
<td>2.4</td>
<td>8.5</td>
<td>10.9</td>
</tr>
<tr>
<td>J</td>
<td>1.9</td>
<td>5.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>28.7</td>
<td>71.3</td>
<td>100</td>
</tr>
</tbody>
</table>


Figure 1  Age profile of workplace

![Age profile of workplace graph]

- Females
- Males
contrast, only 13 per cent of men have been working for the same amount of time. 17 per cent of women have been working between 5–10 years while the same amount of men have been working for 3–5 years. Another 17 per cent of men have been working 1–3 years. It is interesting that a large number of men (36 per cent) have been working for the company for only 1–6 months. By contrast, 26 per cent of women work for the company for 1–6 months. This finding is a clear indication of the highly skewed nature of employment towards women in the garment industry. Further, it is an indication of the highly mobile characteristic of the workforce that is so typical of labour-intensive manufacturing industries whose major contribution to the effort is in the form of easily replaceable labour.

The evaluation report

The evaluation report sought to relate the labour management practices of Levi Strauss contractors to Philippine legal standards and to Levi Strauss’ Global Sourcing and Operating Guidelines (see Appendix A). Building on the latter, LSC has a set of Terms of Engagement (TOE) which demarcate clearly the different mandatory elements in the relationship between contractors and the company. The Independent Evaluation Project used the TOE as its reference point in assessing the contractors. So the main question the evaluation project asked was: to what extent did the contractors’ labour management practices match the standards Levi Strauss established in its official policy?

On employment standards

Wages and Benefits. The team found that most of the contractors complied with the requirements of the labour code of the Philippines, particularly with regard to the mandated minimum wage rates. They also met the statutory requirements for social security contributions and overtime. There were no signs that child labour was being hired directly, nor was corporal punishment or physical coercion towards workers reported.

Table 2  Distribution of employees by work function and gender (per cent)

<table>
<thead>
<tr>
<th>Work Function</th>
<th>Females</th>
<th>Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer</td>
<td>57.3</td>
<td>32.3</td>
</tr>
<tr>
<td>Finisher</td>
<td>22.5</td>
<td>23.7</td>
</tr>
<tr>
<td>Presser</td>
<td>8.0</td>
<td>5.4</td>
</tr>
<tr>
<td>Maintenance</td>
<td>3.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Office Personnel</td>
<td>1.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Washer</td>
<td>1.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Operator</td>
<td>1.3</td>
<td>0</td>
</tr>
<tr>
<td>Recorder</td>
<td>0.7</td>
<td>0</td>
</tr>
<tr>
<td>Marker/Linker</td>
<td>3.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Philippine Independent Report, 1999
The minimum wage in the Philippines is Php500 per day (approximately US$1). The team found that this constitutes the wage standard for most workers employed by the contractors. Most of these workers, like Teresa, are employed on contracts lasting a few months. Permanent employees are paid slightly above the minimum wage. Senior workers had a wage differential 5–10 per cent above the minimum wage. In factories where a union was active, workers generally got 10–15 per cent more than non-unionised workers.

It was typically the case that, in the initial phases of employment, workers would be paid less than the minimum wage. This is not necessarily a violation of the Labor Code since wages 25 per cent less than the minimum are allowed by law under certain conditions. Article 61 of the Philippine Labor Code provides this exemption when workers are classified as trainees and are apprenticing with the company. However, the apprenticeship must be registered and duly accredited by the Department of Labor and Employment (DOLE). The team found that three contractors were paying workers classified as ‘trainees’ 25 per cent below the minimum wage, yet were not registered under the DOLE apprenticeship program.

The other ten contractors were found to be paying their employees roughly the minimum wage. According to a survey...
conducted by the team which sampled 8 per cent of the total population of workers, a little over half (54 per cent) of the workers received the minimum wage, while 31 per cent received above minimum wages. Eleven per cent of workers were considered trainees and therefore received 25 per cent below the minimum, while a small number (4 per cent) were paid a piece-rated wage. The distribution of employees according to wages received is shown in Figure 3.

In terms of benefits to workers, the team found that two contractors were remiss in their payment of benefits, such as social security contributions or housing fund contributions. Another contractor was also found to be remiss in payment of the night-shift differential as well as non-payment of the pro-rated thirteenth month pay for piece-rate workers.

**Unionism.** The team found no instances of union busting, nor were there efforts to destroy a union that was in the process of being formed. Four out of 10 contractors had collective bargaining agreements (CBAs) with their counterpart unions. In one facility, however, a contractor temporarily closed down its operations, partly due to the planned formation of a labour union.

The team investigated the contents of the CBAs and found these to be products of ‘genuine negotiation’ between the parties. These are not ‘sweetheart arrangements’ between the parties, according to the team report. Two of the four unions are members of known militant labour federations while the other two are independent unions, unaligned with any national labour federation. One interpretation is that Levi

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**Figure 3  Wage rates among workers surveyed**

![Figure 3](image-url)

Note: * mainly trainee workers
Strauss has chosen to work with these contractors because their good record of corporate responsibility makes them easily compliant with the TOE. This probably extends to acceptance of collective bargaining.

In general, strikes were unusual, even where workers were unionised. One contractor, H, experienced a strike in 1988, which lasted for six months. The union officers opposed a change in company ownership. Eventually, the facility reopened and Contractor H remains as the company owner after buying out the original one. Out of 364 employees, 196 (54 per cent) were union members.

In the case of Contractor F, the union went on strike three times in one year, with the longest strike lasting for one month. The union in that facility was founded in 1988, one year after the company was established. The main reasons cited for the formation of a union were lack of job security among workers and also lack of seniority distinctions in the wage policy. Only in 1999 did the relationship between labour and management begin to stabilise. The team felt that, in this particular facility, the tendency towards hiring contract workers was more pronounced, and this seemed to be a deliberate management strategy in order to prevent an increase in union membership.

Contractor I also saw the formation of a union one year after it began operations in 1993. According to the union officers, the formation of a union was spurred by the workers’ discontent over wages, which were below the required minimum. Of a total workforce of 450, 230 employees belonged to the union (51 per cent).

In those facilities where there were unions, the officers intimated to the team that organising workers’ unions was extremely difficult. Even while contractors expressed their support for the workers’ rights to free association, they had a natural tendency to resist union formation, particularly in labour-intensive industries like the garment industry. In facilities where there were no unions, company managers adopted what they called an ‘open door policy.’ Workers who had concerns with management were free to discuss anything ‘anytime.’ How many or how often these workers would come with their requests or grievances, management could not say, so this is probably an example of rhetoric rather than practice.

The most typical way for unionised workers to air their grievances was through company-based Labor Management Cooperation Councils (LMC). This provided a ‘safe’ formal channel for discussion of problems with management. For example, employees in Contractor H gained medical and dental benefits through the CBA, with disputes about entitlements being dealt with via the LMC. Other contractors had no LMCs, therefore the task of settling disputes more often fell on the shoulders of the Human Resource Manager or the General Manager. For the majority, however, grievances were not reported at all, especially by contract workers who were hesitant to raise and discuss any complaint for fear of jeopardising their jobs.

Labour status. In terms of labour tenure, 61 per cent of the contractors’ employees were regular employees while 39 per cent were contract workers. Table 3 shows the
distribution of regular and contractual employees in the 10 contractors.

In four contractor facilities, there was a disproportionately large number of contractual workers—contractor A, C, F and G. Contractors A, C and G had no unions, and it is worthwhile mentioning that Contractor G’s workforce was almost purely contractual. While Contractor F had a union, its history with unionism had been rather turbulent.

In interviews, the company managers stated their preference for a union-free company even while they said that they respected freedom of association. The hiring of contract workers acts as a kind of hindrance to union formation, which possibly explains the distribution of workers according to their labour status.

**The sticky issue of labour contracting.** In the Philippines, labour contracting in the garments industry goes through what is known as the ‘five-five labour market.’ The main feature of this labour market is that workers get hired only for five months and then are replaced with another set of workers also for a period of five months. This practice is a clever device used by employers to circumvent the Labor Code, which stipulates that workers must be regular employees once they have been employed for six months. Also, a worker may still be regularised even if his/her service is broken or interrupted, provided that s/he has rendered or completed at least a year of cumulative service. So employers lay off their workers after five months, and ask them to return after a full year, during which time, they are re-hired for another five months, thus the term, ‘five-five worker.’

The area surrounding metropolitan Manila is a rich source of five-five workers. These are rural migrants who come to the metropolis in search of jobs and who rely on urban poor networks that have sprouted along the margins of the city. When five-five workers are laid off, they recommend their replacement from their next of kin or from their own network. This helps secure for them a return to their employers after a full year. This creates a situation of ‘revolving door’ employment where five-five workers replace one another over the one-year period. This reduces production disruption by allowing employers to rely on these labour networks to meet their labour demands. Even where this rotation system does not operate, costs of re-hiring are low. Notices of job vacancies are posted outside

<table>
<thead>
<tr>
<th>Table 3</th>
<th><strong>Distribution of employees by labour status</strong> (per cent)</th>
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<tbody>
<tr>
<td>Status of employment</td>
<td>A</td>
</tr>
<tr>
<td>Regular</td>
<td>1.3</td>
</tr>
<tr>
<td>Contractual</td>
<td>3.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4.8</td>
</tr>
</tbody>
</table>

**Source:** Philippine Independent Report, 1999
the gates of the facilities, and long queues of unskilled migrant labourers visible almost every day. Further, these workers have been ‘rotated’ in other factories utilising similar technologies, hence the training involved is negligible.

The existence of this market has been a subtle disincentive to unionism. It has also tended to keep wages down, with employers adhering to Levi Strauss minimum terms of engagement. Interviews showed that job security was the greatest threat to most workers. They mentioned managers who subtly reminded them that fluctuations in the export demand for garments would cause the demand for labour to weaken as well. This keeps the workers in a very weak bargaining position.

**Work hours.** Flexibility of work hours is provided by both the Philippine Labor Code and Levi Strauss Terms of Engagement. In particular, both recognise the need for overtime work as long as this occurs on an irregular basis. A regular work week in the manufacturing sector according to Philippine law is 60 hours over six days.

Most facilities, according to the team, observed these basic work schedule requirements. During peak months, however, some facilities exceed the 60 hour a week rule through nightly overtime. In one facility, women respondents reported that their night shifts lasted from 6 pm to 6 am—a full 12 hours, far exceeding Levi Strauss’ stipulation of three eight-hour shifts: 6 am to 2 pm, 2 pm to 10 pm, and 10 pm to 6 am. Article 130 of the Philippine Labor Code expressly prohibits night shift work for women, with or without compensation.

Interestingly, however, overtime work is mostly done by women workers. In a survey conducted by the team (see Table 4 below), 41 per cent of women claimed that they worked overtime almost every day. These night shifts occurred on a weekly rotating basis and usually lasted several months during peak seasons or when there were rush orders. Overtime is of course preferred by many workers as a chance to augment their incomes. However, the intent of the TOE and the Philippine Labor Code is that this be done on a humane basis, thus the limitation of night shifts to eight hours.

**Child labour/prison labour/forced labour.** The team reported no instance of prison labour or forced labour in any of the facilities. No child labour was directly visible.

It was pointed out by some of the respondents that minors were employed in the production processes and management services handled by sub-contracted parties. Children were supposedly engaged in sewing buttons, sewing parts of a garment, embroidery, packing and cleaning. The employment of child labour was not easy to detect, because the work they do tend to be off the premises and irregular. Strictly speaking, a contractor could technically claim that there was no child labour in his facility where such work was contracted-out. This was because sub-contracting does not have to enter the employment books of
the company. The team suspected that child labor was often sourced from the ‘underground economy’ where very little monitoring and regulation exists.

**Health and safety standards.** Eight out of ten contractors submitted medical reports on injuries and accidents in their facilities in the previous year. The team noted, however, that these reports were not standard and certainly did not comply with the TOE guidelines, which consist of approximately 27 questions for occupational health and safety. Only Contractor A submitted the Annual Work and Illness Exposure Report following the format prescribed by DOLE.

The TOE reporting guidelines establish indicators for physical facilities such as lighting, ventilation and space utility. Interviews with employees recorded common complaints of excessive heat and the need for more ventilation. This seemed to corroborate the high turnover rate in the pressing area where heat was the worst problem. While the team did not mention the word ‘sweatshops’ in their reports, the survey results did indicate that there was almost total agreement among male and female workers that poor ventilation, dust, noise and excessive heat, particularly in the pressing area, remain the biggest problems. The survey also reported that improved ventilation was the most desired improvement in the workplace for both men and women. (see Figures 4 and 5).

Health hazards in the garments industry usually consist of respiratory diseases associated with ‘cotton dust.’ Known as ‘weavers’ cough’, this illness is associated with long exposure to cotton yarn, mildewed yarn, and minute remnants of cloth that float in the air. A high exposure to chemicals used in bleaching, dyeing, and finishing can cause eye irritations, burns and dermatitis. Constant exposure to heat and prolonged standing, especially in the pressing areas, may result in ergonomic stress and fatigue. It is interesting to note that, according to the survey conducted by the team, the most commonly reported illnesses are coughs, colds and fevers. This may corroborate the suspicion that respiratory diseases from cramped conditions and poor air quality due to cotton dust are prevalent in the contracting facilities.

The evaluators noted that there were few health programs, and most of those that existed were not related to the health and safety issues of the contractors’ facilities.

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Frequency of overtime, by gender (per cent)</th>
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<tbody>
<tr>
<td><strong>Males</strong></td>
<td><strong>Females</strong></td>
</tr>
<tr>
<td>Almost every day</td>
<td>32</td>
</tr>
<tr>
<td>Often</td>
<td>11</td>
</tr>
<tr>
<td>Once in a while</td>
<td>7</td>
</tr>
<tr>
<td>Depends on operations</td>
<td>48</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source: Philippine Independent Report, 1999*
They were mainly for blood pressure checks, vaccination and morning exercises. There were no specific medical programs for women aged 30 and above, the people most subject to occupational hazard because of their long exposure to sewing, pressing and finishing machines. They constitute over 50 per cent of the total workforce in all 10 facilities and should be regarded as particularly vulnerable with regard to workplace health concerns. There was no program for reproductive health such as pap smear or breast examination. While workers could make use of the annual medical examination, most were unaware of the medical implications of their working conditions. In fact, workers often misinterpreted company bulletins announcing interviews for individuals regarding their health and preferred to hide their health complaints for fear that they might lose their jobs. Where they did take advantage of the medical examinations, they were poorly informed about the results. Furthermore, contractual employees, due to the short duration of their employment, are not entitled to annual medical examinations.

Contractors provided protective devices such as safety masks, gloves, and spectacles, but most workers were ignorant of their benefits and only wore them during visits.

Figure 4. Ranking of responses to workplace problems, by gender (per cent)

- Dust
- Chemicals
- Noise
- Too Little Light
- Heat
- Oil
- Too Much Light
- Paint
- Too Little Light

Females

Males
by company officials. The workers found these devices very uncomfortable and preferred not to use them.

**Conclusion**

Teresa’s situation raises serious questions about the desirability of MNC investment in developing countries. One side of this dilemma is in tune with Derber’s (1999) contention about ‘corporate sovereignty’, under which countries like the Philippines face a situation in which its citizens lose control over their own destinies under the dictates of global capital. Labour then becomes commodified, and workers like Teresa have no other recourse but to sell their labour to MNCs in exchange for meagre daily wages.

The other side of the problem arises from the lack of experience and education of people like Teresa. Employment opportunities for these people with no marketable skills and education only up to the fourth grade is so narrow that only jobs offered by MNC investment seem to offer any hope. The larger social and economic contexts in which Teresa lives out her life are such that local companies do not provide adequate employment for people like her. Foreign companies do, and they do so within a framework of global corporate social responsibility.

The larger contexts of Teresa’s biography have been in place for the last several centuries, where élite domination of the economy has grossly disadvantaged the poorer segments of society. Teresa’s choices therefore, have been structured not only by recent globalisation. She can choose to work as a maid, a waitress, a nanny, or a beer garden dancer, or she can work in a factory.
that promises her better wages, and perhaps the chance to rise up in the company and secure for herself a better employment bargain. Companies like Levi Strauss have pledged themselves towards a corporate responsibility ethic. In this research, it was seen that they take this pledge seriously and their subscription to the Code of Conduct is evidence of this seriousness.

As the evaluation team moved into the final stages of the evaluation report, they discussed the findings in light of the benefits of MNC investment in the country. At the same time, they were cognisant of the weaknesses of the TOE.

Some members raised the undeniability of benefits brought in by the contractors to the economy in general, and low-income workers in particular. The economic value of the contractors’ presence was not to be discounted, particularly during a time when the Philippines was suffering from the East Asian financial crisis.

Levi Strauss responded to the report in writing, addressing the concerns and their recommendations. From the point of view of the team, it was particularly meritorious on the part of the company to initiate this independent evaluation. Most MNCs have not begun to undertake anything similar. Levi Strauss to a large extent pioneered this effort to engage civil society.

The team agreed to submit a report to Levi Strauss. This by and large was positive to the contractors. The tone of the evaluation report was a recognition of the positive impact of the code on local contractors, even if compliance with the more serious items was minimal. The final judgment on whether Codes of Conduct truly work depends on one’s perspective: a minimalist position would argue that the code is helpful, whereas a maximalist position (for example, the transformation of local business practices beyond minimum requirements) would find the code wanting.

Levi Strauss therefore cannot rest on their laurels for having complied with the Code of Conduct. Putting more teeth in the code is necessary. As it stands today, violations to the code by other multinational signatories do not carry any penalty. The code can be violated in numberless, undetectable ways, for example, regarding child labour. Workers like Teresa can declare themselves of working age (that is, 15 years) when they may in fact be only 14. Companies have no strict measures for enforcing the age limits.

The following policy recommendations were proposed as a result of the evaluation team’s work.

- Codes of conduct should incorporate punitive measures and should reflect a disciplinary system for companies that violate the code. The code would therefore have to go beyond monitoring and evaluation measures, but would have to think of actual police powers
- Codes of conduct should also be sensitised to local conditions rather than just appealing to global concerns. The global code of conduct is indeed a laudable undertaking, but MNCs operating overseas should fine tune the code in order to be more responsive to local concerns and conditions
Finally, codes of conduct must be augmented by other corporate responsibility measures. In particular, I think that Derber's suggestion of 'workers' councils' and 'workers' representative bodies' are outstanding suggestions. In view of the lack of knowledge and awareness of the employees at Levi Strauss regarding their rights and privileges, it is mandatory that companies seeking to become more responsible should take concrete steps in order to give workers more voice.

References


Notes

1 Levis Strauss and Company. General Information
2 The PBSP is one of the earliest and most well-known NGOs in the Philippines. It was organised in the early 1960s by a group of businessmen who agreed to set aside a portion of their before-tax profits into a fund for social development.
3 People of Faith Network Campaigns. Apparel Industry Partnership: Still Shopping in the Dark
4 See the Fair Labor Association's Fact Sheet.

Appendix A

Global sourcing and operating guidelines
Levi Strauss & Co. seeks to conduct business in a responsible manner. In 1991, Levi Strauss & Co. was the first multinational company to establish comprehensive global sourcing and operating guidelines.

Business partners
Our Global Sourcing & Operating Guidelines help us to select business partners who follow workplace standards and business practices that are consistent with our company's policies. These requirements are applied to every contractor who manufactures or finishes products for Levi Strauss & Co. Trained inspectors closely audit and monitor compliance among approximately 600 cutting, sewing, and finishing contractors in more than 60 countries.

Partnerships that work
For Levi Strauss & Co., implementing our guidelines is a comprehensive and resource-intensive effort. Our goal is to achieve positive results and effect change in partnership with our contractors, rather than to punish contractors for transgressions. Through our guidelines, we seek long-term solutions that will benefit the individuals who make our products and will improve the quality of life in the communities in which they live.
The Levi Strauss & Co. Global Sourcing and Operating Guidelines include two parts: The Country Assessment Guidelines, which address large, external issues beyond the control of Levi Strauss & Co.’s individual business partners. These help us assess the opportunities and risks of doing business in a particular country.

The business partner terms of engagement, which deal with issues that are substantially controllable by individual business partners. These Terms of Engagement are an integral part of our business relationships. Our employees and our business partners understand that complying with our Terms of Engagement is no less important than meeting our quality standards or delivery times.

**Country Assessment guidelines**

The numerous countries where Levi Strauss & Co. has existing or future business interests present a variety of cultural, political, social and economic circumstances.

The Country Assessment Guidelines help us assess any issue that might present concern in light of the ethical principles we have set for ourselves. The Guidelines assist us in making practical and principled business decisions as we balance the potential risks and opportunities associated with conducting business in specific countries. Specifically, we assess whether the

- health and safety conditions would meet the expectations we have for employees and their families on our company representatives

- manner is consistent with our Global Sourcing and Operating Guidelines and other company policies

- trademarks, investments or other commercial interests, or to implement the Global Sourcing and Operating Guidelines and other company policies

- political, economic and social environment protects the company’s commercial interests and brand/corporate image. We will not conduct business in countries prohibited by US laws.

**Terms of engagement.** Ethical standards. We will seek to identify and utilise business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own.

Legal requirements. We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of all their businesses.

Environmental requirements. We will only do business with partners who share our commitment to the environment and who conduct their business in a way that is consistent with Levi Strauss & Co.’s Environmental Philosophy and Guiding Principles.

Community involvement. We will favour business partners who share our commitment to improving community conditions.

Employment standards. We will only do business with partners who adhere to the following guidelines:
Child Labour. Use of child labour is not permissible. Workers can be no less than 15 years of age and not younger than the compulsory age to be in school. We will not utilise partners who use child labour in any of their facilities. We support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people.

Prison labour/forced labour. We will not utilise prison or forced labour in contracting relationships in the manufacture and finishing of our products. We will not utilise or purchase materials from a business partner utilising prison or forced labour.

Disciplinary practices. We will not utilise business practices that use corporal punishment or other forms of mental or physical coercion.

Working hours. While permitting flexibility in scheduling, we will identify local legal limits on work hours and seek business partners who do not exceed them except for appropriately compensated overtime. While we favour partners who utilise less than sixty-hour workweeks, we will not use contractors who, on a regular basis, require in excess of a sixty-hour week. Employees should be allowed at least one day off in seven.

Wages and benefits. We will only do business with partners who provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or finishing industry practices.

Freedom of association. We respect workers’ rights to form and join organisations of their choice and to bargain collectively. We expect our suppliers to respect the right to free association and the right to organise and bargain collectively without unlawful interference. Business partners should ensure that workers who make such decisions or participate in such organisations are not the object of discrimination or punitive disciplinary actions and that the representatives of such organisations have access to their members under conditions established either by local locals or mutual agreement between the employer and the worker organisations.

Discrimination: While we recognise and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or benefits. We will favour business partners who share this value.

Health and safety: We will only utilise business partners who provide workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.

Evaluation and compliance
All new and existing factories involved in the cutting, sewing, or finishing of products for Levi Strauss & Co. must comply with our Terms of Engagement. These facilities are continuously evaluated to assure compliance. We work on-site with our contractors to develop strong alliances dedicated to responsible business practices and continuous improvement.

If Levi Strauss & Co. determines that a business partner is in violation of our Terms of Engagement, the company may
withdraw production from that factory or require that a contractor implement a corrective action plan within a specified time period. If a contractor fails to meet the corrective action plan commitment, Levi Strauss & Co. will terminate the business relationship.

Our commitment

Levi Strauss & Co. is committed to continuous improvement in the implementation of our Global Sourcing and Operating Guidelines. As these standards are applied throughout the world, we will continue to take into consideration all pertinent information that helps us better address issues of concern, meet new challenges and improve our guidelines.
Acknowledgment
Abbreviations
Levi Strauss’ commitment to corporate responsibility
Levi Strauss in the Philippines
The three-step manufacturing process
Workforce profile
The evaluation report
On employment standards
Conclusion
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