



# **“No Sweat” Procurement Discussion Paper**

**Prepared by: The Federal, Provincial, and  
Territorial Ethical Procurement Workgroup**

*August 22, 2005*

**Federal, Provincial, and Territorial  
“No Sweat” Discussion Paper**

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**PREAMBLE**

The Federal, Provincial, and Territorial (FPT) Deputy Ministers of Public Works<sup>1</sup> met in Toronto in September 2004. The FPT Ethical Procurement Workgroup was created in response to Manitoba's presentation of its proposed Ethical Procurement Code and its interest in employment practices commonly called "No Sweat". As the procurement function is not uniformly vested in "Public Works" ministries across the country, Manitoba's former Deputy Minister of Government Services extended an invitation to those areas with procurement responsibilities (which might not be in public works) to participate in the Workgroup.

The Workgroup is co-chaired by Manitoba (Transportation and Government Services) and Canada (Public Works and Government Services Canada) and is comprised of senior procurement officials from across the country. Two subcommittees were formed. One group was assigned the task of generating an Ethical Procurement Framework. The second group was assigned the task of preparing a discussion paper for employment practices within the context of ethical procurement, to be titled "No Sweat". This paper addresses the latter.

**OBJECTIVE**

The objective of this paper is to provide useful material to promote discussion of the issues underlying "No Sweat" initiatives in the field of public procurement. To that end, the paper:

- describes the context and rationale for such initiatives;
- outlines options for introducing initiatives;
- presents some strategic and implementation considerations;
- lays out possible strategies; and
- presents some conclusions drawn from the experience of assembling and producing this paper.

**METHODOLOGY**

Since the FPT Ethical Procurement Workgroup is a procurement initiative with national scope, information on this initiative has been shared (through the Internal Trade Secretariat) with the Agreement on Internal Trade's Procurement Negotiating Table representatives, with an invitation to them to work with their Workgroup members to ensure their jurisdictions' interests are fully represented.

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<sup>1</sup> This term also includes the Deputy Heads of Public Works.

A subcommittee made up of representatives from Alberta, Canada, Manitoba and Yukon collaborated in the production of this paper. (See Appendix A)

## **CONTEXT**

Ethical procurement is seen as a value-driven undertaking, as described in the companion paper entitled "Working Toward a Federal, Provincial and Territorial Ethical Procurement Framework". Government, private enterprise and the non-profit sector are placing increasing emphasis on the triple bottom line of economic, environmental and social responsibility. Some labour practices used by corporations are a specific area of interest and policies addressing these practices in the context of the garment industry are referred to as "No Sweat" initiatives. Definitions for the key terms used in this paper are provided in Appendix B.

In Canada, "No Sweat" initiatives have been undertaken by a small number of provincial and municipal governments and some academic institutions. These initiatives are typically grounded in the field of procurement of goods from the international garment industry, and have recently been expanded to employment activities by North America retailers. In the agricultural sector, fair trade principles have emerged which address the purchase of primarily coffee, tea, cocoa and sugar grown in Latin America, Africa and Asia.

"No Sweat" initiatives typically invoke core standards to which most nations subscribe, as spelled out in the Declarations of the United Nations (UN) and the Conventions of the International Labour Organization (ILO) including.

- no forced labour;
- no child labor;
- no harassment, abuse or discrimination;
- maximum hours of work;
- the right to organize and bargain collectively;
- payment of a living wage; and
- health and safety protections.

At the highest level, all Canadian jurisdictions have laws addressing the issues covered by the United Nations and the International Labour Organization.

## **RATIONALE**

The rationale for undertaking "No Sweat" procurement initiatives includes several points.

- There is recognition by governments that there is an economic, environmental and social interdependence among the nations of the world. In this regard, "No Sweat" provisions help ensure that decisions made by public officials are consistent with their global economic, environmental, and social responsibilities.
- The Canadian public is interested in how governments spend public funds. For example, there is an expectation that in their procurement activities, governments, at a minimum, 'do no harm'. This means that governments are expected to do business with suppliers who

adhere to basic human rights and labour standards, thereby not giving credence to values which governments, within their own jurisdictions, would not tolerate. A poll conducted in 2002 by the Canadian Democracy and Corporate Accountability Commission indicated that 75% of the Canadians surveyed wanted governments to stop buying goods and services from companies with questionable ethical performance. Others are concerned that governments, through their procurement practices, do not explicitly or implicitly endorse any competitive advantage that undermines basic human rights or causes environmental degradation.

- Public interest groups and non-governmental organizations are raising the level of awareness in today's society and have become very effective in bringing issues to public attention. As well, news media now report on areas of the world from which little news was previously received. These developments mean that governments may need to be more proactive in addressing ethical procurement issues. The threat faced by governments is that their integrity may be challenged, i.e. that they are discovered to be acting in ways which are inconsistent with their expressed values.
- For its part, the private sector is increasingly focusing on ethical business practices, including "No Sweat" practices, in response to consumer interest.

## **OPTIONS**

Several options exist for introducing "No Sweat" initiatives. A useful and comprehensive list is provided by the Conference Board of Canada in its May 2003 paper entitled, "Seven Ways to Communicate Ethics to External Suppliers", and is outlined below. The options are presented in order of increasing level of interaction between procurement officials and suppliers, and are not mutually exclusive. Several options may be employed in any particular "No Sweat" initiative in any order.

### **Internal Development Work**

Before a jurisdiction could consider any specific initiatives, background research would be required, including full consideration of what "No Sweat" initiatives are, and what the full implications of implementation would be, as part of an internal review and approval process.

### **Codes and Standards**

As a first step, government organizations can clarify their ethical procurement expectations in their internal codes.

Example: Manitoba has recently produced a draft Ethical Procurement Code that outlines broad guiding principles to be used in its procurements.

### **Ethical Screening**

Government organizations can develop screening processes to rate the ethical performance of their potential suppliers. This can be accomplished through the use of vendor performance policies or by introducing ethical factors in standard selection criteria (i.e. cost and performance when rating potential suppliers).

### **Contractual Means**

Public organizations can integrate ethics into their contracts and tenders through the use of special clauses. As a minimum, suppliers could be asked to sign off on their organizations' ethical procurement codes and/or commit to observing the rights set out in core labor standards recognized in the international community.

Example: In 2004, the City of Winnipeg introduced a policy requiring potential textile and apparel suppliers to certify that they are conducting their business in accordance with International Labour Organization conventions.

### **Information and Awareness**

Written and/or oral communications or web sites can be used effectively to communicate ethical expectations with suppliers. Some practices that could be employed include the posting of organizational ethical procurement codes on web sites or letters to suppliers advising them of specific policies.

### **Engagement and Education**

Moving beyond the use of documents, engagement and education can be conducted by involving suppliers in dialogue or training. Dialogue can be initiated through industry associations or with individual suppliers as appropriate.

### **Monitoring**

Monitoring the ethical performance of suppliers is another possible approach and can be conducted by either trained in-house supplier evaluation teams or third-party evaluators.

Example: In 2004, the City of Vancouver implemented an Ethical Purchasing Policy that includes both a Supplier Code of Conduct and a compliance and monitoring framework.

### **Sanctions**

After monitoring the ethical performance of suppliers, consideration could be given to developing policies and procedures for non-compliance. Extreme cases of non-compliance could result in suppliers being suspended from bidding on government contracts until the required remedial action is taken.

## **CONSIDERATIONS**

Governments may wish to consider the following potential implications associated with "No Sweat" initiatives:

1. Strategic considerations;
2. Implementation considerations; and
3. Implementation strategies.

### **Strategic Considerations**

The following lists some of the key strategic considerations that have been identified in the source documents:

- Although the legal system in Western countries serves to guard business ethics, similar laws in many developing and emerging countries may not exist or are not consistently enforced. Also, where the laws exist, the relevant stakeholders do not know them. Accordingly, it should be recognized that obligations to adhere to local or national labour laws might not protect against some key labour issues.
- "No Sweat" initiatives should not require suppliers to apply Canadian laws or standards in foreign operations, as this may remove a legitimate competitive advantage from a less developed part of the world. Notwithstanding, initiatives should ensure that suppliers observe the rights set out in core labor standards recognized by the international community, as described above under Context.
- Government officials should consider their obligations under any trade agreements, and bilateral agreements that they have entered into before launching initiatives. Some agreements, especially international trade agreements, may limit a government's flexibility to initiate this type of activity.
- Depending upon how they are implemented, initiatives may only address the situation cosmetically, rather than improve the actual working conditions of people employed within foreign factories. It is therefore important to keep in perspective the role procurement could play in this area and how procurement may complement other mechanisms used by governments in meeting their objectives.
- Similarly, the choice of commodity sector in which to apply initiatives has strategic implications. For example, a commodity supplied by a large supplier may be a more effective choice because large suppliers have more leverage in their supply chain than do small or medium sized enterprises.

## **Implementation Considerations**

Some key implementation considerations that have been identified in the source documents include:

- Jurisdictions would be advised to examine their business environment and organizational culture before deciding on whether to pursue options for implementing "No Sweat" initiatives and how to pursue the options. Those jurisdictions at an early stage in their work may start with internal consensus and build up to policy development. If appropriate, those in more advanced stages may wish to introduce monitoring or sanctions.
- Jurisdictions may wish to consider collaborating with one another, such as in exchanging information, developing codes and policies, and initiating investigations into reports of non-compliance, among others.
- While ethical procurement is not a new topic, the communication and enforcement of ethical expectations such as "No Sweat", are relatively new endeavours for Canadian governments. Effective communication with stakeholders and suppliers is vital in ensuring the success of initiatives.
- Where "No Sweat" initiatives have called for suppliers to disclose the locations of their suppliers' sources, procurement officials have found it difficult to enforce compliance due to the reluctance of some suppliers and the effort required on the part of procurement officials to follow up effectively.
- Similarly, policies calling for the disclosure of suppliers' sources must be sensitive to the administrative burden placed on the suppliers and be respectful of applicable access to information and privacy laws.
- The nature of some industries' supply chains, such as those which distribute from catalogues, pose real challenges for the implementation of disclosure policies.
- The time and resources required to build internal capacity to implement and administer initiatives must be considered, so that the end cost of the goods and services procured, and associated transaction costs, remain reasonable.
- There may be real advantages for procurement officials to adopt common certification standards, monitoring methods and organizations, and reporting mechanisms, such as those under development through the United Nations, the European Commission and the Organization for Economic Cooperation and Development.



## **Implementation Strategies**

Effective and meaningful "No Sweat" strategies benefit from clearly defined objectives, and could be implemented through an incremental approach with realistic targets and achievable time lines. Efforts could focus on achieving steady incremental change in supply chain relationships over time. Some suggested implementation strategies that have been identified from source documents include:

- Initial implementation efforts could focus on specific products such as apparel and related products and set out the extent of application to the supply chain.
- Key stakeholders could be engaged in policy development and implementation, through collaboration/consultation. A stakeholder approach will ensure that complementary and competing interests of key groups will be considered and that the agreed to implementation approach is administratively practical and meaningful.
- Policy implementation phases could be coordinated with the efforts of other organizations, and organizations should work collaboratively to monitor and verify compliance.
- Mechanisms to monitor compliance could be developed collaboratively with suppliers to ensure there is no disruption of goods and services that are critical to operations.
- Time and assistance could be provided to suppliers to allow them to develop their internal policy and reporting capabilities. An initial implementation step could include asking suppliers to sign off on a "No Sweat" policy to create awareness. Suppliers may need time to obtain the services of a third party compliance auditor if required. Also, a too short implementation timeframe could result in a lack of compliant products.
- Organizations could work incrementally with deficient suppliers to encourage and reward improved practices.

## **CONCLUSIONS**

FPT jurisdictions operate within different contexts, and these may change from time to time. Each jurisdiction will necessarily approach "No Sweat" initiatives from within its own context, and different actions may emerge over time across jurisdictions.

There is ample room for collaboration among jurisdictions in investigating "No Sweat" initiatives. For example: officials can benefit from the experience of colleagues in other governments; policy development work can be shared; and reporting mechanisms and standards, as they are developed and refined, can become more effective if it is possible to share them as widely as possible.

**"NO SWEAT" SUBCOMMITTEE PARTICIPANTS**

**Alberta**

**Bonnie Hankinson**  
Director, Procurement Section  
Supply Management Branch,  
Alberta Restructuring and Government Efficiency

**Canada**

**Ed Karkut**  
Manager, Trade Policy  
Acquisition Strategy and Relations Directorate  
Public Works and Government Services Canada

**Manitoba**

**Tami Reynolds**  
Policy & Planning Manager  
Procurement Services Branch  
Manitoba Government

**Sig Laser**  
Policy Analyst  
Procurement Services Branch  
Manitoba Government

**Yukon**

**Carl Rumscheidt**  
Director, Supply Services Division  
Department of Highways and Public Works  
Government of Yukon

**Note:**

An initial draft of this paper was prepared by the sub-committee noted above, with the final paper being further developed and approved by the full FPT Ethical Procurement Workgroup.

**Appendix B**

**DEFINITIONS**

**Child:**

Any person less than 15, unless local minimum age law stipulates a higher age for work or mandatory schooling, or less than 14 if minimum wage law is set at that age in accordance with developing country exceptions under ILO Convention 138.

**Clothing and Apparel:**

Garments in general; personal attire including uniforms, headgear, and footwear.

**Ethical Procurement:**

Values, principles, and behavior conforming to accepted standards of conduct.

**International Labour Organization (ILO):**

A specialized United Nations agency which seeks the promotion of social justice and internationally recognized human and labour rights. The ILO formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights. Core ILO Labour Conventions include: freedom of association, the right to organize, collective bargaining, abolition of forced labour, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues.

**Local Labour Laws:**

The local, regional or national labour laws, by-laws, regulations or employment standards that apply in the location of manufacture for the item offered. It is recognized that these "local standards" may not meet Canadian provincial or national standards.

**Monitoring Organizations:**

Non Governmental Organizations (NGOs) and Agencies which have developed labour standards monitoring systems and multi-stakeholder codes of conduct. Some examples are: Fair Labour Association (FLA), Worldwide Responsible Apparel Production (WRAP), SA 8000, Ethical Trading Initiative (ETI) and TRANSFAIR.

**"No Sweat":**

Initiatives and policies relating to the ethical procurement of goods from the garment industry, "No Sweat" initiatives invoke core human rights and standards to which most nations subscribe, such as those expressed in the Declarations of the United Nations (UN) and Conventions of the International Labour Organization (ILO), which are intended to eliminate sweatshop abuse.

**Public Interest Groups:**

In the context of a "No Sweat" initiative, these could be other government departments, and public or private agencies or organizations that may request information on the location of manufacture of apparel products, to assist in a review of local labour practices with the intention of improving conditions for a specific manufacturer's employees.

**Supplier Code of Conduct (SCC):**

Minimum performance standards for a particular jurisdiction's Ethical Purchasing Policy. The goal of a SCC is to ensure safe and healthy workplaces for the people who make the products or services purchased, where human and civil rights are upheld in accordance with the Conventions of the ILO.

**Sustainable Procurement:**

The process in which organizations buy supplies or services by taking into account not only best value considerations such as, price, quality, availability, functionality, etc., but also environmental aspects (i.e., that goods and services should also be evaluated by environmental criteria that address recycled content, efficient use of resources, use of renewable resources, energy efficiency, waste and emissions, and the environment effects that the product or service can have over its entire lifecycle). Also included are social aspects such as issues of human rights, international equity, poverty eradication, labour conditions, and ethical and fair trade principles.

**Sweatshop:**

Production facilities characterized by some or all of the following: child labour, abusive working conditions, exploitation, discrimination, sub-standard wages, and a general disregard of human rights.

**Textiles:**

Cloth, either woven or knit; a fiber, filament or yarn used in making cloth.

Appendix C

**ETHICAL PROCUREMENT AND "NO SWEAT" SOURCES**

The following sources are provided for information reference purposes only and are not an endorsement in any fashion. The authors of this paper have no responsibility for the content or accuracy of the link.

Mountain Equipment Coop

Product Sourcing Policy and Supplier Code of Conduct

[http://www.mec.ca/Main/content\\_text.jsp?FOLDER%3C%3Efolder\\_id=619145&bmUID=1112999785679](http://www.mec.ca/Main/content_text.jsp?FOLDER%3C%3Efolder_id=619145&bmUID=1112999785679)

[http://www.mec.ca/Main/content\\_text.jsp?FOLDER%3C%3Efolder\\_id=770745&bmUID=112999806394](http://www.mec.ca/Main/content_text.jsp?FOLDER%3C%3Efolder_id=770745&bmUID=112999806394)

The Canadian Democracy and Accountability Commission (2002)

<http://www.atkinsonfoundation.ca/publications/FullReport2002.pdf>

[http://www.atkinsonfoundation.ca/publications?PUBLICATION\\_ID=4](http://www.atkinsonfoundation.ca/publications?PUBLICATION_ID=4)

Maquila Solidarity Network

[http://www.maquilasolidarity.org/nosweat/pdf/No\\_Sweat\\_Review.pdf](http://www.maquilasolidarity.org/nosweat/pdf/No_Sweat_Review.pdf)

<http://www.maquilasolidarity.org>

Corporate Social Responsibility – Industry Canada

<http://strategis.ic.gc.ca/epic/internet/incsr-rse.nsf/en/Home>

Corporate Accountability.ca

[http://www.corporate-accountability.ca/pdfs/discussion\\_paper.pdf](http://www.corporate-accountability.ca/pdfs/discussion_paper.pdf)

Corporate Social Responsibility – The European Business Campaign

<http://www.csrcampaign.org/>

Corporate Social Responsibility Forum

<http://www.iblf.org/iblf/CSRWebassist.nsf/content/a1a2a3d4.html>

CSR.Gov.UK

<http://www.societyandbusiness.gov.uk/bestpractice.shtml>

European Commission - CSR

[http://europa.eu.int/comm/employment\\_social/soc-dial/csr/](http://europa.eu.int/comm/employment_social/soc-dial/csr/)

Fair Labour Association

<http://www.fairlabor.org/>

Fair Trade Labeling Organization International (FLO)

<http://www.fairtrade.net/>

Fundamental ILO Conventions – ILO

<http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>

OECD

Guidelines for Multinational Enterprises

[http://www.oecd.org/department/0,2688,en\\_2649\\_34889\\_1\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/department/0,2688,en_2649_34889_1_1_1_1_1.00.html)

Corporate Responsibility

[http://www.oecd.org/home/0,2605,en\\_2649\\_201185\\_1\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/home/0,2605,en_2649_201185_1_1_1_1_1.00.html)

HRSCD – Supporting CSR

[http://www.hrsdc.gc.ca/en/lp/spila/ila/06corporate\\_responsibility.shtml](http://www.hrsdc.gc.ca/en/lp/spila/ila/06corporate_responsibility.shtml)

United Nations – Global Compact

<http://www.unglobalcompact.org/Portal/Default.asp?>

Voluntary Principles on Security and Human Rights

<http://www.voluntaryprinciples.org/principles/index.php>

Business and Human Rights Resource Centre

<http://www.business-humanrights.org/Home>

Global Reporting Initiative

<http://www.globalreporting.org/G3/>

GRI Reporting Framework

<http://www.globalreporting.org/guidelines/framework.asp>

GRI Sustainability Reporting Guidelines

[http://www.globalreporting.org/guidelines/2002/GRI\\_guidelines\\_print.pdf](http://www.globalreporting.org/guidelines/2002/GRI_guidelines_print.pdf)

GRI - Introduction to Guidelines

[http://www.globalreporting.org/guidelines/2002/gri\\_companion\\_lite.pdf](http://www.globalreporting.org/guidelines/2002/gri_companion_lite.pdf)

Worker Rights Consortium

<http://www.workersrights.org/>

World Bank study Engaging Governments in Support of Implementation of CSR in Global Supply Chains

[http://www.bsr.org/CSRResources/worldbank\\_report.pdf](http://www.bsr.org/CSRResources/worldbank_report.pdf)

City of Calgary

<http://content.calgary.ca/CCA/City+Hall/Municipal+Government/Office+of+the+Aldermen/Ward+Offices> (Go to Home Page and Search "No Sweat")

City of Los Angeles

Contracts Code: <http://lacodes.lacity.org/NXT/gateway.dll?f=templates&fn=default.htm>

City of Albuquerque

Purchasing ordinance: <http://www.cabq.gov/purchase/pdf/purchord.pdf>

City of Toronto

Purchasing policy: [http://toronto.ca/legdocs/municode/1184\\_195.pdf](http://toronto.ca/legdocs/municode/1184_195.pdf)

City of Vancouver

Sustainable and Ethical Purchasing Policy – Policy Report

<http://www.vancouver.ca/ctyclerk/cclerk/20050217/cs7.htm>

Implementation of a Sustainable/Ethical Procurement Policy

<http://www.city.vancouver.bc.ca/ctyclerk/cclerk/20040622/a17.htm>

Ethical Purchasing Policy: <http://www.vancouver.ca/ctyclerk/cclerk/20050217/cs7.htm>

Supplier Code of Conduct: <http://www.vancouver.ca/ctyclerk/cclerk/20050217/cs7.htm>

Australian Government Procurement Guidance

[http://www.finance.gov.au/ctc/toolkits/procurement\\_guidance.html](http://www.finance.gov.au/ctc/toolkits/procurement_guidance.html)

Victorian Government Purchasing Board – Procurement Policies

<http://www.vgpb.vic.gov.au/CA256C450016850B/0/2B1C999A5539B3B2CA256C45001B8722?Open>