

**Toronto Municipal No Sweat policy
Briefing Document
Maquila Solidarity Network, April 2006**

In May, 2002, the City of Toronto began the process of developing a No Sweat purchasing policy for apparel goods. In a motion which won unanimous support from City Council, the City resolved to “enact a purchasing policy requiring the purchase of garments, uniforms, or other apparel items from No Sweat manufacturers”.

The resolution was supported by UNITE-HERE, Oxfam Canada, the Toronto and York Region Labour Council, the Greater Toronto and Canadian Council for Reform Judaism, the Anglican Diocese of Toronto, the Catholic Religious Teachers, CUPE Local 79, the International Association of Firefighters, the Toronto Police Association, and a number of apparel businesses operating in the City of Toronto.

A proposed policy was prepared by City staff and passed at the March 6, 2006 Administration Committee meeting. It will be presented to Council on April 25-27.

The policy should be passed as recommended because:

1. The policy ensures that tax dollars go only to suppliers that agree to meet minimum international fair labour standards.

- This means Toronto will join the growing list of purchasers who are demanding fair treatment for workers here in Toronto and worldwide.
- This means businesses – including Toronto employers – who treat employees fairly will no longer be undercut by unscrupulous competitors.

2. It is consistent with international standards and with policies passed by other jurisdictions.

- This means businesses will only be subjected to consistent standards that they are expected to meet wherever they do business.
- Consistency between policies passed at public institutions will make implementation easier for the City and its suppliers and will enable the City of Toronto to reduce any associated costs through collaborative efforts.

3. The onus of compliance is on the supplier.

- The supplier is required to certify that they meet the standards.
- Because factory locations are publicly available, the supplier has an added incentive to ensure that conditions in those factories meet the minimum standards.

4. There is no evidence of increased costs arising from this policy.

- Wherever “no sweat” procurement policies have been passed, suppliers have not increased prices. None will argue that they need to raise prices

to meet minimum labour standards. In fact, Vancouver staff recently released a report marking one year of implementing Vancouver's Ethical Purchasing Policy, and reported a savings of \$14,000 since the policy was adopted (this report is available upon request).

- The potential for collaboration with other jurisdictions on implementing the policy could provide a low-cost avenue for verifying conditions in the future. However a decision to join an inter-city consortium would be subject to further and separate approval by the City.
- Administrative forms, procedures, etc., can mimic existing procedures used for the Fair Wage and Non-Discrimination policies.

Background:

- A large number of No Sweat policies have been passed by municipalities and other jurisdictions in the United States, including the Cities of Los Angeles, San Francisco, Milwaukee, Boston, Toledo, Pittsburgh, Olympia and many more.
- The Toronto District Catholic School Board passed a similar policy in February and agreed to cooperate with 8 other school boards in investigating conditions in their supplier factories, at a cost of \$10,000 per year. This investigation pilot project is tailored specifically to the needs of these school boards but similar projects may be possible between municipalities.
- The University of Toronto passed a No Sweat licensing policy in 2001.
 - They have seen no increase in costs associated with licensed garments as a result.
 - Many of the university's suppliers have enthusiastically endorsed the policy and have written to support a City of Toronto policy.
 - The University has received one complaint of non-compliance with its policy. The complaint was investigated by a university consortium to which U of T belongs (at a cost of \$1000/year) and the company agreed to rectify the situation.
- Other Canadian institutions have passed similar policies:
 - Thirteen universities and nine school boards.
 - The City of Vancouver adopted a No Sweat policy for their apparel purchases. Ottawa, Calgary and Halifax are actively considering similar policies. In total, fourteen Canadian municipal governments have passed resolutions to develop No Sweat policies.
 - The Province of Manitoba is considering a policy and recently convened a task force of federal, territorial and provincial Ministries of Public Works to look at No Sweat procurement.
- A large number of businesses expressed support for a No Sweat purchasing policy at the City of Toronto. In addition, the policy received support from the Toronto Police Association, the Firefighters Association, and other city workers who have to wear the items being procured. Lastly, a large array of citizens groups expressed support for a No Sweat purchasing policy. The resolution to adopt the policy won unanimous support from City Council.

Potential costs associated with Toronto's Responsible Garment Manufacturer Policy

"No Sweat" policies have been passed at hundreds of universities, school boards, cities and States across North America. There is at least seven years experience to draw on in evaluating the costs of implementing these policies.

Costs associated with No Sweat policies can be broken down into three categories: administration, investigation, and per unit costs.

1. Administrative

There is some amount of administration involved in preparation of forms and procedures for dealing with the information collected as a result of this policy. However these procedures and forms can mimic existing materials developed for the Declaration of Non-Discrimination Policy, the Fair Wage Policy, or the Purchase of Products Manufactured in Factories Where Children Are Used as Slave Labour Policy. In addition, forms and procedures can be adopted from other jurisdictions which have already enacted similar policies.

The City of Vancouver added one staff person to manage their Ethical Purchasing Policy. However Vancouver's policy extends to all agricultural products purchased by the City and to "fair trade" coffee (Toronto already has a Purchase of Coffee policy).

Further, the City of Vancouver does not have an existing Fair Wage Office.

Therefore the experience of the City of Vancouver is not directly applicable to Toronto.

2. Investigation

The recommended policy does not require third party investigations of conditions. If, in the future, an acceptable collaborative system for investigating complaints is developed at a reasonable cost, the City may choose to join such an initiative.

Because many municipalities and other public institutions use the same suppliers for apparel there is the potential for significant cost savings and increased leverage by collaborating on implementation. For example, approximately 20% of the City of Toronto's annual apparel purchases currently come from companies who also supply the City of Ottawa. The City of Toronto also sources from some suppliers to the University of Toronto and the Toronto Catholic District School Board, who have already adopted No Sweat policies.

Ontario Catholic School Boards are contracting a third party to investigate complaints and initiate investigations over the next two years. Because the project is funded by at least ten school boards, the projected cost is no more than \$10,000 per year.

Canadian universities who work with independent consortiums in the United States who investigate conditions on their behalf pay an average of \$1000/year. The consortiums in this instance are supported by a larger number of universities, some with very large licensing programs who therefore pay a higher premium (the institution's membership cost is based on a percentage of licensing revenues).

The City of Los Angeles (population 4,000,000) is contracting the Worker Rights Consortium to perform this service for their City on its own at a cost of US\$50,000/year.

3. Per unit costs

There have been no reports of per unit cost increases from any of the institutions that have implemented these policies. In fact, Vancouver has reported a \$14,000 savings on apparel in their first year of implementing their Ethical Purchasing Policy.

Suppliers will not admit to having produced goods under sub-standard conditions and therefore are not in a position to ask for increased prices to supply fairly-produced goods.

There is no direct comparison between “fair trade” and “organic” agricultural products and “no sweat” apparel. The costs of compliance with “no sweat” policies are related to labour costs, which constitute a minute portion of the costs of apparel. A recent study by the US-based Worker Rights Consortium, which investigates conditions on behalf of universities, states:

The key data point in assessing the likely impact on prices is the percentage of the retail price of a garment that is accounted for by labor costs. While estimates vary by product and location of production, it is clear from information supplied by apparel industry sources, and from published academic research, that labor costs represent a very small portion of retail price: typically 1-3% for a garment sewn in the developing world. Thus large increases in labor costs do not require correspondingly large increases in retail price.

Despite the adoption of No Sweat policies at universities across North America, the per unit cost of general apparel items has typically been decreasing due to intense competition between apparel manufacturers and retailers.

Complaints under the Responsible Garment Manufacturer Policy

The proposed policy requires suppliers to certify that their products are manufactured in accordance with the policy. Further, the names and locations of manufacturing facilities will be made available to ensure transparency.

Once the supplier is publicly linked to particular factories they have a strong incentive to ensure that the standards are being met at those factories, especially when there are clear penalties that may be imposed by the City for failure to comply. This is an important immediate effect of adopting the purchasing policy.

In the experience of Canadian institutions who have adopted ethical apparel purchasing or licensing policies over the last five years, there have been no frivolous complaints brought forward regarding any supplier. There are no reports of frivolous complaints at any of the US municipalities, states or universities who have adopted similar policies over the last seven years.

There has been one significant complaint of non-compliance reported at the University of Toronto. This related to serious worker rights abuses at a facility in Honduras. The company was featured in a major CBC report as well as an independent investigation carried out by the Maquila Solidarity Network and the Honduran Independent Monitoring Team. In this instance, the fact that Canadian universities were members of US-based consortiums designed to investigate such complaints allowed them to investigate the complaints at little cost to themselves. Once the investigations were completed, the consortiums worked with the company to address the problems.

Serious complaints received under Toronto's proposed policy should be dealt with as follows in the short term:

1. Consult with knowledgeable human rights organizations about the complaint to identify how serious the complaint is and any avenues for verifying conditions in the country of supply;
2. If there is a dispute about facts, require the supplier to conduct an audit of the facility using a reputable third party and make the audit report available publicly; and
3. If the facility is located in Ontario, request a workplace audit from the Ministry of Labour.

In the longer term, the City should investigate the possibility of joining with other jurisdictions to provide both low cost investigations of conditions and to guarantee additional leverage to change conditions where necessary.

A growing number of Canadian and US cities are developing similar policies and are looking at the option of collaborating on implementation, such that a viable option for municipalities should be available in the near future.