How to Design Effective Non-State Certification Systems to Harness Markets on Behalf of Important Social Goals

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Over the past generation, environmental and social activists have turned to non-state certification or "eco-labeling" systems as a way to induce businesses to redress problems ranging from sweat-shop labor practices to environmental dangers. The basic idea is simple: create private regulatory systems through the market place, rather than state authority, to encourage participation from producers and managers. Firms whose management practices are audited to be in compliance with these standards are then awarded a label to affix to their products. Even public officials who might prefer to use legal regulations may promote such non-state certification systems when governmental options are blocked.

But do private certification systems really work? What can we say about their uptake, influence, and future potential? Drawing on my own collaborative work in the field of forest management and conservation, and also reflecting on challenges in agriculture, fisheries, mining, ecotourism, and the apparel industry, I offer pointers for fostering uptake and influence.

Decide the End Goal in the Beginning

Designers of voluntary certification systems need to be clear about the primary goal from the start. Is the ultimate aim is to build a private regulatory system – such as a forest products certification system – that attracts enough support from customers to make more and more companies want to join? Or is the aim to fashion, over time, model standards that can be adopted as government policy?

- The first option – non-state ***regulatory expansion to the point of market dominance*** – is more challenging to pull off, because it requires gaining support from companies that see joining as in their economic self-interest. Certification standards cannot be so high as to put the first participants at a serious competitive disadvantage, but they cannot be so lax as to render the whole effort meaningless. With several colleagues, including Graeme Auld and Steven Bernstein, we argue that this requires nurturing a "chicken and egg" process in which, over time, the supply of certified products increases, followed by increased demand for such products, followed by additional supply, broader demand, and so forth. In due course, improved production practices can become culturally routinized and publicly legitimate. This benign circle is difficult but not impossible to achieve.

- The second course – ***defining a regulated and certified market niche that encourages steady learning about standards and could serve as a model for government policy*** – is easier to achieve. For example, Green Building Councils that certify buildings at universities, businesses, and government facilities have been able to bring about changes in the traditional construction industry by creating models incorporated into municipal building codes.

In the second approach, only a minority of market actors need to join the model certification system, making it possible to institute very high voluntary standards. However, if they really hope to develop standards governments will later enact into law, supporters of this approach have to think through how the transition could happen. What realistic political process could induce politicians to use non-state certification standards as models for binding laws?

Reward the Top and Weed Out the Bottom

Reformers aiming to build the most expansive certification systems must deliver early rewards to the best producers – nurturing variants of what political scientist David Vogel calls the "California Effect" – where highly regulated producers see it in their interest to cooperate with environmental groups on fashioning broad rules that apply to competitors. In addition, or as an alternative, reformers need to devise regulations that "weed out" the poorest performers.

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- Why are immediate rewards to top performers a good idea? Firms that are already subject to the toughest government regulations must get quick and easy access to non-state certification approvals with no additional hurdles, because the aim is not to tighten regulations on the first participants but to persuade additional firms to join and upgrade their practices. Real improvements come from firms that get on board as the market for certified products expands. When well-intended environmental groups work against this logic by toughening non-state standards on firms that are already highly regulated by government, those firms tend to walk away. This explains why leading forest companies in British Columbia, Canada, and the Canadian Maritime provinces eventually withdrew their support for the Forest Stewardship Council – a leading certification program championed by environmentalists – when Council standards were made much tougher than existing, and relatively high, public policies.

- Another option for reformers seeking to build non-state certification systems is to focus on "weeding out the bottom" by punishing and excluding from certification firms that engage in illegal practices, such selling products from endangered species or marketing illegally harvested wood or fish products. This approach can prove attractive to more and more firms, because every firm that sticks to legal practices (even if it does not pursue environmentally ideal practices) has an interest in sanctioning competitors that cut corners. What is more, efforts to weed out the bottom can lead to new legal rules and help governments enforce laws by giving legitimate market actors incentives to support enforcement. Finally, efforts to sanction illegal practices can also contribute to improved efforts to track products along global supply chains – an important precursor to setting higher certification standards in the future.

Use "Better World" as a Single, Easy to Understand Label

One of the biggest challenges to non-state or private certification systems is that so many of them are proliferating. Industry associations are launching them, as are environmental and social activists. This is a sign of progress – as "Fair Trade," the "Marine Stewardship Council," "Social Accountability International," organic food labels and many other certification schemes spread. But the sheer proliferation also leaves consumers confused and limits the effectiveness of each individual system. In the end, I maintain, we need a single name for effective certification – such as "Better World" – that can be shared and deployed by the various worthy environmental and social certification systems activists and companies are creating. To give this approach maximum impact, it must take on the trappings of a broad social movement, rather than simply spreading a jumble of narrow and competing brand monikers.