Report on the ETI Impact Assessment 2006
Part 2e: United Kingdom

Institute of Development Studies

The ETI code of labour practice: Do workers really benefit? | UK

part 2e

Findings and recommendations from a case study in the UK (horticulture)

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About the Report on the ETI Impact Assessment 2006

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations committed to improving working conditions in global supply chains. ETI company members require their suppliers to comply with the ETI Base Code, a code of labour practice based on international labour standards. After five years of operation, ETI wanted to assess:

- how its member companies were implementing the ETI Base Code;
- the impact of members' activities on workers in the supply chain;
- how the impact of members' work could be improved.

In 2003 ETI commissioned the Institute of Development Studies at the University of Sussex to conduct this assessment. The study was undertaken between 2003 and 2006 and this document is one of ten reports which, together, give the summary, complete findings, case studies and methodology of the study. The ten reports, published under the series title Report on the ETI Impact Assessment 2006, include the following:

The ETI code of labour practice: do workers really benefit?

Summary

Summary of an independent assessment for the Ethical Trading Initiative

This six-page document summarises the key findings and recommendations. It is available in print as well as online and is translated into Chinese, Spanish, French and Vietnamese.

Part 1

Main findings and recommendations from an independent assessment for the Ethical Trading Initiative

This is the report of the main findings with recommendations and good practice examples.

The detailed fieldwork comprised case studies in six countries and the findings are given in six documents that make up Part 2 of the report. These will interest readers who want more detailed information on labour issues and code impacts in these countries.

Part 2A Findings and recommendations from a case study in India (garments)

Part 2B Findings and recommendations from a case study in Vietnam (garments and footwear)

Part 2C Findings and recommendations from a case study in South Africa (fruit)

Part 2D Findings and recommendations from a case study in Costa Rica (bananas)

Part 2E Findings and recommendations from a case study in the UK (horticulture)

Part 2F Findings and recommendations from a scoping study in China

Part 3

How and where ETI member companies are implementing codes

This makes up Part 3 of the report series and describes the first phase study of ETI members' activities.

Part 4

Research methodology

This is for readers who want more detail on the research approach.

Each of the reports can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk/

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f Foreword

Over the last decade, an increasing number of companies have recognised that they have a responsibility for the rights and conditions of workers who produce the goods that they sell - even if those workers are employed by a factory or farm on the other side of the globe. Companies have typically responded by adopting voluntary codes of practice which stipulate minimum labour standards that they expect their suppliers to comply with. Many have invested considerable resources in monitoring compliance with their codes, and working with suppliers to improve conditions over time.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations (NGOs) committed to improving working conditions in global supply chains. When they join ETI, companies commit to implementing the ETI Base Code - a code of practice based on international labour standards - in all or part of their supply chain. But how exactly have member companies put this commitment into practice? Has their work on implementing the Code actually made any difference to workers in their supply chains? How can the impact on workers be improved? In 2003 ETI commissioned us to undertake a study to answer these and other related questions. This document provides an account of the key findings and recommendations from a case study of the UK horticulture industry, one of six case studies chosen to give an insight into key issues in different countries and sectors.

Who is this document for?

This document is relevant to all those involved in monitoring and improving labour conditions in the horticulture sector in the UK, including retailers and brands, agents and suppliers, auditors, non-governmental organisations (NGOs) and trade unions. It provides an insight into how a UK multiple retailer (an ETI member) has been implementing its code of practice, and the impact this is having on working conditions in its horticultural supply sites in the UK. It also provides an overview of the key labour issues that remain to be addressed; an analysis of the key factors found to affect impact; and recommendations for improving impact in the industry.

About the ETI Impact Assessment and IDS

The ETI Impact Assessment was initiated in 2003 - five years after ETI was established – to answer the questions outlined above. Based on assessing the ethical trade programmes of nearly 30 sourcing companies (retailers, brands and suppliers), and including in-depth case studies in five countries and three sectors, this has been the most comprehensive assessment of the impact of codes of labour practice to date.

The Institute of Development Studies (IDS) at Sussex is well-respected for its research and consultancy on international development. The research team has extensive experience and expertise in ethical trade, employment in export production and labour standards. For the case studies IDS worked in partnership with local researchers who spoke the relevant languages and had experience of labour issues in the industry in question.

The research findings are based on qualitative and quantitative information collected from all key stakeholder groups, including brands, retailers, agents and suppliers, factory and farm managers, trade union organisations at international and national levels, NGOs, and all types of workers (women as well as men, migrant and contract workers as well as permanent workers, and trade union worksite representatives).

About the ETI Impact Assessment reports

The findings and recommendations from the ETI Impact Assessment are written up in ten separate documents, all of which can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk. The ten documents, each aimed at different audiences, are listed on the inside front cover of this report.

By offering these different ways of accessing the findings of our study we hope we are throwing a helpful searchlight on current ethical trade practice that will enable everyone involved to enhance their understanding and develop their practice in this challenging but worthwhile field.

Acknowledgements

We would like to thank Lyndsey Napier (IDS) for her assistance in conducting the research. We would also like to offer our thanks to the ETI member company ("Company X") who agreed to support and participate in this case study, and to all those who took part in the research interviews, in particular managers and workers at the case study sites. Finally, we would like to extend our thanks to the interpreters who assisted us with the worker interviews at each site.

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1 Introduction

1.1 Rationale for this case study

The company case study in the UK aimed to complement the other ETI Impact Assessment case studies with an in-depth investigation of code implementation by a single ETI member company considered to have a pro-active and innovative code management approach. By focusing on such a company, we hoped to identify specific code implementation policies, systems and/or procedures that have led to positive outcomes for workers, and therefore strengthen our ability to make good practice recommendations to other companies.

We chose to focus on the UK horticulture sector because:

- The UK ranked highly in terms of the number of assessments carried out by ETI member companies; and
- We wanted to explore the impact of codes in a developed country, thereby highlighting that labour codes are relevant to developed as well as developing countries.

1.2 Case study value chains

The ETI member that was the focus of this study (Company X) is a retailer of food and general merchandise. It was selected for the study as it had not participated directly in any of the country case studies and it was felt that there could be valuable lessons to be learned from its management approach. Although Company X was the main focus, the suppliers involved in the case study all supplied more than one ETI member, with four ETI members (retailers) supplied in total.

1.3 Selection of suppliers

The criteria for selecting suppliers were that they should:

- be 'first tier' suppliers of horticulture products (vegetables, fruit, flowers or pot plants) to Company X;
- have packhouse and field production ongoing at the time of the research.

This allowed for exploration of change at both the packhouse and field level, while optimising learning by focusing on suppliers that had been directly engaged in Company X's code implementation.

Three first tier suppliers were selected and a second tier supplier was then identified through the value chain of one supplier, in order to explore changes at this level as well. The suppliers ranged from large companies with a number of production sites, including overseas, to a single farm business.

1.4 Worker sample

In-depth research was carried out at two worksites, including individual and focus group interviews with a cross section of workers at the worksite and in their (farm-provided) accommodation (see Tables 1.1 and 1.2). The worker sample reflected the overall breakdown along lines of employment status, gender and nationality, but was biased towards workers with more than one season on the farm so that they could comment on changes in labour practices over time[1].

Table 1.1
Worker sample by employment status and gender

	Men	Women
Permanent*	0	4
Directly hired seasonal	3	5
Agency hired seasonal**	1	0
***SAWS workers	8	5

* Includes two supervisors
** Hired by an agency but paid direct
*** Seasonal Agricultural Workers Scheme

1 Interpreters were contracted to assist with the worker interviews at each site.

Table 1.2
Worker sample by nationality and gender

Nationality	Men	Women
Bulgarian	7	3
British	2	3
Polish	1	2
Lithuanian	0	3
Estonian	1	1
Latvian	0	1
Ukrainian	1	0
Russian	0	1

The average age of workers in the sample was 28 years. Only two workers had children. Those from the UK had generally left school after completing their GCSEs, while all workers from overseas had a university education (usually ongoing), with one having a Masters degree and another a specialisation in horticulture. At one supplier all the workers lived onsite in either hostels or caravans, while at the other the two SAWS workers lived onsite in caravans while all but one of the remainder lived in rented accommodation.

1.5 Research methods

Interviews were carried out with management and staff of Company X and the four suppliers, plus the workers detailed above. Key informants from the Transport and General Workers Union (TGWU), National Farmers Union (NFU), ETI and two labour providers were also interviewed to get a broader perspective on changes in the sector.

More detailed information can be found in the report on the research methodology (Part 4).

1.6 Limitations

As with the other case studies, this was not a statistically representative study of the UK horticulture industry or of Company X's suppliers. The findings should therefore be interpreted with caution and not extrapolated to the industry or company as a whole.

The worker sample included only one agency worker. This limited the extent to which change for contract workers could be directly assessed.

The research team was unable to interview workers' households, due to time limitations and the fact that most workers were from overseas.

2 Background information on UK horticulture

2.1 Size of sector and recent trends

There were an estimated 5,100 UK horticulture producers in 2003 (a reduction from 6,200 in 1996[2]). The sector generates around £2 billion per year for the rural economy and provides approximately 39% of the fruit and vegetables consumed by UK households[3].

2.2 Type and number of workers

The TGWU estimates there are around 20,000 workers in the sector, but a high dependence on seasonal and temporary labour makes the true figure hard to pin down. Workers can be categorised into the following groups: permanent; directly hired seasonal/temporary; agency hired seasonal/temporary (contract workers); and Seasonal Agricultural Workers Scheme (SAWS) workers[4].

2.3 Other background information

In recent years trade unions, campaigning groups and the media have shone a spotlight on exploitation of horticulture workers hired through 'gangmasters' (otherwise known as labour providers). In 2002 ETI set up the multi-stakeholder Temporary Labour Working Group (TLWG) to establish minimum standards for labour providers. The TLWG published its code in 2004 and is registering labour providers, but has also been active in lobbying for statutory controls. Partly as a result, the Gangmasters (Licensing) Act was passed through Parliament in 2004 and came into force in 2006.

2 Cited in report for Defra by Precision Prospecting: Temporary workers in UK agriculture and horticulture: A study of employment practices in the agriculture and horticulture industry and co-located packhouse and primary food processing sectors (2005) http://www.defra.gov.uk/farm/gangmasters/pdf/research-study1.pdf

3 Cited on NFU website: www.nfu.org.uk

4 SAWS is a government scheme that aims to meet increased demand for agricultural labour during certain parts of the year. The 2005 quota for SAWS was 16,250 students.

3 Key impacts

3.1 Summary of worksite impacts by Base Code principle

Table 3.1 summarises the impacts reported by management and workers in each of the nine areas of the ETI Base Code[5]. 'Major' indicates that significant changes had occurred, and were reported by the majority of interviewees. 'Minor' indicates that changes only had minimal impact on workers, or were only mentioned by a minority of interviewees. An asterisk next to either Major or Minor implies that the change was viewed as negative for at least some of the people interviewed. Zero means that no change was reported, but this does not necessarily imply there were no non-compliances with the Base Code (see section 3.4 for Key issues remaining).

The only area in which there was a significant widespread impact was 'regular employment', with three of four suppliers saying they had drastically reduced their use of gangmaster labour. This change was due to a variety of factors (see Section 5), but pressure from retailers played an important role. There were minor impacts in various other areas of the Base Code, but overall the impact of code implementation at the case study sites was relatively minimal.

Table 3.1
Summary of impacts by ETI Base Code principle at country study supply sites

KEY

Mmt	Management
Wkrs	Workers
Major	Major and/or multiple impacts across several worksites
Minor	Minor impacts and/or impacts at isolated worksites only
*	Impact perceived as negative by at least some interviewees
**	Codes of practice were one of a number of influences on change - see Section 5
0	No impact reported

Base Code principle	Mmt	Wkrs
Freedom of employment	0	0
Freedom of association	0	0
Health and safety	Minor	Minor
Child labour	Minor	No data
Living wage	Minor	0
Working hours	Minor	Minor*
Discrimination	0	0
Regular employment**	Major	Minor
Harsh treatment	0	0

Source Management and worker interviews. Data aggregated to protect identity of individual suppliers.

3.2 Impact by Base Code principle

3.2.1 Employment is freely chosen

No impacts reported.

3.2.2 Freedom of association and the right to collective bargaining are respected

No impacts reported.

3.2.3 Working conditions are safe and hygienic

Management at three sites reported a number of improvements in health and safety (H&S) procedures as a result of ETI and other industry codes, such as having a full time H&S officer, giving more thorough training/inductions, keeping accident logs, putting up fire exit signs and ensuring fire extinguishers were not out of date. While they acknowledged these provisions, workers were not particularly aware of changes in this area.

On-site accommodation for SAWS/foreign workers had been improved by two suppliers, with one investing heavily in building hostels and leisure facilities. Workers appreciated improvements, saying it made it easier to stay for longer periods. Some who had previously lived in off-farm housing said they preferred it for the freedom it gave them, but

5 A full explanation of how Table 3.1 was derived is given in Part 1, Key findings, section 2.1.

management reported a trade-off with keeping the peace in the local community.

3.2.4 Child labour shall not be used

At two sites labour codes had brought greater awareness and control of H&S risks for young workers and one site had also stopped giving them overtime. For one supplier this was the result of an extensive consultation initiated by Company X, as detailed below. As workers were not interviewed at either site, their perspective on changes was not obtained.

Stakeholder consultation on child labour

One of the case study suppliers employed children of 13 years and over after school and on weekends. This was for a limited number of hours and with the permission of the local council. As this was technically a non-compliance with the ETI Base Code, Company X initiated a full investigation and consultation process with the supplier, workers and other interested/expert parties (parents, school headmistress, health and safety consultant, Trades Union Congress (TUC), National Society for the Prevention of Cruelty to Children (NSPCC) and ETI).

The result was that all agreed the work was not detrimental to the health and safety or schooling of the children involved, and given strong local support and legality under British law, it should be allowed to continue. The supplier was happy with this outcome and felt that the issue had been dealt with sensibly and correctly.

3.2.5 Living wages are paid

One supplier said that an audit conducted by the TLWG had led them to increase the rate paid to their labour provider from £5.85 to £6.50 per hour. This was to help cover the cost of licensing and to ensure workers received pay for annual leave and rest periods.

There were some negative changes in wages due to reductions in working hours, see below.

3.2.6 Working hours are not excessive

Three suppliers were monitoring working hours more closely to comply with retailer requirements. Most were aiming for a 48-hour working week on average, with two using shifts and full and part time positions to meet standards while retaining flexibility. All three had reduced overtime; in one case compulsory overtime had ceased and though this related to cost management, buyers had also driven change.

Changes in working hours were positive for some but not all workers. Some were happy to have more leisure time or not work night shifts, but others complained of reductions in pay. Seasonal workers in particular were unhappy about cuts in overtime and some took a second job if their hours fell below a certain level. Two suppliers reported losing staff because of reductions in overtime hours.

3.2.7 No discrimination is practised

No impacts reported.

3.2.8 Regular employment is provided

The most widespread and significant change was in the type of labour suppliers were using:

- three of four suppliers had reduced their use of gang labour from previously high levels (e.g. from 80% to under 2% at one site);
- all suppliers were now only using a small number of labour providers and only those which had registered with the TLWG.

This change was influenced by various factors, as outlined in section 5, but suppliers said pressure from ETI members, especially Company X and one other, was a key driver.

The testimony of two ex-gangmaster workers shown below gives an indication of what this change may mean for workers. If the suppliers are typical[6], it would signify a major shift in the type of labour being used in UK horticulture, and potentially significant

improvements in labour practices in the sector. Future regulation of labour providers by the Gangmasters Licensing Authority (GLA) has the potential to significantly scale up these impacts.

However, the scale and scope of impact cannot be judged without knowing how representative the case study suppliers are, or what is happening on farms not under pressure from retailers (including suppliers further down the value chain). Are unscrupulous gangmasters simply moving to other farms or into other sectors? Will the availability of workers from EU accession countries stem the flow of vulnerable illegal immigrants? These questions and more must be answered to be able to assess the broader impact of labour codes in the UK.

Testimony of two workers on their experience of working with a gangmaster

The workers paid an agency in their home country £1,000 to arrange work for them in the UK. On arrival they had no idea where they were going and did not speak English. They were put in a five-bedroom house with 14 other people - the house had only one bathroom and no bedding. They worked long hours but earned only about £60 a week after deductions - they were simply handed cash in an envelope with no details of how the pay was calculated. They had no money to buy gloves or boots for work, and lived on beans and potatoes.

They worked like this for two years, and when they asked the gangmaster to let them leave to find their own accommodation and work he threatened them. Now that they were employed directly as permanent workers they said they lived far better ("like normal English people"). Of particular importance was being free to choose where they lived.

3.2.9 No harsh or inhumane treatment is allowed

No impacts reported.

3.3 Other worksite impacts

Management at two sites said that code implementation had brought greater knowledge of and/or compliance with legislation. The two labour providers interviewed also said that the ETI has raised awareness of labour issues generally, though they felt this had influenced their clients' behaviour rather than their own. However one said they controlled subcontracting more stringently than previously as a result of the TLWG.

Other changes related in part to labour codes included formalisation of procedures for SAWS workers, more comprehensive inductions for new workers, the spreading of one-off deductions across a number of pay packets, and improved rest areas.

3.4 Key issues remaining

3.4.1 Employment is freely chosen

SAWS workers said they were required to pay a deposit that was returned only if they completed the period they were contracted for. In one case the deposit was paid to the labour provider (£50) and in the other to the supplier (£300).

3.4.2 Freedom of association and the right to collective bargaining are respected

Two sites were unionised and management at both said having a union had been useful for improving communication, consulting on issues such as working hours, and negotiating restructures. One manager acknowledged initial tension because they didn't understand what trade unions did, but after attending courses they saw the union as an ally as much as an adversary due to their wealth of experience.

However, redundancies and reductions/freezes in pay had weakened the union's standing with workers and many members had left. Some workers felt the union was now only useful for mediation, not for bargaining. They also felt they hadn't been informed or consulted

6 In total Company X's UK suppliers reported using 256 labour providers in 2005 compared to 350 in 2004. This indicates that the reductions reported by the case study suppliers were part of a general trend.

sufficiently on certain issues. Seasonal workers said that they had never been invited to become union members and though most migrants were not interested in joining, some said they would consider it if they could see benefits. However, they did not know what the potential benefits could be and did not know how to find more information.

3.4.3 Living wages are paid

Workers were paid by the hour or by piece rate based on minimum legal requirements and/or union-negotiated rates (at two sites). Union negotiated rates were higher than minimum legal rates, but at both sites did not apply to temporary/seasonal staff in the packhouses. Net pay depended on employment status, hours worked and whether they paid tax and National Insurance (NI) (SAWS workers are exempt). SAWS workers who were working long hours and weekends were able to save considerable sums (e.g. £4,000 in 6 months). In contrast, UK seasonal workers on regular hours and paying NI were taking home between £150 and £227 a week on average. In general temporary workers thought it was not worth working in the sector unless they could do overtime hours.

Both unionised sites had had either pay freezes or pay cuts in recent years and suppliers were clearly under pressure to control costs. As one supplier stated, "[We pay] low wages because it's a low value product. We would love to pay £10 an hour because it's hard work, but customers don't pay enough. Even £7 an hour would lead to lots of redundancies."

3.4.4 No discrimination is practised

Management saw foreign labour as critical to business viability because:

- local people did not want to work in the industry because of low pay and fluctuating hours and could be problematic in terms of retention and reliability;
- migrant workers were keen to do as many hours as possible, including working overtime at short notice;
- labour flexibility and reliability were essential for just in time production and packing.

However, some British workers claimed local workers were being discriminated against (e.g. taking SAWS workers instead of local seasonals). They also claimed foreign workers were undermining their bargaining position. The availability of local labour was not investigated, but as examples of good practice two suppliers said they continually advertise locally and try to attract UK workers through different shift patterns.

3.4.5 Regular employment is provided

Several EU accession country workers said they would like to be on indefinite contracts, but were sent home periodically when SAWS workers came in. Since SAWS workers were hired in quotas on an annual basis, this was understandable and management felt it was important to use their full quota to ensure continuation of this valuable source of labour. There was also a period of the year when production dropped to very low levels, making permanent employment difficult to offer. Having a fully flexible labour force was critical to keep costs to a minimum, given just-in-time procurement by retailers, but it does raise questions about workers' access to regular employment.

3.4.6 No harsh or inhumane treatment is allowed

In general workers considered their relationship with management and supervisors to be very good. At one site there were strict rules for workers living on-site, including prohibition of cars and visitors without permission (for safety reasons). Workers understood rules were needed to retain order, but some thought they might be sent home if they had any complaints.

3.4.7 Other remaining issues

Most workers from overseas lacked clarity on their terms and conditions, especially entitlements such as sick pay and workers' compensation. At one site

payslips did not give details of hours worked or piece work output and there were frequent inaccuracies in pay (though the necessary corrections were made once they complained). In general migrants had limited awareness of their rights and didn't know where to seek advice or information.

The mix of nationalities made communication difficult and suppliers tended to rely on co-workers to translate for those who did not speak English. Though suppliers had made efforts to translate documents and signage into at least one other language, many workers did not understand them. As a result, one supplier will in future interview workers to make sure they speak English before hiring them, and several plan to give English classes.

3.5 Impact by type of worker

3.5.1 Impacts by employment status

As the main area of change was in the type of workers employed, labour codes could be said to have had more impact on contract workers than any other type of worker. As conditions for contract workers are now monitored more closely, and unlicensed labour providers are no longer used, it is likely that the average contract worker will benefit from improved terms and conditions of work. However, the number of contract workers had decreased markedly in the case study suppliers, in favour of seasonal workers from EU accession countries and SAWS workers. There may be some contract workers, especially those who are illegal, who have suffered negative impacts as a result of being excluded from (parts of) the horticulture industry, but it was not within the scope of this study to assess this.

Changes in working hours had somewhat different impacts on permanent and seasonal workers, with the latter preferring to work as many hours as possible in order to maximise income while the former sometimes preferred to have more free time.

3.5.2 Impacts by gender

There were no detectable differences between male and female workers in terms of impacts.

3.5.3 Impacts by ethnicity

Many seasonal/temporary workers were migrants, but there did not appear to be major differences in impacts between UK and overseas workers. However, there were a number of challenges associated with improving labour practices when a high percentage of workers were from other countries, as discussed in section 5.3.

3.6 Wider impacts

3.6.1 Household and community impacts

Reductions in working hours and the amount of overtime had had both positive and negative impacts on workers' households. Some were pleased to have more time to spend with their families and friends, but for others the subsequent reduction in income was problematic. This was especially the case for migrants, who rarely had dependents with them in the UK. However, the study was not extensive enough to investigate impacts at the household level in detail.

Local communities around suppliers appeared to have benefited from provision of onsite accommodation for migrant workers and the introduction of rules and regulations regarding noise levels. The counter argument was that this could infringe upon workers' freedom to live and behave as they pleased outside working hours.

3.6.2 Poverty impacts

The ETI impact assessment used a multi-dimensional definition of poverty, incorporating three elements:

- income and employment security;
- social and physical well-being;
- empowerment.

The findings suggest a significant impact on all three dimensions of poverty when it comes to gangmaster labour. For example, the testimony given by two ex-gangmaster workers in section 3.2.8 demonstrates how being directly employed had improved their income, enhanced their physical environment and given them control over their lives (empowerment). However, there is a risk that the most vulnerable workers, illegal immigrants, are being excluded from the sector or from the farms with better labour practices and could be experiencing even greater poverty as a result.

Other impacts on poverty related to improvements in health and safety procedures and changes in working hours. This might have enhanced the social and physical well-being of workers, but could also have had a negative impact on income.

3.6.3 Impacts on employment patterns

There had been a change in the type of labour employed at three of the case study sites, with less use of gangmaster labour and more directly hired workers from EU accession countries. The agency labour that was used was also monitored more closely to ensure legal requirements were met. This change was a result of several factors, including pressure from buyers and the formation of the TLWG (both of which are related to labour codes).

However, most workers were still only hired on temporary or seasonal, rather than permanent, contracts.

3.6.4 Other intended and unintended impacts

ETI and its members have played an important role in the introduction of legislation to regulate labour providers, with the horticulture sector central to this work. The impact of this initiative will develop over the coming years, but may be of profound significance for contract workers in various sectors in the UK.

4 Management approaches to code implementation

4.1 Overview of code management approaches

The following sections provide information on code implementation by all four ETI members supplied by the case study suppliers. However, the focus was on Company X's management approach, which the research team explored in more detail through interviews with Company X staff.

Ethical trade within Company X is overseen by the Corporate Social Responsibility Committee, chaired by the company chairman, with ethical trade managers in each core area of business (e.g. foods). All Company X's suppliers are required to comply with its internal code and must demonstrate that they are working towards full compliance with the ETI Base Code. Ethical trade managers work with the teams of technologists, buyers and product developers that deal directly with suppliers to ensure compliance. Staff emphasise that they work with suppliers to help them make improvements, including tackling specific issues on a case by case basis with flexibility and taking the context into account. Further details of their management approach are provided below.

4.2 Communication and learning

- Only Company X had been communicating regularly on ethical trade for at least five years. Another ETI member had increased communication and activity on ethical trade in the last two years. In contrast, one had sent their code for the first time the previous week.
- The principal focus of all ETI members was gangmaster labour.
- Second tier suppliers were communicated with via direct suppliers and the degree to which the latter passed on information varied greatly.
- Suppliers had received various codes, but were not always sure from whom. Requirements for labour standards were not consistent across ETI members and direct suppliers, leading to requests for one harmonised code and approach.

Workers had not been communicated with about labour codes, and only one (a supervisor) knew that retailers were interested in their working conditions and had standards they expected suppliers to meet. None knew of ETI.

4.3 Monitoring compliance

- Most ETI members relied on self-assessments (questionnaires) for checking compliance. Company X asked for third party audits. Another ETI member tagged labour standards questions onto technical audits.
- Buyers relied on direct suppliers to check compliance at the next tier, but only Company X asked for second party audits.
- All suppliers now only used TLWG registered labour providers and tried to ensure contract labour received legal pay and entitlements. Some labour providers had already had audits, and one supplier said that going through the process together had improved their relationship.
- Suppliers were unhappy about duplication of audits and questionnaires. They would prefer retailers work together on compliance monitoring and see a key role for ETI in doing so. SEDEX[7] was viewed as a positive development, but it had not put an end to individual buyer requests and independent audits would be costly for small suppliers.

No workers could remember ever being asked about their working conditions by external visitors, or seeing any colleagues being asked questions. In general it seemed that when buyers visited they only talked to workers about production-related issues. However, at one site a worker said that buyers had inspected the onsite accommodation on occasion.

7 The Supplier Ethical Data Exchange (SEDEX) is a web-based database for suppliers to share information about labour standards with their customers – see www.sedex.org.uk

4.4 Capacity building

- Company X had organised a two-day social auditing course for direct suppliers, at the suppliers' expense.
- Direct suppliers had been invited by ETI members (two in particular) to conferences or seminars on contract labour, which has raised awareness of the risks. One commented, "It was one of the few times I've seen all our customers together", which was a useful indication that buyers have a common agenda on this issue.
- Resource materials and guidance from retailers on labour codes were generally quite limited and ad hoc. Some felt retailers didn't necessarily have all the skills and knowledge to respond adequately to requests for guidance, and thought ETI could provide more assistance.
- Suppliers said Company X worked through the complexities of code compliance with them, rather than seeing issues in simple black and white terms. However, given that other buyers were more directive this sometimes created confusion.

Views on the TLWG and GLA

In general suppliers were pleased about the TLWG registration scheme and moves towards statutory regulation of labour providers, though there were some concerns about the cost of audits, especially from labour providers. Key informants said Company X had played a key role in the TLWG, including lobbying government, though other retailers were also active. Company X and others involved believed the success of the TLWG hinged on all parties coming together and presenting a strong united front, with the involvement of retailers particularly important.

Many interviewees felt that the TLWG illustrated the potential of the ETI as a convenor and facilitator, as well as the strength of a multi-stakeholder approach to tackling labour issues. However some felt there should be more emphasis on involvement and training of workers, along with helpline and whistle-blowing mechanisms.

4.5 Integration with core business

- Suppliers thought labour practices were taken into account by most buyers, but good performance helped retain rather than increase business. However, some thought it improved the working relationship and would become more important in future.
- There was sometimes a conflict between retailer requirements on labour standards and their core business practices. This was particularly true of working hours, with most suppliers saying it was difficult to control hours within just in time production systems (see below).
- Some interviewees (including key informants) said that labour codes and other retailer requirements were creating additional costs, while prices had either remained the same or declined in recent years. Concerns were also raised about particular aspects of retailer purchasing practices (e.g. over-riders, payment delays, failure to communicate/negotiate changes in terms and conditions, pressure for sole supply). Suppliers' margins were under pressure, which some thought restricted their ability to make improvements in labour practices. However, others thought these were all normal conditions of doing business, with retailers driving efficiencies essential for the creation of a globally competitive industry. Further, improving labour practices made business sense for them, as it helped attract good staff and minimised costly turnover.

4

The influence of retailer ordering practices on working hours

The reliability of retailers' sales forecasts apparently varied greatly, and concrete orders were only received on a day to day basis, depending on sales the previous day. As consumer demand for fresh produce depends on the time of year and even the weather on a particular day, orders could vary dramatically. For one supplier orders started coming in by electronic data interchange (EDI) at 6.30am but were still being received until 4.30pm, making it hard to plan shifts and tell workers when they would be able to go home. In this context it was difficult to avoid compulsory overtime, and also to guarantee workers a minimum 39-hour working week.

An operations manager reflected that it was easier to manage labour when retailers employed planners who placed orders on a weekly basis (prior to 1997/8). Since store managers were now judged on wastage they were reluctant to over-order but then ramped up their orders through the week to cover weekends. In theory this meant workers would have to do three hours on Mondays and 24 hours on Thursdays.

The degree to which core business practices put pressure on suppliers' ability to comply with code requirements depended to some extent on the relationship between suppliers and buyers. This relationship was determined by:

- who the buyer was - with some buyers (including Company X) suppliers had close, stable relationships based on trust and open dialogue, whereas with others they had more distant and insecure relationships, though equally long term;
- which individuals within retailers they dealt with, some being more demanding than others (though some interviewees reported a general shift to less aggressive behaviour);
- how important they were to buyers - those supplying a high percentage of a particular line had a stronger negotiating position compared to those constituting a smaller proportion or with only indirect relationships, who felt they were relatively vulnerable.

5 Background information on UK horticulture

While the focus of the study was on identifying impacts resulting specifically from code implementation, in many cases it was not possible to attribute change exclusively to codes as there were a range of factors influencing labour practices. In this section we identify the key factors which we believe lay behind the impacts recorded, grouped according to:

- factors related to code implementation management approaches;
- factors related to the value chain;
- other influences on change.

Note that the following conclusions about the key factors affecting impacts are tentative given the small sample size.

5.1 Key factors related to code implementation management approaches

Collective agenda

While not the only factor influencing changes in the type of labour suppliers were using, the collective agenda of ETI members in relation to gangmasters, exemplified in the TLWG, has been important in guiding and sustaining change.

ETI member efforts

Only Company X had been communicating regularly with suppliers on ethical trade for at least five years, but another member had become more active in the last two years. These enhanced levels of activity have driven change. However, the lack of consistency in retailer requirements inhibits greater progress.

Key factors relating to Company X's management approach

According to Company X staff, high levels of activity on ethical trade stemmed from the company's brand values and customer base. All staff were expected to deliver on company values and negative media coverage would represent a significant risk to brand integrity and business. As a result, events such as the report to ETI on flower workers in Kenya and UK press reports on gang labour had been important catalysts for activity.

Company X's business strategy differed markedly from other retailers in its focus on new product development and quality. It worked closely with suppliers to achieve growth through innovation rather than trying to compete on price. This facilitated long term relations with suppliers, as well as favouring suppliers that were 'visionary' rather than those who competed only on price. This permitted a more open dialogue on ethical trade issues, and facilitated continual progress.

Buyers worked in teams with technologists and new product developers, all with equal status, which made it easier for ethical trade performance (monitored by technologists) to be incorporated into buying decisions. A senior manager sat outside these functions and set the framework for work on ethical trade, providing additional support when required. This more focused role pushed ethical trade forward generally, including setting annual targets, while retaining the ability to respond dynamically to issues as they arose. It was an operational structure that seemed to work effectively, in a context of senior level commitment.

5.2 Key factors related to the value chain

Supplier attitudes

All suppliers talked about making improvements in labour practices because they believed it was "the right thing to do". Several thought they were ahead of other suppliers in doing so. Management attitude therefore appeared to be an important factor affecting impacts.

Supply chain structure

While there were significant impacts at the first tier of the supply chain, at the second tier they are likely to be more random. Category managers differ in the extent to which they pass on information from ETI members, and currently assessment at the second tier is largely restricted to self-assessment, which many believe to be weak in bringing about change.

5.3 Other influences on change

External influences on use of contract labour

Several factors beyond ethical trade influenced the shift in type of labour being used. These included suppliers' concern for workers as reports of unethical treatment by gangmasters filtered through, and negative experiences in terms of reliability and control. However, two factors beyond the supply chain were particularly important:

- three suppliers had had raids by the Home Office and Department of Health and Social Security looking for illegal immigrants and benefit claimants;
- EU expansion in 2004 increased the availability of European workers eligible and willing to work in the sector. This lessened the need to turn to labour providers to fill the gap left by local labour no longer interested in working in the sector.

Challenges of migrant labour

There are a number of challenges associated with the use of foreign labour in UK horticulture:

- Migrants usually want to earn as much as possible in the shortest possible time. They are keen to work long hours and may leave for another job, or take a second job, if hours are restricted.
- They are less concerned about rates of pay than UK workers, as wages are good relative to their home countries. This and their willingness to work long hours make them attractive to employers but increases the risks of exploitation and real or perceived discrimination against local workers.
- They often do not speak good English which complicates communication and training within the workforce.
- They are less likely to be familiar with UK regulations concerning their employment rights and responsibilities.
- They are more difficult for trade unions to organise, as they move around and may not plan to stay in the UK or want to pay monthly dues.

These challenges make the implementation of ethical trade more complex, and may limit the success or sustainability of retailer or supplier initiatives to improve conditions for workers.

6 Recommendations

6.1 Recommendations from suppliers and key informants

6.1.1 Code implementation management approaches

Improved monitoring

Suppliers were critical of audits for being:

- only a snap-shot, liable to misinterpretation;
- inadequately performed, partly due to the complexity of social situations;
- costly;
- too focused on health and safety.

In general they felt labour codes should be about ensuring workers are not subject to major abuses, and should not get caught up in policing detailed aspects of working conditions.

Flexibility on working hours and improved ordering: Due to the challenges of just in time delivery of fresh produce, suppliers would like more flexibility on working hours (e.g. taking average number of hours worked over a longer period, and some use of contractual overtime). If retailers at least placed their orders at the same time each day, suppliers would be able to plan better, but some thought they should go back to weekly ordering systems.

6.1.2 Stakeholder engagement

Harmonisation and enhanced role for ETI

Suppliers advocated a harmonised approach to ethical trade by retailers, with one agreed code and audit procedure. SEDEX was seen as a positive development (though more clarity on auditing requirements was needed) and they were also pleased about the common agenda on labour providers. They saw a key role for ETI in extending this harmonisation to other areas. Some felt that ETI should provide direct support to suppliers, perhaps through Associate membership.

Industry consultation and training

Some suppliers thought there should be industry consultation on certain issues related to ethical trade, such as working hours, and thought the National Farmers Union Horticulture Committee could perhaps represent them in consultation processes. One supplier requested affordable conferences and training courses for farm managers, plus written materials from ETI (e.g. the Base Code in different languages and country briefing papers).

Multi-stakeholder approach to tackling specific issues

Several key informants thought the TLWG model should be replicated elsewhere, including other countries and sectors. The child labour stakeholder consultation was also seen as a good example of tackling specific issues on a case by case, context-sensitive basis.

6.2 Recommendations from the Research Team

Increased involvement and education of workers

Workers in the case study were not aware of ethical trade or any retailer code of labour practice. Many migrant workers lacked information about their terms and conditions of work and their legal rights, and did not know where to seek expert advice (for example, from Citizens Advice Bureaux and trade unions). This needs to be addressed, for example through involving them more in the implementation of labour codes and through provision of information and training on their rights.

Enhanced trade union organisation

Representatives from the TGWU said they are exploring ways to attract new members, especially foreign and temporary workers, including providing literature in different languages and setting up a Migrant Workers' Helpline. A Latvian permanent worker said she had joined and stayed with her union particularly for access to legal advice, a service that other foreign workers are likely to find useful. One supplier had agreed a format for the union to talk to new staff, and intended to include them in future inductions. Innovations such as these should be encouraged and supported.

6

Recommendations

Special attention to the implications of migrant workers

The case study highlighted that migrant workers have particular vulnerabilities and needs, but also can have implications for UK workers. This needs greater consideration in the implementation of ethical trade, where workers are often seen as a homogenous group with common interests.

Integration with core business

There are tensions between commercial pressures to reduce costs and improvements in labour practices, especially pay. According to some sources, the horticulture industry is already operating efficiently, and there is little room for further "trimming of fat". Greater and more open communication on the pressures that suppliers are under, as well as more extensive independent research on the effects of those pressures, is required.

Some retailers (including Company X) have had more success in integrating ethical trade into their core business practices than others, including recognising the need for flexibility and partnership in their dealings with suppliers. While these companies may have business strategies which facilitate this, and their practices are not necessarily replicable across the sector, there is certainly scope for cross-learning within the industry. ETI is an ideal forum for facilitating this learning process.

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