

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

“Nowadays when we do overtime we get extra payment at one and a half times [the normal rate]. When we work on Sunday we get double rate.”

Female worker, Vietnam

“Before, he who shouted most was the best. Now, he who shouts is not here.”

Human resource manager,
Costa Rica

“When buyers come for inspections, we are told to leave the premises for some time and take a break, or that there is no more work for the day.”

Contract workers, India

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 member's 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/

This series of reports has been prepared by the Institute of Development Studies (IDS) and the views expressed do not necessarily represent the views of ETI or of its member organisations. IDS is responsible for the accuracy of information contained in the document and our recommendations have not necessarily been endorsed by ETI.

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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 main findings and recommendations from this study.

Who is this document for?

This document is written for all those who would like to see improvements in labour conditions in global supply chains. This includes but is not limited to:

- ethical trade/code compliance staff within brands and retailing companies;
- those responsible for implementing customer codes of conduct within importing/supplying companies;
- all those involved in conducting audits against labour codes, including commercial auditing companies;
- ETI and other labour code initiatives;
- relevant government departments
- international and national trade union organisations; and
- NGOs/civil society organisations with an interest in labour rights and/or international development issues.

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 reports, all of which can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk. The ten documents are listed on the inside front cover of this report.

This report (Part 1) presents the main findings and recommendations from the second phase of the study (January 2004 - April 2005), during which the research team looked in detail at the impact of ETI Base Code implementation in selected supplier sites in five countries and three sub-sectors. It provides an overview of the impacts of codes of labour practice; an analysis of the key factors that were seen to affect impact; and recommendations for each key stakeholder group on how to improve the effectiveness of codes. The recommendations are accompanied by good practice case studies that illustrate how they can be put into practice. This document is intended as a 'one stop shop' for all audiences.

In addition, we have also written a six-page Summary for readers who only want a snap shot of the key findings and recommendations.

For readers with a specific interest in a particular country/sector we have published six reports that provide more detailed accounts of the findings and recommendations from each case study: India garments, Vietnam garments and footwear, South Africa horticulture, UK horticulture, and Costa Rica bananas. These also include a report of a scoping

study carried out in China. Together these six reports make up Part 2 of the report series.

Some readers may wish to consult the report on the first phase of the study (Part 3) on how and where ETI member companies were implementing codes when the study began. During this phase of the study (August - December 2003) the research team assessed the scale and scope of code implementation activities carried out by ETI member companies, and categorised the different management approaches they were using to implement their codes.

Finally, for researchers and others we have issued a full report on the research methodology (Part 4). This is specifically aimed at those who are interested in conducting a similar impact assessment or study and want to learn more about the research approach.

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.

Stephanie Barrientos & Sally Smith

Abbreviations

ETI	Ethical Trading Initiative
HR	human resources
ICFTU	International Confederation of Free Trade Unions
IDS	Institute of Development Studies, University of Sussex
ILO	International Labour Organisation
IUF	International Union of Foodworkers
MFA	Multi-fibre Arrangement
NGO	non-governmental organisation
SAI	Social Accountability International
SAWS	Seasonal Agricultural Workers Scheme (UK)
TLWG	Temporary Labour Working Group (UK)
WIETA	Wine and Agricultural Ethical Trade Association (South Africa)

1 Introduction

1.1 Overview of this report

This report, Part 1 of the Report on the ETI Impact Assessment 2006, presents the combined findings and recommendations from the study. It contains the following chapters:

Chapter 1 outlines the aims and objectives of the impact assessment, as agreed in the initial terms of reference, and provides a brief overview of how the study was conducted.

Chapter 2 presents the main areas of impact resulting from implementation of the ETI Base Code. It covers:

- impacts related to each of the nine principles of the Code, and other impacts at the worksite
- the key labour problems that are not yet being effectively addressed by code implementation
- differences in impact experienced by different types of worker
- impacts beyond the worksite, i.e. at household and community level and beyond.

Chapter 3 outlines the key factors that were found to affect impact. These include:

- differences in how companies implement their codes, and which implementation approaches appeared to work best
- nature and characteristics of the supply chain, and how these affected impact
- other factors that were found to affect the impact of code implementation.

Chapter 4 presents IDS's recommendations on how the impact of code implementation can be improved. It includes 15 general recommendations, each of which is broken down into specific recommendations for ETI, brands and retailers, suppliers, trade unions, NGOs, auditors and government.

An **appendix** summarises the key findings from the first phase of the study, which examined how and where ETI members were implementing codes of labour practice.

1.2 Codes of labour practice and the context of the study

This report focuses specifically on corporate codes of labour practice and the role they are playing - and could play in the future - in protecting workers' rights in global supply chains. This focus reflects the remit of ETI as an organisation and the terms of reference of this study.

However, in discussing the impact of codes, it is important to recognise the broader economic, political and legislative context in which codes operate. The need for corporate codes of labour practice stems from the fact that many workers in global value chains continue to suffer poor working conditions and abuses of their fundamental rights. The causes of this are many, but underpinning all of them is the continued failure of governments in many countries to protect the rights of workers through appropriate law and its adequate enforcement. The rapid growth of global production systems has in itself, in many cases, contributed to a weakening of government regulation of labour markets and enforcement of workers' rights.

The role of corporate codes of labour practice in bringing about change for workers can therefore only ever be limited. Corporate codes are not a substitute for effective government legislation - that is, labour laws that protect workers' rights, including their right to freedom of association and collective bargaining - and their effective enforcement. Nor are codes intended to replace the effective functioning of independent trade unions. Codes should however, at their best, act as a catalyst to strengthen labour law and its enforcement, and help increase respect for workers' right to organise freely and bargain collectively.

The findings and recommendations contained in this report should be read in the light of this broader context, and with the understanding that the study - and codes in general - are only addressing one of several pieces of the jigsaw puzzle that make up a better future for workers in global supply chains. Corporate codes provide one important tool that can contribute to the improvement of employment conditions, but are not in themselves a solution.

1.3 Objectives of the ETI Impact Assessment

The **primary aim** of the ETI Impact Assessment was "to assess positive and negative impacts of implementation of the ETI Base Code on the working conditions and lives of workers within the supply chains of ETI member companies, and to identify how impacts can be improved".

The primary aim relates to the commitment made by companies upon becoming members of ETI, to adopt the ETI Base Code and to ensure that the labour standards contained in it are implemented in stipulated parts of their supply chains.

The **secondary aim** was "to assess the impacts of implementation of the ETI Base Code on other individuals or groups, eg, small producers, workers' families and local communities, and identify how the wider social and poverty impacts of code implementation can be improved".

The secondary aim relates to the interests of ETI as a multi-stakeholder organisation in understanding the broader social impacts of code implementation, and goes beyond the membership commitments made by companies when they join ETI. To address this

Clarification of the terms 'implementation' and 'ETI Base Code'

Throughout this report we refer to 'implementation' of codes of labour practice. We use this term in accordance with its usage in the ETI Purpose, Principles, Programme document. That is, with reference to putting in place any of the policies, procedures or activities that a company needs in order to operationalise a code of practice. Therefore, when we refer to a company or companies "implementing a code", we are not necessarily implying that their activities, policies or procedures have been effective or successful, or that any of the Base Code provisions are actually being met.

Further, we use 'implementation of the ETI Base Code' instead of 'implementation of ETI member company codes of labour practice' as a generalised term reflecting the overall focus of the study on the ETI Base Code as common to individual company codes.

secondary aim, impacts on workers and others were assessed in terms of poverty, empowerment and rights (including gender rights).

Within the broad framework of these aims, there were four specific objectives:

- 1 **Measuring impact** of implementation of the ETI Base Code on the lives of workers, their families and communities, and wider society.
- 2 **Improving impact**, ie, identifying how the impact of implementation of the ETI Base Code can be improved.
- 3 **Developing tools** for the ongoing monitoring and assessment of impact.
- 4 **Sharing learning** with those involved in implementing codes of labour practice.

These aims and objectives make clear that the focus of the study was solely on the impact of implementation of the ETI Base Code by member companies, and not on assessing the role of ETI projects, working groups or other ETI activities.

For a more detailed description of the rationale, aims, objectives and scope of the study, see the **ETI Impact Assessment Terms of Reference** at www.ethicaltrade.org/d/impactreport.

1.4 Overview of the Impact Assessment methodology

For a more comprehensive description of the research approach and methodology, please see **Part 4: Research methodology**, available for download at www.ethicaltrade.org/d/impactreport and www.ids.ac.uk.

1.4.1 The research process

The study was carried out over a three-year period from August 2003 - June 2006. It was divided into three phases:

Phase 1 (August - December 2003)

- Assessed in some detail the different management approaches being used by ETI member companies to implement the Base Code, and produced a working model characterising the different management approaches being used;
- identified the scale and scope of code implementation by member companies to date;
- identified members' perspectives on where codes have had an impact and where difficulties remained.

Phase 2 (January 2004 - April 2005) looked in detail at the impact of Base Code implementation in selected supplier sites in five countries and three sub-sectors. Findings from Phase 1 indicated that ETI member companies had registered more than 20,000 supplier sites in over 100 countries, approximately half of which had been assessed for compliance with their codes¹. Given the large number of suppliers and limited resources allocated for the study, it was not possible to examine a representative sample of this entire supply base. Instead, a combination of three country studies, two company studies and one scoping study were conducted, as follows:

- **Three country studies.** These involved a comparative examination of three sub-sectors (garments, footwear and fruit) across three countries (India, Vietnam and South Africa). The selection of countries was limited to those where significant sourcing and code implementation was taking place. Each of the country studies involved tracing the code implementation activities of three ETI member companies (nine in total) who had contrasting value chains and code management approaches. Each study included in-depth field research at six sites supplying the targeted ETI member companies, and a workshop where suppliers and other local stakeholders were invited to provide feedback on preliminary findings and

contribute recommendations on how impact could be improved.

- **Two company studies.** The aim of these was to examine specific code management approaches in more detail, identify what worked well, and thereby identify practical lessons and guidance on how impact can be improved. The studies were carried out in the UK horticulture and Costa Rica banana sectors. For these studies, two member companies were selected that had not participated in the country studies and which were considered to have well developed management approaches. In-depth field research was carried out at two supplier sites in the UK and three farms in Costa Rica (owned by the ETI company concerned).
- **One scoping study.** In addition, we undertook a small pilot study in China to assess the potential for carrying out a fuller impact assessment at a later stage².

At each supplier site the research team interviewed relevant members of management and selected groups of workers, who were asked to complete a short questionnaire and participate in focus group discussions. Some workers were also visited in their households. Interviews were also conducted with on-site worker representatives and key informants from a wide range of other stakeholder groups. In total, Phase 2 involved interviews with:

- 21 representatives from ETI member companies
- 23 agents in their value chains (including exporters and importers)
- 66 managers, office staff and supervisors at 27 supplier sites
- 418 workers at 23 supplier sites
- 80 key informants from various stakeholder groups (including worksite and district/national level trade

¹ For most ETI companies this only included their first or upper-tier suppliers, as this was where code implementation had been focused (although some had implemented it at deeper levels in selected high-risk sections of their value chains). The impact assessment only covered suppliers included in the scope of code implementation.

² Despite China's position as a major sourcing country, it was decided not to carry out a full impact assessment there at this stage. This was due to the particular challenges of carrying out this type of research in China, and the fear that it would therefore not be possible to conduct a meaningful study within the existing resource constraints. For further information, see Part 2F: Findings and recommendations from a scoping study in China.

union representatives, labour providers, local and international NGOs, government officials, international organisations and researchers).

The study also included consultation with approximately 70 stakeholders at the three in-country workshops.

Phase 3 (May 2005 - June 2006) involved bringing together and analysing the findings from Phases 1 and 2, identifying conclusions and recommendations, writing up the findings, and promoting and sharing the learning with key stakeholder groups internationally.

1.4.2 Four key components underlying the impact assessment

The research approach used for the ETI Impact Assessment had four key underlying components:

Sustainable learning approach

The impact assessment focused on identifying how to improve impact, rather than just on proving whether impacts had occurred. The aim was to maximise learning and guidance to all those interested in improving the effectiveness of labour codes, and reflects ETI's overall approach to code implementation.

Value chain to impact mapping

The study used a 'value chain to impact mapping' approach, which traced how the Base Code was being implemented through the value chain, from the activities undertaken by ETI member companies and their agents, down to what was being done at factory and farm level. While time consuming, this approach was valuable because it allowed identification of the drivers of change, of the activities at each level that have been most effective at delivering positive impacts for workers, and of the key constraints to effective code implementation.

Management approach framework

The approaches used by ETI companies for implementing their codes of labour practice were classified according to the relative emphasis given to four types of activity: (a) communication and learning, (b) monitoring compliance, (c) capacity building, and (d) integration with core business. This provided a systematic way of assessing the wide range of code implementation activities being undertaken by companies, and a means by which we could later attempt to match positive (or negative) impacts to particular types of activity.

Multi-dimensional definition of well-being and poverty

One aim of the study was to assess the impact of the ETI Base Code on poverty. To do this we used a multi-dimensional definition of poverty which extends beyond income alone, to view well-being as a broader state in which a person is healthy, confident and socially engaged. The three components of this definition, and potential (though not exclusive) links with elements of the ETI Base Code, are³:

- **Income and security** - a living wage, regular employment, freedom to choose employment and no excessive working hours.
- **Physical and social well-being** - health and safety, lack of child labour and no harsh treatment.
- **Empowerment** - freedom of association, collective bargaining and lack of discrimination.

1.4.3 Limitations of the study

There were a number of limitations and challenges in meeting the goals of the ETI impact assessment, as well as areas of interest and relevance that the study was unable to cover - these are listed below. Nevertheless, this is the largest study of its kind and we believe the findings are robust enough to support firm recommendations.

³ This approach drew on the work of Professor Amartya Sen. His analysis of people's 'capabilities' and 'functionings' has been influential in promoting a multi-dimensional view of poverty.

Scope of research

A case study approach was used to get broad coverage of different sectors and countries, and different types of code implementation approaches. However, resource constraints imposed a number of limitations:

- It was only possible to include a small sample of suppliers in each case study. The findings were therefore not representative of the entire ETI member company supply base.
- The research was largely restricted to upper tiers of the value chain, which is where code implementation is currently focused, and to interviews within the worksite. Information on impacts at lower tiers and in the wider community was therefore minimal.

Homeworkers

We were unable to include homeworkers in the study because: (a) codes of labour practice are currently not applied to most homeworkers, and we were only able to assess impact at the levels of company value chains where codes operated; (b) where we wanted to conduct background interviews with homeworkers, we were unable to obtain contact details from suppliers.

Selection bias

The value chain to impact approach allowed us to trace the ETI Base Code through the value chains of companies and make linkages between impacts and different aspects of the commercial context and code implementation. However, in some cases we encountered delays and difficulties obtaining full lists of suppliers from ETI companies. There were also several suppliers that declined to participate. As a result some of the case studies are likely to have a selection bias towards suppliers with 'better' practices. However, we feel that the findings are still pertinent, especially given that unresolved labour issues came up at all sites.

Attribution

An important challenge in any impact assessment is attribution - has change come about as a result of the intervention (i.e. the ETI Base Code), or some other factor (e.g. better enforcement of legislation)? Attribution in this study was assessed through the use of recall by suppliers and workers, as well as other local key informants. However, many interviewees were unaware of ETI or that particular companies were members. It was therefore difficult to attribute impacts specifically to implementation of the ETI Base Code. Also, in many cases changes had come about as a result of a number of different factors (as described in [Chapter 3](#)). Nevertheless, we were able to assess whether code implementation by ETI member companies had contributed to change.

Wider ETI activities

The terms of reference for the study were to focus on code implementation by ETI member companies and not the wider activities of ETI and its trade union and NGO members. In some cases the influence of these activities was evident in the case studies and we were able to report on them (e.g. ETI conferences in sourcing countries), but in general the study did not provide an assessment of the impact of these wider ETI related activities.

Role of other actors

As above, given the terms of reference the study did not focus on the activities of other, i.e. non-corporate actors. However, in all our case studies, where other actors were relevant, we sought to take them into consideration. Our methodology specifically included key informant interviews beyond ETI company value chains. Hence in all case study countries we interviewed relevant international organisations, government personnel, trade unions, social auditors, trade bodies etc. However, this study is not an assessment of the role of those actors themselves, nor was it able to provide a detailed comparison of the ETI Base Code with all relevant government legislation and enforcement mechanisms in each country.

2 What impact has the implementation of the ETI Base Code had?

During Phase 1 of the study we assessed the overall scale and scope of code implementation by 29 ETI member companies. [Appendix 1](#) gives a summary of the findings of Phase 1. During Phase 2 we assessed the impact of code implementation by 11 member companies, in different countries and sectors. In this section we present the findings from the Phase 2 case studies. It should be emphasised that the findings are based on the 25 worksites included in the case studies and are not necessarily representative of the entire sector in each country or the total supply base of ETI member companies.

2.1 Summary of impacts by ETI Base Code principle

[Tables 2.1](#) and [2.2](#) summarise the impacts reported by managers and workers in each case study, according to the nine principles of the ETI Base Code. Impacts were assessed in a three-stage process. Interviewees were first asked to identify all changes that had occurred in relation to a particular area of the Base Code (e.g. health and safety) since the date that the Base Code was introduced to the worksite. Second they were asked to identify the cause of those changes (e.g. request from a buyer, corrective action from an audit, trade union pressure). Lastly they were asked to say whether they felt the change was positive or negative, and why.

In the tables below 'Major' indicates that widespread and significant change had occurred across several or all case study worksites (e.g. reductions in working

hours or introduction of health and safety precautions at over half the sites). 'Minor' indicates that changes were only reported at a few sites or had minimal impacts on workers (e.g. introduction of age documentation or correct payment of annual leave at one or two sites). An asterisk next to either Major or Minor implies that the change was viewed as negative for at least some of the people interviewed (e.g. because a reduction in working hours has led to a decrease in take-home pay). Zero means that no change was reported, but this does not necessarily imply there were no non-compliances with the Base Code (see [section 2.4](#) for Key issues remaining).

Since managers and workers sometimes had different perspectives on the changes, their views are recorded separately. In some cases management identified a particular change that workers did not identify, or vice versa. Inconsistency could occur for a number of reasons, for example because an open style of questioning was used (i.e. the areas of change were not predetermined by the interviewers), or because workers had not been employed when the change was made.

It should be emphasised that impacts were not necessarily exclusively a result of implementation of the ETI Base Code. It was sometimes impossible to separate changes brought about by company codes of labour practice from other influences (see [Chapter 3](#) of this report), but all impacts recorded here were considered to be at least in part a result of code implementation.

Table 2.1
Summary of impacts by ETI
Base Code principle at
country study supply sites

Base Code principle*	South Africa (6 worksites)		Vietnam (6 worksites)		India (6 worksites)	
	Mgmt	Wkrs	Mgmt	Wkrs	Mgmt	Wkrs
Freedom of employment	0	0	0	0	0	0
Freedom of association	0	0	0	Minor	0	0
Health and safety	Minor	Minor	Major	Major	Major	Major
Child labour*	Minor*	Minor*	Minor*	Minor	Minor	0
Living wage	Minor	0	Minor	Minor	Minor	Minor
Working hours*	0	0	Major	Major*	Minor	Minor*
Discrimination	Minor	0	Minor	Minor	Minor	0
Regular employment	0	0	Minor	0	Minor	Minor
Harsh treatment	Minor	0	0	0	Minor	Minor

Source: Management and worker interviews

Base Code principle	Costa Rica (3 worksites)		UK (4/2 worksites) ⁴	
	Mgmt	Wkrs	Mgmt	Wkrs
Freedom of employment	0	0	0	0
Freedom of association	Minor	Minor	0	0
Health and safety	Major	Major	Minor	Minor
Child labour*	Minor*	Minor*	Minor	No data
Living wage	Minor	Minor	Minor	0
Working hours	Minor	Minor	Minor	Minor*
Discrimination	Minor	Minor	0	0
Regular employment	0	0	Major	Minor
Harsh treatment	Major	Major	0	0

Source: Management and worker interviews

Table 2.2
Summary of impacts by
ETI Base Code principle at
company study supply sites

4 'Management' based on four worksites, but 'Worker' based on only two worksites.

These tables indicate that while minor or isolated impacts had occurred in almost all areas of the Base Code when looking across the case studies, there were a few areas in which impacts were more frequently noted, namely:

- Health and safety
- Child labour
- Working hours
- Minimum (not living) wage.

While most of these impacts were positive, changes in the area of child labour and working hours were sometimes viewed as negative by workers and/or management. This was principally when a reduction in working hours meant that workers were earning less money, or when suppliers had stopped hiring young workers (16-17 year olds) because of restrictions on their working conditions.

The areas in which impacts were less common were:

- Freedom of employment
- Freedom of association
- Discrimination
- Regular employment
- Harsh treatment.

In the following section we provide an overview of the impacts under each principle of the Base Code, and then the key issues remaining in each area. A greater level of detail can be found in the case study reports in [Part 2](#) of this series.

“Because of and on the basis of buyers’ requests, we ask managers to support trade union initiatives; our trade union committee is active and highly aware of obligations to defend workers’ interests.”

Trade union representative, Vietnam

2.2 Impact by Base Code principle

2.2.1 Employment is freely chosen

No changes related to freedom of employment were reported in the case studies. We found only isolated problems related to this area of the Base Code, as detailed in [Section 2.4.1](#).

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

Codes had had limited impact on freedom of association and the right to collective bargaining at the case study supply sites. In none of the 25 sites did we find an increase in union membership or the establishment of a collective bargaining agreement as a result of code implementation. However, at five worksites codes had made some contribution towards greater freedom of association and union activity.

Vietnam

There are no free and independent trade unions, but on two of the six sites trade union representatives said they were more active as a result of buyer codes. Some workers verified this.

Costa Rica

The relationship between companies and trade unions had long been problematic, but following an international trade union-NGO campaign, the company had signed an International Framework Agreement officially recognising workers’ right to freedom of association and collective bargaining. Almost all workers said they were now explicitly told they were free to join a union during inductions and training on the company code. While the majority said they chose not to join a union, some still thought they could be sacked if they did.

India

No site was unionised and we found no change as a result of codes of labour practice. All sites had Workers’ Committees and four stated it was a result of codes.

South Africa

We found no change as a result of codes. Two packhouses were already unionised (70-90% of workers were members) and had collective bargaining agreements. No farms were unionised but one had a workers' committee, but not as a result of codes.

UK

There was no impact on freedom of association as a result of codes. Two sites in the study were unionised, and management mentioned various benefits of unionisation.

2.2.3 Working conditions are safe and hygienic

Health and safety was the area in which we found most change across all case studies, with positive impacts resulting from codes of labour practice at 20 of 25 worksites.

The main areas of improvement were:

- health and safety procedures and officers
- information and training
- fire safety
- safety guards and personal protective equipment
- safe use of chemicals
- lighting and ventilation in factories
- improved toilets and drinking water.

On most sites workers confirmed improvements had taken place, and highlighted positive impacts such as fewer accidents, better health and feeling safer and more secure at work. Changes generally applied to all types of workers, although in India some contract workers said they had benefited less than permanent workers (see [section 2.4.3](#)).

India, Vietnam and Costa Rica

Significant positive change due to codes of labour practice was reported by management and largely confirmed by workers at all sites.

South Africa and UK

Major changes had already taken place as a result of legislation and codes such as EurepGap, but additional minor improvements were attributed to codes of labour practice at two of six sites in South Africa and three of four sites in the UK.

2.2.4 Child labour shall not be used

We found limited impact on the employment of workers under 15 years, with all but one supplier reporting no use of child labour (apart from during school holidays or after school) due to enforcement of the law. However one supplier had stopped employing children during school holidays because of buyer pressure and we did find some impact on employment of young people in the 16-17 year age group, as well as checking of age documentation, as a result of codes of labour practice.

South Africa

Two farms no longer employ children in school holidays, one specifically because of codes. In the latter case the supplier had assisted the children with school fees and letters of reference to use in adult life.

UK

Two of the four sites were paying more attention to health and safety risks for young workers, with one also ending overtime for workers in this category.

“We use a mask and gloves for putting the bags up and applying fertilisers and herbicides. Before you didn't see that. We're not allowed to work without [personal protective equipment]. We have talks on this, on not contaminating the environment... You almost don't see sickness now. A long time ago it was very different, there were lots of problems.”

Male field worker, Costa Rica banana farm

Vietnam and Costa Rica

16-17 year olds were no longer employed as a result of codes at two of the six sites in Vietnam and all sites in Costa Rica (i.e. because of the restrictions in working conditions for young workers).

India and South Africa

Four sites in India and one in South Africa now require better age documentation as a result of legislation and codes. In India suppliers said under-18s were not employed, but because of legislation not codes.

In South Africa, Costa Rica and Vietnam many workers and members of management thought these changes were negative because young people had no alternative source of employment or productive activity and they/their households needed the income. The latter demonstrates the importance of ensuring a living wage is paid to adult members of households.

2.2.5 Living wages are paid

In general codes had had almost no impact in terms of ensuring workers receive a living wage, although at nine of the 25 sites they had encouraged payment of at least the national minimum wage for certain workers. In seven of these cases seasonal or contract workers were the beneficiaries (although it was not always possible to verify changes with workers). However, there were several cases where a decrease in working hours in order to comply with codes of labour practice had led to reductions in take-home pay, as detailed in [section 2.4.5](#). In all countries at least some workers complained that their basic wage was not adequate to live on (see [section 2.4.5](#)).

“Codes have brought in an understanding of the rights and basic standards a worker should have. We never thought about it earlier, and feel it is fair enough that minimum wages are given [to workers].”

Garment factory owner, India

Other changes in this area of the Base Code related to the provision of wage-related benefits (e.g. social insurance and pension funds) and payslips. Permanent and regular workers were the main beneficiaries of these changes (especially in India).

India and South Africa

Two factories in India now paid the minimum wage as a result of buyer codes. One farm in South Africa extended payment of the minimum wage and unemployment insurance to seasonal workers on the advice of an exporter's code compliance officer.

UK

One site had increased its hourly rate to the labour provider as a result of an audit, to allow for payment of the minimum wage and entitlements to workers.

Costa Rica and India

All farms in Costa Rica and two of the six factories in India now checked that payments to contract workers complied with minimum wage and legal entitlements because of codes.

India and Vietnam

Four suppliers in India and two in Vietnam now provide regular workers with legal entitlements such as Employees State Insurance and Provident Fund (India), and annual and maternity leave (Vietnam).

India, Vietnam and Costa Rica

As a result of codes more detailed payslips were being supplied by four factories in India and two in Vietnam, as well as by the case study company and at least one of its labour providers in Costa Rica.

2.2.6 Working hours are not excessive

We found fairly widespread impact in the area of working hours, with reductions in regular and/or overtime hours reported at 16 of 25 worksites. Two suppliers also reported paying premium rates for overtime hours as a result of codes. Workers' views on whether or not reductions in working hours were positive varied, largely depending on their personal circumstances and the extent to which it affected their

take-home pay. Many workers were happy about working fewer hours with benefits including being less tired, having more free time for their families, friends and recreation, and being in better health. However, they sometimes complained about loss of earnings as a result of reduced working hours. For example migrants with no children tended to want to work as many hours as possible to maximise earnings, whereas workers with young children tended to be happier with the trade off between having more time to spend with their families and earning less money.

“Before we were on piece rate, who did more [work] got more [pay]. Nowadays when we do overtime we get extra payment at one and a half times [the normal rate]. When we work on Sunday we get double rate.”

Female worker, footwear factory in Vietnam

Vietnam, India and UK

All sites in Vietnam and four of the six sites in India reported a reduction in working hours and/or overtime hours as a result of codes of labour practice. In the UK three of the four sites were monitoring overtime hours more carefully, but this apparently related to cost management as much as codes. One site in India and one in Vietnam had increased the number of machines in order to make up the shortfall in output, whereas two sites in the UK had introduced various shifts.

“Our wage is about 15% less than before because of less overtime. There is hardly anything left over after paying for rent and food.”

Female worker, footwear factory in Vietnam

“Before we worked until 7pm. It changed this year. I don’t know why, I don’t know how many hours I’m meant to work, I just do the hours. It’s positive because I have more time with my family and more time for household chores.”

Female worker, banana farm in Costa Rica

Costa Rica

Working hours were being monitored at all three sites to ensure workers did not exceed the 60 hour limit, which had led to reductions in hours for packhouse and harvest workers.

India

Management of two factories reported that workers now received double pay for overtime as a result of codes of labour practice.

South Africa

All sites reported being compliant with the law on overtime, therefore codes had had no effect.

2.2.7 No discrimination is practised

We found limited changes in relation to discrimination as a result of codes of labour practice, with serious issues remaining especially in relation to discrimination based on gender (see [Section 2.4.7](#)). Positive changes were reported at only five of the 25 worksites overall.

Costa Rica

Attitudes had begun to change towards women with efforts being made to give them opportunities for promotion (e.g. to work in the office). Less discrimination and better conditions for pregnant women were also reported by management. Women workers were happy about these changes, but opportunities were still limited and all supervisors and managers on the three farms were men.

“[The company code] has started the process of ending machismo. Before you never saw women doing anything other than minimal roles. [We] had the idea women should be in the home. [We] are now realising that women can do things better than men.”

Banana farm manager, Costa Rica

South Africa

One farm had developed an equal opportunities policy on the advice of a code compliance consultant. (Three farms had made changes as a result of legislation).

Vietnam

One factory had removed age limitations (18-30 years) in job adverts for workers.

India

Interviews at management level indicated a change in attitude on one site, but no impact was found at the worker level.

UK

No impacts were found.

2.2.8 Regular employment is provided

The only country where we found widespread impact in this area was the UK, with changes reported at all four worksites included in the case study. The impact of these changes for workers was difficult to measure as the workers affected were typically no longer present, but the implication is that there were significant potential improvements in worker welfare. Elsewhere impacts were limited to four worksites in total, mostly in India.

UK

All sites had reduced the number of labour providers they used, and were checking that those they did use complied with legislation, in large part due to pressures from buyers to ensure no exploitative practices by 'gangmasters'. Three of the four suppliers were hiring more workers directly rather than through labour providers. However, the vast majority of workers were still employed on a temporary rather than permanent basis due to seasonal fluctuations in demand.

India

One factory had switched from contract labour to permanent workers as a result of codes of labour practice. Letters of appointment were being given to non-permanent workers in two factories, giving them access to a range of benefits.

Vietnam

One factory no longer used one-month apprenticeships as a result of codes of labour practice.

South Africa and Costa Rica

No changes in recruitment policies were reported.

“There are more opportunities and respect for women now. I was given a chance to work in the office [temporarily]. A woman from the packhouse was promoted to the office four years ago. Another is a cleaner now and she gets shown how to do other things while she's there. [The company code] has helped because before only friends [of management/supervisors] were given opportunities... They also give permission to leave early to study. It all came with [the code].”

Female worker, banana farm in Costa Rica

UK horticulture - testimony of two ex-gangmaster workers

The workers paid £1,000 to an agency in their home country 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.

2.2.9 No harsh or inhumane treatment is allowed

We found mixed results relating to treatment of workers. The company study in Costa Rica bananas revealed a major impact in this area at all sites as a result of implementation of the company code. In South Africa and India we found evidence of positive changes at two sites, but these tended to relate only to permanent/regular workers, with contract workers complaining of continued abuse.

Costa Rica

Major changes were found at all sites. Harsh treatment and verbal abuse were previously common, sometimes also sexual harassment, but were now rare because of implementation of the company code. Staff at all levels reported significant improvements in their well-being as a result, as they felt more secure in their jobs, less depressed and stressed, and more satisfied with their work.

India

At two factories suppliers noted improvements in treatment of workers as a result of codes, but this was only verified by workers at one of the sites. At one factory the Human Resources (HR) manager said he thought there was less verbal abuse and sexual harassment because workers were able to report issues to auditors.

South Africa

At one farm (which had problems of abuse of women workers in the past) a code compliance consultant had helped develop a policy on sexual harassment.

UK and Vietnam

No impact found in this area.

2.3 Other worksite impacts

2.3.1 General awareness of codes of labour practice

In our case studies, with some exceptions, we found little awareness of ETI. Suppliers were generally unaware which of their buyers were members of ETI. However, there was a general awareness among managers of the codes operated by buyers, and of the fact that compliance with codes was a requirement for supplying a wide range of retailers and brands.

“If a job is not done well [the supervisor] just tells us calmly what to do... This is a fundamental change. There is now dialogue and respect. Before sometimes they told us off like we were children. Supervisors have had to have training for this, they have been given courses.”

Male fieldworkers, banana farm in Costa Rica

Worker awareness of codes was limited to a few sites in Vietnam and Costa Rica. In India, South Africa and the UK workers were generally unaware or at best only partially aware of codes. In general suppliers saw codes as a management tool, not as a means of raising awareness of and access to labour rights for workers.

2.3.2 Awareness and enforcement of national law

Codes of labour practice had led to increased management awareness and/or compliance with national legislation on at least some sites in every country. This is an important impact of code implementation which may help ensure sustainability of changes.

Vietnam

Five of the six suppliers said codes had increased their awareness of and/or compliance with law. Some saw a role for buyers in keeping them informed of changes in the law.

South Africa

One supplier had improved their compliance with legislation on the advice of a social compliance consultant linked to an ETI company. Otherwise codes themselves have had little direct impact, but management was aware that to sell to the UK market they had to comply with legislation. South African legislation has higher standards than the ETI Base Code on most issues.

UK

Two suppliers and two labour providers said codes and buyer pressure had increased their awareness of national legislation, although it had not necessarily led to changes in their practices. However one of the labour providers said it had led them to tighten up on sub-contracting to other labour providers.

Costa Rica

Several members of management said codes had increased their awareness of the law.

India

Compliance with codes had brought suppliers more into line with legislation. One HR manager said this had helped to reduce the cost of bribes paid to government labour inspectors.

2.3.3 Management-worker relations

On the majority of sites in India, Costa Rica and Vietnam, management indicated that codes of labour practice had influenced and/or helped to improve employment practices and management-worker relations in one form or another.

India, Costa Rica and Vietnam

The majority of management in India⁵, Costa Rica and Vietnam reported better management-worker relations as a result of codes. Workers confirmed this on all sites in Costa Rica, one site in India and one site in Vietnam.

India

Workers' committees had been set up in four factories because of codes, but only in one factory did workers say this had improved communication with management.

Costa Rica

The role of permanent committees as a channel between management and workers had been enhanced by code implementation.

⁵ One manager in India thought codes had led to a deterioration of worker/management relations, as workers felt more empowered by codes.

2.4 Key issues remaining at case study worksites

While significant improvements had been made at many of the case study worksites, there remained a number of areas in which workers still faced serious problems. These are documented below according to the nine principles of the ETI Base Code.

2.4.1 Employment is freely chosen

Problems in this area were restricted to isolated sites:

South Africa

At two of the four farms in the study female partners of permanent male workers living on the farms were effectively required to work during peak season, a relic of the past when women's employment was conditional on their husband's job.

Vietnam

One company did not pay out social insurance benefits until three to six months after workers left, making it difficult for migrant workers to claim it.

UK

SAWS (Seasonal Agricultural Workers Scheme) workers at the two sites where workers were interviewed said they were required to pay a deposit that was returned only if they completed the period they were contracted for.

Costa Rica

There was confusion over entitlements to redundancy pay at one of the three farms, with many workers believing they were forced to work longer in order to receive their full entitlement (although in reality it was because they misunderstood the regulations).

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

The case studies highlighted a number of concerns related to freedom of association and the right to collective bargaining. This is against a backdrop

where legislation protecting trade union rights and/or its enforcement remains weak in most of the countries in the study.

India

In the six worksites studied, employers formally stated that workers were free to associate, but many appeared to be antagonistic to trade unions. Temporary and contract workers interviewed off site reported that workers feared being laid off if they joined a trade union. Union interviewees indicated the difficulty of organising workers given the high turnover of the labour force. At the national level, the law upholds the rights of workers to organise, but, according to the ICFTU⁶, in practice this only protects a small minority of workers (those in the organised industrial sector). Moreover, there is no legal obligation on employers to recognise unions or engage in collective bargaining.

Vietnam

The law does not protect workers' right to join or form a trade union of their choosing, since independent trade unions are not legally permitted. Any union formed must be approved by the Communist Party-controlled Vietnam General Confederation of Labour (VGCL) and must affiliate with it. The VGCL lacks the experience and capacity to work in the now largely privatised garment and footwear sectors. However, the International Labour Organisation (ILO) is working with the government of Vietnam to try and address this.

South Africa

In the six worksites studied, there had been a decline in unionisation on farms following a period of growth after the transition to democracy, partly due to worker disillusionment but apparently management antipathy also played a role. However, union organisation in packhouses was still strong. Nevertheless, at a national level, although trade union rights are guaranteed by law, there are too few government labour inspectors to ensure their enforcement and, according to the ICFTU⁷, employers in the agricultural

⁶ As stated in the International Confederation of Free Trade Unions (ICFTU) Annual Survey of violations of trade union rights (2005), see: <http://www.icftu.org/survey/>

⁷ ICFTU's Annual survey of violations of trade union rights (2005), see: <http://www.icftu.org/survey/>

sector in particular frequently obstruct worker organisation.

Costa Rica

At the three worksites studied, Permanent Committees were seen as undermining the ability of trade unions to organise. Workers did not understand the difference between trade unions and Permanent Committees. Some supervisors continued to warn workers against joining a trade union. At a national level, although the law gives workers the right to organise, according to the ICFTU many private sector employers, notably in the export banana industry, frequently flout this right and their behaviour, although illegal, is tolerated by the authorities⁸. The legal right to collective bargaining has existed historically but is being seriously eroded through growing exclusions.

UK

Two of the four sites were unionised, but the unions had been weakened by pay cuts/freezes and redundancies in recent years. Union officials reported difficulties in recruiting among the largely migrant and temporary workforce, although these workers said they had never been invited to become members. At a national level, legal protection for trade union rights is stronger in the UK than in the other case study countries, with the right to organise and the right to collective bargaining protected by law. The country also has a long history of collective bargaining with a third of the workforce covered by collective agreements. However, trade unions point out that the legal rights of migrant workers need to be strengthened⁹.

2.4.3 Working conditions are safe and hygienic

While health and safety was the area with greatest positive impact, a few issues remained:

India

A group of contract workers interviewed off site said that the content of medical boxes was removed when

buyers/auditors were not around, and that they were denied company transport to hospital when an accident or injury occurred.

Vietnam

At two of the six sites protective glasses and drinking cups were only available when buyers/auditors visited, and at another site workers were charged for protective equipment.

South Africa

There were complaints about the quality of housing and availability of protective equipment and toilets in orchards on one farm, and doubts about the effectiveness of health and safety measures on another. Night shift workers in one packhouse were less informed of emergency procedures than day workers.

2.4.4 Child labour shall not be used

No remaining issues were reported, except for discontent with some suppliers' policy of not hiring 16-17 year olds.

2.4.5 Living wages are paid

Although there was some impact of codes on the payment of minimum wages, worker interviews highlighted that this did not provide a living wage. In all countries workers said they struggled to make ends meet unless there was a good second income in the household, few dependants or overtime work available. Migrant workers, contract workers and new workers were often paid less than permanent or regular workers, received fewer wage-related benefits, and struggled most to live on their wages.

Vietnam

Workers across all sites said they can only save from their wages if they do two to three hours of overtime per day. At one site they complained of a reduction in wages due to less overtime than previously.

⁸ ICFTU op cit

⁹ ICFTU op cit

South Africa, India and Vietnam

Many contract workers in South Africa and India, and new workers in Vietnam, were not getting social insurance benefits.

India

Contract workers sometimes did not receive the minimum pay, and had unknown deductions made from their pay.

South Africa

On two farms workers complained of living in a cycle of debt.

Costa Rica

Some workers reported average gross pay that was below the union estimated living wage. Most thought wages were only sufficient to cover basic needs if workers were single or there was a second income in the household.

UK

Union-negotiated pay rates did not apply to temporary and seasonal packhouse staff at the two unionised sites. Both sites had been subject to pay cuts or freezes to control costs. At one site seasonal workers were unhappy about cuts in overtime because of the effect on wages, and management at that and another site said they had lost staff due to reductions in overtime hours.

2.4.6 Working hours are not excessive

Workers at most sites in India, Vietnam and Costa Rica continued to do overtime which was effectively compulsory. Management reported that they struggled to meet this element of the Base Code due to the need to meet tight production deadlines with short lead times.

Costa Rica

Workers at all sites commonly work a 60 hour week with no premium on overtime hours as they are paid by piece/task.

Vietnam

Some migrant workers in one factory said they took work home with them to do on Sundays. In another factory workers complained of not being given notice of when overtime would be required.

India

Two of the six factories had increased working hours to counter the pressure resulting from shortening lead times. Some workers reported not being paid a premium for all overtime hours worked, and that breaks were no longer included in working hours.

2.4.7 No discrimination is practised

We found little or no impact on underlying discriminatory biases in employment practices (e.g. discrimination in hiring, promotion or training based on gender, ethnicity or religion) as a result of codes of labour practice. There remained either an explicit or implicit gender discrimination in hiring policies at most worksites except perhaps the UK. There was evidence of racial discrimination on two farms in South Africa and religious discrimination at one factory in India. In all countries except Vietnam and the UK men dominated supervisory and management positions. Even in Vietnam all top management were male. Generally women were hired to do certain tasks, and these tasks were often paid less than 'male' tasks.

Vietnam

Cutting, which was classed as a man's job, paid more than embroidery, which was classed as a woman's job.

South Africa

Women and black Africans were predominantly in temporary or seasonal employment. Coloured workers complained of lack of access to management positions (relative to whites).

India

The Delhi garments sector has a long-standing tradition of employing men not women. One HR manager admitted that Muslims were less often hired because they had to attend prayers during working hours.

Costa Rica

There were no women supervisors or managers on any of the farms visited.

UK

Some local workers felt they were discriminated against in favour of migrant workers, because migrants were willing to work flexibly for long hours at low pay rates. However management said they had difficulties recruiting local workers, despite advertising and offering various shift patterns.

2.4.8 Regular employment is provided

The hiring of workers on a non-permanent basis was prevalent in all the case studies and codes had done little to change this. Non-permanent employment took different forms: directly employed temporary, seasonal and migrant labour, and workers hired through third party contractors (referred to as 'contract workers' in this document). It was among these groups that we found the poorest employment conditions, and more issues of code non-compliance.

India

There was significant use of contract workers in all but one factory. A complex system of contracting is used, often not declared by employers, with workers moved around between units to avoid giving them legal entitlements or the ability to organise. Migrant workers were re-employed in different units of the same company when they returned from holidays in their villages, denying them continuity of employment (and associated benefits) and reducing their ability to form solidarity with other workers.

South Africa

Contract workers on one farm did not have written contracts or access to benefits such as the unemployment insurance fund, suffered verbal abuse from the contractor, and were not represented on the workers' committee. Yet this farm had previously passed a third party audit with only minor non-compliances on health and safety reported.

Costa Rica

Some workers talked about unreasonable use of the three-month probation period, with workers laid off just before three months and told to return in another three months, and others hired in their place. Contract workers were hired on repeated three-month contracts.

Vietnam

It was difficult to assess the extent of use of temporary labour, but on three sites management gave contradictory information between written and verbal interviews and key informants claimed double books were commonly used. In one factory workers reported being given repeated two- to six-month contracts.

UK

At one site some EU accession workers complained of being laid off when SAWS workers became available, although management pointed out that they needed to take up their full quota of SAWS working in order to ensure the scheme continued.

2.4.9 No harsh or inhumane treatment is allowed

While codes had brought some improvements in this area, harsh or inhumane treatment remained an issue in some countries, especially for contract workers.

South Africa and India

Contract workers reported harsh treatment by contractors.

Vietnam

Some workers in foreign-owned or joint venture factories complained about bad language and harsh treatment by foreign managers.

2.5 Impact by type of worker

2.5.1 Impacts by employment status

Generally, permanent and regular workers in all countries appeared to be benefiting most from codes, although there were some specific improvements for seasonal and contract workers in South Africa, Costa Rica, India and the UK. However, in general non-permanent, particularly migrant and contract workers, either experienced less change or had poorer terms and conditions of employment.

Temporary and seasonal workers

Temporary and seasonal workers directly recruited and paid by the supplier were found in all sectors and countries in the study. On some sites they were clearly benefiting from codes, such as being assured at least minimum wage and receiving wage-related benefits and detailed payslips. However, on a number of sites they still faced several problems.

South Africa

At all four farms temporary (especially off-farm) workers received fewer benefits (e.g. unemployment insurance, protective equipment), were less well informed (e.g. about their terms of employment or health and safety procedures) and/or felt they could not raise grievances.

India

Some suppliers rotate temporary workers between worksites in order to avoid being required to give them permanent contracts.

Costa Rica

Workers on probationary contracts were allegedly replaced at the end of the three month trial period and asked to return in three months to try again, instead of being offered permanent positions.

Vietnam

Workers on short-term contracts have less access to legal benefits such as social insurance and maternity

leave, and receive a lower wage. At one site temporary workers were asked to sign repeated two - six month contracts.

Migrant workers

Migrant workers (internal and/or international) were being employed on sites in all case study countries. In most countries they faced particular problems due to their migrant status.

India

Migrant workers were laid off when they returned to villages for holidays or festivals, and re-employed often on other sites when they returned, avoiding regular employment status.

South Africa

At two sites seasonal migrant workers received fewer benefits and were less well informed about the terms and conditions of their employment than permanent workers. At one site they complained of being sent home at the first offence.

Vietnam

Migrant workers had higher costs and had less access to state benefits such as free schooling for children.

Costa Rica

In general migrants had benefited from codes in similar ways to non-migrants, but indigenous Panamanian workers expressed feelings of isolation within the workforce.

UK

Migrant workers made up a large percentage of the workforce, but lacked clarity on the terms and conditions of their employment and had limited awareness of their rights. They also faced communication problems because of not speaking English.

Contract workers

Use of casual or temporary workers brought in by third party contractors or labour providers¹⁰ (or sometimes by other workers) was found in all case study countries. The use of contract labour helped to meet fluctuations in orders and seasons. Anecdotal information suggested that the use of contract labour provided one response by suppliers under pressure to reduce overtime among regular workers. In Vietnam and India some managers did not formally acknowledge the use of contract workers in written documentation, only in informal discussion.

In the UK there had been a significant reduction in the use of labour providers and a shift to direct employment (of SAWs and EU accession workers), but importantly suppliers said they were only using labour providers that had registered with the Temporary Labour Working Group (TLWG) scheme. Although we were unable to measure changes in the practices of labour providers as a result of TLWG registration and audits, two that were interviewed did indicate that they were more aware of labour legislation as a result of codes of labour practice, and one said they were monitoring sub-contractors' employment practices more carefully. Codes had also brought improved monitoring of the employment conditions of contract workers in Costa Rica and India, for example to check that they were paid the minimum wage, although such checks appeared to be fairly minimal with only a few elements of the Base Code monitored.

However, for the most part contract workers faced worse conditions of employment than directly employed (particularly permanent) workers, and on the whole codes have done little to redress this imbalance.

India

All factories bar one had contract workers. In most factories where they were present, contract workers reported serious problems, including non-payment of minimum wages, delays in payment or partial

payment, no payslips, lack of access to employment benefits, and compulsory overtime. However one factory had instigated measures to ensure improvements for contract workers in response to codes, and another had ceased using contract workers because of difficulties with code compliance.

South Africa

Contract workers reported a number of issues that were not being addressed by codes or legislation, such as lack of contracts and employment benefits, harsh treatment, and compulsory overtime at short notice.

Homeworkers

For the reasons outlined in [section 1.4.3](#) we were unable to include interviews with homeworkers in the research. Some suppliers in India indicated they are reducing or ending their use of homeworkers, in order to ensure compliance with codes, and anecdotal information indicated some suppliers are switching from homeworkers to contract workers located within their factory. However, due to lack of access, we were unable to verify these changes with homeworkers or assess the impact on them and their households.

2.5.2 Impacts by gender

The extent to which women benefit from codes depended on the sector, their employment status and local employment practices. Changes made tended to relate to practical gender needs, such as payment of maternity leave and post-natal entitlements. Women with children indicated that reduced working hours allowed them more family time.

Vietnam

Women with families appreciated reduced working hours which allowed them to spend more time with their families, but unmarried and migrant women workers were less interested in reduced working hours because of lower earnings.

¹⁰ Third party contract arrangements varied from contractors providing workers who were then supervised and paid by the producer, to contractors providing, supervising and paying workers. In India other workers sometimes recruited extra workers when required.

Vietnam and India

Women workers in some factories benefited from receipt of maternity benefits because of codes. In India there was an example of a husband bringing sweets into one factory because Employee State Insurance (ESI) had helped pay for the delivery of their baby. In Vietnam one woman reported receiving social security when her child was sick.

India

At one site there was less verbal abuse and harassment of female workers by male employees and supervisors. The Delhi garments industry employs predominantly male workers but two sites were considering the employment of more women as they were deemed more productive within normal working hours and less likely to want to work overtime.

Costa Rica

Efforts had been made to increase opportunities for women and put an end to machismo.

However, codes had done little to affect strategic gender needs such as equal opportunities in relation to employment status, promotion or training. For example, across all case studies senior management was dominated by men, with supervisors also predominantly men in factories in India and farms in Costa Rica and South Africa. This was largely due to embedded social and cultural norms related to gender roles and responsibilities. The fact that codes have not been able to overcome these is a reflection of the 'compliance' rather than 'capacity building' approach to code implementation typically being used. Another problem is that important gender issues are often excluded from the direct coverage of codes (e.g. childcare and maternity pay). Recommendations for how to address gender issues in a more strategic way are given in Chapter 4.

2.5.3 Impacts by ethnicity, religion and caste

We did not identify any impact of codes on discrimination by ethnicity, caste or religion in the case studies.

2.6 Wider impacts

2.6.1 Household and community impacts

The study traced the impact of codes through to household level by asking workers about the effect of changes on their households and by interviewing a small selection of workers in their homes. However it was often difficult to attribute change at this level to codes rather than other influences. It was also not possible to trace migrant workers back to their sending households, only their receiving households.

Reduction in working hours

Where there had been a reduction in working hours, married workers and those with children enjoyed having more time to spend with their families. Women said they had more time for household chores. In Vietnam some migrant workers said they now had their children with them, whereas previously they had stayed with grandparents. However, reductions in hours often meant that workers were earning less money, which could have a negative impact on workers' households, particularly for single mothers.

Health and safety improvements and training

In Costa Rica one woman reported using first aid training in the home; male field workers said they no longer go home and hug their children with clothes soaked in chemicals. Those in company housing benefited from an end to indiscriminate aerial spraying. In India regular workers said because factories were clean they were inspired to keep their homes clean as well.

Access to social security entitlements

In India regular workers at four sites reported that they now received benefits such as social insurance because of codes. Some workers said this had led to improvements in the health of family members.

Improvements in wages

Some workers in India reported that improvements in earnings helped provide better education and nutrition for children, and enhanced women's status. However, although they thought wage increases

related to codes, it was not possible to quantify to what extent.

Harsh treatment

Some interviewees in Costa Rica said that as a result of improvements in management-worker and supervisor-worker relations they no longer went home and took their frustrations out on their families.

Child labour

In Costa Rica and South Africa workers reported negative impacts on households and communities resulting from new policies of not hiring 16-17 year olds or children during school holidays. Some workers in Costa Rica talked about young males hanging about the streets and getting into drugs and other anti-social activities. Their families could not afford for them to carry on studying, or they did not want to, and yet there were no alternative sources of employment for them. In South Africa some workers also thought that children should be allowed to work during school holidays in order to 'keep them out of trouble'.

2.6.2 Poverty impacts

Below we analyse the impact of implementation of the ETI Base Code on the poverty of workers using a multi-dimensional view of poverty. It should be noted that we are not commenting on the impact on poverty in a broader sense (e.g. at the national level) as that was beyond the scope of the study.

We understand poverty (or well-being) as being comprised of three interlinked components:

- 1 physical and social well-being
- 2 income and employment security
- 3 empowerment¹¹.

This extends beyond a narrow focus on income alone, and views well-being as a broader state in which a person is healthy, confident and socially engaged. For example, while income is of utmost importance, earning a good income may be of little use to a worker being poisoned by toxic chemicals. Equally, the ability to move out of poverty is partly conditioned by the level of empowerment - the extent to which

Figure 2.1
Linking the ETI Base Code and poverty

Dimensions of poverty/well-being	Relevant provisions of the ETI Base Code
A Income and employment security	1 Employment is freely chosen
	5 Living wages are paid
	6 Working hours are not excessive
	8 Regular employment is provided
B Physical and social well-being	3 Working conditions are safe and hygienic
	4 Child labour shall not be used
	9 No harsh or inhumane treatment
C Empowerment	2 Freedom of association and right to collective bargaining
	7 No discrimination

¹¹ This approach draws on the work of Professor Amartya Sen. His analysis of people's 'capabilities' and 'functionings' has been influential in promoting a multi-dimensional view of poverty.

workers and members of their households have the capability and social networks to improve their situation.

This multi-dimensional approach to poverty has linkages to the ETI Base Code. **Figure 2.1** groups the different provisions of the Base Code in relation to each dimension of poverty/well-being, although there is not necessarily a one-to-one linkage and each Code provision can impact on more than one of the three dimensions. There may also be linkages between different elements of the Base Code (e.g. between living wages and working hours).

The case study findings suggest that codes of labour practice have had most impact on the physical and social well-being dimension of poverty, a moderate impact on income and employment security and little impact on empowerment. Below we look at each of these dimensions in turn.

Physical and social well-being - most impact

At the majority of worksites (except in South Africa), workers' physical and social well-being had been enhanced by codes through improvements in health and safety and reductions in working hours. Workers felt safer and more secure at work and had more time for leisure, relaxation and spending time with family and friends. With some exceptions, improvements in health and safety had benefited all workers, whether they were permanent, temporary or contract workers, and there had also been some indirect improvements at the household level (see 2.6.1 above). As well as enhancing workers' current sense of well-being, these impacts reduce their vulnerability to long-term health and social problems, with links to future income prospects.

On the downside, there were some negative social impacts on communities in Costa Rica and South Africa, due to policies of not employing young workers, as reported in **section 2.6.1**.

Income and employment security - moderate impact

The impact of codes on workers' incomes was mixed and somewhat unclear. There were no instances of codes having led to wage increases through a

collective bargaining agreement. In several cases suppliers said codes had encouraged payment of the national minimum wage but it was either not possible to verify the impact on workers (e.g. where it concerned contract workers) or else workers said that despite increases their wages still did not constitute a living wage. There were a number of worksites where codes had led to a reduction in working hours which had in turn led to a decrease in take-home pay, but whether workers thought the change was positive or negative overall depended on their personal circumstances (i.e. because of trade-offs with having more leisure time). What is clear is that codes have not led to a substantial increase in income, especially in terms of guaranteeing a living wage.

Where codes had led suppliers to pay into state insurance and pension schemes (at four factories in India), workers' vulnerability to poverty in the event of childbirth, illness or old age was reduced. The fact that codes were raising awareness of national law (including changes) among many suppliers suggests that impacts in this area may be even more widespread. However employment benefits such as these are often extended only to permanent or regular workers, with many of those employed by third party contractors excluded even in national law.

A lack of secure employment greatly increases workers' vulnerability to poverty, making the provision of permanent positions and contracts of employment important elements of poverty reduction among workers. Overall codes had had a minimal impact in this area, with a high percentage of workers hired on a non-permanent basis and only a few cases of positive change (e.g. one factory in India had apparently switched from contract to permanent workers because of buyer pressure). There was also anecdotal evidence that shortening lead times had actually encouraged greater use of temporary and contract labour in order to meet buyer requirements on overtime hours.

Empowerment - least impact

Empowerment is a cross-cutting issue related to the control workers are able to exercise over their lives.

One aspect of this is whether workers have knowledge and information about their rights. Our findings on this were mixed. Some workers were aware of codes of labour practice, but some interpreted codes as a disciplinary code they should follow. Many workers remained ignorant of them, even on sites that were regularly audited. Much more needs to be done to enhance workers' understanding of their rights.

A core component of the ETI Base Code is the right of workers to make a free and informed choice as to whether to join a trade union. Some sites in our study were unionised prior to codes. Freedom of association and collective bargaining provide workers with the means to independently address issues, access other rights and negotiate improvements in their working conditions. However no site was unionised as a result of codes in our study. In India and Costa Rica there is still a fear among many workers that if they join a trade union their job could be at risk. Codes have done little to address this.

Less discrimination based on gender, ethnicity or religion allows workers to participate more freely in all aspects of work. It helps them to improve their employment status, and gain access to related employment benefits. Related access to information on their rights helps to enhance the empowerment of workers. Our study found that codes of labour practice have had some superficial impacts on discrimination. But they have had no impact on underlying patterns of employment based on gender, ethnicity, caste and religion. Codes have thus barely begun to address this issue.

2.6.3 | Impact on employment patterns

Due to the limitations of our study (see [Section 1.4.3](#)), we are not able to draw many conclusions regarding the impact of codes of labour practice on employment patterns beyond the case study sites. For example, in the UK horticulture study we found that buyer pressure was contributing to a significant shift away from the use of unlicensed gangmaster labour, but questions remained regarding how widespread this change was across the industry, particularly at lower tiers of the value chain. Similarly, we picked up anecdotal evidence in India that code requirements on overtime hours in the context of shortening lead times have resulted in increased use of flexible labour (i.e. temporary and contract workers), but we were unable to verify this. Overall however, the widely reported extensive use of temporary, casual and contract labour in global production chains was confirmed by our study and codes appear to have done little to challenge this trend.

3 What affects impact?

3.1 Introduction

A key part of any impact assessment is identifying how and why changes have occurred (as well as what changes have occurred). This not only allows correct attribution of impacts, it also facilitates learning and ongoing improvement. However, it is important to recognise that impacts can rarely be attributed to a single factor or cause. More often than not impacts will be a result of a combination of factors acting together, which cannot necessarily be separated or accorded with greater or lesser importance.

While the focus of the ETI Impact Assessment was on identifying impacts resulting specifically from code implementation by ETI member companies, in many cases we could not attribute change exclusively to members' codes, or indeed to codes of labour practice in general. Firstly, few suppliers were aware of ETI, and were not always able to distinguish which of their many buyers' codes had led to change. Secondly, there were a number of different influences operating simultaneously on suppliers' labour practices. These included codes of labour practice, regulation by governments and pressure from civil society groups. It was usually difficult to say that change had occurred because of any one of these factors alone. This is especially true when talking about more general impacts such as a change in the type of labour employed or in workers' awareness of their rights. However, we were able to infer whether codes of labour practice implemented by ETI companies had helped to influence change.

In this section of the report we identify the key factors which we believe explain differences in impacts between the case study work sites. We have grouped these into three areas:

- Factors related to code implementation management approaches (i.e. differences in how companies implement their codes);
- Factors related to the value chain (e.g. complexity of the supply chain);
- Other influences on change.

The fact that in many cases impacts occurred as a result of a combination of these three types of factors, makes it clear that sustained improvements in labour practices are unlikely to be achieved through the actions of ETI member companies alone. However, the implementation of codes by ETI companies can contribute to change, for example by helping to catalyse or increase the pressure for change.

3.2 Key factors related to code implementation management approaches

In this section we review the key factors affecting impacts which relate to the four elements of the management approaches framework referred to in 1.4.2 (for details, see [Part 3: How and where ETI member companies are implementing codes](#)).

3.2.1 General

Critical mass and common agendas

In all the case studies it was apparent that having more than one buying company showing interest in labour practices helped to drive change. Several suppliers referred to buyers in general terms rather than as individual companies, usually characterising the demands of entire markets (e.g. the UK supermarkets versus other EU supermarkets).

The contribution of ETI member companies to creating a critical mass of pressure on suppliers is played out at a general level, but also in specific areas. Horticulture suppliers in the UK referred to TLWG activities as a positive sign that food retailers had a common agenda on 'gangmasters', and this unity clearly influenced change.

However, the common agenda of ETI members is undermined by each company having its own code. For example, suppliers in India each faced up to 30 different codes. This weakens communication, causes confusion and creates additional costs. The leverage created by having a critical mass could be more effectively harnessed if the commonality provided by membership of ETI was given a higher profile, but there was remarkably little awareness of ETI among suppliers.

Retailer/brand commitment and values

While the collective interest of retailers and brands in labour issues created general pressure on suppliers, it was evident that the commitment and resources put into code implementation by individual ETI member companies drove change in specific areas. Suppliers easily identified the most active buyers, and could often name changes made at the request of specific companies or individuals.

High levels of commitment were often linked to core company values, which helped ensure responsibility for ethical trade was spread widely among staff. Unfortunately many suppliers complained of double standards among ETI members, with the promotion of ethical trade often contradicted by other business practices (see [section 3.2.5](#) below).

Pro-active agents/traders

The activity levels of agents and traders were particularly important in more complex value chains, where ETI members had little direct contact with producers and manufacturers. The importance placed on ethical trade by their key customers helped to determine activity levels among agents and traders, but internal agent/trader company values and the commitment of individuals within them were also important.

Local staffing

In a few cases ETI members had hired local staff to monitor compliance with their code. This had the dual advantage of ensuring familiarity with the local context and allowing more continuous assessment of compliance. Suppliers also appreciated the guidance provided by these staff in relation to code compliance, apparently making changes in accordance with their advice (although on what issues and how sustained is less clear).

3.2.2 | Communication and learning

Communication from retailers and brands

We found that frequent and consistent communication from retailers and brands on ethical trade helped send a clear message to suppliers that labour

practices were an important concern. Where communication had been one-off, or very occasional, suppliers were not convinced that ethical trade really mattered to buyers and clearly felt less pressure to give codes more than cursory treatment. In one case in South Africa a fruit supplier was unaware that they had received a code of labour practice from their ETI buyer. On investigation we found it had been buried in a filing cabinet.

Communication mechanisms for workers

Only in Costa Rica were workers fully aware of the contents of a code of practice and had effective channels through which they could communicate with management on issues related to it. This allowed non-compliances in certain areas (e.g. health and safety, harsh treatment) to be dealt with swiftly and/or prevented from occurring, although it had not necessarily impacted on other areas (e.g. freedom of association and working hours). In Vietnam there were sometimes fairly high levels of awareness of codes. Complaints boxes had sometimes been installed at the request of buyers, but these were not necessarily effective in bringing about improvements.

Internal and public reporting

Reporting code compliance levels and having key performance indicators for ethical trade, for either internal or public use, appeared from our study to help promote good practice as managers and staff were motivated to ensure they performed well. However, incentive mechanisms such as these appear to have been little used to date.

3.2.3 | Monitoring compliance

Type of assessment

Suppliers were dismissive of self assessments. We found they were sometimes given little information or guidelines on how to complete them, and were seen at best as a formality. We came across several cases of exporters or packhouses filling them out on behalf of producers.

In contrast, we found that both second and third party audits were more effective in driving change.

However, this was principally in certain 'visible' areas of codes that were easily documented, such as health and safety. Although often resistant at first, several suppliers indicated they had found independent audits useful, but only when they were given feedback and advice.

Overall however, we found that current auditing practices have clear limitations (see Section 4.4.4). Most of the sites in our study had been audited and deemed compliant on key issues, yet our research teams found many problems of non-compliance. Moreover, suppliers in the UK, India and Vietnam complained about the costs and confusion created by having to undergo multiple audits and recommended that buyers work together to reduce unnecessary duplication.

3.2.4 Capacity building

Feedback from assessments

Suppliers referred to feedback from assessments as the main form of capacity building they received from buyers. This indicates both the importance of providing detailed feedback (which didn't always happen) and the limited extent of capacity building currently being provided.

Supervisor training

Workers in Costa Rica said that giving supervisors training in management skills had led to improvements in the way they were treated.

Supplier conferences

In South Africa, India and the UK suppliers had attended conferences organised by buyers and/or ETI. They viewed these as useful for finding out about market requirements on ethical trade, and for information on particular issues related to codes. The conferences seemed to have had most impact when more than one buyer was involved (because of the critical mass effect mentioned above), suggesting that buyers should work together in organising these events whenever possible.

3.2.5 Integration with core business

Market incentives

Many suppliers felt that market incentives (e.g. better prices, more orders) for good labour practices would be the most effective way to stimulate improvements. We did not find any cases where such incentives were explicit, although some suppliers did think good performance helped maintain markets and sometimes improved their relationship with buyers.

Purchasing practices

Across all five case studies suppliers complained that it was sometimes hard to improve labour practices, or comply with certain aspects of codes, given the purchasing practices of most buyers. The most frequently cited problem was compliance with code requirements on working hours in a context of short lead times and inflexible deadlines. For example, in UK horticulture an operations manager reflected that it was easier to manage labour prior to 1997/8 when retailers employed planners who placed orders on a weekly basis. Since then store managers were judged on wastage and were reluctant to over-order but then ramped up their orders through the week to cover weekends. This contributed to labour fluctuations and overtime to meet orders. It is reflected in the fact that at almost all worksites working hours were determined on a daily basis.

The other principle constraint to improving labour practices, especially in terms of wages (typically the most important issue for workers), was falling prices. This was true in all sectors studied, while buyer requirements for quality and other specifications had steadily increased over the years. Global over-production and competition with countries with lower labour costs were partly responsible, for example in the banana sector, but buyer concentration¹² in markets such as the UK food retail sector was also seen as a key factor that was driving down prices.

¹² i.e. where a handful of large companies dominate the market, and therefore have the ability to dictate terms of trade.

3.3 Key factors related to the value chain

3.3.1 Structure of the value chain

In all the country studies we found different types of value chain operating within the same sector. An important factor in our selection of suppliers was to contrast the different types of value chain. We were struck by the complexity and diversity of the supply relationships operated by many of the ETI companies in our study. Figure 3.1 depicts a simplified diagram of the three main types of value chain we found:

- 'Arms length'
- Directed network
- Hierarchy.

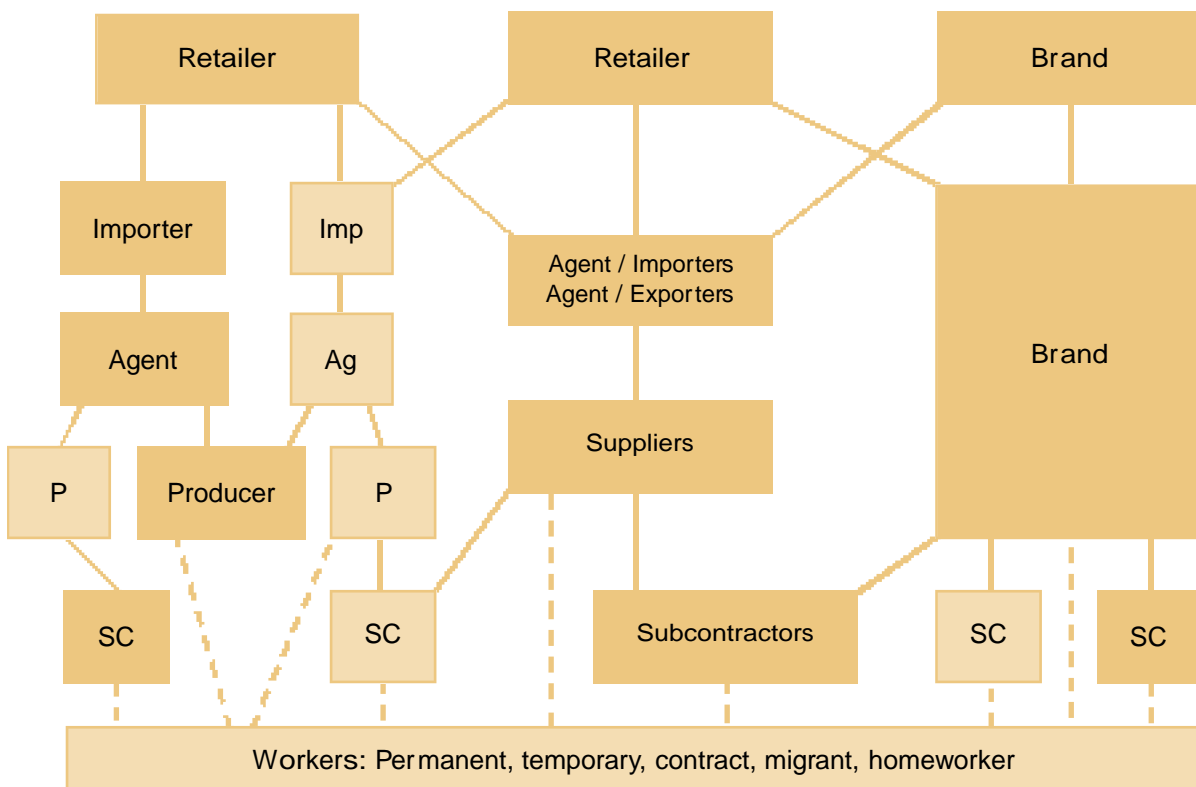
In general we found that most suppliers and agents from the different types of chain sold to a range of ETI and non-ETI companies, with much cross-over between them. The study was too small for definitive conclusions about links between impacts and the type of value chain, but we were able to make some observations from the three country case studies:

'Arms length' chain (left hand chain in Figure 3.1)

In each sector we found some chains where there was a complex network of buyers (retailers and brands), intermediary agents and suppliers, where the commercial relations between buyers and suppliers were not necessarily well established, and the linkages between the different tiers of the chain were arms length. Here, individual buyers and retailers were less likely to be able to influence the

Figure 3.1 Simplified global value chain or production system

KEY			
Imp	Importer	SC	Subcontractor
Ag	Agent	P	Producer



activity of suppliers further down the chain in relation to codes of labour practice. Much depended on the attitude of the individual supplier and/or agents operating in the chain. In this type of chain we found examples in South Africa, India and Vietnam where pro-active ETI companies were passing their code down the chain, but inactive agents or suppliers were largely ignoring them. We also found the opposite where less active ETI companies were being supplied by agents and/or suppliers that took codes seriously, and were actively promoting social compliance.

Directed network chain (middle chain in Figure 3.1)

In each sector we found chains where agents and intermediaries mediated between buyers and suppliers, but the commercial relations between them were fairly well established, with regular supply channels operating. Here buyers and retailers, and/or their agents, were in a better position to influence suppliers in relation to codes of labour practice. However, the extent to which this happened depended on the communication, capacity building and monitoring systems that operated between the different tiers. The level of engagement by the agent could also play an important role, as ETI companies often depended on them to implement their codes. We found examples where agents were 'looking after' their suppliers by filling out self-assessment forms and dealing with all code information passed down from buyers and retailers, but the suppliers themselves were often largely unaware of codes of labour practice. We found other examples where agents were investing time and resources in informing and supporting their suppliers to comply with codes of labour practice.

Hierarchy chain (right hand chain in Figure 3.1)

In each sector we found that some buyer/supplier relationships were much more direct, with no independent intermediary agents operating. Here buyers and retailers were clearly in a better position to exert influence over code implementation in the first tier of their value chain. However the extent of influence still also depended on their buying leverage, buyer/supplier management approaches and supplier attitude (see below).

3.3.2 Buyer leverage

Interviews with suppliers indicated that the leverage of individual buyers was important in determining impacts. Where they took a higher percentage of production, placed more regular orders and had longer-term relationships, ETI member companies had considerable influence over suppliers. In contrast, companies that were only one of a multitude of small buyers were far less likely to be able to influence change through their actions alone. However, where a number of different buyers were all pushing for code compliance, their critical mass was able to exert influence over suppliers.

3.3.3 Business strategies

In some cases ETI members had adopted business strategies that were conducive to promoting ethical trade, even though the decision to pursue that particular strategy was made without specific consideration of ethical trade. A good example of this was in the UK horticulture company case study, where the ETI member's focus on new product development was a key factor in allowing for close and long-term relationships with suppliers.

3.3.4 Supplier attitudes and professionalism

The case studies provided evidence which suggested that the attitude of management was a critical factor determining the impact of codes. If management did not really believe workers deserved decent working conditions, there was a high risk that changes were only for show and would not be sustained. There were several cases (especially in Vietnam and India) where workers said changes were made only when buyers visited. In both countries, external stakeholders interviewed warned of double book-keeping.

A related factor was the professionalisation of management in countries like Costa Rica and South Africa. In these countries managers sometimes referred to the management style of their

predecessors as outdated, saying that commercial success in a highly competitive environment necessitated good human resource management. Where this was the case, codes can help to support good practices by raising awareness of particular issues.

3.3.5 | Sector-specific pressures

The garment, footwear and banana sectors had been under pressure from buyers and civil society groups to address labour issues for longer than the horticulture sector, and this correlated with more widespread impacts. However, pressure on the UK horticulture sector in relation to 'gangmaster' labour had brought significant change in a relatively short period, indicating that both the duration and intensity of sector-specific pressures is important.

3.4 | Other influences on change

3.4.1 | Political and regulatory context

Our case studies indicated that there are a number of aspects of the national context which influence labour practices in general and the likelihood of codes bringing improvements. Foremost among these is the regulatory context. In many cases suppliers and buyers we interviewed made more reference to national law than the specifics of codes. In all the case studies some suppliers said codes had increased their awareness of labour laws. Where there are strong labour laws, such as in South Africa, codes may therefore contribute to improvements for workers as a result of this increased awareness of the need to comply with legislation. However, where laws are weak or restricted in scope, this avenue of impacts may be less important.

The political context is also important in determining whether employment practices are given due attention and resource allocation by government. For example, in South Africa and Vietnam the government was seeking ways to strengthen workers' rights, and was broadly supportive of efforts to improve working conditions. In the UK the government was under

considerable pressure to do something about exploitation by 'gangmasters' following the tragedy at Morecambe Bay in which 23 migrant contract workers died. Factors such as these help build a critical mass of pressure for improvements and can also be important if local stakeholders wish to develop their own code-related initiatives.

3.4.2 | Social and cultural context

The case studies highlighted that some labour practices are deeply embedded in social and cultural norms and can be very difficult to overcome without sustained programmes of awareness raising and capacity building. This particularly relates to discrimination on the basis of gender and ethnicity, and antagonistic attitudes towards trade unions. For example, in countries like South Africa with a long history of racial discrimination, codes alone are unlikely to bring much change in this area. However, in countries with a different social and cultural context it may be easier to address discrimination. Vietnam and India, for example, provide contrasting situations in relation to the treatment of women.

3.4.3 | Trade union organisation

Worker organisation and the presence of active trade unions is clearly a critical determinant of labour practices. For example, in the South African packhouses collective bargaining agreements with trade unions had established good employment conditions for workers, and codes had little role to play. The ETI member involved in the Costa Rica case study had signed an International Framework Agreement with the IUF and the regional trade union umbrella organisation, and this had led to some workers' concerns being addressed. However, in most of the case studies trade unions had had difficulties organising workers due to resource constraints, management obstruction and/or worker disinterest (particularly among migrant workers), or had been weakened by job losses and pay cuts. As yet codes have done little to help overcome this. The only case where codes seem to have supported trade union activities was in Vietnam, where trade union

representatives said that buyer interest had helped them negotiate benefits for workers. To date Vietnamese unions have principally been involved in organising welfare and social activities for workers and have little experience in collective bargaining, but this appears to be changing and codes could support more substantive change in future.

3.4.4 Civil society campaigns

In some case study countries (e.g. Costa Rica and South Africa) local and international civil society groups had been campaigning for improvements in labour practices for a number of years. This both influenced government to take action and directly affected the behaviour of companies (buyers and suppliers). In the case of Costa Rica this also contributed to the decision of the company involved in the case study to join ETI, as a way to engage with other stakeholders. This demonstrates just how complicated attribution of impacts can be.

3.4.5 Other code initiatives

There were a number of other code initiatives active in the case study countries, including Social Accountability International (SAI) in Vietnam and Costa Rica, Global Alliance in Vietnam and India, Rainforest Alliance in Costa Rica and the Wine and Agricultural Ethical Trade Association (WIETA) in South Africa. These initiatives all contribute to the creation of a critical mass and are likely to have influenced change in a number of the case study worksites. This was particularly the case in Costa Rica, where Rainforest Alliance and later SAI had been working with the ETI member involved in the company study for some years before the company joined ETI. In the other countries there was less of a direct overlap, as either the code initiative had not worked with the suppliers in the study (e.g. Global Alliance in Vietnam), or they worked in sectors other than those studied (e.g. WIETA in South Africa). But their general influence in terms of raising the profile of labour issues in the case study countries was evident.

3.4.6 International regimes

In several case studies there were international trade agreements or regional inter-governmental policies that were influencing labour practices. In the UK the accession of 10 new countries to the European Union in May 2004 had significantly increased the pool of legal migrant workers available for employment, which was reducing the need to use labour providers. In India the Multi-fibre Arrangement (MFA) phase-out was causing concern among some suppliers who felt they would find it hard to compete with China, which is likely to affect decision making in relation to labour. In Vietnam the government had recently signed a Bilateral Trade Agreement with the US which included a social clause committing to improvements in labour practices. Each of these broader contextual factors have had, or may have, some influence on compliance with codes of labour practice.

3.5 China scoping study

China ranked highly on the main criteria used for selecting countries for inclusion in the case studies. There is a high level of sourcing from China by ETI member companies. It is also a country seen as high-risk in terms of non-compliance, and the largest number of assessments by member companies are undertaken there. However, it was decided not to carry out a full case study in China due to (a) resource constraints which could have meant an in-depth study in China affected resources available for other country studies; and (b) the specific challenges of sourcing from China. Important factors were the absence of independent trade unions and the widespread practice of 'double book-keeping'. These would make it difficult to triangulate information or verify findings relating to impact of codes of labour practice on workers.

Instead, it was decided to carry out a scoping study in China. The aim was to examine whether it would be feasible to carry out an impact assessment there, given the challenges, at a later date. If such a study could be carried out, the scoping would also consider how the methodology applied in the other country

studies might be adapted to the Chinese context. The scoping also set out to establish potential local researchers who could carry out a study. Finally, it set out to get a preliminary perspective on the key (labour/impact) issues in China that such a study would need to address. Based on this scoping study, we believe that it would be feasible to carry out an impact assessment in China. However we noted significant challenges of implementing the ETI Base Code in China. A study there would need to be subject to important adaptations in terms of the goals and methodology and would need to involve an independent local research team with strong connections and good experience, drawn from Hong Kong and mainland China. (For more detail see [Part 2F. Findings and recommendations from a scoping study in China](#)).

4

How to improve impact – our recommendations and conclusions

This section presents IDS's recommendations on how to improve the impact of codes of labour practice, drawing on the findings presented in [Chapters 1-3](#) above. A summary of the recommendations is presented in [section 4.1](#). [Sections 4.2 - 4.5](#) describe each of the general recommendations in more detail. Each of the 15 general recommendations is broken down into specific recommendations for ETI, brands and retailers, suppliers, trade unions, NGOs, auditors and governments, and is illustrated by good practice examples drawn from the case studies (where available). The chapter finishes with our general conclusions.

If implemented, these recommendations would make an important contribution towards improving conditions for workers in global supply chains. However, as noted in [section 1.2](#), codes of practice are only one tool for tackling poor labour conditions. These recommendations do not preclude the need for other measures to be put in place, including more effective regulation and enforcement of workers' rights - in particular the right to freedom of association and collective bargaining - by governments. Indeed, we recognise that the recommendations for governments included in this chapter are limited to specific issues that have arisen from the scope of this study, and they are not intended to detract from the broader role we believe governments should play in enacting and enforcing appropriate labour legislation.

Similarly, the greater emphasis given to recommendations for brands and retailers, as opposed to other actors, reflects the study's specific focus on the implementation of company codes. It does not imply that some other actors - in particular governments, trade union and non-government organisations - do not have an equally if not more important role to play in improving working conditions and defending workers' rights.

4.1 Summary of recommendations

Recommendations in relation to workers

- Emphasise workers' rights in communications about codes.
- Ensure migrant workers are covered by codes.
- Ensure casual and contract workers are covered by codes.

Recommendations on specific code provisions

- Increase focus on freedom of association for all workers.
- Increase focus on tackling discrimination based on gender and ethnicity.
- Enhance payment of living wages.
- Address overtime as a supply chain management issue.
- Ensure young workers are not excluded through over-zealous code implementation.

Recommendations on supply chain management and code management approaches

- Address the challenge of code implementation in complex supply chains.
- Enhance communication about codes in supply chains.
- Put greater emphasis on capacity building.
- Improve auditing practices.
- Make ethical trade more central to core business practice.

Broader recommendations

- Shift the focus of activity to sourcing countries.
- Harmonise company codes and code initiatives.

4.2 Recommendations in relation to workers

4.2.1 Emphasise workers' rights in communications about codes

ETI makes explicit reference to workers' rights in most of its materials. But our study indicated that codes are commonly perceived by buyers and suppliers to be tools for brand protection or market access rather

than tools for delivering the rights of workers. Many take a paternalistic approach to codes. The belief is that they know best what is in workers' interests, without consulting workers or their independent trade unions. As a result, workers are often unaware of codes of labour practice and are rarely engaged in the process of code implementation beyond occasional interviews during audits.

4.2.1 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Encourage ETI member companies to use the language of rights in communications with their suppliers, including explicit reference to workers' rights as the basis for codes of labour practice. • Develop long-term strategies for educating suppliers and buyers and changing their 'mindset' with regard to the primacy of workers' rights.
Brands and retailers should:	<ul style="list-style-type: none"> • Actively engage workers and their representative trade unions in code implementation. • Have a greater focus on the right to freedom of association as key to achieving other rights.
Suppliers should:	<ul style="list-style-type: none"> • Provide workers with information, training and education on their rights as set out in legislation and codes of labour practice.

4.2.1 Good practice example: Costa Rica

Focus on workers' rights

Worker training and grievance mechanisms:

Worker booklets and training on codes have been effective in increasing workers' awareness of their rights. They can use this knowledge to report violations through multiple complaints mechanisms.

International Framework Agreement:

Following several years of campaigning from an international network of trade unions and NGOs, and as an indication of their commitment to improve industrial relations and labour practices, in 2001 Company Z signed an International Framework Agreement (IFA) with the IUF and COLSIBA (Latin American Co-ordination of Banana Workers Unions). The IFA commits Company Z to respect ILO Core Conventions and Convention 135 on protection and facilities for workers' representatives.

4.2.2 Ensure migrant workers are covered by codes of labour practice

There was extensive use of internal and/or international migrant labour by suppliers in all the case studies in our study. Migrant workers have different goals to local workers. They are more mobile, may change jobs frequently, and may want to work long hours to maximise pay. They may not want to

contribute to social insurance and pension schemes if they are unlikely to reap the benefits upon returning to their region/country of origin. At the same time, migrant workers often have fewer legal rights, or receive little information on their rights, and it is difficult for trade unions to organise them. Communication and access to information is often a barrier because of language.

4.2.2 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Co-ordinate the translation of key materials (e.g. ETI Base Code) and information on rights into all main languages of workers. • Form a working group to examine the issues related to implementing codes of labour practice with migrant workers.
Suppliers should:	<ul style="list-style-type: none"> • Ensure availability of information on national legislation, contracts of employment, health and safety procedures, and other work-related issues in all languages used by their workforce. • On large sites employ staff to translate and communicate with migrant workers.
Auditors should:	<ul style="list-style-type: none"> • Ensure they interview migrant workers, and interview them in their own language or with a translator.
Trade unions should:	<ul style="list-style-type: none"> • Build on innovative strategies to recruit migrant workers and defend their rights (see example below). Trade unions should be supported by national and international institutions to do so (e.g. with funds and training).
NGOs should:	<ul style="list-style-type: none"> • Develop targeted programmes of work to support migrant workers and their families.
Governments and donors should:	<ul style="list-style-type: none"> • Support trade unions and NGOs working with migrant workers and their communities. • Provide resources and legal protection specifically for migrant workers (e.g. advice centres, translated information on their rights).

4.2.2 Good practice example: UK

Trade union strategies for organising migrant workers

Representatives from the Transport and General Workers' Union in the UK said they are exploring ways to attract foreign and temporary workers into membership, including providing literature in different languages and setting up a Migrant Workers' Helpline.

4.2.3 Ensure casual and contract workers are covered by codes of labour practice

There was widespread use of workers employed casually and/or by third party contractors (labour providers) in all countries and sectors in our study. Anecdotal information suggests that the use of this form of labour is increasing and that some suppliers are using more casual or contract labour to cope with extreme fluctuations in orders. Codes are failing to divert this trend, with these workers largely falling outside the radar screen of both codes of labour

practice and national legislation. They are often: (a) not perceived by suppliers as 'employees'; (b) not in receipt of benefits to which they have a right; (c) not unionised and rarely represented on workers' committees; (d) not reached by auditors. In some cases they are told not to come in or are moved to other company premises when auditors or researchers visit (we know this occurred at two sites during the fieldwork). ETI has demonstrated its ability to play a strategic role in addressing this issue with its co-ordination of a wide range of stakeholders in the TLWG (see the good practice example below).

4.2.3 Recommendations:

<p>ETI should:</p>	<ul style="list-style-type: none"> • Apply, or support others to apply, the approach used with the TLWG to other locations and situations. • Stress more explicitly that the ETI Base Code applies to all workers in a company, irrespective of length of employment or formal employer. • Form a working group to examine the issues related to implementing codes of labour practice with casual and contract labour in different sourcing countries.
<p>Brands and retailers should:</p>	<ul style="list-style-type: none"> • Work actively to reduce fluctuations in orders and to extend lead times to facilitate more stable employment. • Ensure suppliers understand that codes of labour practice apply to all workers, irrespective of length of employment or formal employer.
<p>Suppliers should:</p>	<ul style="list-style-type: none"> • Recognise they are co-responsible for ensuring the rights of all workers in their company, irrespective of length of employment or formal employer. • Where possible, recruit and/or pay all workers directly rather than through a third party contractor. • Monitor the terms and conditions that contract workers are employed under to ensure they meet code requirements.

Auditors should:	<ul style="list-style-type: none"> Proactively seek out casual and contract workers during audits.
Trade unions should:	<ul style="list-style-type: none"> Build on innovative strategies to recruit casual and contract workers and defend their rights.
Governments and donors should:	<ul style="list-style-type: none"> Support trade unions in the recruitment and provision of training and support for third party contract workers. Ensure national legislation extends benefits to non-permanent workers and is enforced through labour inspectorates.
All actors should:	<ul style="list-style-type: none"> Work together to develop comprehensive strategies for ensuring that temporary and contract labour can access the benefits of national legislation and codes of labour practice. Work with international organisations such as the ILO and UN to build an alliance to addresses the rights of casual, migrant and contract workers in global production systems.

4.2.3 Good practice example: UK

Improving conditions for contract workers

In 2002, ETI set up the multi-stakeholder Temporary Labour Working Group (TLWG) to address concerns about growing abuses of temporary workers employed by 'gangmasters' or labour providers in the UK. The TLWG has been successful not only in raising awareness of the issues across the industry: it has also brought about stricter legislative controls on labour providers. All labour providers must now obtain a licence to operate, and licences are only issued to those who can demonstrate compliance with minimum labour standards.

As a result of the work of the TLWG and pressure from ETI member companies, conditions for contract workers were monitored more closely at the UK horticulture case study sites, and unlicensed labour providers were 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 has decreased markedly in the case study suppliers, in favour of seasonal workers from EU accession countries and SAWS workers.

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. Many interviewees felt that the TLWG illustrated the potential of ETI as a convenor and facilitator, as well as the strength of a multi-stakeholder approach to tackling labour issues.

4.3 Recommendations on specific code provisions

4.3.1 Increase focus on freedom of association for all workers

Freedom of association was being explicitly or implicitly denied to many workers in our study. This took different forms - being warned by supervisors not to join trade unions; fearing if they did join it might prejudice their employment; being discouraged by a paternalistic employer. At several sites there was hostility between employers and trade unions. Temporary, casual and contract workers were rarely

members of a union, and there were few female trade union representatives. Workers do not have to join a union, but being free to join a trade union and organise independently is fundamental to their ability to access their rights. Many auditors were failing to identify lack of freedom of association as an issue when assessing compliance. Legislation protecting workers' right to freedom of association and/or its enforcement remains weak in most of the case study countries (see [section 2.4.2](#)). In our study, on sites that had a functioning trade union and collective bargaining agreement, these were usually seen by management as effective for ensuring good dialogue with the workforce.

4.3.1 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Support training and education on freedom of association and collective bargaining for member companies, agents, suppliers and workers. • Provide guidelines on freedom of association related to different country contexts, including simple materials for workers translated into relevant languages.
Brands and retailers should:	<ul style="list-style-type: none"> • Give freedom of association greater emphasis in implementation of codes of labour practice and develop a more strategic approach to addressing non-compliances.
Suppliers should:	<ul style="list-style-type: none"> • Demonstrate willingness to support freedom of association and the activities of independent workers' organisations on their sites. • Work to establish relations with trade unions and understand the benefits that they can bring.
Auditors should:	<ul style="list-style-type: none"> • Take the necessary measures to establish whether workers genuinely feel free to join a trade union. Where workers do not feel free to join a trade union suppliers should not be passed as compliant.
Trade unions should:	<ul style="list-style-type: none"> • Build on innovative strategies to attract women, migrant, casual and contract workers and defend their rights. They should be supported by national and international institutions to do so (e.g. with funds and training).

Governments and donors should:	<ul style="list-style-type: none"> • Ensure legislation gives all workers the right to freedom of association and collective bargaining as laid out in ILO Conventions 87 and 98, and take the necessary steps to enforce these rights. • Support training and education of management and workers on freedom of association and collective bargaining.
All actors should:	<ul style="list-style-type: none"> • Focus on developing strategies for social dialogue rather than conflict, especially suppliers and trade unions locally.

4.3.1 Good practice examples: trade union representation

UK

Two sites were unionised, and management at both sites said that 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 did not 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.

South Africa

Two packhouses had long-established unions, with 90% and 70% membership. Both had Collective Bargaining Agreements (CBAs) and were active in representing their members. According to suppliers, good employment conditions were instituted even prior to post-apartheid legislation, and codes had had no impact. The industrial character of these workplaces facilitated the collective organisation of workers.

4.3.2 Increase focus on tackling discrimination based on gender and ethnicity

At our case study sites, codes had done little to affect discrimination based on gender, ethnicity and religion in relation to employment opportunities and access to

training and promotion. Discrimination is often not recognised as an issue by employers, auditors, other workers and even some trade unions and NGOs, even where it is practised. It is also given little attention in the implementation of codes.

4.3.2 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Support training and awareness raising on discrimination for member companies, suppliers, trade unions and workers. • Encourage member companies to establish long-term programmes with suppliers to address the root causes of discrimination.
Brands and retailers should:	<ul style="list-style-type: none"> • Give suppliers more guidance in relation to discrimination e.g. on equal opportunities, childcare, maternity support. • Establish long-term programmes with suppliers to address the root causes of discrimination.
Suppliers should:	<ul style="list-style-type: none"> • Review their employment practices and adopt policies and practices to ensure there is no discrimination based on gender, ethnicity or religion. • Provide gender awareness training for workers, supervisors and managers. • Establish gender committees on sites where there is significant female employment. • Ensure representation of women and minority groups on workers' committees. • Provide confidential complaints mechanisms that women and minority groups feel comfortable using.
Auditors should:	<ul style="list-style-type: none"> • Not pass sites as compliant when there is a large female/ethnic workforce but few or no female/ethnic supervisors or managers. They should flag up discrimination as a non-compliance, and agree strategies to address it with suppliers.
Trade unions should:	<ul style="list-style-type: none"> • More actively recruit women and ethnic minority workers and ensure their concerns are represented. • Make provision for women with children to attend meetings and training activities.
NGOs should:	<ul style="list-style-type: none"> • Support women and ethnic minority workers through community-based programmes (e.g. providing childcare, literacy and language training, and information on rights). • Where relevant and appropriate, provide expertise on gender issues and rights to brands, retailers and their suppliers.
Governments should:	<ul style="list-style-type: none"> • Ensure legislation gives women workers equal rights with men workers. • Raise awareness of issues related to discrimination in the workplace through public campaigns and targeted actions with employers.

4.3.3 Enhance payment of living wages

Codes of labour practice have been fairly effective in ensuring minimum wages are paid, but at most sites in our case studies workers said this was not sufficient to provide a living wage. They said they had to work long hours and do overtime to earn sufficient income

to meet their needs. Suppliers pointed out the difficulty of increasing wages in a context of fierce competition based on price. This is a global issue that requires the attention of all companies in the chain.

4.3.3 Recommendations:

Brands and retailers should:	<ul style="list-style-type: none"> Take responsibility for ensuring prices paid to suppliers are sufficient to cover labour costs based on a living wage.
Suppliers should:	<ul style="list-style-type: none"> See the benefits of a living wage in terms of a healthy, more productive workforce. Ensure productivity increases are reflected in commensurate increases in wages and benefits for workers.
Auditors should	<ul style="list-style-type: none"> Differentiate between minimum wages and living wages. Not pass a supplier as fully compliant where there is evidence that a living wage is not being paid.
Governments should:	<ul style="list-style-type: none"> Ensure that minimum wages are set at a level that provides a living wage.
Trade unions and NGOs should:	<ul style="list-style-type: none"> Develop (joint) campaigns to raise consumer awareness of the adverse social costs of falling consumer prices.
All actors should:	<ul style="list-style-type: none"> Work more actively together to identify and address the root causes of low wages in global production systems.

4.3.4 Address overtime as a supply chain management issue

At a large number of sites across all countries and sectors workers felt obliged to do overtime as and when required. This may result from explicit or implicit pressure by employers (although it may also be the only way of earning sufficient income). Some workers paid on contract or piece rate are not recompensed at premium rates for overtime hours.

Women workers find overtime, particularly at short notice, difficult when it affects childcare. Many suppliers say overtime is the only way of coping with peaks and troughs in production. If there is a choice between completing an order to the deadline, or compliance on code overtime requirements, they have no choice but to do the former. The root cause of overtime thus needs to be addressed across the supply chain, not just at supplier level.

4.3.4 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Provide information and training for buyers and suppliers on supply chain management strategies to reduce peaks and troughs that contribute to overtime (e.g. better forward logistical planning).
Brands and retailers should:	<ul style="list-style-type: none"> • Adjust their ordering systems (stability of orders and lead times) to reduce the peaks and troughs in supplier production.
Suppliers should:	<ul style="list-style-type: none"> • Acknowledge that workers have a right to premium rates for overtime hours, and not use piece rates as a means of avoidance. • Give workers as much notice as possible of overtime requirements and make allowances for workers with children.

4.3.5 Ensure young workers are not excluded through over-zealous code implementation

Codes of labour practice and the implementation of government legislation have been successful in reducing the use of child labour, at least at the upper tiers of value chains. However, an unintended consequence is that many sites now refuse to employ young workers who are over school leaving age and

could legally be employed but might appear younger to auditors, or might be subject to certain restrictions in their working conditions. As a consequence, young people with a right to work are unable to get paid employment or work experience. This is detrimental to their future employment prospects and a source of social problems (e.g. low family incomes, youth delinquency).

4.3.5 Recommendations:

Brands and retailers should:	<ul style="list-style-type: none"> • Differentiate clearly between child labour and (legal) youth employment. • Encourage the employment and training of young workers, within the restrictions set out by relevant ILO Conventions and Recommendations (young persons under 18 should not be employed at night or in hazardous conditions).
Suppliers should:	<ul style="list-style-type: none"> • Accept social responsibility for ensuring the employment and training of young workers. • Put in place systems to ensure that young persons under 18 are not employed at night or in hazardous conditions as defined by relevant ILO Conventions and Recommendations.
Auditors should:	<ul style="list-style-type: none"> • Differentiate between child labour and (legal) youth employment.

4.4 Recommendations on supply chain and code management approaches

4.4.1 Address the challenges of code implementation in complex supply chains

The study found that the nature of the supply chain, and the type of relationships between companies in the chain, had an important influence on the impact of code implementation. They vary between direct and stable supply relations to indirect more complex supply relations involving numerous agents and suppliers. This is driven by numerous factors, including the characteristics of the sector, type of product, market pressures, seasonality, fashion trends and business strategies. Where ETI members have stable supply relationships and take a high percentage of a supplier's production, their influence and leverage tends to be quite high. But where they place relatively small orders through multiple tiers of

agents or suppliers with no long-term commitment, they find it more difficult to influence suppliers to make changes. In such cases they would benefit from working more co-operatively with other buyers in order to bring about improvements for workers.

In complex chains ETI companies often leave it up to their agents to implement codes and we found that communication channels may be subverted in the process. Many large agents service a number of retailers and brands (ETI and non-ETI companies) and they often have considerable leverage with suppliers. This suggests that more emphasis should also be placed on supporting agents to implement codes further down the chain.

4.4.1 Recommendations:

ETI should:	<ul style="list-style-type: none"> Form an associate membership scheme for agents and suppliers.
Brands and retailers should:	<ul style="list-style-type: none"> Where practicable, stabilise their supply base and make assurances of long-term commitments to suppliers complying with codes of labour practice. Provide better guidelines, training and information to agents, especially in relation to more intractable issues such as freedom of association, discrimination and regular employment. Collaborate with other companies that share agents and suppliers to take advantage of their collective leverage in complex value chains. Undertake joint activities to inform, educate and build capacity among suppliers and agents.
Trade unions and NGOs should:	<ul style="list-style-type: none"> Develop (joint) campaigns to raise consumer awareness of the adverse social costs of falling consumer prices and rapid turnover of fashion goods.
All actors should:	<ul style="list-style-type: none"> Develop strategies to address the drivers of supply chain instability and complexity, such as short-term investment horizons, retailer price wars and high turnover fashion cycles.

4.4.1 Good practice example:

Long-term relationships with suppliers

ETI Company X has high levels of activity on ethical trade stemming from the company's brand values and customer base. All staff are expected to deliver on company values. It has been communicating regularly with suppliers on ethical trade for the last five years.

Its business strategy differs from other retailers in its focus on new product development and quality. It works closely with suppliers to achieve growth through innovation rather than trying to compete on price. This facilitates long-term relations with suppliers, as well as favouring suppliers that are 'visionary'. In turn this permits a more open dialogue on ethical trade issues, and facilitates continual progress.

Buyers work in teams with technologists and new product developers, all with equal status, which makes it easier for ethical trade performance to be incorporated into buying decisions. A senior ethical trade manager sits outside these functions and sets the framework for work on ethical trade, providing additional support when required. This more focused role pushes ethical trade forward generally, including setting annual targets, while retaining the ability to respond dynamically to issues as they arise. It is an operational structure that seems to work effectively, in a context of senior level commitment.

4.4.2 Enhance communication about codes in supply chains

We found that communication of codes to suppliers is very variable. Some receive minimal information (e.g. a code faxed through with no additional information, which then got buried in a filing cabinet). Others received detailed information (e.g. a code handbook and guidance notes). Communication channels are often subverted in complex value chains with many agents and tiers of suppliers. Many suppliers requested the development of local guidelines

(translated into relevant languages) that provided simple and clear information on the background to and implementation of the ETI Base Code, as well as guidelines on the relation between the ETI Base Code and relevant legislation.

The level of worker awareness of codes in our study was strikingly low. Without proper information, workers will not be able to access the rights embodied in codes.

4.4.2 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Continue its efforts to translate the ETI Base Code and related information into all relevant local languages and provide country-specific guidelines on the ETI Base Code and workers' rights. • Develop simple leaflets and posters (e.g. using cartoons) translated into different languages for workers explaining their rights as set out in the ETI Base Code. • Undertake activities to communicate directly with suppliers and agents to raise ETI's profile and increase their awareness of ethical trade.
Brands and retailers should:	<ul style="list-style-type: none"> • Ensure buyers and technologists provide information about codes of labour practice when they visit suppliers. • Work collaboratively to explain labour codes where they deal with the same agents or suppliers. ETI member companies should explicitly emphasise that they are applying the ETI Base Code (either verbatim or incorporated into their company code). • Ensure suppliers provide information to workers on their rights, including the content of their code of labour practice, and, in the case of ETI member companies, the content of the ETI Base Code.
Suppliers should:	<ul style="list-style-type: none"> • Provide information to workers on their rights as set out in legislation and codes of labour practice using a variety of mechanisms (e.g. posters and leaflets).
Auditors should:	<ul style="list-style-type: none"> • Explain codes of labour practice, their purpose and principles, to workers when doing an audit.
Governments should:	<ul style="list-style-type: none"> • Develop clear and simple resource materials for suppliers and workers on labour legislation and workers' rights.

4.4.2 Good practice example:

Company information for suppliers and workers

Some ETI member companies have developed workbooks or detailed guidelines for their suppliers and workers, which are well received. For example, Company Z in the Costa Rica banana case study has produced a simple booklet for workers using cartoon drawings to explain the company code, as well as a series of posters outlining company values. The booklets are distributed to all workers and complemented with regular training activities. This has been effective in ensuring workers are fully aware of their rights.

4.4.3 Put greater emphasis on capacity building¹³

The study found that capacity building for suppliers and workers on ethical trade has generally been poor to date. Some ETI companies had held supplier conferences in South Africa, India and the UK. These were very popular as they provided the rationale for and information about company codes of labour practice. There were also isolated cases of ETI companies facilitating supplier attendance on training

courses, but these were typically at the suppliers' cost. In general there is little supplier education or training, and as a result they often have a poor understanding of the purpose or principles of codes of labour practice, or how to implement them. With the exception of Costa Rica, we found no systematic capacity building of workers on their rights, or on the principles contained in codes of labour practice and labour legislation.

4.4.3 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Not assume an agent or supplier automatically understands codes because it has issued an instruction. • Extend its training programme to suppliers and workers in sourcing countries. • Support supplier conferences bringing together ETI companies and suppliers in different sourcing countries.
Brands and retailers should:	<ul style="list-style-type: none"> • Collaborate in holding joint supplier conferences and training activities, and extend invitations to trade association representatives. • Provide more training for suppliers, especially on issues such as freedom of association, discrimination and regular employment. • Ensure buyers and technologists discuss codes and the challenges suppliers face in complying with them when they visit sites.
Suppliers should:	<ul style="list-style-type: none"> • Ensure workers receive training on their rights and codes of labour practice. • Provide adequate complaints mechanisms for workers to report violations of their rights.
Trade unions should:	<ul style="list-style-type: none"> • Provide ongoing training for workers on all aspects of their rights and how they can access those rights (including through codes of labour practice and legal channels).
Auditors should:	<ul style="list-style-type: none"> • Provide information to suppliers on how to improve their compliance with codes of labour practice.
Governments should:	<ul style="list-style-type: none"> • Provide training for suppliers and workers on labour legislation.

¹³ We refer here to capacity building in relation to codes of labour practice only, for which ETI, its member companies, agents and suppliers implementing codes have primary responsibility.

4.4.3 Good practice example:

Supplier conference in South Africa

In general suppliers in South Africa indicated that they receive little or no support from UK supermarkets to comply with codes of labour practice. However, our research took place at the same time as one UK supermarket held a supplier conference there on its code of labour practice. This conference was well attended and generated a lot of interest in ethical trade in general. Some industry actors and trade associations that were not invited felt they should have been, as they could play a positive role in supporting the implementation of codes of labour practice.

4.4.4 Improve auditing practices

We found that many ETI member companies, like many other retailers and brands, rely on supplier self assessment and/or snapshot auditing to ensure compliance with their codes of labour practice. There are benefits of this type of auditing: (a) it raises awareness among suppliers of the requirement to ensure minimum labour standards; (b) it sends a signal that non-compliance is unacceptable; (c) it helps to identify 'visual' issues of non-compliance that can easily be spotted in a short one-day assessment by a buyer's social compliance team or professional auditor. But current auditing practices have clear limitations :

- they often involve little awareness raising or participation by workers, who are generally unaware of codes;
- they are failing to pick up more complex or 'non-visual' issues such as freedom of association and discrimination;
- auditors can be diverted by double book-keeping where suppliers are consciously non-compliant;
- they are inadequate at facilitating root cause analysis, or providing longer term solutions.

Most of the sites in our study had been audited and deemed compliant on key issues, yet our research teams found many problems of non-compliance.

Self-assessments play a role in raising awareness of codes among suppliers but currently the procedures used leave a lot to be desired. We found a number of instances where agents/exporters undertook assessments on behalf of suppliers. Sometimes this was done to 'help' suppliers. But often it was to expedite the self-assessments which were seen as a formality. The net result was that suppliers themselves had little or no knowledge of codes, even when returns were being given to ETI member companies on their behalf.

Many suppliers complained of audit fatigue, with repeated audits and requirements from auditors that are inconsistent (e.g. fire extinguishers at different heights). There is currently a problem of multiple reporting of assessments by member companies to ETI. One supplier will often sell to three or four member companies and this leads to multiple reporting and counting of the same supplier assessments by ETI.

4.4.4 Recommendations:

ETI should:	<ul style="list-style-type: none"> • Support the development of local independent multi-stakeholder initiatives involving trade unions and NGOs to develop longer term monitoring procedures (such as WIETA - see good practice example in section 4.5.1). • Be more cautious in using the number of assessments reported by ETI companies as an indicator of the quality and quantity of improvement in company value chains.
Brands and retailers should:	<ul style="list-style-type: none"> • Ensure better training of auditors and assessors on methods that focus on workers' perspectives and participation in audits. • Where possible, appoint local code compliance officers to work with suppliers on improvement. • Develop much clearer guidelines for agents and suppliers on how self assessments should be conducted. • Recognise the limitations of self assessment and snapshot audits as a means of improving employment conditions. • Support local independent monitoring initiatives where they cover the principles of the ETI Base Code.
Auditors should:	<ul style="list-style-type: none"> • Increase the involvement of workers in all stages of audits, including introductory and feedback sessions. • Ensure that all categories of worker are involved in audits, including women, casual, migrant and contract workers. • Engage more actively with relevant trade unions and NGOs to get background information on key labour issues in the sector. • Provide better feedback and recommendations to suppliers on how to improve compliance.
Governments should:	<ul style="list-style-type: none"> • Strengthen labour inspectorates as a more sustainable basis for enforcing decent working conditions.

4.4.5 Make ethical trade more central to core business practice

We found that those directly responsible for ethical trade in ETI member companies were, on the whole, very committed. But it was evident that the level of commitment and resources put into code implementation was not consistent within companies themselves nor across member companies. Suppliers said they often received contradictory messages from buyers and ethical sourcing staff or technologists. They also complained about prices, lack of preferential status for code compliance, volatility and short lead times, saying this made it difficult to comply with codes, especially on certain issues (e.g. overtime). Some suppliers also complained that they were not rewarded for ensuring compliance, although

one ETI member company, not included in our study, has developed a system for preferential buying from their suppliers based on the ranking they have achieved in relation to compliance with the company code of labour practice. Equally important, retailers and brands were not being adequately rewarded by consumers and investors for good performance on ethical trade. More sustainable sourcing strategies and market incentives for code compliance need to be developed.

4.4.5 Recommendations:

ETI should:

- Put greater pressure on member companies to demonstrate their commitment to ethical trade as part of core business.
- Raise its profile among consumers and encourage purchasing from member companies.
- Develop means to publicly acknowledge good performance among member companies (such as making use of the annual reporting mechanism).

Brands and retailers should:

- Integrate ethical trade and commercial incentives - e.g. introducing key performance indicators on ethical trade performance for buyers.
- Integrate ethical trade managers into buying teams and commercial decision making.
- Require buyers and technologists to raise issues of code compliance when visiting suppliers, to reinforce consistent messages.
- Undertake assessments (or 360 degree audits) of their supply chains to identify and address critical pressure points likely to impede code compliance, and address any issues arising.
- Develop commercial strategies that facilitate longer lead times, pay better prices and reward social compliance, and work collaboratively with other companies to reduce competition that undermines codes of labour practice.
- Target consumers on the basis of the company's performance on ethical trade.

Trade unions and NGOs should:

- Develop (joint) campaigns to raise consumer awareness of the adverse social effects of poor sourcing practices, rapid turnover of fashion goods, and falling consumer prices.
- Provide support and input to Socially Responsible Investment (SRI) initiatives.

Governments should:

- Promote their export sectors on the basis of their compliance with codes of labour practice and labour legislation as a competitive advantage of sourcing from that country.

4.4.5 Good practice example:**Supplier perspective on codes in China**

One supplier in China said that when suppliers have to make a choice between completing an order on time or not exceeding code norms on overtime, they always completed the order. Not doing so would definitely cost business, whereas exceeding code norms on overtime would only lead to a reprimand for non-compliance if an auditor happened to discover it. He said, "If buyers have double standards, why shouldn't suppliers?". However, he commended one ETI company X for developing a long term sourcing strategy with him, and having a local ethical trade officer who works with him to help improve employment conditions and compliance with the company code.

4.5 Broader recommendations**4.5.1 Shift focus of activity to sourcing countries**

At present the ethical trading activities of ETI and its members are too focused in the UK. Sustainable improvement in conditions for workers requires both improved code implementation by sourcing companies and the engagement of suppliers, local trade unions and NGOs within sourcing countries. Recent ETI and member company moves to establish activities in key sourcing countries, such as the appointment of a co-ordinator for the ETI

Homeworking Group in India and employment of local code compliance officers, appear to be well received and effective for driving forward ETI's agenda. Some stakeholders felt that 'handing down' the ETI Base Code from the North did not encourage buy-in; they thought there should be more local 'ownership' of codes, with the code being interpreted for the specific context of their own country. This view was expressed particularly in South Africa, where some stakeholders linked to the fruit sector were also participants in the Wine and Agricultural Ethical Trade Association (WIETA) which has received important support from ETI (see the good practice example below).

4.5.1 Recommendations:

<p>ETI should:</p>	<ul style="list-style-type: none"> • Continue to appoint local co-ordinators of ETI working groups and projects. • Provide ETI associate status to companies and organisations in sourcing countries. • Develop and execute a communication strategy to raise awareness of its objectives, activities and membership base with stakeholders in key sourcing countries. • Engage with local industry organisations, as they tend to be effective in communicating to a large number of companies within particular sectors. • Support the establishment of locally based initiatives on codes of labour practice involving suppliers, such as WIETA (see below). They need to ensure these provide for proper and effective participation of relevant local trade unions and NGOs (preferably with support of government).
<p>Brands and retailers should:</p>	<ul style="list-style-type: none"> • Appoint, where possible, in-country code compliance officers to work with suppliers on improvement • Support the application of codes of labour practice in the local context through dialogue between suppliers, trade unions and NGOs. • Recognise local multi-stakeholder monitoring bodies, such as WIETA, where they meet Core ILO Conventions and involve recognised trade unions.
<p>Trade unions and NGOs should:</p>	<ul style="list-style-type: none"> • Facilitate contacts between their partner organisations in sourcing countries, and ETI companies and their suppliers operating in those countries.
<p>All actors should:</p>	<ul style="list-style-type: none"> • Put greater emphasis on awareness raising and activities in sourcing countries, and actively engage with local organisations and actors in this process.

4.5.1 Good practice example:

Wine and Agricultural Ethical Trade Association (WIETA)

WIETA is a voluntary association of different stakeholders. It was founded in 2002 following on from the ETI wine pilot in South Africa. It is committed to the promotion of ethical trade, at first in the wine sector, and since October 2005 in agriculture as a whole.

WIETA's mission is to improve the working conditions of employees in agriculture. It has adopted a code of good practice for workers in primary growing and secondary production. It conducts independent social audits to ensure members observe its code. It also provides education for producers and workers and promotes good employment practice in the agricultural sector. See <http://www.wieta.org.za> for further information.

WIETA has 100 members, including wine and fruit growers and producers, exporters, trade unions, NGOs, labour providers, government and UK retailers (the Co-operative Group, Marks & Spencer, ASDA and Tesco).

4.5.2 Harmonise company codes and code initiatives

It was apparent in all the case studies that having more than one buyer showing an interest in labour practices helped to drive change. Separate company codes cause confusion among suppliers and undermine their collective impact. Often suppliers could only refer to company codes in generic terms rather than identify individual companies, characterising the demands of entire markets rather

than particular companies (e.g. the UK versus US markets). The critical mass that could be achieved by ETI members is not being realised by each company having its own separate code. There was remarkably little awareness of ETI among suppliers, or the fact that ETI companies were members of the same organisation. The leverage created through critical mass could be more effectively harnessed if suppliers were more aware of the common agenda of ETI member companies, and their connection through ETI.

4.5.2 Recommendations:

ETI should:

- Continue to support broader efforts to harmonise codes and code implementation through initiatives such as JO-IN.
- Play a greater role in coordinating ETI company activities focused on supporting suppliers (especially communication and capacity building).
- Ensure members circulate information on ETI to all suppliers (in relevant languages).

ETI member companies should:	<ul style="list-style-type: none"> • Inform suppliers about ETI and that the ETI Base Code is common to all member company codes. • Adopt the ETI Base Code as it is worded, and state they use the ETI Base Code in all publicity and communication materials. • Make greater use of the ETI network to coordinate their activities.
Trade unions and NGOs should:	<ul style="list-style-type: none"> • Make greater use of global networks to coordinate activities on ethical trade.
Other code initiatives:	<ul style="list-style-type: none"> • Work together to develop a harmonised code of labour practice which can be applied by all companies to all suppliers.

4.6 Conclusions

The findings from our study indicate that codes of labour practice combined are having some positive impact on workers. Impact is mainly limited to more visible issues, such as health and safety, with minimal impact on less visible issues such as freedom of association and discrimination where significant issues remain. We also found that improvements have been more likely to affect regular workers than casual or contract workers.

However, in complex global supply chains with multiple buyers, impact cannot be attributed to ETI member companies or to ETI alone. We found that positive impact was achieved through a critical mass of companies applying codes of labour practice, and where there was co-ordinated activity involving all actors. On the other hand, downward pressure on prices and lead times appeared to be having a negative impact: in all countries and sectors suppliers reported that this limited their ability to make improvements in labour practices.

Looking ahead, codes of labour practice can contribute to improving employment conditions in global production, but long-term sustainable improvement requires:

- (a) better integration of ethical sourcing into business practice of global brands and retailers; and
- (b) more effective regulation and enforcement of Core ILO Conventions and workers' rights by government.

In terms of ETI's role, we believe the organisation is making an important contribution to code implementation by facilitating:

- collaboration between companies;
- collaboration between different actors (companies, trade unions and NGOs); and
- learning on how to improve code implementation.

However, ETI could do more to realise its potential by:

- putting greater emphasis on workers' rights and equal opportunities, especially for non-regular workers;
- supporting greater harmonisation of ETI company codes and coordination of ETI company activities on communication, capacity building, monitoring and integration into business practice; and
- a greater focus on supporting multi-stakeholder activity within sourcing countries.

a Appendix 1

Key findings from the first phase of the study: how and where ETI member companies are implementing codes

When they join ETI, companies commit to implementing the ETI Base Code in all or part of their supply chains. But how exactly have they put this commitment into practice? Are there big differences in the way that the member companies implement the Code? How many suppliers at each level of the supply chain have been assessed for code compliance? What impact do NGO, trade union and corporate members think that code implementation has had so far?

Phase 1 of the ETI Impact Assessment set out to answer these questions and the key findings are summarised below. Full details can be found in the full Phase 1 report ([Part 3: How and where ETI member companies are implementing codes](#)). It is important to note that Phase 1 was preparatory, and not a study of actual impacts of code implementation on workers, and that it was conducted in 2003, before the fieldwork summarised in this report.

Members' perceptions of impact

Members from each constituency of ETI were interviewed to ascertain their perceptions of impact. Many ETI members believed that implementation of the Base Code was more effective in relation to 'visible' issues rather than 'less visible' issues. Visible issues include:

- Health and safety - which had the highest number of corrective actions reported by companies in 2002 (36% of the total).
- Living wage and working hours - which had the next highest numbers of corrective actions reported by companies (22% and 15% of the total respectively). Notwithstanding, trade union representatives and NGOs said they would like to see more rigorous application of a living wage, rather than minimum wages.

Less visible issues include freedom of association and discrimination, where companies reported fewest corrective actions. Trade union organisations and NGOs felt there had been limited progress in these areas, with auditors/assessors often failing to pick up violations.

Some corporate and NGO members voiced concern that implementation of the Base Code at higher levels of the chain might shift code violations to lower levels, or that certain groups of workers (e.g. smallholders and homeworkers) may get squeezed out in the process. Trade union representatives stressed that there could not be separate rules for different groups, as international labour standards apply to all workers in the value chain, irrespective of their formal employment relationship.

For trade union members, central to impact was whether implementation of the ETI Base Code had helped to enhance observation of government legislation and international labour standards, particularly freedom of association and collective bargaining.

Scope and scale of implementation of the ETI Base Code

According to figures supplied by 29 ETI member companies in 2003:

- Over 20,000 suppliers had been identified as included in the scope of ETI companies' codes, most of whom had been informed that they were expected to comply with the code, and nearly half of whom (around 9,000 suppliers) had been assessed for compliance. We were unable to produce aggregate figures for the number of workers this represents. However, the six companies who were able to provide relevant information (a mix of food and GM brands and suppliers) reported a total of approximately 170,000 workers in their combined supply base.

- Those who had been informed about and assessed against codes largely lay within the higher levels of the value chain, i.e. they were distributors, packers, first-tier producers or manufacturers.
- This implied that the impact of code implementation to date would largely be restricted to workers at these higher levels of the chains, and that workers in subcontracted production units, including most homeworkers, smallholders and their workers, and those involved in component production, were unlikely to have been substantially affected by code implementation.
- Assessments of code compliance were also concentrated in certain countries, in particular China and the UK.

How companies were implementing codes (management approaches)

Based on a thorough scrutiny of ETI company reports for 2002, we developed a 'management approaches framework' to help categorise and analyse the different approaches taken by member companies in implementing the Base Code. The framework

categorises company approaches based on **what** their code included (content and scope), **who** was responsible for managing ethical trade issues within the company, **when** and where they planned to roll out the code (how code activities were prioritised), and **how** they implemented the code (the range of code implementation activities).

The framework also distinguished between different types of code implementation activities (the 'how'), depending on whether they related to:

- Communicating and learning (both internal and external);
- Monitoring compliance (including follow-up work to check for corrective actions);
- Capacity building (including training activities, and projects with local unions and NGOs);
- Integration with core business (including incorporation of ethical sourcing considerations in purchasing decisions).

Based on analysing member companies' level of activity in each of these four areas, we could distinguish between the following six 'activity profiles'.

Activity profiles of ETI member companies:

Category	Description	Companies
Group 1: Highly active all-rounder	<ul style="list-style-type: none"> • Above average level of activity in all 4 areas. 	6
Group 2: Highly active but little integration	<ul style="list-style-type: none"> • Above average level of activity in all areas except integration with core business 	3
Group 3: Communicator and monitor	<ul style="list-style-type: none"> • Focused on communication and monitoring activities, with high/moderate activity in both areas 	7
Group 4: Moderately active all-rounder	<ul style="list-style-type: none"> • Moderate levels of activity in all areas 	3
Group 5: Low activity	<ul style="list-style-type: none"> • Below average levels of activity in all areas, and joined ETI before 2000 	2
Group 6: Newcomer	<ul style="list-style-type: none"> • Below average levels of activity in all areas, but joined ETI in or after 2000 	4

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