

Buying with a conscience: Fairness at work in global supply chains

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Summary

Tens of millions of workers in developing countries are employed in global value chains (GVCs), producing goods for northern consumers. Non-governmental organisations (NGOs) and trade unions have long raised concerns about their working conditions and rights. GVCs, coordinated by lead firms and multinationals, now account for over half of world trade and generate significant employment (much of it female) in developing countries. The *Capturing the Gains* research brought together a team of international researchers from 20 countries and this research found that economic upgrading of producers in GVCs can, but does not necessarily, lead to social upgrading of workers. All supply chain actors, including buyers, suppliers, trade unions, NGOs and governments, need to be involved if conditions are to improve. Initiatives were established in Kenyan and Ugandan floriculture to promote better conditions for a largely female workforce. Three multi-stakeholder initiatives have been established to address health and safety in Bangladesh garment factories following the collapse of Rana Plaza and deaths of over 1,000 workers. Consumers also have a key role to play by requiring that companies ensure the goods they sell are ethically sourced. Enhanced bargaining of workers through independent union organisation and better private and public governance are also essential for sustained improvements in workers' rights that help to reduce poverty and promote fairer trade.

Working behind the line in global value chains

Many consumer goods are now sourced from developing countries through GVCs. Retailers and brands outsource production and coordinate supply from producers across their global value chains. Lead firms focus on higher value activities such as design, branded marketing and retail, and pass production costs and risks onto suppliers. It is estimated that between 55–80% of world trade now passes through global value chains (OECD, WTO, UNCTAD 2013).

The outsourcing of production from lead firms in the global north to suppliers in the global south has contributed to rising levels of female employment in manufacturing, agriculture and services linked to GVCs within developing countries. Data on the number of workers in GVCs is difficult to obtain. However, it was estimated there are over 25 million apparel workers in the top 27 apparel exporting countries, with women comprising 60–80% of the workforce. Data for agriculture is more difficult to obtain because of large numbers working on a casual basis and as smallholders, with women often working as unpaid family labour that is unrecognised.

Capturing the Gains is an international research network led by Stephanie Barrientos (The University of Manchester) and Gary Gereffi (Duke University). It investigated linkages between the commercial dynamics and outcomes for workers within GVCs. It drew together two concepts: economic upgrading, defined as firms moving to higher value activities; and social upgrading, broadly defined as decent work and enabling rights for workers. Downgrading is the converse of these. Comparative research focused on

apparel, agro-food, tourism and mobile communications across GVCs sourcing in Africa, Asia and Latin America.

In GVCs, multinational buyers focus on high value activities such as design, brand marketing and retail. They pass production costs and risks onto their suppliers. Buyers require suppliers to meet high quality standards at competitive prices with constant price pressure and just in time delivery to respond to consumer trends. These pressures often contribute to poor working conditions such as excessive overtime and insecure employment.

The *Capturing the Gains* research found mixed outcomes for workers such as:

- the demand for skilled labour (who were able to meet quality standards and efficiency) meant the social upgrading of some, mainly regular workers;
- the casualisation of labour to keep labour costs down and meet flexible orders meant the social downgrading of many workers;
- high value capture by brands and retailers relative to suppliers and especially workers.

As a consequence, economic upgrading of firms *can* but does *not necessarily* lead to social upgrading of workers. Outcomes vary for different groups of suppliers and workers (even in the same sector and country), with upgrading of skilled regular workers, but downgrading of casualised workers often employed on the same site. An important factor affecting upgrading is the bargaining position of suppliers and workers in value chains where lead firms exert significant commercial power.



Kenyan and Ugandan flowers

Kenyan and Ugandan floriculture both provide examples of positive economic and social outcomes in global value chains. Kenya has been successful in the export of cut flowers, and Uganda has become successful as an exporter of cuttings. Europe is an important export destination for both. Economic upgrading took place in both countries over the past decade. Kenyan and Ugandan floriculture both have high levels of female employment. An estimated 75% of the 70,000–90,000 Kenyan flower workers and 65–75% of the 7,000 Ugandan flower workers are women.

The sector was subject to NGO and trade union campaigns in the 2000s over poor working conditions. Since then a number of initiatives have been put in place, including supermarket and trade codes of labour practice, ethical trade and Fairtrade interventions, and improved labour legislation. In Kenya, the number of workers on temporary contracts fell from 65% to 20% between 2004 and 2013. Some problems persist, such as low real wages and sexual harassment (particularly off farm). Temporary workers continue to have less rights, but many flower workers now have better job security, protection and trade union rights. Workers and smallholders in fresh vegetables have not experienced the same benefits.

Bangladesh garments

Bangladesh garment manufacturing provides a contrasting example. The sector has expanded rapidly over the past decade, particularly with a shift of sourcing away from China where wage levels have been increasing. Bangladesh is now the second largest exporter after China and supplies leading retailers and brands, including Walmart, H&M, Zara, Primark and Tesco. Over 3.5 million jobs have been generated in the sector, 80% of them female, and they provide new opportunities for women to earn an independent income in a country where they have traditionally found it difficult to access waged work.

Poor working conditions, low pay and lack of union rights have long been the focus of trade union and NGO campaigns, generating increasing worker unrest. Most of the big brands introduced company codes of labour practice aimed at improving labour standards. Some factories have made improvements,

especially larger ones in export processing zones selling to key buyers. However, mid-level and smaller factories engaged in subcontracting often fail to comply. The industry has experienced a series of disasters, such as factory fires and collapses, over recent years. These culminated in the collapse of Rana Plaza in 2013, which killed over 1,100 workers and injured many more.

Three important initiatives have been introduced since Rana Plaza which involve government, trade unions, manufacturers, brands, retailers and NGOs. The Bangladesh Accord on Fire and Building Safety was signed by 170 mainly European brands jointly sourcing from 1,500 factories, as well as trade unions and the global union IndustriALL; the Alliance for Bangladesh Worker Safety was signed by a number of US brands including Walmart that jointly source from 700 factories; and the National Tripartite Action Plan on Fire Safety was jointly signed by the ILO and Bangladesh government. Together these amount to an unprecedented effort to improve safety.

All export garment manufacturers are now meant to abide by a stricter fire, building and electrical safety standard, and all are being inspected by technical experts, with funding from brands and governments making this happen. The Accord is also focusing on the development of trade union representation in the country, and there is now a big effort taking place to build more effective workplace relations.

Over a number of years, workers' struggles led to small increases in the minimum wage. In December 2013 the minimum wage was nearly doubled (a 79% increase to US\$ 68 per month), a move which the government finally enacted in the wake of Rana Plaza. However, given the cost of living has continued to rise in the country, workers struggle to live on low real wages.

It is too early to assess whether these changes will lead to lasting improvements in the sector or whether the increased costs will have adverse consequences such as switching of orders to other lower cost countries. The *Capturing the Gains* research indicates that much will depend on the ability of producers to economically upgrade in the value chain, sustained pressure on buyers by unions and NGOs, and more effective forms of public and private governance, to ensure acceptable working conditions and rights wherever companies source.

Recommendations

Social upgrading often occurs through external leverage. In Kenyan and Ugandan floriculture, improvement resulted from campaigns by trade unions and NGOs. Some companies are now working with NGOs (such as Oxfam and IPL/Asda cited below) to seek sustained improvements that address poverty. In Bangladesh the tragic collapse of Rana Plaza has been a wake-up call for the industry. There is now recognition that company codes and social audits are insufficient to substantially improve workers' safety and rights. Joint action involving companies, civil society, governments and donors is needed to link economic and social upgrading, and promote more inclusive development within global value chains.

Identifying commercial leverage points and forming alliances between commercial, civil society and government actors are critical for economic and social upgrading to occur, and for workers to see sustained improvements in their conditions and rights. Holistic policies and strategies are needed that affect all segments of global value chains, and involve all relevant actors. The *Capturing the Gains* recommendations include:

- consumers demanding ethically sourced goods and being prepared to pay;
- improved buyer/supplier relationships that reward quality and standards;
- higher prices, stable orders and longer lead times from buyers;
- factor a living wage into value chain pricing;
- enhance training on technical skills and rights of workers (including of women);
- enhance independent union representation of all workers (regular and casual) and the organisation of small-scale producers (including women);
- link civil society initiatives (such as ethical and fair trade) with wider government and donor interventions;
- government and donor policies to support value chain upgrading by producers and lead firms within developing economies;
- moving away from piecemeal voluntary initiatives by buyers to regular and legally binding commitments to improving wages, and working and safety conditions;
- implementation of Core Conventions of the International Labour Organisation and Labour Legislation through labour inspectorates.

Further materials, links and references

Capturing the Gains' website www.capturingthegains.org (includes Briefing and Working Papers on African horticulture, Bangladesh garments and many more studies and activities).

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'Buying with a Conscience: Garments from Bangladesh?' an event hosted by The University of Manchester in May 2014 involving a panel discussion between representatives from UK and Bangladesh companies, a Bangladesh workers' organisation, a global union, and academics facilitated by Rosey Hurst (Impactt). The debate video is available on the web at <http://www.bwpi.manchester.ac.uk/about/news/topic/>