

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

“We’re not allowed to work without personal protective equipment. You almost don’t see sickness now. A long time ago it was very different, there were lots of problems.”

Banana farm worker, Costa Rica

“The pressure on prices influences the relationship with labour - for example, wages can’t be increased.”

Fruit supplier, South Africa

“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 paid.”

Factory owner, India

Summary of an  
independent assessment for  
the Ethical Trading Initiative

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# Key findings: the scope of labour codes and how workers benefit

ETI members' codes cover at least 20,000 suppliers and many workers have benefited directly, particularly on health and safety issues. It has been harder to make inroads into some areas of the Base Code, such as freedom of association and discrimination, and to reach certain groups of workers.

## The scope of labour codes

Over 20,000 suppliers were included in the scope of 29 ETI member companies' codes. Nearly all suppliers had been informed that they were expected to comply with the code and around 9,000 had been assessed for code compliance. Most of these suppliers were located in the upper tiers of supply chains (for example packers, first-tier producers), implying that impacts were largely restricted to workers at these levels. Assessments for code compliance were also concentrated in certain countries, especially China and the UK.

## The impact of code implementation on workers

Across most supply sites in the cases studies, we found improvements in the following areas of the ETI Base Code:

- health and safety, for example better fire safety, introduction of training on emergency procedures, and safer use of chemicals;
- working hours - reduced regular and overtime hours;
- wages, for example ensuring payment of the minimum wage and provision of state insurance and pensions;
- child labour - less employment of children and young workers.

Codes had had most impact on health and safety, with other areas of change varying considerably between countries and sectors. We observed less impact in relation to freedom of association, discrimination, regular employment and harsh treatment, where serious issues frequently remained.

In general, permanent and regular workers benefited most from codes of labour practice, with migrant and contract workers experiencing little change or having poorer conditions. Although codes had led to some practical improvements for women workers (such as provision of post-natal benefits), they had done little to address basic inequalities such as unequal access to employment, promotion and training.

Workers' families benefited from reduced working hours, access to social security and training on health and safety. However, changes related to working hours and child labour were sometimes perceived as negative when they reduced household income or employment opportunities for young workers.

At many sites, codes had also increased management awareness and/or compliance with national labour legislation. This change is significant in that it may help ensure the sustainability of improvements over time.

**"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."**

Banana farm worker, Costa Rica

# Key findings: factors that affect the impact of labour codes

In complex global supply chains, changes in labour practices can rarely be attributed to individual companies or the ETI Base Code alone. Positive impact is achieved through a critical mass of companies committing to codes of labour practice and working with other key players. ETI and its member companies are making an important contribution through collaboration and learning.

## We found that positive change was driven by:

- high levels of commitment of ETI companies, agents and/or suppliers;
- frequent and consistent communication from buying companies on ethical trade, including in-country supplier conferences;
- regular assessment of supplier sites backed up by comprehensive feedback and support to suppliers. Relying on suppliers to assess their own performance was perceived to be largely ineffective;
- training for workers and supervisors on codes and provision of multiple channels for reporting non-compliances.

In contrast, downward pressure on prices and lead times appeared to have the opposite effect: suppliers

in all countries and sectors reported that this limited their ability to make improvements in labour practices.

We also found that the structure of the supply chain was critical to determining impacts. Direct and stable relationships between buying companies and suppliers increased the likelihood of change.

Conversely, ETI member companies were less likely to influence suppliers' labour practices in complex chains, where much depended on the attitude of individual suppliers and/or agents.

We found examples where complexity in the supply chain was counterbalanced by a critical mass of buying companies working with suppliers towards code compliance. However, the use of individual company codes instead of one common code and a lack of coordination between buying companies currently undermines this potential.

## Working with other players

The activities of other groups (such as trade union and non-governmental organisations; other code initiatives; the media) can also contribute to the creation of a critical mass to press for change, whether this is to draw attention to poor labour practices, to support suppliers and workers in making improvements, or to strengthen labour law and/or its enforcement. Where there has been coordination between different groups – including relevant government bodies – to tackle specific issues, labour practices have improved, as the following case study demonstrates.

### Coordinated action on 'gangmaster' labour: a UK case study

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.

Our case study on UK horticulture confirmed that conditions for temporary workers are now monitored more closely by suppliers and unlicensed labour providers are no longer used. Many interviewees felt that the TLWG illustrated ETI's potential as a convenor and facilitator, as well as the strength of a multi-stakeholder approach to tackling labour issues.



# Key recommendations

Long-term sustainable improvement requires companies to integrate ethical sourcing into core business practices and more effective regulation and enforcement of workers' rights by governments. ETI could enhance its potential by putting more emphasis on workers' rights and supporting greater harmonisation and collaboration on codes of labour practice, particularly in sourcing countries.

Based on the findings of the study, IDS recommends ETI, its members and other groups take the following key actions to improve the impact of codes. If implemented, these actions would make an important contribution towards improving conditions for workers in global supply chains. However, codes of practice are of course only one tool for tackling poor working conditions, and these recommendations do not preclude the need for other measures to be put in place, including more effective regulation and enforcement of workers' rights by governments.

## Work collaboratively to maximise potential

The potential for positive impacts is currently undermined by individual company approaches to code implementation and a lack of strategic coordination between ETI members and other stakeholders. Through greater collaboration on code implementation, ETI, its members and other actors would be more effective in bringing about change.

ETI should:	<ul style="list-style-type: none"> <li>Facilitate coordinated activities by member companies (such as joint provision of information and training to suppliers and workers)</li> <li>Develop a strategy for code harmonisation among members</li> <li>Continue joint work with other code initiatives such as the Joint Initiative on Corporate Responsibility and Workers' Rights (JO-IN) project</li> </ul>
Brands/retailers should:	<ul style="list-style-type: none"> <li>Collaborate on code implementation activities (for example joint audits, supplier conferences)</li> <li>ETI member companies should use the ETI Base Code instead of individual company codes</li> </ul>
Trade unions and NGOs should:	<ul style="list-style-type: none"> <li>Work together to press for change in specific sectors or on certain issues</li> <li>Make use of global networks to coordinate activities on ethical trade</li> </ul>

## Extend the reach of codes to all workers

Code implementation has done little to address poor labour practices in certain areas of the ETI Base Code and for certain groups of workers. More emphasis needs to be placed on more challenging aspects of employment, especially freedom of association and discrimination, and extending the reach of codes to all workers – particularly to migrant and contract workers.

ETI should:	<ul style="list-style-type: none"> <li>Provide leadership and coordination on complex labour issues, as with the Temporary Labour Working Group</li> <li>Form new issue-based working groups to address key areas emerging from this study (for example on implementing the Base Code with migrant workers)</li> </ul>
Brands and retailers should:	<ul style="list-style-type: none"> <li>Develop a strategic approach to addressing embedded issues such as freedom of association, discrimination and regular employment</li> <li>Ensure suppliers understand the ETI Base Code applies to all workers</li> </ul>
Auditing companies should:	<ul style="list-style-type: none"> <li>Enhance their skills in assessing freedom of association, regular employment and discrimination, and provide the necessary training to auditing staff</li> <li>Interview all categories of worker during assessments, including contract workers</li> </ul>

# About this study

This summary is based on the findings and recommendations of a study commissioned by the Ethical Trading Initiative (ETI), undertaken by the Institute of Development Studies, University of Sussex (IDS) between 2003 and 2006. 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 (summarised below). After five years of operation, ETI wanted to assess:

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

## How we conducted the study

We reviewed the scale and scope of code implementation by all ETI member companies then, in collaboration with research partners overseas, conducted five case studies to trace the impacts through the supply chains of 11 members in:

- **three country studies:** South Africa - fruit; Vietnam - garments and footwear; and India - garments;
- **two company studies:** UK - horticulture and Costa Rica - bananas.

We collected qualitative and quantitative information from all key stakeholder groups, including retailers and brands, agents, factory and farm managers, trade union and non-governmental organisations at international and national levels, and workers. Over

400 workers from 23 supply sites were interviewed, including men and women, and migrant and contract workers as well as permanent workers. We also conducted a feasibility study in China.

## Limitations of the study

ETI member companies source from tens of thousands of suppliers in over 100 countries. Given limited resources, it was not possible to study a representative sample of their entire supply base. There was also a possible bias towards more progressive suppliers in the selection process. However, this has been the most comprehensive study of its kind and we believe the findings are robust enough to support firm recommendations.

## How to obtain the full report

The full findings, recommendations and methodology, including examples of good practice and quotes from workers, are available in ten reports which can be downloaded free of charge from [www.ids.ac.uk/](http://www.ids.ac.uk/) and [www.ethicaltrade.org/d/impactreport](http://www.ethicaltrade.org/d/impactreport) :

**Part 1: Main findings and recommendations.**

**Part 2: Case study reports (six separate reports).**

Part 3: How and where ETI member companies are implementing codes (findings from the first phase of the study).

**Part 4: Research methodology.**

This summary is also available in Chinese, Spanish, French and Vietnamese.

For further information please contact IDS (+44 (0)1273 606 261) or ETI (+44 (0)20 7404 1463).

## Summary of the provisions of the ETI Base Code

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is allowed

# Key recommendations - continued

Trade unions should:	<ul style="list-style-type: none"> <li>• Make more use of the ETI Base Code to press buying companies and suppliers to ensure freedom of association</li> <li>• Develop and share experiences of working with non-regular workers</li> </ul>
NGOs should:	<ul style="list-style-type: none"> <li>• Provide expertise on gender issues to buying companies and suppliers</li> </ul>
Governments should:	<ul style="list-style-type: none"> <li>• Ensure the right to freedom of association for all workers and provide leadership on discrimination</li> </ul>

## Shift the focus to sourcing countries

ETI and its member companies allocate comparatively few resources to raising awareness and providing direct support to workers and suppliers in sourcing countries. Shifting the focus to these countries would raise awareness and engagement of suppliers and local organisations and be more cost effective in achieving improvements for workers.

ETI should:	<ul style="list-style-type: none"> <li>• Raise awareness of ethical trade and ETI in sourcing countries</li> <li>• Support the development of local multi-stakeholder code initiatives and the application of the ETI Base Code in the local context</li> <li>• Provide more guidance and activities direct to suppliers and workers (such as information on the ETI Base Code in different languages, workshops and training on code-related issues)</li> </ul>
Brands/retailers should:	<ul style="list-style-type: none"> <li>• Hire local ethical trade staff in key sourcing countries</li> <li>• Develop a programme of awareness raising and training activities with suppliers and workers, in collaboration with local organisations</li> <li>• Encourage suppliers to join/form local multi-stakeholder code initiatives (e.g. the Wine and Agricultural Ethical Trade Association, WIETA, in South Africa)</li> </ul>
Trade unions and NGOs should:	<ul style="list-style-type: none"> <li>• Facilitate contacts between their partner organisations in sourcing countries, and buying companies and suppliers operating in these countries.</li> </ul>

## Make ethical trade more central to core business practice

Suppliers in all countries and sectors reported difficulties in improving labour practices in a context of downward pressures on price, shortening lead times and supply chain volatility. Equally, retailers and brands are not being adequately rewarded by consumers and investors for good performance on ethical trade. More sustainable sourcing strategies and market incentives for code compliance (e.g. preferential supplier status) need to be developed.

ETI should:	<ul style="list-style-type: none"> <li>• Raise its profile among consumers and encourage purchasing from member companies</li> <li>• Develop means to publicly acknowledge good performance among member companies (such as making use of the annual reporting mechanism)</li> </ul>
Brands/retailers should:	<ul style="list-style-type: none"> <li>• Review core business practices (such as lead times) and take steps to ensure they do not undermine compliance with the ETI Base Code</li> <li>• Provide incentives to suppliers to comply with the ETI Base Code (such as preferential supplier status)</li> <li>• Target consumers on the basis of the company's performance on ethical trade</li> </ul>
Trade unions and NGOs should:	<ul style="list-style-type: none"> <li>• Develop (joint) campaigns to raise awareness among consumers of the negative consequences of low-priced goods for workers and the need to use their purchasing power positively</li> <li>• Provide support and input to Socially Responsible Investment (SRI) initiatives</li> </ul>