



## Briefing Paper Workers Module

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**Note** This paper is a position paper designed to present the case for increased scrutiny and benchmarking of supermarkets' environmental policies and performance, and to present methodologies for how that benchmarking may be carried out. It is written by the coordinator of the Workers Module and does not necessarily represent the views of members of the alliance of organisations involved in the Race to the Top project, or the project's Advisory Group. It is a working document which is being regularly updated.

### Introduction to the 'Race to the Top' project

#### Why is this project needed?

Questions are increasingly being asked about the integrity and safety of our food, the impact of its production on the environment and animal welfare, and the fairness of trade between consumers and workers along the food chain. In the UK and across Europe, there is an opinion that society should be much more directly involved in setting the farming and food agenda, rather than leaving it solely as the domain of government policy and market forces.

Supermarkets exert a huge influence on the rural economy in the UK and overseas, by setting farming standards and by seeking ever greater efficiencies for customers, competition and shareholder value. Their product range and siting policies affect the health of our communities and the environment. Customers trust the supermarkets to look after the environment and be good corporate citizens.

#### How will Race to the Top work?

The aim is to track the social, environmental and ethical performance of UK supermarkets, and catalyse change within the UK agri-food sector and beyond. An alliance of farming, conservation, labour, animal welfare and sustainable development organisations has developed several indicators of supermarket performance. These will provide comparative data to track progress towards fairer and greener food over the next five years.

By identifying and promoting best practice by supermarkets, the project will point to key issues for public policy, consumers, investors, retailers and campaigners. It will also

provide objective data and analysis. An advisory group of independent experts provides advice and quality control.

There are seven groups of indicators:

- Environment
- Producers
- Workers
- Communities
- Nature
- Animals
- Health

Race to the Top will benchmark the major supermarkets annually using these indicators, and publish the results along with case studies of best practice by supermarkets and their suppliers. The RTTT project allows a consolidated, constructive relationship between civil society and supermarkets, rather than the single-issue action-and-reaction dynamic that has characterised civil society scrutiny to date. The project explores the boundary of corporate responsibility, the role for legislation, and responsibilities of consumers.

This briefing paper covers the **Workers** module. Other briefing papers are available which describe the other modules. Each seeks to identify the key issues within the module, and what actions UK supermarkets can take on these issues. There are many other issues which could be included within each module, but those identified are considered by the Race to the Top alliance of organisations to be highly significant representative issues on which retailers can act. Each of the issues is accompanied by an indicator that will be used to track positive supermarket action. It is hoped that these indicators will help to track supermarket progress towards a fairer and greener food system, and that they will provide a basis for discussion on how further progress towards this goal can be achieved.

## **Introduction to the Workers Module**

### **The issue**

Supermarkets supply three-quarters of all the food consumed in the UK. This food is produced by workers from all over the world, many of whom are working in poor conditions, for poor wages and with little or no protection from exploitation. Questions are increasingly being asked about the fairness of trade between consumers and the workers along the food chain. The rights of these workers, like the rights of workers in the UK, have become an issue that concerns retailers, unions, consumers and shareholders of supermarket companies.

The global supply chain may have resulted in increased quantity and variety of food supplies in the richer countries of the world, but 800 million people in developing countries and 34 million in industrial countries still do not have enough food to eat, because they are too poor to buy it.

Currently 1.3 billion people work in agriculture-related jobs – a full half of the world's labour force. 450 million are waged agricultural workers.<sup>1</sup> Until recently these workers have been overlooked and remain invisible in sustainable development but new progress on the UN Sustainable Agriculture and Rural Development (SARD) initiative came out of the World Social Summit on Sustainable Development in 2002. This established a mechanism through which to promote and implement SARD and a commitment to promote fairer employment in agriculture as a major means of poverty reduction for waged agricultural workers and wage-dependent small farmers. But the fact still remains that the globalised structure of agribusiness has increased the vulnerability of those working in the food industry and the irony is that those who feed the world are often least able to feed themselves.

This module is concerned with wages and working conditions for supermarket workers, other workers employed by supermarket companies (e.g. bakers, distribution depot staff) and farm and factory workers in the companies that supply food to supermarkets, both in the UK and overseas.

### **A fairer and greener food system**

Everyone in the world wants and deserves enough food for themselves and their families at an affordable cost. This includes those who grow, produce, process and package, distribute and sell food throughout the world. All these workers in the food industry need to know that their rights at work are protected and that the work they do is safe and does not damage their health. This is a real issue with 170,000 people being killed each year in agriculture.

Labour standards are the framework to make this happen. They are fundamental human rights and freedoms which everyone should enjoy and the framework for supermarkets to implement these standards are those provided by the ILO (International Labour Organisation). The ILO is a tri-partite, UN body and involves business, trade unions and governments in the drafting of conventions and recommendations which aim to ensure that international competition in production and trade take place on the basis of respect for universally acknowledged minimum labour standards. ILO standards, once ratified, create binding obligations on governments. Even in the absence of ratification, they serve as a standard of reference for national law and practice.

The fundamental standards or principles, known as the ILO Declaration on Fundamental Principles and Rights at Work, relate to freedom of association and the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of the worst forms of child labour and the elimination of discrimination. In addition, there are other standards that are important for addressing labour conditions. These include provisions on health and safety, maximum hours of work, wages, disciplinary practices and security of employment.

Codes of conduct are increasingly used as a way of shaping corporate policy on labour standards and as an attempt to take some responsibility for what happens throughout their complex supply chains. To make them effective, workers need to be familiar with

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<sup>1</sup> ICFTU at al – *Plough to Plate - Approaches to food and agriculture: workers and trade unions in the agriculture and food system*. International Confederation of Free Trade Unions (ICFTU), Trade Union Advisory Committee to the OECD (TUAC), International Union of Food and Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF), February, 2000

the codes and have confidence that they will be respected if they are to benefit from the protection they provide. Effective monitoring and independent verification are critical.

Of course, in countries where national labour law operates effectively and trade unions are recognised and have collective bargaining rights, codes are an additional support. In countries without this, codes are often the only possibility for workers to secure these basic human rights.

### **The role, influence and impact of supermarkets on labour standards**

In the UK, supermarkets are in a position to try and influence patterns of consumption, and hence, patterns of agricultural production. In addition, supermarket employees are a major element in the UK workforce, with the ten largest players employing around 700,000 workers. This compares to 300,000 in food manufacturing and 120,000 permanent farm employees, plus about 20,000 seasonal workers 'on the books' but with probably many more in the informal economy.

### **Examples of number of retail staff employed by major supermarkets**

Tesco	171,737 (includes Section Managers)
Sainsbury's	110,000
Somerfield	39,000
Morrisons	33,000
Marks & Spencer	53,500 (includes Managers)

*Source: IDS Reports*

Implementation of pay and benefit packages for UK retail staff by the multiples is complex, but an open process. Addressing labour standards issues for all their suppliers and sub-contractors is, however, more complex, and this is new territory – it is 20 years behind work already done on environmental standards.

But supermarkets do not need to reinvent the wheel to develop labour standards as part of their social and ethical responsibilities. By making this core business strategy, they are able to manage relationships with a variety of stakeholders throughout their entire supply chain.

As the British Retail Consortium (BRC) point out <sup>2</sup>

*“ ..large retailers, conscious of broader trends in the population as a whole, have long been developing policies and activities which reflect the requirements of their new customer base...some major UK retailers, such as the Co-op Group..are founded on, or have embraced in their mission, principles which explicitly prioritise societal or environmental concerns as part of their competitive strategy.”*

In developing indicators to benchmark labour standards we have taken an approach that is intended to look at a company's overall relationship to its workforce. The emphasis is on social partnership both with the supermarket's own workforce and with suppliers large and small.

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<sup>2</sup> BRC Response to EC Green Paper on Corporate Social Responsibility

## THE ISSUES AND INDICATORS

### INDICATOR 3.1

**Issue: Corporate Commitment to Labour Standards within the company and in the supply chain**

**Indicator: Board-level responsibility**

This indicator measures the overall level of corporate commitment to taking labour standards issues seriously. Companies will be asked whether they have a named board member with specific responsibility for labour standards within the company and throughout their supply chain including how much human resource time is dedicated to implementing these responsibilities.

### INDICATOR 3.2

**Issue: Labour Standards within the Company**

**Indicator: Remuneration of Supermarket Employees and Conditions of Employment**

As one supermarket employee put it: "Wages are always at the heart of everyone's concerns". Pay and conditions of employment are why people go to work and what keep them there. This indicator seeks to ask 'How well does each retailer treat its staff?'

Issues influencing pay and conditions for UK supermarket workers are complex and varied. The growing retail sector has created thousands of low paid, often part-time jobs. Over two thirds of employees in food retailing are part-time, the majority are women, with a large number of students and temporary or agency workers included. For example, Sainsbury's increased its number of part-time employees from 45,000 in 1989 to 84,500 in 1998. Thus 69 per cent of all staff worked part-time and 75% were women.<sup>3</sup>

UK government legislation and European regulations have provided an improved framework of minimum labour standards for supermarket employees which include trade union recognition, the national minimum wage and regulations which prohibit discrimination against part-time workers. However, the proposed EU directive to provide temporary agency workers with equal pay and conditions after six weeks' employment ran into trouble and was blocked by the UK government. In addition, the UK has until March 2005 to implement the EU directive establishing a general framework for informing and consulting employees.

But what are the realities? The national minimum wage has undoubtedly improved pay for those on the bottom tier of the pay structure. Despite this, retail cash desk and checkout operators (84% are women) fall in the bottom ten percent of non-manual occupations with average full-time earnings of £184.70 per week.<sup>4</sup> In addition, the latest New Earnings Survey concluded that part time women earned just 58.6% of the hourly rate of full time male workers.

Many of the multiples have moved their lowest rates above the national minimum wage (NMW) of £4.20 (implemented in October 2002) to be more competitive. For example,

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<sup>3</sup> Report to the Employment Select Committee 1998

<sup>4</sup> Source: New Earnings Survey, Labour Force Survey

Tesco's pay review in July 2002 implemented an hourly rate of £5.16 for those over 18, Sainsbury's pay an hourly rate of £4.81 and Safeway £4.61<sup>5</sup>.

The jump in the NMW has also led some supermarket chains that employ a high proportion of young staff to review their youth and adult rates. It is common practice for the supermarkets to pay at least the NMW for staff at age 18 (the statutory age is 22) and the rates paid to staff aged 16 and 17 tend to be above the established rate of £3.60. For example, the Co-op sets a minimum rate of £4.28 for newly appointed staff aged 18 or over at national level<sup>6</sup>, although the company allows some local variation in order to recruit and retain staff.

Other variables affecting pay rates include length of service. Many employees start on lower rates that are increased after an initial period of training. For example, Safeway checkout operators pay rates increase from £4.50 to £4.72 after a 3 month induction programme. Sainsbury's 2002 rates rose from £4.21 to £4.47 after a similar period of time (up-to-date rates will be available from early August 2003)<sup>9</sup> Similarly, there are regional variations, with the highest rates in London. For example, pay bands and structure (at 1 July, 2001) for sales advisors in Marks and Spencer included three levels of London allowance paid on top of basic rates and Tesco brought in new zonal pay bands in August 2000.<sup>6</sup> Both the Co-op and Sainsbury's also operate a number of higher pay zones to accommodate varying pay pressures in different parts of the country.

Staff employed by food manufacturers have seen parallel pay rises with the minimum rate set at £4.54 an hour (£176.90 a week) in 12 companies represented by the Food Manufacturers Group.<sup>9</sup> The New Earnings Survey identified average earnings for production operatives (the most common job in the industry) at £6.93 an hour in 2000.

Flexible working for staff is another important issue and recent surveys have been publicised which reveal that a third of employees seeking a new job would rather have the opportunity to work flexible hours than a large pay rise.

The Employment Act 2002 is the most far-reaching piece of employment legislation for many years and this includes new family-friendly employment rights which came into effect on 6 April this year. One of these new entitlements is the right of parents of children under 6 or of disabled children under 18 to request flexible working.

In fact, the majority of supermarket retail employees, for example mothers or students, already work flexible hours. However, the system is not without its problems and staff can find their hours altered arbitrarily by managers to cover busy periods or staff shortages. Similarly, some of these staff are employed on short-hours contracts to specifically cover extended opening hours which include Sundays. However, Sunday premium payments, which tended to be double-time, or a day off in lieu, prior to the 1994 Sunday Trading Act, are being reduced and phased out altogether by some

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<sup>5</sup> USDAW – NMW – written evidence to the Low Pay Commission (October 2002)

<sup>6</sup> USDAW – NMW – written evidence to the Low Pay Commission (October 2002)

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<sup>6</sup> IDS Report 838. Aug.2001

<sup>9</sup> IDS Report, 836, July 2001

supermarkets as Sunday is now generally accepted as part of the working week in the retail sector.<sup>10</sup>

Benefit packages make an important contribution to the job for those who qualify – many do not, for example in 1998, 40% of all employees did not earn enough to pay National Insurance contributions and were excluded from pensions and other contribution-based benefits.<sup>11</sup> A new TUC report called “Beating the gender poverty gap” (released 12 March, 03) reinforces this. To quote, “With many working women currently earning too little to pay into pension schemes, the TUC is concerned that another ..generation of poor female pensioners is being created. Recent figures from the Equal Opportunities Commission suggest that only four in ten (37%) of women who work part time have access to any kind of pension scheme, yet nearly half (44%) of all female employees are part timers.”

Bonus payments, company pension and share option schemes together with lifelong learning opportunities and other family-friendly policies are part of the decision to stay in a job. Marks and Spencer offers a number of profit-related bonus schemes, Save as You Earn schemes and a non profit-related bonus is paid to all non-managerial staff. Tesco offers a range of similar benefits to staff after one year's service and take up is around 50% for those who qualify.

### **What can supermarkets do?**

Clearly many women and students benefit from the family-friendly policies on offer to UK supermarket staff. Flexible hours is a good example of this. In addition, supermarkets have implemented pay rates that tend to offer at least the NMW to staff at 18, rather than at the statutory age for qualification of 22.

However, as is highlighted above, although the NMW has undoubtedly improved pay for those on the bottom tier of the pay structure, retail cash desk and checkout operators (84% are women) still fall in the bottom ten percent of non-manual occupations with average full-time earnings of less than £200 a week.

In addition, supermarkets need to address the issue of retail staff not qualifying for benefit packages. If a significant percentage of staff do not earn enough to pay NI contributions and are excluded from pensions and other contribution-based benefits, the long term financial security for these workers (the majority of whom are women) when they get to retirement age is bleak.

### **How this indicator is measured**

Supermarkets employ people in a wide range of jobs and checkout operators (or the equivalent grade) have been chosen to represent hourly rates of pay because they are a large category of workers, they are very visible to the customer and tend to represent the lower ends of the supermarket pay scale.

As shown above, there are a range of rates paid to these employees depending on how long they have worked, their age and where they live. But it is possible to define

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<sup>10</sup> IDS Report 852, March 2002

<sup>11</sup> McKnight, Alison, 1998; Social Insurance, low pay and long term disadvantage, in Claudio Lucifora and Wiemer Salverda; Policies for low wage employment and social exclusion, FrancoAngeli, Milan

minimum and maximum rates for experienced workers –defined as those who have worked for more than 12 months –that can be used as a yardstick.

Supermarkets will be asked to supply data on pay through the questionnaire. Additional data will be sought from the trade unions, including information on collective bargaining agreements on pay and conditions. Other information will be collected from a range of surveys and reports on earnings and employment, for example the Office for National Statistics, New Earnings Survey and the Labour Force Survey.

Similarly, information on turnover of checkout operators will be sought from supermarkets and trade unions. This will take into account those on temporary contracts and employment agency staff who have naturally come to the end of their contracts. Length of service, flexible working, benefit packages and other family-friendly policies will also be considered as other indicators or variables affecting or supplementing pay rates.

### **INDICATOR 3.3**

**Issue: Core Labour Rights and Employee Representation**

**Indicator: UK company employee representation**

This indicator looks at systems of employee representation, recognising different systems due to company structure and form of ownership. It asks for information on trade union recognition agreements and the scope of these agreements. It also asks for information on alternative systems of employee representation which offer mechanisms for consultation and dialogue with supermarket staff over pay and conditions. How companies communicate their policies on labour rights and procedures and check and remedy non-compliance are also taken into account.

A statutory right to trade union recognition has been in force in the UK since 6 June 2000, which means that supermarkets cannot ignore or ‘derecognise’ a trade union that most of its employees support. Some of the supermarkets were already working with the unions to improve industrial relations through social partnership programmes, and the new trade union recognition legislation has resulted in many new recognition agreements. Both supermarkets and unions have favoured a voluntary route in order to deal with the issue amicably.

Trade union recognition is not always a simple yes or no answer. Where there is union recognition it can be limited to disciplinary and grievance procedures whereas others cover full national pay bargaining. In addition, low levels of union membership can mean that achieving constructive dialogue with supermarkets is a live and difficult debate.

Recognition is key to negotiating good conditions on a number of fronts. As supermarkets have extended their opening hours, staff are required to cover a very wide and complex range of shift patterns and often to work variable hours. At the same time, competition between students in search of part-time work, and older staff with an interest in established pay rates and working time patterns, inevitably make the latter feel insecure and vulnerable to change.

The same issues apply to people employed by the large UK suppliers, such as major food processing firms, breweries and soft drinks manufacturers. Union bargaining rights



are a sign that the employer does have a systematic dialogue with the workforce over pay, employment contract, working time patterns and disciplinary procedures. Two significant national recognition agreements with Robert Wiseman Dairies and St. Meryn Food Group – among Tesco's principal suppliers - were both agreed with USDAW (Union for Shop, Distributive and Allied Workers).<sup>14</sup>

Some supermarket companies rely on employee representation through staff forums or works councils. These forums offer the opportunity for consultation with staff, but do not necessarily offer the independence from the company that union membership brings. The question remains over whether staff 'don't want to belong to trade unions' or whether staff do not feel encouraged to join them without the appropriate procedures in place. However, it should be recognised that alternative structures may in some cases be effective in ensuring employees' rights, depending on company structure and form of ownership.

### **What can supermarkets do?**

The Partnership Programmes have improved industrial relations as is demonstrated by the USDAW/ Tesco partnership:

USDAW (Union of Shop, Distributive and Allied Workers) has over 200,000 members in supermarkets. There are 100,000 members in Tesco with others in Sainsburys, Safeway, the Co-op, Morrisons and Somerfield.

In 1998 Tesco signed a partnership agreement with USDAW covering all 100,000 staff working in the company's 600 retail stores. The agreement has, in turn, encouraged some of Tesco's largest suppliers in the food and drink manufacturing sector to sign deals with their employees now that legislation has come into force. The legislation has also resulted in an increase in overall levels of union membership as union recognition has been negotiated at company level

USDAW's Partnership Agreement with Tesco has shared goals and includes staff forums to improve communication, with elected and trained representatives to take employees views. Pay and conditions are reviewed separately with USDAW.

Positive and constructive engagement with unions representing staff is vital to ensure fair wages and conditions. Similarly, if supermarkets can freely choose their suppliers – as is the case in the UK – they can require them to meet certain labour standards that are part of overall company policy.

The same applies where companies have other systems of employee representation. The realisation of labour standards is a common goal and can be best achieved through collective effort and as an integral part of corporate culture.

In addition, the implementation of the new EU directive on Information and Consultation (by March 2005) gives employees in the UK new rights to information and consultation. It gives employees "a right to be informed about the companies' economic situation, informed and consulted about employment prospects, and informed and consulted about decisions likely to lead to substantial changes in work organisation or contractual

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<sup>14</sup> Ditto

relations, including redundancies and transfers...This will normally be done via employee representatives.” (DTI)

#### **How this indicator is measured.**

How companies communicate their policies on labour rights and procedures and check and remedy non-compliance, together with the structures in place for consultation with staff over pay and conditions are included in the measurement and scoring.

This indicator looks at systems of employee representation, recognising different systems due to company structure and form of ownership. It applies to UK supermarket employees only and it asks for information on trade union recognition agreements and the scope of these agreements. It also asks for information on alternative systems of employee representation which offer mechanisms for consultation and negotiation with supermarket staff over pay and conditions.

Additional data on the scope of recognition deals and on collective bargaining agreements will be obtained from the unions.

#### **INDICATOR 3.4**

**Issue: Labour Standards in the Supply Chain**

**Indicator: Existence and Application of Labour Standards Code of Conduct**

Supermarket supply chains are like mazes – the huge number of suppliers and sub-contractors send them in all directions and extend them all over the world. The supermarket’s drive to lower input costs and increase the amount and variety of food needs to be balanced against the social costs that result for the workers involved in the process.

Issues affecting UK supermarket workers and their unions have been looked at under indicators 3.2 and 3.3. It is clear that where national labour law is effective and unions can operate this produces meaningful change in labour standards.

A proportion of food products come from UK suppliers in sectors where trade union recognition is not very likely. For example, in fruit farms which rely on a tiny workforce plus a larger number of seasonal pickers. The issue of ‘gangmaster’ labour on farms where casual labour for crop picking and packing are often supplied by small, informal employment businesses is another issue of concern. Many ‘gangmasters’ operate in breach of Agricultural Wages Orders as well as breaking rules about payment of income tax and NI contributions.

The situation of workers in countries where labour law is weak or not implemented and where there is no trade union recognition can be much more serious, even life threatening. As the ILO steps up its work on Decent Work and the Informal Economy, informal workers, many of whom are women working in the supply/value chains for food production in developing countries, are highlighted as a huge proportion of the workforce who need empowering to claim their rights. Supermarkets are beginning to address these problems through codes of conduct. The Ethical Trading Initiative (ETI) has established a Base Code, derived from the core ILO Conventions and several supermarkets have used this as a base for their own codes.

*The ETI is a UK-based alliance of companies, non-governmental organisations (NGOs) and trade union organisations committed to working together to identify and promote good practice in the implementation of labour practice in global supply chains, including the monitoring and independent verification of the observance of code provisions.*

The ETI 'Base Code' of labour practice contains provisions on the following broad areas:

- no forced labour
- freedom of association and the right to collective bargaining
- safe and hygienic working conditions
- no child labour to be used
- living wages to be paid
- no excessive working hours
- no discrimination
- regular employment to be provided
- no harsh or inhumane treatment

### **What can supermarkets do?**

For the vast majority of UK consumers a supermarket's commitment to social responsibility is important and many say that they would be willing to pay more for this. There is the counter argument that what consumers say does not always turn into purchasing behaviour, although examples like Fairtrade-labelled coffee provide evidence that this is already happening in some niche markets.

According to the EC Green Paper on Corporate Social Responsibility, two of the issues European consumers care most about (source MORI 2000) are:

*"protecting the health and safety of workers and respecting human rights throughout company operations and the chain of suppliers (e.g. not using child labour)"*

Their codes should be seen as part of a range of measures to secure and safeguard labour standards that complement domestic and international labour law and trade union collective bargaining. There is a danger that supermarket codes will be expected to solve problems that also need an international, legal and government response. As is stated in a recent UNRISD paper: there is a *"fear that codes of conduct will replace government regulation and remove the pressure for government control of corporations. However, the growth of codes has not led to the reduced role of the state, although the reverse may be partially true. It would be a mistake to see codes as a substitute for government regulation"*<sup>15</sup>

Several supermarkets are using the ETI standards as a benchmark against which they can assess labour practices of their suppliers in developing countries and they are also beginning to use this as a yardstick to assess fair conditions for UK farm workers. In April 2002, the Local Authority Pension Fund Forum reported that Tesco and Safeway have the most comprehensive codes on labour rights.

### **Supermarkets and the ETI**

Sainsbury's, Safeway, ASDA, Co-op, Marks and Spencer, Somerfield and Tesco are members of ETI. For example, Sainsbury's is a founder member of the ETI and has been actively involved with its activities since it was established. Consumers can learn

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<sup>15</sup> Jenkins, Rhys *Corporate Codes of Conduct. Self-Regulation in a global economy*. Technology, Business and Society Programme Paper No. 2. UNRISD, April 2001

about the ETI and Sainsbury's socially responsible sourcing policies from the supermarket's web-site.

Sainsbury's "have policies covering all aspects of ethical trade and personnel responsible for managing and co-ordinating the work being carried out by ourselves and our suppliers. Our socially responsible sourcing initiative focuses on looking at the welfare and labour conditions of workers within the supply chain of own brand products to Sainsbury's."

Sainsbury's initially established a Code of Practice on Socially Responsible Sourcing in early 1998 and this has been issued to all the company's own brand suppliers. They now have a programme visiting suppliers to begin to look at and monitor some of the issues associated with it. This is carried out as part of the normal monitoring and inspection process. Suppliers are expected to take responsibility for sub-contractors.

Sainsbury's has also carried out a study evaluating a number of external social auditing companies in order to understand how they operate and the advantages of working with them.

The Co-op has been a leader in social accountability and adopted their Code of Business Conduct in March 1997 and revised it in February 2001. It articulates the values and standards the Society expects to apply in the course of conducting its business. Every employee is given a copy of the code and it also forms part of the terms of employment and breaches may lead to disciplinary action, including dismissal.

The Co-op has made a recent decision to move away from monitoring the company's performance against their Code and is developing a core set of social performance indicators although the Code will continue to be used to guide employees on the values and standards they should apply when conducting Co-op business.

Other important points that should be made here are that the people who the codes have been designed to protect need to know about them, that companies in the supply chain actually comply with them and that this is independently verified.

Supermarkets have a range of experience on these issues and some have devoted considerable time and resources to trying to find the best way forward. For example, Sainsbury's problems with monitoring are summed up as follows:

*"Sainsbury's supply chain is typical of many large UK supermarkets. "We have about 2,000 suppliers providing our 'own-brand' goods and we accept responsibility for monitoring labour standards in those," says Liz Fullelove. "Many of these suppliers also source from within their own supply chains, be these factories or farms...So, even among the suppliers providing own-brand goods, we are probably taking the produce of a million farms across the globe."<sup>16</sup>*

ETI member companies have made progress in this area and have increased their monitoring activity. In 2001 there was an increase in absolute numbers of evaluations by 18% although as companies identify more suppliers the proportion of suppliers

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<sup>16</sup> ETI Annual Review 2000 -01

evaluated has fallen in real terms from 64% to 55%.<sup>17</sup> All members would acknowledge that the practicalities of establishing verification systems and independent complaints mechanisms still have a long way to go. The number of significant corrective actions has shown a modest increase since 2000 but as ETI says, “But in many ways this is the crux of what ETI is about – being able to make a real difference to workers by sustaining improvements in working conditions”.<sup>18</sup>

### **How this indicator will be measured**

Company policy based on core labour standards is taken as the benchmark for this indicator. The adoption of the ETI base code (or equivalent) by supermarkets demonstrates commitment to decent wages and labour standards throughout the supply chain (which includes the UK) by implementing core ILO conventions.

There are however, other factors that need taking into account when measuring this indicator. These include the breadth of product range to which the company applies the code and how far down the supply chain it reaches. Also training for managers and employees on implementing the code and how it is communicated to suppliers and sub-contractors and disseminated to workers. The training received by buyers is particularly critical here as it is they who control many of the aspects of production through the supply chain ensuring that the producers meet quality standards, delivery dates etc. For example, a recent article in the Guardian<sup>19</sup> highlighted problems for Kenyan workers in the horticultural sector which included excessively long hours, damaging exposure to pesticides and evidence of deception of company auditors. Supermarket members are working with the ETI to improve conditions but as Angela Hale, Director of Women Working Worldwide points out, “Since the ETI report (on the Kenyan horticultural sector) there has been pressure on employers to change things. But the real pressure comes from the production schedule..It is the production schedules which have the potential to lead to abuses.”

Finally, this indicator will look at the extent to which supermarkets have developed monitoring systems and priorities for further implementation and independent verification through social auditing to ensure compliance.

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<sup>17</sup> ETI Annual report 2001/02

<sup>18</sup> Ditto

<sup>19</sup> Lawrence, Felicity *Growers' Market*. May 17, 2003