

***Multinational Companies, Global Value Chains
and Social Regulation***

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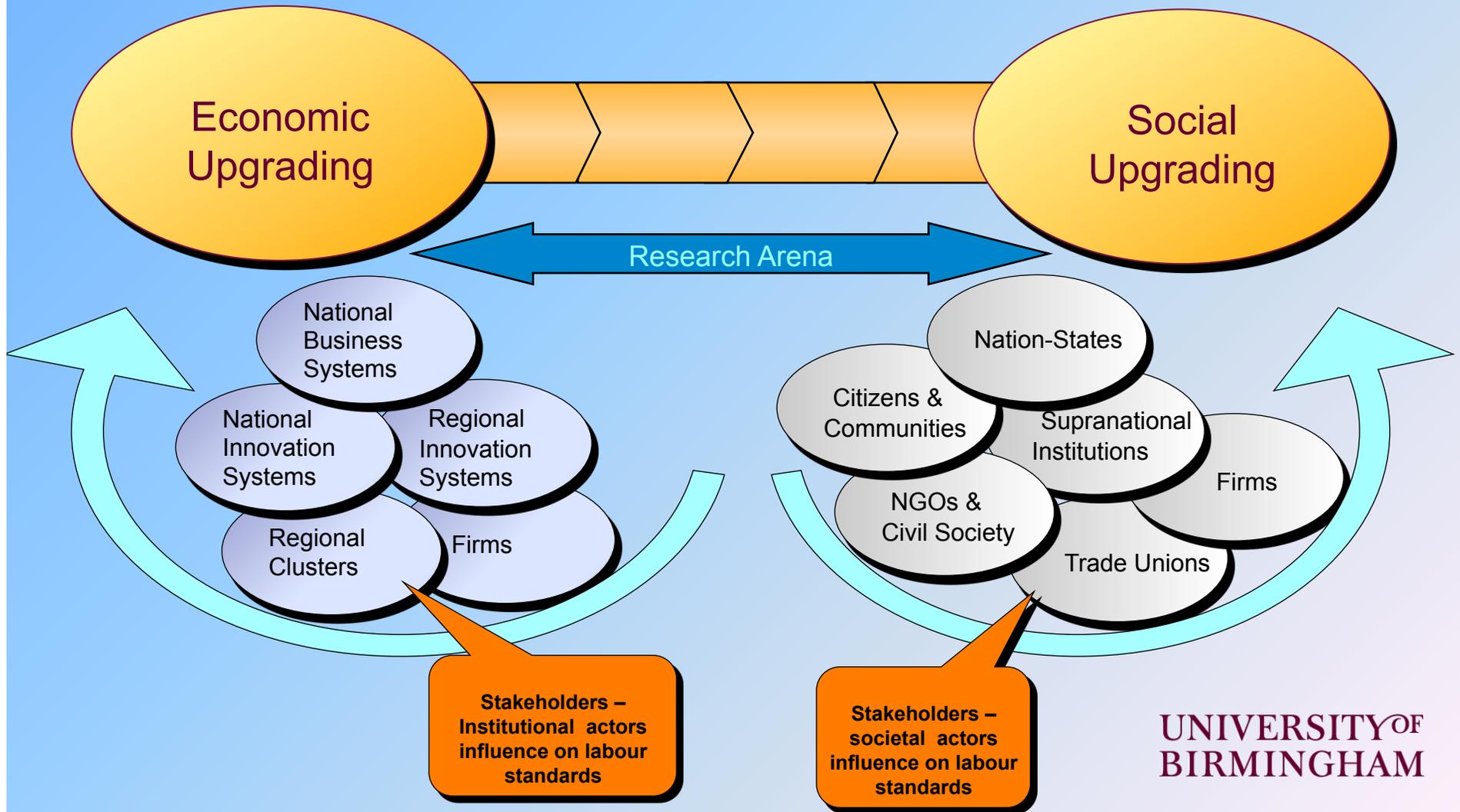
**Low-cost labour producing cheap
goods for international supermarket
retailers, is there more to global
value chains than this?**

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Global Value Chains

□ Production and Consumption



Two sets of literature have developed in parallel

1) Role / functions of Multinational Corporations (MNCs)

- Localisation **and** globalisation
- With MNC as a further development of the large fordist firms
- Exploration of the economies and efficiencies related to cross-place coordination of production and production-related activities

2) Global Commodity Chains (GCCs) and Production Networks

- Buyer and Supplier driven
- **Global Value Chains (GVCs)** are the expression of the network production and production-related activities of MNCs through market and hierarchy relations

GVC Debates

- The changing nature of the international organisation and location of production
- The concept of Global Value Chains (GVCs) allows two sets of pressures for the upgrading of employment conditions and labour standards to be explored:
 - Role of consumer groups campaigning for improved and upgrading of labour conditions in the production operation of the chain – resulting in a number of Corporate Social Responsibility (CSR) policies which have included commitment to voluntary labour codes of conduct and certifiable standards in global supply chains
 - Nationally-based policy makers and industrial relations frameworks involving new forms of multi-level governance and cross-border coordination – the development of new policy and bargaining agendas conducive to social upgrading at regional, national and supranational levels

GVC Research Focus on Labour Standards

- Corporate Codes, Labour Standards & other Labour Agreements
 - The Ethical Trade Initiative (ETI) Base Code
 - Social Accountability International (SAI) 8000 Standard
 - Other workplace agreements, e.g. International Framework Agreements (IFAs)

Key Principles of Labour Initiatives

1. **EMPLOYMENT IS FREELY CHOSEN**
2. **FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED**
3. **WORKING CONDITIONS ARE SAFE AND HYGIENIC**
4. **CHILD LABOUR SHALL NOT BE USED**
5. **LIVING WAGES ARE PAID / COMENSURATE**
6. **WORKING HOURS ARE NOT EXCESSIVE**
7. **NO DISCRMINATION IS PRACTISED**
8. **REGULAR EMPLOYMENT IS PROVIDED**
9. **NO HARSH OR INHUMANE TREATMENT ALLOWED**

Employment Conditions

□ Dangerous work and employment instability

- Codes are not always adhered to when there is pressure to deliver the perfectly presented high-yielding banana at the lowest possible cost
- Punishing production schedules encourage harvesting of fruit whilst agro-chemicals are being sprayed nearby
- Banana farming relies on production economies of scale and low labour costs to compete in global market
- Continued market pressures for cheaper and cheaper bananas, largely driven by Supermarket 'price wars'
- Increased temporary contracts with no social security benefits - "the three-month rolling contract"
- Enforced overtime to meet supply requirements of major supermarket groups



Banana Case Study 2006-2008

Sharing the Value in the Chain

- Focus is on the firm, the international retailer, as the key decision maker in apportioning value

- But firms are embedded in multiple networks which influence economic and social upgrading
 - i. Firm as part of GVC (lead firm, buyer / supplier)
 - ii. Local – depending on the embedded comparative and competitive advantages
 - iii. Global – network of value adding functions

- **EXPLORING THE ROLES, POWERS, CAPABILITIES AND OPPORTUNITIES OF THE STAKEHOLDERS INVOLVED IN GLOBAL VALUE CHAINS**

Supermarkets – Key Stakeholders

- International Supermarket Retailers exert a growing influence over:
 - Agrifood production, land use, transport and distribution systems, labour markets, consumer culture, public health and global ecology

- But retailers are adopting a ‘green agenda’
 - “It is a customer facing issue, it is not a cost-saving exercise... there are four key drives: population growth, climate change, food security and energy scarcity. The adoption of more sustainable practices is a matter of survival...” (interview international supermarket chain, May 2009)

Conclusions

□ Responsible Retailing:

- Implementation of social responsibility policies and practices, e.g. labour standards and labour codes

→ Sharing the 'Value'

- Payment systems
- Benefits (promotion prospects)
- Job security (permanent contracts)
- Safe working conditions

→ Preventing 'a race to the bottom'

- The commoditisation of labour in developing economies