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

Economic Upgrading

- National Business Systems
- National Innovation Systems
- Regional Clusters
- Firms

Social Upgrading

- Nation-States
- Citizens & Communities
- NGOs & Civil Society
- Trade Unions
- Firms
- Supranational Institutions

Stakeholders – Institutional actors influence on labour standards

Stakeholders – Societal actors influence on labour standards

Research Arena
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
Following the Chain

Complexity of Global Supply Chains:
Product Design .. Packaging .. Costing .. Producer / Supplier Management .. Stock Management .. Delivery Schedules .. Just-in-Time .. Pricing .. Promotions .. Customer Service
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 DISCRIMINATION 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
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