



INFORMAL WORKERS IN GLOBAL VALUE CHAINS: LESSONS FROM THE ETHICAL AND FAIR TRADE MOVEMENTS

MNC'S, GLOBAL VALUE CHAINS AND SOCIAL REGULATION HEC MONTREAL 6-8 JUNE, 2011

Lessons from the Ethical and Fair Trade Movements

□ Informal Workers in Global Value Chains include:

- Employees in formal enterprises not covered by national labour legislation, social protection or certain employment benefits
- Contributing family workers working in formal sector enterprises
- Industrial outworkers such as home-workers engaged in the production of goods for global Brands

(International Conference of Labour Statistician 2003)

INFORMAL WORKFORCE

- Improved statistics provide evidence that the informal economy is large
 - ▣ 45-85% of non-agricultural employment in developing countries
 - ▣ Share of economic units: e.g. 80% of all enterprises in India are informal
 - ▣ Share of GDP: informal enterprises, (i.e. The informal sector), contribute 25-50% of non-agricultural GDP in developing countries

- Is *growing* in terms of:
 - ▣ Share of total employment
 - ▣ Share of new jobs

Global Economic Recession



- Evidence that recession has accelerated the informalization of work
- Formal work is decreasing and informal work increasing
- The quality of formal and informal work appears to be deteriorating rather than improving
- The global system downloads risk on informal workers, (e.g. very low pay, delayed payments, contract labour)

Private governance in global value chains



- Ethical and Fair Trade as a response to the “governance deficit” (Gereffi and Mayer 2006)
- Part of a “counter-movement...to re-regulate work, sourcing practices and the movement of factories in the global economy”, (Mayer and Pickles)

The Ethical Trading Initiative



- A UK-based tri-partite organization comprising more than sixty Corporates including global Brands and High Street Retailers, Non-Governmental Organizations, (NGO's) and global Trade Unions.
- Focus on the implementation of international labour standards as defined by the ILO through the application of a voluntary code of conduct

ETI Impact Assessment



- Found that permanent and regular workers in first tier of supply chains benefitted most with migrant and/or contract workers experiencing little changes, (Barrientos and Smith, IDS, University of Sussex 2006)
- Introduction of more stringent reporting and identification of different categories of workers beyond the first tier of the supply chain

Informal workers in significant numbers



- Informal waged workers in first tier manufacturers and sub-contracting units, (e.g. Over 60% in garment industry in Turkey)
- Home-workers in the Bottom Tier of the Supply Chains
- Evidence of increase in home-based work – “the comparative advantage in the cost of labour...realized through outsourcing...” (Unni and Scaria 2009)

“Regulatory governance” for informal workers

- In most cases International Labour Standards are incorporated into national legislation in sourcing countries
- Weak implementation is the major problem
- Specific examples of tools for implementation:
 - ETI Smallholder Guidelines (2005)
 - ETI Guidelines for Home-workers (Second edition May 2010)

Private governance: Fair Trade



- Characterized as the “new globalization” (Reynolds, Murray and Wilkinson, 2007)
- Fairtrade Labelling Organisation certification scheme an example of “regulatory governance” (Gereffi)
- World Fair Trade Organisation has developed a Fair Trade System for monitoring and evaluation
- Fair Trade relationships governed by a set of standards and principles subject to inspection or regular monitoring

Informal workers in Fair Trade value chains

- Many handcraft producers are home-based workers
- A combination of own-account workers and home-workers
- Small-holders: a significant proportion of producers in Fair Trade value chains of food and commodities
- Fair Trade focuses on a fair price to producers while ethical trade stipulates payment of a living wage

Conclusions



- Looking at Ethical and Fair Trade as forms of private governance serves to highlight the presence of informal workers in global value chains and efforts to address improvements in working conditions
- The global economic recession has brought new pressures on costs and increased downward pressure on wages and prices to producers
- The conflict between the ethical/fair and commercial imperative remains an inherent contradiction
- There is a need for governments to intervene to address the increase in the “governance deficit” and enforce labour legislation