

Report on the ETI Impact  
Assessment 2006

Part 3: How and where ETI member  
companies are implementing codes



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

part  
3

How and where  
ETI member companies  
are implementing codes

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# About the Report on the ETI Impact Assessment 2006

The Ethical Trading Initiative (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. 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.

In 2003 ETI commissioned the Institute of Development Studies at the University of Sussex to conduct this assessment. The study was undertaken between 2003 and 2006 and this document is one of ten reports which, together, give the summary, complete findings, case studies and methodology of the study. The ten reports, published under the series title [Report on the ETI Impact Assessment 2006](#), include the following:

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

### Summary

#### **Summary of an independent assessment for the Ethical Trading Initiative**

This six-page document summarises the key findings and recommendations. It is available in print as well as online and is translated into Chinese, Spanish, French and Vietnamese.

### Part 1

#### **Main findings and recommendations from an independent assessment for the Ethical Trading Initiative**

This is the report of the main findings with recommendations and good practice examples.

The detailed fieldwork comprised case studies in six countries and the findings are given in six documents that make up [Part 2](#) of the report. These will interest readers who want more detailed information on labour issues and code impacts in these countries.

### Part 2A

Findings and recommendations from a case study in India (garments)

### Part 2B

Findings and recommendations from a case study in Vietnam (garments and footwear)

### Part 2C

Findings and recommendations from a case study in South Africa (fruit)

### Part 2D

Findings and recommendations from a case study in Costa Rica (bananas)

### Part 2E

Findings and recommendations from a case study in the UK (horticulture)

### Part 2F

Findings and recommendations from a scoping study in China

### Part 3

#### **How and where ETI member companies are implementing codes**

This makes up Part 3 of the report series and describes the first phase study of ETI members' activities.

### Part 4

#### **Research methodology**

This is for readers who want more detail on the research approach.

Each of the reports can be freely downloaded from [www.ethicaltrade.org/d/impactreport](http://www.ethicaltrade.org/d/impactreport) and [www.ids.ac.uk/](http://www.ids.ac.uk/)

This series of reports has been prepared by the Institute of Development Studies (IDS) and the views expressed do not necessarily represent the views of ETI or of its member organisations. IDS is responsible for the accuracy of information contained in the document and our recommendations have not necessarily been endorsed by ETI.

Contents	p3
Foreword	p5
<b>1 Introduction</b>	<b>p7</b>
1.1 About this report	p7
1.2 About the first phase of the study	p7
1.3 How we got the information contained in this report	p7
<b>2 Members' perspectives on code implementation</b>	<b>p8</b>
2.1 Perspectives on the ETI's tripartite approach	p8
2.2 Perspectives on successes and challenges of implementing the Base Code	p8
2.2.1 Corporate members' issues	p9
2.3 Members' expectations of the ETI Impact Assessment	p10
2.4 Perceived impacts of code implementation	p10
2.4.1 Health and safety	p10
2.4.2 Wages, working hours and overtime	p11
2.4.3 Freedom of association and no discrimination	p11
2.4.4 Smallholders and homeworkers	p11
2.4.5 Increased awareness of national law and labour standards	p11
2.4.6 Improved communication	p12
<b>3 The scale of corporate members' code implementation</b>	<b>p13</b>
3.1 Type of suppliers in value chains	p13
3.2 Number and type of suppliers included in the scope of codes	p14
3.3 Number and type of suppliers informed about codes	p14
3.4 Number and type of suppliers monitored for code compliance	p15
3.5 Number of corrective actions	p15
3.6 Number and type of workers affected by implementation of codes	p16
<b>4 Management approaches to code implementation</b>	<b>p17</b>
4.1 The Management Approach Framework	p17
4.2 Core elements of a management approach	p18
4.3 Influences on a management approach	p19
4.4 Corporate members' management approaches	p19
4.4.1 Member company codes ('what')	p20
4.4.2 Allocation of responsibility ('who')	p21
4.4.3 Implementation schedule ('when')	p21
4.4.4 Implementation activities ('how')	p22
4.4.5 Overall management approach	p24
Bibliography	p25
Appendix 1 The five levels of the "Value Chain to Impact Mapping" model	p26
Appendix 2 Distribution of ETI companies between retailer, brand and supplier groups	p27



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# Foreword

Over the last decade, an increasing number of companies have recognised that they have a responsibility for the rights and conditions of workers who produce the goods that they sell - even if those workers are employed by a factory or farm on the other side of the globe. Companies have typically responded by adopting voluntary codes of practice which stipulate minimum labour standards that they expect their suppliers to comply with. Many have invested considerable resources in monitoring compliance with their codes, and working with suppliers to improve conditions over time.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations (NGOs) committed to improving working conditions in global supply chains. When they join ETI, companies commit to implementing the ETI Base Code – a code of practice based on international labour standards – in all or part of their supply chain. But how exactly have member companies put this commitment into practice? Has their work on implementing the Code actually made any difference to workers in their supply chains? How can the impact on workers be improved? In 2003 ETI commissioned us to undertake a study to answer these and other related questions.

## About this document and who it is for

This document provides an account of the findings from Phase 1 of the study. It describes ETI members' perspectives on implementation of the ETI Base Code, and how and where ETI member companies are implementing codes. It also includes a framework we developed for comparing different companies' approaches to code implementation. It will be relevant to companies who wish to compare their own code management approaches with others, and to other organisations with an interest in models or tools for assessing company performance on ethical trade.

## About the ETI Impact Assessment and IDS

The ETI Impact Assessment was initiated in 2003 - five years after ETI was established - to answer the questions outlined above. Based on assessing the ethical trade programmes of nearly 30 sourcing companies (retailers, brands and suppliers), and including in-depth case studies in five countries and three sectors, this has been the most comprehensive assessment of the impact of codes of labour practice to date.

The Institute of Development Studies (IDS) at Sussex is well-respected for its research and consultancy on international development. The research team has extensive experience and expertise in ethical trade, employment in export production and labour standards. For the case studies IDS worked in partnership with local researchers who spoke the relevant languages and had experience of labour issues in the industry in question.

The research findings are based on qualitative and quantitative information collected from all key stakeholder groups, including brands, retailers, agents and suppliers, factory and farm managers, trade union organisations at international and national levels, NGOs, and all types of workers (women as well as men, migrant and contract workers as well as permanent workers, and trade union worksite representatives).

## About the ETI Impact Assessment reports

The findings and recommendations from the ETI Impact Assessment are written up in ten separate documents, all of which can be freely downloaded from [www.ethicaltrade.org/d/impactreport](http://www.ethicaltrade.org/d/impactreport) and [www.ids.ac.uk](http://www.ids.ac.uk). The ten documents, each aimed at different audiences, are listed on the inside front cover of this report.

By offering these different ways of accessing the findings of our study we hope we are throwing a helpful searchlight on current ethical trade practice that will enable everyone involved to enhance their understanding and develop their practice in this challenging but worthwhile field.

## Acknowledgements

We would like to thank all the ETI member companies who responded to the email survey, and the ETI members and ETI Secretariat staff who participated in the interviews for the Phase 1 research,

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# 1 Introduction

## 1.1 About this report

This report presents the findings from the first phase of the ETI Impact Assessment. It is an edited version of a report prepared for ETI in November 2004, at which early stage we were not reporting on impacts as such, but rather laying the foundations for the rest of the study. For those who do not need to know the detail, a two-page summary of the Phase 1 findings can be found in Part 1 of the overall report ([Part 1: Main findings and recommendations, Appendix 1](#)).

## 1.2 About the first phase of the study

The first phase of the study, which took place between August and December 2003, aimed to:

- Map ETI members' perspectives on ETI and implementation of the Base Code (see [Chapter 2](#))
- Assess the scale of ETI members' code implementation activities to date (eg, number and type of suppliers covered), and where these activities are taking place (eg, which countries, at what level of the value chain). [Chapter 3](#) describes the findings on this aspect of the research.
- Map how member companies are implementing codes, ie, what management approaches they are using to put codes into practice (see [Chapter 4](#)).

These aims relate to the first two levels of the "Value Chain to Impact Mapping" model that we used to guide the overall study – see [Appendix 1](#) for a summary of this model, or see [Part 4](#) of the overall report ([Part 4: Research Methodology](#)) for further details.

In order to assess company management approaches, we developed a 'Management Approach Framework' to help us better understand, analyse and compare the various approaches used by different member companies. This report also includes a description of this framework (see [sections 4.1 to 4.3](#)).

## 1.3 How we got the information contained within this report

The findings presented in this report are derived from the following activities:

- review of corporate members' annual reports to ETI<sup>1</sup> and other ETI-related documents;
- in-depth interviews with ETI members and Secretariat staff (nine trade union representatives, eight NGO representatives, nine corporate representatives and six Secretariat staff);
- email survey of corporate members (29 responses);
- discussions with the Impact Assessment Steering Group<sup>2</sup>, and presentations to/feedback from the wider membership.

### Box 1: Clarification of member company categories

At various points in the analysis reference is made to retailer, brand and supplier members of ETI. In some cases ETI member companies do not fall strictly in any one of these categories, so we have positioned them in the category we judged best represents their business. We also refer to 'multiple retailers', by which we mean retailers that sell significant amounts of both food and general merchandise (GM) products (relative to their total sales). This includes but is not limited to supermarkets. Details of the distribution of ETI companies between categories are provided in [Appendix 2](#).

<sup>1</sup> As part of their membership obligations, ETI member companies are required to report annually to the ETI Board on their progress and performance in implementing the Base Code, using a standard reporting template. For further information please see [www.ethicatrade.org](http://www.ethicatrade.org)

<sup>2</sup> The Impact Assessment Steering Group consisted of corporate, NGO and trade union representatives from the ETI membership, and was responsible for overseeing the Impact Assessment study, including development of the initial terms of reference.

## 2 Members' perspectives on code implementation

“We exist to promote respect for the rights of workers and to help improve their working conditions. Doing so means harnessing different perspectives to a common purpose...Ethical sourcing will only make a real difference to workers if we bring together a multiplicity of perspectives to provide the representativeness, knowledge and experience that our challenging task demands.”

ETI Annual Report 2002/3: 3

An important aspect of the first phase of this study was to examine the views of constituent members on implementation of the ETI Base Code to date. We were interested in ETI members' perceptions of impacts, both to help us form hypotheses about impacts and to understand their diverse viewpoints and priorities. We found clear differences between the three caucuses. We also found areas of overlap between and, interestingly, differences within some groups.

### 2.1 Perspectives on ETI's tripartite approach

Members identified a number of benefits and challenges resulting from operating within a tripartite approach:

- **Combined knowledge** – Members from all caucuses recognised the benefits of working together in addressing problems and drawing on different types of knowledge in seeking constructive solutions.
- **Reaching consensus** – Many members mentioned the slow pace of decision-making that results from having to negotiate consensus, but added that once consensus is reached it can have a powerful effect in moving the agenda forward.
- **Capacity of local trade unions and NGOs** – Some companies said they would like to engage with trade unions and NGOs in sourcing countries, but there weren't always trade unions/NGOs with the resources/capacity to do so. From the trade union point of view, the absence or weakness of civil society organisations may well be a key reason why labour practices continue to be poor, so it needs to be recognised that absence or weakness of these organisations is likely in the countries where there are serious labour problems. By the same token, trade union members believed that

code implementation needed to help strengthen trade union organisations if it was to have any sustainable impact for workers.

- **Imbalance of power** – Some trade union and NGO members felt that the sheer size and number of member companies, and the resources available to them, gave them disproportionate power within ETI.
- **Commitment to international labour standards** (as enshrined in the ETI Base Code) is a requirement of ETI membership and is fundamental to the purpose of ETI as an organisation. The trade union organisations, and also some NGO and corporate members, reinforced the usefulness and importance of using internationally-agreed ILO Conventions as the foundation of the Base Code.

Tensions clearly existed over certain issues, including which companies should be admitted to ETI and whether some forms of child labour are acceptable in exceptional circumstances (i.e. in situations of chronic poverty). However, generally members felt **the tripartite approach gives ETI credibility and legitimacy**, especially in sourcing countries, and **aids communication and understanding** between the three constituencies, all of which can contribute to effective implementation of the Base Code either directly or indirectly.

### 2.2 Perspectives on successes and challenges of implementing the Base Code

Members of all three caucuses thought that there had been progress in implementing the Base Code which had on balance led to positive changes for workers. They also felt that it had led to increased awareness and knowledge of international and national labour standards in general; this could have important ramifications for workers, especially in terms of the sustainability of impacts. However, members raised a number of issues that represent significant challenges for ETI:

3 On child labour it was felt by many that the trade union and NGO positions were closer than they had been previously.



- **Gaps between members' codes and the ETI Base Code** - Trade union organisations and NGOs were concerned that the Base Code had in some cases been subject to member companies' own interpretation, with the result that provisions contained in some members' codes fell short of the internationally endorsed standards contained in the ETI Base Code. It should be noted however that ETI had been taking steps to address this.
- **Variable commitment** - A challenge raised by members of all three constituencies was the variable level of commitment of member companies, which many saw as stalling progress.
- **Pricing and purchasing practices** - Related to the above, some NGOs and trade union representatives believed sourcing company pricing and purchasing practices played a significant role in determining conditions for workers, and were undermining or hindering compliance with labour codes. However, several corporate members said that their influence over suppliers was exaggerated, as they rarely constituted the majority of suppliers' business.
- **Consumer and investor interests** - Some companies commented that consumers were more interested in price than ethical practices, which could create tensions within companies, but a number also said that investors were increasingly demanding evidence of corporate responsibility.
- **Scope of code implementation** - NGOs in particular were concerned that implementation of the Base Code was largely limited to the higher levels of value chains, with workers at lower levels perhaps suffering poorer working conditions and yet being excluded from the benefits of codes.
- **Leverage** - If the sourcing company purchased a significant percentage of a suppliers' output and/or had a stable supply relationship with a supplier, the supplier was more likely to be receptive to code implementation, and vice versa.
- **Supplier management understanding** of the need for codes of labour practice was reported to be directly related to the ease or difficulty of implementing the Base Code.
- **Length of value chain** - Where the value chain was short, or production directly owned, implementation was easier. Where the value chain was fragmented, or supply was from lower levels of the chain, implementation was more difficult.
- **Strong trade unions** - Implementation was more difficult where there were no free trade unions, or trade union capacity was low.
- **Presence of smallholders and homeworkers** made implementation more difficult.

In terms of countries, **Europe**, and particularly the UK, was said to be the **least difficult** region for implementing a labour code. Various **developing countries** were listed as the **most difficult** place to achieve progress, with 10 companies stating **China** was the hardest of all.

Corporate members were also asked about the greatest challenges they faced, and the key lessons they had learned in implementing their codes. The main responses were:

- **Changing supplier management attitudes** - Consistent with the above, the greatest challenge which seven ETI companies felt they faced was how to change supplier management attitudes and build relationships with suppliers, while 11 mentioned this as a key lesson.
- **Developing relationships with suppliers** - As a way to achieve change in supplier attitudes, many companies said they had learned the importance of developing support, partnership and trust as well as dialogue with suppliers.
- **Raising resources** for implementing labour codes

### 2.2.1 | Corporate members' issues

Regarding the practicalities of implementation, corporate members were asked where in their value chains they found it most and least difficult to implement their codes and why. The most frequently given responses are listed below:

was seen as a challenge by seven companies.

- **Complexity of the supply base** was regarded as a key issue for several companies.
- **Capacity building of suppliers and workers** – five companies highlighted the importance of training and education for suppliers and/or workers.

Other challenges/lessons raised include: the need for co-operation between sourcing companies, how to implement further down value chains, the importance of communication, and the need for customer recognition.

### 2.3 Members' expectations of the ETI Impact Assessment

In any impact assessment understanding and managing the expectations of those involved is crucial. An important pitfall to avoid is being too ambitious, which is unlikely to yield meaningful results. It is better to have realistic goals that are achievable, and can contribute to effective and sustainable learning. The tripartite composition of ETI meant that different members had different perspectives, and the risk was that collectively their sum produced a highly ambitious set of expectations, which a project with limited resources and time could not meet.

In order to assess this we asked members about their expectations of the Impact Assessment. This prompted a range of responses, including the following:

- Most members expected the Impact Assessment to contribute to ETI's learning.
- Corporate members hoped that it would quantify and demonstrate the effect of their work. Many corporate members said that they were interested in finding out what works well and what does not, and wanted to know how to improve the impact of what they are doing,
- Trade union members' were interested in the extent to which code implementation, or ETI more broadly, contributed to a culture of compliance with law and created space for workers to

organise and advance their interests.

- NGOs wanted an assessment of the scope of member company codes, including whether abuses were being pushed further down value chains, for example onto smallholders and homeworkers, and whether the workers with the worst conditions were being helped by codes.
- Trade union and NGO members would have liked an evaluation of the contribution of purchasing practices to labour practices.

While the above suggests that many members had high expectations for the study, one thing that came through in all our interviews was an understanding of the complexities of implementing the ETI Base Code and the time needed to achieve sustainable change. As such, many members anticipated that the impacts so far might be limited. This clearly demonstrates the importance of developing a 'learning' approach to impact assessment, rather than focusing exclusively on measuring progress.

### 2.4 Perceived impacts of code implementation

ETI members from each caucus were asked their views on the impacts that had occurred so far as a result of implementation of the Base Code. The 'corrective actions' reported by companies in their annual reports to ETI provided quantitative support for those views (see [Box 2](#) on [page 12](#)). Again it should be emphasised that in this section we are not reporting *actual* impacts, only *perceived* impacts.

Members agreed that implementation of the Base Code had been more effective in relation to certain 'visible' issues than other 'less visible' issues. Below we outline the principal perceived impacts highlighted by members.

#### 2.4.1 Health and safety

This was the area that members of all caucuses agreed had seen most improvement. This included improvements in workplace standards and in accommodation (where provided by the employer). In

the survey 20 companies included health and safety changes under perceived positive impacts.

#### 2.4.2 | Wages, working hours and overtime

Various members noted increased pay as a positive impact, including 15 companies in the survey. Reduced working hours and payment of overtime were also mentioned by 12 member companies as improvements. One issue was identified by a number of companies (nine) as potentially negative – this was that some workers would deem a fall in income resulting from reduced working hours and overtime as a negative impact. Trade union members said they would like to see more rigorous application of the Base Code in respect of the living wage and working hours provisions, to ensure that a living wage is being paid for a standard working week.

#### 2.4.3 | Freedom of association and no discrimination.

All trade union and most NGO members interviewed felt that these were the more 'invisible' areas in which progress had been limited, with auditors/assessors often failing to pick up on violations. However, there was also some recognition of the difficulties of measuring them, as well as difficulties in addressing any non-compliances. The trade union view has been summarised thus: "Many of the ways in which workers can be intimidated, discouraged or prevented from joining or forming trade unions are difficult to detect. Because of this, the only real test that workers' freedom of association is respected is the presence of an independent or free trade union which is actually permitted to function." (Justice, 2003, p9). Trade union organisations also emphasised that governments, and not management alone, must function properly if human rights such as freedom of association and non-discrimination are to be respected. Some corporate interviewees and NGOs referred to the problem of deeply embedded hostility among some suppliers towards trade unions, and the difficulty of tackling this.

Unions were particularly concerned about the

acceptance by some ETI members of 'workers committees' as a substitute for free and independent trade unions. They pointed out that ILO Conventions and jurisprudence are clear that employer- or government-established, dominated or funded committees are incompatible with freedom of association. Trade union experience was that in many countries such committees were established by employers (often with the support of government) in order to keep free trade unions out of the workplace.

#### 2.4.4 | Smallholders and homeworkers

Concerns were voiced by some corporate and NGO members that smallholders and homeworkers might be squeezed out of value chains by codes because suppliers higher up the chain opt not to source from/employ them as they lack the resources and capacity to comply with codes. A similar concern was that implementation of codes at higher tiers of the value chain might shift any abuses further down the chain, for example to subcontracted levels. Trade union members stressed that there cannot be separate rules for these workers, and that it is the responsibility of employers and government to ensure that international labour standards are upheld for all workers irrespective of formal employment status.

#### 2.4.5 | Increased awareness of national law and labour standards

This was raised as a perceived positive impact among suppliers (10 companies), leading in some cases to [formalisation of the employment relationship](#) (four companies). Trade union representatives emphasised that voluntary approaches such as the ETI Base Code could not be a substitute for legal regulation by governments, or free collective bargaining, and that workers' rights could only be advanced through the application of good law and through freedom of association and collective bargaining. For trade union members, the strength of the ETI Base Code is that it is grounded in ILO standards and application of law. From a trade union perspective, therefore, central to impact would be whether there is indeed evidence the ETI Base Code has helped to enhance: (a) employers

obeying the law; (b) freedom of association and collective bargaining; and (c) development of independent and democratic trade unions.

### 2.4.6 Improved communication

Member companies also thought some positive impacts did not relate specifically to code provisions, but could have potentially far-reaching effects, especially in terms of the sustainability of change. The most important of these was improved communication between workers and management (five companies).

#### Box 2: Reported corrective actions<sup>4</sup>

In 2002 the main code categories in which ETI companies registered corrective actions (CAs) among their suppliers were:

- **Health and safety** - 433 CAs (36% of total) covering a wide range of improvements, though many relating to fire drills, fire exits and provision of safety equipment.
- **Living wage** - 260 CAs (22%), largely relating to provision of payslips, timely payment of minimum wage and premiums for overtime, and cessation of fines.
- **Working hours** - 176 CAs (15%), mostly reductions in the number of hours worked.

There were also 116 CAs (10%) which related to the use of written contracts and other documentation not specifically included in any one code area.

Compared to the above, there were relatively small numbers of corrective actions in the following code categories:

- **No child labour** - 62 CAs (5%), mainly relating to implementation of a system to check workers' ages.
- **Employment freely chosen** - 44 CAs (4%), principally an end to deposits being required to secure employment.

- **Freedom of association** - 37 CAs (3%), mostly regarding setting up of works councils<sup>5</sup>, though some examples of collective bargaining.
- **No discrimination** - 23 CAs (2%), many related to establishment of equal opportunities in recruitment and promotion, and payment of an equal wage.
- **Regular employment** - 11 CAs (1%), almost all correcting inappropriate use of temporary contracts.
- **No harsh or inhumane treatment** - No CAs reported.

A similar distribution of corrective actions was found in 2000 and 2001. There are a number of possible explanations for this: either there were more violations related to particular aspects of labour practice (i.e. health and safety, wages and hours), or the implementation of codes was more effective for identifying and/or bringing changes in 'visible' areas than in others, or there was a combination of both. We investigated this during Phase 2.

<sup>4</sup> The data analysis in Box 3 was done by Income Data Services as part of their analysis of the 2002 ETI corporate members' annual reports (commissioned by ETI). We thank Steve Gibbons for his kind cooperation in allowing us to use the information.

<sup>5</sup> As indicated in section 2.4.3 trade unions would not accept employer-established work councils as an indicator of freedom of association.

# 3 The scale of corporate members' code implementation

Using data provided by ETI corporate members in response to our survey and in their 2002 annual reports to ETI, we compiled a preliminary picture of the potential scale of impacts for workers resulting from implementation of the Base Code up to the end of 2002. The indicators used for this were:

- 1 Number and type of suppliers included in the scope of codes;
- 2 Number and type of suppliers informed about codes;
- 3 Number and type of suppliers monitored for code compliance;
- 4 Number of corrective actions registered by member companies.

The picture is not as comprehensive as we had hoped, particularly as it was based on numbers of suppliers rather than numbers of workers. Unfortunately most companies were unable to provide figures relating to workers.

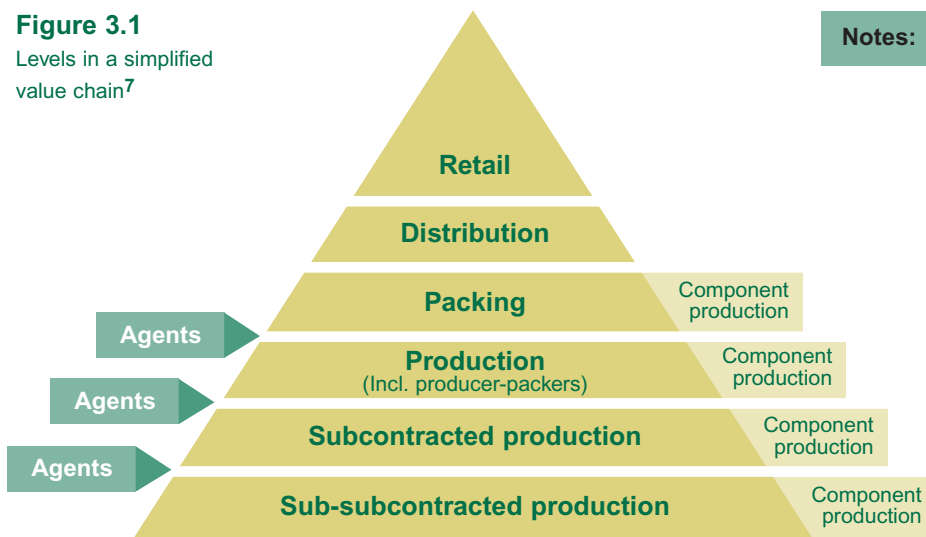
In addition all figures should be taken as approximate since:

- Member companies used different categories for their data which makes aggregation difficult;
- Suppliers to more than one member company will have been double-counted;
- Not all companies were able to give us accumulated figures so we used their 2002 figures;
- Four companies did not respond to the questionnaire so we had to use their 2002 annual reports (and in one case their 2001 annual report)<sup>6</sup>.

## 3.1 Type of suppliers in value chains

The 'type of supplier' relates to their position in the value chain. To try and ensure consistency we used the diagram in Figure 3.1 to categorise the different levels in a value chain (i.e. in the company survey). Unfortunately the fact that member companies were themselves at different levels of the value chain, and had very different types of value chains, inevitably introduced some confusion. As such, throughout this section the term 'supplier' may variously apply to UK importers, agents, packers, manufacturers (i.e. at the factory level) or producers (i.e. at the farm level).

**Figure 3.1**  
Levels in a simplified value chain<sup>7</sup>



**Notes:**

- For general merchandise (GM) companies, 'production' is where manufacturing takes place.
- Subcontracted producers are contracted and paid by producers or their agents.
- Sub-subcontracted producers are contracted and paid by subcontracted producers or their agents.
- Component producers produce components such as packaging materials, seeds, fertilisers, textiles, zips, etc.

<sup>6</sup> The figures in this section differ from those in the analysis of the 2002 annual reports as the latter was based solely on corporate activity during the year of 2002, whereas for the Impact Assessment we wanted to know about all code implementation work to date. The analysis of 2002 annual reports by Income Data Services also highlighted a number of other inconsistencies and problems with the data, some of which also affected our calculations.

<sup>7</sup> This diagram does not include all levels of a value chain, but covers those most relevant to labour codes.

### 3.2 Number and type of suppliers included in the scope of codes

In total, **20,963 suppliers were reported as included in the scope** of ETI member companies' codes<sup>8</sup>. In most cases each supplier related to an individual factory, packhouse or farm (including grower-packers), but some were direct suppliers that owned or sourced from a number of factories or farms. The majority came from the first level of production, but some were packers only, others were subcontracted producers, and a few were component producers<sup>9</sup>. This figure does not represent the total number of suppliers actually included in the scope of the ETI Base Code, as it was subject to member companies' limited knowledge of suppliers beyond the first level of production.

### 3.3 Number and type of suppliers informed about codes

The corporate annual reports indicated that 20 of the 24 member companies that reported to ETI in 2002 had communicated their codes to most or all suppliers targeted for the first phase of implementation, be that all direct suppliers or all primary production sites (see section 4.4.3). In addition:

- **At least eight member companies had started communicating the code to subcontracted production sites** (three multiple retailers, one GM retailer, two GM brands, one GM supplier, and one food supplier). Many other companies relied on their direct suppliers or primary producers to communicate the code to their subcontractors, and in these cases it was unclear to what extent this had been done.
- **Some eight GM companies had taken their code beyond manufacturing sites to component and/or raw material production** (one multiple retailer, one GM retailer, two GM brands and four GM suppliers). In contrast, none of the

**Table 3.1**  
Number of suppliers identified as included in scope

	Food		GM		Multiple		Total suppliers
	No. ETI comp's	No. suppliers	No. ETI comp's	No. suppliers	No. ETI comp's	No. suppliers	
Retailers	–	–	8	5,256	7	11,405	16,661
Brands	6	1,838	3	1,798	0	0	3,636
Suppliers	3	324	6	342	0	0	666
<b>Total</b>	<b>9</b>	<b>2,162</b>	<b>17</b>	<b>7,396</b>	<b>7</b>	<b>11,405</b>	<b>20,963</b>

Source: 2003 ETI member company survey and 2002 annual reports to ETI.

Note: For member companies included under retailer, brand and supplier categories, see Appendix 2.

<sup>8</sup> Approximate figure calculated by totaling the suppliers recorded by 33 ETI companies.

<sup>9</sup> Many companies were unable to separate their figures for packing, production and subcontracted production.

food retailers, brands or suppliers reported taking their code beyond the production level to components such as packaging and seeds.

In the above analysis it should be noted that the way in which the code was communicated varied greatly between member companies, and inevitably some forms of communication would have been more effective than others. Some companies required the code to be 'signed off' by suppliers prior to placement of orders, while others passed on information during supply site visits, and still others relied on intermediaries such as agents and importers. A few companies supplemented written and informal communications with supplier conferences, during which they expanded on the rationale and detail of their policies. During the second phase of the study we assessed the effectiveness of these different approaches, including the extent to which information passed intact through value chains.

### 3.4 Number and type of suppliers monitored for code compliance

In total, 33 member companies reported that 5,769 suppliers had been monitored for code compliance by the end of 2002, using either an internal or external assessment. A further 3,048 suppliers had completed self-assessments, bringing the total to **8,817 suppliers monitored for code compliance**<sup>10</sup>. As the previous section indicates, **most assessments had taken place at the first level of production**, with monitoring activity at deeper levels of the value chain only just starting to occur.

Coverage of the first level of production was relatively comprehensive in terms of the percentage of total production volume or value monitored (as opposed to

the percentage of suppliers)<sup>11</sup>. This was especially true for the brands and non-brand suppliers, four of whom had done first or third party assessments<sup>12</sup> of 100% of first level production and a further six of over 80% (out of 14 that we had information for). In general, retailers had not assessed such a high percentage of their value chains, although most were unable to provide us with the figures relative to volume.

The 7,731 desk and site-based assessments carried out in 2002 included suppliers from **102 different countries, but a significant percentage took place in China and the UK** (24% and 18% respectively). A further 23% were split between eight other countries (India, Spain, Colombia, Sri Lanka, Thailand, Turkey, Portugal and Kenya)<sup>13</sup>.

### 3.5 Number of corrective actions

The corrective actions reported by ETI companies in their annual reports are unlikely to represent the full range of changes that have occurred due to the implementation of the Base Code. They relate only to the non-compliances detected as part of their monitoring activities, rather than being compiled by workers or suppliers themselves. They do however give some indication of the potential scale of impacts, although this is limited by the fact we do not know how many workers were affected by each action.

1,199 corrective actions were reported as having taken place in 2002<sup>14</sup>. In 2001 the number reported was 1,232, and in 2000 it was 1,144, bring a total of **3,575 corrective actions over the three year period**. Taking only those from 2002, the corrective actions were made by a total of 623 suppliers in 57 different countries. 41% occurred in China, with a further 39% spread between nine countries: the UK, Turkey, Vietnam, Sri Lanka, Morocco, Kenya, India, Portugal and Indonesia.

<sup>10</sup> These figures are approximate as some companies gave only the number of assessments carried out during 2002 rather than the total up to the end of 2002, and others may have double-counted desk and non-desk assessments.

<sup>11</sup> As mentioned earlier, the most meaningful statistic would be the percentage of workers in monitored sites, but these figures were unavailable.

<sup>12</sup> The *ETI Workbook* (2003, p. 107) points out that, "The term 'third party audit' (or inspection, assessment etc) can be misleading because it implies an independence that may not exist", as the organisation paying for the audit may be able to influence the results. See *ETI Workbook* for more details.

<sup>13</sup> Percentages calculated by Income Data Services as part of their analysis of the 2002 company reports to ETI.

<sup>14</sup> For the purposes of aggregation, all remedial actions by a supplier in one code area are grouped and counted as one corrective action, as some companies only reported in this way. However, this may considerably under-estimate the amount of change taking place.

### 3.6 Number and type of workers affected by implementation of codes

We had hoped to include information on the number of workers in each of the above sections, to give a more comprehensive picture of the potential scale of impacts resulting from the Base Code. However, only six companies were able to give us exact or approximate figures for workers. Many others had the data for individual suppliers, but not in aggregate form. The six that gave us information (a mix of food and GM brands and suppliers) reported a total of approximately 169,226 workers in their supply base. The average number of workers per supply site for the six companies varied from 70 to 1,036, so it does not make sense to try and extrapolate from these figures. One further point of note was that several member companies, in both agriculture and garment sectors, reported that the majority of workers were women.

To sum up, over 20,000 suppliers were identified as included in the scope of ETI companies' codes, most of whom had been informed that they were expected to comply with the code, and nearly half of whom had been assessed for compliance. To a great extent those informed and assessed were within the higher levels of the value chain, implying that impacts were mainly restricted to workers at those levels. As a result, workers in subcontracted production units, including homeworkers and smallholders, as well as those involved in component production were unlikely to have been substantially affected by the implementation of codes at that time. Code compliance assessment activities by ETI members were also concentrated in certain countries, particularly China and the UK.



# 4 Management approaches to code implementation

## 4.1 The Management Approach Framework

In order to map different ETI company management approaches within the Value Chain to Impact Mapping, we developed a framework during Phase 1 which would allow us to compare and contrast their approaches. There is no one ‘correct’ way to implement a code of labour practice and the corporate members’ annual reports to ETI revealed the diversity of management approaches being used. Moreover, management approaches are dynamic – they evolve over time as companies learn more about their value chains and respond to experiences and pressures. We needed a framework that would capture these two aspects of management

approaches in order to fully understand how companies were implementing their codes and why. We have termed these two dimensions ‘core elements’ and ‘influences’, as set out in Table 4.1 and described in more detail below.

### Where does this model come from?

The management approaches framework was developed by the research team through an iterative process involving:

- systematic analysis of the corporate annual reports to ETI;
- review of the literature on code implementation;

**Table 4.1**  
The Management Approach Framework

Core elements	
<b>WHAT</b> - Code (content & scope)	<b>WHEN</b> - Implementation schedule
<b>WHO</b> - Allocation of responsibility	<b>HOW</b> - Implementation activities (see Fig. 4.2)
Internal Influences	
<ul style="list-style-type: none"> <li>• Type of business</li> <li>• Type of value chains</li> <li>• Company values, champions &amp; staff</li> </ul>	<ul style="list-style-type: none"> <li>• Perceived risks &amp; benefits</li> <li>• Time since code introduced</li> <li>• Ability to strategise, plan, implement &amp; learn</li> </ul>
External Influences	
Inside supply chains	Outside supply chains
<ul style="list-style-type: none"> <li>• Suppliers &amp; their industry associations</li> <li>• Workers &amp; their trade unions</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers/investors/customers</li> <li>• Government</li> <li>• Multi-lateral Institutions (eg. ILO, WTO, etc)</li> <li>• Trade union organisations (international &amp; national)</li> <li>• NGOs (international &amp; national)</li> <li>• Multi-stakeholder initiatives (eg. ETI)</li> </ul>

- discussion with the Impact Assessment Steering Group and other members of ETI and its Secretariat.

### 4.2 Core elements of a management approach

The four core elements of a management approach can be characterised as the ‘what’, ‘who’, ‘when’ and ‘how’ of implementing a code of labour practice.

#### WHAT

The principal element is the **code** itself. The ETI Base Code sets out the minimum requirements for the contents of members’ codes, but each company had its own individual code which often pre-dated membership of ETI. Closely related to the contents of the code is the scope of the code, i.e. which parts of the company’s total supply base are included for implementation of the code. The **scope** also indicates which categories of workers are included (e.g. permanent, temporary, casual, contract, home workers).

**Table 4.2**  
Code implementation activities

#### Communication and learning

- Internal communication with all parts of company
- Communication with suppliers and workers
- Communication/learning activities with external actors and institutions
- Knowledge management (e.g. database development and maintenance)

#### Monitoring compliance

- First and third party assessments
- Worker interviews
- Decision-making on corrective actions
- Verification of assessments
- Follow-up work to check for corrective actions

#### WHO

The second element concerns the **allocation of responsibility** within the company for ethical sourcing. This includes overall responsibility at the senior management level, and day-to-day responsibility for operationalising the code of labour practice.

#### WHEN

Thirdly, a management approach includes an **implementation schedule**, or roll-out plan, which often involves prioritising implementation in certain parts of the supply base based on practicalities and assessment of risk.

#### HOW

Finally, there are a range of **activities** that companies carry out in order to implement their code. These include communicating with actors and institutions inside and outside the supply base, building capacity to achieve compliance with the code, using core business activities to support compliance, and monitoring and reporting on progress. [Table 4.2](#) outlines the main areas and types of activities which companies carry out.

#### Capacity building

- Development of guidelines for assessors and suppliers
- Internal training programmes
- External training programmes with suppliers and workers
- Projects in partnership with local actors and institutions

#### Integration with core business

- Consideration of ethical sourcing in purchasing and pricing decisions
- Code compliance as a contractual obligation
- Delisting for refusal to work towards compliance
- Prior assessment of new suppliers

### 4.3 Influences on a management approach

There are a number of factors which influence the determination and development of a management approach. These can be grouped into 'internal influences' and 'external influences'.

#### Internal influences

- **Type of business** - whether it's a retailer, a global brand or a supplier, how big it is, and what products it sells or supplies.
- **Type of value chains** - their complexity and vertical integration, the stability of the supply base, the leverage held by the company relative to its suppliers, etc.
- **Company values and internal champions** (including shareholder values) and the attitudes and behaviours of **staff** involved in ethical sourcing.
- **Risks and benefits** of having poor/good value chain labour practices, as perceived by company directors and staff.
- **Time** - different strategies and processes for implementing codes may emerge over time.
- **Ability to strategise, plan, implement and learn** - the degree to which time affects the management approach depends on the way that a company reacts and learns from its experiences.

#### External influences

- **Suppliers and workers** in value chains - feedback from these actors can, and should, have an effect on the way the sourcing company implements its code.
- **Industry associations and workers' trade unions** - feedback from suppliers and workers may be mediated by their representatives.
- **Customer and investor/financier** attitudes and behaviours are a key influence on the perceived

risks and benefits outlined above, and thus on management approaches.

- **Regulatory institutions** such as government, the WTO, the ILO and other multi-laterals.
- **International and national NGOs and trade union organisations** influence companies directly and indirectly via customers and investors.
- **Corporate responsibility initiatives** such as ETI.

Using our framework we mapped out ETI member companies' management approaches and selected contrasting approaches for the Phase 2 case studies so that we could identify the linkages between various aspects of management approaches and impacts for workers (and their households and communities). Linkages may be *direct* (i.e. sourcing company's approach has direct impacts for workers) or *indirect* (i.e. sourcing company's approach influences the behaviour of other actors, such as suppliers, which directly influence impacts on workers). When responsibility for implementing a code further down the value chain is handed to direct suppliers, the approach used by the sourcing company may influence the way those suppliers implement the code, i.e. a 'domino effect'. Through exploring the linkages we aimed to tease out the aspects of management approaches that lead to the most positive outcomes for workers in different contexts.

### 4.4 Corporate members' management approaches

This section presents our initial findings on the management approaches used by ETI member companies<sup>15</sup>, focusing on what companies were doing with respect to each of the core elements of a management approach - the what, who, when and how. We then sum up by reflecting on the overall management approaches of member companies, highlighting some specific examples<sup>16</sup>.

<sup>15</sup> Some findings relate to all the 33 companies that were members of the ETI at the beginning of Phase 1 (i.e. August 2003) not including one that did not respond to the company survey. Others relate only to the 25 companies that had been members long enough to report to ETI at the end of 2002.

<sup>16</sup> It should be emphasised that the 2002 Annual Reports to ETI that served as a basis for our findings varied considerably in detail and did not necessarily represent the full picture for each company. Our findings should therefore be interpreted in that light.

### 4.4.1 Member company codes ('what')

#### Code content

The content of member companies' codes varied greatly in terms of coverage and detail. While some had a stand-alone labour code, others incorporated labour standards into a broader set of requirements for product safety, protection of the environment and/or community relations. Though the ETI Base Code sets out what are considered the minimum standards, in reality a number of companies' codes fell short of those specifications. In many cases there were minor non-conformities (i.e. differences in wording or level of detail), but in others there were substantive differences, with either entire clauses omitted or the meaning of clauses altered (e.g. reference to national minimum wages rather than a living wage). Having said that, several of the companies with major differences assessed suppliers using the Base Code as well as their own code.

#### Code scope

We analysed the scope of ETI companies' codes with regard to the products, value chain levels and workers included:

- Products:** In general, multiple retailers, GM retailers and GM brands included only 'own brand' products in their scope, although two companies also included non-own brand products which were produced exclusively for them, and one also included some services. The branded food suppliers generally restricted their scope to one product area (e.g. bananas or tea), although one had recently widened the scope to all products and another included other products but outside its commitment to ETI. In contrast, all non-brand food and GM suppliers included all their products in the scope of their codes.
- Value chain levels:** Table 4.3 reveals the considerable variation among member companies with regard to the value chain levels they said they included in the scope of their codes.

**Table 4.3**  
Value chain levels included in scope of member companies' codes

Value chain levels included in scope	No. ETI companies
All levels, including subcontracted production & components/ raw materials	11
All production and some components/raw materials (e.g. where brand is present or risk of poor conditions is high)	4
All production but no components/ raw materials	6
1st & 2nd levels of production only (i.e. not sub-subcontracted production)	2
1st level of production only (i.e. not subcontracted or 3rd party production)	8

**Source:** 2003 ETI member company survey and 2002 annual reports to ETI.

**Note:** Unclear data for two of the companies that did not respond to company survey.

An important caveat is that companies with a broader scope had not necessarily implemented their codes in a greater proportion of their supply base; equally, many of those with a somewhat restricted scope anticipated extending that scope in the future. The stated scope may have depended simply on whether companies took a practical stance focusing on what they thought they could realistically achieve given the complexity of their value chains, or whether they were more aspirational in their outlook. This was an area that required clarification. The ETI's *Purpose, principles, programme and membership information* document states that, "The scope of application may be certain products made or marketed by the company or the activities of any designated part of

the company. In any event, the code shall always apply to *all work* performed within the scope of application". A founding trade union member of ETI pointed out that this was stipulated on the basis that restricting the scope of a code to certain levels of the value chain (as opposed to certain product lines or areas of operation) would risk poor practices being pushed further down the chain. However, the company survey suggested a degree of miscomprehension regarding this issue, and ETI's enforcement of this principle with member companies might not always have been clear.

- **Workers:** The majority of ETI companies (20 out of 29 who responded) said they included all categories of workers in the scope of their code, though eight stated that homeworkers, smallholders and/or contract workers did not exist in their value chains. One member company included all categories as long as they were registered on the payroll. Six companies excluded homeworkers and/or smallholders from their scope at the time, except as part of the ETI smallholder and homemaker projects, while two included all except contract workers. As with the scoping of value chain levels mentioned above, this issue required some clarification.

#### 4.4.2 | Allocation of responsibility ('who')

In most ETI companies overall responsibility for ethical sourcing was held by a senior manager or director, who was either a Board member or answered directly to the Board. Some of the larger companies had developed special committees for corporate responsibility, staffed by directors and/or managers from different areas.

Day-to-day implementation of codes usually fell within the remit of the quality assurance, quality control and/or product safety department, but a minority of member companies had a separate team of ethical sourcing 'specialists'. However, the distinction between the two was not altogether clear as several technical departments had staff working full-time on labour code issues, and many of the 'stand alone'

teams were simply in larger companies with a more diversified management structure. In a few cases implementation had been outsourced to a third party.

#### 4.4.3 | Implementation schedule ('when')

Unsurprisingly, all ETI companies started out by implementing their codes at higher levels of their value chains, but there was some variation between types of business and sectors:

- for fresh produce (i.e. related to non-branded food suppliers and multiple retailers) the first level of implementation tended to be where the product was packed, which might or might not be on a farm;
- for food brands (producing tea, coffee and bananas) the first level was primary production at the farm level, rather than where packing took place;
- for all GM companies the first level generally related to the factories where products were finished, but not necessarily where they were packed.

Including and beyond the first level of implementation, a **number of criteria were being used to determine the order in which implementation took place**, largely based on practicalities and risk.

- Most member companies prioritised their key suppliers, based on volumes bought, strategic value and/or duration of the supply relationship.
- Many companies combined the above criterion with an assessment of the risk of code violations, often prioritising certain countries that were seen as high risk.
- One member company specifically mentioned the risk of NGO or media attention as a decision-making factor in their implementation schedule.
- Three companies directed their assessments to activities or regions where they judged labour practices to be poorest, regardless of volumes purchased.

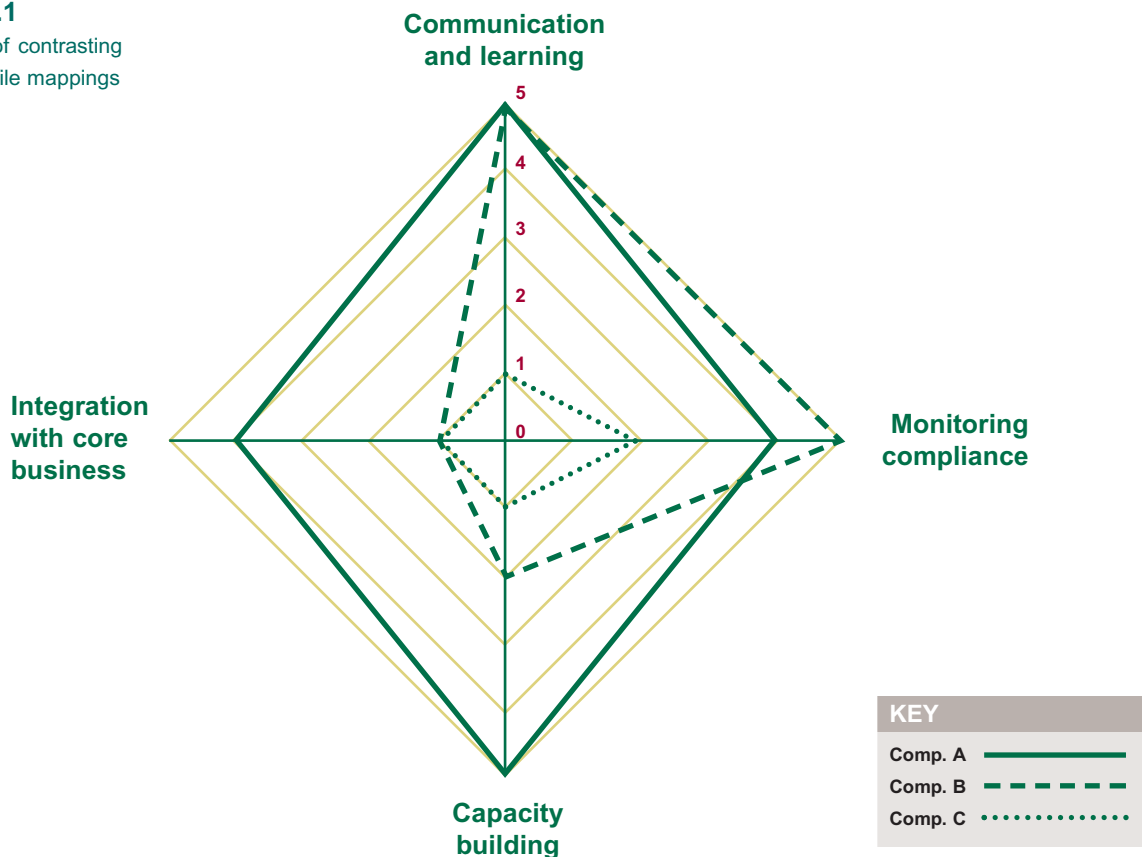
- Those companies that had some owned production usually prioritised those units for implementation.
- Direct suppliers tended to be targeted before indirect suppliers.

Ten member companies (nine retailers and one supplier) said they passed responsibility to their direct suppliers or primary producers for implementation further down the value chain. However, there was a considerable degree of variation between companies regarding the support they gave these suppliers/producers to do so, with some simply telling them it should be done, and others providing substantial and ongoing support.

#### 4.4.4 Implementation activities ('how')

Taking all ETI companies together, the **greatest amount of activity was in the area of 'monitoring compliance', followed by 'communication and learning', then 'capacity building', and finally 'integration with core business'**<sup>17</sup>. However, there was a remarkable degree of variance between companies, both with respect to how much activity was going on overall, and where the focus of activity lay. In order to draw out these differences, each member company was assigned a 'score' for the relative quantity and quality of their implementation activities compared to other companies in the four areas identified in Section 4.2. An 'activity profile' for each company was then mapped on a four-axis chart, as shown in Figure 4. 1.

**Figure 4.1**  
Examples of contrasting activity profile mappings



**Explanatory Note:** Company A in this figure can be seen to undertake a high degree of activity in all areas, and Company C relatively low levels of activity in all areas, whereas Company B focuses on communication, learning and monitoring compliance, but does less in the areas of capacity building and integration with core business. Using the categories described below, companies A, B and C would fall in Groups 1,3 and 5/6 respectively (see Table 4.4).

<sup>17</sup> This was confirmed by companies' self-assessments (in the company survey), with 18 of 29 saying they committed most resources and energy to monitoring compliance, and a further nine putting it equal first or second. 21 companies ranked communication and learning either first or second, or equal first/second, while capacity building and integration with core business were more often ranked third or fourth.

Using these visual representations, we were able to group member companies with similar profiles and identify a finite number of categories of contrasting profiles. These categories are described in Table 4.4, which also gives the number of companies falling in each area. Again it should be emphasized that the activity profiles are based on information included in the 2002 corporate annual reports which did not necessarily provide an exhaustive account of companies' activities. In addition, not all companies fell neatly into one particular group. As such the profiles should not be interpreted as conclusive; we regarded this as an acceptable means to select contrasting companies for the Phase 2 case studies, but not necessarily as a means for judging company performance.

Broadly speaking there was a cross-section of ETI companies in each of the groups, which indicates that there were **no clear links between the type of business and the activity profile**. There was however somewhat of a **positive correlation**

**between levels of activity and duration of involvement** with codes of labour practice, particularly in relation to membership of ETI - older members tended to belong to Groups 1 - 3, whereas later joiners tend to belong to Groups 4 - 6 - but there were a number of exceptions.

In their responses to the survey, **many member companies recognised the importance of supplementing compliance monitoring with other activities**, with one specifically saying that all four areas of activity were equally important. While monitoring was seen as useful for identifying and raising awareness of the issues, some members commented that it took a lot of resources and did not necessarily lead to sustainable change. In the words of one respondent, "...identifying the issues is fairly easy, resolving them is hard". Capacity building activities, including the development of guidelines for the implementation of codes and specially designed local projects, were highlighted by many companies as a key area for future work, with 10 companies indicating that they were either doing or planned to do

**Table 4.4**  
Activity profiles of ETI  
member companies

Category	Description	Companies
<b>Group 1:</b> Highly active all-rounder	<ul style="list-style-type: none"> <li>Above average level of activity in all 4 areas.</li> </ul>	6
<b>Group 2:</b> Highly active but little integration	<ul style="list-style-type: none"> <li>Above average level of activity in all areas except integration with core business</li> </ul>	3
<b>Group 3:</b> Communicator and monitor	<ul style="list-style-type: none"> <li>Focused on communication and monitoring activities, with high/moderate activity in both areas</li> </ul>	7
<b>Group 4:</b> Moderately active all-rounder	<ul style="list-style-type: none"> <li>Moderate levels of activity in all areas</li> </ul>	3
<b>Group 5:</b> Low activity	<ul style="list-style-type: none"> <li>Below average levels of activity in all areas, and joined ETI before 2000</li> </ul>	2
<b>Group 6:</b> Newcomer	<ul style="list-style-type: none"> <li>Below average levels of activity in all areas, but joined ETI in or after 2000</li> </ul>	4

Source: Analysis of corporate annual reports to ETI 2002.

more capacity building than previously. However, one member company pointed out that it was resource heavy and another reflected that local projects were not always successful. The other area which companies were beginning to direct more attention to was integration with core business, with one respondent saying this was the “missing link” in ETI. However, not all saw complete integration as feasible in the “current business climate”. Communicating the business case for good labour practices was nevertheless identified as an important part of code implementation.

#### 4.4.5 Overall management approaches

When the data for all four elements of a management approach were combined, we found no clear patterns emerging. This was perhaps to be expected given the number of factors which influenced the approach

taken. We could therefore only classify ETI companies according to the activity profile groupings described above. In [Box 4](#) we outline a few contrasting overall approaches to give a picture of the broad range that existed.

It should be noted that in Phase 1 we only examined the management approaches from the perspective of the ETI companies. In the second phase of the impact assessment we explored how the management approaches were received from the perspective of suppliers and their workers - see [Part 1](#) of the overall report for the main findings and recommendations from Phase 2.

#### Box 4: Examples of ETI companies' management approaches

One multiple retailer worked closely with its top suppliers to implement their code throughout their supply base, including components and raw materials, in a phased approach. It did this through the formation of supplier learning groups in major sourcing countries, and the provision of implementation guidelines and training for suppliers and managers, as well as ongoing communication with local NGOs, trade union organisations and labour offices.

In a similar vein, a food brand had provided ongoing support to its direct suppliers over many years, working with them to find appropriate solutions to code violations. Suppliers who made continuous improvement were given the additional incentive of being placed on a 'Preferred Supplier' list, as such establishing a direct link between purchasing decisions and labour practices. The same company encouraged worker participation through gender-balanced health and safety or housing committees and dialogue with union representatives.

Another food brand used two independent certification schemes for monitoring compliance with its code of conduct (including standards for

environmental practice and food safety), prioritising progress on its owned farms followed by outsourced production. Suppliers were given a financial incentive to pursue certification. In addition, the company signed a 'framework agreement' with sourcing country trade union organisations and the International Union of Foodworkers (IUF), and had a worker education programme covering the principles and contents of the company code.

For one GM brand the focus was on high volume/value suppliers, taking an issue-based approach. A comprehensive review of a particular sourcing country identified key problem areas, and code implementation was then tailored to address those specific issues. The company undertook a number of projects in partnership with local industry, NGOs, UN agencies and other sourcing companies, to build capacity or address the root causes of non-compliances directly (e.g. tackling child labour through awareness raising, income generation projects, and provision of quality schooling).



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# a Appendix 1

## The five levels of the “Value Chain to Impact Mapping” model

### Box 5: The five levels of a “Value Chain to Impact Mapping” (VC-IM)

#### LEVEL 1: Mapping ETI members

Mapped ETI and its member organisations in relation to implementation of the ETI Base Code. Included assessing the perspectives of different members, points of agreement and difference between (and within) groups, and how groups influenced each other.

#### LEVEL 2: Mapping ETI member company management approaches

Map the procedures and operations through which member companies operationalise the Base Code within their own organisations and transmit it to suppliers, using a Management Approach Framework designed for this purpose. Includes mapping the scale of code implementation to date.

#### LEVEL 3: Mapping mediation of the Base Code by suppliers

Assessed the response of different suppliers to ETI company management approaches, in terms of operationalisation of the code in relation to workers. Also included assessing the role of related local organisations such as government, trade associations, trade unions and NGOs in this process.

#### LEVEL 4: Assessing impact on labour practices and working conditions

The immediate point of impact was the effect of the Base Code on labour practices and working conditions. This included impacts related to specific provisions of the Base Code and impacts at a broader level, such as compliance with national law and formalisation of employment relations. Also involved assessment of the effects of different management approaches on impacts on workers. Worker participation was essential for assessing whether impacts had been positive or negative, and how improvements could be made, making sure all categories of workers were included. Also important was cross-checking information through interviews with trade union representatives (both at workplace and local or national levels) and other relevant bodies.

#### LEVEL 5: Assessing poverty impacts

The final level of the impact assessment related to the implications of the Base Code for the poverty and well-being of workers and their households. This started to be picked up in worker interviews, but needed to be followed up by in-depth interviews with individual workers and other members of their households. These were supplemented by interviews with local government officials, NGOs, trade unions, community associations and related organisations to assess the wider social impacts.

**Note:** for further information on the Value Chain to Impact Mapping model, please see [Part 4](#) of the overall report ([Part 4: Research Methodology](#)).

# a Appendix 2

## Distribution of ETI companies between retailer, brand and supplier groups

	Food	GM	Multiple
Retailers		Boots Debenhams Retail Monsoon Mothercare New Look NEXT The Body Shop International WH Smith	ASDA CWS/The Co-op J. Sainsbury Marks & Spencer Safeway Stores Somerset Stores Tesco
Brands	Chiquita International Brands Fyffes Premier Foods Ringtons Tea Sourcing Partnership	BBC Worldwide Levi Strauss Pentland Group	
Suppliers	Arbor International M & W Mack World Flowers Ltd	Desmonds & Sons Dewhirst Group Lambert Howarth Global Madison Hosiery Peter Black Footwear & Accessories Quantum	

**Explanatory Note:** As indicated in the main text, we were aware that not all ETI member companies fell neatly into one of these boxes. Some GM retailers also sell a limited amount of food (e.g. Boots). Some brands have retail outlets, such as Levi Strauss and BBC Worldwide. Brands could also be classed as suppliers, especially the food brands. Furthermore, there could be a fourth category, producers, as several ETI companies also owned some of the production units from which they sourced goods.

For the purposes of the ETI Impact Assessment, companies were grouped in the above categories through reviewing their activities and discussing unclear cases within the research team. This was deemed sufficient as the categorisation did not have major ramifications for the study, and could be adjusted if required.

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