

# Briefing Paper No. 4: Comparative Livelihoods Impact of Codes of Practice in the Kenyan Cut Flower and South African Wine Industries.

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## Introduction

This paper presents the results of a comparative study of the social impact of codes of practice in the South African wine industry and the Kenyan cut flower industry. The study aimed to provide systematic evidence of whether such codes can make a difference to the livelihoods of workers, in order to inform policy-makers as to the 'development case' for codes.

Changes in different dimensions of livelihoods were tracked over a three year period (2002-2005), to establish whether codes of practice had played a part in improvements. The study also investigated the perspectives of the company managers and explored the wider impacts for worker households, local communities and secondary stakeholders.

The two industries selected for the study represent different stages in the process of code introduction:



**In Kenya**, half of the 150 cut flower export farms have signed up to one or more codes in a period of 10 years since their first introduction. The codes include overseas buyer codes such as the Flower Label Programme, Milieu Project Sierteelt, and Max Havelaar; and codes developed in Kenya - the Kenya Flower Council and the Fresh Produce Exporters Association of Kenya.

**In South Africa**, where there are more than 4,500 wine producing farms, six farms were part of the first Ethical Trade Initiative pilot which began in 1998. In 2002, an additional farm was certified under the Council for Economic Priorities' SA8000 labour code. The Wine and Agricultural Ethical Trade Association (WIETA) was established in 2002 and now has a total membership of 130, of which 62 are wine producers.

## Workers priorities and code development

To date, workers' influence on corporate responsibility and code development has been marginal.

**The approach of this study was to ensure that the analysis started from worker perspectives, by investigating the priorities of different categories of workers at code adopting and non-adopting companies in the two industries.**

In both country cases there were areas of convergence between workers' priorities and the code provisions, but also key areas of difference.

**In Kenya**, workers' priorities covered by the code concerned housing provision and allowances, medical services, employment security, equal employment opportunities and leave entitlements. Those not covered concerned savings and investment for the future and child care provision at the work place.

**In South Africa**, all groups of workers prioritised higher wages, reflected in the code provision for 'right to a living wage'. Job security and housing provision ranked highly. Housing was not initially covered by the codes, but the WIETA code now addresses worker housing and tenure security. Priorities not in the code were health care, children's education, training opportunities, information on company performance and consultation in decision making. Priorities varied according to category of worker; job security was ranked more highly by casual workers.

## Livelihood impacts on workers

The conditions of workers at code adopting companies were compared to those at non-adopting companies according to three dimensions of impact on workers' livelihoods - material wealth (including financial and physical capital), social well-being and empowerment.

## Material impacts

Comparisons of the material conditions of workers in the **South African Wine industry** showed that both permanent and casual workers at code adopting companies scored better on material wealth indicators than their counterparts at non adopting companies. The gap in wage levels between adopting and non adopting farms increased over the study period for both permanent and casual workers. Housing quality of permanent workers was better in code adopting farms, but there was no clear trend for casual workers.

**In Kenya**, workers at adopting companies had higher pay and rent allowances and somewhat better housing than their counterparts at non adopting companies. However, wage level differences between code adopting and non adopting farms were less pronounced than in South Africa, because of negotiated agreements and national legislation which tended to equalise rates across companies. There was also similar ownership of durables and levels of debt, although workers on adopting farms had a slightly higher ability to invest and save.

An analysis of **gender and material wealth** was possible in South Africa where the study data was disaggregated by gender. Among permanent workers at code adopting and non-adopting companies, men

were better off than women. They earned considerably more and had more durable possessions. Over the study period, cash wages increased significantly for men, but not at all for women. In contrast, casual male workers at non-adopting farms scored *lower* than their female counterparts in terms of wages, but were similar for other indicators of material wealth.

In **Kenya**, a higher proportion of workers at adopting companies were male and permanently employed, compared with workers at non-adopting companies, more of whom were female and seasonally employed.

**Workers at code adopting companies are, on average, materially better off than their counterparts at non-adopting companies. Permanent workers were better off than casuals and among permanent workers, men were better off than women. Male and female casual workers had similar levels of material wealth.**

### Social Impacts

On a number of **social wellbeing** indicators, workers at code adopting companies in both countries tended to score better than those at non-adopting companies.

In **South Africa**, permanent and casual workers at adopting companies had better access to day-care facilities and subsidies for children's education. Permanent workers at adopting companies received higher health-care subsidies. However, provisions in these areas declined or became more variable.

Access to HIV/AIDS education increased at both types of company and for all workers. Permanent workers at code-adopters had greater access to protective clothing, but provision at non-code adopters rose more rapidly. Payment in alcohol declined to very low levels over the study period at both types of company.

With respect to **gender and social well being**, conditions were similar at adopting and non-adopting companies. Permanent women workers were better off than permanent male workers on several social indicators (incidence of verbal abuse by the employer, subsidised children's education and medical care). No evidence of child labour was found at any study farms.

In **Kenya**, more workers at code adopting companies had access to medical care for themselves and their families compared to non-adopting companies. On a range of occupational health and safety indicators, workers at code adopting companies were in a better position. Provisions not covered by the codes - day care facilities, education subsidies and recreational facilities, were more available at adopting companies.

Workers at code adopting companies were less likely to work beyond normal working hours and more likely to receive cash or in-kind compensation for overtime worked and to receive hard work bonuses. They had a greater range of paid leave entitlements. However,

non-adopters were more observant of allowing paid weekly rest and were similarly entitled to unpaid leave. Workers at code adopters were more likely to be members of social welfare associations.

No physical and verbal abuse was reported by the Kenyan workers (although it is possible that the survey did not pick up such sensitive issues adequately, or that the companies participating in the study were already more progressive in this regard). No child labour was reported at either type of farm.

**The findings suggest that overall, the Kenyan and South African code adopting companies provide their workers with better social conditions than the non-adopting companies, both in relation to code provisions and other social provisions not included in the codes.**

### Impacts on Empowerment

In terms of **empowerment**, workers in **Kenya** at code adopting companies reported greater job and tenure security. More workers were employed on permanent contracts at code adopting companies and more had written contracts. Few workers (not exceeding 20%) at either type of company were members of the trade union (TU), the Kenyan Plantation and Agricultural Workers Union. Trade union membership increased over the study period on adopting farms, but not on non-adopting farms. There was low worker awareness of codes in both adopting and non-adopting farms.

In **South Africa**, more workers (permanent and casual) at code adopting companies had written contracts. Permanent workers had greater job and tenure security and a higher percentage of the workforce was part of an empowerment scheme. Few workers at either type of company were members of trade unions. TU membership for permanent workers was *higher* at non-adopting companies while levels for casual workers were low at both types of company. Awareness of codes was very low amongst all workers, although slightly higher at adopting companies.

With respect to **gender and empowerment** in South Africa, similar percentages of permanent men and women workers held a written employment contract, although over time the figure for women slightly decreased. Among casual workers at adopting companies, more men than women had written contracts. More women than men felt that their employer might retrench them if their partner lost her/his job. More men than women were members of an empowerment scheme, but levels were extremely low for both. More men were members of trade unions at the outset of the study, but the rate of increase was more rapid for women.

**Workers in code adopting companies scored better on some empowerment indicators than their counterparts in non-adopting companies. Permanent workers have benefited more than casuals.**

### Overall assessment of impacts on workers

In **South Africa**, worker livelihoods appear to be strongest among permanent male workers at code adopting companies followed by permanent female workers. The least well-off were casual workers at non adopting companies. There is a significant and growing gap between casual and permanent workers. The code status of the company and job status of workers (permanent or casual) are the most important variables determining the position of workers. In the **Kenya** cut flower industry, workers' livelihoods on adopting farms generally appear better than that of workers in non-adopting farms.

**In both cases, improvement in conditions of workers cannot be attributed to codes alone.**

### **Wider Impacts**

#### On workers' households

Interviews with South African worker household members found that opportunities, socio-economic position and vulnerability depend more on personal circumstances and employment status rather than on code impact. Many said their lives had changed for the better since 1994, and that labour laws and the vote had given them real rights and restored their dignity. They attributed improvements in health and education to the new government and the end of apartheid. Codes of practice were not mentioned in relation to these changes. Apart from wages, the areas of change cited also tended to be outside the remit of the codes.

#### Community level

Community level impact of codes is difficult to assess. However, in **South Africa**, codes have helped to define a change agenda in the three regions covered by this project. Codes have been discussed by regional bodies and have been influential by demonstrating that social responsibility and commercial success are not mutually exclusive. Codes have provided a clear, simple benchmark for improvement in workers conditions and therefore may have had a wider effect by helping to spread minimum standards.

In **Kenya**, key issues that merit further exploration include the environmental impact of cut flower farming on local communities and globally (food miles), the social impact of the growth of settlements of migrant workers in adjacent areas and the multiplier economic effects locally.

#### Business impacts

In **South Africa**, managers of adopting farms reported that codes had strengthened capacity amongst worker representatives and had improved their relationships with management. Some said that codes had improved access to export markets and encouraged the introduction of management information systems.

In **Kenya**, managers reported that codes had encouraged interaction with workers and helped to bring about improvements in salaries and general working conditions. In both cases, managers

mentioned increased health and safety awareness and provision.

Among the negative comments on codes were;

- **No market advantage.** None of the **South African** code adopting farm managers thought that adoption had given them a competitive advantage in the market. Managers of non adopting companies in **Kenya** saw no benefit from code adoption because their markets do not require it. Many are foreign owned and can by pass-code membership by exporting through home based sister companies. Codes were seen by some as aimed at regulating accessibility to external markets, to the detriment of African businesses.
- **Cost of implementation.** Company managers in Kenya said that code implementation had increased (or would increase) the cost of production, especially if they adopted more than one code, making their flowers less competitive.
- **Cumbersome process to implement.** Non adopting managers cited the requirement to keep documentation and records, the use of specialised personnel and audits.
- **Codes too worker-oriented.** Some non adopting managers held the view that the codes were forgetting the investors' objectives.

### Multi stakeholder initiatives

A positive outcome of the Ethical Trading Initiative pilot in **South Africa** was the emergence of the Wine and Agricultural Ethical Trade Association (WIETA) as a multi-stakeholder initiative. Expansion in WIETA membership brings greater potential for scaling up the impact of the adoption of codes of practice. However, if managers feel coerced in adoption because of pressure from retailers, the thoroughness of uptake may be compromised, for example by reducing some worker entitlements to compensate for the costs of improvement to achieve code compliance.

The Horticultural Ethical Business Initiative in **Kenya** is still developing and is fairly reliant on donor support for its existence. HEBI has advanced the introduction of more participatory social audits. However, currently, the trade unions are not participating which weakens its credibility in terms of worker empowerment.

Multi-stakeholder processes face the challenge of operating within value chains characterised by inequitable retailer/supplier relationships which give limited voice to workers. The risk is that retailers may unduly influence processes that aim to tackle labour conditions, by setting narrow boundaries, excluding consideration of their own practices, and limiting the possible mechanisms for change.

### **Conclusions**

**The study has demonstrated an association between code adopting companies and better worker conditions and livelihoods in both industries.** However, it also identified some indicators where differences were not found. It is important to be cautious in attributing these positive differences to the impact of codes.

In **South Africa**, codes of practice have been one force for change in a rapidly changing context of new legislation, de-regulation and market access following the end of apartheid. In the wine industry, improvements in worker livelihoods predated the adoption of codes and are the result of a pre-existing social responsibility ethos; the code of practice ensuring access to markets rather than driving change.

In **Kenya** too, factors other than codes influence workers' conditions. While some improvements were driven by the codes, others related more to workers' needs, company policy or owners' disposition, or were already part of national legislation. Hence, some non-adopting farms had better worker welfare policies than some adopting farms. Better conditions for workers at code adopting companies were also associated with a higher proportion of the workforce in permanent jobs.

Evidence from both countries shows trends toward casualisation of the workforce and labour arrangements that operate outside the reach of codes of practice. It is unlikely that codes could be extended to casual workers on a scale significant enough to address these growing distinctions. These wider trends in labour relations create a more serious climate of risk and livelihood insecurity than that associated simply with employment rights and employers provisions.

In South Africa, trade unions are not currently able to represent adequately the unorganised seasonal labour force and in the Kenyan cut flower industry the only trade union (KPAWU) in line with the counterpart employers' union, will not engage on behalf of workers while civil society organisations are actively involved in the promotion of workers' rights.

## Recommendations

Multiple initiatives are needed to address the issues identified by this research and to improve the livelihood conditions of workers in the two industries studied. The main suggestions for code bodies, retailers, donors, NGOs, TUs and developing country governments are in the following areas;

- **Organisation of casual workers.** NGOs, trade unions, donors, developing country governments should facilitate and support the empowerment and organisation of casual workers who currently lie beyond the reach of codes of practice.
- **Training for managers/owners of supplier companies:** Suppliers' attitudes are fundamental in accounting for relative impacts following code adoption. Support for improved training of suppliers is recommended, while code bodies should encourage industry-wide exchange of suppliers' experience with code implementation.
- **Worker awareness.** Further efforts are needed to improve worker awareness of codes of practice and labour rights, ensuring that these are communicated in the workplace and integrated into day-to-day company management practice. Pilot projects are needed to build worker awareness of the implementation and monitoring of codes and labour laws, learning from experience elsewhere.
- **Workers priorities.** Codes need to be sufficiently flexible across international boundaries to accommodate the priorities of workers. Code bodies, donors, and civil society should ensure that the priorities and knowledge of workers feed into the code formulation process and into the monitoring of compliance.
- **Monitoring and evaluation:** Worker representatives should be active in monitoring and impact assessment, via the continued evolution of participatory social auditing. Advocacy for acceptance of the latter over and above traditional corporate social auditing is also important.
- **Initiatives to develop dialogue:** Funding to develop dialogue between workers and suppliers, buyers and retailers along the supply chain could help workers increase their voice and influence.
- **Multi-stakeholder bodies.** NGO, trade unions and donors should support training for workers and worker representatives to facilitate participation in bodies such as WIETA and HEBI that aim to improve worker conditions and to develop locally appropriate auditing and monitoring mechanisms.
- **Retailer purchasing practices:** These undermine suppliers' efforts to improving worker conditions and are a disincentive to code adoption. Buyers require suppliers to pay a living wage, but do not negotiate on prices and contracts which influence working conditions and terms of employment. Donors, suppliers and civil society should lobby for retailers to be consistent in their requirements for suppliers to implement codes, share certification and auditing costs and support the development of local code bodies and multi-stakeholder initiatives.
- **Training for buyers:** NGOs, researchers and donors could provide financial and technical support to retailers in piloting different approaches and developing concise private sector-targeted training materials and courses for buyers.
- **Research:** Further independent investigation of the impact of codes and the piloting of other approaches should be supported. It should examine how the governance of the value chain affects the achievement of code objectives and whether codes of practice are deflecting pressure away from retailers for more transformational change in worker livelihoods and empowerment.
- **Development of alternative approaches.** There is need to mainstream alternative and more transformational strategies and approaches to engaging the rural poor in local agricultural and economic development, such as equity schemes and fair trade. Broader consideration of the developmental impact of the export trade must be included, in terms of economic and social sustainability, global environmental impact and climate change.