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**ORGANISED LABOUR AND THE SOCIAL REGULATION  
OF GLOBAL VALUE CHAINS**

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## Abstract

Since the 1980s, various processes of economic globalisation have eroded established foundations of organised labour. The increased mobility of goods and capital, compared to labour's relative immobility, has made it more difficult for labour to advance its objectives through traditional local industrial action or tripartite social contracts. In this paper, we are concerned with the social regulation of global value chains (GVCs) and more specifically the room for manoeuvre that organised labour has for advancing social regulation in different GVCs via Private Social Standards and/ or International Framework Agreements. We argue, that the governance structure (and restructuring) of GVCs frame key elements of the terrain that enables and constrains labour's strategic opportunities for advancing the social regulation of GVCs.

Empirically, the paper is based on detailed case studies of the banana and cut flower value chains. Based on the cases we argue, first of all, that a high level of drivenness constitutes a precondition for social regulation along a GVC strand to take place. Secondly, the functional position of the drivers (e.g. producer- and buyer-driven contexts) determines the particular terrains on which contests for the social regulation of GVCs take place and creates different leverage points that may be activated to achieve social regulation. Thirdly, it is historically and locally specific levels of workplace organisation and trade union resources that determine how labour in practice exercises its agency towards social regulation. The reorganisation of GVCs, while seriously constraining some of the more traditional trade union strategies, nevertheless opens new opportunities and new leverage points that can be strategically exploited by labour. The social standard mechanisms reviewed in this paper illustrate some of the new instruments that in addition to other labour strategies constitute potential fruitful avenues in particular GVC terrains.

# I. Introduction

Since the 1980s, various processes of economic globalisation have eroded established foundations of organised labour. Deregulations of markets, lowering of trade barriers and liberalisation of finance have put workers in different countries in unprecedented direct competition with each other. Multinational enterprises (MNEs) were central in the emergence of this global political economy, restructuring and integrating nationally-based production systems into global and regional value chains and in coordinating and controlling these chains (Dicken 2007; Held & McGrew 2000; Gereffi & Korzeniewicz 1994). The increased mobility of goods and capital, compared to labour's relative immobility and nationally based solidarities, has made it more difficult for labour to advance its objectives through traditional local industrial action or tripartite social contracts. Capital is no longer as bound by the traditional social compromise and in many countries the power of the state to defend social rights has declined (Ghadge 2000; Munck 2000; Gallin 1999; Moody 2001; Fleming & Søborg 2007).

Both from an analytic as well as a strategic perspective these developments challenge established industrial or sectoral approaches to social regulation as well as labour and industrial relations. Shifts in global production over the last decades have underlined the role of different types of global value chains (GVCs) that structure the organisational and spatial links between the spheres of production, retail, and consumption. GVCs operate under different forms of governance and exhibit different dynamics over time which crucially structure the terrain for labour to build international networks, strategies and campaigns. Even within particular sectors, or with regard to a single product, there are different forms of coordination between firms and different types of powerful and influential lead-firms which govern GVCs in diverse ways. A look at the banana and flower value chains, for instance, reveals that both are composed of two more or less independent strands, one that is driven by large retailers, while the other is structured around auctions or wholesale markets (Riisgaard 2005; 2007).

In this paper, we are concerned with the social regulation of GVCs and more specifically the room for manoeuvre that organised labour (trade unions at different levels)<sup>1</sup> has for advancing social regulation in different GVCs. We argue, that the governance structure (and restructuring) of GVCs frame key elements of the terrain that enables and constrains labour's strategic op-

<sup>1</sup> We do not mean to underestimate the value of approaching labour more broadly as a class actor. However in this paper we focus on organised labour since this is where most deliberate action has occurred in relation to the social regulation of GVCs.

portunities for exercising its agency towards socially regulating GVCs. Consequently, analysis of different value chain governance structures and the role of labour in the social regulation of specific GVCs can yield strategic insights for labour. Based on case studies of the cut flower and banana value chains, we widen the use of GVC analysis and theoretically explore its value in investigating the scope for different labour rights strategies and social regulation mechanisms. The detailed case studies of the banana and cut flower industries allow a comparison of how the spheres of production and consumption are linked through different GVC governance structures and how these structures relate to the different social regulation mechanisms and labour strategies that have dominated the two industries.

The increase in number and influence of MNEs and the restructuring of production has led to debates within the labour movement and re-evaluations of its international strategies. The 1960s and the 1970s brought important developments around World Works Councils and internationally coordinated bargaining strategies within MNEs, particularly in the automobile industry (Gumbrell-McCormick 2000; Gallin 2006). These strategies of 'intrafirm' international organising however met with increasing difficulties as MNE outsourcing took pace. From the 1970s to the 1990s several attempts were made, unsuccessfully, to link labour standards with trade regulation within the GATT (General Agreement on Tariffs and Trade) and later the WTO (World Trade Organisation). Although at the regional level this strategy has yielded some results, particularly within the European Union, in general labour attempts to socially regulate international production and trade have had limited success. Since the 1980s, there has been a marked worldwide decline in union density and bargaining power. Thus, a need has arisen for labour to look beyond the state and international trade regulation for complementary strategies to defend labour rights.

Restructuring of production, nevertheless, has also brought new possibilities for labour. Since the 1990s, labour has increasingly attempted the social regulation of MNEs and GVCs via Private Social Standard (PSS) initiatives and International Framework Agreements (IFAs). In this paper, PSSs are defined as voluntary regulation being promoted along value chains in an attempt to improve company performance related to labour standards<sup>2</sup> such as workers rights, discrimination and child labour. IFAs are agreements on minimum labour standards negotiated between Global Union Federations and MNEs. The IFAs include, as a minimum, freedom of association and the right to collective bargaining and provide unions with formalised access to the corporate level of

<sup>2</sup> The focus is thus on employment related issues to the exclusion of broader societal concerns, such as community development.



the enterprise.<sup>3</sup> It is these new forms of social regulation and their connections to different GVC governance structures that we are concerned with in this paper.

When examining the literature, the social regulation of GVCs has been approached mainly in two ways. First, a literature has recently emerged that uses the GVC framework to analyse how value chain restructuring has consequences for working conditions at the point of production (Barrientos 2003; Bair & Gereffi 2001). Some authors have studied the effect on workers of PSSs applied in the African export horticulture sector (Barrientos et al. 2003; Barrientos & Smith 2007; Tallontire et al. 2005). Bair & Ramsay (2003), on the other hand, examine MNEs' operations as well as the dynamics of global value chains as a starting point for considering the strategic implications for organised labour. While such analyses have yielded useful insights they do not consider organised labour with the exception of Bair & Ramsay (2003). This latter study, while deducting implications for labour from MNEs and global value chains, does not take into account the ways in which labour actively seeks to advance social regulation through various means such as PSSs, IFAs, international cooperation and community organising.<sup>4</sup> Second, another body of literature has been concerned with analysing PSSs and IFAs from the perspective of labour (e.g. Wills 2001; Riisgaard 2005; Justice 2002). While acknowledging labour as an actor, these studies however do not use concepts developed within global value chain analysis. Thus, they fail to adequately and systematically take into account how different GVC terrains shape the way that labour can exercise its agency.

In this paper, we take some initial steps towards developing a framework for analysing the implications for labour agency of different value chain governance structures, while highlighting labour's role in shaping the social regulation of GVCs. 'Implications for labour' in this paper refers particularly to the possibilities labour has for socially regulating GVCs. 'Social regulation' refers to private tools that seek to regulate company performance related to labour standards (such as no discrimination and the right to organise) along value chains. By exploring social regulation through IFAs and PSSs, we by no means wish to neglect other forms of labour agency such as

<sup>3</sup> Recognition at corporate level, potentially making it possible to override union hostile local management, is one of the important features that differentiate IFAs fundamentally from other voluntary initiatives. Additionally IFAs provide unions with a place in monitoring agreement-compliance on the ground. IFAs constitute a rapidly growing phenomenon. They doubled in number from 11 in early 2001 to 22 in mid 2002 and at the time of writing at least 62 such agreements have been signed (see Hammer 2008).

<sup>4</sup> For an analysis of labour agency in relation to private social standards at production level see Riisgaard (2007).

more traditional forms of local/national organising or recent strategies such as community organising or strategic targeting of cross sector logistics hubs (Herod 2001b; Wills 2001).

Section 2 of this paper provides a critical overview and analysis of relevant approaches to global value chains while teasing out analytical concepts of particular relevance to the social regulation of labour. In section 3, we discuss PSSs and IFAs as different tools for socially regulating GVCs and their different relations to labour. In section 4, cut flower and banana value chains are analysed as illustrating relations between labour, IFAs/ PSSs and different GVC governance features followed by a discussion of the cases in section 5 and a conclusion in section 6.

## 2. Global value chains and labour

In the following we discuss relevant approaches to global value chains in more detail and then turn to the concept of governance developed within Global Commodity Chain (GCC) and later GVC literature to tease out a framework suitable for analysing strategic options for labour in terms of the social regulation of different GVCs. From now on we use the term GVC to encompass GCC analysis from 1994 onwards (see Bair 2005 for a critical account of the evolution and different strands of GCC/GVC approaches).

Researchers employing a GVC approach have examined the circumstances necessary to ensure that participation in global value chains contributes to the development of poorer nations (Kopiki 2000). These discussions focus on the possibility of global redistribution of benefits through different upgrading strategies (Gibbon 2003; Kaplinsky 2000). However, what is typically absent from such analyses is a breakdown of consequences and potential benefits for actors other than producers. While a distinction is often made between different types of producers, little distinction is made between producers and the workers they employ. This underlines, first that GVC approaches focus on company operations and inter-firm relations and second that this analysis has traditionally downplayed the quality of labour as a social actor as opposed to a productive asset (Smith et al. 2002; Barrientos et al. 2003; Hale & Opondo 2005; Riisgaard 2007; Coe et al. 2007).<sup>5</sup>

<sup>5</sup> While incorporating non-firm actors such as labour in their theoretical framework, the Global Production Network literature has yet to illustrate this incorporation in practice (Coe et al. 2007).

Recently, efforts have been undertaken to combine GCC/GVC approaches with attempts to analyze consequences for work and for workers. Bair & Gereffi (2001) attempt to assess the diverse consequences of restructuring in the global apparel industry for workers in an industrial cluster in Mexico, while Knorringa & Pegler (2006) study whether inclusion of developing country suppliers in global value chains and upgrading by these suppliers can lead to improvements in labour conditions. Barrientos (2003) uses the GVC framework to explore how organizational restructuring by global firms has important consequences for work, workers and labour institutions by encouraging flexibilization and feminization of work at the production end of global value chains. The effect on workers seems most visible in research that links GVC analysis with the growing movement for corporate social responsibility (CSR). This is particularly apparent in the studies conducted by Barrientos, Dolan and Tallontire where they explore the gender sensitivity of the PSSs applied in the African export horticulture sector from an analytical perspective that combines global value chain and gendered economy approaches (Barrientos et al. 2003; Hale & Opondo 2005; Tallontire et al. 2005; Barrientos & Smith 2007).

The mentioned studies attempt to go beyond viewing the role of work and workers as a productive asset only and thereby add valuable insights to understanding the social consequences for labour of global production systems as well as broadening the scope of GVC analysis. The focus, nonetheless, has been on *the effect on workers thereby neglecting labour as an actor with agency – and as a collective actor*. In this paper we want to analyse how modes of GVC governance shape the room for manoeuvre that labour has for advancing social regulation in different GVCs and therefore we need to a priori accept labour agency – something that has not traditionally been the case within GVC literature (Riisgaard 2007; Coe et al. 2007).

One exception is an innovative study by Bair and Ramsay (2003), which attempts to employ a GVC approach to address implications for labour strategies (including trade unions) of different

value chain compositions.<sup>6</sup> The analytical framework constructed by Bair and Ramsay is an advanced (and to date the only) attempt to systematically link labour (as a collective actor) with value chain analysis and contains several useful dimensions and factors that influence labour's strategic options. It focuses on the options and leverage of MNEs to externalise functions and geographically disperse their production. On the basis of this analysis, they derive strategic leverage points for labour. However, a problem is that such an approach tends to underestimate the issue of chain governance and thus of power. Clearly, the Bair and Ramsay framework can be seen as an attempt to sketch the determinants of MNEs' possibilities to outsource – i.e. MNE's power vis-à-vis labour. Nevertheless, the governance of value chains, although largely missing from their framework, remains central for understanding how power is exerted and distributed in global value chains. Governance, we argue, should therefore also be central when analysing labour's strategic options and room for manoeuvre. The importance of governance has recently been underlined by the authors themselves: Bair indeed argues that:

...there are compelling reasons for focusing on governance, since presumably the question of how and by whom chains are coordinated and controlled bears directly on other aspects of chains that are of interest – for example, their geographical configuration, the upgrading prospects that they provide for developing country – firms and regions, and the extent to which they are transparent and responsive to consumer concerns about issues such as working conditions. (Bair 2006)

The issue of power in inter-firm networks is elaborated in the work by Gereffi on governance in global commodity chains. Governance is defined by Gereffi as “authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain” (1994:97). Governance thus refers to the process of organising activities with the purpose of achieving a certain functional division of labour along a value chain. It results in specific dis-

<sup>6</sup> Bair and Ramsay (2003) focus on MNEs and their commodity chains and build an analytical framework for understanding the varying configurations of global value chains and their implications for labour. They offer a contingency analysis which rests on four main factors: (1) product/process contingencies (to what extent can production and processes be split up spatially and organisationally), (2) labour (relating to labour costs, skills, as well as power and control in the labour process), (3) market contingencies (the form of market competition, the role of price and quality and the possibilities for geographical separation of production and consumption), and (4) organisational capacity (supplier capacities, monitoring capacity regarding outsourcing and regulatory factors). The purpose of such a framework is twofold: first, it serves to understand the shape and likely strategies of MNEs. Second, it serves to consider the implications of MNE and value chain restructuring for labour and helps in constructing adequate counter-strategies for labour.

tributions of gains and sets terms of participation and of exclusion (Ponte 2007). Gereffi originally distinguished between buyer and producer-driven value chains to describe two distinct forms of overall chain governance. Producer-driven chains are usually found in sectors with high technological and capital requirements and here chain governance is exercised by companies that control key technology and production facilities. Buyer-driven chains, such as the retailer-driven 'strand' of the cut flower value chains, are generally more labour intensive and it is information costs, product design, advertising and advanced supply management systems that set the entry barriers. In these chains production functions are usually outsourced and it is the retailers and brand name companies that exercise key governance functions defining what is to be produced (Gereffi 1994).<sup>7</sup>

Yet, the distinction between buyer and producer-driven chains describes only one aspect of governance. Value chains for example are not necessarily unipolar (driven by one group of lead firms). As will be illustrated in this paper, via the banana value chain, value chains can be bipolar, i.e. driven by two lead firm groups located in different functional positions (cf. Fold 2002; Sturgeon 2002). The banana value chain also provides an example of how some GVCs can move from one category to the other. In some producer-driven chains for example, producers are increasingly outsourcing production or component manufacture while keeping control of promotion and marketing of the brand names on which market access is based – a feature of buyer-driven chains; thus blurring the overall chain dichotomy (Ponte 2007).

The categories of 'buyer' and 'producer' moreover cover a variety of types of lead firms<sup>8</sup> who may 'drive' chains in different ways. Buyers for example include retailers, branded marketers, industrial processors and international traders. Furthermore, it has been pointed out in recent literature that actors external to the chain (those not directly handling a product or service) can

<sup>7</sup> The dichotomy between buyer and producer-driven chains has lately been elaborated in a paper co-authored with Humphrey and Sturgeon (Gereffi et al. 2005). Here, the authors develop a typology of five distinct governance structures that describe the network relationships linking suppliers in global industries to lead firms. This typology is based on the possible combinations resulting from variations (measured as "low" or "high") in three independent variables: the complexity of transactions, the codifiability of information, and the capability of suppliers. This typology of governance types is used to illustrate a spectrum running from low to high levels of explicit coordination and power asymmetry between buyers and suppliers. The typology however is not about the overall pattern of decisions along a chain (i.e. governance), but describes the coordination between different links in the chain (Gibbon & Ponte 2005).

<sup>8</sup> Lead firms refer to a group of firms in one or more functional positions along a value chain which are able to 'drive' it.

have an important say in how a GVC is governed – these can be NGOs, trade unions, ‘experts’, certification bodies, and/or providers of support services (see Ponte 2007; Riisgaard 2007; Hammer 2008; Herod 2001a & 2001b; Coe et al. 2007). The specific manifestations of governance therefore have to be approached on a case by case basis.

In terms of exploring the possibilities and constraints that labour has for socially regulating GVCs, however, the original distinction of buyer- versus producer-driven chains does retain some explanatory power. What is particularly important for labour is that in buyer-driven value chains the workplace is separated from the site of industrial and political power in these chains. Thus, while the lead firm in any chain is often distant from the actual point of production (via numerous tiers of suppliers), the locus of power in buyer-driven chains lies not with the material production but with design, branding, and retailing. How value chains are governed is thus about where power is concentrated and how power is exerted. This has implications for labour.

As mentioned, the distinction between buyer- versus producer-drivenness describes only one aspect of governance. What is also highly relevant to labour is the different ways in which GVCs are governed and the different degrees to which GVCs are ‘driven’ by one or several groups of lead firms. “The ‘driven-ness’ of buyer-driven chains derives from the role of powerful lead firms in making and enforcing decisions about product design and manufacturing processes used in the chain” (Dolan & Humphrey 2004:492). Drivenness is a measurement of power and describes the degree of capability in determining the functional division of labour along the value chain, in setting quality and other demands, and in dictating the terms of participation or exclusion, as well as the rewards of participation. GVCs can be highly driven, somewhat driven or not driven at all (Raikes et al. 2000; Ponte 2007).

With regard to labour we argue that the level of drivenness in a given GVC has implications for the leverage an MNE has to impose criteria (e.g. labour standards) along the GVC. From a labour perspective, highly driven chains additionally offer the possibility of targeting one strategic actor in the chain (namely the driver), whereas chains that are not driven (i.e. characterised by market-based relationships) are much more difficult for labour to tackle as a coherent structure.

Also relevant for labour is the type of drivenness that is exercised within a given GVC. Lead firms can drive GVCs in a *hands-on* way, a *hands-off* way and the wide spectrum in between. Hands-on drivenness is characterised by for example, long-term contracts, explicit control of suppliers and regular engagement with suppliers or buyers. Hands-on drivenness thus refers to relations where power is exerted directly by lead firms on suppliers, in a way which at its extreme is comparable to the direct managerial control that headquarters might exert over subordinates in

an offshore subsidiary or affiliate of a vertically integrated firm. Conversely, hands-off drivenness is characterised by the use of specifications that can be transmitted in codified and measurable or auditable ways, the ability to set standards that are followed along a GVC, the ability to transmit information that is not easily codifiable in other ways via for example 'learning a corporate culture' or 'hanging out in stores' (Ponte & Gibbon 2005). In relation to labour, what is particularly important is the way that production is coordinated (the term coordination is used when describing the relationship between different links in a chain). Consequently, in this paper, we employ the terms 'hands-on'/'hands-off' to describe the manner in which production is coordinated. How exactly different levels and types of drivenness are relevant to labour and the social regulation of GVCs is explored empirically through the two case studies presented in this paper.

In the GVC literature the concepts of governance and drivenness are constructed from the point of view of inter-firm networks, and do not consider labour as an agent. Still, these frameworks are very clear about how power (between firms) is distributed in the chain and how it is exerted. A framework building on governance can therefore serve as a starting point for analysing labour options and strategies along different GVCs. In sum, the main concepts employed in this framework are governance (as a description of the overall pattern of decisions along a chain, different strands of value chains can exhibit different forms of governance), the level of drivenness as well as the type of drivenness in a given GVC. Finally, we use the terms hands-on or hands-off to describe the way production is coordinated. In the following section, we turn to different instruments for socially regulating GVCs and how these constitute different tools for labour.

### **3. PSSs and IFAs - tools for labour**

In this section we examine how PSSs and IFAs constitute different tools that organised labour can use for the social regulation of GVCs. Rather than constructing a strict dichotomy between these two instruments, we argue that they need to be seen in the context of different value chain terrains.

### 3.1 IFAS

IFAs are agreements on minimum labour standards negotiated between Global Union Federations<sup>9</sup> and MNEs. The 62 framework agreements that had been signed up until the end of 2007 directly cover about 5.3 million employees (Hammer 2008). At a minimum, IFAs commit the MNE to respect freedom of association and the right to collective bargaining and provide unions with access at the corporate level of the enterprise.<sup>10</sup> In some cases regional and national trade union organisations as well as works council bodies at different levels are also involved in the negotiations and are co-signatories of such agreements.

Most IFAs refer to the eight ILO ‘core labour standards’ (Conventions 29, 87, 98, 100, 105, 111, 138, 182), but there are significant deviations. In this regard, Hammer (2005) distinguishes between a logic of ‘rights’ as opposed to ‘bargaining’ agreements: whereas the former are focused on the freedom of association, the right to organise and collective bargaining, as well as worker representation – thus, establishing a ‘space to organise’ (Wills 2003; Oswald undated) – the latter often include a wider range of Conventions and issues, and are often renegotiated regularly. Other differences that are important for the potential effect of IFAs are the actual institutions and practices for implementation and monitoring as well as the kind of obligations that are put on subcontractors and suppliers.

Empirical evidence on the actual effect of IFAs is still limited, but in-depth case studies<sup>11</sup> by Wills (2003), Riisgaard (2005) and Lismoen and Løken (2001), suggest that IFAs can help to override union-hostile local management because they give unions recognition and access at corporate level. Additionally, IFAs provide unions with a role in monitoring agreement-compliance on the ground. However, these studies also show that use of the IFA agreement is dependent on the strength and motivation of local unions.

<sup>9</sup> Trade union federations that assemble national industry unions at the international level, e.g. the International Union of Foodworkers (IUF), which represent labour in international organisations, facilitate international cooperation, campaigning and, for example, negotiate IFAs and, at times, are involved in developing PSSs.

<sup>10</sup> IFAs were defined by the [then] International Confederation of Free Trade Unions (ICFTU) as: “A framework agreement is an agreement negotiated between a multinational company and a global union federation concerning the international activities of that company. The main purpose of a framework agreement is to establish a formal ongoing relationship between the multinational company and the global union federation which can solve problems and work in the interests of both parties.” (ICFTU Website)

<sup>11</sup> See also Schömann et al. (2007).



In the case of most IFAs, relatively strong home-country industrial relations institutions have been in place within the signatory MNEs before the signing of the framework agreement. In particular, strong home-country unions and European works councils have often played a leading role. Interestingly, most IFAs are found within traditionally producer-driven GVCs where industrial action (pressure through workplace organisation) remains an important form of action (coordinated at transnational level through the Global Union Federations) in the context of nationally or locally segmented bargaining across MNEs' locations.

### 3.2 PSSs

The formulation and use of private standards covering the employment conditions of Southern producers exporting to European markets increased rapidly throughout the 1990s. MNEs and large buyers have increasingly adopted labour standards along GVCs such as the right to form trade unions, and abolishing discrimination, child and forced labour. This has occurred not just in relation to employment within MNEs themselves, but particularly amongst their global networks of suppliers in developing countries.

PSSs differ significantly in origin (both in terms of geography and actors involved) as well as in content, implementation and monitoring procedures. Crudely one can say that since the millennium there has been a tendency for PSSs to converge around ILO core labour standards and (to a lesser extent) to take the form of multistakeholder initiatives involving third party auditing. The PSSs of the 1990s, on the other hand, were characterised by corporate self-regulation and in general codes of conduct that tended to be extremely weak on issues dealing with labour rights, the responsibilities of suppliers and the need for independent monitoring.

PSSs can thus be placed on a continuum from unilateral business codes to multi-stakeholder initiatives, from self monitoring to independent third party verification, from worker welfare over worker rights to worker empowerment (the latter being related to the degree to which standards insist on active worker participation in standard setting, implementation, monitoring and negotiation). In this light, IFAs can be seen as a very distinct type of social standards that leaves standard-setting and implementation entirely up to the 'traditional' industrial partners (employers and unions).

Accordingly, PSSs differ markedly in the degree to which they are likely to open room for organised labour to advance its own objectives. Multi-stakeholder initiatives are more likely to include organised labour into standard formulation and monitoring and thereby provide opportunities that can potentially be utilised by trade unions. If and how the introduction of these PSSs is

actually used by organised labour depends to a large degree on the context where the standards 'touch down' and the resources and strategic priorities of the local trade unions – as is the case for IFAs (Riisgaard 2007).

In general though, the benefits of PSSs remain highly disputed. Reviews have highlighted that many were weak in both content and scope, especially in terms of workers' right to organise and bargain collectively, as well as in relation to gender issues (Barrientos et al. 2003; Barrientos & Smith 2007; Blowfield & Frynas 2005). Recently, the adverse effects of corporate buying strategies (particularly price cuts, short lead times and rapid turn around) on labour standards have been highlighted and there is growing recognition of the limits of PSSs as a means of improving working conditions in global production and particularly as a means of altering the power relations between labour and capital (Barrientos et al. 2003; Barrientos & Smith 2007; Riisgaard 2007).

PSSs are much more important in regulating social issues in buyer-driven chains than they are for producer-driven chains. Generally, they are found in value chains driven by branded marketers selling consumer products in developed countries. Often the adoption of PSSs by MNEs comes about after the MNE has been targeted by public campaigns led by NGOs, sometimes in alliance with trade unions.

So far however, business and NGOs have been far more dominant in defining regulation through PSSs, most often to the exclusion of workers and trade unions. Business deliberately wishing to sidestep unions is only one side of the story though. Trade union views on voluntary social standards vary. At one extreme, many trade unionists see social standards as privatisation of labour law and as means of avoiding regulation and trade unions and thus a dangerous substitute for collective bargaining. At the other extreme, some proactive trade unionists see potential in social standards for creating space for workers to exercise their rights. This ambivalence is mirrored in trade union attitudes towards NGOs engaging in workers rights issues. Some see

potential in NGOs advocating workers rights and in union-NGO collaboration. Others see NGOs as co-opting business interests and side-stepping unions.<sup>12</sup>

### 3.3 DIFFERENT TOOLS FOR LABOUR

GVC restructuring has posed important challenges for labour efforts to organise workplaces and to represent workers meaningfully within MNEs and global value chains. A key factor in the terrain on which labour operates relates to the trend towards increased separation between the point of production and where the power in the chain is concentrated. The latter refers to the kind of lead firms and where in the chain they are positioned, as well as to the extent of power the lead firms can exercise over the chain (high versus low levels of drivenness within GVCs).

Regardless of the particular case, labour coordination across GVCs poses a number of problems for trade unions. Anner et al. (2006) discuss the challenges of horizontal coordination in the light of industry structure and worker-to-worker competition, but there are further differences to observe. We argue that GVC structures have important implications for the processes of social standard setting, monitoring, benchmarking and enforcement. IFAs and PSS initiatives in fact present different ways of addressing these issues in different contexts.

What unites highly driven value chains – indifferent of the functional position of the drivers – is the power and role of the lead MNE(s) which provides an entry point for labour rights actors as well as potential leverage in conflicts. At the same time, the functional position of the driver(s) (e.g. producer- and buyer-driven contexts) constitutes very particular terrains on which contests for the social regulation of GVCs take place. Thus, it is interesting to observe that producer-driven chains still see regulation closely linked to the industrial logic and concluded IFAs that shift unresolved industrial relations issues from lower to higher levels within the MNE or from suppliers to the MNE. The logic of IFAs often emphasises the inevitable role of workplace power in producer-driven contexts, thereby to some extent bridging the gap between legally independent companies created by outsourcing. The social regulation of buyer-driven chains,

<sup>12</sup> The general trade union stand is to endorse a line drawn between advocacy and representation, where the latter is preserved for trade unions since NGOs do not have a democratic or legal mandate to represent workers. Where workers are not organised, national and international unions reserve the right to speak on their behalf. NGOs on their side are concerned about workers that are not represented by trade unions including informal and women workers (Spooner 2004).

however, has to deal with the separation of power between the point of production and the drivers of the chain which points to the limits of workplace organisation and established forms of trade union internationalism. PSSs' can be seen as counteracting this challenge by linking the sphere of production to that of consumption; sanctions, in fact, take shape as market sanctions within the latter.

Both PSSs and IFAs are therefore mechanisms for social regulation that seek in different ways to counterbalance some of the main challenges that the restructuring of production has posed for organised labour. In relation to both mechanisms (but particularly so for IFAs), labour agency refers both to pressure exerted to obtain the IFA/ PSS and activities undertaken to implement and monitor them. While a considerable number of IFAs are geared to the entire supply chain of a particular MNE, PSSs' implementation and monitoring logic is often that of a plantation-by-plantation (or factory-by-factory) approach. In terms of chain coverage, both mechanisms are largely limited to regulating workers at the production level. The next section will explore in detail how different aspects of governance crucially shape labour's opportunities and constraints for action.

## **4. Social regulation in banana and cut flower value chains**

We now turn to the horticultural sector for some illustrative examples of connections between GVC structure, social regulation and labour agency. In bananas we find an example of an IFA while cut flowers offer a plethora of PSS initiatives. Both cases constitute labour intensive agricultural chains and were selected to illustrate the use of IFAs and PSSs respectively. Both cases additionally constitute GVCs that each contains two distinctive value chain strands<sup>13</sup> with different governance structures and different implications for labour and for social regulation. The focus in the case of flowers is on the value chain linking African flowers to European consumers where PSSs appear in abundance. This GVC is made up of a direct value chain strand (where flowers are imported directly by large retailers) and an auction strand (where flowers pass through the Dutch auction system). The banana case was chosen to illustrate an IFA; here the focus is on

<sup>13</sup> The strands identified below are by far the main avenues for the products in the respective value chains, however there are others.

Latin American export to the EU and the US because historically labour organisation is strong in the Latin American banana industry (as opposed to anywhere else in banana production). This GVC is made up of a direct strand (where banana-MNEs export to large retailers) and a wholesale strand (where bananas pass through wholesalers in the end markets). The banana case is based on fieldwork conducted by Riisgaard in 2002 in Guatemala, Honduras, Costa Rica and Nicaragua as well as on literature reviews.<sup>14</sup> The cut flower case is based mainly on fieldwork conducted by Riisgaard in Tanzania and Kenya in 2006.<sup>15</sup>

#### 4.1 RESTRUCTURING OF THE GLOBAL BANANA VALUE CHAIN

The five biggest banana operators (Dole Food Company, Chiquita, Fresh Del Monte, Noboa and Fyffes) continue to control around 80% of world exports creating a situation of oligopoly (Kasteele and Stichele 2005). In the last 20 years banana-MNEs have increasingly moved away from direct growing in order to focus on more specific marketing and distribution activities. The degree of outsourcing however varies between companies<sup>16</sup>. Chiquita has so far maintained around 40-50% of production, while Fyffes has no plantations of its own (Arias et al. 2003; Kasteele & Stichele 2005). The banana-MNEs now increasingly establish long term supply contracts with independent banana growers, specifying shapes, quantities, standards of quality, packaging and so on. MNEs in many cases also provide inputs in order to control the quality and they exercise a 'hands on' coordination of the suppliers with regular inspections (UNCTAD 2006).<sup>17</sup> The leading MNEs are involved in production, packing, transport and ripening which gives them a high degree of control over the production end of the value chain, both in terms of setting quality and

<sup>14</sup> Riisgaard conducted an evaluation of the implementation of the COLSIBA/IUF-Chiquita agreement involving structured and semi-structured interviews (61 in total) with banana workers as well as union and Chiquita representatives at both local, national and regional level, visiting 12 plantations (Chiquita owned and Chiquita suppliers).

<sup>15</sup> The study covered all (10) export flower farms in Tanzania and 10 farms (out of approximately 5000) in Kenya. A total of 93 interviews were conducted with farm management, worker representatives (works councils, joint bodies and union branches), industry organizations, industry consultants, standard organizations, labour NGOs and trade unions at national as well as district- and farm-branch level.

<sup>16</sup> An estimate conducted by Kasteele and Stichele (2005) reports Dole to have 25% of production on owned production, while the Fresh Del Monte has 28% and Noboa 20%.

<sup>17</sup> Dole, for example, employs hundreds of quality assurance professionals around the world to personally inspect fresh products produced by independent growers but carrying the Dole brand name (Dole undated). Favorita which controls 16% of all export from Ecuador now sources most of their bananas from independent growers but still controls management decisions at the farm level, such as when to spray against the pest 'sigatoga negra' which is carried out by a Favorita subsidiary (Hellin & Higman 2002).

price demands with suppliers and also in terms of pressuring host countries on issues of taxation, labour regulation and environmental legislation (Kastele 1998; Chambron 2000; Alfaro 2001).

Traditionally, the international banana value chain was producer-driven, with the large banana-MNEs playing a prominent role in setting the rules of the game. However, in recent decades this situation has been changing. Banana-MNEs are facing the challenge of the increasing importance of retail chains in the distribution of bananas in developed countries, mainly in the EU and United States (but increasingly also in Latin America and Asia). Increasing concentration and consolidation in retail chains have allowed these to exert a higher degree of influence over the value chain strand, determining conditions of production and distribution of bananas and benefiting from a higher share of the profits (Kastele and Stichele 2005; UNCTAD 2003). The banana-MNEs increasingly have to fight to become preferred suppliers to the large retailers<sup>18</sup>. This direct strand of the banana value chain can thus be said to be moving from a producer-driven (driven by vertically integrated banana-MNEs) value chain strand towards a bipolar and more buyer-driven strand (driven by large retailers and by MNEs which increasingly are outsourcing direct ownership of production).

Retail consolidation and declining prices have also resulted in banana-MNEs divesting non-core businesses (e.g. palm oil by Dole and canned vegetables by Chiquita) and diversifying their banana range to include e.g. organic and ethical bananas as well as increasing their brand profile. Some have diminished their dependence on banana trade by diversifying into other fresh produce, particularly value added products such as ready-to-eat salads and fruit bowls (Kastele & Stichele 2005). Acting as preferred suppliers to large retailers has resulted in banana-MNEs investing in value-added services such as ripening and distribution centres, category management and long term supply agreements. It has also led to rationalization of production including outsourcing and transfers of production to lower cost and/or low union density areas as well as an increase in the use of third party labour contractors to hire banana workers (Kastele & Stichele 2005; Riisgaard 2005; Prieto-Carrón 2006).

From a union perspective, one of the biggest threats is the relocation of production to non-union, low pay supplier plantations like in Ecuador and the pacific coast of Guatemala. This ever-present threat, together with the flow of cheap bananas from non-organised plantations undermines the general bargaining position of workers. In addition, rationalisation has meant a move

<sup>18</sup> Most large retailers in the USA and the EU work with one or two year contracts but some discounters like eg. Aldi and Lide buy on the spot market (Kastele and Stichele 2005).

towards looser contract forms and anti-union policies such as discrimination, firing and black-listing (Bermúdez 2000; Human Rights Watch 2002; Quesada 2001; Frundt 2002).

The banana industry has a history of endemic labour abuse and union repression, but also of tireless union organising efforts particularly in Honduras, Costa Rica, Panamá and Colombia. Recently however, and mainly due to consumer demand, minimum labour standards are being introduced through PPS initiatives and IFAs. A number of national mandatory standards relating to social and environmental issues have also emerged, for example a social and environmental improvement programme in the banana plantations of Colombia (Kasteele & Stichele 2005; Prieto-Carrón 2006). Chiquita, and to a lesser extent Dole, have been introducing SA8000<sup>19</sup> on owned farms, and both Chiquita and Fyffes are members of the Ethical Trading Initiative (ETI)<sup>20</sup> (Kasteele & Stichele 2005). Because of these consumer demands, up market supermarkets are increasingly orientating their banana business in this direction, with an increasing presence of fair trade and socially certified products in their outlets (UNCTAD 2003).

Although the big banana-MNEs control around 80% of world export, other market channels also exist. The remaining 20% of exports are very fragmented, and mainly consists of independent growers selling to smaller exporting companies onto importers, ripeners and wholesalers. However this value chain strand often still uses parts of the infrastructure controlled by the large banana-MNEs (Kasteele & Stichele 2005; UNCTAD 2003). In the following we contrast a direct strand of the value chain (illustrated via Chiquita) with the wholesale oriented strand of the value chain.

As the only MNE so far, Chiquita has signed an IFA with the IUF (the global union federation covering the sector – the International Union of Food Workers and Allied) and COLSIBA (the Latin-American Coordination of Banana Workers Unions). In addition to outsourcing and rationalising the production process another important strategy for Chiquita has been to strengthen its market position through campaigns directed at consumers and retailers, especially in Europe, promoting the Chiquita name as a logo signalling high quality and socially conscious bananas. Chiquita has since the 1990s sought to promote brand awareness of Chiquita as the industry's leading CSR company, starting with environmental certification through the Better Banana Project through Rainforest Alliance in 1995, followed from 2000 by adoption of a company code of

<sup>19</sup> Certification with auditors introduced by Social Accountability International covering workers' rights.

<sup>20</sup> Ethical Trading Initiative, an alliance of companies, NGOs and unions operating in the UK that has developed a model code of labour practices and is working with different monitoring systems.

conduct, SA8000 certification, membership of ETI, publication of annual CSR reports and, finally, the signing of the COLSIBA/IUF-Chiquita IFA in 2001.

#### 4.1.2. Labour initiatives in the banana value chain

In June 2001 the COLSIBA/IUF-Chiquita IFA was signed following a damaging international campaign accusing the banana giant of violating workers' rights on Chiquita owned and supplier plantations in Latin America (for details, see Riisgaard 2005).<sup>21</sup> Behind the campaign was a transatlantic network of different organisations and networks sympathetic with the cause of the banana workers who in the form of their regional coordinating body COLSIBA, formed part of the campaign network. COLSIBA dates back to 1993. It has members in seven different countries<sup>22</sup> and represents 42 unions covering around 45,000 workers in Latin America (COLSIBA 2001).<sup>23</sup> One of the innovative strategies adopted by COLSIBA, apart from the strong regional coordination was cooperation with solidarity groups in the major consumer markets of USA and Europe and employment of public campaigning in these markets that targeted supermarket chains and consumers. In other words, instead of employing the traditional union strategy of trying to control capital's access to labour, the unions actively tried to control capital's access to the retail market, consumers and investors. Another innovative strategy was to try to compel the MNEs to sign IFAs on workers' rights, a tactic that succeeded with the signing of the Chiquita IFA.

Another innovative strategy employed by COLSIBA has been to obtain an agreement with Transfair - the leading U.S. fair trade group and FLO (Fairtrade Labelling Organization) member. In June 2005, Transfair USA and COLSIBA signed a memo of understanding under which union-backed bananas will be sold as fair trade bananas in the U.S. (USleap undated).

<sup>21</sup> The agreement covers sourcing from Latin America and affirms the right of employees to choose to belong to and be represented by an independent and democratic trade union, and to bargain collectively. It commits the company to respect ILO core conventions plus convention 135 on protection and facilities guaranteed to workers' representatives. The agreement requires "*suppliers, contract growers and joint venture partners*" to comply with these standards. A Review Committee, composed of representatives designated by the IUF, COLSIBA and Chiquita, will meet twice a year to review the agreement's application, and an extraordinary meeting can be convened at the request of either party. The agreement contains guidelines on the procedures to be invoked in the event of changes or transfers in production and as an ill-concealed reference to the campaign that lead up to the signing, the parties agreed to "*avoid actions which could undermine the process spelled out in the Agreement, such as public international campaigns or anti-union retaliatory tactics...*" (Chiquita, COLSIBA & IUF 2001)

<sup>22</sup> Ecuador, Colombia, Costa Rica, Panama, Nicaragua, Honduras and Guatemala.

<sup>23</sup> In 2001 the 42 members of COLSIBA were divided as follows: Chiquita (18), Dole (7), Del Monte (3) and 14 within independent producers (COLSIBA 2001).

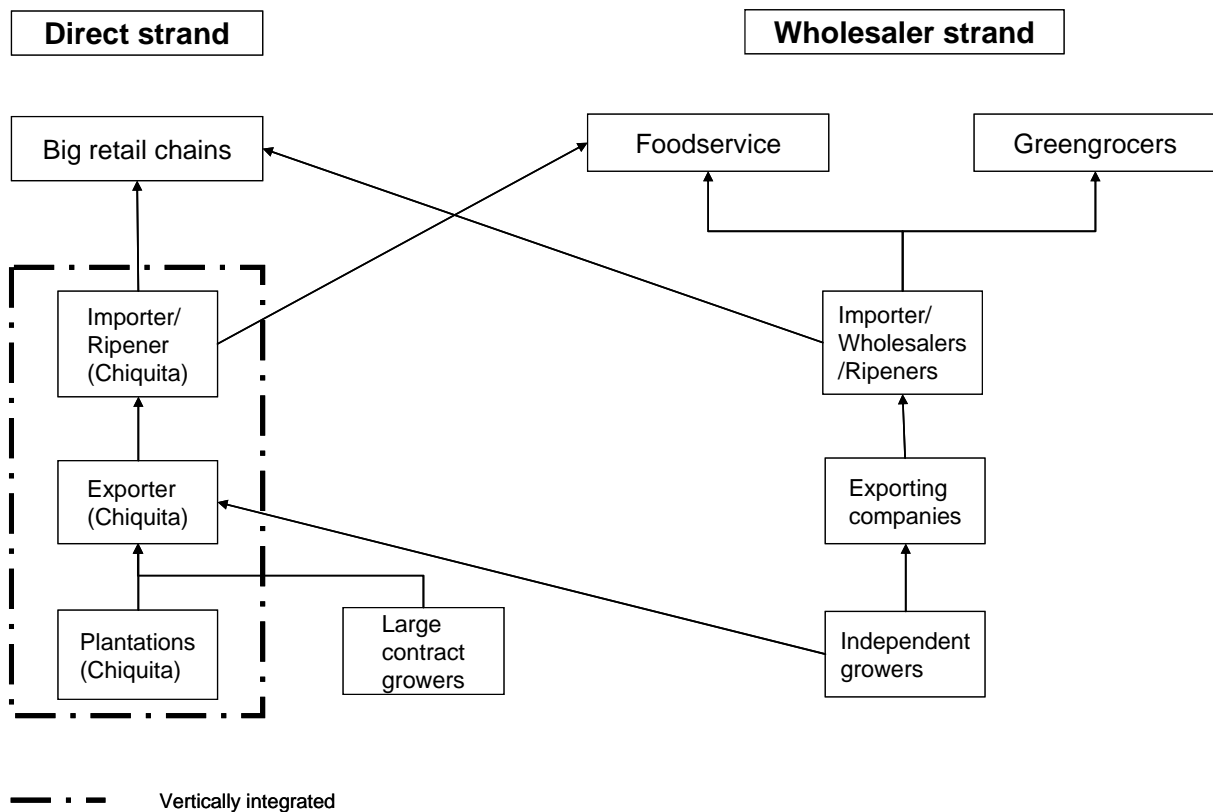


A further innovative union strategy in relation to bananas is the IUF (International Union of Food Workers and Allied) involvement in the ETI, where Chiquita and major UK retailers are members. ETI however, has been more directly influential in cut flowers and will therefore be dealt with in relation to the cut flower value chain (see section 4.2.)

### 4.1.3. Social regulation, labour strategies and value chain governance

In figure 1, the direct strand of the banana value chain is illustrated together with the wholesaler strand. As mentioned, Chiquita still partly maintains vertically integrated production. Additionally, the relationship that Chiquita has to its (not owned) suppliers can be characterised as ‘hands-on’ coordination. In Nicaragua for example, Chiquita does not own any plantations, but they are the only company purchasing the whole production. They have permanent Chiquita staff close to production sites who provide technical assistance to (and ensure quality control from) independent growers (cf. Prieto-Carrón 2006). Another example of hands-on coordination exercised by Chiquita is the 8-year contract to purchase a specified volume of bananas that they signed when selling off their Colombian division in 2004 (Chiquita 2006).

**Figure 1. The Banana Value Chain**



The direct value chain strand can be characterised as strongly driven, where banana-MNEs and increasingly large retailers have a high degree of control over the up-stream<sup>24</sup> part of the chain, setting product specifications, price, volume etc. Additionally, the strand is strongly driven by brand-sensitive companies (both Chiquita and up-market retailers have brand recognition in consumer markets). From a labour perspective this has opened up several strategic options.

Strong drivenness means that both Chiquita and supermarket buyers have a potentially high degree of leverage in terms of imposing criteria (e.g. labour standards) along their supply chain. As described above power is shifting towards the large retailers and they now have a high ability to offer preferred contracts to MNEs that can guarantee minimum quality standards (increasingly also including labour standards). Chiquita can offer suppliers long term contracts on the basis of, amongst others, adherence to certain labour standards while their vertical integration and hands-on coordination over production facilitates enforcement of such demands. Additionally, both Chiquita and the up-market retailers have valuable brands (with consumer recognition and an ethical profile). Consequently, they are sensitive to campaigns in consumer markets. This value chain governance structure has been one of the preconditions for the success of the COLSIBA strategy regarding the signing of an IFA.

The wholesale strand of the value chain on the other hand is not open to such strategies and has proven extremely difficult for the unions and labour NGOs to target, since no single actor has the power to control and impose conditions on the rest of the chain. Banana-MNEs without ethical profiles like Fyffes or Noboa likewise have proved difficult to socially regulate since they are not as sensitive to negative exposure in consumer markets as for example Dole or Chiquita.

The agreement with Transfair demonstrates another labour strategy and illustrates how labour in developing countries in some circumstances has started to think creatively of ways to gain influence through PSSs. By attaching union recognition to the meaning of fair trade unions are not just using standards to further unionisation but actually seeking to make unionisation an inherent element of the PSS.

<sup>24</sup> A GVC is understood as the flow of activities and processes involved in taking a product to the market, running from extraction of raw materials, to processing, marketing, and sale. Thus upstream refers to the direction going towards extraction/production whereas downstream refers to the direction going towards marketing/retail.

## 4.2 RESTRUCTURING THE GLOBAL CUT FLOWER VALUE CHAIN

The world market for cut flowers has grown consistently since the early 1980s but over the past five to ten years has experienced slowing growth in demand, especially in the EU. At the same time, increases in production (especially in developing countries) have led to a downward movement in prices. Consumers in EU markets are demanding greater variety and are increasingly interested in the environmental and social dimensions of production. This is leading to a proliferation of social and environmental standards in the industry. Finally, structural shifts in distribution channels in EU markets are taking place, with the growing importance of supermarkets sourcing directly from suppliers in developing countries, cutting out wholesalers and the Dutch auctions<sup>25</sup> (Thoen et al. 2000; CBI 2005).

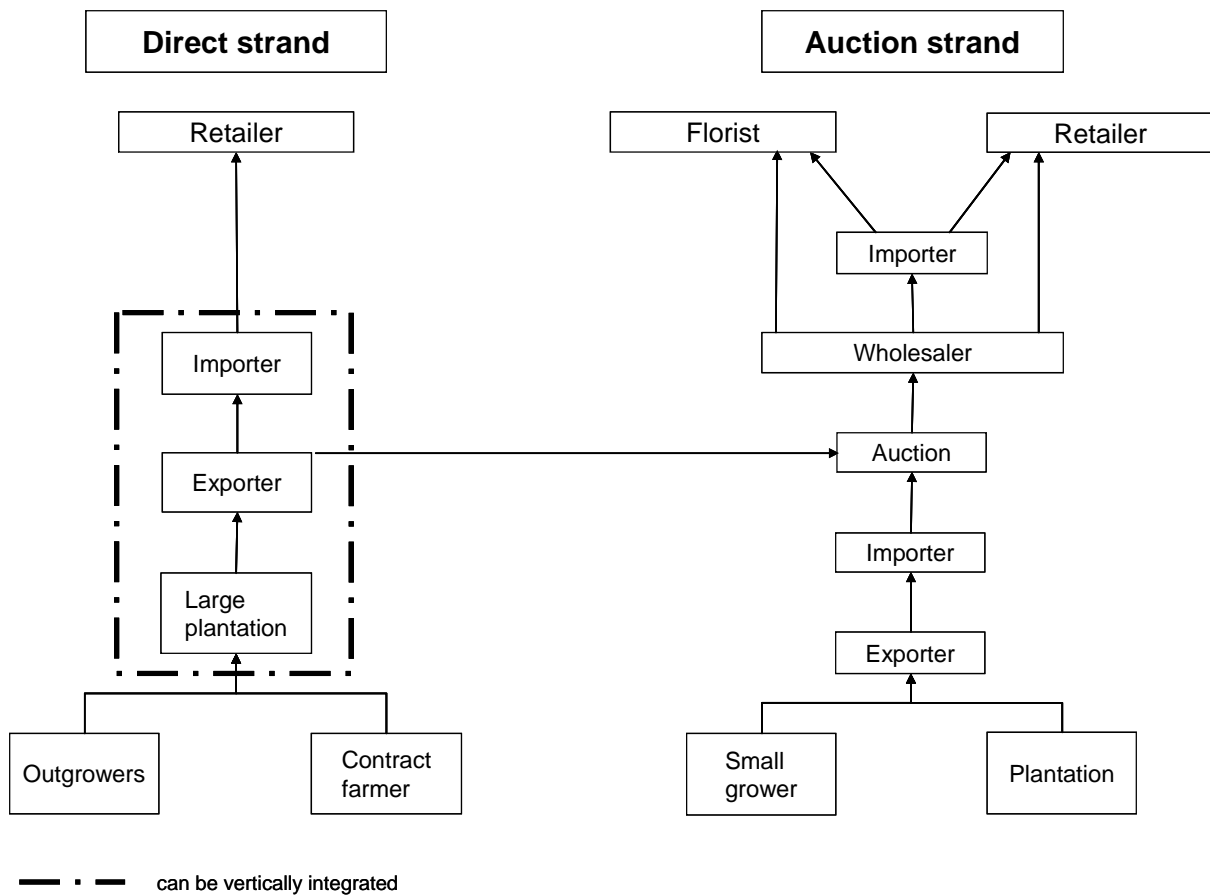
We focus on the African-European cut flower value chain which entails two distinctive strands (the direct strand and the auction strand - see figure 2). The Dutch flower auctions have historically been the most important channels through which flowers are distributed to European wholesalers and retailers. But lately the proportion of flowers imported into the EU that goes through the Dutch flower auctions has diminished and direct sourcing by large retailers is increasing. The market shares of large retailers differ by country but all principal markets have in common that the share of supermarkets is on the increase. The auctions still remain the most important world market outlet for cut flowers however, and the most significant way that cut flowers from East Africa reach European wholesalers and retailers (Thoen et al. 2000).

The increase of direct sourcing by large retailers is having a significant impact on governance (due to their considerable market power) as well as an increasing demand for compliance with social and environmental standards. Supermarkets externalise non core functions such as monitoring of quality and coordinating supply logistics, up the chain towards exporters. The best example of this is seen in Kenya where larger growers have tailored their operations to sell directly to retail outlets in Europe through offering value-added production and supply chain management to supermarkets. This has been achieved through vertical integration down-stream into freight forwarding, clearance- and sales agency. This has allowed Kenyan producers to more effectively

<sup>25</sup> The Dutch auctions basically function as a distribution centre, absorbing large quantities of flowers that are re-packed and sold to buyers from all over the world. The system is based on three key components: the concentration of supply; a public price discovery system; and a cooperative organization structure. There are seven cooperative flower auctions in the Netherlands with total sales amounting to US\$ 1.9 billion in 1998 (for a detailed description of the auction system see Thoen et al. 2000).

control the distribution and marketing process (Ibid).<sup>26</sup> The direct strand for flowers is controlled by supermarket buyers, particularly UK retailers, and is strongly buyer-driven. The auction system, in contrast, is less strictly coordinated and less driven. The auction strand is characterised by relatively loose trading relationships because of a more market-based type of coordination, particularly at the auction point, which makes explicit governance along the whole chain more difficult to achieve.

**Figure 2. The Cut Flower Value Chain**



Criticism in consumer markets of appalling working conditions in flower plantations in developing countries have led the industry to adopt a range of private social and environmental standards during the last decade. Initially, standards mostly took the form of unilateral business initiatives

<sup>26</sup> The same trend is seen in the leading Latin American exporters from Ecuador and Colombia establishing importers in Miami (the main US trading hub for flowers) (Korovkin 2005).

but later they have also included broader business and multistakeholder initiatives. The majority of standard initiatives were started in Europe, but in recent years a variety of standard initiatives have also been initiated in producer countries. Export trade associations in Kenya, Uganda, Zambia, Zimbabwe and Colombia have all developed their own social standards (CBI 2005; Dolan & Opondo 2005). In all, at least 16 different social and or environmental standards (international and national) exist for cut flower export (CBI 2005; Riisgaard 2007).

#### 4.2.2. Labour initiatives in cut flower value chains

To address the problems of unilateral business code of conducts (weak in content, scope and monitoring), the global union federation covering the sector – the IUF, working with affiliates and several NGOs in a body called the International Flower Co-ordination drew up a model standard named the International Code of Conduct for the Production of Cut Flowers (ICC).<sup>27</sup> It is based on ILO standards and implementation is meant to include meaningful participation of workers, local organisations and unions. Importers, especially in Germany and the Dutch MPS<sup>28</sup> initiative, were targeted to convince them to accept the ICC (ILRF 2003). These attempts were successful and the ICC has later formed the basis for many of the influential social standard initiatives within this sector such as FLP<sup>29</sup>, HEBI<sup>30</sup>, Max Havelaar<sup>31</sup> and MPS-SQ (Socially Qualified). A training manual for shop stewards on how to use the ICC has been developed, and workshops have been held for East African trade unions (on how to use the ICC to organise workers and improve their working conditions). The latest development has been the introduction of a Fair Trade in Flowers and Plants (FFP)<sup>32</sup> scheme which is based on the ICC and coordinated by the largest global flower industry body, Union Fleurs. According to the IUF, FFP is a step for-

<sup>27</sup> International Code of Conduct and Guidelines for the Socially and Environmentally Responsible Production of Cut Flowers. International Flower Coordination, FIAN Germany, IUF Geneva, OLAA, the Netherlands, 2002.

<sup>28</sup> MPS (A, B or C) is an environmental certification scheme developed by the Dutch flower industry with an optional social qualification called MPS-SQ.

<sup>29</sup> The Flower Label Programme (FLP) was created in 1996 as a business-to-business code between German importers association BGI and the Association of Flower Producers and Exporters of Ecuador (EXPOFLORES). In 1999 the ICC standard were incorporated into the FLP (ILRF 2003).

<sup>30</sup> The Horticultural Ethical Business Initiative (HEBI) is a Kenyan multistakeholder initiative.

<sup>31</sup> In 2001 The Max Havelaar Foundation, based in Switzerland, began to award its label to ICC-certified cut flowers from Ecuador, Kenya, Tanzania, Zambia and Zimbabwe.

<sup>32</sup> The FFP label contains ecological and social criteria. The FFP criteria and procedures are based on both the ICC and the MPS. Growers who want to participate need to comply with (1) environmental criteria similar to MPS-A and (2) ICC and its criteria (this may also be realised in combination with MPS-SQ or FLP). All participating links (producers, traders and retailers) must satisfy certain requirements and be members of FFP ([www.cbi.nl/accessguide](http://www.cbi.nl/accessguide)).

ward from other standards because it involves representatives from environmental NGOs and national trade unions as well as an auditor at all audits. These actors all have to agree that the farm deserves certification, thus effectively giving the trade unions a veto on certification.<sup>33</sup> Similar to the agreement between COLSIBA and Transfair in bananas, this illustrates how unions are not just using standards to further unionisation but actually seeking to make unionisation an inherent element of PSSs.

Another example of IUF involvement in PSSs is its association with the ETI where the IUF is participating at the board level. As mentioned previously, most large UK retailers are members of the ETI and this multistakeholder standard initiative thus gives the IUF a chance to engage the drivers of the direct strand of the flower value chain. The IUF and several large retailers have been involved in ETI-pilots in both flowers and bananas (Hurst et al. 2005).

Before the IUF got involved with PSSs they had tried to run traditional organising campaigns. According to the IUF Africa co-ordinator, however, it is only where they have union strength nationally that this approach is possible. At the same time, a plethora of standards (mostly unilateral) were emerging that favoured employers instead of unions. The IUF felt they had to get in the 'standard game' and so they decided on an alternative approach – i.e. to engage in private standard setting to build a constructive framework, namely the ICC.<sup>34</sup>

At the local level, trade union efforts towards organising cut flower workers have generally met with little success and trade union representation in the industry is extremely limited. However, in Tanzania, trade unions at all levels have proactively engaged with existing standards initiatives on farms that supply the direct strand of the value chain, leading to an unusually high level of union organisation in the industry. This has occurred particularly through constructive interaction between FLP and the Plantation and Agricultural workers union of Tanzania, with FLP seeking union approval before certifying farms (Riisgaard 2007).

#### **4.2.3. Social regulation, labour strategies and value chain governance**

The level of demand for social and environmental standards differs significantly between the direct strand and the Dutch auction strand. Both are shaped by the concerns of European consumers, including social and environmental issues. However, the different governance structures and characteristics of the two value chain strands create different pressures, which

<sup>33</sup> Interview with IUF Africa coordinator 12.04.2006 conducted by Lone Riisgaard

<sup>34</sup> Interview with IUF Africa coordinator 12.04.2006 conducted by Lone Riisgaard

influence the production level. This relates both to employment conditions and to the types of standards that are applied in each strand and thus the possibilities open to worker organisations (cf. Tallontire et al. 2005). While a range of different PSSs are demanded to enter direct retailer chains, social and environmental standards are not currently a requirement to access the Dutch auctions.<sup>35</sup> As a result, PSSs are in place on farms supplying the direct strand while few farms supplying only the auctions are certified. Concerning employment conditions, the demands made by retailers in the direct strand (such as just in time ordering) pressure towards casual or temporary labour (Tallontire et al. 2005).

Looking at the direct strand, some large developing country flower companies are vertically integrated (particularly the large Kenyan companies which integrate production, export and import). The integration extends to hands-on coordination when these companies employ out-growers or contract farmers. However, these large flower companies do not have a strong consumer brand and importantly, they are not the main drivers of the chain. The direct strand can be characterised as strongly driven, where retailers have a high degree of control over the up-stream part of the chain, setting product and process specifications, price, etc. In contrast to the large flower companies, retailers are not involved in production. Retailers do, however, have a valuable and ethically sensitive brand and consequently they are sensitive to campaigns in consumer markets.

From a labour perspective, the predominance of vertical integration and hands-on types of relations from some large flower companies and upstream in the direct strand, provides a structure where the implementation of both general minimum labour standards and union negotiated agreements should be plausible if these companies can be persuaded to engage (either by national pressure or demand from the buying retailer). However, since these companies do not have brand recognition amongst end-consumers and since they are not driving the value chain strand, they are difficult to target directly (in the way that e.g. Chiquita was targeted) and will be difficult to engage in an IFA. Targeting is more plausible with the main drivers (the retailers) where these have a high brand profile (up-market retailers). The retailers in the direct strand have a high degree of leverage in terms of imposing criteria (like for example labour standards) along their supply chain and here a range of different PSSs are implemented. However, because these retailers do not exercise hands-on coordination over production, social regulation through IFAs signed with retailers is not likely and in practise PSSs have proved a much more viable strategy.

<sup>35</sup> Nevertheless estimates suggest that between 70-80% of flowers supplied to the auctions comply with MPS. Some commercial farms supply both the direct and the auction strand.

The auction strand of the cut flower value chain, in contrast, is characterised by relatively loose trading relationships particularly at the auction point which makes explicit governance along the whole value chain strand difficult to achieve. This strand can thus be described as having a low degree of drivenness. The auctions and buyers operating in them do influence production indirectly by awarding higher prices to certain product types and certain qualities, but they are not able to set specifications for producers or exercise hands-on coordination. The ability of buyers to directly impose criteria up-stream is thus limited. In general, the market coordination characterising the auction strand has made it extremely difficult for labour to coordinate its union efforts along this strand of the cut flower value chain.

## 5. Discussion

The two case studies examined in this paper reveal that important differences exist not just between but also within value chains. This is particularly evident when exploring how governance and social regulation differs between different strands of a value chain. In this paper, we set out to explore how different governance features enable and/ or constrain specific labour strategies concerning the social regulation of value chains. Obviously, a range of home- and host-country factors exist with regard to the structure of the industry, the regulation of work and employment, as well as strategic orientations of the actors involved. However, based on the four value chain strands analysed above, three factors seem to play a particularly important role: (1) the level of drivenness; (2) the functional position of the driver and the existence of a brand with consumer recognition; and (3) the historical specificity of union organising. The combination of these three factors influences the room for manoeuvre and specific tools available for labour in the social regulation of global value chains.

First, for social regulation along a GVC strand to take place in either the form of PSSs or IFAs, it needs to be highly-driven independently of the functional position of the lead-firms. High levels of drivenness points to the ability of the chain driver to impose criteria (such as labour standards) on the rest of the value chain strand. From a labour perspective, highly driven chains additionally offer the possibility of targeting one strategic actor in the chain (namely the driver).

Indeed, in value chain strands with a low level of drivenness, such as the wholesale strand of the banana value chain, no private social regulation exists because no single actor has the power to control and impose conditions on the rest of the chain. The wholesale strand of the banana value



chain is comparable to the auction strand of the cut flower value chain in that it is characterised by relatively loose trading relationships and thus not very driven. Likewise the ability of any actor to directly impose criteria up-stream is limited. The lack of drivenness has made private social regulation along these strands implausible and it has not been possible for labour to coordinate its union efforts along the two strands.

Secondly, the cases analysed contain two value chain strands that are highly driven wherefore social regulation is possible. In these two strands, social regulation exists in the form of PSSs or IFAs. We argue that in the value chain strands where social regulation is plausible, the functional position of the driver(s) creates different leverage points that may be activated to achieve social regulation. Furthermore, highly driven chains tend to be driven by branded actors (either product or retail brands) and if there is brand recognition at the consumption level, the lead-firms are plausible targets for consumer end campaigns. The direct strands of the cut flower and the banana value chains thus illustrate two distinctive settings: (a) Buyer-driven value chain strands driven by buyers with brand recognition at the consumer end. Here labour activists may threaten to disrupt consumption via consumer campaigns; (b) Producer-driven value chain strands driven (at least partly) by MNEs which are involved in production (i.e. the MNE is vertically integrated and/or exercise hands-on coordination over production). Here trade unions (if existent) may threaten to disrupt production.

Additionally, we argue that the degree of direct control over production (via vertical integration or hands-on coordination) by a chain driver is particularly important in determining what type of social regulation may take place – namely PSSs or IFAs.

In bananas, the strand led by banana-MNEs and large retailers is strongly driven. In this strand, both types of leverage were effectively activated towards achieving social regulation. This was possible because this strand can be said to be in transition from producer drivenness towards buyer-drivenness and currently is driven by two sets of drivers, namely retailers and banana-MNEs. Both drivers are branded (although in different ways, Chiquita has a product brand while the retailers brand the retail space) with brand recognition at the consumption level. The brand-sensitivity of both drivers has enabled COLSIBA and allies to use exposure in consumer markets to exert pressure on Chiquita and the retailers they supply to demand specific labour conditions at production. In effect, social regulation through PSSs has been imposed both by retailers and by banana-MNEs. Additionally, one of the drivers (Chiquita) is involved in production (via vertical integration and hands-on coordination). The fact that Chiquita exercises hands-on coordination over producers is important because it provides a relatively stable industrial (and management) structure in that particular chain segment. This relative stability has made an inter- and intra-firm

industrial relations structure plausible in this chain segment since labour has a managerial counterpart (even though this might be across company boundaries) to negotiate with and campaign against, if necessary. Furthermore, a relatively high degree of unionisation already existent on particularly Chiquita-owned plantations allowed a more traditional industrial action pressure to be exerted by the trade unions threatening to disrupt production. Thus, in the case of bananas, the trade unions activated leverages both in the sphere of production and consumption towards achieving an IFA with Chiquita.

From a labour perspective, the direct strand of the cut flower value chain is to some degree comparable to the direct strand of the banana value chain since both strands are strongly driven by actors which are able to impose labour standards up-stream and which are branded (although in flowers the brands are retail brands only) with brand recognition at the consumption level – a combination that makes them plausible targets for consumer end campaigns. In both strands, the drivers have to different degrees insisted on certification to PSSs at production level (in flowers PSSs have been particularly numerous assisted by the sensitive cultural profile of flowers as gifts of love and signs of affection).

The two strands however also differ in important respects and these differences make social regulation by an IFA implausible in the direct flower strand. In this strand, the chain driver is not involved in production neither via vertical integration nor hands-on coordination.<sup>36</sup> Conversely, the drivers in this strand are detached from production and this setup is not conducive to IFA type regulation. Furthermore traditional ‘industrial action’ pressure is difficult to exert due to the low rate of workplace unionisation.

Thirdly, levels of workplace organisation differ tremendously between the two cases. Production of bananas on plantations in developing countries is a 100-year old industry, with a long history of national and local union organising in Latin America and with periods of government supported trade unions in several producer countries<sup>37</sup>. Although facing severe opposition, particularly in the last two decades, a number of organised banana plantations remain. This has formed the necessary membership base for the regional coordinating body COLSIBA, which has played a

<sup>36</sup> Some of the large producer/exporters are vertically integrated and also exhibit ‘hands on’ coordination of production. However, the large flower companies do not have brand recognition amongst end-consumers - thus they are difficult to target directly through consumer end campaigns.

<sup>37</sup> On the other hand, there are also numerous cases where governments have supported wide-ranging anti-union campaigns and attacks (e.g. Korovkin 2005).

key role in coordinating labour strategies within the industry. Trade union strategies within the banana value chain have been national and regional in scope, but have also extended to end-markets. There, in collaboration with Northern labour NGOs, trade unions have pressured the branded banana-MNEs and retailers to insist on minimum labour standards at the production level.

Contrary to this, cut flower production in developing countries only started taking off in the 1980s and the 1990s, often coinciding with liberalisation of host economies. Local and national organising within the cut flower industry has in many countries met with extreme difficulties and has only managed to get a foothold in few countries<sup>38</sup>. Here, trade union strategies have been national and only went beyond the national level through the IUF (often in collaboration with northern labour NGOs) focusing on creating generic minimum standards (the ICC) and putting pressure on branded retailers in consumer markets. Furthermore, while transnational labour cooperation and social regulation initiatives in the banana industry are mostly backed by workplace organisation ('traditional' industrial action thus playing a role), the flower industry tends to have very limited workplace unionism, and social regulation initiatives originate from the consumer end of the value chain and the IUF. Thus, in bananas, trade union networks have 'linked downstream' to union-friendly labour NGOs in consumer markets. In flowers, a variety of different NGOs (human rights, labour, environmental) have 'linked upstream' to unions and NGOs in producer countries.

## 6. Conclusion

Based on the cases analysed we argue, first of all, that a high level of drivenness constitutes a precondition for social regulation along a GVC strand to take place in either the form of PSSs or IFAs. A high level of drivenness points to the ability of the chain driver to impose labour standards upstream. Value chain strands that are not driven (i.e. characterised by market-based relationships) are much more difficult for labour to tackle as a coherent structure and options for 'chain-wide' social regulation are slim.

<sup>38</sup> Mainly Tanzania.

Second, we argue that within the value chain strands where social regulation is plausible, the functional position of the driver(s) creates different leverage points that may be activated to achieve social regulation. Additionally, highly driven chains tend to be driven by branded actors and if the brand has recognition at the consumption level it enables consumer end campaigns which can be used to pressure for minimum labour standards.

- (a) (buyer-driven chains) In value chain strands that are driven by buyers with brand recognition at the consumer level, labour activists may threaten to disrupt consumption via consumer campaigns.
- (b) (producer-driven chains) In value chain strands that are (at least partly) driven by MNEs which are involved in production (i.e. where the MNE is vertically integrated and/or exercise hands-on coordination over production) trade unions (if existent) may threaten to disrupt production.

The functional position of the drivers (e.g. producer- and buyer-driven contexts) determines the particular terrains on which contests for the social regulation of GVCs take place. On the one hand, in buyer-driven chains, the separation of power between the point of production and the drivers of the chain points to the limits of workplace organisation and established forms of trade union internationalism. Here, PSSs can offer leverage points in linking issues of working conditions to consumer interests about how particular goods should be produced. On the other hand, the nature of producer-driven chains, as well as the managerial links across the supply chain, means that strategies to secure and defend labour rights can meaningfully be focussed on the workplace (as is implicit in the logic of IFAs). The challenge for labour in producer-driven chains lies in establishing transnational cooperation between different production locations within the supply chain of an MNE<sup>39</sup>. The challenge in buyer-driven chains lies in recreating a link between the sphere of consumption with the workplace, and only subsequently, promoting transnational labour and NGO networks and implementing and monitoring standards that guarantee fundamental labour rights. Against such different kinds of challenges, the logics of IFAs and PSSs might well be complementary but not interchangeable.

Thirdly, different governance features create different opportunities and constraints with regards to labour's options for advancing social regulation. But it is then locally determined how labour

<sup>39</sup> Although in general IFAs are found in producer-driven chains, there are exceptions. Carefour and H&M have signed agreements with Global Union Federations – agreements that are named IFAs, but these do not cover the supply chain of the signatory companies (it covers only the workers working in the node where the chain drivers are).

in practice exercises its agency towards this social regulation. Different openings are viewed differently by local trade union actors and resources to operationalize union strategies likewise vary tremendously. Levels of workplace organisation within a value chain have implications for international cooperation and campaigning links. The banana value chain thus illustrates a case where existing trade union networks have 'linked downstream' to union-friendly labour NGOs in the consumer markets and where the unions have been able to influence the direction of the consumer end pressure and to direct the pressure towards obtaining an IFA. Conversely, flowers (with little workplace unionism) illustrates a case where consumer end NGOs (and the IUF) have 'linked upstream' to unions and NGOs in producer countries.

In this paper we have shown that different GVC governance features provide different opportunities and constraints for social regulation through PSSs and IFAs respectively. This finding has policy implications for labour, but also illustrates how the concept of governance can be usefully employed to analyse conditions for labour agency in relation to advancing social regulation in different GVC terrains.

However, to conduct such an exercise one needs to a priori accept labour as an agent in global value chains - this has not traditionally been the case within the GVC literature. So far, governance has been conceptualised within the GVC literature from the point of view of inter-firm networks. Consequently these concepts are useful when analysing *conditions for* labour's room for manoeuvre. If one wants to explore the intricacies of actual labour agency and how this (intentionally and unintentionally) affects decisions made and the geography of activities within GVCs, a need arises to complement GVC theory with work that is being done within 'labour geographies' by among others Castree et al. (2004), Wills (2001) and Herod (2001b). This has not been within the scope of this paper.

Arguably there is a general trend towards buyer-drivenness in GVCs (see Gibbon & Ponte 2005 or Gereffi et al. 2005). This tendency implies that labour's ability to exert its agency through traditional workplace industrial action will have only limited potential and presumably it will also make IFAs harder to obtain and consolidate. However, due to the same restructuring process, the mobilization of consumer power has come to play a greater role, and offers new (even though indirect and contested) options for labour to exert its agency through using the punish and reward mechanisms of consumer exposure. These mechanisms however are almost inherently limited to branded consumer products sold in developed countries wherefore it needs to be considered only as one out of a range of possible union strategies.

The reorganisation of GVCs and of GVC governance structures, while posing tremendous challenges for labour and seriously constraining some of the more traditional trade union strategies, nevertheless also opens new opportunities and new leverage points that can be strategically exploited by labour. The social standard mechanisms reviewed in this paper illustrate some of the new mechanisms (but by no means all) that in addition to other labour strategies constitute potential fruitful avenues in particular GVC terrains.

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