



Do private standards benefit workers in horticultural export chains in Peru?



Monica Schuster*, Miet Maertens

Division of Bio-economics, Department of Earth and Environmental Sciences, KU Leuven, Belgium

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ABSTRACT

Private standards are spreading rapidly in international food production and trade, and are moving beyond food quality and safety aspect to address environmental and social concerns. We examine how effective private standards are in improving employment conditions in global food supply chains. Using panel data from own company and worker surveys and different econometric techniques, we analyze how the adoption of a variety of private standards, that differ with respect to their focus on labor, influences employment conditions in production, processing and exporting companies in the horticultural export chain in Peru. We find that workers employed in companies adopting private labor standards are more likely to be paid a minimum wage, to have a contract and to receive training but there is no effect of private standards on the level of the wage and on the employment period. We conclude that labor standards are most effective in reinforcing the respect of national labor laws and when there exists a clear cut definition on the employment requirements they push forward. Despite the existence of labor regulations at the national level and the wide-spread use of private labor standards, ethical labor concerns do remain an issue in the Peruvian horticultural export sector.

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1. Introduction

In recent decades global agri-food trade expanded considerably, with the largest growth in food exports from low-and middle income to high-income countries. This agri-food trade is increasingly subject to public food quality and safety regulations as well as to a large variety of, mostly voluntary, private standards (Henson and Humphrey, 2010). These private food standards started to emerge at the end of the 1990s, mainly in response to consumer concerns in high-income countries about food safety and quality, and later expanded to address environmental and social concerns (Disdier and Marette, 2012). The latter include labor standards, which aim at ensuring dignified work and decent employment conditions and hence at contributing to achieve the eighth *Sustainable Development Goal* on productive employment and decent work for all. They are based on resolutions of the ILO Declaration on *Fundamental Principles of Rights at Work* and typically set out provisions on child labor, forced labor, discrimination and gender inequality, collective bargaining, a healthy and safe working environment, working

hours and a decent remuneration. They provide guidelines on implementing and auditing labor protections and are controlled and enforced through third-part certification or through a system of corporate codes of conduct.

The expansion of agri-food exports from low- and middle income countries has been associated with the creation of new employment opportunities and could, through these labor market effects, contribute substantially to poverty alleviation and empowerment (Beghin et al., 2015; Maertens et al., 2012). However, the link between increased exports, employment creation and poverty reduction in developing countries importantly depends on the quality of employment in food export chains (Barrientos et al., 2011; Selwyn, 2013). There are specific concerns about insecure and unsafe jobs, long working hours, low wages and scarce social services, especially for the most vulnerable – young, female, migrant and low-skilled – workers (Barrientos et al., 2003; Nelson et al., 2007; Tallontire et al., 2005). Higher standards, and especially private labor standards, requested from buyers in international markets might contribute to improved employment conditions and higher-quality employment, e.g., because standards stipulate training of workers or working hours.

In this paper we examine how effective private standards are in improving employment conditions in global food supply chains.

* Corresponding author. Celestijnenlaan 200E, 3001 Leuven, Belgium. Tel.: +32 16 32 97 22.

E-mail address: monica.schuster@ees.kuleuven.be (M. Schuster).

Using quantitative econometric methods and panel data, we empirically examine how the adoption of a variety of private standards, that differ with respect to their focus on labor, influences employment conditions in production, processing and exporting companies in the horticultural export chain in Peru. Our approach is highly complementary to existing studies on employment conditions in global food supply chains and the impact of private standards. First, we provide quantitative evidence while most existing studies use qualitative approaches. With our approach we are better able to establish a causal link between standards and workers' welfare. Second, we disentangle heterogeneous effects of different types of private standards while most existing studies investigate either one single standards or do not differentiate between standards. Third, by conducting quantitative surveys in workers' villages of residence at two moments in time, we include in our study also the more-hidden population of temporary and casual workers; who are often left out in studies relying on one-time interviews in the workplace.

Up to date, no consensus exists on whether or not private standards effectively contribute to improving the quality of employment in low and middle-income countries. Advocates promote labor standards as an essential tool to improve employment conditions, especially in nations with weak administrative state capacity (e.g., Fransen and Burgoon, 2011; Riisgaard and Gibbon, 2014) while others argue that labor standards certainly raise consumer awareness but have very limited implications towards improving the position of workers (Hiscox and Smyth, 2011). Studies have indicated that labor standards are associated with, among others, higher wage levels, housing quality, asset ownership, health and safety policies, regulated working hours and more social services; but that positive welfare effects on workers are less pronounced for temporary and female employees (Barrientos et al., 2003; Nelson et al., 2007). Other studies argue that labor standards do not challenge commercial practices and prevailing governance structures that underlie poor employment relations (Barrientos and Smith, 2007; Riisgaard, 2009), that improvements in most global supply chains have only been modest or uneven (Locke et al., 2009), that they do not translate into more just and equitable social relations, and offer only weak alternatives to traditional protection of labor rights (Bonanno and Barbosa Cavalcanti, 2012; Egels-Zandén and Merk, 2014; Seidman, 2008).

The above studies mainly employ a qualitative case-study approach relying on focus group discussions, the consultation of existing documents and in-depth interviews with key actors, such as workers, farmers and company managers. This qualitative evidence is very informative in the debate and well suited to provide insights on the mechanisms of how labor standards influence employment conditions. In particular, it sheds light on the complexities of the intersection and underlying power relations between new global consumption patterns, corporate private standards and the different value chain actors, i.e. companies, farmers and workers. An important conclusion from this literature is that local circumstances shape the challenges and possibilities of private standards to effectively improve labor conditions. However, these studies do not disentangle *adoption* of private labor standards from their *ultimate impact* on employment conditions. Adoption of standards by companies is likely correlated with other company characteristics, that also affect employment conditions; which makes it less straightforward to identify the impact of standards. In a similar way, certified companies may attract a certain type of worker, who is more or less likely to benefit from specific labor rights. With quantitative econometric methods we can better identify the causal impact of private standards on employment conditions and isolate the effect of certification to standards from other confounding factors. Few studies on food standards and

employment have followed a quantitative approach. To our knowledge, only Colen et al. (2012) and Ehlert et al. (2014) do so and investigate the causal impact of the adoption of GlobalGAP on working conditions in the horticultural export sector in Senegal and Kenya. They find that certification increases daily wages and employment periods (Colen et al., 2012) and leads to more training and better life satisfaction but not to improved workers' health or income (Ehlert et al., 2014).

2. Conceptual discussion

Private standards can have direct and indirect effects for workers in agro-export sectors. Private standards can affect workers directly because some of the requirements included in the standards directly relate to employment conditions. Such private labor standards typically include specifications on paying minimum wages or living wages, on written labor contracts, on minimum employment duration, on the safety and health of workers, on workers' access to information and membership of labor unions. Some of the requirements in private labor standards may go beyond national labor laws and regulations in producing countries; especially for the most stringent labor standards and especially in producing countries with less stringent and less developed national labor laws. Companies' adherence to stringent private labor standards might directly improve the employment conditions of the workers. Yet, even if requirements in private standards refer to compliance with national legislation (and do not go beyond legal obligations), standards may lead to improvements in working conditions. Private standards are usually controlled and enforced through third-party audits and certification. This involves regular conformity assessments of certified companies by external auditors. This system of private audits and certification might be more effective than public monitoring of compliance with national labor legislation and respect of workers' rights. Private standards might ensure companies' compliance with labor laws and thereby improve the employment conditions of workers.

Private standards can affect workers also indirectly in several ways. First, the requirements in private standards may lead to spillover effects on workers. The adoption of private standards often leads to employee training; either because this is specifically required by the standard or because quality and safety requirements in the standard necessitate it. Employee training leads to human capital accumulation, which could increase the bargaining power of workers vis-à-vis their employers as well as the companies' incentive to retain their skilled workers after costs of training are sunk. This could lead to longer employment periods, higher wages, and/or better contract conditions. Second, the adoption of private standards may lead to business expansion and increase companies' profitability and productivity – this has e.g. been shown by Henson et al. (2011). This could result in a lower labor turnover and longer employment periods for workers, and in efficiency wage premia and higher wages. However, higher costs and new production processes related to the adoption of standards could lead to longer working hours and result in the recurrence to short-term temporary employment to fill production gaps. Third, certification to private standards may lead to more guaranteed market access and reduced marketing risk for export companies, as it diminishes relation-specific trade costs and uncertainty (Besedes and Prusa, 2011). Long-term and more stable trading relations may benefit workers through longer and more stable employment.

To capture this variety of potential direct and indirect effects, in our analysis on the impact of private labor standards in the Peruvian agro-export sector we consider different types of private standards with a more or lesser pronounced focus on labor issues in

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