

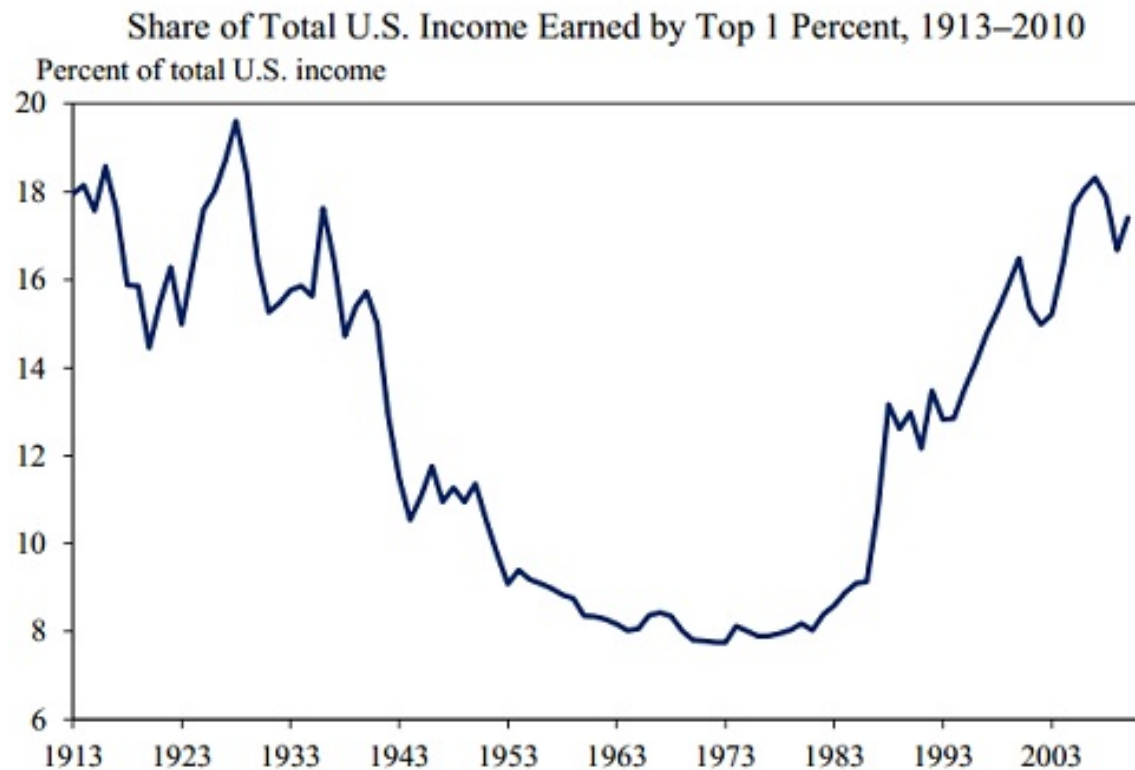
The use of supply chain disruption to fight for workers' rights

St Catharine's Political Economy Seminar

7th May 2014

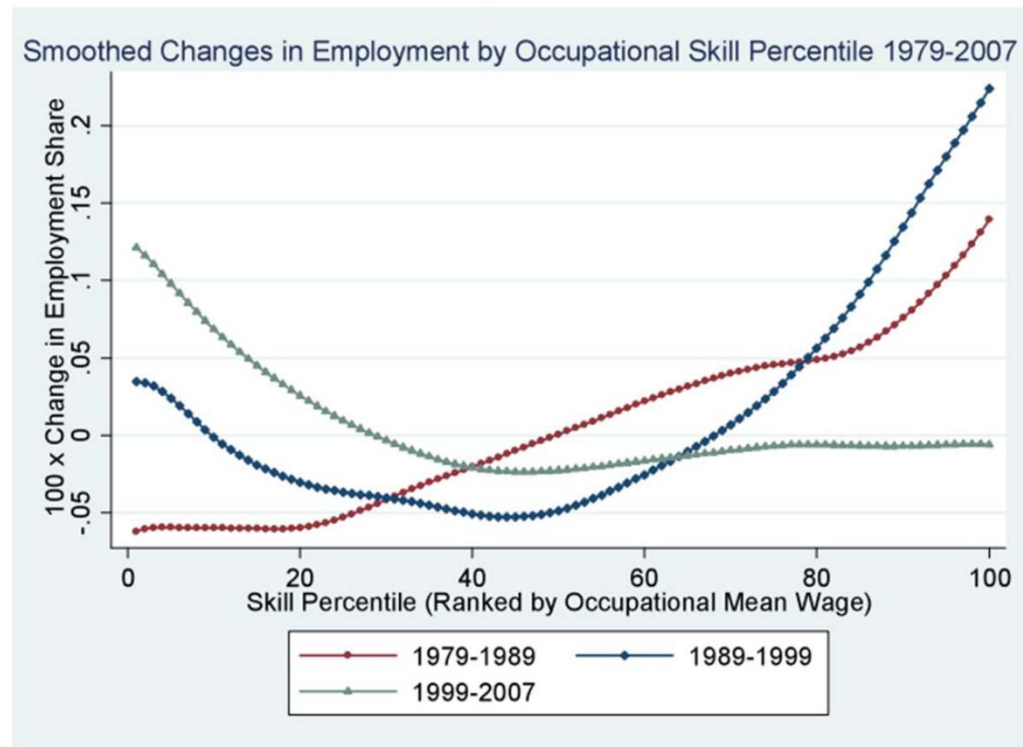
Income and wealth inequality are increasing within countries

Changing share of income of top 1 per cent in USA 1913-2010 (Piketty and Saez)



Job growth is increasingly in lower paid jobs

Shifting patterns of job creation in the USA: job growth by mean wage

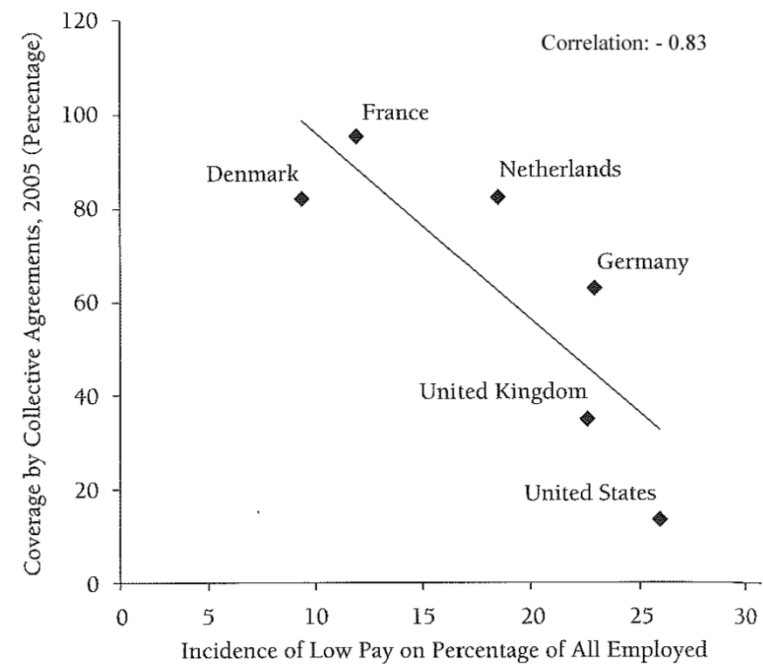


Source: Census IPUMS 5 percent samples for years 1980, 1990, and 2000, and Census American Community Survey for 2008. All occupation and earnings measures in these samples refer to prior year's employment. The figure plots log changes in employment shares by 1980 occupational skill percentile rank using a locally weighted smoothing regression (bandwidth 0.8 with 100 observations), where skill percentiles are measured as the employment-weighted percentile rank of an occupation's mean log wage in the Census IPUMS 1980 5 percent extract. Mean education in each occupation is calculated using workers' hours of annual labor supply times the Census sampling weights. Consistent occupation codes for Census years 1980, 1990, and 2000, and 2008 are from Autor and Dorn (2009a).

Income inequality is less with greater coverage of collective agreements

Low pay and the coverage of collective agreements, 2005

Figure 3.1 Incidence of Low Pay and Coverage by Collective Agreements, 2005



Sources: Low-pay incidence: Mason and Salverda (this volume); coverage: Visser (2008, 27).

Coverage of collective agreements is declining in many countries

Coverage of employed workforce by collective agreements – selected countries 1990 - 2011

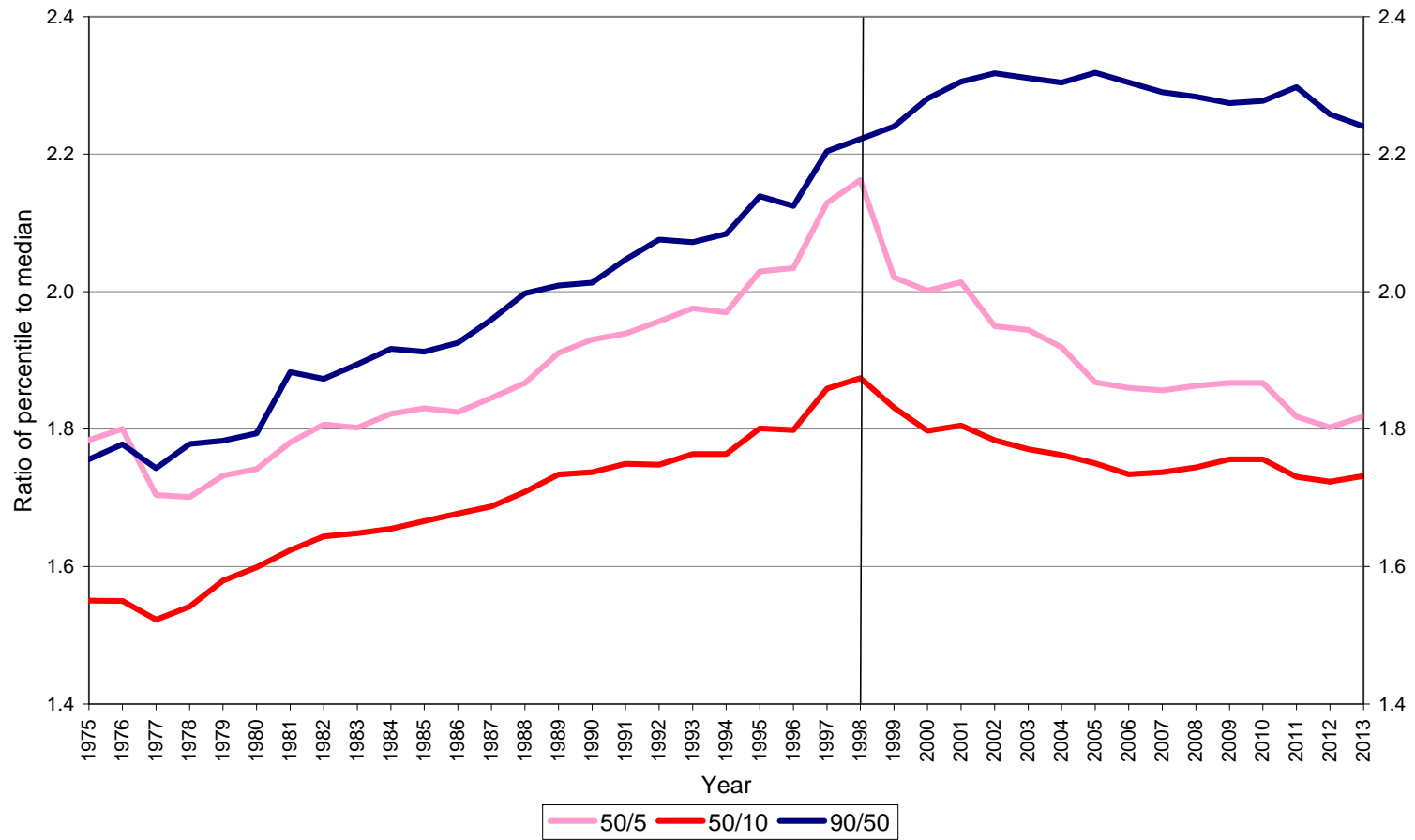
	1990	2011
France	92	98
Germany	90	62
Sweden	83	90
U. K.	47	33
Japan	25	18
U.S.A.	18	13
China	0	40?

Income distribution matters economically as well as socially

- IMF Staff Discussion Note, February 2014
 - J. Ostry, A. Berg and C Tsangarides
- More unequal societies tend to redistribute more
- Lower net inequality is strongly correlated with faster and more durable growth
- Redistribution appears generally benign in terms of its impact on growth

Statutory minimum wages only benefit the lowest paid

Impact of National Minimum Wage in UK



The link between the employer and the employee is being weakened

- Transaction costs theory (Coase, Williamson) - the firm is defined by internal contracts and the balance of advantage appears to be shifting towards external contracts
- Global competition; increased monopsony power of global retailers; and of 'lead' firms
- Internationalisation of ownership reduces specific geographical commitment of investment
- Facilitated by technological change reducing costs of monitoring, enforcement and transport
- Increasing complexity of global supply chains

- Increased use of sub-contracting, out-sourcing and atypical employment contracts
- Financialisation of firms reduces commitment to existing employment contracts
- Adverse effects for trade unions and collective agreements
- Limited success of International Framework Agreements (IFAs) between MNCs and global trade union confederations, monitored by local unions

The shift of attention from producer power to consumer power

- Global markets demand global reputations and brand name recognition for lead firms
- Reputation a major competitive resource
 - Fortune 100 firms spend average of 4% of sales on marketing
 - Retailers see reputation as comparable to price for competitive success
- Concern with reputational risk associated with disclosure of disreputable behaviour of suppliers
 - Cost of reputational attacks greatly reduced by electronic and social media
 - Public sector outsourcing carries legal and electoral risks
- Consequent rise of Corporate Social Responsibility (CSR) - also 'socially sustainable sourcing'
 - 'accountability not only for financial performance, but for impact of activities on society and the environment' (CBI)
 - Consequence of fear of damage – UC/Bhopal; Macdonalds; Foxconn/Apple
 - Some have turned to competitive advantage – Nike, Gap, Ikea
- Trade union focus on reputationally sensitive links in supply chains where pressure can be applied to improve labour standards further back in the supply chain
 - Asda/meat manufacture; government/sub-contractors; Living Wage campaign

Reputational risk management

Voluntary strategies for minimising risk of damage to reputation with consumers

- Private regulation – monitoring of suppliers with corporate codes
 - c70% of 100 largest MNCs fund independent monitors
 - Some consortia – Global Social Compliance Programme of major retailers since 2006 *‘...to ensure that all suppliers are producing products under a minimum set of internationally acceptable conditions of employment...’*
- Multi-stakeholder standards – jointly overseen by firms and civil organisations
 - Ethical Trading Initiative (with TUC, CBI and DfID backing); Fair Labor Association
- Labelling systems – independent audits, paid for by producers, visible to consumer
 - Fairtrade International; Social Accountability International 8000; Business Social Compliance Initiative – overseen by civil society orgs, specifying ILO Conventions

Failings of voluntary schemes

- Difficulties tracing the supply chain beyond the primary supplier
 - Internal tensions between buyers and marketers
 - ‘Capability building’ – difficulties of implementation – co-operation v compliance
 - Variations in local laws and protections – e.g. minimum wages
 - Consumer pressure for low price, rapid delivery, and changing fashion
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- Richard M Locke, *The Promise and Limits of Private Power; Promoting Labour Standards in a Global Economy*, Cambridge:CUP, 2013
 - Kirsten Newitt, *Private Sector Voluntary Initiatives on Labor Standards*, World Bank Background Paper, World Development Report, 2013

State intervention?

- Problem of enforcement of international codes
 - International Labour Organisation has no power to enforce its Conventions on labour standards
 - OECD introduced 'due diligence' on guidelines for supply chains in 2011, but no enforcement
- At national level, varied enforcement of labour standards on government contractors
- Some countries with sectoral collective bargaining can enforce standards by extension within the country
- Some enforcement on MNCs – the German International Development Agency (GIZ)
- Governments generally unwilling to challenge competitive conduct of exporters or inward investors

The Rana Plaza disaster – exception or model?

- Background
 - Bangladesh the second largest textile producing economy - > 5000 factories, 4m workers
 - Rana Plaza building collapsed in April 2013, killing 1000, injuring 2000
 - Firms involved supplying many household name brands
- ‘Accord for Fire and Building Safety in Bangladesh’ agreed in May 2013
 - Between international trade union feds IndustriALL and UNI Global, Bangladeshi trade unions, and over 150 retailers from 20 countries in Europe, North America, Asia and Australia
 - Legally binding with all committed to arbitration awards or enforcement of fees within their national legal system – internationally unique
 - Firms committed to five year deals and incentives to invest in safety arrangements
 - 26 US brands instead take part in voluntary code: ‘the Alliance’
 - Achieved through intensive pressure from both trade unions and civil society groups