

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

Costa Rica

“Before, he who shouted most
was the best. Now, he who shouts
is not here.”

Human Resources Manager,
banana farm, Costa Rica

“There are very few unions
here...You have a choice to join,
but if you do you may be fired...”

Female worker (non-union member),
banana farm, Costa Rica

“There are more opportunities
and respect for women now....
The company code has helped
because before only friends [of
managers/supervisors] were given
opportunities...”

Women workers, banana farm,
Costa Rica

About the Report on the ETI Impact Assessment 2006

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations committed to improving working conditions in global supply chains. ETI company members require their suppliers to comply with the ETI Base Code, a code of labour practice based on international labour standards. After five years of operation, ETI wanted to assess:

- how its member companies were implementing the ETI Base Code;
- the impact of members' activities on workers in the supply chain;
- how the impact of member's work could be improved.

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

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

Summary

Summary of an independent assessment for the Ethical Trading Initiative

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

Part 1

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

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

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

Part 2A

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

Part 2B

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

Part 2C

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

Part 2D

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

Part 2E

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

Part 2F

Findings and recommendations from a scoping study in China

Part 3

How and where ETI member companies are implementing codes

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

Part 4

Research methodology

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

Each of the reports can be freely downloaded from www.ethicaltrade.org/d/impactreport and www.ids.ac.uk/

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

Contents	p3
Foreword	p5
1 Introduction	p7
1.1 Rationale for this case study	p7
1.2 Who was involved in the study?	p7
1.3 Case study value chains	p7
1.4 Selection of suppliers	p7
1.5 Worker sample	p7
1.6 Research methods	p8
1.7 Limitations	p8
2 Background on the Costa Rican banana industry	p9
2.1 Size of sector and recent trends	p9
2.2 Type and number of workers	p9
2.3 Other background information	p9
3 Key impacts	p10
3.1 Summary of worksite impacts by Base Code principle	p10
3.2 Impacts by Base Code principle	p10
3.2.1 Employment is freely chosen	p10
3.2.2 Freedom of association and the right to collective bargaining are respected	p10
3.2.3 Working conditions are safe and hygienic	p11
3.2.4 Child labour shall not be used	p11
3.2.5 Living wages are paid	p11
3.2.6 Working hours are not excessive	p12
3.2.7 No discrimination is practised	p12
3.2.8 Regular employment is provided	p13
3.2.9 No harsh or inhumane treatment is allowed	p13
3.3 Other worksite impacts	p13
3.4 Key issues remaining	p13
3.4.1 Employment is freely chosen	p13
3.4.2 Freedom of association and right to collective bargaining are respected	p14
3.4.3 Living wages are paid	p14
3.4.4 Working hours are not excessive	p14
3.4.5 No discrimination is practised	p14
3.4.6 Regular employment is provided	p14
3.5 Impacts by type of worker	p15
3.5.1 Impacts by employment status	p15
3.5.2 Impacts by gender	p15
3.5.3 Impacts by ethnicity	p15
3.6 Wider impacts	p15
3.6.1 Household and community impacts	p15
3.6.2 Poverty impacts	p16
3.6.3 Impacts on employment patterns	p16
3.6.4 Other intended and unintended impacts	p16

4	The company's approach to code implementation	p17
4.1	Overview of the company's approach	p17
4.2	Communication and learning	p17
4.3	Monitoring compliance	p17
4.4	Capacity building	p18
4.5	Integration with core business	p18
5	Key factors affecting impact	p19
5.1	Key factors related to code management approach	p19
5.2	Key factors related to the value chain	p19
5.3	Other influences on change	p19
6	Recommendations	p21
6.1	Recommendations from case study participants	p21
6.1.1	Management approaches to code implementation	p21
6.1.2	Stakeholder engagement	p21
6.2	Recommendations from the Research Team	p21

f

Foreword

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

The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations (NGOs) committed to improving working conditions in global supply chains. When they join ETI, companies commit to implementing the ETI Base Code - a code of practice based on international labour standards - in all or part of their supply chain. But how exactly have member companies put this commitment into practice? Has their work on implementing the Code actually made any difference to workers in their supply chains? How can the impact on workers be improved? In 2003 ETI commissioned us to undertake a study to answer these and other related questions. This document provides an account of the key findings and recommendations from a case study of the Costa Rican banana industry, one of six case studies chosen to give an insight into key issues in different countries and sectors.

Who is this document for?

This document is relevant to all those involved in monitoring and improving labour conditions in the export banana sector in Costa Rica, including retailers and brands, agents and suppliers, auditors, non-governmental organisations (NGOs) and trade unions. It provides an insight into how a multinational food company (an ETI member) has been implementing its code of practice, and the impact this is having for workers on its farms in Costa Rica. It also provides an analysis of the key factors found to affect impact, and recommendations for improving impact in the industry.

About the ETI Impact Assessment and IDS

The ETI Impact Assessment was initiated in 2003 - five years after ETI was established - to answer the questions outlined above. Based on assessing the

ethical trade programmes of nearly 30 sourcing companies (retailers, brands and suppliers), and including in-depth case studies in five countries and three sectors, this has been the most comprehensive assessment of the impact of codes of labour practice to date.

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

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

About the ETI Impact Assessment reports

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

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

Acknowledgements

We would like to offer our sincere thanks to Augusto Aceytuno from COVERCO (Commission for the Verification of Codes of Conduct) who worked with IDS in planning and conducting the research interviews for this case study. We would also like to extend our thanks to the ETI member company (“Company Z”) who agreed to support and participate in this case study, and to all those who took part in the research interviews, in particular managers and workers at the case study supply sites.

Stephanie Barrientos & Sally Smith
Institute of Development Studies
University of Sussex

1 Introduction

1.1 Rationale for this case study

The company case study in Costa Rica aimed to complement the other ETI Impact Assessment case studies with an in-depth investigation of code implementation by a single ETI member company considered to have a pro-active and innovative code management approach, and with a vertically-integrated supply chain. By focusing on such a company, we hoped to identify specific code implementation policies, systems and/or procedures that have led to positive outcomes for workers, and therefore strengthen our ability to make good practice recommendations to other companies.

This case study was also intended to complement the other case studies by providing an insight into code impacts in an additional sector (bananas) and region (Central America).

1.2 Who was involved in the study

The research partner for the ETI Impact Assessment in Costa Rica was Augusto Aceytuno of the Commission for the Verification of Codes of Conduct (COVERCO), a Guatemalan-based NGO¹.

1.3 Case study value chains

This case study involved just one ETI company member. The ETI member (Company Z) was selected

in order to meet the above aims. Company Z is a publicly-listed multinational fruit company with integrated banana production, distribution and marketing functions. It has developed its own Company Code which incorporates all elements of the ETI Base Code, and uses a number of third party certification systems to guarantee compliance at the farm level (see [section 4](#)).

1.4 Selection of suppliers

At the time of the research, Company Z owned 104 banana plantations in seven Latin American countries, and sourced from an additional 176 contracted and 561 subcontracted farms. In Costa Rica 36.5% of production came from company-owned farms in 2004. Three of 21 company-owned farms were purposively selected based on criteria such as location and level of unionisation. The case study only included company-owned farms as code implementation had up to then been focused at that level. It was felt this would optimise learning; Costa Rica was the chosen country for the same reason.

1.5 Worker sample

In total there were 445 workers employed at the three case study worksites, of whom 12% were women. 43 workers were purposively selected by the research team to give a cross-section according to gender, nationality and area of work (see [Table 1.1](#)). There

Table 1.1
Worker sample by nationality, gender and area of work

	Costa Rican		Nicaraguan		Panamanian		Total	
	M	W	M	W	M	W	M	W
Cultivation	3	0	9	0	5	0	17	0
Harvest	1	0	12	0	0	0	13	0
Packhouse	1	7	0	2	0	0	1	9
Contract worker	3	0	0	0	0	0	3	0
Total	8	7	21	2	5	0	34	9

¹ The findings reported here are those of the IDS research team, and do not necessarily reflect the views of COVERCO.

was some bias towards those who had been working for longer, as they would be able to comment on changes in labour practices over time. Most workers interviewed had indefinite contracts, although many had first been hired on a three-month probationary period and in one region workers opted for rotating six-month fixed term contracts.

58% of the workers interviewed were aged between 25 and 34, with most of the others between 35 and 44 years old. They had on average 4.6 years of schooling. 26% were married, and a further 35% were co-habiting, while the remaining 39% were single. They had an average of two children under 18 each. One third of the workers were living in their own house, with 40% living in company houses or dormitories. 20% rented a house and 7% lived with a relative. On average they had been working in the banana sector for 10 years, with four years employed by Company Z.

1.6 Research methods

The research team (IDS team member and local co-researcher) spent two days on each farm, interviewing management/administration staff on the first day and workers on the second day. 40 directly employed workers participated in group discussions with between two and eight workers in each group, and also completed a short structured questionnaire. At one site a focus group discussion was also held with three contract workers. In addition, eight Permanent Committee² members were interviewed, plus the trade union representative on one farm. Staff from the company's head office in Costa Rica and key informants from outside the company were also interviewed (including in the UK/EU).

More detailed information can be found in the report on the research methodology (Part 4).

1.7 Limitations

This was a small case study and the findings should not be taken as representative of Company Z's total production base or of the banana sector in Costa Rica. This is particularly so given that Costa Rica was chosen as the country where most progress had been made in code implementation, and that the research was focused at the first tier of the supply chain.

Since only farms owned by Company Z were included, it was difficult to know whether changes in labour practices were specific to the company or more generally to the banana sector.

Due to time limitations, it was not possible to interview workers outside the workplace or with members of their households.

² Permanent Committees are site-level committees that are elected by workers and are intended to communicate workers' concerns to management, as well as to negotiate and sign agreements with management about basic terms and conditions. However, Permanent Committees are often associated with "Solidarismo", and both systems have come under attack by trade union and non-government organisations for undermining the independent labour movement in Costa Rica.

2 Background on the banana industry

2.1 Size of sector and recent trends

98% of banana production is carried out in developing countries, although only about 20% of world production is exported³. Over 80% of global banana marketing and trade is dominated by five large multinational corporations⁴. The majority of exports come from Latin America, with Costa Rica the second biggest exporter after Ecuador. Recent trends indicate that the multinationals are moving away from owned production in favour of preferred supplier arrangements⁵. The EU and US are the largest importing regions. The EU has a licence and quota regime which favours imports from traditional trading partners in the African, Caribbean and Pacific region (many of whom are small producers), but this has been challenged by the World Trade Organisation and is subject to controversial reform in 2006.

2.3 Other background information

The multinational banana companies have long been subject to criticism from civil society organisations in relation to the labour practices on their own and supplier plantations. The Costa Rican trade unions have been particularly vocal about suppression of labour rights and environmental damage by the banana industry, supported by a network of trade unions and NGOs in importing countries. More recent criticism has targeted the European and North American supermarket chains who are accused of waging a 'price war' that is driving down wages and causing a shift to sourcing from countries with poorer labour conditions⁹.

2.2 Type and number of workers

An estimated 500,000 people work on banana plantations around the world⁶. In Costa Rica the banana sector is the biggest employer in agriculture, with an estimated 33,000 workers directly employed on farms and in packhouses and a further 63,000 indirectly employed (e.g. at ports, service providers etc) at the end of the 1990s⁷. A study conducted in 2001-2 for a local network of trade unions and NGOs, Foro Emaus, found that 70% of workers were hired on temporary contracts of less than one year, many of them on rolling three-month contracts⁸. There is also a high percentage of migrant workers in the sector, mainly from neighbouring Nicaragua but also from other Central American and even South American countries.

3 Gillson, I., Hewitt, A., and Page, S. (2004) Forthcoming changes in the EU banana/sugar markets: A menu of options for an effective EU transitional package. ODI, London

4 Vorley, B. (2003) Food Inc.: Corporate concentration from farm to consumer. IIED, UK

5 Ibid.

6 Background document to the International Banana Conference 2005

7 FAO Committee on Commodity Problems, Intergovernmental Group on Bananas and Tropical Fruits (1999) The impact of banana supply and demand changes on income, employment and food security. http://www.fao.org/docrep/meeting/X1390E.htm#P64_8586

8 Foro Emaus (2002) The social crisis in banana producing communities. Foro Emaus: Costa Rica

9 Background document to the International Banana Conference 2005

3 Key impacts

3.1 Summary of worksite impacts by Base Code principle

Table 3.1 summarises the impacts reported by management and workers in each of the nine areas of the ETI Base Code¹⁰. ‘Major’ indicates that significant changes had occurred, and were reported by the majority of interviewees. ‘Minor’ indicates that changes only had minimal impact on workers, or were only mentioned by a minority of interviewees. An asterisk next to either Major or Minor implies that the change was viewed as negative for at least some of the people interviewed. Zero means that no change was reported, but this does not necessarily imply there were no non-compliances with the Base Code (see Section 3.4 for Key issues remaining).

Table 3.1
Summary of impacts by
ETI Base Code principle

KEY	
Mmt	Management
Wkrs	Workers
Major	Major and/or multiple impacts across several worksites
Minor	Minor impacts and/or impacts at isolated worksites only
*	Impact perceived as negative by at least some interviewees
0	No impact reported

Base Code principle	Mmt	Wkrs
Freedom of employment	0	0
Freedom of association	Minor	Minor
Health and safety	Major	Major
Child labour	Minor*	Minor*
Living wage	Minor	Minor
Working hours	Minor	Minor
Discrimination	Minor	Minor
Regular employment	0	0
Harsh treatment	Major	Major

Source: Management interviews and worker focus group discussions. Data aggregated to protect identity of individual farms.

Table 3.1 indicates that changes have occurred across a number of areas, but most notably in relation to health and safety and harsh treatment. Areas of impact, and remaining issues, are described in more detail below. It should be emphasised that many changes can only be attributed to codes as one factor in a number of influences on change - see section 5.

3.2 Impacts by Base Code principle

3.2.1 Employment is freely chosen

No impacts reported.

3.2.2 Freedom of association and the right to collective bargaining are respected

Industrial relations in the Costa Rican banana sector have historically been poor. In the 1980s some farms closed after a long strike and many workers lost their jobs. Trade unions claim union members have been persecuted, including through use of black lists. Union membership levels are low, and many farms (including those belonging to Company Z) have company-supported Permanent Committees and ‘Solidarity Associations’ (credit and savings schemes) which unions see as undermining their ability to organise workers independently.

Following several years of targeted campaigning from an international network of trade unions and NGOs, and as an indication of their commitment to improve industrial relations and labour practices, in 2001 Company Z signed an International Framework Agreement (IFA) with the International Union of Foodworkers (IUF) and COLSIBA (Latin American Coordination of Banana Workers Unions). The IFA commits Company Z to respect International Labour Organisation (ILO) Core Conventions and Convention 135 on protection and facilities for workers’ representatives. In Costa Rica regular meetings were being held between management and trade union representatives and a complaints mechanism specifically for trade union members had been established in accordance with the IFA. It was not the

¹⁰ A full explanation of how Table 3.1 was derived is given in Part 1, Key findings, section 2.1.

aim of the study to assess the impact of the IFA, but it (or perhaps more accurately the campaigns behind it) can be considered a key driver of change, as explained in [section 4](#).

Management said that workers were now told explicitly they had the right to join whatever organisation they chose, including trade unions, in their induction and in periodic training on the Company Code. Workers confirmed being told they were free to associate. Some union members said they suffered less oppression than previously, though they alleged continued discrimination in, for example, recruitment practices. However, these changes had not led to an increase in trade union membership. Many workers still feared being sacked if they joined a union, despite being told repeatedly this would not happen. This fear was fuelled by a minority of supervisors who apparently continued to advise workers to avoid unions. But some workers had no interest in joining, especially given they had Permanent Committees – they were generally satisfied with the work of the Committee and demonstrated little understanding of the difference between what they did and the role of a union.

“Previously if someone was seen talking to a union member they were practically fired on the spot. Now there’s less pressure.”

Trade union member

“There are very few unions here. They bring a lot of problems and you have to pay. You have a choice to join but if you do you may be fired... No company wants unions, so nobody joins.”

Female non-union member

3.2.3 Working conditions are safe and hygienic

Health and safety was the area in which most change had occurred. Management and workers reported a range of improvements, including:

- Provision of personal protective equipment (PPE);

- Safe use of chemicals including an end to aerial spraying where workers are present and observance of re-entry periods;
- Provision of showers and onsite laundering of contaminated clothes;
- Improved toilet facilities;
- Better maintenance of pathways and infrastructure;
- Formation of Emergency Brigades on each farm.

Workers said they suffered fewer health problems and accidents as a result of these changes and were less concerned about risks of sterility.

“We use a mask and gloves for putting the bags up and applying fertilisers and herbicides. Before you didn’t see that. We’re not allowed to work without [PPE]. We have talks on this, on not contaminating the environment, on being a human being because it’s good for everyone.... You almost don’t see sickness now. A long time ago it was very different, there were a lot of problems.”

Male fieldworker

3.2.4 Child labour shall not be used

The company no longer employs 16-17 year olds as they found it too difficult to meet ILO and government restrictions for ‘young workers’. Most workers (and some management) saw this as a negative change, as young males in their homes and communities did not want to continue their education, or couldn’t afford to, and didn’t have alternative sources of employment.

3.2.5 Living wages are paid

Workers noted some minor changes in this area of the ETI Base Code. This included more detailed payslips and anonymised posting of individual earnings on a daily basis. These changes were positive because they could now easily detect inaccuracies in wages and make sure they were rectified. Management also reported paying overtime rates when the amount

"I started working on the farms when I was 16. I wanted to work because I'm from a poor family and there was a war on in Nicaragua. It's probably better that 16 to 18 year olds can work because if they're not in school they could get into trouble. The young people take to the streets and get involved in things they shouldn't. But they can't because the government prohibits it. It would be okay if there weren't chemicals, but young people are weak and the chemicals would affect them. It would be good if there were other jobs for them, to stop them doing anything bad."

Nicaraguan male field worker

"Before my wife and kids complained that I left early and got back late and didn't see the kids. Now I have a little more time to spend with them, I arrive home in time to see them awake. I've talked to the other supervisors about this as well, it's the same for them."

Male supervisor

"Before we worked until 7pm. It changed this year. I don't know why, I don't know how many hours I'm meant to work, I just do the hours. It's positive because I have more time with my family and more time for household chores."

Female packhouse worker

earned equated to less than the minimum wage for eight hours work.

As part of code implementation, management said they now check that third party contractors pay contract workers at least the minimum wage and legal entitlements. This was confirmed by a contractor who said he had begun giving redundancy payments and detailed payslips as a result. Although contract workers were unable to comment on changes they did acknowledge receiving the correct entitlements.

3.2.6 Working hours are not excessive

Packhouse and harvest workers reported a reduction in the number of hours they worked, now only doing more than 12 hour days in exceptional circumstances. This had beneficial impacts in terms of having more time for their families, especially small children, and for household activities. However, long working hours were still the norm, with 60 hour weeks common. One worker noted that the time they finished each day depended on the destination of the fruit as some buyers needed higher quality and care than others.

Workers did not report any negative impact on wages as a result of working fewer hours, although it was not clear whether piece/contract rates had been increased specifically to prevent this.

3.2.7 No discrimination is practised

Management thought codes had brought change in attitudes towards women, and reported efforts to give women opportunities for promotion. Workers confirmed this, saying women now had the chance to do different tasks in the packhouse or sometimes work in the office. Management also said pregnant women were better cared for and no longer discriminated against. While such changes were positive, the company had yet to achieve a healthy gender balance in positions of authority as all management and supervisors, as well as all Permanent Committee members, on the three farms were men. This imbalance is rooted in cultural and social gender norms, and will take sustained efforts to address.

“[The company code] has started the process of ending machismo. Before you never saw women doing anything other than minimal roles. [We] had the idea women should be in the home. [We] are now realising that women can do things better than men.”

Farm manager

“There are more opportunities and respect for women now. I was given a chance to work in the office [temporarily]. A woman from the packhouse was promoted to the office four years ago. Another is a cleaner now and she gets shown how to do other things while she's there. [The company code] has helped because before only friends [of management/supervisors] were given opportunities... They also give permission to leave early to study. It all came with [the code].”

Female packhouse worker

“If a job is not done well [the supervisor] just tells us calmly what to do... This is a fundamental change. There is now dialogue and respect. Before sometimes they told us off like we were children. Supervisors have had to have training for this, they have been given courses.”

Male fieldworker

“We can talk to anyone now. When the boss passes we can talk to him and if he can help he will. It wasn't always like this. Before the bosses almost didn't see us, they were more like dictators and just gave orders... Now there is respect and everyone feels better”

Female packhouse workers

“Before he who shouted most was the best. Now he who shouts is not here.”

Human Resources Manager

3.2.8 Regular employment is provided

No impacts reported.

3.2.9 No harsh or inhumane treatment is allowed

Another major area of improvement was in the relationships between management and staff under their supervision. Change had occurred at all levels, including between senior and junior management (although a few workers reported continued harsh treatment by certain supervisors). This had had significant positive impacts on staff well-being, as they felt more secure in their jobs, less depressed and stressed, and more satisfied with their work. The company had also benefited from a more motivated workforce and lower turnover.

Management also thought there was less sexual harassment than previously, with some supervisors apparently having been sacked for it. While some women workers did note fewer suggestive comments than previously, most didn't think sexual harassment had been a serious problem during the time they had worked on the farm.

3.3 Other worksite impacts

Management said codes had increased awareness of and compliance with national legislation. As a result one manager said that the company was less at risk of legal problems and scandals than before.

Permanent Committees had become more important as they were used as a communication channel between workers and management on issues related to codes.

3.4 Key issues remaining

3.4.1 Employment is freely chosen

There was confusion around redundancy payments on one farm. Workers thought they were entitled to full payment when they left work voluntarily but were being restricted in when they could leave by management saying there was no money to pay them. In reality the company only has to pay outstanding leave and bonuses (on a pro-rata basis) with additional redundancy payment at the discretion of management. Communication on this issue was poor

and clear rules and procedures would help ensure that workers do not feel they are forced to continue working if they want to receive full payment. This is particularly important for migrant workers, who may need to return home at short notice.

3.4.2 Freedom of association and the right to collective bargaining are respected

As indicated above, while progress had been made on this issue more work needs to be done to ensure that workers fully understand the role of trade unions and that they are free to associate with whatever organisations they choose. In particular, Company Z needs to ensure that supervisors do not caution workers against joining a union and that trade union members do not face difficulties in being rehired after a voluntary break.

3.4.3 Living wages are paid

Workers were being paid by hour, piece or contract, depending on their job. Rates were 'negotiated' with the Permanent Committee on each farm every six months in line with government legislated changes in the minimum wage (adjusting for inflation), but increases in real terms were nominal. Workers reported receiving anywhere from Colones 3,750 to 8,083 per day (US\$ 8.33 to 17.95), depending on their position and the hours they worked - the highest rates were reported by production workers working on a contract basis. Contract workers doing general maintenance tasks (e.g. clearing drainage canals) reported earning around the same amount as those employed direct, but apparently with shorter hours. Trade unions estimate a living wage to be US\$ 13.66 - 15.61 per day⁹.

Some interviewees (management and workers) said workers were now earning the same for fewer hours, while others thought they were working harder for the same money due to increased market demands for quality. A related complaint was that during periods of low yield wages were lower despite working the same number of hours. Workers said wages were sufficient

to cover the needs of a family only if there was a second earner, with single mothers struggling to cover their costs. Key informants claimed wages had actually decreased in real terms as a result of falling retail prices, but the study was not sufficiently detailed to verify this claim.

"[Whether wages cover basic needs] depends on the size of the family. I have three children and my husband works as well and it's okay. For single mothers it would be difficult. It's okay for single people without children."

Female packhouse worker

3.4.4 Working hours are not excessive

As reported above, long working hours were the norm rather than the exception at all work sites and still exceeded the guidelines laid out in the ETI Base Code.

3.4.5 No discrimination is practised

On one farm some workers claimed that management gave more opportunities to family members.

3.4.6 Regular employment is provided

There was quite extensive use of three-month probation contracts on all three farms. Some workers claimed those on probation were often laid off just before completing three months and were asked to return in three months to try again, sometimes several times. This could be because the company would have to pay redundancy if the workers had been there three months or more. However, we were unable to confirm how common this practice was as the workers we spoke to had only completed one or occasionally two probation periods.

Contract workers said they were hired on repeated three-month contracts, which presumably allows the

⁹ Report from Banana Link co-ordinated GMB London/TGWU/MANDATE trade union delegation to Costa Rica, 24 March to 1 April 2004. Hosted by SITRAP, Siquirres.

contractor flexibility. Workers said they opted to work for a contractor rather than direct because he arranged transport and they would find it difficult to get to farms without it.

In one zone permanent workers had opted for rolling six-month contracts, as they liked getting a lump sum of cash periodically and having the opportunity to rest and, for migrants, visit their families. Some said they would leave to work for another company if this system was changed.

3.5 Impacts by type of worker

3.5.1 Impacts by employment status

It was mainly workers employed directly who had benefited from implementation of the Company Code. The terms and conditions of contract workers were being monitored but not against all code principles, with impacts therefore limited. The company had begun work with suppliers and there may be some impacts on their workers from this, especially in the area of health and safety. However, it was not within the scope of the study to measure impacts at this level.

3.5.2 Impacts by gender

A high percentage of workers were male and so code impacts affected mostly men. There may have been some differential impacts from health and safety improvements, especially in relation to chemicals as men were more exposed to chemicals than women. Reduced working hours might have been more positive for women due to their family responsibilities, and efforts had been made to provide women with more opportunities. However there has been little impact on the gender distribution of work.

3.5.3 Impacts by ethnicity

There were no discernible differences for workers of different nationalities, with migrants apparently benefiting equally from improvements. The exception was indigenous Panamanian migrants, who expressed

less confidence in their ability to influence their employment situation. Panamanian indigenous groups have traditionally been a poor and isolated group within their own country and said they had little choice but to come across the border to work. However, they did benefit from a strong trade union movement in the Panama banana sector and among Panamanians in the region.

3.6 Wider impacts

3.6.1 Household and community impacts

Improvements in health and safety have had positive impacts at the household level, such as:

- household members were less likely to be exposed to chemicals from aerial spraying and contact with contaminated work clothing;
- some workers reporting using acquired health and safety knowledge in the home, e.g. from first aid training.

Improved management-worker relations and reductions in working hours also impacted at the household level, with workers saying they had more time with their families, especially young children, and no longer took out their frustrations on family members.

According to workers, the fact 16-17 year olds could not be hired had negative impacts on households as they could no longer contribute to household income. They also reported negative impacts on local communities as many young males resorted to hanging about the streets and getting involved in drugs and crime as they had no alternative sources of work.

The company had initiated a project to sell on-farm housing to workers, through a government grant and work loan scheme. This aims to increase workers' long term security and independence.

3.6.2 | Poverty impacts

In terms of the three dimensions of poverty, there were considerable impacts in the area of physical and social well-being as a result of improvements in health and safety, worker-management relations and working hours. The research team was struck by the confidence of most workers and their knowledge of their rights. They reported that a number of complaints mechanisms and changes in their relationship with management meant they could use their knowledge of rights to report grievances and ensure they were resolved. This suggests that code implementation had brought some empowerment. However, continued fear of union membership indicated that there were limits to this, and women also demonstrated a lack of confidence in their ability to take on positions of authority or representation. There were no significant improvements in income and employment security, and perhaps negative effects on households with 16-17 year olds.

employed on them. However, the risk is that pressure on prices will increasingly limit the benefits for workers, especially in terms of wages.

3.6.3 | Impacts on employment patterns

No impacts evident.

3.6.4 | Other intended and unintended impacts

Several interviewees (management and key informant) thought Company Z was the industry leader in relation to corporate social responsibility and suggested that its practices might have influenced industry norms regarding labour practices. We were unable to investigate this within the scope of the study.

Over-supply in the global banana sector and higher costs of production in Costa Rica present serious challenges to the local industry. Managers said the only way for Costa Rica to compete was through higher productivity. Good staff morale is critical for ensuring productivity remains high, and the case study suggests that improvements in worker-management relations make a significant contribution at this level. This may help ensure a future for farms in Costa Rica and for the thousands of workers

4 The company's approach to code implementation

4.1 Overview of the company's approach

The Company was working with a number of voluntary code initiatives to manage and monitor its social (and environmental) performance.

- Since 1992 with Rainforest Alliance's Better Banana Project (BBP). This largely focuses on the environmental impacts of banana production but includes some assessment of working conditions and community relations. All of the Company's owned farms were certified BBP. 79% of their Costa Rican suppliers were also certified BBP.
- Since 2000 with Social Accountability International's SA8000 standard, which is almost identical to the ETI Base Code. All owned farms in Costa Rica were certified. The largest supplier and a couple of others were working towards certification.
- Since 2003 with Eurepgap, which includes a section on worker health and safety. All owned farms in Costa Rica were certified.
- Since 1996 with ISO14001, but only in Costa Rica.

In 2000 the company consolidated its policies into a Code of Conduct based on core values of integrity, respect, opportunity and responsibility. It embarked on a programme of internal and external monitoring and public reporting, as well as communication and capacity building throughout the company and its value chains. A governance structure was created headed by the Corporate Responsibility Office who reports to an Audit Committee comprised of Board members. Responsibility for implementation lay with the Senior Management Team supported by a Corporate Responsibility Steering Committee, with further delegation of responsibility to officers in each division.

The Code was the foundation of the company's management approach and implementation of the ETI Base Code could not be distinguished from it. Furthermore BBP, which pre-dates the Code, includes elements of the ETI Base Code. Lines of attribution were therefore complex, as noted in section 5.

4.2 Communication and learning

Company Z had communicated its Code to its workers using periodic talks, a worker-friendly booklet and posters. The majority of workers exhibited good knowledge of the Code, although on one farm this was less the case. However contract workers were not aware of the Code.

There were various complaints mechanisms workers could use to report violations of the Code (or any other grievance):

- Permanent Committee members visited workers in each area monthly and reported any problems to management;
- complaints could be lodged through line managers or direct to human resources or the general manager;
- each farm had a complaints box;
- a hotline had been set up for complaints via an external service provider;
- there was a special complaints mechanism for trade union members.

Workers most often took problems to Permanent Committees and line managers, but the hotline was seen as useful especially for women in relation to sexual harassment.

4.3 Monitoring compliance

- The Company had a multi-tiered monitoring system including internal and external assessments. Although there was some resistance at first, management viewed assessments as useful for encouraging continuous improvement, especially through the feedback that was received.
- A more integrated monitoring system was being developed which combined environment, food safety and labour practices in one assessment. This was seen as positive for reducing the amount of time and work involved.

- Since 2003 all new and renewed contracts with suppliers stipulated that they must comply with environmental and social standards, and they were encouraged to work towards BBP, SA8000 and Eurepgap certification.
- Some direct monitoring was being done by one ETI retailer member, including worker interviews. Other ETI members sourced few or no bananas from the farms visited. However, management said in general retailers rely on the company's systems for ensuring compliance with their codes.
- Some preparation for assessments was being carried out, for example, giving workers leaflets to remind them of the content of the Company Code. This makes it difficult to know if workers felt pressure to give correct answers, although they said they didn't. On the positive side, it reinforced workers' knowledge of the Code¹⁰.

4.4 Capacity building

The company provided training related to the Code at various levels:

- all staff from the CEO down had been given basic training on the Company Code, with records kept of each individual trained;
- supervisors and Permanent Committee members had more extensive training on the Code, Costa Rican law, human resource management and leadership. This training was mentioned by workers who thought it had been effective in improving communication between workers and supervisors;
- those who worked with chemicals were given basic health and safety training. Members of Health and Safety Committees and Emergency Brigades got substantial training.

Some capacity building had taken place through the certification schemes (BBP and SAI), but this was more through provision of advice on how to attain compliance rather than specific targeted training.

4.5 Integration with core business

According to management, while buyers in the EU put pressure on the company to ensure good labour and environmental practices, they received no premium or extra business as a result of certification or corporate social responsibility initiatives (the exception being a Swiss retailer that had jointly funded an environmental project). Instead the company faced increased demands for quality in a context of falling prices. Some interviewees felt that making the link between purchasing practices and social and environmental performance was essential, as the costs involved with the latter were making it increasingly hard to compete. This coincides with the view of civil society groups that speak of a 'race to the bottom' occurring in the banana sector, whereby sourcing is being shifted to countries with weaker social and environmental standards in order to meet retailer requirements at low prices.

Company Z had given a price incentive to its own suppliers to encourage BBP certification.

¹⁰ Care should be taken to ensure such leaflets are easy to understand. One leaflet seen by the research team was dense with information and may have been confusing to workers.

Key factors affecting impact

While the focus of the study was on identifying impacts resulting specifically from code implementation, in many cases it was not possible to attribute change exclusively to codes as there were a range of factors influencing labour practices. In this section we identify the key factors which we believe lay behind the impacts recorded, grouped according to:

- factors related to code implementation management approach;
- factors related to the value chain;
- other influences on change.

5.1 Key factors related to code implementation management approach

Values driven approach

The company's core values played a central role in code implementation, acting as the foundation from which all code principles stemmed. High levels of commitment from senior levels to these values translated into effective governance structures and adequately resourced programmes.

Internal monitoring, external certification and public reporting

The extensive monitoring and certification system developed by Company Z had created a process of continuous improvement and capacity building, facilitated by feedback and public reporting mechanisms.

Worker training and grievance mechanisms:

Worker booklets and training on codes was effective in increasing workers' awareness of their rights. They could use this knowledge to report violations through multiple complaints mechanisms. The latter appeared to be useful, even though some mechanisms may not have been used much.

Training for supervisors

Supervisor training on good management practice had been effective in improving worker-management relations.

5.2 Key factors related to the value chain

Vertically integrated chain

The fact that Company Z owns the farms greatly facilitated their ability to drive and sustain change, as they could directly control communication, rewards and sanctions related to compliance with their Code. While change at the second tier was not evaluated, Company Z should also have considerable leverage at this level as they generally take 100% of supplier's production.

Global over-production and retailer price war

Over-production and intense competition between retailers may undermine progress by driving down prices and encouraging movement of sourcing to low cost countries, as well as undermine opportunities to improve wages.

5.3 Other influences on change

Inter-related drivers of change

A combination of factors prompted Company Z to take action to improve its social and environmental performance:

- civil society organisations had long been campaigning for social and environmental justice in the banana sector, and had targeted Company Z in particular;
- retailers had been pressing for responsible business practices for around 10 years (as a response to the civil society campaigns);
- a period of financial difficulty left the company looking for a new business strategy for recovery;
- code initiatives such as Rainforest Alliance's Better Banana Project provided opportunities to engage with civil society.

Furthermore, in the national context there were additional drivers of change:

- the government of Costa Rica had begun to demand accountability from the banana industry in relation to the environment, child labour and

sexual harassment (again in response to civil society campaigns);

- increased quality requirements and intense competition from other countries necessitated a more motivated workforce;
- management in the sector was professionalising.

It is not feasible to separate the impact of each of these drivers as they are interlinked and together created a critical mass of pressure for change.

International Framework Agreement with the IUF/COLSIBA

The IFA signed in 2001 is likely to influence change at the farm level both directly (e.g. in response to specific complaints raised at national level meetings) and indirectly (i.e. through its influence on Company Z's policies and practices more broadly).

Embedded issues

Code implementation may not do much to address embedded issues such as fear of trade union membership and women's lack of access to positions of authority. These problems are deeply embedded in historical events and societal beliefs and norms and will require targeted and sustained efforts over time to address.

6 Recommendations

6.1 Recommendations from case study participants

6.1.1 Code implementation management approaches

Capacity building and channels for workers

Increasing the knowledge and capacity of workers was seen by most as key to ensuring good labour practices. This includes increasing their awareness of their rights and giving them access to grievance mechanisms. One key informant suggested participatory training on freedom of association, so that workers could fully engage with the concepts involved including the role of trade unions.

Key performance indicators (KPIs) and targets

KPIs related to social and environmental performance had been introduced for some staff, and some felt that systematising these and other targets throughout the company could help to drive and sustain improvements.

Market rewards for good performance

Many felt that integration of social and environmental performance into retailer purchasing decisions would be the most effective way to ensure further improvements, especially in terms of wages. For some this was critical even to sustain the improvements that had been made, given trends in the global industry.

Flexibility in code interpretation

There were requests for flexibility on issues such as young workers, due to the perceived negative effects of excluding certain groups from the opportunity to work.

Focus on the second tier

It was felt by many that the company should now focus more energy on ensuring compliance at the second tier, since (it was alleged) this was where most violations of the Company Code now took place.

6.1.2 Stakeholder engagement

Industry wide and multi-stakeholder initiatives

Some interviewees felt that there should be more collaboration between actors in the national industry on particular issues. Others felt that a multi-stakeholder initiative should be revived, with external parties playing a mediator role to build trust between company management and the trade unions.

6.2 Recommendations from the Research Team

Programmes to empower women

Although women made up 12% of the workforce, there were none in supervisory or management positions or in the Permanent Committees. As this is rooted in a lack of confidence in their ability to take on positions of authority, they need to be supported to fill these roles with targeted programmes.

Feedback to workers on assessments

While Company Z is providing detailed information about performance in its annual Corporate Social Responsibility reports, workers appeared to be given little feedback on the results of internal or external assessments. If this were rectified it would increase their level of involvement in code implementation and help ensure that their perspective is being adequately presented.

the same time, the fact that the two countries have similar political systems and a similar history of colonialism may have influenced the results.

There are a number of limitations to the current study. First, the data used in the current study are self-reported and may be subject to common method bias. Second, the current study only examined the relationship between the two variables and did not explore the underlying mechanisms.

Future research should explore the underlying mechanisms of the relationship between the two variables. For example, it would be interesting to explore the role of social norms and cultural values in shaping the relationship between the two variables.

In conclusion, the current study provides evidence that there is a positive relationship between the two variables. This relationship is likely to be influenced by a number of factors, including social norms and cultural values. Future research should explore the underlying mechanisms of the relationship between the two variables.

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Ethical Trading Initiative
2nd Floor, Cromwell House
14 Fulwood Place
London WC1V 6HZ

t +44 (0)20 7404 1463
f +44 (0)20 7831 7852

eti@eti.org.uk
www.ethicaltrade.org

Institute of Development Studies
University of Sussex
Brighton
BN1 9RE

+44 (0)1273 606 261 t
+44 (0)1273 621 202 f

ids@ids.ac.uk
www.ids.ac.uk