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## Labour agency and private social standards in the cut flower industry

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# Labour Agency and Private Social Standards in the Cut Flower Industry

PhD thesis by Lone Riisgaard

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### **Paper I**

**Global Value Chains, Labour Organization and Private Social Standards:  
Lessons from East African Cut Flower Industries.**

### **Paper II**

**Prospects for Labour in Global Value Chains:  
Labour Standards in the Cut Flower and Banana Industries**

### **Paper III**

**Localizing Private Social Standard Initiatives in Kenyan Cut Flowers**

### **Paper IV**

**How the Market for Standards Shapes the Market for Goods: Sustainability Standards  
and Value Chain Governance in the Cut Flower Industry**

#### **Photographs, sources:**

Paper I: [www.waronwant.org](http://www.waronwant.org)

Paper II: [www.floraholland.org](http://www.floraholland.org)

Paper III: Christopher Furlong/Getty, Getty/AFP

# Synopsis

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Lone Riisgaard,

Copenhagen, April 2009

# List of Acronyms

COLSIBA	Coordination of Latin American banana workers unions
ETI	Ethical Trading Initiative
EU	European Union
FFP	Fair Flowers Fair Plants
GPN	Global Production Network
GVC	Global Value Chain
HEBI	Horticultural Ethical Business Initiative
ICC	International Code of Conduct for Cut Flowers
IFA	International Framework Agreement
ILO	International Labour Organisation
IUF	International Union of Food and Agricultural Workers
KFC	Kenya Flower Council
LLCR	Local Labour Control Regime
MNC	Multinational Corporation
NGO	Non-Governmental Organisation
PSS	Private Social Standard

# 1. Introduction

Private social standards (PSSs) have proliferated rapidly across industries of interest to consumers in the Global North, such as garments, toys, forest products, oil and gas, agricultural products, chemicals and electronics (Gereffi, Garcia-Johnson and Sasser 2001; Utting 2002; O'Rourke 2006). PSSs are being promoted along value chains in an attempt to improve company performance related to labour standards such as workers' rights, discrimination and child labour.<sup>1</sup> PSSs constitute a new system of regulating labour conditions at production sites, a system that involves private actors such as NGOs and business associations in setting, implementing and monitoring labour standards. The proliferation of these private standards needs to be seen in the social and economic contexts in which the value chains operate. The changing nature of consumption patterns in the North has increased the importance of branding and product differentiation, shifting the focus from price-based competition toward quality, innovation and value-added as key performance criteria for suppliers. Underlying this trend is the growing number of Northern middle-class consumers who are no longer solely concerned with price, quality and safety, but also about the social and environmental conditions under which products are produced (Reardon et al. 2001; Ponte and Gibbon 2005; Nadvi 2008). Thus, due to changes in Northern markets, Southern producers feeding into the value chains are increasingly required to document adherence to different PSSs.

These new and private systems of regulation remain highly disputed and have raised a variety of questions. One major concern has been that it is not clear whether the standards deliver the intended positive effects for workers (and if they do, then for which workers?). Some groups, particularly trade unions, fear that PSSs are not able to guarantee fundamental rights such as the right to organise and that they are being used to side step unions (Justice 2002; Sponner 2004). Others have raised the concern that standards might constitute new non-tariff barriers for developing-country producers (particularly small producers) (Giovannucci and Reardon, 2000; Reardon et al. 2001). Some critics have asked if there are inherent features in the institutional structure of standards or in the way they are implemented and monitored that limit the probability that standard objectives can be reached (Blowfield and Frynas 2005; Blowfield and Dolan 2008). Yet another concern relates to whether PSSs are adapted to local specific conditions or are

<sup>1</sup> In this PhD thesis, I focus on employment-related issues to the exclusion of broader social concerns, such as community development issues.



simply implementing a Northern agenda in relation to Southern producers and workers (Barrientos and Smith 2007; Blowfield and Dolan 2008).

None of these questions has been sufficiently explored, although important contributions can be found in the growing body of critical literature on PSSs, particularly in relation to the impact of standards on workers at the point of production (e.g. Barrientos et al. 2003; Hale and Opondo 2005; Barrientos and Smith 2007; Locke et al. 2007) and the linkages between buyer practices, working conditions at the production end of global value chains and supplier capabilities in complying with PSSs (e.g. Barrientos 2003; Oxfam 2004; Hughes 2005).

When investigating the potential of PSSs to make a difference to workers in the South, labour as an actor would seem to be an indispensable ingredient in the analysis, whether in the form of workers, trade unions or labour NGOs. In this PhD thesis, I contribute to filling a gap in the literature on PSSs (and on global value chains) by introducing labour in the form of labour organisations as an input with agency. The global value chain (GVC) approach developed by Gereffi and Korzeniewicz (1994) offers an analytical framework to examine interrelations between actors in value chains, but it has traditionally downplayed the role of labour as other than a productive asset. Likewise, the existing literature on PSSs shows a very limited interest in the potential active role of labour. Rather, labour is seen as a passive object that needs to be taken into consideration, managed or at best consulted.

Using case studies from the global value chain for cut flowers, in this thesis I seek to remedy these shortcomings by exploring the possibilities that PSSs open up for labour organisations to improve work conditions in the South. The strategic use of PSSs as a tool for labour is particularly important since, in the last few decades, various processes of economic restructuring have made it more difficult for labour to advance its objectives through traditional local industrial action or tripartite social contracts.

## 1.2. THESIS OBJECTIVE

The main objective of this thesis can be summarised as follows:

**To examine whether and how private social standards in the cut flower industry can enhance labour agency to improve labour conditions at the point of production**

In addition, my analysis goes beyond the relationship between standards and labour agency to also explore standards as institutions that have other effects than the proclaimed aim of securing

decent labour conditions at the point of production. Here I examine the political economy of PSSs particularly in relation to existing power relations and competition in the flower market.

The objective of the thesis has been brought to fruition via a range of research questions which are addressed in the four papers it consists of. The research questions are presented and discussed in Section 6 of this synopsis. The four papers all deal with the emergence of PSSs in the cut flower industry and relate to the thesis objective in different ways. The cut flower industry provides a particularly interesting example because a plethora of different standard initiatives (both Northern and Southern) have emerged in this realm since the mid-1990s. In relation to the thesis objective, the focus is on PSSs and the opportunities and challenges they pose for labour. I therefore explore labour agency specifically as it is enforced, contested and transformed through PSSs. In this thesis I have chosen to focus on the agency of labour organisations, and particularly organised labour (for a discussion of this choice, see Section 5.3). Furthermore I place labour agency and PSSs in the context of the governance of the cut flower value chain since GVC governance structure the way power is distributed along value chains and thus influence both labour possibilities and PSSs. Thus, the four papers that compose this thesis address in different ways the interrelations between labour agency, PSSs and the governance of the cut flower value chain. The interrelations are addressed both in respect of standard setting and standard implementation and thus deal with different sites along the cut flower value chain: at the production-end through the case studies of Kenya and Tanzania (Papers I and III); at the end market through case studies of European-based PSS initiatives (Paper IV); and at a more holistic level through a comparison between the cut flower and banana value chains (Paper II).

The research design of this thesis is thus in short a collection of case studies of different aspects of PSSs in the cut flower value chain. This is supplemented by a comparison with the banana value chain based on empirical material gathered prior to this PhD. In the methodology section, the research design and choice of cases will be discussed in detail (see Section 6).

### 1.3. LIST OF PAPERS

The PhD thesis consists of the present synopsis plus a collection of four papers:

- I. Riisgaard, L. (2009a): 'Global Value Chains, Labour Organization and Private Social Standards: Lessons from East African Cut Flower Industries'. *World Development*, 37(2), 326-340.
- II. Riisgaard L. and Hammer, N. (forthcoming): 'Prospects for Labour in Global Value Chains: Labour Standards in the Cut Flower and Banana Industries'. Accepted for publication in the *British Journal of Industrial Relations*.<sup>2</sup>
- III. Riisgaard L. (2008): 'Localizing Private Social Standard Initiatives in Kenyan Cut Flowers', DIIS Working Paper 2008:20. A shorter version is forthcoming in Peter Gibbon, Evelyne Lazaro and Stefano Ponte (eds.), *Global Trade and Agro-food Standards: Challenges for Africa*. London and New York: Palgrave.
- IV. Riisgaard, L. (2009b): 'How the Market for Standards Shapes the Market for Goods: Sustainability Standards and Value Chain Governance in the Cut Flower Industry'. *DIIS Working Paper 2009:07*. Copenhagen: Danish Institute for International Studies

This synopsis proceeds in Section 2 with a short background introduction to the cut flower value chain. In Section 3, I present a summary of the four papers, while in Section 4 I discuss the theoretical elements of this PhD thesis, elaborating on the theoretical approaches I have employed and discuss my contribution to the debate. In Section 5, I consider the limits to labour agency, and in Section 6, I present my methodology. Finally, in Section 7, I provide an overall conclusion.

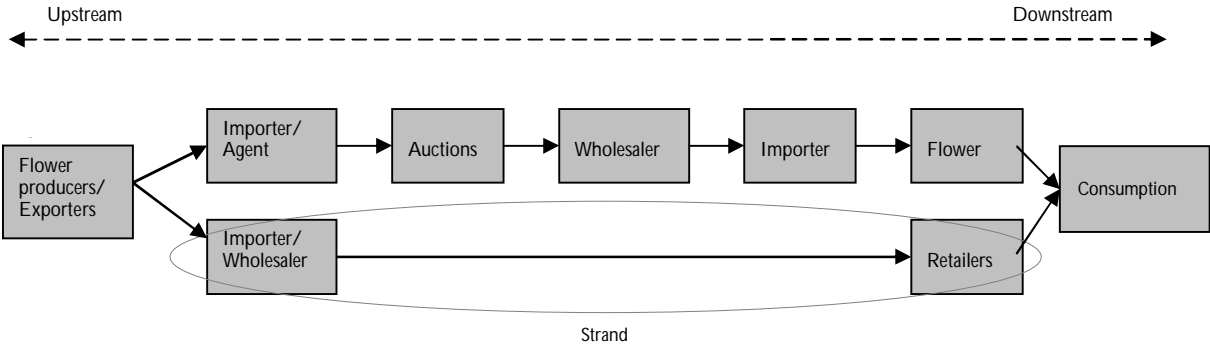
## 2. Introduction to the cut flower value chain

In this section I give a short introduction to the cut flower value chain. However, much more detailed accounts are found inside the four papers. GVCs are understood to 'consist of sets of inter-organisational networks clustered around one commodity or product... These networks are situationally specific, socially constructed and logically integrated' (Gereffi et al. 1994: 2). The

<sup>2</sup> See co-author statement in Appendix 1.

GVC for cut flowers can be seen as a sequence of 'segments' representing the processes and activities involved in a cut flower (e.g. production, trade, retail, and consumption). The actors in the different segments are linked together within the chain in relationships that are coordinated in different ways (see Figure 1 for a simplified model of the cut flower value chain). A value chain may include different parallel sequences of segments, called 'strands'. These strands may differ in terms of suppliers, buyers, product types, their coordination, and/or end markets. Simply put, the flower value chain for import into the EU involves two distinctive strands: the direct strand and the auction strand.

**Figure 1. A simple model of the two main strands in the cut flower value chain<sup>3</sup>**



The cut flower value chain is undergoing structural shifts in its EU distribution channels as supermarkets increasingly source directly from suppliers in developing countries, thereby cutting out wholesalers and the Dutch auction system (Thoen et al. 2000; CBI 2007). The Dutch flower auctions (owned by the Dutch flower-growers) 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 declined, and direct sourcing by large retailers is increasing, although the auctions still remain the most significant way for cut flowers to reach European wholesalers and retailers (in 2006, the auctions had an estimated 40% market share of flowers) (CBI 2007).

The Dutch auctions basically function as a distribution centre, absorbing large quantities of flowers that are re-packed and sold to buyers (mainly wholesalers) from all over the world. The

<sup>3</sup> The strands identified are by far the main avenues for cut flower producers exporting into Europe, though there are others.

auction strand is characterised by relatively loose trading relationships because of the market-based type of coordination at the auction point. The direct strand of the value chain, on the other hand, is governed closely by the buyers (mainly large retailers, but also flower shop franchises) who set specific criteria concerning product quality, price and logistics, but also production processes.

The cut flower industry is a particularly interesting example of the emergence and proliferation of standards that seek to regulate the social conditions of production. The character of cut flower production (particularly the heavy use of chemicals) has set the framework for some highly criticised working conditions in the industry. The largest developing-country exporters (Kenya and Colombia) in particular have been favourite targets for campaigns demanding better environmental and social conditions, both locally and in Europe and North America (in 2006, developing countries supplied 22 percent of EU imports of cut flowers, and their share is increasing).<sup>4</sup>

The cut flower industry has reacted to these criticisms of working conditions by adopting a range of private social and environmental standard initiatives since the mid-1990s. The majority of standard initiatives have been conceived and formulated in Europe, but in recent years a variety of standard initiatives have also been developed in producer countries. In all, at least twenty different social and/or environmental standards (international and national) now exist for cut flower exports (CBI 2007; Dolan and Opondo 2005; Riisgaard 2007 and 2009).

<sup>4</sup> Market shares for developing countries vary between flower types: for example, in the EU, carnations from developing countries have a share of 61%, foliage 46% and roses 39% (CBI 2007).

### 3. Summary of the four papers

*Paper 1. 'Global Value Chains, Labour Organization and Private Social Standards: Lessons from East African Cut Flower Industries'*

This paper examines the opportunities and challenges that private social standards (PSSs) pose for labour organisations (particularly trade unions, but also labour NGOs). It explores different labour responses to PSSs in the cut flower industries of Kenya and Tanzania. To achieve this, the analysis incorporates the concept of labour agency in global value chain analysis.

The paper shows how the implementation of PSSs in cut flower value chains can potentially help to mediate the power relations between 'labour' and 'capital'. 'Labour' may use standards, at least some of the more rigorous ones, to: (1) enhance union organisation and obtain collective bargaining agreements; (2) obtain better insight into the operations of cut flower markets; (3) get a seat at the table when social issues are discussed among businesses; and (4) exert a watchdog function threatening non-compliant businesses with exposure in consumer markets.

However, the practical outcome of labour agency on the ground differs dramatically. The analysis of labour responses in Kenya and Tanzania shows how labour organisations might choose to 'ride' the standards—exploiting them to gain influence and power by enrolling the standards in their own projects and using them to enlarge the space to negotiate. In Tanzania, for example, trade unions have been able to use standards to further labour representation at production sites. On the other hand, labour organisations may also choose to position themselves against the PSSs, thereby contesting their legitimacy, as happened in Kenya. But while employing the standards in their negative self-positioning, they at the same time restrict themselves in their ability to exploit some of the opportunities offered by these standards. The different manifestations of labour agency underline the importance of understanding the local contexts in which GVCs and standards operate.

The paper seeks to fill a gap in the literature on global value chains and PSSs by viewing labour (in the form of labour organisations) as an input with agency. By incorporating the concept of labour agency into GVC analysis, it becomes possible to focus on labour development (not just industrial development), while by separating labour from the producer at the production node, it becomes clear how highly-driven retailer chains can offer more room for labour to exert its agency than the traditional auction strand of the cut flower value chain. While labour organisations are seen as important actors that mediate the way standards are set and applied, the analysis

also suggests that their ability to seriously challenge the prevailing governance structure of the cut flower value chain appears limited. This is mainly because most PSSs address conditions only at the production level, as if labour conditions were independent from the governance structure of a GVC. Yet powerful retailers employing strategies such as cost-cutting and just-in-time ordering put additional pressure on suppliers and promote labour flexibilization, not labour organisation.

*Paper II: 'Prospects for Labour in Global Value Chains: Labour Standards in the Cut Flower and Banana Industries'*

This paper focuses on how global value chain (GVC) governance frames the terrain on which labour campaigns and strategizes. Based on case studies of the banana and cut flower value chains, the paper explores the implications of GVC restructuring for the scope and form of labour rights strategies, focusing on Private Social Standards (PSSs) and International Framework Agreements (IFAs).

In bananas, the focus is on Latin American exports to the EU and the US. Here, the GVC is constituted by a direct strand (where banana multinationals export to large retailers) and a wholesale strand (where bananas pass through wholesalers in the end markets). The African cut flower chain to European markets also entail two strands; a direct value chain strand (where flowers are imported directly mainly by large retailers), and an auction strand (where flowers pass through the Dutch auction system). The case studies reveal the difference that chain governance makes for labour agency and highlights the role of three analytical factors: (1) the level of drivenness; (2) the functional position of the driver and the existence of a brand with consumer recognition; and (3) the specificity of local labour control regimes and union organising.

First, social regulation (along a GVC strand) is more likely to occur in highly driven GVCs, regardless of the functional position of the lead firms. High levels of drivenness point to the ability of the chain driver to impose criteria such as labour standards on the rest of the value chain. Thus, drivenness also opens avenues for labour (and other social movements) to target the strategic actors, i.e. the drivers, in the chain (as happened in the direct strands in bananas and cut flowers).

Secondly, the functional position of the drivers creates different leverage points for labour. Whereas labour can threaten to disrupt production in producer-driven strands, campaigns in buyer-driven strands threaten to disrupt consumption. The bipolar nature of the direct banana strand allows leverage over both production and consumption, while the direct flower strand only allows leverage over consumption. In producer-driven chains, the challenge for labour lies in

establishing transnational cooperation between different production locations within the supply chain of a multinational corporation (MNC). Here, IFAs represent an opportunity for labour to leverage GVC governance to its ends. In buyer-driven chains, the challenge lies in recreating a link between the sphere of consumption with the workplace in order to overcome the separation of workplaces from industrial and political power. In this case, PSSs are a more auspicious route for advancing labour's objectives. In the face of such different kinds of challenge, the logics of IFAs and PSSs might well be complementary, but they are not interchangeable.

Thirdly, production and labour control regimes are crucial in shaping the specific insertion of local production in a GVC, as well as labour capacities to secure and maintain fundamental labour rights. In relation to this, it is important to recognise how different forms of North-South linkages are engaged with the workplace. In bananas, regional-global campaigns were firmly based on workplace unionism and could influence the direction of consumer-end pressure. Conversely, in flowers it was initiatives and campaigns from organisations in the North that sought to establish the conditions for workplace organisation in the South.

In sum, the paper illustrates that core concepts of GVC analysis and labour geography offer a useful starting point for understanding how GVC governance results in different opportunities and constraints for labour agency to advance social regulation in different GVC terrains. It shows how labour might use different strategies to shape value chains by using the power of lead firms to enforce rights and transform aspects of the employment relationship into entry barriers for supplier participation in the chain. In order to exploit the potential of such an analysis, labour needs to be conceptualized a priori as a social actor in GVCs with interests of its own.

*Paper III. 'Localizing Private Social Standard Initiatives in Kenyan Cut Flowers'*

This paper investigates how international social standard requirements are 'localized' in a producer country, and demonstrate that, when local standards are negotiated, existing power inequalities are still reproduced. As a result, practical entitlements for workers are favoured over rights that seek to enable workers.

Since the 1990s, a range of private social standard (PSS) initiatives have emerged, covering the employment conditions of developing-country export production, including that of cut flowers. PSSs, however, remain highly disputed. Standard initiatives have been criticised for being Northern-driven, for imposing a Northern agenda on Southern producers and workers, for not being sensitive to specific local conditions, and for not including local stakeholders. Lately, however, a range of Southern standard initiatives have emerged in the African horticultural industry. These



local initiatives are most often run by producer associations, although a few multi-stakeholder initiatives have also appeared. This paper analyses two local Kenyan standard initiatives in the cut flower sector: a producer association initiative, and a multi-stakeholder initiative. My analysis shows how, when local standards are negotiated and implemented, the power relations that exist both among local stakeholders and along the global value chain (GVC) for cut flowers are reflected and reproduced.

The analysis reveals a general tension between a focus on PSSs as a technical tool to achieve social compliance based on outcome standards (as promoted by commercial actors and adopted by the producer association standard), and a focus on PSSs as a means of enhancing the process through which workers claim their rights (as advocated by civil society actors and adopted by the multi-stakeholder initiative). This tension between process rights (which enable workers) and outcome standards (which focus on practical entitlements like overtime pay and health and safety issues) is clearly reflected in the fact that, when the multi-stakeholder standard is endorsed by other local standard initiatives, it is to the exclusion of both the multi-stakeholder institution and the participatory auditing methodology – the main vehicle through which process rights are promoted. Existing power relations are reflected and reproduced in these processes of integration and endorsement.

Placing the local standard initiatives in the context of GVC governance, the paper also illustrates how local standard initiatives can be seen as indirectly playing into the governance agenda of retailers. First of all, the standards do not contest the power of retailers, and by reinforcing demands already posed by the latter, they constitute a move towards 'self-regulation' by producers in developing countries. Secondly, being local, the standards help to avoid conflict through their ability to detect and address non-compliance and disputes at an early stage and in a continuous way. Local standards can thus aid buyers in assuring producer compliance with social standards. Lastly, local standards, particularly multi-stakeholder standard initiatives, can enable consensus and cooperation locally while minimising the risk of conflict and criticism (from critical voices locally and in buyer markets) which could potentially disrupt sales. In this way, the localisation of standards can be seen as indirectly playing into the governance agenda of buyer-driven value chains, where the lead firms now endorse (and at times actively promote) local standard initiatives. Not only does this offer better insurance against conflict, it also creates the necessary consensus and 'back-up' from critical voices locally and in buyer markets, as well as providing an effective means of 'governing at a distance'.

*Paper IV: 'How the market for standards shapes competition in the market for goods: sustainability standards in the cut flower industry'*

This paper focuses on the multitude of standards that are seeking to regulate social conditions in the production of flowers aimed at the EU market. These standards are not neutral tools but institutional mechanisms that differ in the way they seek to implement their objectives and in the impact they have on the intended beneficiaries and other value chain actors. In this regard, the paper examines two issues. First, it explores overall trends in cut flower standards aimed at identifying whether, in terms of social content, there is a move towards more stringent standards or the reverse. Secondly, the paper explores how the market for flower standards can shape competition in the market for flower goods. The two issues are explored by means of a broad mapping of standard functions and focus, as well as two case studies of standard convergence around a specific flower base code (the International Code of Conduct for Cut Flowers).

On the first issue, the paper concludes that less stringent standards predominate at present in the cut flower industry, but also that so-called 'higher bar' standards are gaining in importance and furthermore are entering new value chain strands (namely the 'traditional' Dutch auction strand). Thus the paper is cautiously optimistic because we see some developments towards a scaling up of 'higher bar' standards.

In particular, the harmonisation initiative, Fair Flowers Fair Plants (FFP), has the potential to 'lift the standard bar' by having other standards benchmarked to the FFP criteria and thereby multiplying the practice of active inclusion of local NGOs and trade unions in monitoring standard compliance (empowering these stakeholders and potentially addressing more locally embedded and hidden compliance issues like, for example, discrimination or freedom of association). However, most flower standards still do not address the terms of trade (such as low prices and increasing quality demands or retailer practices such as just-in-time ordering) which constrain suppliers' ability to comply with PSSs.

On the second issue, the paper concludes that the market for standards can shape competition in the market for goods by altering the terms of participation in the growing market segment for 'sustainable' products. This is related to the functions that some standards play in GVCs as product differentiators. Flower standards may affect competition in the market for flower goods by altering the terms of participation between value chain actors and between value chain strands. For developed-country producers, the new FFP label offers an opportunity to enter the market for flowers differentiated by social certification. This market segment was formerly restricted to developing-country producers, who, if certified, could gain a competitive advantage over both

developed-country producers and non-certified developing-country producers. The introduction of FFP thus effectively alters the terms of competition in the market segment for sustainability-labelled flowers where Dutch growers are now able to compete in the market for socially labelled flowers which before was restricted to Southern producers.

## 4. Theory: global value chains, labour and private social standards

The main theoretical approach employed in this thesis is Global Value Chain analysis. However, in order to open up an analytical space for investigating how labour, PSSs and GVC governance are all interrelated, I have found it fruitful to draw selectively on the labour geography literature, Actor Network theory and the conceptual framework developed by Tallontire (2007) to analyse developing-country private standard initiatives in agri-food value chains. Section 4 starts by discussing how 'labour' has been dealt with in GVC analysis and presents the different complementary approaches I have drawn on. This is followed by a discussion of GVC governance and labour and of how my understanding of their relationship has evolved as I moved along in my examinations. Finally I discuss standards in relation to GVCs.

### 4.1. GLOBAL VALUE CHAIN ANALYSIS

The Global Value Chain approach was first developed in the early 1990s for analysing the global restructuring of production due to economic globalisation (Gereffi and Korzeniewicz 1994; Gereffi, 1994 and 1999; Gibbon and Ponte 2005).<sup>5</sup> The approach offers an analytical framework for examining the cross-national activities of firms by exploring how the production, distribution and consumption of products are globally interconnected along value chains that embody a network of activities and actors. GVCs are thus understood to 'consist of sets of inter-organizational networks clustered around one commodity or product ... These networks are situationally specific, socially constructed and logically integrated' (Gereffi et al. 1994: 2). GVC analysis emphasises

<sup>5</sup> Global value chain analysis is used throughout this PhD thesis in a generic way to subsume 'global commodity chain analysis', the term commonly used to describe the same framework until around 2001-2. However, I recognise that there is no clear consensus regarding this relationship. See Bair (2005 and 2009) for a discussion of the similarities and differences between the world-systems approach to commodity chains, the global commodity chain framework and global value chain analysis.

global structures by including issues of how and by whom production and exchange are governed. Hence, a GVC encompasses 'the full range of activities ... that are required to bring a specific product from its conception to its end use and beyond' (Gibbon and Ponte 2005: 77).

In his first introduction to GVC analysis, Gereffi (1994) argued that a GVC has three dimensions: 1) the input-output structure, i.e. the sequence of value-adding activities in the production and consumption of a product; 2) territoriality, i.e. the spatial dimension or geographical dispersion of actors and activities related to the GVC; and 3) the governance structure, i.e. the distribution of power, authority, and decision-making along the chain, that is, the lead firms' ability to influence the functional division of labour in a GVC. Later a fourth dimension termed the 'institutional framework' was added to describe the context within which lead firms operate, thus 'identifying how local, national and international conditions and policies shape the globalisation process at each stage in the chain' (Gereffi 1995: 113). This latter dimension, however, has not yet been thoroughly developed within the theoretical framework. With input-output structure and territoriality being mostly descriptive parameters, attention in GVC analysis has therefore often evolved around how GVCs are governed (in the context of a larger institutional framework) and how enterprise upgrading (or downgrading) takes place (Ponte 2008). The governance dimension is of particular relevance to this thesis and will therefore be explored below. First, however, I discuss how 'labour' has been dealt with in GVC analysis.

## 4.2. LABOUR IN GLOBAL VALUE CHAIN ANALYSIS

Traditionally, GVC analysis has been used to examine how inclusion in global value chains has influenced the upgrading possibilities for industries in developing countries (Kaplinsky 2000; Gibbon and Ponte 2005). However, what is typically absent is a breakdown of the consequences and potential benefits for actors other than producers. While a distinction is often made between different types of producers, only a limited effort is made to distinguish between producers and the workers they employ. When they are included in GVC analysis, workers have mostly been confined to the role of a productive asset (Barrientos et al. 2003; Hale and Opondo 2005; Coe, Dicken and Hess 2008; Cumbers et al. 2008).

As discussed in more length in Papers I and II in this thesis, studies have emerged that seek to remedy this shortcoming. But most of the engagement of GVC concepts with labour has been concerned with either the impact of chain restructuring on work and employment (Bair and Gereffi 2001; Barrientos 2003; Oxfam 2004; Hale and Wills 2007; Raworth and Kidder 2009), the effect of PSSs on labour (Barrientos et al. 2003; Hale and Opondo 2005; Barrientos and Smith 2007; Locke et al. 2007), or civil society options to exploit the brand sensitivity of end-buyers to

promote workers' rights (e.g. Oxfam 2004). These studies add valuable insights to understanding the social consequences of global production systems for labour, as well as broadening the scope of GVC analysis. The focus, however, has been on the impact *on* labour, thus neglecting labour as an input with agency. Also, in most cases, there has been neglect of labour in the form of labour organisations. While I agree with the direction of these arguments, I hold that GVC analysis and labour agency have rarely been systematically integrated.<sup>6</sup>

Going further, an emerging body of work analyses PSSs from the perspective of active labour: Rodriguez-Garavito (2005) discusses how PSSs differ in the degree to which they enable local labour organisations and workers to mobilize and organise, while Hale and Wills (2007) study labour agency at the supply end of GVCs and how labour's links to Northern activist groups and knowledge about supply chains are used strategically (see also Quan 2008). These studies to varying degrees highlight the benefits of integrating power in GVCs with the specific strategies of resistance by embedded labour. In this thesis, I seek to develop this endeavour further by: a) analysing the way labour strategies are both constrained and enabled by particular forms of GVC governance; and b) investigating the opportunities and challenges that PSSs pose for worker organisations.

### 4.3. COMPLEMENTARY APPROACHES TO VALUE CHAINS AND TO LABOUR

The Global Production Network (GPN) approach<sup>7</sup> (see Henderson et al. 2002; Coe et al. 2008) does allow analysis of actors such as trade unions as relative autonomous entities. Supporters of the GPN approach view a wide range of non-firm actors as constituent parts of the GPN and explicitly recognise the potential 'active and constituent role of workers within the value dynamics of GPNs.' (Coe et al. 2008: 286). Thus the GPN framework takes important steps beyond the GVC tradition of viewing labour exclusively as a productive asset. However, in practice, empirical GPN studies that successfully integrate labour agency have yet to emerge. As

<sup>6</sup> Bair and Ramsay's (2003) article constitutes an exception. Here, a consideration of MNCs' options and leverage to outsource functions and relocate production serves as a basis from which to analyse labour's points of strategic leverage in GVCs. While yielding interesting insights, however, such a contingency approach tends to underestimate the role of power stemming from chain governance or, in other words, the strategic selectivity of GVC governance for labour.

<sup>7</sup> The GPN approach is associated here with the so-called 'Manchester school' (e.g. Coe and Hess 2005, Coe et al. 2008).

noted by Coe et al. (2008: 284), 'The production network literature is especially silent on the ... actors: labour, consumers and civil society organisations' (see also Smith et al. 2002: 47). Cumbers et al. 2008 are an exception, although they have difficulties in tying the detailed analysis of labour agency to GPN theory.

Another element of the GPN approach, which is particularly important in relation to labour, is the explicit recognition of embeddedness. The GPN approach emphasises both territorial embeddedness (including material grounding, localized social relationships, distinctive institutions and cultural practices) and what they name network embeddedness (connections between network members).<sup>8</sup> However, Coe et al. (2008: 284) recognise that work done within the discipline of labour geography is needed to incorporate labour into GPN frameworks effectively. I find these recognitions useful as they can help enrich the existing GVC approach with labour agency as well. I consider the GVC focus on power and governance to be important for my thesis (described in more detail below) and therefore work within a broadened GVC framework from which I am open to insights from other frameworks (GPN and labour geography), seeing them as complementary to rather than as conflicting with or replacing GVC analysis.

The literatures on GPNs and GVCs have run alongside the developing field of labour geography (Cumbers et al. 2008). Labour geography describes work aimed at opening up an analytical space for the agency of workers and worker groups to influence both their own situations and also, in specific circumstances, the geography of the global economy (Herod 2001; Wills 2002; Castree et al. 2004; Lier 2007; Cumbers et al. 2008). Contributions within this body of literature are based on detailed empirical studies of how workers strive to improve their own relative positions and contribute to reshaping economic geographies. I find these studies inspirational because they provide examples of the active and constituent role of labour while employing useful analytical concepts like 'local labour control regimes' (see below). At the same time, I recognise some of the criticism levied against labour geography, namely that it tends to focus primarily on case studies of successful actions involving unions in developed countries.<sup>9</sup> Another concern with labour

<sup>8</sup> In general, the full GPN framework includes all major actors, is flexible in terms of geographical scale, recognises the influence of the socio-spatial contexts in which GPNs are embedded, places emphasis on territorial and network embeddedness, and is inclusive of different forms of power relationships. This 'translates into complex bargaining processes in which, contrary to much conventional wisdom, there is no unambiguous and totally predictable outcome' (Coe et al. 2007: 16). This all-encompassing agenda, while inspirational, makes practical application difficult.

<sup>9</sup> See, for example, Herod's (2001) study of General Motors workers' ability to cause widespread disruption in Just-In-Time production systems, or Wills' (2001) study of 'community unionism' initiatives, where UK workers collaborate with a wide range of other community groups (Coe et al. 2008: 285).

geography is that labour needs to be seen in the context of the conditions that constrain its own agency. For example, though uneven, the continuing union decline has run parallel to the growth in the global supply of labour. In other words, the relative fixity of labour compared to the greater mobility of capital is a key limiting condition of agency. Another critique of labour geography is that agency as a concept has been underdeveloped (Coe et al. 2008).

In relation to agency, I have found it useful to draw upon insights from actor-oriented approaches (Long 2001). Actor-oriented approaches take as their starting point the idea that an analysis of change cannot be based entirely on the concept of external determinations (while not denying their impact), since all external interventions necessarily enter the existing life worlds of the individuals and groups affected, and therefore will be mediated and transformed by these actors (ibid.). Agency in this thesis is understood as 'the capacity of actors to process their and others' experiences and to act upon them' (Long 2001: 49). Applying this view in relation to labour and PSSs implies that labour organisations<sup>10</sup> should not be seen as the passive recipients of PSS implementation, but rather as active participants who process information and strategize in their dealings with these standards and with other actors involved in standard setting, monitoring and implementation. Such a view allows one to capture how labour organisations attempt in different ways to negotiate the meaning and significance of PSSs in pursuit of their own objectives (as illustrated in Paper I). This also leads to a view of PSSs and standard implementation as an ongoing, socially constructed and negotiated process, and not simply as 'the execution of an already-specified plan of action with expected behavioural outcomes' (Long 2001: 25; see also Bush 2000; Callon et al. 2002; Hatanaka et al. 2006; Ponte 2007). That labour organisations have agency should not, of course, obscure the fact that many of the choices perceived and strategies pursued are shaped by processes outside their immediate arenas of interaction (Long 2001). Larger processes like the structure of international trade or more specifically the governance structure of the cut flower value chains in which the PSSs are immersed obviously constrain the choices and strategies available to labour organisations. It is equally important to bear in mind that the strategies of labour organisations are drawn from a stock of available discourses that further restrict their room for manoeuvre.

<sup>10</sup> According to Long, 'single individuals are not the only entities that reach decisions, act accordingly and monitor outcomes' (Long 2001: 16). Social actors such as enterprises or church organisations have means of 'reaching and formulating decisions and of acting on at least some of them' and can therefore meaningfully be attributed the quality of agency (ibid.).

The embedded nature of production, and particularly of labour relations, becomes vitally important when looking at how GVCs and PSS implementation touch down in different locations. A useful concept in this regard is that of 'Local Labour Control Regimes' (LLCRs) (see Jonas 1996; Kelly 2001; Castree et al. 2004), which are defined as a 'historically contingent and territorially embedded set of mechanisms which coordinate the reciprocities between production, work, consumption and labour reproduction within a local labour market' (Jonas 1996: 325). LLCRs differ tremendously between different locations and are crucial in shaping the specific insertion of local production in a GVC, as well as labour capacities to secure and maintain fundamental labour rights. A consequence of this variability is that the problems and possibilities facing workers differ dramatically between different places (Castree et al. 2004: 117). In this thesis, I use the concept of LLCR selectively, mainly to illustrate how specific LLCRs with different levels of workplace unionism enable different strategies and affect how they shape different forms of North-South linkages in relation to the workplace. As illustrated in Paper II, the regional-global campaigns in bananas were firmly based on workplace unionism and were able to influence the direction of consumer-end pressure; conversely, in flowers it was initiatives and campaigns from organisations in the North that sought to establish the conditions for workplace organisation in the South.

While in this thesis I have only employed LLCR (and labour geography more generally) very selectively, I recognise that LLCR is a broad and inclusive concept which, in relation to GVCs and the differential impact of PSSs, deserves further research attention. For example, the concept of LLCRs could be employed to investigate how local labour segregation (by skill, gender, age or ethnicity) is related to access to specific rights (also in relation to standards) and the locational decisions of GVC lead firms. Conversely LLCRs could also highlight how local labour segregation is affected by GVCs (see also work by Barrientos 2003; Oxfam 2004; Hale and Wills 2007 on the flexibilization and feminisation of the workforce at the production-end of global value chains). Although highly relevant for the cut flower GVC, it has not been within the scope of this thesis to follow this particular line of inquiry.

Another related issue explored within labour geography is the conflicting interest between groups of workers that are located at different nodes along a GVC, and even between groups of workers within the same node. Thus relationships *within* labour are not always cooperative (Harvey 2001; Castree 2004; Cumbers 2008). In my study, this is exemplified by the conflicts between labour NGOs and trade unions in Kenya (see Paper I), but other aspects of conflicting interests could be further researched. For example, local needs may contradict international needs, and unions defending jobs in particular locations may have adverse effects on workers elsewhere. Likewise, at particular points in time and space, some groups of workers will collaborate with elements of



capital against the interests of other groups of workers (Cumbers et al. 2008). In the context of PSSs, it could be interesting to explore in the future whether rights for some workers come at the expense of the further marginalization of other workers both within the workplace and between workplaces (both locally and internationally).

As already noted, I have been inspired by labour geography to complement GVC analysis in my endeavour to investigate if and how PSSs can enhance labour agency to improve labour conditions at the point of production. In my analyses I necessarily touch upon the power relations between 'labour' and 'capital'. Discussions about power relations between 'labour' and 'capital' are by no means new and have taken place particularly within the industrial relations literature and within the field of international labour studies (for overviews of these literatures, see Kaufman 2004 and Taylor 2009). In this thesis, I address labour power with a specific focus on how it is transmitted, contested and transformed through PSSs. Herein lies the unique contribution of this thesis: broader and more classical discussions of power relations between 'labour' and 'capital' will not be addressed here.

#### 4.4. GVC GOVERNANCE

The concept of 'governance' is of specific interest to this thesis. Specifically, I adopted the notion of 'governance as drivenness' (Gereffi 1994; Gibbon et al. 2008; Bair 2009), which underscores the *power* of lead firms to shape rules along a value chain (as opposed to the focus on 'governance as coordination' between two links in the chain advanced by Gereffi et al. 2005).<sup>11</sup> The concept of governance as drivenness was developed in the global commodity chain literature and is associated with Gereffi (1994), who defines governance as 'authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain' (1994: 97). In relation to chain governance, a distinction is made between buyer- and producer-driven chains as the two ideal-typical forms of overall governance. Producer-driven chains are usually found in sectors with high technological and capital requirements, where chain governance is exercised by companies that control key technology and production facilities. Buyer-driven 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 out-sourced, and it is the retailers and brand name companies that exercise key governance functions defining what is to be produced (Gereffi 1994).

<sup>11</sup> Although in Paper IV, I also look at the relation between standards and coordination in GVCs.

Numerous contributions have since commented on the relevance and utility of this original producer-driven versus buyer-driven distinction (for a more detailed discussion, see Bair 2008 and 2009, Gibbon et al. 2008). In short, the dichotomy fails to capture the full range (and dynamics) of value chain governance. The categories of 'buyer' and 'producer' cover a variety of types of lead firms<sup>12</sup> who may 'drive' chains in different ways (buyers, for example, include retailers, branded marketers, industrial processors and international traders). Furthermore, value chains are not necessarily unipolar (i.e. driven by just one category of lead firm) or organised according to one linear 'strand', but can comprise several different strands (as illustrated in cut flowers and bananas) with different governance structures. In this thesis, I show that value chains can be bipolar, i.e. driven by two groups of lead firms located in different functional positions along a GVC (see also Fold 2002; Sturgeon 2002). This is the case for the banana value chain, which also illustrates how some GVCs can move from one category to the other (see Paper II). Furthermore, the literature has shown that in some producer-driven chains, producers are increasingly outsourcing production or component manufacture while keeping control of the promotion and marketing of the brand names on which market access is based, thereby blurring the overall chain dichotomy in favour of buyer-driven features (Ponte 2008; Sturgeon et al. 2008). Finally, this thesis agrees with other studies in pointing out that certain external actors (such as civil society organisations, experts and standard setting bodies) can influence how a value chain is governed (Ponte 2007; Coe et al. 2008).

These observations have spurred elaborations of two new distinct understandings of GVC governance (for a detailed discussion, see Gibbon et al. 2008), namely governance as coordination (a fivefold typology of coordination between lead firm and its first-tier supplier – Gereffi et al. 2005) and governance as normalisation (underscoring the discursive dimension framing inter-firm relations – e.g. Daviron and Ponte 2005; Ponte and Gibbon 2005; Gibbon and Ponte 2008). I find that, for the purpose of this thesis, the original conceptualisation (governance as drivenness) with the diversifications of the original buyer-producer dichotomy described above permits an appropriate investigation of the inter-firm linkages and power dynamics that structure labour's strategic terrains in relation to a particular value chain or value chain strand.

With regard to GVC governance, I focus on three concepts in particular: the functional division of labour along GVCs; the degree to which firms drive the chain; and the mechanisms through which this drivenness operates. In Papers I and II, I discuss the relevance of these concepts in

<sup>12</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.

addressing labour concerns. What follows is just a brief summary. The producer-/buyer-driven dichotomy (with its qualifications) does retain powerful explanatory power with regard to labour's strategic options. The fundamental aspect here is that in buyer-driven (as opposed to producer-driven) value chains the workplace is separated from the sites of industrial and political power. Thus, it is labour coalitions beyond the workplace that have a strategic advantage in a buyer-driven terrain, i.e. strategies that link workplaces (in the South) with organisations in the markets of the North. Beyond the functional dynamic, it is the GVC's level of drivenness that underlies an MNC's leverage to impose criteria (e.g. labour standards) along the chain. Highly driven value chains also open the strategic option of targeting powerful actors in the chain (the drivers), whereas labour will find it much more difficult to tackle systematically less driven chains, for example, chains that are characterised by market-based relationships in key nodes. The mechanisms of drivenness – hands-on or hands-off<sup>13</sup> – are relevant because in producer-driven chains it is vertical integration or hands-on coordination at the production node that constitute the main entry points for labour. This provides a relatively stable industrial and management structure (even across company boundaries) for labour to negotiate with and campaign against (on the basis of established union organisation).

These observations on drivenness have led me, in Papers I and II, to emphasise that highly-driven GVC strands offer more room for labour organisations to exercise their agency (via PSSs and international framework agreements) than less driven strands. Specifically the retailer-driven strand of the cut flower GVC offers more room for labour (because of the standard demand in this strand) than the traditional auction strand. However, the findings of Paper IV to some degree challenge this earlier conclusion. This is because the Fair Flowers Fair Plants standard is now used at the Dutch auctions, thus enabling differentiation by a PSS in the auction strand. When doing a PhD as a collection of papers (as compared to a monograph), one of the conditions is exactly that when new empirical developments lead to altered interpretations, this can only be dealt with by reflecting on their consequences for the conclusions reached in earlier papers, not by reworking the papers.

<sup>13</sup> Lead firms can drive GVCs in a *hands-on* way, a *hands-off* way and a wide spectrum in between. Hands-on drivenness, for example, is characterised by long-term contracts, explicit control of suppliers and regular engagement between suppliers and buyers. It 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 an 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 and the ability to set standards that are followed along a GVC (Ponte and Gibbon 2005; Kaplinsky and Morris 2008).

The main conclusions relating to highly driven GVCs (i.e. that there are lead firms which can be targets for campaigns and negotiations and which possess the leverage to impose labour standards along the chain) are still valid. Furthermore, for cut flowers, currently the majority of sustainability standards are still found outside the auction strand. However, while it is too early to draw any conclusions regarding the impact of the Fair Flowers Fair Plants initiative, these developments nevertheless highlight the dynamic nature of both standards and value chains and consequently the need to revisit regularly the relationship between them and how this might relate to labour opportunities and strategies. At the moment, in the cut flower industry, PSSs are entering new value chain strands (the auction strand). This has provided opportunities for labour to seek influence on a less driven value chain strand through cooperation with European 'traders' in the Fair Flowers Fair Plants initiative.

Another area where I had to reflect further on my conclusions during the course of this PhD thesis is in relation to the power of labour (both as workers and labour organisations) to shape GVC governance. As illustrated in Papers I and II, international framework agreements and PSSs constitute avenues for labour to shape the governance of value chains. Via these tools, labour can use the power of lead firms for the enforcement of rights and to transform aspects of the employment relationship into entry barriers for supplier participation in a value chain strand. Therefore, in relation to the agency of labour, the potential and limits relate to the function that PSSs<sup>14</sup> have in GVCs. In the following section, I therefore discuss standards in relation to GVCs, after which I return to a discussion of the potential and limits of labour agency.

#### 4.5. GLOBAL VALUE CHAINS AND STANDARDS

'Standards are agreed criteria...by which a product or a service's performance, its technical and physical characteristics, and/or the process, and conditions, under which it has been produced or delivered, can be assessed' (Nadvi and Wältring 2002: 6). Standards defining quality (including social standards) are elaborated by actors both external and internal to GVCs. Hence, standards form part of both the 'institutional framework' (the context in which GVCs operate) and the governance tools that lead firms employ to set conditions of participation in GVCs (Gibbon and Ponte 2005; Nadvi 2008). Quality issues (in addition to volume, economies of scale and prices) are central in understanding how lead firms shape the functional division of labour along a value

<sup>14</sup> International framework agreements can be seen as a very distinct type of PSSs where standard-setting and implementation is entirely up to employers and unions.

chain, and quality standards thus set important entry barriers for suppliers (Henson and Reardon 2005; Ponte and Gibbon 2005). As mentioned above, by influencing definitions of quality (through PSSs), labour can affect GVC governance. In this way, the proliferation of PSS initiatives constitutes a new form of regulation in which private actors such as labour, NGOs and industry associations are involved in negotiating standards for labour at the production point and for monitoring compliance with these standards.

The ways in which quality standards impact on GVC governance and coordination have been discussed in the literature (see e.g. Gibbon and Ponte 2005; Henson and Reardon 2005; Nadvi 2008). In brief, Henson and Reardon (2005) argue that standards spur a shift towards more centralised supply systems. Gibbon and Ponte (2005) argue that one would expect a shift towards more explicit coordination as quality content becomes more complex, but that this is not necessarily the case. If actors are able to codify complex information in standards, then more hands-off forms of coordination are possible in some segments of a GVC. Nadvi (2008) examines whether compliance with standards leads to a lower level of explicit coordination of ties between lead firms and their developing-country suppliers. He concludes that, with regard to process standards (including labour standards), results are mixed. According to Nadvi, the effect depends very much on the specific standard, the form of compliance monitoring and the risks associated with compliance failure for lead firms. The case studies presented in this thesis were not conducted with the objective of carrying out a detailed analysis of the degree of explicit coordination between links in the chain and how these have been affected by standards. Rather, they were meant to illustrate how the market for standards can shape power equilibriums and the terms of competition in the market for flower goods. I present my case study evidence in Papers III and IV, where first I illustrate that when local Kenyan standards are negotiated they reproduce existing power relations between stakeholders and along the GVC, and secondly, I show how a European standard initiative can alter the terms of participation in the market segment for sustainable flowers, resulting in a shift in the terms of competition between Southern and Northern producers.

The key role of standards in agricultural value chains is to facilitate their governance across space and coordination between firms by transmitting credible information on the nature of the products and the conditions under which they are produced, processed and transported (Humphrey and Schmitz 2001; Ponte and Gibbon 2005; Henson and Humphrey 2008). At the same time, standards to varying degrees perform two functions in relation to value chains: they facilitate *risk management* (assurance that a product is in compliance with defined minimum product and/or process requirements) and *product differentiation* (differentiating the firm and/or its products in the 'eyes of the consumer') (Henson and Humphrey 2008).

Precisely because standards play the double role of setting entry barriers to GVCs and of risk management and product differentiation, they can affect power equilibriums. In the literature, the focus has been on standards as entry barriers for developing-country producers, on the possible benefits that suppliers can gain if they can comply, and on how standards shift the obligations and the costs of meeting them upstream from the buyer to the supplier (Hatanaka et al. 2005; Hughes 2005; Ponte 2008; Henson and Humphrey 2008; Nadvi 2008). Therefore, from a global value chain perspective, the introduction of quality standards in buyer-driven global value chains is usually seen as complementing a wider shift of the power balance downstream towards buyers (Bain 2005; Hatanaka et al. 2005; Hughes 2005). My analysis of local Kenyan standards (Paper III) to some degree supports this viewpoint by illustrating how standards can reproduce existing power relations. My analysis of European standard initiatives (Paper IV), however, nuances this perspective by showing how a new standard initiative can also led to competitive gains for (Northern) producers. Nevertheless, while perhaps not shifting the power balance downstream, the new standard initiative still reflects existing power asymmetries, this time between Northern and Southern producers. Conversely, at the same time as standards may reflect and reproduce existing power relations, they also to some degree contest existing power relations between 'capital' and 'labour'. I will return to this discussion in the next section. In short, my analyses of PSSs contribute to the GVC literature first by investigating the underexplored area of local standards, secondly by examining relations between standards and power asymmetries, and thirdly by underscoring the importance of taking PSSs into consideration when researching alterations in the terms of competition in GVCs.

The diverging interests of different actors and the role that standards play in how lead firms govern value chains make standards highly contested arenas. This view of standards as contested terrains and sites of power (endorsed in this thesis) again has its roots in actor-oriented approaches and has been used among others by Busch (2000) and Hatanaka et al. (2006). This enables an understanding of standards as socially mediated and therefore neither objective nor unbiased. Conversely, standards are always embedded in particular systems of social relations, and standard outcomes often reflect differences in power between different actors (ibid.).

This understanding of standards lies behind the analyses performed in this thesis where PSSs and their interrelations with GVCs are explored through both local and international standards (Papers III and IV). At the local level (Paper III), the emergence of local Kenyan standard initiatives is addressed in the context of the governance structure of the cut flower GVC (particularly the strand driven by large retail buyers), illustrating how local PSSs can be seen as indirectly playing into the governance agenda of retail buyers. However, the analysis also investigates local standards as sites of struggle between local stakeholders. Here I complement

the GVC approach by drawing selectively on a conceptual framework developed by Tallontire (2007) specifically to analyse developing-country private-standard initiatives in agri-food value chains. Tallontire brings into play GVC analysis, but expands the understanding of governance by adapting concepts from convention theory and the analysis of regulation. I focus on the parts of Tallontire's framework that deal with legislative governance (who makes the rules and how) and judicial governance (how conformity is assessed). This permits an analysis of how local standards reproduce existing power inequalities between local stakeholders. In particular, the lens of judicial governance was useful in uncovering how the way quality (in relation to social concerns) was defined by civil society actors (focusing on process rights to enable workers and local organisations) was outmanoeuvred by the definition of commercial actors focusing on outcome standards (issues such as health and safety, minimum wage, overtime pay etc.).

In sum, the analyses performed in Papers III and IV highlight the importance of analysing the political economy of standards, particularly in relation to how PSSs relate to existing power asymmetries and how PSSs can alter the terms of competition in value chains. What this means for the opportunities and limits of labour agency in relation to GVC governance will be discussed in the following section along with a discussion of my focus on labour organisations as the main labour agents.

## 5. Limits and potential of labour agency

The case studies presented in this thesis show that PSSs in cut flower value chains can potentially help to enhance labour agency to improve labour conditions at the point of production. This way PSSs can be said to some degree to mediate the power relations between 'labour' and 'capital'. Labour may use standards, at least some of the more rigorous ones, to demand minimum standards in the workplace, to enhance union organisation and to obtain collective bargaining agreements at the production-end of global value chains (as illustrated in Papers I and II). The practical outcome of labour agency on the ground differs according to the local context: Paper I illustrates how labour organisations can either choose to 'ride' the standards, exploiting them to gain influence and advance their own projects; or choose to position themselves against the PSSs, thereby contesting the legitimacy of private standards and of NGO involvement in labour issues. Furthermore, while the governance of inter-firm linkages is crucial in structuring the terrain for labour, the practical outcome of labour agency is always mediated by the specific social relations

of local production and labour control regimes, as well as the histories and orientations of the respective actors (see Paper II).

As shown in Papers I and IV, the way standards interpret and implement quality (in relation to social issues) matters for the opportunities that they open up for labour to exercise its agency. Still, most standards are so called 'outcome standards', which in their implementation do not favour rights that enable workers to fight their own battles. However, so-called 'process standards' (focusing on enabling rights) are gaining terrain in the flower industry (see Paper IV). Nevertheless (as illustrated in Paper III), when local multi-stakeholder initiatives seek to advance 'process standards', there is a danger that existing power inequalities will be reproduced, resulting in practice in a favouring of 'outcome standards' over 'process standards'.

Apart from the 'workplace' use of PSSs, PSS initiatives can potentially further labour agency by facilitating better insight into the operations of cut flower markets and sometimes give labour representatives a seat at the table when social issues are discussed among businesses. Furthermore, the increased importance of labour issue among Northern middle-class consumers means that, when producing for branded buyers, labour can exert a watchdog function threatening non-compliant businesses with exposure in consumer markets. This partly optimistic view should not, however, obscure the fact that PSSs are severely limited in scope because they are merely applied to branded consumer products sold in developed countries.

## 5.1. LABOUR AGENCY AND THE GOVERNANCE OF GLOBAL VALUE CHAINS

As explored in Paper I and particularly in Paper II, different forms of GVC governance structure the way power is distributed along chains and influence how labour might use different strategies to shape value chains by using the power of lead firms to transform aspects of the employment relationship into entry barriers for participation in the chain. But what are the limitations to this labour agency?

First, the trend towards buyer-drivenness in GVCs (see Gereffi et al. 2005; Gibbon and Ponte 2005) arguably favours 'good targets' (i.e. consumer brands) for labour campaigns. This obviously does not augur well for workers in chains that are not susceptible to consumer pressure. However, it only serves to underline further the need for broad labour coalitions and innovative labour strategies – PSSs and campaigns against branded buyers are not the only options open to labour. Secondly – a related point – highly driven GVC strands offer more room for labour organisations to exercise their agency because there are lead firms which can be targets for



campaigns and negotiations and which possess the leverage to impose labour standards along the chain. Again, this would seem to limit labour agency (through standards) to highly driven chains but, as already noted, Paper IV shows an example where labour (through coalitions with traders) has been able to influence PSSs implemented in a value chain strand that is not highly driven, although obviously the incentive to implement standards still has to be spurred by buyer demands for certified produce.

When labour succeeds in shaping GVCs by means of PSSs, what are the limits of the agency they can exercise? The analyses performed in this thesis suggest that the ability of labour organisations seriously to challenge the prevailing governance structure of the cut flower value chain is limited.

First, PSSs address conditions only at the production level. Thus when standards are employed to further labour representation, representation is limited to the production end of the chain and does not spread to workers in other nodes. Secondly, most PSSs address labour conditions as if they were independent of the governance structures of GVCs. Yet in both strands of the cut flower value chain, the ability of suppliers to comply with PSSs is constrained by the terms of trade. In the 'direct' strand, powerful buyers employ strategies such as cost-cutting and just-in-time ordering, which place additional pressure on suppliers and promote labour flexibilization, not labour organisation. In the auction strand of the value chain, low and fluctuating prices likewise put pressure on suppliers to cut costs. Thus, while labour agency has the potential to effect redistribution between producers and workers, it does not in itself challenge the balance of power between different corporate actors in the chain, such as buyers and producers. Efforts to remedy this are particularly important and include attempts to connect PSSs, retailer buying strategies and labour conditions in the Ethical Trading Initiative.<sup>15</sup> However, this connection is unfortunately not likely to become a mainstream element in PSSs in the foreseeable future.

In some areas, labour agency through international framework agreements (IFAs) goes further than labour agency through PSSs. IFAs can be seen as a very distinct type of PSSs that leaves standard-setting and implementation entirely up to the 'traditional' industrial partners (employers and unions). Nevertheless IFAs and PSS initiatives address different labour challenges. IFAs are concluded in producer-driven chains, where to some extent they bridge the gap between legally

<sup>15</sup> At the time of writing, international trade unions are engaging UK retailers (including Asda and Marks and Spencer) in a working group under the Ethical Trading Initiative to consider the way in which retailer buying practices constrains the ability of suppliers to meet social standards:

<http://www.ethicaltrade.org/Z/actvts/exproj/purchprac/index.shtml> accessed 20.02.2009.

independent companies created by outsourcing. PSSs, on the other hand, have to deal with the separation of powers 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.

Even though there are significant variations between IFAs, labour agency can be said to reach further through IFAs because they provide unions with involvement in standard negotiations, implementation and monitoring. Moreover, IFAs provide unions with access to the corporate level of the signatory MNC. In terms of GVC governance (depending on the stringency of the IFA, the strength of the unions and the inclination of the signatory MNC), IFAs potentially yield labour influence on choice of suppliers by monitoring whether adherence to the IFA is an actual entry barrier to chain participation. However, apart from depending crucially on union strength and motivation, labour agency through IFAs is limited by many of the same restrictions as PSSs (limitations in scope and a lack of sanctions, and while they have the potential to effect redistribution between producers and workers, they do not in themselves challenge the balance of power between different corporate actors in the chain, such as buyers and producers).

## 5.2. WHO HAS AGENCY?

Another important issue concerns which workers have their rights defended and which workers we recognise as having agency. As already mentioned, PSSs have been found to fail to reach the most marginalised (often female) workers, such as casual, migrant or subcontracted workers (Barrientos and Smith 2007; Nelson et al. 2007). Obviously this is a major challenge, both in terms of securing marginalised workers in the content of standards,<sup>16</sup> but particularly in the way standards are implemented and monitored (see Paper IV on the inclusion of local NGOs and trade unions in standard monitoring).

When labour engages in standard initiatives, it offers legitimacy to other standard participants and firms certified to the standard, thus promoting some firms over others. In some instances, this

<sup>16</sup> This issue is addressed in the context of more stringent standards like the ETI, Fairtrade and Fair Flowers Fair Plants. The Flower Label programme, for example, stipulates that 'Provisions for non-permanent and seasonal workers, including freedom of association, should be not less favourable than for permanent workers. ... In [the] case of subcontracted workers the farm must check and make sure that the subcontractors fulfil all basic labour rights.' [http://www.fairflowers.de/fileadmin/f...sch/FLP\\_Guidelines\\_Version\\_4\\_2008.pdf](http://www.fairflowers.de/fileadmin/f...sch/FLP_Guidelines_Version_4_2008.pdf) assessed 27.02.2009

can expose conflicts of interests between the different objectives within labour. For example, when the International Union of Foodworkers supports the Fair Flowers Fair Plants initiative, they are at the same time agreeing that developed-country producers (with their specific category of workers) can now compete in the market for socially certified flowers, previously restricted to developing-country suppliers (and developing-country workers).

### 5.3. TRADE UNIONS AND LABOUR NGOS

In this thesis, labour agency has been analysed in the form of labour organisations. This does not mean that I do not recognise the agency of non-organised workers, but rather it reflects a deliberate decision to focus on labour organisations, particularly trade unions, since this has been lacking in the existing literature on PSSs. Furthermore, the focus reflects the empirical reality of the material I have analysed, where labour organisations (unions and labour NGOs at all levels) were the main entities exercising their agency through engagement with standards (see also the methodology section later in this synopsis).

Given this focus, and the fact that some of the more stringent standards can lead to a higher degree of union organisation, optimism still presupposes that labour organisations are accountable to their constituencies and that they work for the good of the workers they purport to represent. The goal of this dissertation has not been to evaluate trade unions or labour NGOs regarding their democratic mandates or the degree to which they genuinely represent their constituencies. Nevertheless some general thoughts addressing these concerns are appropriate.

As seen in the Kenyan case, trade unions and labour NGOs do not always agree on how to advance the rights of workers in global value chains. Trade unions no longer have monopoly on representing workers either locally or internationally, and this is giving rise to new opportunities, as well as to new conflicts. The promotion of workplace social standards has been one of the main ways in which NGOs have engaged with labour issues in recent years, but all too often discussions between NGOs and trade unions have been marred by antagonism rather than recognition. While there is enormous scope for NGOs and trade unions to support each others' aims when working for labour rights in global value chains, relations have frequently been marked by suspicion, if not competition or outright hostility (although there are examples of constructive cooperation, as illustrated by the banana campaigns in Paper II).

This is perhaps hardly surprising. The extraordinary expansion in the number of NGOs operating around the world and their growing international influence have occurred in a political and economic context in which trade unions have experienced overall declines in membership and

political influence (Eade 2004). In addition, although they may be fighting for similar issues and share many perspectives, unions and NGOs are structured and work in very different ways.

The emergence of local NGOs specialising in corporate social responsibility issues raises important questions of representation and legitimacy. NGOs in general have only recently begun to shift from a notion of worker benefits towards worker empowerment through worker self-representation. NGOs do not have a democratic or legal mandate to represent workers, but often serve a broad constituency and thus are not necessarily accountable to the workers on whose behalf they claim to speak. One can further question the legitimacy of multi-stakeholder initiatives such as the Horticultural Ethical Business Initiative in which important stakeholders (trade unions but more importantly the workers themselves) do not participate. Additionally, and perhaps most critically, the establishment and monitoring of PSSs has on occasion allowed NGOs and management to work things out bilaterally, thus permitting employers to avoid negotiating with employees and their representatives (a criticism that NGOs would rebut by arguing that they focus on industries in which unions are weak or simply non-existent) (ibid.). Lastly, NGOs are also blamed for being short-lived in their commitment, unlike unions, which are necessarily in it for the long haul.

But whereas trade unions as the traditional counter-powers to business face serious challenges due to the globalisation of production and the increased mobility of goods and capital, the nature of NGOs makes them well equipped to form new and supplementary counter-powers. As Palpacuer argues (2006), activist NGOs operate through inter-organisational networks that can quickly build alliances on a campaign basis, thus benefiting from an agility similar to that of global firms. The global networks of NGOs can establish connections between production workers in the South and consumers the North and reach the core-business, profit-generating capabilities of branding, marketing and other product differentiation investments. In terms of agency, then, one could say that labour NGOs are better equipped than trade unions to take their agency to the global level.

Unions, unlike NGOs, act on the basis of a mandate conferred by their members, to whom they are accountable, but as a result they risk becoming over-bureaucratized and slow to react to change. In addition, the representational legitimacy of trade unions has been criticised for being male-dominated and failing adequately to represent women, casual or migrant workers. And even though accountability to the membership is supposedly a trademark of the unions, unions come in many shapes and sizes and differ greatly in their independence from the state, political parties and employers. Additionally, they can differ significantly in structure (being more or less hierarchical and top-down controlled), as well as in their approach to obtaining workers rights.

Unions also operate at the global level, mainly through the International Trade Union Confederation (ITUC) and the Global Union Federations,<sup>17</sup> but also through a range of international union networks. In relation to engaging with PSSs, however, unions have been much slower and more reluctant than NGOs. Trade union views on PSSs vary, but unions have tended to view PSSs as the privatisation of labour law, as a means of avoiding regulation and trade unions and as a dangerous substitute for collective bargaining (Spooner 2004). Increasingly, however, international unions have opted for critical engagement, particularly through representation in multi-stakeholder standards initiatives like the Ethical Trading Initiative and the Workers Rights Consortium.

I argue that, as democratically elected entities representing workers, trade unions are the actors that are most likely to work for worker empowerment (through self-representation) rather than merely for worker benefits. This reflects the view that workers are not simply the passive recipients of rights, but should actively engage in the decisions that affect their own lives. Additionally, trade unions are likely to be in for the long haul, and by building up trade unions, standard initiatives can avoid bypassing already established national industrial-relations structures. While PSSs (with or without NGO cooperation) might be able to obtain short-term successes, these will be sustained in the long term only through the self-representation of workers (Braun and Gearhart 2004). It is to be expected that NGOs and trade unions pursue different strategies on workers rights, but it is critical that they each avoid doing so at the expense of the other and instead engage in constructive dialogue to work together towards a common cause.

## 6. Methodology

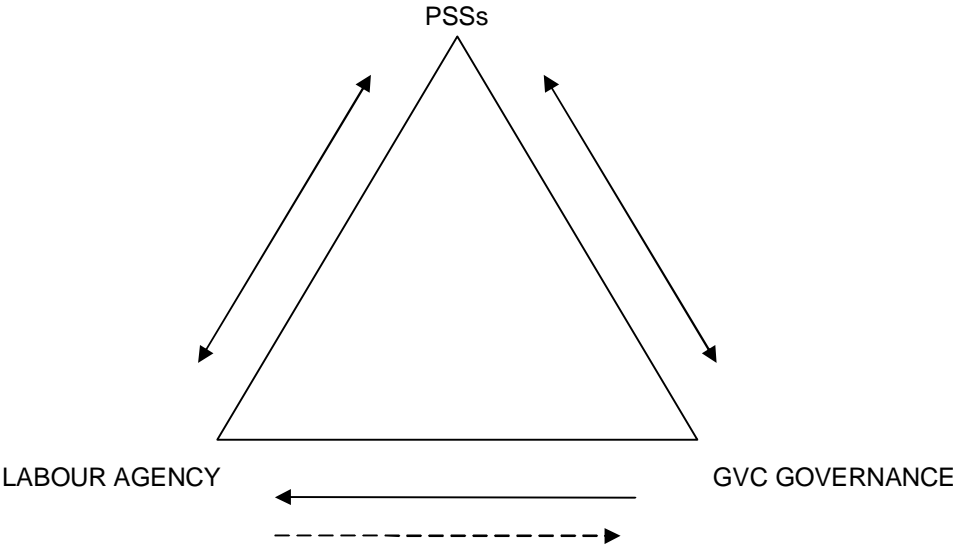
In this section, I present my research questions and how I have addressed them. This is followed by a detailed discussion of case selection, of how I conducted the research and of how I analysed the data. Finally I reflect on the process and form of this thesis before I offer my overall conclusions in Section 7.

<sup>17</sup> Trade union federations that assemble national industry unions at the international level.

### 6.1. RESEARCH QUESTIONS

As mentioned in the introduction (Section 1.2.), the objective of this thesis is to examine whether and how PSSs in the cut flower industry can enhance labour agency to improve labour conditions at the point of production. As mentioned in the introduction, the emphasis is on the opportunities and challenges that PSSs pose for labour agency and I therefore explore labour agency specifically as it is enforced, contested and transformed through PSSs. In order to design my examinations of the research objective, I have chosen to focus on the agency of labour organisations, and particularly organised labour (for a discussion of this choice, see Section 5.3). Furthermore I place labour agency and PSSs in the context of the governance of the cut flower value chain since GVC governance structure the way power is distributed along value chains and thus influence both labour possibilities and PSSs. The four papers in this thesis therefore in different ways address the interrelations between labour agency, PSSs and the governance of the cut flower value chain. The interrelations are illustrated in Figure 2.

**Figure 2. Interrelations addressed in the thesis**



In addition, my analysis goes beyond the relationship between PSSs and labour agency to also explore standards as institutions that have other effects than the proclaimed aim of securing decent labour conditions at the point of production. Here I examine the political economy of PSSs particularly in relation to existing power relations and competition in the flower market.

In line with my thesis objective, two sets of the relations depicted in figure 2 are given specific attention in this thesis, namely the interrelations between labour agency and PSSs and the relationship between labour agency and GVC governance. As already mentioned, I address labour agency specifically as it is transmitted, contested and transformed through PSSs. Thus, when addressing the potential of labour agency to counter challenges brought about by GVC governance structures, it is by means of PSSs (indicated by the stippled arrow in figure 2).

Following from this focus, I formulated two sets of research questions. The first set of questions relate to the interrelations between labour agency and PSSs:

- 1) How can private social standards open up opportunities for labour organisations to pursue their own objectives?**
- 2) How do labour organisations use (or not use) private social standards to their own advantage?**
- 3) What are the overall trends in cut flower standards (in terms of labour issues)? Is there a move towards more stringent standards, or the reverse?**
- 4) When local social standard schemes are negotiated, how do power relations (both local and in the GVC) affect standard outcomes in terms of possibilities for labour?**

The interrelations between labour and PSSs were addressed primarily through my comparison of actual experiences in Kenya and Tanzania, but also at the level of standard setting (through European-based standards) and at a more holistic level through the comparison between banana and flower value chains. What is not included in my empirical treatment of the relationship between labour agency and PSSs is the level of individual workers on plantations (see also the discussion in Sections 5.2 and 5.3). In relation to research question 1, my focus was to tease out any way that labour could possibly use PSSs to improve working conditions in the South, though with a focus on how they could further worker organisation. Research question 3 was addressed by means of an overview analysis of the focus and function of flower standards. To address standard stringency in relation to labour issues, I decided (based on a review of critical literature on PSSs) to focus on monitoring procedures (first- versus third-party monitoring and the involvement of local stakeholders) and the distinction between standards focusing on process rights (which enable workers) and outcome standards (which focus on practical entitlements like overtime pay and health and safety issues). Furthermore, the question was addressed through more detailed analyses of two European-based standard initiatives. Research question 4 concerns local PSSs and

was addressed by means of an analysis of Kenyan standards. In order to investigate standard outcomes for labour, I used parts of the framework developed by Tallontire (2007) to investigate standard content, institutional structure and monitoring procedures while again employing the distinction between process rights and outcome standards.

The second set of research questions of which the last is analytical in nature relates to the relationship between labour agency and GVC governance:

**5) How does GVC governance affect opportunities and constraints for labour agency in relation to advancing social regulation in GVCs?**

**6) What are the limits to labour agency via standards?**

**7) How can GVC analysis incorporate the concept of labour agency?**

Research questions five, six and seven relate to the relationship between labour agency and GVC governance. As already mentioned, when addressing the potential of labour agency to counter challenges brought about by GVC governance structures, it is by means of PSSs. The comparison between the banana and the cut flower value chains comprises the main investigation of how GVC governance frames the terrain for labour agency and how labour uses different social standards to counter specific challenges. To examine the influence of GVC governance, I employed concepts developed within GVC theory, namely the level and manner of drivenness and the functional position of the chain driver. This comparison, together with the comparison between labour and PSSs in Kenya and Tanzania, serves to illustrate the limits to labour agency via PSSs and, furthermore, in both comparisons I successfully merged the concept of labour agency with GVC analysis by drawing on insights from actor-oriented approaches, particularly labour geography.

In addition to the above research questions, there are two points I would like to make: First, in the four papers I also touch upon the relations between GVC governance and PSSs. While this interrelation is not the main focus of this thesis, it is nevertheless important for analysing labour agency in GVCs. Second, in addition to the listed research questions, I also examined other effects of PSSs, particularly related to how they affect competition in the market for flowers (see paper IV). While this does not directly address the main objective of the thesis, I found it to be extremely interesting and important not least because this relation has thus far not been given much attention in GVC research and because it highlights the significance of PSSs as institutional mechanisms with other effects than the proclaimed aim of securing labour conditions.



Given the extremely uneven power relations between 'labour' and 'capital', I investigate whether, despite this power asymmetry, the new PSSs provide openings for labour. The way I have chosen to examine this is primarily through micro-level case study-based investigations of different aspects of the interrelations depicted in Figure 2. My intention has not been to conduct detailed empirical analyses of value chains at the macro-level, but rather to focus on labour agency in relation to standards and then relate my findings to existing analyses of governance in value chains. The unique contribution of this thesis is thus primarily micro-level-based examinations of labour agency in relation PSSs and PSSs both local and international.

## 6.2. A CASE-STUDY RESEARCH DESIGN

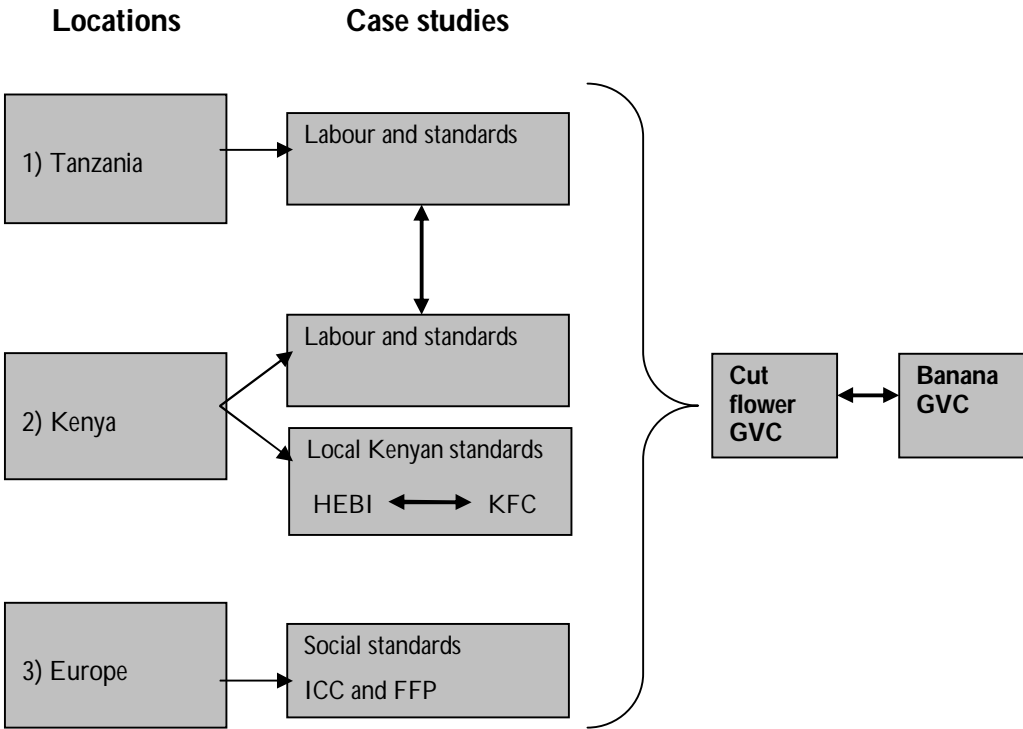
The thesis objective and the research questions were approached by means of a *multiple case-study* research design, inspired by Flyvbjerg (2001; 2006) and Yin (2003). According to Yin (2003), a case study is an empirical examination that 'investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident' (2003: 13). As also highlighted by Yin (2003), 'how' questions (as opposed to 'what', 'who' or 'where' questions) are explanatory in nature and likely to benefit from the use of case studies. As most of my research questions are 'how' questions, the case study method was an obvious choice. A case study allows for multiple sources of evidence, which increases reliability as this provides the basis for data triangulation. In this study, the following sources were used: semi-structured interviews (with informants around the cut flower industry and respondents within the industry), secondary data, and direct and participant observation. Data triangulation supports the reliability of the conclusions derived from the data collected, as 'any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information' (ibid.: 98).

Following extensive literature reviews, the research design was created as a collection of case studies illuminating different aspects of PSSs in the cut flower value chain. Fieldwork in Kenya and Tanzania was conducted in 2006. This comprised two case studies compared across the countries and two case studies compared within Kenya. This was followed in 2008 by fieldwork in Europe of two case studies of European-based flower standard initiatives. Finally, a case study on labour standards in the banana industries of Central America (the empirical material for which was gathered prior to this PhD) was used for comparative purposes.

Thus the research design for this PhD thesis was one of multiple case studies used predominantly for comparative purposes (see Figure 3, where double arrows indicate comparative case studies).

When employing a comparative design, two contrasting cases are studied using more or less identical methods (Bryman 2008: 58). By choosing meaningful contrasts, the significance of different patterns can be portrayed in different settings. However, as Bryman notes (2008: 60), 'the differences that are observed between the contrasting cases may not be due exclusively to the distinguishing features of the cases.' Therefore caution is necessary when explaining differences between cases. Below I go through the fieldwork locations one at a time discussing the selection of case studies.

**Figure 3. Research design**



**6.3. FIRST AND SECOND FIELDWORK LOCATIONS: KENYA AND TANZANIA**

The first period of fieldwork was conducted in and around the cut flower export industries in Kenya and Tanzania. The two industries are geographically close and the Tanzanian industry can to some degree be said to be an offshoot of the Kenyan industry (in 2006, three out of ten flower farms were closely related to the Kenyan industry). Nevertheless the industries differ in several respects: while Kenya is one of the top players in the world cut flower industry, its exports being

the fifth largest, Tanzania is a newcomer ranking only number 29 on the list of exporters in 2006.<sup>18</sup> A comparison between the two countries thus offers the possibility of contrasting a new and small industry that has only recently begun to adopt PSSs with a large and well-established industry where PSSs have been widespread since the mid-1990s. Most importantly, however, for the purposes of this thesis was the fact that, from the literature review conducted prior to final case selection, I expected to encounter very different labour responses to the introduction of PSSs in the two countries.

Both these case studies can thus be argued to constitute extreme cases (Flyvbjerg 2001). As pointed out by Flyvbjerg (2001, 2006), extreme cases make valuable contributions to the establishment of an understanding of a range of possible outcomes. Therefore, the cases selected were not chosen to provide a full picture of the consequences (and opportunities) for labour of PSSs in the cut flower industry. Rather, they were selected as a means to investigate different possible outcomes to and responses by labour. In relation to this, the research strategies behind the case selection were: 1) being information-oriented, 'cases are selected on the basis of expectations about their information content' (Flyvbjerg, 2006: 230); and 2) having maximum variation, which helps 'obtain information about the significance of various circumstances for case process and outcome' (ibid.: 230). Regarding the question of how labour interacts with PSSs, the case studies function as comparative cases employing the same data selection methods (see also section 6.6 on 'conducting the case study'). The comparison was chosen specifically to address research questions 1, 2, 6 and 7.

The Kenyan horticultural industry, however, also provides an object of study on its own, since no less than four local standard initiatives exist in parallel (unprecedented in any other flower industry). In relation to local standard initiatives, the Kenyan flower export industry therefore constitutes an example of the extreme cases which, according to Flyvbjerg (2006: 229), 'often reveal more information because they activate more actors and more basic mechanisms in the situation studied'. Local standards initiatives in Kenya were thus chosen as interesting for exploring what happens when international pressure for minimum social standards is translated into local standard initiatives. The focus in this part of the study was on the Kenya Flower Council (KFC) and the Horticultural Ethical Business Initiative (HEBI) standards, two initiatives developed explicitly for the flower industry. These two standard initiatives provided appropriate grounds for comparison since they are substantially different both in relation to the structure of the standard initiatives and in their implementation procedures. Thus again I employed the

<sup>18</sup> Data from UN COMTRADE.

comparative element, this time on two case studies within the Kenyan industry. As before, the research strategies behind the case selection were that they provided maximum variation and were information-oriented. Again the case studies were not chosen to generalise but rather to address research question 4 and to explore how the negotiation and performance of local standards relate to the power relations that exist both between local stakeholders and along the global value chain.

#### 6.4. THIRD FIELDWORK LOCATION: EUROPE

The final location for fieldwork was Europe, where I examined European-based PSS initiatives for cut flowers. While in the first and second periods of fieldwork I examined standards where they are implemented, this location, so to speak, constitutes the other end of most standards, namely where the standards are set. At the outset, the purpose of this fieldwork was broadly to explore all the European-based initiatives (excluding unilateral business codes), their development and how they interacted both with other standard initiatives and with stakeholders. After a few preliminary interviews (see also Section 6.7 on data analysis), I decided to focus on two smaller case studies which, although very different, both describe attempts at convergence around a particular set of criteria, namely those of the International Code of Conduct for Cut Flowers (ICC). The first case study was on the ICC itself and how it has been adopted by different standard initiatives. The ICC is of particular relevance to this PhD since this is where international trade unions have been involved in standard-setting in the flower industry. It is also interesting because it provides innovative monitoring and implementation procedures and because the ICC has become the main reference for the social content of most standards aimed at the EU market. This case study addresses research questions 1, 2 and 3. The second case study is about the Fair Flowers Fair Plants (FFP) initiative, which aims at convergence through the benchmarking of existing standards to the FFP criteria (based on the ICC). This case study was chosen because it promised to be an interesting example involving innovative monitoring procedures, as well as interaction and negotiation between many different standard initiatives and stakeholders. The FFP case study addresses research question 3 and additionally it explores how standards can affect the terms of competition between different value chain actors. The two case studies were not selected for comparative reasons nor for generalisations, but because they address different aspects of the thesis objective.

## 6.5. COMPARISON WITH THE BANANA VALUE CHAIN

As a supplement to the case studies on the cut flower value chain, the banana value chain was chosen for comparative purposes. The two value chains were compared with the aim of conducting an exploratory analysis of the connections between GVC governance, voluntary social regulation and labour agency. The banana and cut flower value chains provide matched cases of labour-intensive agricultural chains, each containing two distinct value chain strands with different governance structures and implications for labour and social regulation. In bananas, the focus is on Latin American exports to the EU and the US, where there is an international framework agreement, achieved on the back of a historically strong labour organisation. Conversely in African cut flower exports to Europe, there are a range of PSSs which were initiated in consumer markets in the absence of significant labour organisation in the industry.

The rationale behind selecting the two value chains for comparison is similar to what I relate above concerning the decision to compare labour interaction with PSSs in Tanzania and Kenya. Thus the two value chains were not chosen to provide a full picture of all the tools available to labour or of all possible GVC governance structures. Rather, they were selected because they allow for a comparison between two particular (and different) labour tools and how these apply in two particular and different GVC governance settings. Although the two GVCs are embedded in particular contexts, the comparison still allows for discussions of plausible (but not casual) connections between ideal types of GVC governance (producer- versus buyer-driven) and two labour tools (international framework agreements and PSSs). The comparison addresses research questions 1, 2, 5, 6 and 7.

## 6.6. CONDUCTING THE CASE STUDIES

A qualitative case study benefits from in situ research, which means 'the main researcher spending substantial time, on site, personally in contact with activities and operations of the case, reflecting, revising meanings of what is going on' (Stake, 1994: 242). This was the case during fieldwork in Kenya and Tanzania (and earlier in Central America), where my research covered interviews, informal conversations, observations and discussions, which, when combined, helped me unravel the complexity of the issues I had set out to explore and to triangulate collected data.

All interviews were carried out as qualitative semi-structured interviews, often supplemented by informal conversations. The interview guides were adjusted after the first few interviews had been conducted, when, for instance, it became obvious that questions had been misunderstood by respondents or were too sensitive and should be posed differently. Likewise, the open-ended

interview form often produced new and relevant information that I had not been aware of beforehand, and which was subsequently incorporated into the interview guides.

Prior to fieldwork, secondary data regarding the standards, companies and organisations involved were collected from the internet and other relevant sources. In general, secondary data, such as newspapers, consultancy reports, the publications of industrial associations and NGOs, government policy papers and so on, were crucial sources of information to establish background knowledge and to ensure I asked the right questions and could cross-check information gained from interviews.

Informal conversations and direct and participant observation allowed me to discuss my preliminary findings with informants, and were carried out in different ways during fieldwork. In particular, informal conversations proved a fruitful source of information about ongoing disputes and informal power structures. Findings and preliminary analyses were also discussed through presentations for academics in Tanzania and feedback on working papers from informants, which made it possible to test the validity of the data and to adjust my analysis.

#### 6.6.1. Conducting the fieldwork in Kenya and Tanzania

The fieldwork was conducted from February to May 2006 and covered all ten export flower farms in Tanzania and ten farms (out of approximately 150 cut flower export farms)<sup>19</sup> in Kenya. In both countries, the farm-level interviews were conducted with both top management and worker representatives in the form of works councils, joint bodies and union branches. On each farm, I sought to interview the general manager as well as a representative from human relations and, where present, the person in charge of standards. On each farm, I further sought to interview the chairperson and/or secretary of all the existing forms of worker organisation (union, works council, joint bodies). All interviews with worker representatives were conducted in privacy to ensure confidentiality concerning the information given. Additionally, a range of interviews were conducted with industry organisations, industry consultants, standard organisations, labour NGOs and trade unions at the national as well as district- and farm-branch levels (see list of interviews conducted below).

<sup>19</sup> Along with other researchers, I found it hard to estimate the number of flower farms in Kenya. In 2003, a listing of export flower farms was undertaken by the Setup Training Institute at the request of a UK-funded research project. This listed 150 export farms (Omosa et al. 2006; Nelson et al. 2007).

Most often, farm visits included a tour of the farm, which gave me an opportunity to observe work in action and at the same time to ask the 'tour guide' questions informally. Another method of data collection was 'hanging out' in the district-level union offices, which gave me a chance to meet flower workers who, for various reasons, had sought the assistance of the union. All interviews were semi-structured with open-answer questions, and specific interview guides were created for the following categories: worker organisations (trade unions and NGOs), on-the-farm worker organisations (worker committees, joint bodies, trade unions), producers, business associations, standard initiatives and experts. Thus a range of interview guides were elaborated (see examples of interview guides for producers and worker organisations in Appendixes 2 and 3). In particular, extensive information was collected about the flower farms because I was not sure which information would prove relevant (see Appendix 4 for farm details).

In the Kenyan flower industry, labour conditions are an extremely sensitive issue, and farm access for this particular study was thus correspondingly difficult. Access to farms was obtained through a 'snowballing' method using a combination of personal contacts, contacts through farms visited in Tanzania and contacts through the Kenya Flower Council. Farms were selected in order to represent farms with PSSs in a combination of small and large farms (i.e. the three largest) spread across the most important geographical centres of production. Due to the selection criteria employed in Kenya, the results of the study are not representative of the Kenyan flower industry in general, but on the basis of the study that was conducted, it is possible to identify relevant issues concerning the relationship between standard implementation and management/union relations (though not necessarily all relevant issues). In Kenya, all the interviews were conducted in English.

In Tanzania, access to flower farms was also difficult and required a lot of patience and a good portion of luck. It turned out that the family from which I rented a room was distantly related to the executive director of Tanzania Horticultural Association. She helped set up meetings with a few farms, but some farms were still reluctant to meet me. I then made contact with a Tanzania master student conducting a study of the obstacles to further growth in the industry. He was related to two of the flower-owners and was able to arrange meetings for me. Other contacts were made through a senior researcher at Sokoine University, who was able to persuade an agricultural extension officer to assist me in setting up appointments with one farm. In the end I succeeded in visiting all ten cut flower export farms in Tanzania. In that country, some of the interviews with worker representatives at the farm level were conducted using a skilled interpreter. In these cases, I always briefed and de-briefed the interpreter before and after interviews, while during interviews I often repeated questions and answers to minimise the loss due to translation.

**Table 1. List of interviews conducted**

Interview category	Tanzania	Kenya	Total
Union officials, national level	4	4	8
Union officials, district level	2	5	7
Union officials, farm level	6	6	12
Representative from works councils, joint bodies or other worker committees	2	5	7
Farm management	13	17	30
NGOs	0	7	7
Standard representatives	0*	8	8
Experts	10	4	14
Total	37	56	93

\* All standard contact persons for Tanzania were based in Kenya and thus interviewed in Kenya.

Concerning the study of local Kenyan standard initiatives, the same material was used, although I focused on interviews with standard representatives and NGOs. Additionally, follow-up interviews with key stakeholders were carried out by telephone in May 2008.<sup>20</sup> Furthermore, various documents concerning the standard initiatives were also reviewed.

#### 6.6.2. Conducting case study research: Europe

The analysis of international standard initiatives relies on primary material gathered from twenty semi-structured interviews with representatives from flower standard schemes and other industry actors with follow up e-mail and telephone communications. For most interviews, I travelled to conduct them in person, but some were conducted over the telephone, one using an interpreter (see Appendix 1 in Paper IV for interview list).

When conducting interviews on standard initiatives, I sought to interview both an administrator (e.g. the director or a standard officer) and a 'political' actor (e.g. the president or board director). I also interviewed important stakeholders involved and, when talking to the representatives of other relevant organisations, respondents were chosen because of their involvement with PSSs. To supplement the analysis, I further analysed materials produced by the standard initiatives themselves, including internal documents, web pages and press releases. Finally I reviewed secondary data, including reports produced by industry stakeholders, multilateral agencies and donor organisations, as well as published articles in academic journals and trade magazines. The interview guides were tailored to the specific informants, although there were many common

<sup>20</sup> The Chief Executive Officer of KFC and three board members from HEBI were interviewed by telephone in May 2008.



areas relating to standard setting, standard structure, standard objectives, institutional structures and relationship to the ICC and FFP (see example of interview guide in Appendix 5).

Concerning the banana value chain, in 2002 I collected data in Guatemala, Honduras, Costa Rica and Nicaragua, comprising 61 interviews and visits to twelve plantations. However, since the data were collected prior to this PhD, I will not discuss them here, though I provide a brief presentation of it in Appendix 6.

## 6.7. DATA ANALYSIS

Data analysis started during fieldwork. After each interview, notes were reworked and observations added from the interview situation, from informal talks with informants and from farm tours. This was then related to information collected from web-sites or from other informants. During fieldwork I presented my findings, at a general level, to relevant audiences. In Tanzania, I made a presentation at Sokoine Agricultural University and informally presented my findings to trade unions at the national and regional levels in Tanzania and Kenya, as well as discussing them with several academics in both Kenya and Tanzania. This gave me the opportunity to acquire feedback on my preliminary results and the validity of my research, and to discover new angles of analysis. Likewise, when conducting the interviews in Europe, I conducted follow-up correspondence and telephone conversations with key informants to discuss and clarify issues of specific interest.

More in-depth interpretation and analysis of the data took place after returning from fieldwork. Here the collected data were categorized often several times, trying out different sorting methods. All of the four papers in this thesis have been through many discussions with colleagues and supervisors, presentations at departmental meetings and conferences, and in the cases of Papers I and II also anonymous reviewers. This permitted a continuous questioning of the data and data analysis.

From the Kenyan and Tanzanian fieldwork, themes or 'stories' crystallized quite rapidly. These were related to the proactive versus reactive response of the unions (and differences in response at different levels), the NGO–union conflict (in Kenya) and the negotiations on the local Kenyan standard initiatives. From these themes, Papers I and III materialized.

For the comparison between the cut flower and banana value chains, I reused data from an earlier study. The objective of the earlier study was to assess preliminary experiences with the International Framework agreement signed between Chiquita and COLSIBA. However, the

investigation necessitated a thorough understanding of both the banana value chain and labour activities. The data collected (enforced by a thorough update conducted using secondary sources) therefore also proved suitable for the primary objective of this PhD thesis. During the comparison between the cut flower and banana value chains, I went through a continuous process of contrasting different aspects of GVC governance (and different interpretations of the GVC governance concept) with different labour tools and labour responses. During this process, different hypotheses about possible relationships were tested and revised, finally resulting in Paper II.

In relation to the fieldwork in Europe, two case studies materialized after the first handful of interviews, and the remaining interviews were then directed at exploring these. Data analysis was again a process of sorting the material in different ways, the end result of which is found in Paper IV.

## 6.8. REFLECTIONS ON PROCESS AND FORM

The decision to write this thesis as a series of papers was taken before I ventured into the field to collect data. Writing papers along the way as opposed to writing a monograph at the end of the PhD process matches my personal work preferences, and I never regretted the decision. More importantly, I feel that the paper form has allowed me to examine many different aspects of my thesis objective and to capture a breadth of experiences that would have been difficult to structure in a monograph. However, the paper form also poses serious challenges. The structure and style of articles for peer-reviewed journals (although requirements differ somewhat between journals) are ones that require one to be extremely precise with one's argument, but also to leave out many interesting details, discussions and reflections. In this thesis, I have therefore chosen to present two peer-reviewed articles (Papers I and II), but to leave Papers III and IV in their working paper format. While this is also preferable due to the considerable time it takes to publish in peer-reviewed journals, more importantly it allows me to present my empirical data and my discussions in much more detail.

Another challenge relates to how one deals with new empirical developments or discoveries. When doing a PhD as a collection of papers, new insights can only be dealt with by reflecting on conclusions reached in earlier papers, not by reworking the papers. Using the paper model is also challenging in terms of presenting the PhD thesis as one coherent piece of work. I have sought to manage this by always making sure that a specific paper addresses aspects of my thesis objective. At the same time, however, I have also allowed myself to explore other aspects of PSSs and to let the empirical findings guide the structure of the different papers. This is why, in Paper IV, I

have two different 'story lines' running in parallel through the same paper. In Paper IV, the story about developments and trends in PSSs is the most relevant in relation to the thesis objective. However, the story about the relationship between PSSs and the terms of competition in value chains, while peripheral in relation to the thesis objective, it is probably the most interesting, at least from a global value chain perspective, and, I believe, it uncovers a relationship that deserves further study. In sum, the evolutionary process of undertaking PhD research is illustrated in the papers, in which I perceive that I have succeeded in fulfilling my research objective and in answering my research questions. In the following section, I offer my overall conclusions.

## 7. Conclusion

The four papers in this PhD thesis analyse the emergence of PSSs in the cut flower industry. The papers in different ways examine the interrelations between labour agency, PSSs and GVC governance. From the analyses performed, a set of conclusions can be drawn relating to whether and how PSSs in the cut flower industry can enhance labour agency to improve labour conditions at the point of production.

On the basis of this thesis, I conclude that PSSs in cut flower value chains *can* potentially enhance labour agency and thus mediate the power relations between 'labour' and 'capital'. Labour may use more rigorous standards to demand minimum standards in the workplace, to enhance union organisation and to obtain collective bargaining agreements at the production end of global value chains. PSS initiatives can potentially promote labour agency by facilitating better insight into the operations of cut flower markets and by facilitating dialogue between labour representatives and business. Additionally, the increased importance of labour issues among Northern middle-class consumers means that, when producing for branded buyers, labour can exert a watchdog function threatening non-compliant business with exposure in consumer markets. This partly optimistic view should not, however, obscure the fact that PSSs are severely limited in scope because they are mainly applied to branded consumer products sold in developed countries. Furthermore, in general PSSs have been found incapable of reaching the most marginalised workers, such as casual, migrant or subcontracted workers, who are often women.

PSSs differ, and the way standards interpret and implement quality (in relation to social issues) matters for labour and the opportunities it might extract from PSSs. Most standards are still so-called 'outcome standards', which in their implementation favour practical entitlements like

overtime pay and health and safety issues. Such standards do not favour rights that enable workers and local worker organisations to fight their own battles. Nevertheless standards focusing on enabling rights are winning ground for flowers aimed at the EU market and have now entered the 'traditional' auction strand of the value chain. However, as illustrated by my analyses of local standard initiatives in Kenya, when local multi-stakeholder initiatives seek to advance enabling rights, there is a danger that existing power inequalities may be reproduced, resulting in practice in a favouring of 'outcome standards', not in enabling rights.

The case study of Kenyan standards demonstrates that, when local standards are negotiated and performed, the power relations that exist both between local stakeholders and along the global value chain for cut flowers are reflected and reproduced. Locally this is manifested in the favouring of 'outcome standards' over enabling rights, but in addition the localisation of standards can be seen as indirectly playing into the governance agenda of buyer-driven value chain strands, where the lead firms endorse (and at times actively promote) local standard initiatives, not least because they offer better insurance against conflict, create necessary consensus and 'back-up' from critical voices locally and in buyer markets, and present an effective means of governing at a distance.

The practical outcome of labour's use of PSSs at the point of production differs according to the local context. Labour organisations can either choose to 'ride' the standards, exploiting them to gain influence and advance their own projects; or to position themselves against the PSSs, thereby contesting the legitimacy of the private standards (and in the case of Kenya, also contesting the legitimacy of NGO involvement in labour issues).

In this thesis, I also illustrate how different forms of GVC governance are crucial in structuring the terrain on which labour campaigns and strategizes. Conversely, labour can help shape value chains by using the power of lead firms to enforce rights and transform aspects of the employment relationship into entry barriers for supplier participation in the chain. The functional position of the chain drivers creates different leverage points for labour. Whereas labour can threaten to disrupt production in producer-driven strands, campaigns in buyer-driven strands threaten to disrupt consumption. The challenge for labour in producer-driven chains lies in establishing transnational cooperation between different production locations within the supply chain of an MNC (here international framework agreements represent an opportunity for labour to leverage GVC governance to its ends). The challenge in buyer-driven chains lies in recreating a link between the sphere of consumption and the workplace in order to overcome the separation of workplaces from industrial and political power (here PSSs are a more auspicious route for advancing labour's objectives).

At the same time, the ability of labour organisations seriously to challenge the prevailing governance structure of the cut flower value chain (through PSSs) remains limited. In both strands of the cut flower value chain, suppliers' ability to comply with social standards is constrained by the terms of trade. In the 'direct' strand, powerful buyers employ strategies such as cost-cutting and just-in-time ordering, which place additional pressure on suppliers and promote labour flexibilization, not labour organisation. In the auction strand of the value chain, low and fluctuating prices likewise put pressure on suppliers to cut costs. Thus, while labour agency has potential to effect redistribution between producers and workers, it does not in itself challenge the balance of power between different corporate actors in the chain, such as buyers and producers. Efforts to remedy this are particularly important and include attempts to connect PSSs, retailers' buying strategies and labour conditions. However, this connection is unfortunately not likely to become a mainstream element in PSSs in the foreseeable future.

In addition to addressing the objective of this thesis, the analyses that have been carried out also support a conclusion relating to standards and the terms of competition in the flower market. PSSs play a role in setting entry barriers to GVCs, but they are also used for risk management and product differentiation. Therefore standards can affect the terms of competition within and between value chain strands. My examination of international standard initiatives reveals how the market for standards can shape competition in the market for goods by altering the terms of participation in the growing market segment for 'sustainable' products. Because PSSs can function as barriers to entry and be used as product differentiators, they may affect competition in the market for flower goods by altering who can compete in the market for socially labelled flowers. For developed country producers, the new FFP label offers an opportunity to enter this market segment for the first time. Prior to FFP, developing-country producers, if certified, could gain a competitive advantage over both developed-country producers and non-certified developing-country producers. The introduction of FFP thus effectively alters the terms of competition in the market for sustainability-labelled flowers where Dutch growers are now able to compete in a market segment which was previously restricted to Southern producers.

The analyses presented in this thesis also have theoretical implications. My analyses of PSSs contribute to the GVC literature, first by investigating the underexplored area of local standards, secondly by treating labour as an input with agency, thirdly by examining the relationship between standards and power asymmetries, and fourthly by underscoring the importance of PSSs in affecting competition in GVCs. In relation to the latter, it remains a serious shortcoming in most GVC research that alterations in the terms of competition are attributed only to dynamics relating to the market for goods (in the form of value chain restructuring, changes in demand,

upgrading etc.). The analysis performed in this thesis highlights the need to take changes in the market for standards into consideration more systematically.

Regarding the objective of this thesis, my analyses help to fill a gap in the literature on global value chains and on PSSs by treating labour (in the form of labour organisations) as an input with agency. My analyses highlight the benefits of integrating power in GVCs with the specific strategies of resistance of embedded labour. Theoretically I have sought to move GVC analysis methodologically and conceptually forward by adding labour organisations as important actors that mediate the way standards are set and applied. By emphasising the interrelations between social standards and inter-firm networks on the one hand and labour agency transcending space and scale on the other, I have linked GVC analysis to labour geography, thereby enriching both sets of literature.

From the conclusions presented above, I draw the following policy implications:

- ❖ GVC analysis, and particularly the concept of GVC governance, can be a useful analytical and strategic tool for organised labour
- ❖ PSSs have implications other than their intended benefits and therefore need to be considered carefully before they are initiated or supported
- ❖ Nevertheless, PSSs can and should be used strategically by labour as one of a range of tools to advance social regulation in global value chains

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# Appendix 1. Co-author statement

With reference to Ministerial Order no. 18 of 14 January 2008 regarding the PhD Degree § article 4, statements from each author about the PhD student's part in the shared work must be included in case the thesis is based on already published articles.

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Paper title: 'Prospects for Labour in Global Value Chains: Labour Standards in Cut Flower and Banana Industries'.

Place of publication: Accepted for publication in the *British Journal of Industrial Relations* March 9, 2009 by Associate Editor Christopher L. Erickson

List of authors: Riisgaard L. and Hammer, N.

PhD student: Riisgaard L.

The contribution of the PhD student is evaluated according to the following overall scale:

- A) Has contributed to the task
- B) Has contributed equally to the task
- C) Has essentially performed the task

Riisgaard L. has contributed as follows:

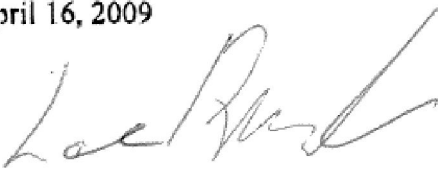
Formulation of focus and conceptual basis of the paper: B

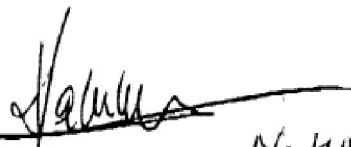
Collection of the data: C

Accomplishments of the analysis: B

Presentation and drafting of the paper: B

April 16, 2009

  
Signature, PhD student

  
Signature, co-author N. HAMMER



## Appendix 2. Interview guides for producers

**Introduction:** I am a PhD researcher from Denmark and I am doing a comparative study of social standards/code of conducts and market access in the cut flower sector of Tanzania, Kenya, Ecuador and Colombia. More precisely I am interested in investigating the benefits and the costs of complying with private codes of conducts, in particular in terms of how it is related to market access. In connection with my fieldwork with flower producers I will be conducting a study of standard initiatives where I will compare the requirements, costs of certification and benefits in terms of access to specific markets. This will include both European initiatives and African initiatives like the KFC code of conduct.

I am part of a larger research programme on private standards and market access (in fish, spices, organic vegetables and flowers) cooperating with Sokaine University of Agriculture in Morogoro.

**Exchange:** I realise that I am taking up valuable time doing this interview with you, therefore I hope that you (and the producers in the industry here in Tanzania) will find the results of my research interesting and useful – not least the results from some of the competing countries. I will make available to you the results from all of the country studies and hopefully you will find the material helpful.

**Anonymity:** In this relation it is important for me to stress that there will be no mention of particular farms or particular people so I can assure all the people that I interview have full anonymity.

**Who to talk to:** Ask who would know most about code of conducts? But also I will need someone who knows details about export and production in general (general manager/ export manager).

### Interview guide

#### A) Starter:

1) How would you describe the developments in your export markets during the last few years? Has the market or market channels changed? If so How? and Why? or (the new trade hub in Saudi Arabia).

**Market:**

- 2) Flower export (volume and value)
- 3) How do you sell the flowers? (*Direct export, through agents*)
- 4) What are your main end-markets?
- 5) How are the contractual relationships? Can you explain to me exactly how it works? (are there contracts?, does this differ between markets/buyers?)

**B) Private social standards:**

- 6) What kind of private social standards have you implemented?
- 7) Why did you choose to adopt those social standards? (was there any pressure to adopt other than buyer pressure?)
- 8) In your experience, what are the main barriers to standard compliance?
- 9) According to you what are the main changes that has happened due to private social standards?
  
- 10) Are there any incentives that have facilitated compliance? (*joint certifying, bench marking, cooperation with worker organisations etc.*)
- 11) Does the THA help facilitate standard compliance? *If so* how?
- 12) Does the KFC help facilitate standard compliance? *If so* how?
- 13) Does the government help facilitate compliance? *If so* how?
- 14) Do worker organisations help facilitate compliance? *If so* how?
- 15) In your opinion how would you describe the general relationship between flower producers and worker organisations in the industry?

**Go through each standard separately:**

- 16) Why did you adopt this particular standard?
- 17) How is the standard monitored and certified?
- 18) Who does the monitoring and certifying?
- 19) Is there someone who comes out to prepare the inspections?
- 20) What does it cost? (*auditing costs, certification cost etc.*)
- 21) Has there been any involvement of worker organisations (*worker committees, worker NGOs, unions*) in the implementation or monitoring/certification? *If so*, which organisations? And how have they been involved? *If not*, why not?
- 22) Has the adoption of the standard led to any managerial changes? Changes in employment composition or number?
- 23) What did compliance do in terms of market access?
- 24) What happens if you stop complying?

- 25) Has the standard caused any changes in the formal relationship between management and workers? *If so* how?
- 26) Has the standard caused any changes in the relationship with worker organisations? *If so* how?
- 27) Has the standard caused any changes in complaint procedures and disputes settlement procedures? Can you describe the procedures please?
- 28) *If the standard has particular provisions for complaint procedures or mediation procedures, then ask* Have the procedures for complaints and mediation described in the standard been used? *If so* what are the experiences?

**C) Social standards in general:**

- 29) In your opinion has it been truly beneficial to comply with the codes of conducts?
- 30) How would you estimate other costs in terms of one of expenditures, maintenance, time?
- 31) In your opinion did compliance lead to better quality?, higher volume?, better labour performance?
- 32) According to you do the standards apply to the local conditions?
- 33) What kind of problems arises?
- 34) What could be better?

**D) Employment**

- 35) What is the number of people employed in the cut flower production?
- 36) How is the employee composition (*percentage of managers, skilled and unskilled workers*)
- 37) What percentages of workers are on permanent/causal contracts? (*ask details on the definition of casual and on annual cycles*)
- 38) How are the workers recruited? (*direct or through agent*)
- 39) What are the salaries like?
- 40) Is there a worker committee? *If so, ask for details and ask to talk to a representative*
- 41) Are there any union representation or union branch on the farm?

**E) Basic questions:**

- 42) Name of farm
- 43) Job description of interviewee:
- 44) Number of years interviewee has held current position, and number of years employed in the industry:
- 45) Ownership and structure of the company:
- 46) Farm size:
- 47) When did you start the production of export flowers?
- 48) Area under flower production (ha)



49) Flower production (million stems per year)

### **Checklist**

Developments in your export markets

Ownership and structure of the company:

Flower export (volume and value)

How do you sell the flowers? (*Direct export, through agents*)

How are the contractual relationships?

What are your main end-markets?

What kind of private social standards have you implemented?

Why did you choose to adopt social standards?

How is the standards monitored and certified?

Who does the monitoring and certifying?

What do audits and certification cost?

Has the standard caused any changes in the formal relationship between management and workers?

Has the standard caused any changes in complaint procedures and disputes settlement procedures?

What did compliance do in terms of market access?

What happens if you stop complying?

Has the adoption of the standard led to any managerial changes? Changes in employment composition or number?

Are there any incentives that have facilitated compliance?

Is there a worker committee?

Has there been any involvement of worker organisations

## Appendix 3. Interview guides for worker organisations

**Introduction:** I am a PhD researcher from Denmark and I am doing a comparative study of social standards/code of conducts in the cut flower sector of Tanzania, Kenya, Ecuador and Colombia. More precisely I am interested in whether local organisations working with workers' rights issues can use these codes of conduct to promote workers' rights. I am part of a larger research programme on private standards and market access (in fish, spices, organic vegetables and flowers) cooperating with Sokaine University of Agriculture in Morogoro.

**Exchange:** I realise that I am taking up valuable time doing this interview with you, therefore I hope that your organisation will find the results of my research interesting and useful. I will make available to you the results from all of the country studies and hopefully you will find the material helpful.

**Anonymity:** In this relation it is important for me to stress that there will be no mention of particular people so I can assure all the people that I interview have full anonymity.

**Who to talk to:** Ask if they have someone who is especially concerned with cut flowers/codes of conduct?

### **The Interview:**

#### **A) Starter**

- 1) How would you describe the situation for workers rights in the cut flower industry at this moment? Has it changed since the 1990s? If so How?
- 2) How would you describe the conditions, for an organisation like yours, for working to improve conditions in the cut flower industry? Has it changed since the 1990s? If so How?

#### **Private social standards/code of conducts (make sure we are talking about the same thing)**

- 3) Does your organisation have an official policy/strategy for how to deal with private social standards in the cut flower industry? (and in agriculture in general?) *If they have an official strategy*, at what level of the organisation is the strategy formulated? How is the strategy circulated?
- 4) How in practice does your organisation seek to influence/take advantage of the private social standards (in the cut flower industry and in agriculture in general)?

- 5) What are the experiences with social standards so far?
- 6) Take the initiatives one at a time and ask details like: Do you know this standard? Do you have any experiences with it? *If yes then ask what?*
- 7) Are there examples of strategies leading to worker benefits or worker empowerment?
- 8) Are there examples of strategies failing?
- 9) How do you view private social standards (*in terms of potential and limitations*)?
- 10) Are some social standard initiatives better than others? *If so why?*

**B) Basic information:**

- 11) Name of the organisation
- 12) Position of the interviewee
- 13) Number of years the interviewee has held this position
- 14) How old is the organisation?
- 15) Why was it formed?
- 16) How many members are there?
- 17) How is the organisation structured?
- 18) How is the organisation funded?
- 19) What is the objective of the organisation?
- 20) What are the three most important areas of work?

**C) Connections and alliances:**

- 21) How would you describe the connection to other worker organisations represented in the industry? Do you cooperate? *if yes then ask on what? And how?*
- 22) How would you describe your connections to international organisations (standard initiatives/worker orgs)? Do you cooperate? *if yes then ask on what? And how?*
- 23) How would you describe the connection to the employers and the employer association THA? Is there any communication? *If so how? And on what?*
- 24) How would you describe the connection to the state? (does the new labour law secure independent unions?)

**Checklist**

Official strategy for dealing with private social standards

How in practice does your organisation seek to influence the private social standards?

What are the experiences with social standards so far?

Are some social standard initiatives better than others?

Connection to other worker organisations represented in the industry, to international organisations and to the employers and the employer association THA..

## Appendix 4. Farm details

Farm	Hectares under production	Size of workforce	Ownership	Main export destination	Standards	Reasons for adopting standards	Labour organization	Business association
<b>Kenya</b>								
K1	5.5 H	135 W	Kenyan	96% to the auction, some to Germany and the Middle East	KFC	Have had no demand of standards from buyers	Union, health & safety C, gender C	KFC AEA
K2	190 H	5100 W	Dutch-Kenyan	Most to UK supermarkets, but also sell through TFA and auction. Buy from out-growers	MH, FLO, MPS-A– SQ, MPS-GAP, KFC, ETI HEBI audited BOPP UK-Supermarket codes	Will keep MPS-gap due to auction recognition. Got MPS-SQ to get MH. Standards important to limit the risk in terms of litigation	Union with a separately negotiated. Joint body, health & safety C, gender C	KFC AEA
K3	28 H	8-900 W	Kenyan	100% to auction, but looking into the new MBV / UGA auction in Germany	MPS-B MPS-SQ FLP KFC	SQ they got for fair trade. FLP they got to enter the German market. No demand of ST by auctions, but might be in future	Gender C, disciplinary C, welfare C, credit union, health & safety C but no union. Endorse the AEA CBA	KFC AEA Council member of KEBS
K4		8500 W in 8 sites	Part of the UK owned Flamingo group	UK 6 supermarkets	HEBI, KFC (3 gold), ETI SEDEX BOPP 6 supermarket codes	Standards to retain market	8% unionized. Elected welfare committees on all farms, gender C and health & safety C	KFC. Union Fleur
K5		5000 W	Dutch	50% go to auction 50% direct to Sweden and Belgium	HEBI auditing MPS A+SQ	Pressure from consumers and standards add to farm reputation	83% unionized. Endorse the AEA CBA	AEA
K6	27 H	800 W	Swiss	Sell to agents in Europe	MH, FLP, KFC	Took over standards from earlier farm. Keeps because running costs are low	50% unionized, health & safety C, gender C, internal audit C, Joint body. Endorse the AEA CBA	KFC, AEA
K7	15 H	362 W	French, German and Belgian	10% to auction rest direct to Japan, Australia, Germany, Switzerland, Sweden, France, and Portugal	Eurepgap, FFP, FLO, FLP, MPS-A+SQ, KFC	Went for standards from the beginning to help farm reputation	53% unionized, welfare C, Joint body, gender C, internal audit C. Endorse the AEA CBA	KFC (board), AEA

Farm	Hectares under production	Size of workforce	Ownership	Main export destination	Standards	Reasons for adopting standards	Labour organization	Business association
K8 (sister to T6 and T7)	12.5 H	400 W	Shareholding, Dutch/Tanzanian	30% go through Kiliflora (i.e. direct), rest goes half to auction and half direct mostly to the EU, but also Middle East, Australia, Japan and South Africa.	KFC MPS B FLP MH, FLO MPS-gap	Buyer demand and to enhance reputation.	100% unionized. Joint body, welfare committee (joint body), gender C and health & safety C. Endorse the AEA CBA	KFC AEA
K9	18 H	500 W	Kenyan	Direct only to Middle East, Germany, Switzerland, France, UK, Holland	FLP, KFC, MH, FLO, Eurepgap, MPS-A, FFP Supermarket codes	Approached by FLP (1998) and have kept it. Adds to reputation. Swiss demand MH. UK demand Eurepgap, FLO and own codes	Workers committee, health & safety C, woman C, Joint body, grievance handling C (joint body). Endorse the AEA CBA	KFC, AEA
<b>Tanzania</b>								
T1	9 H	220 W	Tanzanian	Auction	MPS-A but not renewed due to financial trouble	Start up cost to high	Worker C appointed by management	TAHA
T2	8 H	264 W 45-50.000 stems per day	Tanzanian	All to auction (and to other farms in Tz and K)	None yet, but interested		28% unionized	TAHA
T3	12 H	290 W	Dutch Tanzanian	Auction	MPS C. Were approached by MPS as pilot (first A and then SQ) and got certificate for free, but lost it at renewal-audit	No need and too difficult. Are under pressure from the union to adopt standards	100% unionized	TAHA
T4	15 H	154 W	Austrian / Tanzanian	Auction	None	No need yet	100% unionized. Negotiations on CBA	TAHA
T5	25 H	250 W	Family farm (Tanzanian British/Greek) plus Dutch shareholder	Almost all to auction	They had MPS before as a condition of their financing (Dutch development aid – joint partnership with Dutch shareholders)		None	TAHA
T6 (same as below)	57 H with Loliondo	450 W	Same as below	Same as below	Same as below	Same as below	Same as below	Same as below

Farm	Hectares under production	Size of workforce	Ownership	Main export destination	Standards	Reasons for adopting standards	Labour organization	Business association
T7 (sister to T6 and K8)	57 H with Nduruma	500 W	Shareholding, Dutch/Tanzanian	Mainly EU but also Australia and Japan. Almost all direct (agents or supermarkets). MH = 60% of export	FLP MPS-GAP and SQ MH	Before had ETI and BRC for UK. Got FLP for Germany. FLP demand by wholesaler	100% unionized, health & safety C, TPAWU woman, Joint body. Farm CBA (2002)	TAAE, TAHA
T8 (3 sister farms in K)	7 H	280 W	Greek Tanzanian	Germany, Sweden, Norway, Denmark and France (FLO). Going for direct and new markets, but 50% still auction	MH then FLO, FLP, Eurep-Gap	FLO because wanted constant market. FLP was demanded by Omniflower, but now they demand FLO	100% unionized health & safety, woman C and Joint body. Have CBA (2002=2 <sup>nd</sup> edition)	TAAE, TAHA
T9 (fresh flowers and cuttings)	6 H	120 W	Dutch. Subsidiary of Fides	100% to auction		No demand for standards in auction or in cuttings	None	TAHA
T10 (2 sister farms in Tz) Mainly deals in cuttings	4-6 H		Dutch	To UK super-market (Tesco) through importer in Holland	In the process of certifying for MPS-GAP and SQ	Demand from Tesco. No demand for standards in cuttings	None, but small union branch at 1 sister farm	TAHA
T11 (4 sister farms in Tz) Cuttings only		300-400 W	Dutch			No demand for standards in cuttings	Small union branch	TAHA



# Appendix 5. Interview guide for MPS-SQ

## **Standard setting:**

- 1) How was the MPS-SQ standard set i.e. Who was invited to participate in formulating the standard and who actually participated? What kind of experts and expertise/ knowledge was brought in to form the standard?
- 2) How was the ICC incorporated?

## **Structure of the initiative:**

- 3) Division of responsibilities (look at diagram of MPS)  
What stakeholders are represented and how? (Who chooses the representatives?)
- 4) What is the power of the two advisory boards (Management advisory board and International advisory board)? Who decide who gets certified, decides on changes?

## **Standard enforcement:**

- 5) How is the standard monitored? (including monitoring techniques, consultation of NGOs/Unions, observation – how – opening meeting only, or...?)
- 6) What are the procedures for measurement? (refer to MPS guidelines last page)  
What do the indicators measure? What are the weight of the different indicators and procedures?  
How are they ranked? (refer to the weight system)
- 7) What are the complaint procedures? (who can complain and how are complaints dealt with?)

## **Accreditation:**

- 9) Who can perform the monitoring and who can certify to MPS-SQ?
- 10) Is the MPS/ECAS accredited to certify to other social labels than FFP?
- 11) Is MPS attached to a national or international accreditation body?

## **Standard revision:**

- 12) How are the procedures for revising the MPS-SQ standard?

## **The standards market:**

- 13) What is their comparative advantage toward other standards?
- 14) What are their future visions, their strategies for obtaining market shares – expansion strategies?
- 15) The auctions – MPS is shown at the auctions, how was it negotiated? Does it make a difference in terms of market share?



**16)** What is the relation to FFP? Why did they choose to cooperate with FFP? What do they get out of it? Is there anything they would like to be different?

**17)** How many MPS-SQ qualified producers are there? Did the number go down after FLO stopped using?

### **Minutes**

Ask if minutes are available

## Appendix 6. Data collection on the banana value chain

This case study was based on secondary data and on fieldwork I conducted from March to July 2002 in cooperation with SiD (the Danish General Workers Union) and COLSIBA. The investigation involved visits to 12 plantations, Chiquita-owned and Chiquita suppliers, in Guatemala, Honduras, Costa Rica and Nicaragua. 61 interviews were conducted with banana workers as well as union and Chiquita representatives at the local, national and regional levels. To secure informants, all interviews with workers were conducted in privacy, and the informants were guaranteed anonymity. Open-answer explorative interviews were chosen covering 2-5 plantations in 4 countries. On each plantation I sought to interview 3-4 organised and non-organised male and female workers, 1 union representative and 1 representative from management. The informants were selected by me at random but according to these criteria. Additionally a range of thorough semi-structured interviews were conducted with leaders from COLSIBA and Chiquita. Apart from the plantation-specific interviews, a range of national and regional representatives were interviewed. In total 57 plantation- and national-specific interviews and 4 regional interviews were conducted.

### *List of informants and plantation visits per country*

	<b>Plantations visited</b>	<b>Interviews conducted</b>	<b>Informal conversations</b>
Costa Rica	<b>5</b> (2C, 3S)	<b>14</b> (2mC, 1mS, 7oC, 3nC, 1u)	<b>31</b> (13nS, 2mS, 16oC)
Guatemala	<b>2C</b>	<b>14</b> (4mC, 4oC, 2nC, 4uC)	
Honduras	<b>5</b> (2C, 3S)	<b>20</b> (5m, 8oC, 1nC, 6u)	
Nicaragua	(Interviews covered workers from 2 S-plantations)	<b>9</b> (1mS, 5oS, 3uS)	<b>6</b> (5oS, 1uS)

\* m = management \* u = union representative \* o = organized worker \* n = non-organized worker \* C = Chiquita plantation \* S = Supplier plantation

## **Chiquita**

Senior director environmental affairs tropical environmental group

Vice president legal and government affairs

Director, Chiquita Maya divisionen (Honduras and Guatemala)

Director human recourses, Chiquitas Honduras

Director, Chiquita Nicaragua

Director of human relations, Chiquita Guatemala

## **COLSIBA and national union federations**

Coordinator of COLSIBA 1997 to august 2001, president of COSIBAH Honduras

Sub-coordinator of COLSIBA and president for COSIBA Costa Rica

Coordinator of the woman secretariat of COLSIBA (informal conversation)

General Secretary of SITAGAH, Costa Rica

President of SITRATERCO, Honduras

Campaign responsible for COSIBAH, Honduras

President of the joint union commission, Guatemala

# PAPER I





# Global Value Chains, Labor Organization and Private Social Standards: Lessons from East African Cut Flower Industries

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**Summary.** — This article examines the opportunities and challenges that private social standards pose for labor organizations. It explores different labor responses to private social standards in East African cut flower industries. The analysis incorporates the concept of labor agency in global value chain analysis and reveals how retailer-driven chains offer more room for labor organizations to exercise their agency than the traditional cut flower value chains. Labor organizations have been able to influence social standard setting and implementation, and to use standards to further labor representation at production sites. However, labor organizations' ability to seriously challenge the prevailing governance structure of the cut flower value chain appears extremely limited.

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*Key words* — Africa, Kenya, Tanzania, global value chains, labor organizations, private social standards, cut flowers

## 1. INTRODUCTION

New patterns of consumption, media pressure, and NGO campaigns have generated consumer interest in the conditions under which goods are produced in the developing countries. This has led to a growth of interest in minimum social and environmental standards, particularly among global brand name companies and retailers. Many of these have developed their own standards and monitoring procedures where compliance from suppliers is a pre-condition for market entry (Blowfield, 1999; Dolan & Humphrey, 2000; Hale & Opondo, 2005). Private social standards<sup>1</sup> covering employment conditions of Southern producers exporting to European markets increased rapidly throughout the 1990s. Multinational enterprises (MNEs) and large buyers increasingly adopt standards that operate along their value chains, covering labor standards such as the right to form trade unions, discrimination, and child and forced labor. This has occurred not just in relation to employment within MNEs themselves, but particularly among their global networks of suppliers in developing countries.

When exploring the social consequences for labor of global production systems and when investigating the potential of private social standards, labor as an actor would seem an unavoidable ingredient in the analysis. The role of labor would seem relevant in the form of individual workers, but also as represented through labor organizations such as works councils<sup>2</sup> or trade unions. However, existing literature surprisingly shows a very limited interest in the role of labor organizations. The global value chain (GVC) approach developed by Gereffi and Korzeniewicz (1994) while offering an analytical framework to examine interrelations between actors in value chains has traditionally downplayed the role of labor as other than a productive asset.<sup>3</sup> Likewise, existing literature on private social standards shows a very limited interest in the potential active role of labor. Rather, labor is seen as a passive object that needs to be taken into consideration, managed and at best consulted. When looking at the significance for labor of private social standards, analysis has been of impact on workers on the ground and has not included the aspect of labor organization.

In this article, I seek to fill a gap in the literature on global value chains and on private social standards by viewing labor (in the form of labor organizations)<sup>4</sup> as an input with agency.<sup>5</sup> By labor organizations I refer to organizations involved in representing and/or advocating for workers thus including both trade unions and labor NGOs. The purpose of this article is more specifically to broaden the understanding of the opportunities and challenges that private social standards pose for labor organizations, especially trade unions. This is achieved by exploring different labor responses to the proliferation of private social standards in East African cut flower industries. In the specific context of Tanzanian and Kenyan export of fresh cut flowers to Europe, I seek to understand: (1) if private social standards open opportunities for labor organizations to pursue their own objectives and (2) how labor organizations use or do not use these standards to their own advantage. I collected the empirical data for this article in 2006 in the cut flower industries of Tanzania and Kenya.<sup>6</sup>

In Section 2, I start with a short discussion of trade unions and private social standards followed, in Section 3, by a review and discussion of labor within GVC analysis leading to the specific approach adopted in this article. In order to assess opportunities opened by private social standards, in Section 4, I analyze the changing environment of cut flower exports and in Section 5, the incorporation of private social standards in the value chain. In Section 6, I analyze the labor-content of private social standards employed in cut flowers from the perspective of labor organizations, arguing that significant variation exist between different types of value chains, different types of private social standards and different practical interpretations of standard implementation. As a final point, in

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Section 7, I analyze different labor responses to private social standards in Tanzania and Kenya. This analysis shows how labor organizations can either choose to “ride” the standards, exploiting them to gain influence and advance their own projects; or choose to position themselves against the social standards. Finally in Section 8, I conclude that some private social standard initiatives do open opportunities for labor organizations. However, their ability to seriously challenge the prevailing governance structure of the flower value chains seems extremely limited.

## 2. TRADE UNIONS AND PRIVATE SOCIAL STANDARDS

The production strategies of MNEs have changed substantially during the 1970s–90s. They are now often characterized less by direct foreign investment and more by indirect sourcing through GVCs linking them to networks of suppliers in developing countries. From a trade union perspective, these developments pose serious challenges. The increased mobility of goods and capital, with labor remaining relatively confined within national borders, has made it more difficult for labor to advance its objectives through traditional local industrial action or tripartite social contracts. This development is reinforced by the increasing use of outsourcing (Moody, 2001; Munck, 2000).

Within this broad context, new private social standards are relevant to unions in two main ways: (1) international labor policies are developed within MNEs and (2) MNEs (rhetorically if nothing else) take responsibility for the working conditions of the workers that labor all along the chain (Justice, 2002). Thus, one would expect labor unions to play a proactive role engaging in private social standards to exploit these new possibilities for advancing labor rights within MNE supply systems. This, however, has not always been the case.<sup>7</sup> So far business and NGOs have been far superior in defining private social regulation—most often to the exclusion of workers and trade unions. But business deliberately wishing to sidestep unions is only one side of the story. Trade union views on private social standards vary. Some see social standards as privatization of labor law, as means of avoiding regulation and trade unions and as a dangerous substitute for collective bargaining. Other more proactive trade unionists see potential in social standards for creating room for workers to exercise their rights. This ambivalence is mirrored in trade union attitudes toward NGOs engaging in workers rights issues. Some see potential in NGOs advocating for workers rights and in union-NGO collaboration. Others see NGOs as co-opting business interests and sidestepping unions (Spooner, 2004).<sup>8</sup>

The private social standards of the 1990s were characterized by corporate self-regulation and in general tended to be extremely weak on issues dealing with labor rights, the responsibilities of suppliers and the need for independent monitoring. Most often, they did not include trade unions in standard setting, implementation or monitoring. Most standards are now based on the ILO core labor rights. However, the inclusion of ILO core conventions, despite its importance, is by no means a guarantee for positive changes on the ground. Perhaps more encouraging is the recent rise in multistakeholder standard initiatives<sup>9</sup> involving multiple stakeholders such as firms, business associations, NGOs, government agencies and trade unions in standard setting. Some of these include trade unions on their advisory board (e.g., Social Accountability International) or on the actual board governing the standard (e.g., the Ethical trading initiative (ETI) and the

Worker Rights Consortium). Still, while multistakeholder initiatives might involve trade unions in standards setting this is rarely extended to standard implementation and monitoring.

Existing literature on private social standards while often highlighting the role of NGOs, surprisingly shows very limited interest in the potentially active role of trade unions. Discussions of private social standards form part of a larger debate on private/voluntary *versus* mandatory regulation of companies and the issue of Corporate Social Responsibility (CSR), but none of the ideas related to mainstream thinking on CSR<sup>10</sup> and private labor standards seem to envision trade unions or workers as active agents with regulatory capacities that could be included in CSR practice. Rather, they are seen as passive objects that need to be taken into consideration, consulted, and managed. These attitudes are reflected in practice in mainstream social standard initiatives among other in the use of wording such as worker benefits or worker welfare as opposed to worker participation, influence, or empowerment. An exception from this is the corporate accountability movement that is concerned with rights-based approaches to development. These involve approaches to regulation that emphasize not only more effective standards, monitoring, and certification systems but also recourse to public policy and law (Bendell, 2004; Utting, 2002, 2005). But even in these more critical approaches, so far there has not been much concern with trade unions, as they focus on the shortcomings of the CSR agenda and especially how it lacks legal accountability and neglects to account for structural issues and broader development concerns.<sup>11</sup>

In sum, the role of trade unions most often is not addressed in the existing literature on CSR and private social standards other than asserting the importance of including provisions on freedom of organization and collective bargaining (for rare exceptions, see Heins, 2004; O’Rourke, 2003). What seems to be lacking is a systematic exploration into how CSR and private social standards can be incorporated into union strategies at local, national and international levels, as well as discussions on how the regulatory capacities of trade unions and existing industrial relation institutions can be brought into private social standards.

## 3. LABOR AND GVCs

The GVC approach developed by Gereffi and Korzeniewicz (1994) offers an analytical framework to examine the cross-national activities of firms exploring how linkages between production, distribution and consumption of products are globally interconnected along value chains that embody a network of activities and actors. Gereffi identifies four key dimensions of commodity chains.<sup>12</sup> (1) Input–output structure; (2) territory covered; (3) governance structures (Gereffi, 1994); and (4) institutional framework (Gereffi, 1995). For this article, the concept of “governance” is of specific interest. 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, p. 97).

In relation to chain governance, a distinction is made between buyer- and producer-driven chains as the two overall forms of 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 cut flower export industry, are generally more labor 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 out-sourced and it is the retailers and brand name companies that exercise key governance functions defining what is to be produced (Gereffi, 1994). While the producer/buyer-driven dichotomy has recently been qualified,<sup>13</sup> the typology is still relevant for unpacking the way power is exercised within value chains. What is particularly significant in the context of cut flowers is the level of drivenness differing markedly between different “strands” of the value chain. As will be illustrated below, this is important because the level of drivenness influences the demand for and choice of private social standards which in turn influence the opportunities open to labor. Furthermore, chain governance has implications for labor conditions at production sites.

Researchers employing a GVC approach have often examined the circumstances necessary to ensure that participation in global value chains contributes to the development of poorer nations. These discussions focus on the possibilities for the global redistribution of benefits through strategies such as upgrading or increasing the range of activities undertaken in producing countries (Gibbon & Ponte, 2005; Kaplinsky, 2000). However, what is typically absent is a breakdown of consequences and potential benefits for actors other than producers. While a distinction is often made between different types of producers, limited effort is made to distinguish between producers and the workers they employ. This illustrates first of all, that the GVC approach focuses excessively on company operations and interrelations. Secondly, when including the employment dimension in GVC approaches, focus has mostly been on the dynamics of job creation and job loss, the location of jobs and the link between labor and upgrading possibilities (Gereffi & Sturgeon, 2004)—thus confining labor to the role of a productive asset (Barrientos *et al.*, 2003; Coe, Dicken, & Hess, 2007; Hale & Opondo, 2005).

Recently though, attempts have been made to analyze the consequences of GVC restructuring for labor. Gereffi and Bair assess the diverse consequences of restructuring in the global apparel industry for workers in an industrial cluster in Mexico (Bair & Gereffi, 2001). Barrientos (2003), Hughes (2001), Tallontire, Barrientos, Dolan, and Smith (2005) all explore how the governance of buyer-driven horticultural value chains (including cut flowers) led by UK retailers encourage flexibilization and feminization of labor at the production end of GVCs. Tallontire *et al.* (2005) further analyze the gender sensitivity of private social standards from an analytical perspective that combines GVC and a “gendered economy” approach. Their studies of the Kenya–United Kingdom cut flower chain document that social standards in general fail to address the concerns of the large group of casual and female workers in the industry. Also Hughes in her study of the ETI notes how this standard “. . . treats labour conditions at sites of export production as hermetically-sealed economic environments separate from the geographies of supply chain dynamics that so powerfully shape them.” (Hughes, 2001, p. 434).

These studies add valuable insights to understanding the social consequences for labor of global production systems as well as broadening the scope of GVC analysis. Focus, however, has been on *the impact on labor*, thus neglecting labor as an input with agency. Also in most cases, there has been neglect of labor in the form of labor organizations. One exception is an innovative study by Bair and Ramsay (2003) which employs a GVC approach to address implications for labor strategies (including those of labor unions) of different value chain compositions.

Traditionally GVC analysis has focused on the possibilities for producers to gain benefits from participation in GVCs and thus on industrial development. By incorporating the concept of labor agency into GVC analysis, it becomes possible to focus on the circumstances necessary to ensure development for labor, not just producers, while acknowledging that labor can play an active role in this development. Labor actors are thus seen to negotiate the meaning and significance of private social standards in pursuit of their own objectives. Social standards and standard implementation are seen as an ongoing, socially constructed and negotiated process. Standards are therefore not simply neutral market-based instruments. When elaborated and implemented, they unavoidably play into complex international and local power politics (Ponte, 2007).

This view on labor organizations as actors with agency should of course not obscure the fact that many of the choices perceived and strategies pursued by labor organizations will have been shaped by processes outside their immediate arenas of interaction. Larger processes like the structure of international trade and more specifically the governance structure of the cut flower value chains in which the social standards are implemented obviously constrain the choices and strategies available to labor organizations. Equally important is to bear in mind that the strategies of labor organizations are drawn from a stock of available discourses that further restrict their room for maneuver. In the cases explored in this article, the main labor actors are trade unions in Kenya and Tanzania as well as labor NGOs in Kenya. In the following I present the market for cut flowers globally and in East Africa and explore the way standards are implemented within flower value chains.

#### 4. CUT FLOWERS

The world market for cut flowers has grown consistently since the early 1980s but over the past 5–10 years the market has experienced slowing growth in demand, especially in the European Union. At the same time, increases in production (especially in developing countries) have led to a downward movement in market 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, thus cutting out wholesalers and the Dutch auctions (CBI, 2005; Thoen, Jaffee, & Dolan, *in press*). These developments have increased the importance of product differentiation as well as the need for a more tightly controlled value chain. The value chain due to the very nature of the product already demands tight control. Cut flowers are highly perishable thus demanding an effective and uninterrupted cold chain, highly efficient long and short distance freight transportation arrangements and mechanisms for rapid sales, since breakdowns in the system will result in large product and financial losses (CBI, 2005).

The European Union is the world’s leading importer of cut flowers with total imports amounting to about US\$806 million in 2004. Historically, the production of flowers has mainly been located in the Netherlands, but production has increasingly taken place in the developing countries like Colombia, Ecuador, Kenya, and Uganda (CBI, 2005). Cut flower exports from sub-Saharan Africa (led by Kenya) have increased from approximately \$13 million in 1980 to almost 300 million in



2007, representing one of Africa's most significant cases of non-traditional export development during the past two decades.<sup>14</sup>

The Africa–Europe cut flower value chain entails two distinctive “strands.” The Dutch flower auctions<sup>15</sup> have historically been the most important channels through which flowers are distributed to European wholesalers and retailers. But lately the percentage of flowers imported into the European Union directly by large retailers is increasing. The market shares differ by country but all principal markets have in common that the share of direct supermarket sourcing is on the increase.<sup>16</sup> 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. The increase in direct sourcing by large retailers with significant market power is having a significant impact on chain governance. The direct retailer chains for flowers are controlled by supermarket buyers, particularly UK retailers, who source products through closely governed value chains and can thus be characterized as strongly buyer-driven chains. Supermarkets employ practices such as extraction of favorable pricing terms and discounts, avoidance of legally binding contracts for supply, and just-in-time ordering. These practices encourage producers to cut labor costs and keep a flexible workforce often entailing lack of job security, employment of large numbers of temporary workers and pressure to work overtime (Hughes, 2001; Tallontire *et al.*, 2005). But the retailers also push value-added activities down the chain toward exporters. The clearest example of this is seen in Kenya, where larger growers have tailored their operations to sell directly to retail outlets in Europe. Being able to supply this “strand” depends on the ability of the grower to comply with specific product and process standards dictated by the buyers (CBI, 2005). The auction system, in contrast, is less strictly coordinated and less driven by buyers. It is characterized by relatively loose trading relationships and thus a more market-based type of coordination where the value chain and coherent governance is completely cut at the auction point.

In this article, I focus on cut flowers destined for Europe since this is where private social standards are predominant. Focus is on exports from Kenya and Tanzania—a comparison that is appropriate for several reasons. Kenya is one of the top players in the world cut flower industry, while Tanzania is a newcomer ranking number 25 on the list of exporters in 2004 with an export value of US\$8.2 million. Kenya's export was the fourth largest with a value of US\$231 million out of a total export value of US\$293 million from sub-Saharan Africa (the global value was US\$5.1 billion in 2004).<sup>17</sup> A comparison between the two countries thus offers the possibility of contrasting a new and small industry that has only recently begun to adopt private social standards, with a large and well-established industry where private social standards have been widespread since the mid-1990s.<sup>18</sup> Most importantly, for the purpose of this article, is the marked difference in labor responses to the introduction of private social standards in the two countries explored in detail later.

#### (a) *Cut flowers in Kenya*

Kenya flower exports are expanding annually at 10–15% per year and has grown tenfold during 1978–98 (Gray, 2004). Cut flowers are now the country's second largest source of foreign exchange in agriculture (after tea), providing employment to an estimated 50,000 workers. By far the largest proportion of Kenyan flower exports is supplied to Europe where Kenya

has surpassed Colombia and Israel as largest supplier. Within Europe, the Netherlands is the leading destination followed by the United Kingdom and Germany (Dolan *et al.*, 2002).

The industry consists mostly of medium- to large-scale operations, with a few dominating producers. Two of these occupy around 250 hectares of land and employ over 5,000 workers each. Although there are an estimated 5,000 flower farms in Kenya, three-quarters of the exports are supplied by about 25 large- and medium-scale operations (Hughes, 2001; Thoen *et al.*, in press). Larger size enables firms to integrate and move up the value chain by offering value-added production and supply chain management to supermarkets. Most large exporters have not only integrated freight forwarders but clearance agents as well. Oserian, for example, has integrated EAF as their clearance and sales agent in the Netherlands and World flowers in the United Kingdom. In addition, producers have developed new marketing channels, in particular long-term direct linkages with European buyers (Whitaker & Kolavalli, 2004). The direct trade with large UK retail chains such as Sainsbury, Tesco, Safeway, Asda, Waitrose, and Marks & Spencer has increased during the last decade reaching approximately 1/3 of total exports in 2004. But still approximately 2/3 of exports are supplied to the Dutch auction halls and most of larger operations supply both the auctions and the European supermarkets (Tallontire *et al.*, 2005).

#### (b) *Cut flowers in Tanzania*

As a whole, flower-growing in Tanzania is a new and still fairly limited activity but the Tanzanian flower industry has experienced tremendous growth since its inception in 1987 with fresh flower export reaching a value of US\$8.2 million in 2004 (of which exports worth US\$6.3 million was destined to Europe).<sup>19</sup> In 2006, there were 10 flower farms producing flowers for export, nine of them located in Arusha (interviews Ex1/Ex6, T 2006—for interview reference key see footnote 5). The industry employs around 3,000 workers from surrounding villages, the majority being women. In Tanzania, a rough estimate places more than 75% of flower exports going to the auctions while the remainder is supplied directly to individual wholesalers and/or retailers mostly in Germany, Norway, the United Kingdom, and Sweden. Nevertheless, the share of direct sales is increasing (interviews M3/M6/M7/M9/M13, T 2006). Foreigners own most of the big companies and developments are very much at the behest of Kenyan exporters and European traders. Due to limited local air-freight capacity, most flowers are exported through the Jomo Kenyatta Airport in Nairobi (Gray, 2004).

## 5. PRIVATE SOCIAL STANDARDS

The nature of cut flowers and the character of the flower trade has set the frame for some highly criticized working conditions in the industry. The Kenyan flower industry in particular has been one of the favorite targets for campaigns both locally and in Europe demanding better environmental and social conditions. The seasonal nature of the cut flower trade, with demand peaking at European festivals such as Valentines, Mothers day and Easter and lowest demand during the European summer, makes labor demand in production highly uneven. The increase in direct sales has further intensified the need for a flexible workforce to meet the ever-changing requirements of retailers, whose orders are often adjusted on the day of delivery. In Kenya, for example, research indicates that around 33% of the workforce is temporary (Hale &

Opondo, 2005). The perishability of the product means that workers often have to work long hours to complete critical tasks such as harvesting and spraying, but it is the heavy use of chemicals that constitutes the main health hazard to workers (van Liemt, 2000).

The industry has reacted to criticized working conditions by adopting a range of private social and environmental standard initiatives during the last decade. The majority of standard initiatives come from Europe but also in producer countries a variety of standard initiatives have occurred. In Kenya, producers have adopted standards since the mid-1990s (in Tanzania, since the late 1990s) to fulfill the requirements of overseas customers, to gain access to new markets and as protection against overseas and local allegations of exploitation of workers and the natural environment. Initially, standards mostly covered technical issues such as chemical usage and environmental management. Components relating to workers' welfare are a more recent addition (cf. Barrientos *et al.*, 2003) (for a detailed account of the proliferation of social standards see, for example, Barrientos *et al.*, 2003; Reardon, Codron, Bush, Bingen, & Harris, 2001 & Thoen *et al.*, in press).

The level of demand for social and environmental standards differs significantly between the direct retailer "strand" and the Dutch auction "strand." The different governance structures and characteristics of the two "strands" create different pressures, which influence the types of standards that are applied in each and thus the possibilities open to worker organizations (cf. Tallontire *et al.*, 2005). While a range of different private social standards are demanded to enter direct retailer chains, social, and environmental standards are not currently a requirement to access the Dutch auctions. Nevertheless, estimates suggest that between 70% and 80% of flowers supplied to the auctions comply with Milieu Programma Sierteelt (MPS) (an environmental certification scheme developed by the Dutch flower industry with an optional social qualification) (Tallontire *et al.*, 2005). Some producers still consider that obtaining MPS environmental certification is "a good idea" to enhance the farm reputation at the auction (interviews M2/M3/M5/M12, K 2006). Data from Tallontire *et al.* (2005) and my own field study suggest no market pressure for adopting social standards or non-MPS environmental standards for flowers supplied to the auction. This is because of the more "anonymous" governance structure of this value chain strand where trading relationships are loose and where flowers are mostly bought only to be re-exported.

Conversely, for producers participating in the value chain strand driven by large retailers adopting social and environmental standards is a requirement dictated by the powerful buyers. These buyers are sensitive toward public criticism and dictate not only what is produced but also the social conditions under which the flowers are grown. Choice of standard will depend on the buyer and for producers supplying several markets this can result in a multitude of different standard demands. Thus it is not uncommon for producers in Kenya to adopt between 5 and 10 different standard initiatives (cf. Barrientos, 2003; Collinson, 2001).

Dividing standards by standard setters, six different categories emerge in the cut flower industry (for details about the different standards see Appendix 1). These standards are elaborated by:

(1) Dominant buyers, such as supermarkets (company standards as, e.g., "responsible sourcing" by Waitrose).

(2) Trade associations linked to the Northern fresh produce industry (northern sectoral standards as, e.g., EUREPGAP and MPS).

(3) Trade associations linked to the Southern horticulture sector (southern sectoral standards as, e.g., the Kenya Flower Council (KFC) and the Fresh Produce Exporters Association of Kenya standards (FPEAK)).

(4) Bodies comprising civil society organizations and companies (multistakeholder standards as, for example, the ETI, the International Code of Conduct for Cut Flowers (ICC), the Max Havelaar and Fairtrade Labeling Organization criteria for flowers (FLO), the Flower Label Programme (FLP) and the Fair Flowers and Plants (FFP) label.

(5) Southern-driven multistakeholder standard initiatives as, for example, the Kenyan Horticultural Ethical Business Initiative (HEBI).

(6) Government bodies referring to initiatives managed by a government institution (government standards as, e.g., the Kenya Bureau of Standard (KEBS) code for the horticultural industry).

Social and environmental standards are widespread in the Kenyan industry. They are being offered by a variety of actors, including the four local initiatives (KFC, FPEAK, HEBI, and KEBS). In Tanzania, the adoption of private social standards is relatively new and still fairly limited.

## 6. OPPORTUNITIES FOR LABOR ORGANIZATIONS

All social standard initiatives include some element related to labor-issues. Some do so marginally, others more explicitly. Figure 1 gives an overview of the degree to which the different standards incorporate provisions that can potentially create opportunities for local labor organization.<sup>20</sup>

The categories differ markedly in potency, ranging from the endorsement of fundamental workers rights to including unions and NGOs in monitoring procedures. Some standards have provisions for the freedom of association, the right to collective bargaining and the right to be made aware of workers rights (presumably with potential to create awareness and thus facilitate union recruitment). Some standards also have provisions on the right to work contracts and regular employment (i.e., that regular work is done by workers with permanent contracts). These can be said to broaden the base for union recruitment, since only legally employed workers with long-term contracts are generally recruitable by the unions and have access to a range of benefits like severance pay and maternity leave.

Some standards have provisions for complaint and monitoring procedures that include unions and or labor NGOs. Monitoring can be enhanced significantly by giving NGOs and unions the right to lodge complaints on behalf of workers in between audits. With the FLP initiative, for example, complaints lodged to the FLP board through the regional contact person has during the last four years resulted in around ten unannounced farm visits independent of the mandatory yearly audits (interview St3, K 2006). Provisions for sharing audit reports with unions and NGOs can potentially open access to valuable inside information. The possibility for NGOs and unions to shadow audits additionally offers direct access to flower workers on the farms. Finally, demand for proof of correspondence between management and union in theory provides an open invitation to on-the-farm access to workers for union officials.

As seen in Figure 1, the provisions and thus the potential opportunities created differ markedly from a standard like EUREPGAP (that has none of the mentioned provisions) to

Standards \ Provisions	Freedom of association	Collective bargaining	Regular employment/ Work contract	Awareness raising/capacity building on workers rights	CBA demand	Some form of workers' representation demanded.	Audited	Proof of correspondence with union	NGO/unions have right to complain between audits	Audit shadowing by unions-/NGOs	Sharing of audit report with unions-/NGOs
<b>Northern sectoral standards</b>											
EUREPGAP	N	N	N/ N	N	N	N	Y	N	N	N	N
MPS-SQ	Y	Y	N/ Y	N	N	N	Y	N	N	Y	Y
<b>Southern sectoral standards</b>											
KFC	Y	Y	N/ Y	N	N	N	Y	N	N	N	N
<b>Government standards</b>											
KEBS	Y	Y	Y/ Y	N	N	N	N <sup>i</sup>	N	N	N	N
<b>Multistakeholder standards</b>											
ETI	Y	Y	Y/ Y	N	N	N	N	N	Y	N	N
FLP	Y	Y	Y/ Y	Y	N	N	Y	N	Y	Y	N
Max Havelaar (FLO)	Y	Y	Y/ Y	Y	Y <sup>ii</sup>	Y	Y	Y	N <sup>iii</sup>	N	N <sup>iv</sup>
HEBI	Y	Y	Y/ Y	Y	N	N	N <sup>v</sup>	N	Y	N	N
ICC	Y	Y	Y/ Y	N	N	N	N	N	Y	N	N

<sup>i</sup> Plan to audit in future.

<sup>ii</sup> "if a collective bargaining agreement exists for the sector, then the farm shall join." "1.4.2.3. If no CBA is in place the workers' organization is encouraged by the management to negotiate an agreement on conditions of employment with management. If no union is present, management and the workers' committee get into a process of consultation with the national union federation(s) for the respective sector and the Global Union Federation (or appropriate International Trade secretariat) about improvement of the workers' representation and implementing a CBA. ...Until such efforts have been successful, the mentioned agreement should cover the topics normally covered by a CBA." (FLO 2005)

<sup>iii</sup> The local producer support person can however forward issues to Max Havelaar board.

<sup>iv</sup> Inspection reports are forwarded to the farm management who is asked to share it with the Joint Body, Works Council and or Union (interview St5, K 2006)

<sup>v</sup> Trial audits have been conducted on 10 farms of a participatory social audit system.

Figure 1. Social standard in Kenya and/or Tanzania cut flowers. (See above-mentioned reference for further information.)

initiatives like MPS-SQ, FLP, Max Havelaar/FLO and HEBI (initiatives that are much more stringent on labor issues).<sup>21</sup>

(a) *Standard implementation in practice*

The way standard inspectors and standard personnel in practice choose to interact with the local labor organizations can seriously affect the potential benefit for labor organizations. In MPS-SQ the procedures for monitoring freedom of association and the right to collective bargaining reads: "Evidence can include, but is not limited to [...] Testimony of union leaders confirming that they are not hindered in organizing their activities" (MPS, 2003). In practice this is entirely up to the individual inspector and even though violations of these particular provisions are common especially in the Kenyan cut flower industry none of the interviewed district union branch secretaries had ever been consulted by an MPS-SQ inspector. As seen in Figure 1, MPS-SQ employs audit-shadowing by labor NGOs and unions which could be said to provide similar information but in Kenya the Kenya Plantation and Agricultural workers union (KPAWU) has since 2003 declined the opportunity to shadow audits (this will be discussed in more detail below).

Max Havelaar until now has had a local producer support person covering Kenya and Tanzania visiting certified farms every or every second month to facilitate the work of the joint bodies<sup>22</sup> and offer capacity building. How this support is carried out in practice will vary according to the individual occupying this position. During the period from 2001 to 2006 the Max Havelaar local support, for example, chose not to have any contact with Kenyan labor-NGOs, something that has greatly facilitated the cooperation with the Kenyan unions as will be discussed later (interview St5, K 2006). Additionally, this support person contacts both management and local union branches or union headquarter if problems arise between farm unions and management.

FLP on the other hand has opted to cooperate with both the union and labor NGOs in Kenya.

"Usually—as we try to cooperate with the local trade unions—we see the trade union representatives as part of the complaint system as well. We are very concerned in trying to integrate the existing forms of workers representation and NOT to establish parallel structure. In Tanzania this works very well. Our partner is the local trade union TAPWU. More difficult is the situation in Kenya where the cooperation with the trade union KAPWU for different reasons is not evident. Thus we also cooperate with local NGOs like for example Kenya Women Workers Worldwide (KEWWO)." (Letter from employee of the FLP in Germany, January 2006).

In practice, FLP has run a worker education program involving both NGOs and unions with KPAWU in charge of three sessions and KEWWO in charge of another three (interviews St3/NGO7, K 2006). In Tanzania, FLP has been working closely with TPAWU seeking their approval before certifying farms to the FLP.

In sum, the analysis of how labor organizations are considered in different private standards and how this is played out in practice shows the significance first of all of the type of value chain, where producers selling direct to large retailers will have a strong incentive to adopt one of the more stringent standards. Second, as is obvious from Figure 1, standards differ markedly in the degree to which they include provisions that are likely to open room for labor organizations. Apart from MPS-SQ the more stringent standard initiatives are all multistakeholder (ICC, FFP, HEBI, FLP, and Max Havelaar). Third, and perhaps most importantly, it reveals how interpretation of standard provisions by inspectors and contact personnel has an important bearing on the degree to

which the standards in practice provide opportunities for labor organizations. How the introduction of these private social standards is actually used by labor organizations depends to a large degree on the context where the standards "touch down" and the strategic priorities of different labor actors.

## 7. LABOR STRATEGIES TOWARD PRIVATE SOCIAL STANDARDS

Although the trade union movement in Kenya and Tanzania have much in common historically, and still can be said to some degree to portray similar traits, the history of trade unionism in the floricultural sector, and specifically the way of approaching social standard initiatives, have differed remarkably.

(a) *Labor organization and strategies toward private social standards in Tanzania*

In the cut flower sector in Tanzania the trade union movement (represented by the Plantation and Agricultural workers union (TPAWU)) is so far the only actor involved in organizing and representing flower workers apart from farm-level works councils. From independence in 1961 to the mid-1980s, Tanzania was a one-party state, with an African-socialist model of economic development. Even though the first multiparty elections were conducted in 1995, the opposition has not been able to overthrow the ruling party CCM. Before the transition, unions were state-based organizations. From the early 1990s, a democratization process began within the trade union movement including a revision of the constitution, holding elections at all levels, and forming and legitimizing 11 national unions based on industrial sectors. The foundation of the Trade Union Congress of Tanzania (TUCTA) as a new umbrella organization in April 2001 was a keystone in this transition (LO/FTF 2003).

Both workers' and employers' organizations in Tanzania can generally be described as weak, due to insufficient membership, lack of funds, lack of human resources, lack of sufficient training, and lack of influence in the political arena. Workers' and employers' organizations were not prepared for their new roles in the collective bargaining system after their years as state-based organizations. This transition coincided with the loss of tens of thousands of workplaces due to privatization and structural adjustment (MPS, 2003). TUCTA has around 300,000 members. Compared to an estimated workforce of about 17 million people, this constitutes a unionization rate of less than 2%. But when this is countered to the approximately 1.7 million people in the formal sector, the unionization rate is about 27%. This indicates that the unions, although in general weak, do have a foothold in the formal sector of the economy (MPS, 2003). TPAWU has approximately 32,000 members (interview UN4, T 2006). In the cut flower industry, the unionization rate is unusually high compared to other agricultural sectors, with union branches on 6 out of 10 existing cut flower farms and more than two thirds of cut flower workers unionized. This is a recent development since a survey conducted in 1998 revealed that only two out of eight surveyed farms had union branches (Semboja, Mbelwa, & Bonaventura, 2000).

According to TPAWU, the conditions for workers in the flower industry have improved dramatically since the late 1990s, especially after it has become possible to establish union branches at most farms. Within TPAWU, the opinion is prevalent that the new private social standards have played



a role in this development. The standards are seen as predominantly positive and at both national, district and farm-branch levels standards are recognized as opening room for the union to reach, organize, and train workers (interviews UN2/UD1/UN3/UF1/UF2/UF3/UF5/UF6, T 2006).

At national and district branch level, the FLP is highlighted as being particularly effective. When the two largest flower farms in Tanzania applied for the FLP label, the local FLP contact person consulted TPAWU before conducting the pre-inspections. At that time, TPAWU only had a few members at these farms so TPAWU advised FLP to demand improvements. When inspectors from FLP did the pre-inspection they recommended for improvements to be made on the union front and during the first year between the pre-inspection and the re-inspection, TPAWU where granted access to the farms and succeeded in organizing and negotiating a collective bargaining agreement (CBA) covering both farms.<sup>23</sup> Only after these improvements had been made did FLP certify the farms. According to TPAWU, this was a door opener to the flower sector in general (interview UN2, T 2006). In this case, a standard initiative in its practice delegates influence over certification outcome to the union thereby mediating the power balance between management and union at the particular farms and creating negotiation space that the unions can grab by actively enrolling the standards in their own projects.

At farm-branch level, union representatives are also positive toward the new standards. Here, Max Havelaar is highlighted as the standard that really makes a difference to the workers and the farm union branches. According to both farm union representatives and management, management perception of unions has changed after the adoption of social standards and the standards have helped make the unions stronger and more influential (interviews UF2/UF3/M6, T 2006). On one farm without social standards, the union arranged for the farm union branch to visit the union on one of the farms with social standards to learn from their experience (interviews UF4/UF2/M9, T 2006). This illustrates how farm unions on farms without standards can enlist the existence of social standards elsewhere in the industry in their effort to create space to negotiate.

However, TPAWU is not uncritical of the way different standard initiatives are set up and implemented. They have, for example, actively contested the criteria for how the Max Havelaar premium money can be spend as well as the practical implementation of audit shadowing (interview UN3, T 2006). In spite of many reservations, TPAWU/TUCTA has engaged in constructive dialogue with the international standard initiatives trying (at times successfully) to negotiate changes to content and implementation procedures.

In sum, TPAWU has exploited the fact that several flower farms now participate in retailer-driven value chains. TPAWU has proactively but critically engaged with the standards initiatives and enrolled them in furthering their own objectives leading to an unusual high level of union organization in the industry. In Kenya the trade union movement has chosen a markedly different approach.

#### (b) *Labor organization in Kenya*

Like in Tanzania, the trade union movement in Kenya has a history of being state-based. In the past, the constitution of the Central Organization of Trade Unions (COTU) explicitly linked it to the ruling party the Kenyan African National Union (KANU) (Amnesty, 1998). The first multiparty elections after Kenya's independence in 1963 were held in 1992 and 1997 but it was not until 2002 that an end was brought to the supremacy of KANU (ILO; Murunga & Nasong'o, 2007). With the political transition of 1992 the role of the

workers' and employers' organizations changed with a movement toward independence from KANU. Yet the long history of being state-based organizations left the labor market organizations with a weak organizational capacity coinciding with loss of workplaces due to privatization and structural adjustment. According to COTU, they have 244,000 members, but there has been remarkable decline in union membership since the mid-1990s (ILO).

Compared to TUCTA and TPAWU in Tanzania, the structure of COTU and of KPAWU is more hierarchical and top controlled, something that has been criticized by many labor NGOs (interview Ex2, K 2006). The current Secretary General of COTU is also the General Secretary of KPAWU, but more importantly it seems to a large degree to be his agenda that determines the policy of COTU/KPAWU when it comes to dealing with private social standards in the cut flower industry. Union strategies toward private social standard initiatives are decided by him and union officials at district and farm level are not to engage with the standard initiatives unless cleared with the national union headquarter (interview UN3, K 2006). Unionization in the flower industry in Kenya is weak, with only around 3,400 unionized flower workers out of 50,000 workers in the sector. Nevertheless, most flower farms are members of the Agricultural Employers Association (AEA), which has a sector-wide CBA with KPAWU. Although a CBA is normally seen as a sign of a powerful trade union, the Kenyan agricultural CBA has been accused of being used by employers as an excuse to avoid on-the-farm trade union representation and individual farm-CBAs (interviews St6/8, UF4, K 2006).

Activity by labor NGOs, on the other hand, is blooming within the sector. Workers' Rights Alert (WRA),<sup>24</sup> which is a loose coalition of labor NGOs, has since 2002 been working actively with workers rights issues in the flower sector (interviews NGO3/NGO4, K 2006). Currently, there is a highly problematic relationship between labor NGOs and unions. NGOs claim that since only 3,400 flower workers are unionized and since unions are tailored to service male permanent workers, they cannot adequately represent the flower workers. Unions, on the other hand, contend that NGOs have no right to stand in as worker representatives in labor market problems. The NGO-union climate seems to have grown worse with the introduction of private social standard initiatives because these cooperate with NGOs but rarely with the unions (cf. Hale & Opondo, 2005). COTU, for example, has categorically declined to fill the seats available to them in the multis-takeholder initiative HEBI due to the presence of labor NGOs in HEBI (interview UN3, K 2006).

Union approaches to NGOs nevertheless differ. At the national union level there is no acceptance of NGOs. The union will not work with NGOs because "they go behind our back, they have no knowledge of industrial relations so they mess things up for the workers" (interview UN1, K 2006). At district branch level, opinions differ somewhat from the official policy. Although skeptical about NGOs, several district secretaries and their members use NGO services or attend NGO activities (interviews UD3/UD5, K 2006). A marked difference can thus be traced in how branch level officials approach labor NGOs as possessing resources that can be utilized, while at the national trade union level, labor NGOs are seen as obstructing the work of the unions.

#### (c) *Unions and private social standards in Kenya*

The opinion about private social standards among top level TPAWU and COTU officials is not particularly positive—something that is greatly reinforced by the fact that several

standard initiatives invite labor-NGO cooperation which to the trade union leaders is completely unacceptable. Another complaint about the standard initiatives is that they chose to deal with works councils where there are no farm union branches (interview UN1, K 2006). According to the General Secretary of KPAWU:

“Apart from Max Havelaar, the other standard initiatives don’t talk to the union, they don’t push for unions but are happy with the works councils and then the union can not work with them. The right approach for standard initiatives or NGOs on non unionized farms is to send the inspection report to the union and approach the union, not to work with the works councils. The unions should get all the inspection reports but it is only Max Havelaar who shares.” (interview UN3, K 2006).

Asked about the opportunity to shadow farm-audits the response is that MPS-SQ also invite NGOs, so the union will not participate (interviews UN1/UN3, K 2006). The unions thus position themselves against the private social standards and refuse to attribute them legitimacy. In this way, the unions at the same time contest the legitimizing effect of NGO participation in standard initiatives and their involvement in labor rights issues. Max Havelaar seems to be exempted from the general opinion about standards. According to the General Secretary of KPAWU, Max Havelaar has been positive because they police the ILO conventions and consult the unions. That is why he allowed his district branch secretaries and shop stewards to cooperate with them (interview UN3, K 2006). This positive view on Max Havelaar is mirrored by union representatives at district and farm-branch level. They state that had it not been for Max Havelaar, there would not be a separate CBA on one of the largest farms because it was Max Havelaar that pushed for the necessary 51% union membership that was deliberately being avoided by management (interviews UF1/UD1/UD2, K 2006).

The national level union strategy toward standards is to obtain copies of the standard provisions and even incorporate some of these in their CBAs. According to the General Secretary of KPAWU, the standards can even be presented as evidence in Industrial Court as has been the case once with the Max Havelaar code. The unions also have a copy of the trade union training manual developed by ICC, some of which has been incorporated in the sector CBA and used to sensitize workers (interview UN3, K 2006). This way the unions in Kenya chose to mobilize the standards in their own negotiation efforts but in a technical manner where direct acceptance of the standard initiatives in practice is avoided.

District branch union secretaries interpret the situation somewhat differently. Here, the opinion seems to be widespread that the workers would be better off if the standard organizations contacted the branch secretaries instead of going through the national union headquarter. Several of the secretaries interviewed would like to cooperate with the standard initiatives and would welcome the opportunity to do shadow audits (interviews UD1/UD2/UD3/UD5, K 2006).

At farm-level, among representatives from both unions and works councils, the opinion is widespread that standards are helpful. As one representative from a works council puts it, “conditions have changed to the better and workers are relieved because it offers a kind of security and controls management because workers can complain during audits.” (interview Wc5, K 2006). A union representative relates how the Max Havelaar joint body is a very good forum to meet management and that the training offered by Max Havelaar has made them better equipped to negotiate with management and thus better union representatives (interview UF3, K 2006).

#### (d) *Labor NGOs and private social standards in Kenya*

The NGOs have adopted a much more aggressive and proactive stand than the unions toward private social standards. Through a campaign publicly launched on Valentine’s Day in 2002, a coalition of labor NGOs (WRA) highlighted the devastating conditions for workers in the flower export industry. This was followed by an international conference where the UK-based labor NGO and ETI-member Women Working Worldwide (WWW) attended. It was possible for WRA through WWW to use a procedure in ETI that enable NGO or trade union members to report violations of the ETI code. The companies in question then have an obligation to investigate the situation and take appropriate action. The ETI investigation in Kenya resulted in the formation of the multistakeholder Kenyan HEBI and illustrates how the emergence of retailer-driven flower value chains have facilitated strategic links between labor activists at opposite ends of the chain (Hale & Opondo, 2005).

In HEBI, the NGOs have an influential position as initiators and chairperson, as the only labor representatives, and as industry watchdogs with connections to solidarity groups in consumer countries. Through HEBI, they engage the biggest business actors in the industry. As a result, the labor NGOs can to some degree claim to have succeeded in influencing the local standard agenda. They managed to be accepted as relevant stakeholders that merit active engagement (not only consultation). Through HEBI, they have tried to push local standard practice toward a more participatory framework by promoting practices such as participatory social auditing (Hale & Opondo, 2005). They are also negotiating a role for HEBI (and thus for labor NGOs) in a possible future harmonized standard (KEBS, FPEAK, HEBI and KEBS are negotiating one harmonized standard for the horticultural industry in Kenya).

Still, labor NGOs do not endorse the standard initiatives or even the idea of private standards uncritically. KHRC, for example, has serious reservations for example about the top-down nature of most standard initiatives, the over-codification of the industry and the technical audit tradition that makes it difficult to capture social issues (interview NGO4, K 2006). But the Kenyan labor NGOs do play the CSR agenda and the mechanisms inherent in social standard initiatives to gain influence where they can, for example by referring to them when exposing bad working conditions in the press, through dialogue with stakeholders like in the HEBI-initiative, or through shadowing farm audits.

In sum, the labor approach to standards in the Kenyan flower industry differs markedly between labor NGOs and unions. Unions at the national level seek to define private social standards as a threat to the trade unions and thus to worker objectives but also as a threat to the Kenyan flower industry in general. At district and farm-branch level, however, the union approach towards social standards (and labor NGOs) is much more pragmatic. The official union discourse on standard initiatives coincides with their discursive interpretation of labor NGOs and serves to position the unions as the only entity that has the interests of both the workers and of the industry in mind. By refusing to attribute legitimacy to the standards, they also contest the legitimizing effect of NGO participation in standard initiatives. At the same time, they exclude themselves from more actively employing the standards (and the NGOs) in their attempt to enlarge their space to negotiate.

The labor NGOs, on the other hand, very actively seek to influence how standards are adopted and renegotiated in Ken-

ya. So far, they have to a large degree succeeded in becoming the preferred local “labor-partner” of the standard initiatives. They are engaging the biggest actors in the flower industry through their participation in HEBI, and negotiating a role for themselves while trying to push standard practice toward a more participatory approach. And at the same time, they are seeking to maintain their position as industry watchdogs with strong connections to NGOs in Europe.

Business has not only reacted to the pressure from buyers and civil society groups, but it is actively mobilizing to influence, control, and lead the local CSR agenda. Both FPEAK and KFC are very active in promoting one harmonized standard for the horticultural industry in Kenya. By engaging with the standard initiatives and particularly HEBI, business mobilizes a sort of informal contract with the labor NGOs where, by accepting the NGO “right” to a seat at the table, they simultaneously minimize the “naming and shaming” mechanism.

#### (e) *Trade union engagement*

The existence of labor NGOs in the Kenyan flower industry engaging actively with the standard initiatives has seriously influenced the union approach to standards. In Tanzania, the trade unions are still the only organizations purporting to speak on behalf of flower workers and thus have not faced a similar dilemma. The different levels of organizing reached in the two countries also relate to how the trade unions are viewed by particularly women flower workers. The Kenyan unions have a very hierarchical structure combined with a general reactive (as opposed to proactive) policy. This is particularly important in relation to gender policies, as the sector is dominated by women workers. In Tanzania, TPAWU formulated a gender policy even before it was implemented at national level and have conducted studies on women in horticulture (interview UN2, T 2006). In Kenya gender sensitizing remains to take place (interview Ex2, K 2006) leaving the flower industry an open field for NGOs, particularly groups focusing on women’s rights. Another explanatory factor concerns differences between the industries. In Kenya flower production is an established and hugely influential industry resulting in a different power balance between unions and employers compared to Tanzania. Also important is the fact that social standards were introduced much earlier in the Kenyan industry. At the time of their introduction in Kenya, most standards were still very weak on labor rights issues. By the time standards were introduced in Tanzania, they had become much more stringent.

At the international level trade unions have engaged in flower standard initiatives through the International Union of Food and Agricultural Workers (IUF). The IUF has worked with affiliates and NGOs to draw up the ICC—a model standard that has formed the basis for many influential initiatives within the sector such as FLP, HEBI, MPS-SQ, and FFP. Furthermore, the IUF is participating in the ETI at board level. Here, together with labor NGOs, the IUF is pushing to connect the separation inherent in the ETI base code between retailer buying strategies and labor conditions at production (Hurst, Termine, & Karl, 2005; interview Ex3, K 2006).

## 8. CONCLUSION

The implementation of social standards in cut flower value chains can potentially help to mediate the power relations be-

tween “labor” and “capital.” “Labor” may use (at least some of the more rigorous) standards to (1) enhance union organization and obtain collective bargaining agreements; (2) obtain better insight into the operations of cut flower markets; (3) get seat at the table when social issues are discussed among business; and (4) exert a watchdog function threatening non-compliant business with exposure in consumer markets.

This partly optimistic view should not obscure the fact that many private social standards are weak in content and implementation and that social standards are usually applied to branded consumer products sold in developed countries. Additionally, optimism presupposes that labor organizations are accountable to their constituencies and work for the good of the workers they purport to represent. But where labor organizations (and particularly trade unions) do work in the interest of workers, the more stringent private social standard initiatives may be used to further labor influence.

The practical outcome of labor agency on the ground differs according to context. The analysis of labor responses in Kenya and Tanzania shows how labor organizations might choose to “ride” the standards—exploiting them to gain influence and power by enrolling the standards in their own projects and using them to enlarge their space to negotiate. On the other hand, labor organizations may also choose to position themselves against the social standards thereby contesting their legitimacy. But while employing the standards in their negative self-positioning, they at the same time delimit themselves from exploiting some of the opportunities offered by these standards. The different manifestations of labor agency underline the importance of understanding the local contexts in which GVCs operate.

In this article, I have sought to fill a gap in the literature on global value chains and on private social standards by viewing labor (in the form of labor organizations) as an input with agency. By incorporating the concept of labor agency into GVC analysis, it became possible to focus on labor development (not just industrial development) and by separating labor from the producer at the production node, it became clear how highly driven retailer chains offer more room for labor to exert its agency than the traditional auction strand of the value chain. With this article I have sought to move GVC analysis methodologically and conceptually forward by adding labor organizations as important actors that mediate the way standards are set and applied.

At the same time, my analysis suggests that labor organizations’ ability to seriously challenge the prevailing governance structure of the cut flower value chain appears limited. First, because social standards (apart from fair-trade) address conditions only at the production level. Thus when standards are employed to further labor representation, representation is limited to the production end of the chain and does not spread to workers in other nodes. Second, most social standards address labor conditions as if they were independent from the governance structure of a GVC—yet powerful retailers employing strategies such as cost-cutting and just-in-time ordering put additional pressure on suppliers and promote labor flexibilization, not labor organization. Given this situation, the current efforts by the ETI, labor NGOs, and the IUF, at the buyer end of the cut flower chain, to connect private social standards, retailer buying strategies, and labor conditions are particularly important, illustrating an attempt by labor organizations to employ standards to counter not just the adverse *effects* of value chain governance, but to actually reshape the governance itself.



## NOTES

1. In this article, private social standards are defined as voluntary regulation being promoted along value chains in an attempt to improve company performance related to labor standards such as workers rights, discrimination, and child labor. I thus focus on employment related issues to the exclusion of broader societal concerns, such as community development issues.

2. A works council is a farm-level group of workers representing the workforce toward management. They differ in form and composition and in whether they are democratically elected or directly appointed by management.

3. For recent exceptions see [Bair and Ramsay \(2003\)](#) and [Barrientos et al. \(2003\)](#).

4. I focus on labor in the form of labor organizations but recognize a need for future research to extend agency to other farm-level labor representatives and individual workers. However, this is beyond the reach of this article.

5. Agency as understood in this article signifies “the capacity of actors to process their and others’ experiences and to act upon them.” ([Long, 2001](#), p. 49).

6. The study covered all (10) export flower farms in Tanzania and 10 farms (out of approximately 5,000) in Kenya. For farm details see [Riisgaard \(2007\)](#). Farms were selected to represent farms with private social standards in a combination of small and large farms spread across the most important geographical production centers. All interviews with worker representatives were conducted in privacy.

Interview category (reference key)	Tanzania	Kenya	Total
Union officials, national level (UN, K/T)	4	4	8
Union officials, district level (UD, K/T)	2	5	7
Union officials, farm-level (UF, K/T)	6	6	12
Works councils, joint bodies or other worker committees (Wc, K/T)	2	5	7
Farm management (M, K/T)	13	17	30
NGOs (NGO, K/T)	0	7	7
Standard representatives (St, K/T)	0	8	8
Experts (Ex, K/T)	10	4	14
Total	37	56	93

7. Some of the more progressive unions have showed encouraging examples of proactive involvement such as Latin-American Coordination of Banana Workers Unions (COLSIBA) employing tactics of regional coordination and of alliances with activist groups in the major consumer markets to force Chiquita Inc., to the bargaining table ([Riisgaard, 2005](#)).

8. The general trade union stand is to endorse a line drawn between advocacy and representation, where the latter is preserved for trade unions only, since NGOs do not have a democratic or legal mandate to represent

workers. NGOs, for their part, are concerned about workers that are not represented by trade unions—including informal workers and women.

9. Proponents argue that these initiatives are more accountable, democratic, and effective than unilateral standard initiatives, while critics assert that they, like all private regulation are a cynical attempt to free industry from the last remnants of state regulation and union organizing ([Spooner, 2004](#)).

10. Mainstream approaches to CSR as referred to in this article, while challenging some aspects of neoliberal and management orthodoxy, do not really question fundamental issues such as labor market flexibilization, free trade and downsizing of the state. Approaches include literatures inspired by New Institutional Economics, Management Studies and the so-called “third way” alternatives seeing private voluntary regulation as a means to secure a more socially embedded liberalism ([Utting, 2005](#)).

11. See, for example, the special issue of *International Affairs* “Setting new agendas: Critical perspectives on corporate social responsibility in the developing world” 81(3), 2005 or the special issue of *Third World Quarterly* 28(4), 2007.

12. The approach known as GVC analysis first appeared in the literature under the term Global Commodity Chain analysis. For details about the evolution of these approaches, see [Bair \(2005\)](#).

13. Two diverging attempts exist so far—see [Gereffi, Humphrey, and Sturgeon \(2005\)](#) and [Gibbon and Ponte \(2005\)](#).

14. Data from UN COMTRADE.

15. The Dutch auctions function as a distribution center, absorbing large quantities of flowers that are re-packed and sold to buyers from all over the world. The system is based on 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. During the mid-1990s Oserian/East African flowers (EAF) opened the tele flower auction (TFA), a private auction (for a detailed description of the auction system, see [Thoen et al., in press](#)).

16. This development is particularly strong in Switzerland, where Migros and Coop together account for 60–70% of cut flower sales and in the United Kingdom, where supermarkets are approaching a market share of 50% ([ITC, 2001](#); [van Liemt, 2000](#)).

17. Data from UN COMTRADE.

18. The Tanzanian industry can to some degree be said to be an off-shoot of the Kenyan industry. Three out of ten flower farms are closely related to the Kenyan industry.

19. Data from UN COMTRADE.

20. All standards refer to the edition in use in February–May 2006. Supermarket codes are not included since none of the supermarkets sourcing from the suppliers included in this study have provisions on labor rights going beyond those of the ETI base-code to which they adhere. The FPEAK standard was not made available and is therefore not included.

21. The official status of HEBI is still unclear, but it does provides a forum where KFC, growers, Agricultural Employers Association (AEA) and labor NGOs meet to discuss labor related problems in the industry. Complaints may be lodged to the HEBI board by the member organi-



zations and the board will seek to rectify problems. The training of social auditors, awareness raising activities and trial audits so far conducted by HEBI can further be claimed to potentially broaden the opportunities open to labor organizations (interviews St1/St2/NGO3/NGO4, K 2006). FFP and ICC are also among the most rigorous standards but both are of minor relevance to this study since the ICC is neither monitored or certified to, while FFP had just been introduced when the fieldwork for this study was conducted.

22. The joint bodies manage the fairtrade premium and consist of elected workers and management.

23. The farms have joint ownership.

24. The WRA-coalition consists of Kituo Cha Sheria (an NGO pursuing cases in civil court on behalf of marginal workers), Kenya Human Rights Commission (KHRC), KEWVO, and Workers Rights Watch (WRW).

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(See Overleaf)

## APPENDIX 1. STANDARD INITIATIVES

Standard	Origin	Characteristics
<i>Northern sectoral</i>		
EUREPGAP for flowers and ornamentals	Developed by flower labeling organizations and a coalition of mainly British supermarkets in 2003	Essentially about good agricultural practices but has a small section on worker health, safety and welfare
Milieu Programma Sierteelt (MPS)	Dutch growers of flowers and plants (1995)	Is primarily an environmental label (MPS-A, B, C) but has an optional "social qualification" (MPS-SQ) and an optional "good agricultural practice" (MPS-GAP)
<i>Southern sectoral</i>		
Kenya Flower Council (KFC) code of practice	A group of five large Kenyan flower exporters (1998)	Environmental and social practices in the Kenyan flower cultivation. KFC members in 2006 included around 50 farms responsible for approximately 70% of Kenya cut flower exports, with adoption of the KFC code being obligatory for members
Fresh Produce Exporters Association of Kenya (FPEAK) codes of practice (now named KENYA-GAP)	Kenyan flower growers (1996)	Environmental and social practices in Kenyan horticulture. Adoption is voluntary for members which count around 80 cut flower producers members, mostly in the small-medium category
<i>Multistakeholder</i>		
Max Havelaar/the Fair Trade Labeling organization (FLO)	The Max Havelaar Foundation was founded by Swiss aid organizations. Criteria for flowers developed in 2001	The Max Havelaar foundation awards a fairtrade label to products that have been produced according to principles of fair trade including a minimum price and providing a fairtrade premium that the producer in agreement with worker representatives must invest in projects enhancing their social, economic and environmental development. Until January 2006 MPS-QS or FLP certification was a requirement to join the Max Havelaar programme but since January 2006 the Fair Trade Labelling organization (FLO) has taken over certification through its autonomous certification organization, FLO-CERT
Flower label programme (FLP)	German importers, wholesalers, NGOs and trade unions (1999)	A consumer label based on the ICC criteria
International code of conduct for cut flowers (ICC)	European NGOs and the International Union of Food and Agricultural Workers (1998)	Environmental and social criteria. The ICC is a baseline code and is not monitored. Other standard initiatives like FLP, HEBI and MPS-SQ have integrated the ICC provisions. The ICC has developed a trade union training manual

(continued on next page)

Appendix 1—*Continued*

Standard	Origin	Characteristics
Fair flowers and plants (FFP)	Union Fleurs (the International Floricultural Trade Ass.) with Flor Verde, FLP, KFC, MPS and NGO's and Labor Unions from the ICC (2005)	Contains ecological and social criteria based on both the ICC and the MPS. Participants need to comply with (1) environmental criteria similar to MPS-A and (2) ICC criteria (this may also be realized in combination with MPS-SQ or FLP). All participating links (producers, traders and retailers) must be members of FFP
The ETI	Set up as an alliance of UK companies, NGOs and trade union organizations (1998)	ETI has a base code and provides a generic standard for labor practices (not restricted to cut flowers). All corporate members are required to submit annual progress reports on their code implementation activities but the code is not certified to or monitored
The horticultural ethical business initiative (HEBI)	KFC, the largest individual flower growers, AEA and labor NGOs (2003)	HEBI has conducted a range of trial audits against the HEBI base codes using participatory monitoring approaches based on the 'Kenya Base Code on Social Accountability for The Flower Industry', as well as training and awareness raising. It is unclear what is to be the official status of HEBI and the code is not monitored or certified to at the moment
<i>Government</i> The Kenya Bureau of Standard code for the horticultural industry (KEBS)	Initiated by FPEAK and KFC but governed by Kenya Bureau of Standards (2002)	Based on the KFC and FPEAK codes. The KEBS standard is not monitored or certified to at the moment

Source: CBI Market Information Database, URL: [www.cbi.n](http://www.cbi.n), standard web pages and own interviews 2006.

Available online at [www.sciencedirect.com](http://www.sciencedirect.com)





# PAPER II





# Prospects for Labour in Global Value Chains: Labour Standards in the Cut Flower and Banana Industries

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**Summary.** - Global value chain (GVC) governance is central to analyses of labour's strategic options. It frames the terrain on which labour campaigns and institutions – such as Private Social Standards and International Framework Agreements – contribute to the social regulation of value chains. GVC concepts help to emphasise how power in the employment relationship transcends organisational boundaries, as well as how industrial power is shifting from the sphere of production to that of consumption. Based on extensive case studies of the banana and cut flower value chains, we explore the implications of GVC restructuring for the scope and form of labour rights strategies.

## 1. Introduction

Since the 1970s and 1980s, various processes of economic globalisation have eroded established foundations of labour. Although a series of such changes have been analysed in labour and industrial relations research, a curious disjunction has occurred in analysing the implications of how global production is being restructured. While labour has recognised the value of chain and network concepts of global production for developing new strategies (Quan 2008; Women Working Worldwide 2004; Lund and Wright 2003), academic industrial relations research has so far made little of the implications of these concepts for labour. Economic globalisation has led to a functional integration of production activities (Dicken 2007), and multinational corporations (MNCs) have become key actors in restructuring nationally based production systems into global and regional inter-firm networks, as well as in coordinating and controlling these complex value

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chains (Dicken 2007; Gereffi and Korzeniewicz 1994). Arguably these developments constitute a 'global shift' in the terrain on which labour strategizes and campaigns.

We use one relevant approach – global value chain (GVC) analysis – to explore two different, but interrelated aspects of how GVCs structure capital-labour relations. First, power in work, employment and industrial relations transcends organisational and institutional boundaries, that is, across enterprises and sectors. Secondly, there are important shifts in the way power is distributed over the spheres of production and consumption, with GVC restructuring being dominated more and more by retailers and branded marketers. Such developments obviously have implications for labour relations at the company and sector levels, but also for forms of international trade union cooperation. While GVC analysis has not in itself dealt much with issues of labour and industrial relations, it offers a useful tool to analyse the global political economy in which labour operates and helps to draw out crucial implications for how power is distributed in the employment relationship.

This 'global shift' in labour's terrain across space and scale has been reflected in the evolution of international labour strategies vis-à-vis MNCs, as well as in more recent attempts to regulate work, employment and labour relations at the international level. While developments around World Works Councils and internationally coordinated bargaining strategies within MNCs in the 1960s and 1970s focused on 'intra-firm' and 'inter-national' strategies, particularly in the automobile, chemical and food industries (e.g. Gallin 2008), labour campaigns in the following decades targeted the 'inter-governmental' level and 'global' tools to link labour standards with trade regulation within the GATT (General Agreement on Tariffs and Trade) and later the WTO (World Trade Organisation) (van Roozendaal 2002). These efforts proved unsuccessful, indicating a need for labour to build new forms of international cooperation.

What has emerged is a multi-faceted approach which involves union networks across different geographical places and scales, and which links trade unions, community organisations, labour friendly non-governmental organisations (NGOs), as well as consumer campaigning organisations (Herod 2001, Wills 2001). Multilateral norms, particularly the International Labour Organisation's core labour standards (ILO 1998), are central to many campaigns that have resulted in new regulatory tools at the company level (e.g. so-called International Framework Agreements or IFAs; see Hammer 2008, 2005) and private social standards (PSSs) (e.g. multi-stakeholder codes at industry level; see O'Rourke 2006; Weil and Mallo 2007).<sup>1</sup> What is key here is the attempt to implement and enforce labour standards via the power of lead MNCs, creditors or international organisations in supplier and subcontractor companies along the supply chain.

Thus, from both an analytical and a strategic perspective, global restructuring has challenged established approaches to social regulation as well as labour and industrial relations. Shifts in global production have underlined the role that different forms of GVC governance and inter-firm coordination play in structuring the organisational and spatial links between the spheres of production, retail and consumption. We argue that analyses of labour in the global economy need to take account of how GVCs shape the terrain for labour to build international networks, strategies and campaigns for labour rights. Furthermore, analyses of GVC restructuring and governance itself need to integrate the role of labour in shaping global value production, as well as in '*actively produc[ing] economic spaces and scales in particular ways*' (Herod, 2001: 46 original emphasis).

In this paper, we argue that GVC governance frames key elements of labour's strategic terrain, as well as the ways in which it can use tools such as IFAs and PSSs to regulate GVCs socially. 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 forms of social regulation. In the following section, we provide a critical overview of relevant GVC concepts and link them to an understanding of labour's embeddedness and agency. On the basis of this framework, Section 3 discusses extensive case studies of the banana and cut-flower value chains, assessing how forms of GVC governance structure the way power is distributed along chains and how, in reverse, labour might use IFAs and PSSs to shape value chains via the power of lead firms. The conclusion expands on the theoretical implications of GVCs for labour strategies to advance labour rights as well as for international trade union cooperation.

## 2. Putting Labour into Global Value Chains

What is conventionally subsumed under GVC analysis is, in fact, a relatively broad church stemming from different phases of theory development as well as different disciplines (see e.g. Bair 2009; Bair 2008; Gibbon et al. 2008). What lies at the heart of these debates is the extent to which a differentiated concept of value chain and network governance can be developed while appreciating the embeddedness of different nodes in the chain. In order to analyse labour in GVCs, we argue, both the concepts of power and embeddedness are crucial. We adopt the notion of 'governance as drivenness' (Bair 2009; Gereffi 1994) which underscores the *power* of lead firms to shape rules along a value chain (as opposed to the focus on 'governance as coordination' between two links in the chain; Gereffi et al. 2005).<sup>2</sup> At the same time, we emphasise the embedded nature of labour and production (Castree et al. 2004; Hess 2008). With

regard to GVC analysis, we look at three concepts in particular: the functional division of labour in GVCs, the degree to which firms drive the chain, and the mechanisms through which this drivenness operates. With regard to an adequate notion of labour agency in GVCs, it is important to analyse how particular forms of GVC governance shape the terrain for labour agency, as well as the role labour plays in shaping GVC governance. GVCs need to be treated as an emergent phenomenon with particular structures and power relations of their own that constrain and enable strategies by collective labour in particular ways; at the same time, labour agency needs to be understood in the context of the embedded nature of social relations of production. In fact, some labour campaigns against lead firms in GVCs combine global links along the chain with community-based strategies (Wills 2001). By emphasising the interrelations between the reorganisation of inter-firm networks on the one hand and labour agency transcending space and scale on the other, we link GVC analysis to labour geography.

### **GVC Governance and Power: The Terrain for Labour**

The issue of power in inter-firm networks is elaborated in work on governance in GVCs by Gereffi, defined 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 across organisations with the purpose of achieving a certain functional division of labour along a value chain. Initially, Gereffi focused on the *functional position* of powerful firms and distinguished between two forms of overall chain governance – producer- and buyer-driven value chains. The former are usually found in sectors with high technological and capital requirements, which means that GVC governance is shaped very much by firms that control technological and productive assets. In buyer-driven chains 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, leaving key decisions on what is to be produced, by whom and in what ways to the retailers and brand name companies (Gereffi 1994). Thus, the functional division of labour in GVCs, based on the division of economic rents (stemming from technology, trade policy, etc.), results in specific distributions of gains, and also sets terms of participation and of exclusion (Ponte 2008).

This abbreviated, conceptual core of GVC analysis has been criticised and developed further from within, as well as through alternative approaches. Issue was taken with the polarity and linearity of GVCs, the degree and mechanisms through which power in GVCs is exercised and the embeddedness of local-global production networks. First, the overall chain dichotomy and metaphor was blurred in that notions of polarity and linearity were qualified (Henderson et al. 2002; Smith et al. 2002). The distinction between buyer- and producer-driven GVCs neither

captures the full range nor the dynamics of value chain governance. The categories of 'buyer' and 'producer' cover a variety of types of lead firms who may 'drive' chains in different ways: buyers, for example, include retailers, branded marketers, industrial processors and international traders. Furthermore, value chains are not necessarily unipolar (i.e. driven by one category of lead firms), nor organised according to one linear 'strand'. Regarding the latter, for example, we show that not all lead firms exercise upstream power<sup>3</sup> through similarly organised inter-firm networks: in fact different value chain 'strands' can overlap. Regarding the former, we show that value chains can be bipolar, i.e. driven by two lead firms located in different functional positions (Fold 2002; Sturgeon 2002). This is the case for the banana value chain, which also shows 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 the promotion and marketing of the brand names on which market access is based, thereby blurring the overall chain dichotomy in favour of buyer-driven features (Ponte 2008; Sturgeon et al. 2008). These differentiations in GVC concepts allow a clearer view of the inter-firm linkages and power dynamics that structure labour's strategic terrains (e.g. within the same industry or place).

Secondly, what is important beyond the functional position of powerful firms is the degree and mechanisms through which GVCs are '*driven*' by one or several categories of lead firms. 'The "drivenness" 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 and Humphrey 2004: 492). Drivenness is a measure of power and describes the ability to determine 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. It can be placed on a continuum from highly to not driven at all (Ponte 2008). What is crucial for labour here are the mechanisms through which firms drive GVCs. Lead firms can drive GVCs in a *hands-on* way, a *hands-off* way and a wide spectrum in between. Hands-on drivenness, for example, is characterised by long-term contracts, explicit control of suppliers and regular engagement between suppliers and buyers. It refers to relations where power is exerted directly by lead firms on suppliers, in a way that, 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 and the ability to set standards that are followed along a GVC (Kaplinsky and Morris 2008; Ponte and Gibbon 2005).

Thirdly, while successive debates have led to a differentiation of the concepts of GVC governance and embeddedness (Bair, 2009; 356; Bair 2008; Gibbon et al. 2008; Hess 2008), it seems crucial to retain both a concept of power and embeddedness. This is particularly relevant for an analysis of the local and institutional embeddedness of labour as an actor in emergent networks of global production. A useful concept in this regard is the local labour control regime (LLCR) (see Castree et al. 2004), defined as:

[a] historically contingent and territorially embedded set of mechanisms which coordinate the reciprocities between production, work, consumption and labour reproduction within a local labour market. (Jonas 1996: 325)

It can be assumed that producer-driven chains integrate local labour markets in different ways than buyer-driven chains (e.g. along dimensions such as skills, wages, employment and industrial relations regulations) and thereby shape LLCRs. Conversely, as highlighted in the experience of Special Economic Zones, the specific constitution of LLCRs shapes how local production is linked into GVCs. Certainly with regard to 'governance as drivenness', we would see embeddedness as conceptualised in the literature on global production networks and LLCRs as being complementary rather than competing with GVC concepts (see also Bair 2008; Sturgeon et al. 2008). The governance of value chains remains central for understanding how power is exerted and distributed in GVCs. Governance, we argue, should therefore also be central when analysing labour's strategic options and room for manoeuvre.

### **Placing Labour in the GVC Framework**

In the beginning, we put forward a paradox in that labour has made use of (supply) chain concepts for developing strategies (Lund and Wright 2003; Quan 2008; Women Working Worldwide 2004), while academic approaches have left labour largely out of global chain and network concepts. Most engagement of GVC concepts with labour has either been concerned with the impact of chain restructuring on work and employment, or with labour's options to exploit the brand sensitivity of end-buyers. So far, however, there has been little systematic exploration of the impact of GVC governance on capital-labour relations. Linking these intentions, Bair and Ramsay's (2003) article constitutes an exception, as they develop a contingency approach to the implications of different value chain dynamics for labour. Here, a consideration of MNCs' options and leverage to outsource functions and relocate production serves as a basis to analyse labour's strategic leverage points in GVCs. While yielding interesting insights, however, such a contingency approach tends to underestimate the role of power

stemming from chain governance or, in other words, the strategic selectivity of GVC governance for labour.

The social regulation of GVCs has been addressed, mainly through analyses of the most visible tools in shaping work and employment along value chains: private social standards (PSSs) and International Framework Agreements (IFAs). On the one hand, the GVC framework has been used to analyse the consequences of value chain restructuring for working conditions and employment at the point of production. Bair and Gereffi (2001), for example, assess the diverse consequences of restructuring in the global apparel industry for workers in an industrial cluster in Mexico, while Locke et al. (2007) study the role of Nike's code of conduct for working conditions in its supply chain. Very advanced in this respect is research from a development angle: Barrientos (2003) uses the GVC framework to explore how organizational restructuring by global firms has encouraged the flexibilization and feminization of work at the production end of global value chains (see also Hale and Wills 2007; Oxfam 2004). Another strand, which feeds into a critical evaluation of corporate social responsibility, explores the gender sensitivity of PSSs and combines global value chain and gendered economy approaches (Barrientos et al. 2003; Barrientos and Smith 2007; Hale and Opondo 2005). These approaches all try to look at what GVCs mean for (local) labour. However, they focus on the impact of inter-firm dynamics on work and employment and thus largely neglect labour as a collective actor. This underestimates how local labour relations influence access to and the social regulation of (specific nodes in) GVCs, as well as the role of GVC governance with regard to labour capacity. While we agree with the direction of these arguments (which broadens the scope of GVC analysis to include the impact on labour), we hold that GVC analysis and labour agency have rarely been systematically integrated.

Going further, though, there is an emerging body of work that analyses PSSs and IFAs from the perspective of labour. While Riisgaard (2005) and Wills (2002) analyse labour campaigns to conclude IFAs, Riisgaard (2009) and Rodriguez-Garavito (2005) discuss how PSSs differ in the degree to which they enable local labour organizations and workers to mobilize and organise. Hale and Wills (2007) study labour agency at the supply end of GVCs and how links to Northern activist groups and knowledge about supply chain linkages are used to pressure end-buyers into taking responsibility for employment conditions at suppliers and sub-contractors. To varying degrees, these studies highlight the benefits of integrating power in GVCs with the specific strategies of resistance by embedded labour. In this paper, we seek to develop this endeavour further by systematically analysing the way labour strategies are both constrained and enabled by particular forms of GVC governance. A brief revisit to the GVC concepts outlined above highlights what governance means for labour's room for manoeuvre.

## Implications of GVC Governance for Labour

To start with, we have to recognise how the original distinction of producer-driven versus buyer-driven chains does retain some explanatory power with regard to labour's strategic options. The fundamental aspect here is that in buyer-driven (as opposed to producer-driven) value chains the workplace is separated from the site of industrial and political power. 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. Both the (geographical) relocation and the (organisational) outsourcing of production were always based on the exploitation of local labour control and factory regimes that were different from those in the Global North. However, it is the organisational and political distance between the workplace and the driver of the chain that frames power in buyer-driven value chains. From the perspective of labour geography, this underscores the social and political character of place, space and scale. We would therefore argue that it is labour coalitions beyond the workplace that have the strategic advantage in a buyer-driven terrain, i.e. strategies that link workplaces with local communities (in the South), other social movements and consumer organisations (in the markets of the North).

Beyond the functional dynamic, it is the GVC's level of drivenness that underlies an MNC's leverage to impose criteria (e.g. labour standards) along the chain. Highly driven value chains, however, also open the strategic option of targeting the powerful actor(s) in the chain, namely the driver(s), whereas labour will find it much more difficult to tackle less driven chains systematically, particularly when they are characterised by market-based relationships. What unites highly driven value chains, indifferent of the functional position of the drivers, is the power and role of the lead MNC(s), which provide an entry point for labour rights actors, as well as potential leverage in conflicts. The mechanisms of drivenness – hands-on/hands-off – describe how the coordination of production is managed across organisational boundaries. In producer-driven chains it is vertical integration or hands-on coordination that constitute the main entry point for labour, as these provide a relatively stable industrial and management structure (even though this might be across company boundaries) for labour to negotiate with and campaign against (on the basis of established union organisation).

Different modes of GVC governance provide different rooms for manoeuvre for labour to regulate employment conditions along value chains. Equally, the capacity to shape GVC governance cannot be separated from the nature of embedded labour and the specific LLCRs and factory regimes. This is underlined by the context and proliferation of IFAs and PSSs. Framework agreements, for example, are found within traditional producer-driven chains where

the structure of industrial and political power overlaps to a significant extent with established forms of union organisation and industrial action (coordinated through the Global Union Federations at the international level). PSSs, particularly when managed by multi-stakeholder initiatives, are more flexible to include actors in (social movement and/or consumer) spaces and scales that are better situated to exert counter-power vis-à-vis the industrial and political powers of buyer-driven chains. While a considerable number of IFAs are geared to the entire supply chain of a particular MNC, the implementation and monitoring logic of PSSs often takes the form 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. IFAs and PSSs constitute avenues for labour to shape the governance of value chains by using the power of lead firms for enforcement and transforming aspects of the employment relationship into entry barriers for participation in the chain. The above analysis of labour in GVCs would suggest that IFAs and PSSs provide different strategic tools for labour, are relevant in different structural (GVC) contexts and answer different challenges to labour. The examples of the banana and cut flower value chains discussed in the following section will illustrate and substantiate this argument.

### 3. Labour in the Banana and Cut Flower Value Chains

We now turn to the horticultural sector for an exploratory analysis of the connections between GVC governance, social regulation and labour agency. The chosen banana and cut flower value chains provide matched cases of labour-intensive agricultural chains, each containing two distinct value chain strands (the main avenues for the products in the respective chains) with different governance structures and implications for labour and social regulation. In bananas, the focus is on Latin American exports to the EU and the US, made up of a direct strand (where banana MNCs export to large retailers) and a wholesale strand (where bananas pass through wholesalers in the end markets). Here we find an IFA, achieved on the back of a historically strong labour organisation in the Latin American banana industry (as opposed to anywhere else in banana production). The African cut flower chain to European consumer markets shows 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). In this case it is PSSs, initiated in consumer markets and based on a broad coalition of actors, which aim to secure labour rights at the workplace.



Both cases are based on extensive field research (for details, see Riisgaard 2009). Work on the IFA in bananas involved visits to 12 plantations, Chiquita-owned and Chiquita suppliers, in Guatemala, Honduras, Costa Rica and Nicaragua. 61 interviews were conducted in 2002 with banana workers, as well as union and Chiquita representatives at the local, national and regional levels. The research on cut flowers, carried out in 2006, covered all (10) export flower farms in Tanzania and 10 farms (out of approximately 150) in Kenya. A total of 93 interviews were conducted at the national as well as district- and farm-branch levels with management, worker and union representatives, labour NGOs, industry organisations, industry consultants and standards organisations.

### 3.1 TARGETING PRODUCER AND BUYER POWER IN THE BANANA GVC

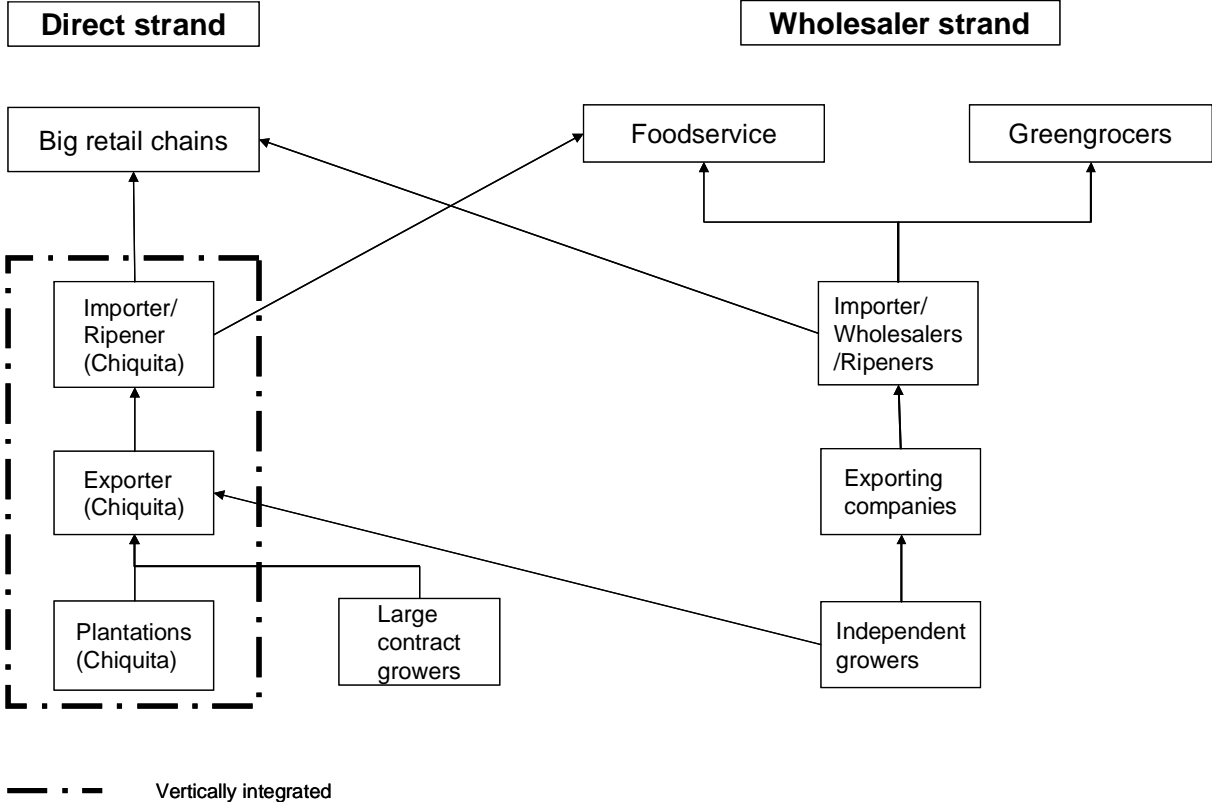
Traditionally, the international banana value chain was producer-driven, with the large banana MNCs playing a dominant role in setting the rules of the game. The five biggest banana operators (Dole Food Company, Chiquita, Fresh Del Monte, Noboa and Fyffes) continue to control around 80% of world exports (Kastele and Stichele 2005). However, this producer-driven oligopoly has come under attack in recent decades.

On the one hand, banana MNCs were challenged, as increasing concentration and consolidation in retail chains have allowed the latter to exert a greater degree of influence over the value chain. Retailers increasingly determine conditions of production and distribution, thus creating competition among producer MNCs for preferred supplier status, and thereby reaping a higher share of the profits (Kastele and Stichele 2005; UNCTAD 2003). On the other hand, over the last twenty years, banana MNCs have moved away from direct growing in order to focus on more specific marketing and distribution activities. However, the degree of outsourcing varies between companies. Chiquita has so far maintained around 40-50% of its production in-house; Fresh Del Monte, Dole and Noboa retain 28%, 25% and 20% respectively of own production, while Fyffes has no plantations of its own (Kastele and Stichele 2005). This direct strand of the banana value chain can thus be said to be moving from a producer-driven strand (driven by vertically integrated banana MNCs) towards a more buyer-driven and bipolar strand (driven by large retailers and by MNCs which are increasingly outsourcing direct ownership of production).

Although the big banana MNCs control around 80% of world exports, other market channels also exist. The remaining 20% of exports are very fragmented and mainly consist of independent growers selling to smaller exporting companies on to importers, ripeners and wholesalers. However, this value chain strand often still uses parts of the infrastructure controlled by the large ba-

nana MNCs (Kastele and Stichele 2005; UNCTAD 2003). In Figure 1, we contrast a direct strand of the value chain (illustrated via Chiquita) with the wholesaler-oriented strand of the value chain.

**Figure 1: The Banana Value Chain**



Brand-sensitive buyers and producers in the direct strand are able to drive the chain and build very hands-on forms of control over the upstream part of the chain. For example, banana MNCs increasingly establish long-term supply contracts with independent growers, specifying shapes, quantities, standards of quality, packaging etc. In many cases they provide inputs in order to control quality and exercise a ‘hands-on’ coordination of suppliers via regular inspections (UNCTAD 2006). Dole, for example, employs hundreds of quality-assurance professionals around the world to inspect fresh products produced by independent growers, but carrying the Dole brand name (Dole no date). In Ecuador, Favorita sources most of its bananas from independent growers, but still controls management decisions at the farm level, such as when to spray against the *sigatoga negra* pest, which is carried out by a Favorita subsidiary (Hellin and Higman 2002). The leading MNCs are involved in production, packing, transport and ripening,

which gives them a high degree of control over the production end of the value chain in terms of setting quality and price demands with suppliers, as well as in pressuring host countries on issues of taxation, labour regulation and environmental legislation (Frundt 2007). Large EU and US retailers, on the other hand, exert power over producer MNCs by working with one- or two-year contracts, while discounters like Aldi and Lidl buy on the spot market (Kastele and Stichele 2005).

Value-chain restructuring has entailed retail consolidation and the rationalization of production, which includes outsourcing, the transfer of production to lower cost and/or low union density areas, as well as an increase in the use of third-party labour contractors (Kastele and Stichele 2005; Prieto-Carrón 2006; Riisgaard 2005). Labour is threatened by the relocation of production to different labour control regimes such as the non-union, low-pay supplier plantations of Ecuador and the pacific coast of Guatemala. In addition, rationalisation has meant a move towards looser contract forms and anti-union policies such as discrimination, firing and black-listing (Frundt 2007; Human Rights Watch 2002; Quesada 2001). Thus, while labour's bargaining position is weakened by regime competition, the bipolar nature of a major part of the banana value chain – together with a history of tireless organising efforts in Honduras, Costa Rica, Panamá and Colombia – has also opened up opportunities to shape working conditions at various levels. For example, mandatory social and environmental standards have emerged at national level, such as the improvement programme in the banana plantations of Colombia (Kastele and Stichele 2005; Prieto-Carrón 2006); MNCs have introduced SA8000 on owned farms (Chiquita, Dole) and joined the Ethical Trading Initiative (ETI) (Chiquita, Fyffes) (Kastele and Stichele 2005),<sup>4</sup> while up-market supermarkets increasingly carry fair trade and socially certified products (UNCTAD 2003). The Latin American trade unions were able to exploit this constellation by signing the first IFA in the agricultural sector, as well as through their involvement in PSSs.

Since the 1990s, Chiquita has sought to promote brand awareness as the industry's leading CSR company, starting with environmental certification through the Better Banana Project with the Rainforest Alliance in 1995, and followed by the adoption of a company code of conduct (2000), SA8000 certification and membership of the ETI. In June 2001, following a damaging international campaign which accused the banana giant of violating workers' rights on Chiquita-owned and Chiquita supplier plantations in Latin America, an IFA was signed between the IUF (International Union of Food Workers), COLSIBA (Coordinadora Latinoamericana de Sindicatos Bananeros) and Chiquita (IUF et al. 2001). The campaign was led by COLSIBA – a regional coordinating body representing 42 farm-level unions and 45,000 workers across Ecuador, Colombia, Costa Rica, Panamá, Nicaragua, Honduras and Guatemala (COLSIBA 2001)

– and was based on workplace organisation, transatlantic cooperation with solidarity groups in consumer markets, and public campaigns targeting major supermarket chains and consumers in the US and EU (Riisgaard 2005). The IFA marks the development of COLSIBA from a cross-border alliance that emerged in the early 1990s to a labour actor that cooperates with Northern NGOs and leverages threats to disrupt both production on Chiquita plantations and consumption through campaigns targeted at Chiquita and retailers selling Chiquita bananas. As noted by COLSIBA coordinator German Zepeda,

Before this we had never explored the international market – we were simply workers. We didn't know anything about the transnationals, about the market, about costs. (Interview 2002)

The agreement commits the company to respect the ILO core conventions on freedom of association and the right to collective bargaining, as well as Convention 135 on the protection and facilities guaranteed to workers' representatives. A Review Committee, composed of representatives designated by the IUF, COLSIBA and Chiquita, will meet twice a year to review the agreement's application. The agreement also covers sourcing from Latin America and contains guidelines on the procedures to be invoked in the event of changes or transfers in production. In practice, the results of the agreement have been mixed (see Frundt 2007: 101-106; Riisgaard 2005). Overall, management–labour dialogue has improved and the agreement has been successfully invoked in several occasions, for example, to include continued union recognition when Chiquita sold its operations in Colombia. However, Chiquita has also closed plantations in Guatemala without prior consultation, even though this is required by the IFA. Enforcement of the IFA with suppliers has proved particularly delicate because it may lead to Chiquita withdrawing contracts in the event of continued non-compliance, leading to a loss of jobs. In the words of the COLSIBA coordinator: 'What is COLSIBA to do when the agreement is not respected and the medicine in a way is worse than the disease?' (Interview 2002). Thus, while the IFA allows limited improvements in organising and working conditions, the relocation of production to non-union areas and outsourcing to suppliers or labour contractors pose continuous challenges in ensuring that the agreement is meaningfully implemented.

On the other hand, unions have started to challenge buyer power via their involvement in PSSs. In 2005, for example, COLSIBA obtained an agreement with Transfair – the leading US fair trade group – under which union-backed bananas would be sold as fair trade bananas in the US (USleap no date). Although the agreement with Transfair did not survive (for details, see Frundt 2007), the case still illustrates how labour is seeking to make actual union recognition an inherent element of a PSS. Another example is IUF involvement in the ETI (a UK-based multi-

stakeholder initiative) as board member, which offers a platform to engage the retail drivers of the direct strand of the banana and flower value chains: the IUF and several large retailers have been involved in ETI pilots in both flowers and bananas (Hurst et al. 2005).

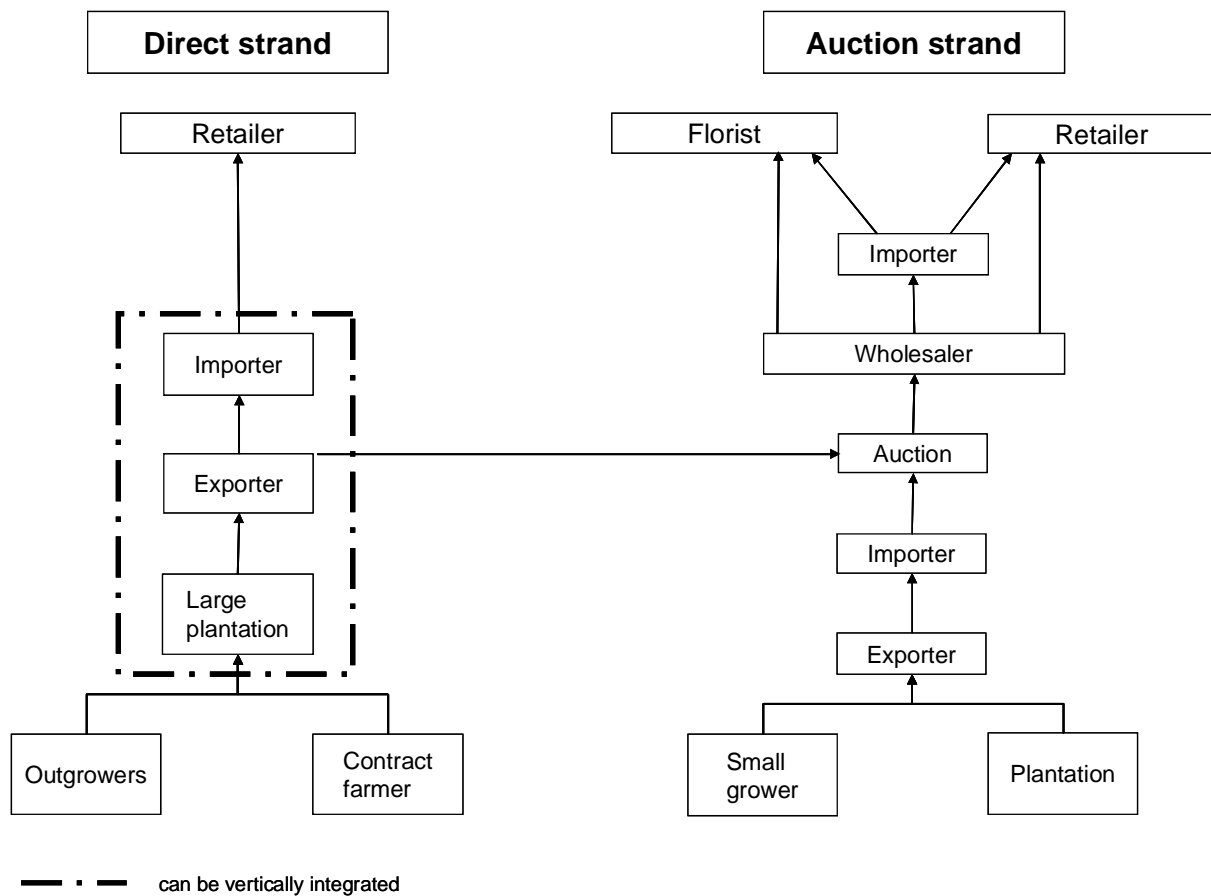
### 3.2 TARGETING BUYER POWER IN THE CUT-FLOWER GVC

The world market for cut flowers has grown consistently since the early 1980s, but it has recently experienced slower growth in demand at the same time as an expansion of production, especially in developing countries, has exerted downward pressure on prices. Furthermore, the global cut flower value chain is undergoing structural shifts in its EU distribution channels as supermarkets increasingly source directly from suppliers in developing countries, thereby cutting out wholesalers and the Dutch auction system (CBI 2007; Thoen et al. 2000). The terrain for labour agency is structured by two different value chain strands (see Figure 2).

On the one hand, the increase of direct sourcing by large retailers has a significant impact on governance. While retaining their driving role due to their considerable buying power, supermarkets externalise non-core functions such as the 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 by offering value-added production and supply-chain management to supermarkets. This has been achieved through vertical integration downstream into freight forwarding, clearance and sales agency, which has allowed Kenyan producers to control the distribution and marketing process more effectively (Thoen et al. 2000). The Dutch auctions, on the other hand, basically function as a distribution centre by 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 € 2.5 billion in 2006 (CBI 2007).

Historically important, the Dutch flower auctions remain the most significant route and mechanism through which cut flowers from East Africa are distributed to European wholesalers and retailers (CBI 2007), even though direct sourcing by large retailers has increased. While the direct strand for flowers is controlled by supermarket buyers, particularly UK retailers, and is strongly buyer-driven, the auction system is less strictly coordinated and less driven.

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



The auction strand is characterised by relatively loose trading relationships because of its more market-based type of coordination, particularly at the auction point, which makes explicit governance along the whole chain difficult to achieve. It is in the direct GVC strand that labour has been able to exploit the power of retailers in specifying entry barriers, while campaigners in consumer markets have exposed and criticised the appalling working conditions in flower plantations in developing countries.

In the last decade, a range of private social and environmental standards superseded ineffective unilateral corporate codes of conduct and developed into broader business and multi-stakeholder initiatives. The majority of standards were developed in European consumer markets, although recent years have also seen the initiation of a variety of standard initiatives in producer countries. In all, at least sixteen different social and or environmental standards (international and national) exist for cut flower exports (CBI 2007; Dolan and Opondo 2005; Riisgaard 2009). In the context

of very weak workplace organisation, it is the direct buyer-driven strand, rather than the spot market-based auction system, through which campaigners in the consumer markets as well as national and international trade union bodies have been able to create pressures for standards at the level of production. While a range of different PSSs are required to enter direct retailer chains, social and environmental standards are not currently a requirement to access the Dutch auctions. However, an exception might be emerging, as flowers certified to the social and environmental Fair Flowers Fair Plants (FFP) label can now be identified at the auction clock on an optional basis (though it is too early to assess the impact of FFP; see also Riisgaard forthcoming). This became possible because it was in the interest of the auctions and the wholesalers buying at the auctions to be able to offer socially labelled flowers to buyers (previously not possible in the auction strand). The IUF used this opportunity to become part of and influence the FFP initiative.

Unions have engaged with PSSs at the international, national and district, as well as farm branch levels. In the context of national unions that were too weak to run organising campaigns and an emerging plethora of (mostly unilateral) standards, the IUF decided to enter the 'standards game' – on alternative terms – by challenging unilateral business codes of conduct (weak in content, scope and monitoring), engaging constructively in private standard-setting and building its own multi-stakeholder model standard, the International Code of Conduct for the Production of Cut Flowers (ICC; IFC 2002; interview with IUF Africa coordinator 2006). This code was established by an alliance between the IUF, affiliates and several NGOs (the International Flower Campaign) and is based on ILO standards, with implementation mechanisms designed to include the meaningful participation of workers, local organisations and unions. The ICC formed the centrepiece of a campaign to regulate work and employment in flower production. Initially, importers in Germany and the Dutch MPS initiative were targeted, successfully, to accept the ICC (ILRF 2003), which later formed the basis for many of the social standard initiatives in the cut flower sector, such as FLP, HEBI, Max Havelaar and MPS-SQ (Socially Qualified).<sup>5</sup> 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 the FFP scheme, which is based on the ICC and coordinated by the largest international flower industry body, Union Fleurs. According to the IUF, FFP is a step forward from other standards as it involves representatives from local NGOs and trade unions as well as an auditor at all audits, thus effectively giving trade unions a veto on certification (interview with IUF Geneva coordinator 2008). Similar to the agreement between COLSIBA and Transfair in bananas, union participation in audits shows how unions are seeking to make actual freedom of association and the right of collective bargaining an inherent element of PSSs. The account below demonstrates

how the link between the global level and the workplace can be used to further labour organisation at production sites, depending, however, on the capacity and response of local unions.

Unionisation in the flower sector increased considerably in Tanzania from two out of eight farms in 1998 to six out of ten in 2006 (interviews, 2006; Riisgaard 2007). In Kenya unionisation has remained relatively low, with around 3,400 unionised flower workers (mainly male permanent workers) out of approximately 50,000. To a major extent, the positive development in Tanzania has come as a result of how labour has engaged with standards and managed to use them as a platform to organise and build capacity at farm branch level. This has occurred particularly through constructive interaction between FLP and the Plantation and Agricultural workers union of Tanzania (TPAWU), with FLP seeking union assurance that freedom of association and collective bargaining rights are complied with before certifying farms. Ensuing organising initiatives resulted in collective bargaining agreements on the two largest farms, which, according to TPAWU, constituted the door opener to the flower sector in general (interviews with TPAWU representatives; Riisgaard 2007). By contrast, the leadership of the Kenya Plantation and Agricultural Workers Union (KPAWU) has resisted the tripartite-plus logic of multi-stakeholder standards and has been much more reticent about working with standards initiatives and labour-friendly NGOs (see Riisgaard 2007 on the conflict between unions and NGOs). The KPAWU leadership does not allow links with PSS initiatives (which often work with non-KPAWU works councils on farms and do not routinely share inspection reports with the union) unless this have been cleared with headquarters. Consequently KPAWU has declined to fill seats available on a local multi-stakeholder initiative and to shadow audits. An exception here is Max Havelaar, which is perceived to be looking for compliance with ILO conventions and to be working more closely with unions (interviews, 2006).

This has led to a dual engagement with PSSs in the Kenyan flower sector. On the one hand, branch-level KPAWU representatives are denied opportunities to shadow audits. Reflecting on the good experience with Max Havelaar, one KPAWU branch secretary argued:

It would be better for MPS-SQ to go straight to the branches. That would be the best way. By not going we lose influence, and personal disagreement comes in the way of worker representation. Our job is to represent workers. (interview, 2006)

On the other hand, by remaining on the sidelines Kenyan unions have allowed labour NGOs to become the preferred local 'labour partner' and to shape more participatory auditing practices.



## 4. Discussion and Conclusion

The four cases discussed above reveal the difference that chain governance makes for labour agency, not only between but also within GVCs. However, the governance of inter-firm linkages, while crucial in structuring the terrain for labour, is always mediated by the specific social relations of local production and labour control regimes, as well as the histories and orientations of the respective actors. GVCs shape labour's room for manoeuvre, while labour co-constitutes GVCs. This is apparent in the campaigns for IFAs and PSSs that labour has engaged in, which once again highlight the role of the analytical factors discussed: (1) the level of drivenness; (2) the functional position of the driver and the existence of a brand with consumer recognition; and (3) the specificity of local labour control regimes and union organising.

First, social regulation along a GVC strand is more likely in highly driven GVCs, regardless of the functional position of the lead firms. High levels of drivenness point to the ability of the chain driver to impose criteria (such as labour standards) on the rest of the value chain strand. Thus, drivenness also opens avenues for labour (as well as other social movements) to target the strategic actor(s), i.e. the driver(s), in the chain (see the direct strands in bananas and cut flowers). By contrast, such leverage is more implausible where value chain strands are characterised by relatively loose, market-based, trading relationships, as evident in the banana wholesale strand and the cut flower auction strand (although the emerging FFP label might constitute an exception). Here, no single actor has the power to control or impose conditions on the rest of the chain, which deprives labour of a vehicle (a lead firm) under which fragmented labour actors could cooperate and campaign for social regulation.

Secondly, where drivenness makes social regulation along the GVC plausible, the functional position of the driver(s) creates different leverage points for labour. Whereas labour can threaten to disrupt production in producer-driven strands (where the MNC is vertically integrated and/or exercises hands-on coordination over production), campaigns in buyer-driven strands threaten to disrupt consumption. Additionally, there is a recognition of the central role of branded actors in highly driven chains: in both the banana and flower cases the drivers' product or retail brands are targeted, although it is only in buyer-driven settings that labour typically depends on coalitions with organisations at the consumer end. The bipolar nature of the direct banana strand allows leverage over both production and consumption: COLSIBA campaigned against a branded producer with a relatively stable industrial and management structure (through vertical integration and hands-on management) and, as part of a broader coalition, targeted branded retailers to demand socially certified bananas. Equally, retail drivers in the direct cut flower strand have been pushed into demanding certification at production level; however, as they are not involved in

production through either vertical integration or hands-on coordination, it is the political power of campaigners at the consumer end that is crucial here. Thus, the different ways in which production and consumption are linked through GVC governance frame labour's inter-organisational strategies. Whereas the challenge for labour in producer-driven chains lies in establishing international cooperation between different production locations within the supply chain of an MNC, the challenge in buyer-driven chains lies in recreating a link between the sphere of consumption and the workplace in order to overcome the separation of workplaces from industrial and political power. In this context, linking production locations in IFAs is appropriate for labour to build counter power in producer-driven chains, while PSSs seem more auspicious in linking broader coalitions across production and consumption. Thus, IFAs and PSSs serve different strategic purposes, which might well be complementary but are not interchangeable. Further strategic implications arise out of the trend towards buyer-drivenness in GVCs (see Gibbon and Ponte 2005, Gereffi et al. 2005), which arguably favours 'good targets' (i.e. consumer brands) for labour campaigns. While this does not bode well for workers in chains that are not susceptible to consumer pressure, it only serves to underline further the need for broad labour coalitions (with local communities, NGOs and Northern workers), as well as innovative strategies beyond IFAs and PSSs.

Thirdly, production and labour control regimes differ tremendously between the strands and locations discussed: they are crucial in shaping the specific insertion of local production in the GVC, as well as labour capacities to secure and maintain fundamental labour rights. In banana production, for example, labour managed to maintain its long-standing organisation on banana plantations in the face of wide-ranging, often government-supported anti-union campaigns and attacks (e.g. Korovkin 2005). Workplace strength and regional trade union coordination in the form of COLSIBA provided the foundation for strategies within the banana value chain, which was extended to Northern labour NGOs and consumer markets. Contrary to this, cut flower production in developing countries only took off in the 1980s and the 1990s, often coinciding with the liberalisation of host economies. Organising in emerging flower-producer countries has proved extremely difficult and only been successful in a few countries. Here, union strategies have been national and have only gone beyond the national level through the IUF (often in collaboration with Northern labour NGOs) by creating generic minimum standards such as the ICC and pressuring branded retailers in consumer markets. Thus, whereas the regional-global campaigns of COLSIBA and the IUF were backed up by workplace unionism, it was IUF cooperation with a variety of Northern (human rights, labour, environmental) NGOs that was of prime importance for the labour rights campaigns in flower workplaces. It is important to recognise how different forms of North-South linkages engage with the workplace: the regional-global campaigns of COLSIBA and the IUF were firmly based on workplace unionism and were

able to influence the direction of consumer-end pressure; conversely, in flowers it was initiatives and campaigns from organisations in the North that established the conditions for workplace organisation in the South (the examples from Tanzania and Kenya show the difficulties in translating rights into actual workplace capacity). The key role of labour's specific embeddedness for its capacity to achieve *sustainable* workplace organisation is further underlined by a paradox that has been noted following PSS campaigns: while demanding adherence to pro-labour standards, demands made by retailers in the direct strand (such as just-in-time ordering) at the same time exert pressure towards casual or temporary labour (Hughes 2001; Oxfam 2004; Barrientos and Smith 2007). This, we argue, underlines labour's role in co-constituting GVCs: to counter the effects of this paradox, campaigns for PSSs need to be supported by a strategy of workplace organising. While this has the potential to effect redistribution between producers and workers, in itself it does not challenge the balance of power between different corporate actors in the chain such as buyers and producers.

In this paper, we have argued that core concepts of GVC analysis and labour geography (Castree et al. 2004; Herod 2001; Wills 2001) offer a useful starting point from which to elaborate on how GVC governance results in different opportunities and constraints for labour agency in relation to advancing social regulation in different GVC terrains. In sum, our study shows how forms of GVC governance structure the way power is distributed along chains, and how, in reverse, labour might use different strategies to shape value chains by using the power of lead firms in enforcing rights and transforming aspects of the employment relationship into entry barriers for participation in the chain. In order to exploit the potential of such an analysis, labour needs to be conceptualized a priori as a *value producer* in GVCs and thus as a social actor with its own interests regarding the organizational, spatial and political structure of a value chain.

# Notes

<sup>1</sup> PSSs refer to voluntary regulation being promoted along value chains in an attempt to improve performance related to labour standards. IFASs are agreements on minimum labour standards negotiated between Global Union Federations and MNEs, including as a minimum freedom of association and the right to collective bargaining and providing unions with formalised access to the corporate level of the MNE.

<sup>2</sup> Governance as drivenness is based in the global commodity chain strand of GVC analysis and associated with Gereffi (1994); governance as coordination comes out of a later development of GVC theory by Gereffi et al. 2005; see also the overview by Bair 2008).

<sup>3</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.

<sup>4</sup> SA 8000 is an auditor-certified standard that covers workers' rights; the ETI is an alliance of companies, NGOs and unions operating in the UK that has developed a model code of labour practices.

<sup>5</sup> The Flower Label Programme (FLP) is a multi-stakeholder consumer label devised mainly for the German market and based on the ICC; the Horticultural Ethical Business Initiative (HEBI) is a Kenyan multistakeholder initiative; Max Havelaar is a fair trade organisation that awarded its label to ICC-certified flowers until 2006.

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# PAPER III







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**LOCALIZING PRIVATE SOCIAL STANDARDS:  
STANDARD INITIATIVES IN KENYAN CUT FLOWERS**

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# Abstract

Since the mid-1990s, a range of Southern social standard initiatives have emerged, including in the African horticultural industry. In this paper I analyse two Kenyan standard initiatives in the cut flower sector – a business initiative and a multistakeholder initiative. I investigate how international social standard requirements are ‘localized’, and how standards are played in different ways by different stakeholders in order to gain influence and to further specific goals. The analysis shows that when the standards are negotiated and performed, the power relations that exist both between local stakeholders and along the global value chain (GVC) for cut flowers are reflected and reproduced. The analysis further reveals a general tension between a focus on private social standards (PSSs) as a technical tool to achieve social compliance based on outcome standards, and a focus on PSSs as a means of enhancing the process through which workers claim their rights. This tension is clearly reflected in the fact that when the multistakeholder standard is endorsed by other local standard initiatives, it is to the exclusion of the multistakeholder institution and to the exclusion of the participatory auditing methodology – the main vehicle through which process rights are promoted. Placing the local standard initiatives in the context of GVC governance, this paper also illustrates how local standard initiatives can be seen as indirectly playing into the governance agenda of retail buyers, because local standards (particularly multistakeholder standards) offer better insurance against conflict and create necessary consensus and ‘back-up’ from critical voices, both locally and in buyer markets.

# 1. Introduction

Private Social Standards (PSSs) covering the employment conditions of Southern producers exporting to European markets have multiplied rapidly since the 1990s. Multinational Enterprises (MNEs) and large buyers have increasingly adopted labour standards along global value chains (GVCs), such as the right to form trade unions, and abolishing discrimination, child and forced labour. PSSs, however, remain highly disputed, particularly since the intended positive impact of PSSs by no means is guaranteed. Amongst other things, standard initiatives have been criticised for being Northern driven, for implementing a Northern agenda on Southern producers and workers, for not being sensitive to local specific conditions and for not including local stakeholders (Barrientos et al. 2003, Utting 2005, Blowfield & Dolan 2008).

Most PSS initiatives have been designed in the North. Lately, however, a range of Southern standard initiatives have emerged in the African horticultural industry. These local initiatives are most often run by producer associations, although a few multistakeholder initiatives have also appeared.<sup>1</sup> The Kenyan horticultural industry provides an interesting case, since no less than four local standard initiatives exist in parallel, including two business association standards (Kenya Flower Council (KFC) and the Fresh Produce Exporters Association of Kenya standards (FPEAK)), and a multistakeholder initiative (Kenyan Horticultural Ethical Business Initiative (HEBI)). Additionally, the Kenya Bureau of Standards (KEBS) has also developed a standard for the national horticultural industry. Kenya thus provides an interesting case for exploring what happens when international pressure for minimum social standards is translated into local standard initiatives.

In this paper, I argue that the move towards 'localising' PSSs cannot uncritically be seen as automatically furthering the interests of the intended beneficiaries of social standards (workers, their families and communities) nor as necessarily representing a 'Southern' agenda as opposed to a 'Northern' one. Through case studies of KFC and HEBI, this paper investigates how the introduction of PSS requirements are 'localized' and how standards are played in different ways by different stakeholders in order to gain influence and forward specific goals. Local standards are analysed against the background of local power relations. But local PSS initiatives also operate in

<sup>1</sup> Southern multistakeholder initiatives in the field of labour codes of practice in Africa include the Wine Industry Ethical Trade Association (WIETA) in South Africa, the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ) and the Horticulture Ethical Business Initiative (HEBI) in Kenya.



the context of GVCs, particularly buyer-driven value chains, where lead firms govern the activity of other firms in the chain (Barrientos 2003, Riisgaard 2007, Gibbon & Ponte 2005, Tallontire 2007). In this paper, the Kenyan PSS initiatives are therefore placed in the context of the GVC for cut flowers, particularly the strand of the value chain that is driven by large European retailers.<sup>2</sup> This enables an analysis of how local standard initiatives fit into the governance mechanisms employed by powerful buyers and a discussion of whether these local initiatives from a value chain governance perspective create contesting terrains.

To carry out the examination of local PSSs, I employ an analytical framework that combines explorations of horizontal interactions between stakeholders at the local level with vertical interconnections to stakeholders related to and involved in the GVC for cut flowers. Global Value Chains Analysis is employed as an overall frame and used to situate the local PSSs in vertical relations of power. Particular attention is paid to the governance mechanisms employed by large retailers. The local level of PSS constitutes the second and interconnected level of analysis. In the forefront here are relations of power and negotiation.

For this purpose, I draw selectively on the conceptual framework developed by Tallontire (2007) to analyse developing country private standard initiatives in agri-food value chains. Tallontire also brings into play GVC analysis, but expands the understanding of governance by adapting concepts from convention theory and from analysis of regulation. I focus on the parts of Tallontire's framework that deal with legislative governance (who makes the rules and how) and judicial governance (how conformity is assessed). Underlying the analysis is an understanding of standards as socially mediated and therefore neither objective nor unbiased. Conversely, standards are always embedded in particular systems of social relations, and standard outcomes often reflect differences in power between different actors (Busch 2000, Hatanaka et al. 2006).

The paper is based on fieldwork I carried out in 2006 covering 10 export flower farms in Kenya. Additionally, a range of interviews were conducted with industry organisations, industry consultants, local and international standard initiatives, labour NGOs and trade unions at national as

<sup>2</sup> The Kenyan-European cut flower value chain entails two distinctive strands (a direct strand driven by large retailers and a strand where flowers are traded at the Dutch flower auctions).

well as district- and farm-branch levels. Follow-up interviews with key stakeholders were carried out in May 2008 (for interview reference key see footnote<sup>3</sup>).

Following this introduction is a section on the developments in the global flower value chain, including discussions of private social standards and the Kenyan context. In section 3, I turn to the Kenyan PSS initiatives focusing on legislative and judicial governance, the motivation and strategies of the different stakeholders, as well as the relation to GVC governance. Section 4 concludes by reflecting on how power inequalities are played out in the localization of PSSs in Kenya and how the local standard initiatives can be seen as indirectly playing into the governance agenda of retail buyers.

## 2. Private social standards and cut flowers in Kenya

### 2.1. REORGANISING PRODUCTION

Private social standard (PSS) initiatives, both international and local, operate in the context of GVCs. The production strategies of MNEs have changed substantially since the 1970s. At present, they are often characterised less by direct foreign investment and more by indirect sourcing through GVCs linking them to networks of suppliers in developing countries (Dicken 2007). This shift has been described at length in the GVC literature, which traces the linkages between production, distribution, retailing and consumption. This body of literature highlights

<sup>3</sup> The Chief Executive Officer of KFC as well as three board members from the HEBI were interviewed by phone in May 2008. Various documents concerning HEBI were also reviewed in 2008. All other interviews were conducted in 2006. For interview key see table below:

Union officials, national level and district level (UN)	9
Union officials, farm level (UF)	6
Representative from works councils, joint bodies or other worker committees (Wc)	5
Farm management (M)	17
NGOs (NGO)	7
Standard representatives (St)	11
Experts (Ex)	4
Total	59

the ability of some lead firms<sup>4</sup> to govern the activity of other firms in the chain (e.g. Gereffi & Korzeniewicz 1994, Gibbon & Ponte 2005). Rules and conditions of participation are the key operational mechanisms of GVC governance (Gibbon and Ponte 2005), and PSSs can therefore be seen as forming part of the mechanisms used to govern GVCs by lead firms.

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 distributions of gains, and sets terms of participation and of exclusion (Ponte 2008). Gereffi originally distinguished between buyer- and producer-driven<sup>5</sup> 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 information costs, product design, advertising, and advanced supply management systems set the entry barriers. In these chains production functions are usually outsourced, and the retailers and brand name companies exercise key governance functions defining what is to be produced (Gereffi 1994).

In general, a move towards buyer drivenness<sup>6</sup> in GVCs can be observed particularly in GVCs led by branded manufactures and retailers (Gibbon and Ponte 2005, Gereffi et al. 2005). In buyer-driven GVCs, a movement can be detected from direct control to more indirect or 'hands off' mechanisms of governance. This includes a heightened explicit role for quality within a framework of control at a distance and the increased importance of standards and auditing technologies and methods (Gibbon and Ponte 2005, Power 1999). The heightened importance of quality (broadly defined) relates to a shift from an economy of quantities to an economy of qualities (Callon et al. 2002), where quality is becoming a central component of economic competition,

<sup>4</sup> 'Lead firms' refer to a group of firms in one or more functional positions along a value chain being able to 'drive' it.

<sup>5</sup> The distinction between buyer- and producer-driven chains describes only one aspect of governance. For example, GVCs can move from one category to the other (Ponte 2008). Furthermore, actors external to the chain can have an important say in how a GVC is governed – these actors can be NGOs, trade unions, 'experts', certification bodies, and/or providers of support services (see Ponte 2008, Riisgaard 2007, Herod 2001, Coe et al. 2007).

<sup>6</sup> '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 (Raikes et al. 2000, Ponte 2008) The degree of drivenness can differ significantly ranging from highly driven GVCs to GVCs that are not driven.

and where private quality standards and their ability to differentiate products therefore are becoming increasingly important (Hatanaka et al. 2006). This shift is mirrored in GVCs by an extension of governance to wider issues, such as management standards, environmental standards and, more recently, social standards that are observed by suppliers (Nadvi 2008, Nadvi K & Wältring 2004, Reardon et al. 2001, Gibbon & Ponte 2005, Tallontire 2007, Hatanaka et al. 2006).

### ***Restructuring the cut flower value chain***

The move towards buyer drivenness is evident in the cut flower value chain, where structural shifts in distribution channels in EU markets are taking place, with the growing importance of super-markets sourcing directly from suppliers in developing countries, cutting out wholesalers and the Dutch auctions<sup>7</sup> (Thoen et al. 2000, CBI 2005). The world market for cut flowers has grown consistently since the early 1980s, but has experienced a slowing growth in demand over the past five to ten years, 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 (Thoen et al. 2000, CBI 2005).

The Kenyan-European cut flower value chain entails two distinctive strands (the direct strand and the auction strand). 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 from East Africa that goes through the Dutch flower auctions has diminished, and direct sourcing by large retailers is increasing. 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). Since standards are a requirement only for producers participating in the 'direct' strand of the GVC, which is driven by large retailers, in this paper I focus on this particular strand (hereafter simply named the flower GVC).

The increase of direct sourcing by large retailers is having a significant impact on governance (due to the retailers' considerable market power) as well as an increasing demand for compliance with

<sup>7</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 organisation structure (Thoen et al. 2000).

social and environmental standards. More complex consumer demands and a more demanding regulatory environment faced by retailers have posed demands on retailer governance practices and how they manage their value chains, both to avert negative publicity and to differentiate their products. One way that retailers have achieved this is by codifying the knowledge required to meet quality specifications in standards and grading systems. Social and environmental standards are an extension of this process and one way in which retailers seek to reduce risks and govern their value chains (Barrientos et al. 2003). In cut flowers, PSSs therefore form part of the mechanisms that are used by retailers to govern the GVC. Supermarkets externalise non core functions, such as monitoring of quality and coordinating supply logistics, upstream in 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 (ibid). The direct strand for flowers is highly driven by supermarket buyers, particularly UK retailers.

## 2.2. PRIVATE SOCIAL STANDARDS IN CUT FLOWERS

Critique in consumer markets of appalling working conditions in factories and plantations in developing countries producing consumer goods for the Northern markets spurred the formulation and adaptation of PSSs. Standards covering the employment conditions of Southern producers exporting to European markets increased rapidly throughout the 1990s, and 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.

The nature of cut flowers and the character of the flower trade have set the frame for some highly criticised working conditions in the industry. The Kenyan flower industry in particular has been one of the favourite targets for campaigns, both locally and in Europe, demanding better environmental and social conditions. Export of cut flowers from East Africa is an example of how tightened quality regulations and increasing concerns with social and environmental issues have created a highly codified industry. For producers participating in value chains driven by large retailers, adopting social and environmental standards is a requirement, and it is not unusual for producers to comply with half a dozen different social and environmental standards (cf. Collinson 2001, Barrientos et al. 2003).

Social standards differ significantly in origin (both in terms of geography and actors involved) as well as in content, implementation and monitoring procedures. Initially, these standards mostly took the form of unilateral business initiatives, but later they have also included broader business

and multistakeholder initiatives. The majority of standard initiatives were conceived and formulated in Europe, but in recent years a variety of standard initiatives have also been initiated in producer countries. Cut flower 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).

With the demand for standards also comes a demand for auditing and certification. Depending on the individual standard, different actors qualify (and often compete) to carry out services in the audit and certification market. Furthermore, standard creation, adoption and implementation affect terms of inclusion and exclusion in value chains. It is therefore of importance to examine who sets these standards and what issues are subjected to standardisation and how. As argued in Brunsson (2000:9): 'the creation of standards can seldom be seen as natural, straight forward or harmonious processes. Rather many factors are important: which actors are able to participate or allowed to do so, how the decision processes are designed, and so on.' Standards are thus not objective and neutral mechanisms, but socially mediated and embedded in particular systems of social relations and power (Busch 2000, Hatanaka et al. 2006). Studies by Hughes (2001) highlight that when all costs of complying with social standards are borne solely by suppliers, then PSSs can actually reinforce an already adversarial supply chain relationship and retailer dominance. In this way, as Freidberg (2003) puts it: 'cleaning up down South comes cheap', and PSSs can be seen as reinforcing existing power imbalances and as a new mechanism of control through self-control. Additionally, when PSSs touch down in local settings, they invariably interact with local relations of power and politics and should not be viewed as neutral market tools (Ponte 2008, Riisgaard 2007, Hatanaka et al. 2006). Local PSS initiatives therefore need to be seen as sites of struggle and contestation, which might reinforce or change roles and inter-relationships (Tallontire 2007, du Toit 2002). Thus, the emergence of local standard initiatives needs to be addressed in the context of power relations both within the GVC and between the local stakeholders. Before proceeding to explore how this unfolds in Kenya cut flowers, a critical discussion of the potential and limitations of PSSs is presented.

### ***The potential and limitations of PSSs***

The benefits of PSSs remain highly disputed. PSSs are almost exclusively limited to export industries and reviews have highlighted that many are weak in content, 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 conditions 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, Utting 2005, Blowfield & Dolan 2008, du Toit 2002).

Serious inadequacies have been reported in the way standard compliance is monitored by companies and by the burgeoning social auditing industry. Auditors have tended to rely heavily on management information, with little involvement of workers and the organisations representing them. Additionally, audits have focused most attention on the more visible aspects of standards, such as health and safety and working hours, rather than more embedded issues such as discrimination (Barrientos & Smith 2007). Research has shown that the use of a participatory social audit methodology<sup>8</sup> is more likely to build trust, promote dialogue and expose sensitive workplace issues – the method is, however, also more challenging and costly to apply (ibid, Dolan & Opondo 2005, Blowfield & Dolan 2008).

This relates to a point highlighted by Barrientos and Smith (2007), namely the distinction between outcome standards and process rights. Process rights, for example the principles of freedom of association and no discrimination, describe intrinsic principles of social justice that enable workers to claim their rights. These process rights provide a route to the negotiation of and access to other entitlements and specified conditions of employment, such as a health and safety policy, minimum wages, working hours and deductions for employment benefits such as health insurance and pensions. These entitlements and specified conditions of employment are labelled outcome standards. Most PSSs are now based on ILO core conventions and thus comprise both outcome standards and process rights. Nevertheless, in a comprehensive study of the effects of PSSs amongst suppliers to members of the ETI<sup>9</sup>, it was found that while PSSs were having an effect on outcome standards, they were having little or no effect on process rights (Barrientos & Smith 2007 see also Nelson et al., 2007 for similar findings).

<sup>8</sup> A participatory approach to codes of labour practice puts greater emphasis on involvement of workers and workers' organisations in the process of standard implementation and assessment. It is based on developing partnerships between different actors (companies, trade unions, NGOs and preferably governments) in developing a locally sustainable approach to the improvement of working conditions. This approach is sensitive to uncovering and thus addressing more complex issues such as gender discrimination and sexual harassment. A participatory approach can be developed at different levels. At a minimum, it involves the use of participatory tools in the process of social auditing. At its broadest level, it involves the development of local multistakeholder initiatives forming an independent body able to oversee the implementation and monitoring (Auret & Barrientos 2004).

<sup>9</sup> The ETI is a UK initiative to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions.

That PSSs have more impact on outcome standards than process rights relates to auditing methods and reflects the dominance of a technical compliance perspective. Checklist auditing and self-assessment have been the main ways of monitoring PSS implementation. This system is compatible with other forms of technical and financial auditing, and is often carried out by companies who also specialise in those activities. While technical social auditing is able to identify outcome standards, such as health and safety provisions and wages, it has proved less capable of identifying process rights (Barrientos & Smith 2007). This in turn reflects a general tension between a focus on PSS as a technical tool to achieve social compliance based on outcome standards, and a focus on PSS as a means of enhancing the process through which workers claim their rights. In multistakeholder initiatives, to which I will turn shortly, this tension often plays out as a tension between civil society and commercial actors.

This tension is also evident in a wider debate concerning the kinds of issues that are addressed and, more importantly, *not* addressed in PSSs. As highlighted by Blowfield & Frynas (2005) and Blowfield & Dolan (2008), the meaning of PSS initiatives is represented as being self-evident, but in effect it is highly significant which issues are open for discussion and which are not. Studies demonstrating the relationship between retailer buying practices and adverse labour conditions at the producer end are a case in point (Barrientos & Smith 2007, Hughes 2001). As argued by Hughes (2001) and du Toit (2002), amongst others, attention needs to be paid to the contractual relations between retailers and suppliers in addition to issues of worker welfare at sites of production, if PSS initiatives are to make a more significant difference to the organisation of global supply chains. At present, apart from Fair Trade standards, PSS do not include buying practices in the value chain, such as the extraction of favourable pricing terms and discounts, the avoidance of legally binding contracts for supply, the setting of tight product specifications and supplier switching. Another example comes from the Kenyan cut flower industry, where the final buying order from the retailers arrive at 10 am on the day of delivery, leaving little possibility to plan work hours in advance (cf. Hale & Opondo 2005).

### ***Multistakeholder initiatives, Southern initiatives and issues of power and representation***

Retailers have responded to criticism by creating alliances with the very groups that criticise them in so-called multistakeholder initiatives where NGOs, multilateral and other organisations encourage companies to participate in initiatives that set social standards, monitor compliance, promote social reporting and auditing, and encourage stakeholder dialogue and social learning (Utting 2002). Multistakeholder initiatives, however, are also open to criticism. There are important questions about representation: Who is included? Who is excluded? Who speaks on behalf of workers, especially more marginalised informal workers, many of whom are women?



(Dolan & Opondo 2005, Barrientos 2003, Blowfield & Dolan 2008, Tallontire 2007, du Toit 2002).

Furthermore, tensions can easily arise between different stakeholders, who are representing or reflecting different interests and occupy different positions of economic power linked to the global value chain (Hughes 2001). As argued by Utting (2002), corporations might encourage multi-stakeholder initiatives and other forms of collaboration with NGOs as a means of (a) accommodating threats to their dominance that derive from civil society activism and (b) exercising what Gramsci has referred to as 'moral, cultural and intellectual' leadership as a basis for rule via consensus as opposed to coercion. In GVC language, this argument touches upon the potential role of multistakeholder standard initiatives as a tool that indirectly reinforces the governance agenda of buyer-driven value chains, because they enable cooperation and consensus while securing against conflict.

Another criticism concerns the fact that many multistakeholder initiatives and PSSs in general, have been developed in the North, and there is concern that these fail to incorporate Southern stakeholders and the concerns of workers in developing countries (Barrientos 2003, Tallontire 2007, Blowfield & Dolan 2008). Southern initiatives have occurred to counter this trend. According to Barrientos (2003), Southern initiatives reflect a move away from a Northern-based focus towards local engagement in how standards and standard implementation can more genuinely address and improve the needs and rights of workers. In this view, Southern initiatives are better able to address worker needs at a local level and in the specific local context. Discrimination based on gender or race may, for example, be embedded in social norms and thus require different strategies in one context compared to another. Furthermore, local initiatives can address more context specific and more complex issues at an ongoing rather than an on-off basis (Barrientos 2003).

Blowfield and Dolan (2008) highlight how African standard initiatives, no more than Northern initiatives, are formulated by the workers they purport to benefit. It is also questionable exactly how local the local initiatives actually are. Do they represent a new position that in any substantial way contests existing Northern initiatives or the dominant position of Northern buyers? The following sections will show that local standards can to some degree play into the governance agenda of buyer-driven value chains.

## 3. Kenyan social standard initiatives

### 3.1. ANALYTICAL FRAMEWORK & BACKGROUND

In this part of the paper I turn to an analysis of relations of power, contestation and negotiation in local PSSs in Kenya. The analysis is based on the understanding that the content of standards and how they are performed is often the outcome of strategic actions and negotiations between involved stakeholders reflecting existing power differences (Hatanaka et al. 2006, Bingen & Siyengo 2002, Juska et al. 2000). Each stakeholder has its own agenda and ideas about quality (in this case ideas about what constitutes acceptable social conditions) that it seeks to implement, and standards are used to further this agenda. Thus, the way standards are negotiated and used may reflect and reproduce power relations that exist both between local stakeholders and along the GVC.

As recommended by Tallontire (2007), I start by analysing the rules which are being developed and implemented through the PSSs. A next step is charting the evolution of the PSS opening up for discussions about who makes the rules and how (what Tallontire refers to as 'legislative governance')<sup>10</sup>. This concerns the origin of the standard, the extent to which it draws on international standards or includes locally specific criteria, the links it has with other standards, both in the public and private domains, and identification of who is involved and who may be excluded. This is particularly pertinent in relation to worker representation, as new forms of worker representation are legitimised through NGO advocacy. Attention is also given to what Tallontire terms 'judicial governance', referring to the way compliance is monitored and assessed. This issue is particularly relevant since the initiatives differ substantially in this area. Finally, the initiatives are set in the context of governance of the cut flower GVC and the important question of whether these local PSSs actually represent a form of 'control at a distance' on the part of lead buyers.

Focus is on the KFC and HEBI standards, the two initiatives developed explicitly for the flower industry. These two standard initiatives provide appropriate grounds for comparison, since they are substantially different both in relation to the structure of the standard initiatives and in the methodologies they employ for assessing compliance. Two other local standard initiatives (FPEAK and KEBS) were not specifically designed for cut flowers, but contain general standards for horticultural products. The FPEAK and KEBS standards are not analysed in this paper, but

<sup>10</sup> Tallontire here takes inspiration from Kaplinsky and Morris (2000).

since they are relevant in relation to both KFC and HEBI, they are briefly introduced in the following together with a short overview of other relevant local stakeholders.

### ***The development of local PSSs in Kenya***

Kenya is one of the top players in the world cut flower industry (the 4<sup>th</sup> largest) with a value of USD 313 million out of a total export value of USD 354 million from Sub Saharan Africa (the global value was USD 5.5 billion in 2007).<sup>11</sup> The export flower industry in Kenya started to take off in the late sixties and cut flowers are now the nation's second largest source of foreign exchange in agriculture (after tea), providing employment to an estimated 50,000 workers. Although there are an estimated 5,000 flower farms in Kenya, a tendency can be seen towards concentration, with three-quarters of the exports supplied by about 25 large- and medium-scale operations (Opondo 2002, Thoen et al. 2000).

The Kenyan flower industry has been one of the favourite targets for campaigns both locally and in Europe demanding better environmental and social conditions. Since the 1990s, producers (particularly producers supplying EU retailers) have adopted a range of social and environmental standards (see also Riisgaard 2007), and four local standard initiatives have emerged (all the Kenyan standards are named 'codes', so in the following codes and standards are used interchangeably). The first local standards were launched by the Fresh Produce Exporters Association of Kenya (FPEAK) in 1996 and Kenya Flower Council (KFC) in 1998. KFC has about 50 members representing more than 70% of the Kenyan flower export. FPEAK has around 70 flower exporters as members. Compared to KFC, which counts many of the largest flower growers, FPEAK caters more for medium- and smaller-size flower exporters (Thoen et al. 2000, [www.fpeak.org](http://www.fpeak.org)). Both the FPEAK and KFC standards relate mainly to good agricultural practices but also cover environmental management and occupational health and safety of workers.

In 2002 the Kenya Bureau of Standards (KEBS) launched the 'KS1758 Code of practice for the horticulture industry'. Although KEBS is a statutory organisation of government and the national standards body<sup>12</sup>, it did not develop the standard. The forces behind the establishment of the

<sup>11</sup> Data from UN COMTRADE, HS 2002, product category 0603.

<sup>12</sup> KEBS develops and acts as custodians of Kenyan standards (like e.g. the Diamond seal of excellence product quality) but KEBS also certify to system certifications like ISO 22000/2005, ISO 9000/2000, ISO 14000 and HACCP (interview St7 2006, <http://www.epzakenya.com/UserFiles/File/Presentation%20by%20KEBS%20-%20Mr%20Masila.pdf> accessed 20.08.07).

KEBS standard were FPEAK and KFC. Together they drafted a harmonised standard based on their own standards. This document was handed over to KEBS, which merely corrected the format and sent it to the Standard Council for approval (interviews St2/St7/St8 2006).

At the time of its approval (on Valentine's Day 2002), local NGOs launched a public campaign criticising the failure of existing social standards to protect workers' rights (Hale & Opondo 2005). As a direct outcome of this critique, the multistakeholder Kenyan Horticultural Ethical Business Initiative (HEBI) was formed in 2003 and the HEBI code, which deals exclusively with social issues, was released (Hale & Opondo 2005, ETI 2005). The board of HEBI has representatives of NGOs as well as employers' associations (FPEAK and KFC) and individual producers (Hale & Opondo 2005, [www.hebi.org](http://www.hebi.org)). In 2004, a second edition of the KEBS standard was approved (interview St7 2006). The 2004 version was aligned to EUREPGAP (now GLOBAL-GAP) and incorporates provisions on worker health, safety and welfare from the HEBI standard (KEBS 2004). Both KFC and FPEAK have announced that they endorse the HEBI standard.

International actors, particularly European NGOs, European-based standard initiatives and European buyers have been influential in the development of the local Kenyan standard initiatives. How this has taken place will be discussed in the following sections, where the KFC and HEBI standard initiatives are examined in turn.

## 3.2. THE KENYA FLOWER COUNCIL (KFC) CODE OF PRACTICE.

### 3.2.1. Rules & genealogy

In 1998 KFC was created by five of the largest farms as a reaction to a flurry of negative media attention in the UK and pressure from NGOs in Kenya as well as abroad (Hughes 2001). The KFC standard was motivated by a wish to 'clean up' the image of the flower export industry and in this way accommodate critical civil society voices, both locally and in buyer markets, while at the same time accommodating new retailer demands. The KFC code of practice details the standards to be met in environmental, social, health and safety and good agricultural practices by all KFC members. The authors of the standard are the KFC council directors, comprising eight financial and production managers of the major farms. The standard, now in its seventh edition, is based on European standards (particularly UK retailer standards) for good agricultural practices and social and environmental performance, but with references to Kenyan legislation.

All KFC members have to comply with the KFC Silver standard within one year and can choose to move up to the optional Gold standard thereafter (interview St2 2006). Members are mostly large Kenyan flower growers, while associate members are EU importers, UK retailers and Dutch

auctions (Hughes 2001, [www.kfc.org](http://www.kfc.org)). Apart from a yearly certification and six monthly surveillance audits, KFC also carries out unannounced audits in 10% of the member farms every year. The Silver standard is audited by KFC's own auditors. However, due to changing demand from international buyers, since 1999 KFC audit procedures are evaluated by accreditation bodies that are qualified and recognised by the International Accreditation Forum, such as SANAS or BVQI (Hughes 2001).<sup>13</sup>

### 3.2.2. Integration, recognition and accreditation

The KFC standard is built on the basis of other standards designed for the global flower and horticultural industries. When there are developments in the latter (new market demands or developments in other standards), the KFC standard is also revised. In June 2005 KFC became the first national growers' association to achieve benchmark status with the EUREPGAP (now GLOBALGAP) Ornamentals Scheme (UNCTAD 2006).<sup>14</sup> After being awarded equivalence status to GLOBALGAP, KFC started the process of aligning the KFC Quality Management System to the ISO guide 65. This is necessary in order to be accredited to certify to an internationally recognised standards such as GLOBALGAP. If successful, this means that when certified to the KFC standard, members will for a small amount be able to become certified to GLOBALGAP without further auditing (interviews St2/St4 2006, <http://www.kenyaflowers.co.ke/audit.htm> Accessed March 2008).

In 2006 KFC reached a recognition agreement with the largest UK supermarket chain, Tesco, which has an on-going assessment of KFC's standard and audit procedures in order to ensure that the procedures of the KFC standard are complying with the Ethical Trade Initiative (ETI) requirements, which TESCO adheres to.<sup>15</sup> Apart from these accreditation and recognition agreements, KFC also cooperates with local standard initiatives. As mentioned earlier, KFC is a board member of HEBI and has together with FPEAK been the driver in establishing the KEBS standard. The KEBS 'National code of practice for flowers' is based on the fourth edition of the

<sup>13</sup> The Gold Standard audit is carried out by an independent third-party auditor like BVQI or SGS ([www.kenyaflowers.co.ke/](http://www.kenyaflowers.co.ke/)).

<sup>14</sup> The KFC silver standard has the status of a provisionally approved standard (i.e. a standard that has already completed the benchmarking procedure). All benchmarking documents have undergone the assessment process and have been acknowledged as a GLOBALGAP equivalent. The corresponding benchmarking agreement has already been signed. The only missing link here is the formal accreditation of the responsible Certification Bodies. ([http://www.globalgap.org/cms/front\\_content.php?idcat=31](http://www.globalgap.org/cms/front_content.php?idcat=31) accessed March 2008.)

<sup>15</sup> KFC has provisional recognition as of September 2006 but it is unclear whether the agreement still has effect (<http://www.kenyaflowers.co.ke/audit.htm> accessed March 2008).

KFC standard, so KFC members already comply with it. KFC, together with KEBS, FPEAK and HEBI, are lobbying to make the KEBS standard a national requirement for export licenses (interviews St1/St2/NGO3 2006, St1 2008). So far KFC has obtained an accreditation agreement (in 2007) with KEBS to audit flower growers against the KEBS standard and collect standard levy fees on behalf of KEBS (<http://www.kenyaflowers.co.ke/audit.htm>).

Integration with international and national standard initiatives through accreditation, recognition and cooperation has constituted an important tactic for KFC since its first code was drawn in 1998. Alignment with international standards serves the purpose of keeping members up-to-date with buyer standard demands and thus helps members to remain competitive. At the same time, it makes the KFC standard more attractive (and less costly) to flower growers by offering a 'one off' audit (interview St2 2006). In turn, this allows KFC to capture a larger chunk of the auditing and certification market. Alignment with international standards is moreover necessary to gain reputational recognition amongst buyers.

Integration and cooperation with local standard initiatives likewise offers several advantages. As mentioned, KFC is lobbying to make the KEBS code a national requirement for export licenses. This would compel growers to become members of KFC (or FPEAK), since this would be the easiest and cheapest way to obtain the required certification to acquire an export licence. Around 120 flower growers are members of either KFC (approximately 50) or FPEAK (approximately 70). This leaves out some 4000 flower growers, most of which are smallholders. In practice, they would have to become members (and pay membership, audit and certification fees) if they wanted to continue exporting. But many of the existing smaller producers may not have the management system in place to comply and to document compliance with the standard. For the larger exporters, compliance will not cause a problem, since they are already complying with various private international standards. While making the KEBS code a national requirement for export licenses would certainly broaden the reach of social standard implementation in the industry, there is a real danger that it could also lead to further consolidation and exclusion of smaller actors.

KFC participates in HEBI at board level, thereby engaging at the institutional level with the NGOs, which have been the main critical voice in the country. Hereby, they accommodate critical voices both locally and abroad and are able to 'contain' some of the negative publicity (this is considered in more detail in connection with the analysis of HEBI). At the same time, the involvement with HEBI plays into the existing conflict between NGOs and unions in the sector. Thus, KFC effectively recognises labour NGOs as preferred partners when discussing labour rights issues and social standards in the industry.

### 3.2.3. Localization and relation to GVC governance

While KFC founders had some autonomy in drafting the code, it was powerfully shaped by UK supermarket standards and audit procedures. Global institutions like the ILO and WHO have formulated the conventions that form the background for the writing of standards in the area of chemical use and labour standards. National level legislation informs many of the specific requirements laid out in the code, especially with regards to labour issues, but also on the usage of chemicals (the standard demands relevant licenses, e.g. a license to store chemicals obtained by the Pest Control Products Board and certificates from the Department of Health and Safety). UK legislation shapes the recommendations on issues, like the storage of pesticides, which are necessary to meet UK retailers demands on traceability and quality control (Hughes 2001, Kenya Flower Council code seventh edition).

The KFC social standard to some extent represents a localization move due to its reference to specific parts of the national legislation. However, this is not unambiguously a process towards local sensitivity and empowerment. On the contrary, the KFC initiative can be seen as a move towards alignment with international standards and audit procedures which focus on documentation and traceability and employ a technical checklist approach to measuring standard compliance. In this way the KFC standard, as most other PSSs, can be presented as a technical tool to achieve social compliance based on outcome standards as opposed to a focus on PSS as a means of enhancing the process through which workers claim their rights.

Both legislative governance (who makes the rules and how) and judicial governance (how compliance is assessed) of the KFC standard is strongly shaped by the demands of retailers. Furthermore, the standard in no way contests the power of large buyers in the value chain. In other words, what is agreed upon in the KFC standard is already accepted and increasingly demanded by EU flower buyers. Even though the standard initiative is local, it is shaped around the same managerial audit culture as the buyer standards. The emergence of the KFC standard can therefore be seen as a move towards 'self regulation' by producers in developing countries, and in this way it plays into a general governance move towards more indirect forms of governance in buyer-driven value chains. By being local the standard is helping to avoid conflict through its ability to detect and address non-compliance and disputes at an early stage and in a continuous way. In this way the local standards indirectly can aid buyers in creating the necessary 'back-up' from critical voices both locally and in the buyer markets.

Perhaps somewhat paradoxical is the fact that even though pressure from civil society at both ends of the value chains was influential in bringing about the KFC standard, civil society did not participate in standard setting and is not involved in monitoring. The realms of both legislative

and judicial governance are exclusively confined to the largest producers and EU buyers (the most important of which are associate members of KFC)<sup>16</sup>. In this way, both smaller producers and all other stakeholders are excluded from this process as well as from implementation. So even though the KFC standard represents a localisation move, the standard caters to business interests to the exclusion of the end-beneficiaries or organisations purporting to represent them.<sup>17</sup>

### 3.3. THE HORTICULTURAL ETHICAL BUSINESS INITIATIVE (HEBI)

#### 3.3.1. Rules and genealogy

The HEBI code, released in 2003, draws on established African and international standards but resembles most closely the Ethical Trading Initiative (ETI) Base Code.<sup>18</sup> It includes provisions on child and forced labour, discrimination, regular employment, living wages, health and safety as well as freedom of association and the right to collective bargaining ([www.hebi.or.ke/hebi-code.htm](http://www.hebi.or.ke/hebi-code.htm)). However, what sets the HEBI standard apart from most other social standards is detailed instructions concerning how to implement and audit the standard using participatory social auditing methods. This methodology is based on thorough participation in the audit process by all groups of workers as well as unions and NGOs. The methodology includes as key elements the use of participatory interview techniques (such as e.g. focus groups or the use of drama, storytelling or problem ranking) and an awareness day prior to the audit where awareness raising activities are carried out by HEBI with both workers and management. The methodology also involves independent auditing and audit shadowing by and consultation of trade unions and

<sup>16</sup> Associate members are; Aalsmeer Flower Auction BV, Agrotropic AG, East African Flowers BV, Flora Holland, Flower Plus Ltd., K. N. Airlink, Marks and Spencer PLC, Omniflora Blumen Centre GmbH, Sainsbury's, Tesco, World Flowers Ltd and Van Beek Bloemen BV (<http://www.kenyaflowers.co.ke/members/associates.php> accessed 17/7 2007).

<sup>16</sup> The Gold Standard audit is carried out by an independent third party auditor like BVQI or SGS (from KFC web page).

<sup>17</sup> The lack of civil society involvement can be partly explained (but not excused) by the fact that it is primarily a technical code with social additions rather than foremost a social code.

<sup>18</sup> The ETI is a UK initiative to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions (not restricted to cut flowers). It was developed in 1998 by a consortium of companies, trade unions, and NGOs. Supermarket members of the ETI are: ASDA, the Co-Op Group, J Sainsbury, Marks & Spencer and Tesco. They are applying codes to all their 'own brand' products, including fresh produce. ETI has a base code and provides a generic standard for labour practices. All corporate members are required to submit annual progress reports on their code implementation activities (ETI website 2008)



NGOs (HEBI 2005, HEBI not dated). The HEBI initiative thus falls within a tradition of focusing on PSS as a means of enhancing the process through which workers claim their rights.

As mentioned, HEBI was a response to the perceived shortcomings in the PSSs that were introduced in the Kenyan industry from the mid-1990s. A campaign publicly launched on Valentine's Day in 2002 by the Workers' Rights Alert (WRA – a loose coalition of workers rights NGOs)<sup>19</sup>, criticised the failure of these standards to protect workers' rights (Hale & Opondo 2005). The national campaign successfully raised public awareness in Kenya and highlighted the poor conditions for workers in the flower export industry. This was followed by an international conference in May 2002, which the UK-based labour NGO and ETI-member Women Working Worldwide (WWW) attended. An increasingly large percentage of Kenyan flowers were being bought directly by UK supermarkets that had signed up to the ETI initiative. Therefore it was possible for WRA through WWW to use the procedure in ETI that enables NGOs or trade union members to report violations of the ETI code. The companies in question then have an obligation to investigate the situation and take appropriate action. Following the ETI investigation in Kenya, the multistakeholder initiative HEBI was formed and officially recognised in 2003 (Hale & Opondo 2005, ETI 2005). The board<sup>20</sup> of HEBI include three NGO representatives, three employers' associations (KFC, FPEAK and AEA – the Agricultural Employers Association) and three individual producers, with seats also available for representatives of the Kenya Plantation and Agricultural Workers' Union (KPAWU) (Hale & Opondo 2005).

So far, HEBI has resulted in the development of the HEBI social base code. HEBI has conducted pilot audits on ten farms and a secretariat has been set up using grants provided by ETI and other donors. HEBI offers specialised-training programmes in participatory social auditing to individuals and firms within the horticultural industry and has a pool of about 30 local social auditors which have been trained in the participatory social auditing methodology. It is yet to be decided if and how certification to the HEBI code will be carried out in practice, but it has been decided that official audits against the HEBI code have to be authorized by HEBI and shadowed

<sup>19</sup> The WRA-coalition consists of Kituo Cha Sheria (a lawyer NGO pursuing individual and group worker cases in civil court), Kenya Human Rights Commission (KHRC), Kenya Women Workers organisation (KEWWO) and Workers Rights Watch (WRW) (interviews NGO3/NGO4 2006).

<sup>20</sup> The board members are: KFC, Homegrown, FPEAK, Workers Rights Watch (WRW), Kenya Women Workers organisation (KEWWO), Karen Roses, Kenya Human Rights Commission (KHRC), Shera Agency (via Martin Ole Kamwaro) also representing the Agricultural Employers' Association (AEA) (Interviews St1/ St10 2006).

by auditors trained and approved by HEBI ([www.hebi.org](http://www.hebi.org), interview St2/St3 2008). It seems, however, that HEBI has somewhat halted its activities the last few years, and at the moment activities are confined to occasional board meetings and an available pool of auditors trained in the specific participatory methodology (interview St1/ St2/ St3 2008). According to several board members, the performance and long term viability of HEBI is questionable, particularly due to lack of funds since external donors have pulled out (interview St1/St2/M1/M8 2006, St1/St2/St3 2008). The HEBI secretariat, which before had its own office and a project manager, is now reduced to temporarily borrowing a room at the KFC office. The HEBI staff (which have not been paid wages for several months) have been reduced to a secretary and an office assistant (interviews St1/St2/St3 2008).

### 3.3.2 Motivation and power – a stakeholder analysis

As mentioned earlier, HEBI was formed because – despite the existence of initiatives that address labour standards on cut flower farms – a number of workers' rights violations persisted on these farms (ETI 2005, interviews St3 2008). The main problem seemed not to be the content of the standards, but the way in which compliance was assessed. At that time, many organisations were using their own auditors. Some standards were industry bodies with farms as members and the same body policing those farms led to potential conflicts of interest, with little transparency or involvement of external, independent stakeholders. Additionally, very few had established on-going links with local trade unions and NGOs and none were using a participatory audit methodology (ETI 2005).<sup>21</sup>

The mandate of HEBI was to develop a social audit system that was participatory in nature and that would be able to remedy the mentioned shortcomings while being acceptable to all stakeholders, including retailers in the North. HEBI was to develop detailed terms of reference for the audit of flower farms, raise funds to finance the audit process and appoint and contract independent auditors and approve the audit process (ETI 2005, [www.hebi.org](http://www.hebi.org)). An important aspect of HEBI was at the same time to ensure dialogue and contain damaging press amongst former adversarial stakeholders. The different stakeholders in the flower industry, however, had diverse and sometimes opposing motivations for participating (or not participating) in HEBI as well as

<sup>21</sup> Examples of problems listed in the ETI report from 2005 include: Workers unaware of their rights, very few workers selected for worker interviews, workers interviewed in the presence of management, little contact between auditors and local trade union and NGO representatives, only permanent workers interviewed, too few female auditors (ETI 2005).

diverging agendas for the desired performance of HEBI. In the next sub-sections I examine the local stakeholders invited to participate in HEBI.

### ***The trade unions***

The Kenyan trade unions have never participated in HEBI and this has raised questions about inclusiveness and representation. But neither Kenyan stakeholders, nor ETI members, have been able to build contacts between the established trade unions and HEBI (ETI 2005). This situation needs to be seen in the broader context of a highly problematic relationship between labour NGOs and unions, both purporting to represent workers. NGOs claim that since only 3,400 (out of around 50,000) flower workers are unionised and since unions are tailored to service male permanent workers, they cannot adequately represent the flower workers (which are often female and non-permanent). Unions, on the other hand, contend that NGOs have no right to stand in as worker representatives in labour market conflicts. The NGO-union relation seems to have grown worse with the introduction of private social standard initiatives, because these cooperate with NGOs but rarely with the unions (Hale & Opondo 2005, Riisgaard 2008). COTU (the Central Organisation of Trade Unions) has categorically declined to fill the seats available to them in HEBI due to the presence of labour NGOs in HEBI (interview UN3 2006, see also Riisgaard 2007).<sup>22</sup> The unions have chosen to position themselves against the initiative and thereby refuse to attribute it legitimacy. Also at the international level, the global union federation representing agricultural workers unions (the International Union of Foodworkers and Allied - IUF) does not endorse the HEBI initiative. According to the IUF Africa representative there are already too many standards, and the IUF has chosen to lobby on standard harmonisation through the international Fair Flowers and Plants (FFP) initiative (interview Ex3 2006).

The rejection of HEBI by the Kenyan trade unions does not only mean that the trade unions are not represented in the HEBI initiative. It also means that when buyers, employers and employer associations choose to endorse the initiative, they at the same time play into the conflict between NGOs and unions and effectively recognise labour NGOs as preferred partners when discussing labour rights issues and social standards in the industry.

### ***Industry members***

For the agricultural employers association (AEA), participation in HEBI was at the outset conflictual. The director of FKE (Federation of Kenyan Employers) was at that time set against

<sup>22</sup> In late 2005, COTU agreed to nominate a representative to the board (the deputy secretary general). However, in practice the unions have never participated or even attended any meetings (interview St1/UN1/UN2 2006).

AEA getting involved in an initiative where Kenya Human Rights Commission was also involved, but despite this, the AEA chose to participate anyway (interview St9 2006). In this way, the AEA engages in two different structures: a collective bargaining agreement with the trade union<sup>23</sup>; and HEBI with the labour NGOs (interview M8 2006).

HEBI was set up in a situation of heightened awareness of the significance of labour issues and this led several of the largest producers to immediately join the initiative (Hale & Opondo 2005). Also, the industry organisations KFC and FPEAK were swift in joining it and both have endorsed the HEBI code. However, it remains unclear how (and if) this will manifest itself in practice (interview St1 2006, St2/St3 2008). For both the large flower farms and the industry associations, participation was strongly encouraged by their main UK buyers. In addition, public allegations in Kenya compelled producers to move beyond industry centered solutions into dialogue and cooperation with their conventional adversaries. The producers had an interest in silencing the damaging press coverage for which the labour NGOs were responsible. While this changed the traditionally conflictual relationship between NGOs and producers, at the same time it reinforced the conflict between NGOs and unions in the industry and thus to some degree reinforced the divide amongst worker advocates. Producer participation in HEBI plays a powerful legitimising role and helps satisfy critical voices (both national and international). However, producers and producer organisations also have an interest in not yielding influence over business procedures to NGOs. Particularly there is an interest in not adapting practices that complicate auditing by being more costly, more time-consuming or potentially leading to more profound changes in the relationship between employees and employers.

### ***Labour NGOs***

Three labour NGOs participate in HEBI; Kenya Human Rights Commission (KHRC), Kenya Women Workers organisation (KEWWO) and Workers Rights Watch (WRW). Although they differ in focus point (KHRC focuses on human rights broadly, KEWWO focuses specifically on woman workers, while the focus of WRW is on workers in general), they all fight for the rights of workers and they have a tradition of being activist NGOs and very critical of the cut flower indu-

<sup>23</sup> Most flower farms are also members of the Agricultural Employers Association, which has a sector-wide collective bargaining agreement (CBA) with the Kenya Plantation and Agricultural Workers Union (KPAWU). Although a sector CBA setting minimum conditions for workers is normally seen as a sign of a powerful trade union, the Kenyan agricultural CBA has been accused of being used by employers as a CSR-decoy and an excuse to avoid on-the-farm trade union representation and especially individual farm-CBAs (interviews St6/St8/UF4 2006, Riisgaard 2007).

stry conditions as well as existing social standards. Through HEBI, they have tried to push local standard practice towards a more participatory framework by promoting participatory social auditing. But the HEBI initiative also yields other benefits for the participating labour NGOs. By getting the industry players to engage in HEBI, they have gained recognition and influence. In HEBI, they have an influential position as the only labour representatives, and as industry watchdogs with connections to solidarity groups in consumer countries. Through HEBI, they engage the biggest business actors in the industry at board meetings and potentially gain access to part of the audit economy by conducting audits against the HEBI code and by offering training and awareness-raising activities. In this way they have managed to be accepted as relevant stakeholders that merit active engagement. As a result, the labour NGOs can to some extent claim to have succeeded in influencing the local standard agenda. The Kenyan NGOs thus actively play the standard agenda and the mechanisms inherent in social standard initiatives to gain influence. In getting the industry players to engage, the labour NGOs exploited their indirect connections to the market (through ETI members), as well as their ability to damage the local industry reputation. At the same time, they indirectly outmanoeuvred the trade unions. What they give in return for gaining influence is (relative) silence. The NGOs active in HEBI, however, diverge in focus. The three NGOs represented on the HEBI board are continuing a very activist approach, while an NGO observer to HEBI (Africa Now) has become more substantially involved in the economy of social auditing<sup>24</sup> and close cooperation with business. This divide creates tensions among the civil society representatives between an activist as opposed to a more cooperative and service-oriented approach.

An important aspect of HEBI concerns the wish to resolve problems through dialogue, thereby diminishing critical media attention that damages the industry. All board members and observers have signed a confidentiality agreement which prohibits them (in their individual capacity) from releasing sensitive information such as audit results (Dolan & Opondo 2005, interview NGO3/NGO4 2006). According to several HEBI representatives, the practice of this confidentiality is interpreted in different ways amongst the stakeholders. The first serious test of what business actors had hoped would be an alliance of dealing with criticism within HEBI (avoiding damaging press) occurred in early 2006, when one of the NGO representatives from HEBI publicly criticised conditions on flower farms without notifying the board of HEBI (interviews, St2/St4/NGO3/NGO4 2006). A board meeting was called immediately after to sort out the situation, and before this meeting the position of the NGO representatives (including the HEBI

<sup>24</sup> The UK-based ETI member Africa Now has an 'Ethical Business Services unit' that offers ethical audits to businesses ([www.africanow.org](http://www.africanow.org)). They have conducted audits for amongst others Finley and Homegrown.

Chairman) was that if the board could not solve problems, then the NGOs would use other channels, like the press, thereby retaining their activist leverage point (interviews St2/NGO3/NGO7 2006). Another conflictual situation is being played out in 2008, where audits against the HEBI code carried out by the NGO Africa Now is seen by civil society representatives of HEBI as being compromised because the audits have not been authorised by HEBI nor shadowed by auditors trained and approved by HEBI. These allegations are the subject of internal discussions within the board of HEBI, but they have also been communicated to UK retailers and the ETI. In this way the NGO representatives of HEBI are trying to activate support and pressure from the buyer end of the value chain (interviews St2/St3 2008).

HEBI can thus be seen as an initiative where conflicting interests are at play and where the different stakeholders have different leverages. The labour NGOs exploit their indirect connections to the market (through ETI members) as well as their ability to damage the local industry reputation. In return for gaining influence, they award their (relative) silence. The trade unions in Kenya have not been able or willing to pull the lever of damaging the sector's reputation abroad, and thus they have not proved as important for the flower producers to cooperate with (or to be seen to cooperate with). The more traditional source of trade union power, namely the threat of disrupting production, has not been employed by the Kenyan trade unions, whose members count only around 6% of the flower workers. Business actors in HEBI award legitimacy and influence to former NGO adversaries by recognising them as actors with whom to cooperate on social issues. However, as illustrated in the next section, in terms of standard content the flower producers only accommodate what is already expected by ETI member buyers, and at the same time they satisfy critical voices at home and in buyer markets by being seen to cooperate at an institutional level with critical local civil society representatives.

### 3.3.3 Integration

HEBI has chosen specific ways of promoting its standard. Like the other Kenyan initiatives, the strategy of integration has been particularly important, and all stakeholders seem to agree on the need to link up to other local standards. Particularly, efforts have been put into incorporating the HEBI standard into the KEBS standard, a national Kenyan standard and government regulation. The 2004 version of the KEBS standard does include the general provisions of the HEBI standard, although with far less detail.<sup>25</sup> However, so far HEBI as an institution has been side-stepped in the process of standard creation and monitoring. Only the business associations

<sup>25</sup> E.g. the KEBS standard does not recommend three months maternity leave or spell out how regular employment is provided (KEBS 2004)

(FPEAK and KFC) were involved in setting up the KEBS standard and, more importantly, the KEBS standard does not mention the participatory auditing procedures even though this can arguably be considered the most important aspect of HEBI. Like KFC, HEBI was lobbying to turn the KEBS standard into a requirement for obtaining export licences. This would massively broaden the reach of the HEBI code – or at least the parts of the code that are included in the KEBS standard (interview St1/M1 2006). According to the former chairman of HEBI and the former HEBI project coordinator, the desired role of HEBI would be to implement the social aspect of the KEBS standard via: 1) training auditors and organising an association of trained auditors; and 2) conducting social education and auditing (interview St1/NGO3 2006).

In discussions about private social standards, critical voices highlight their voluntary nature and advocate more mandatory measures, often via integration with public regulation (e.g. Utting 2005). The incorporation of the HEBI standard provisions into the KEBS standard is an example of such a move. However, as the KEBS standard is not (at the moment) enforced by government inspectors, this link with public regulation does not seem to lead to more effective enforcement.<sup>26</sup> KFC has made an agreement allowing them to audit compliance to the KEBS standard amongst KFC members. This means that amongst KFC members there is potentially some enforcement of the KEBS standard, however, to the exclusion of HEBI as an institution and its participatory auditing methods.

Whilst the HEBI code has been endorsed by both FPEAK and KFC, it is unclear what this means in practice. It appears, however that it does not include adopting the participatory auditing methodologies developed by HEBI. Indeed, the auditing procedures of FPEAK and KFC remain modelled on international technical audit procedures, which are not participatory in nature.

The KFC representative (when asked what it means in practice that KFC endorse the HEBI standard) explained that it means that they work with HEBI, they find it a suitable standard for the industry, and in the KFC standard they make reference to the HEBI code and say that it is a

<sup>26</sup> It is unclear what exactly the current status of the KEBS standard is. At the time of fieldwork, the implementation of the KEBS standard was cursory, at best. Relevant government institutions had been given copies of the standard and were expected to take into account any sections of relevance to their specific domain while carrying out their normal procedures and inspections. In practice compliance to the standard was not inspected (interview St7/St8 2006).

good and useful document (interview St1 2008).<sup>27</sup> However, when talking to NGO representatives from HEBI and when looking at KFCs description of their auditing, it appears that adoption of the HEBI participatory auditing methodology is selective, at best. (interview St1 2008). On the website of KFC the auditing is described<sup>28</sup> and there is no mention of any participatory techniques (such as e.g. focus groups or alternative interview techniques), it does not include an awareness day prior to the audit, it does not involve audit shadowing or consultation of trade union or NGOs<sup>29</sup> neither does the KFC consistently employ independent third party auditing – all elements in the HEBI participatory auditing methodology (www.kfc.org, HEBI 2005, HEBI undated). Civil society representatives<sup>30</sup> from HEBI claim that the current auditors of KFC have not been trained by HEBI (although KFC did send three auditors for training, these are not the ones currently listed as KFC auditors). According to them, KFC continues to employ a technical auditing method where workers are asked a range of yes-no questions, and they have refused to use HEBI auditors to audit the social aspects of their standard (interview St2/St3 2008).

In sum, it appears that when the HEBI code is integrated into or endorsed by other standard initiatives it is to the exclusion of HEBI as an institution and to the exclusion of at least key aspects of the HEBI participatory auditing methodology.

As mentioned, HEBI is currently not very active and has not lived up to the expectations of either donors or HEBI members (interviews St1/St2/St3 2008). While the reasons for this are complex, according to civil society representatives some actors are trying to eliminate HEBI

<sup>27</sup> Asked about the participatory auditing methodology developed by HEBI, the representative explains that they endorse all of HEBI, including the participatory methodology. In practice, for example, they require gender and health and safety committees on the farms and this, according to the representative, facilitates participatory auditing. Furthermore, the KFC auditors have been trained by HEBI. Unfortunately, I was not allowed to see the KFC auditing procedures since these are regarded as internal documents (interview St1 2008).

<sup>28</sup> According to the website their auditing includes: A review of documents (terms and conditions of employment, crop protection practices, post harvest, quality control, maintenance of health and safety and hygiene, nursery stock propagation, traceability of all activities, training of workers, medical care, provision of personal protective equipment, waste disposal, company policies, risk assessment, emergency procedures, work instructions, internal audits, stock records). A review of all facilities on the farm. Interviews of managers and supervisors and farm workers sampled randomly from various departments. A report given at the end of the audit, entailing the Corrective Actions Requests that require to be implemented before the company can be certified, signed by the company management and the KFC auditors.

<sup>29</sup> At the time of fieldwork in 2006, there was no audit shadowing or consultation of trade unions or NGOs.

<sup>30</sup> Two out of three representatives were interviewed (the third NGO representative had only just started and was not interviewed).



slowly by not using it, by being reluctant to participate in meetings and by saying that they endorse HEBI while in practice only adopting small parts of HEBI (interviews St2/St3 2008). Lack of funds also seriously weakens the functioning of HEBI, and one could argue that multistakeholder initiatives inherently are prone to conflict and difficult to move beyond mere dialogue. Certainly participatory social auditing is inherently more complex and time consuming than more technical social audits and therefore also more challenging to implement. Another reason for the difficulties facing HEBI is that in terms of private standards, social standards are not the only or even main concern to local producers. Particularly good agricultural practices are of uttermost importance if wanting to export, and this is reflected in the accreditation or alignment to GLOBALGAP by the KFC, FPEAK<sup>31</sup> and KEBS standards alike.

### 3.3.4 Localization, representation and GVC governance

Critical voices have questioned the wider legitimacy of HEBI as a multistakeholder initiative (Dolan & Opondo 2005, Hale & Opondo 2005, Blowfield & Dolan 2008). First of all, not all stakeholders are called to the bargaining table and it can be argued that HEBI represents a select group of stakeholders to the exclusion of small and medium-sized producers, trade unions (although invited) as well as the workers themselves. As stated by Dolan & Opondo (2005:95). 'In fact, workers are the most marginalised group of primary stakeholders within HEBI as it is assumed that their interests are adequately served by the civil society organisations representing them.' The representation that is awarded through the HEBI initiative is one of NGOs speaking on behalf of workers. One way that HEBI does seek to award some form of direct representation to the end beneficiaries is through the participatory auditing process but, as mentioned, this particular element of the HEBI initiative has found it hard to endure.

In spite of this criticism, the HEBI initiative does represent a move towards more sensitivity to local issues and inclusion of and ownership by local stakeholders, especially in comparison to KFC. The HEBI code has borrowed heavily from the ETI Base Code, but it also contains additional and more specific clauses. For instance, it states that "pregnant and breastfeeding mothers shall not be assigned duties which would expose them, or their babies to risk". It is also specific on sexual harassment as a form of discrimination and it entitles three months maternity leave, and extends coverage to seasonal and casual labourers under the Compensation and Regular Employment sections (Hale & Opondo 2005, Dolan & Opondo 2005, [www.hebi.org](http://www.hebi.org)). The extension of coverage to the seasonal and casual labourers is particularly important and

<sup>31</sup> The FPEAK's Code of Practice for the horticultural sector has later been renamed KenyaGAP in 2005, FPEAK proceeded with benchmarking to EUREPGAP (now GLOBALGAP) Vegetable Scope (UNCTAD 2006).

constitutes significant improvement compared to most other standards in the industry. But most of all it is the participatory social auditing techniques employed by HEBI that places the HEBI initiative as more than just a copy of existing initiatives in the sector. However, even though the HEBI initiative was initiated exactly because of deficiencies in the way compliance to social standards was assessed – participatory social auditing is precisely the element that does not seem to survive when the HEBI standard is endorsed or incorporated into other local initiatives.

HEBI is modelled on the ETI, and ETI retail members strongly encouraged their Kenyan producers to participate in the initiative. The UK supermarkets thus became key players in the establishment of HEBI, first by agreeing to listen to workers' grievances (through the ETI investigation), and then putting pressure on their suppliers to work together with the NGOs in developing HEBI (Hale & Opondo 2005, ETI 2005).<sup>32</sup>

Seen from a GVC governance perspective, the HEBI initiative (even when including its participatory auditing principles) like most PSSs does not contest the power structure of the retailer-driven GVC (such as e.g. addressing buying practices which lead to and uphold adverse working conditions). What it does, however, is indirectly to offer retailers some safeguard against conflict, create necessary consensus and 'back-up' from critical voices locally (and in buyer markets), and thus present a means of governing at a distance. For local business, the participatory social auditing mechanisms potentially represent contested terrains, because the adaption of these methods is more laborious and potentially leads to more profound changes in working conditions and employer-employee relationships. But as shown, this 'obstacle' seems to have been quite effectively circumvented by local inter-standard cooperation deselecting this particular element of the HEBI initiative.

<sup>32</sup> This pressure also led the large integrated Kenyan flower companies to join ETI in the UK. Thus World Flowers, Flamingo Holdings and Lingarden all joined ETI as new members during 2003/2004 and all three actively participated in the ETI Flower Forum. The ETI Flower Forum was a working group of interested members established in April 2003. It aimed to discuss and address issues existing in both the market and supply sides of the flowers supply chain and to share information and good practice. In December 2004, the Flower Forum ceased to meet separately and has been integrated into the ETI Food Group, a quarterly meeting of members supplying and retailing food and fresh produce (ETI 2005).

## 4. Conclusion

In this paper I have analysed how PSSs are localized in the Kenyan cut flower industry and illustrated how this localisation process reproduces existing power inequalities (both local and in the GVC). The analysis furthermore shows how local PSSs can be seen as indirectly playing into the governance agenda of retail buyers.

Analysing the legislative governance (who makes the rules and how) of the two Kenyan standard initiatives reveals a business association standard which is strongly shaped by international standards and the demands from retailers. Although with references to local legislation, the KFC standard is an image of existing international standards and inclusion of local stakeholders is limited to larger producers. HEBI, on the other hand, does in several areas go beyond average international social standards and includes local civil society stakeholders (although workers are still not directly represented in the initiative). Through HEBI, civil society organisations have gained better access to workers in the industry and engaged in critical dialogue with business actors. At the same time, new forms of worker representation are legitimised through NGO advocacy. This may have positive implications for women workers and other marginalised groups. However, the conflict between NGOs and unions has intensified and the unions face challenges to their legitimacy as worker representatives and in relation to the traditional tripartite industrial relations structure.

The judicial governance (the way compliance is monitored and assessed) of these standards has proved particularly contested and interesting, not least in relation to integration and interrelations between local standards. While the KFC standard mainly employs a technical audit methodology, HEBI employs participatory social auditing methods, and this is where HEBI distinguishes itself from most existing standard initiatives. The KFC initiative can be seen as a move towards alignment with international standards and audit procedures which focus on documentation and traceability employing a technical audit approach to measuring standard compliance. Thus the KFC standard falls within a tradition of seeing PSSs as a technical tool to achieve social compliance based on outcome standards as opposed to a focus on PSS as a means of enhancing the process through which workers claim their rights (as advocated by HEBI). In other words, one could say that the way quality (in relation to social concerns) is defined, differs substantially between civil society actors focusing on process rights and commercial actors focusing on outcome standards. In the ongoing negotiation of the HEBI initiative this tension is reflected most clearly in the fact that when the HEBI standard is integrated into or endorsed by other local standard initiatives it is to the exclusion of HEBI as a multistakeholder institution and to the exclusion of

key aspects of the HEBI participatory auditing methodology - the main vehicle through which process rights are promoted.

The analysis provided in this paper shows how stakeholders entered HEBI with different agendas and different power leverages. These power asymmetries to some degree determine what issues are negotiated and whose interests count, and partly explain why it is the participatory social auditing method that seems not to have endured cooperation and integration with other Kenyan standard initiatives. In these processes of integration and endorsement, existing power relations are reflected and reproduced. Seen in this light participating in multistakeholder dialogue with conventional adversaries comes cheap for the Kenyan producers.

Placing the local standard initiatives in the context of GVC governance, illustrates how local standard initiatives can be seen as indirectly playing into the governance agenda of retail buyers. First of all, the standards are not contesting the power of retailers. Secondly, by reinforcing demands already posed by retailers the standards constitute a move towards 'self regulation' by producers in developing countries. Thirdly, by being local the standards are helping to avoid conflict through their ability to detect and address noncompliance and disputes at an early stage and in a continuous way. In this way the local standards can aid buyers in assuring producer compliance to social standards. Lastly, local standards, particularly multistakeholder standard initiatives, can enable consensus and cooperation while securing against conflict and criticism (by critical voices locally and in buyer markets) which could potentially disrupt sales. In this way the localisation of standards can be seen as indirectly playing into the governance agenda of buyer driven value chains, where the lead firms now endorse (and at times actively promote) local standard initiatives not least because they offer better insurance against conflict, create necessary consensus and 'back-up' from critical voices locally and in buyer markets, and present an effective means of governing at a distance.

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# PAPER IV



Horticultural Ethical Business Initiative









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**HOW THE MARKET FOR STANDARDS SHAPES COMPETITION IN THE  
MARKET FOR GOODS:**

**SUSTAINABILITY STANDARDS IN THE CUT FLOWER INDUSTRY**

Lone Riisgaard

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## List of Abbreviations

ETI	Ethical Trading Initiative
EU	European Union
FFP	Fair Flowers Fair Plants
FIAN	FoodFirst Information and Action Network
FLO	Fairtrade Labelling Organizations
FLP	Flower Label Programme
GVC	Global Value Chain
HEBI	Horticultural Ethical Business initiative
ICC	International Code of Conduct for Cut Flowers
IG BAU	Trade Union for Construction, Agriculture and Environment, Germany
ILO	International Labour Organization
IUF	International Union of Food and Agricultural Workers
KFC	Kenya Flower Council
MPS	Milieu Programma Sierteelt
MPS-A,B & C	MPS environmental registration certificates
MPS-SQ	MPS Socially Qualified
NGO	Non-Governmental Organisation
UK	United Kingdom
US	United States

# Abstract

Sustainability initiatives have proliferated in many industries in recent years. This has led to a plethora of standards that exist in parallel to each other seeking to address more or less the same social and environmental issues. Sustainability standards are not neutral tools but institutional mechanisms that differ in the way they seek to implement their objectives and in the impact they have on intended beneficiaries and other value chain actors. In this paper I explore the emergence of multiple standards seeking to regulate the social conditions in the production of cut flowers aimed at the EU market. I investigate developments in the focus and function of these standards and the effect of standards and standard harmonization attempts on the terms of competition in the cut flower value chain. The analysis shows that the harmonization of flower standards has a potential to 'lift the standard bar' by transforming risk management standards into product differentiation standards. The paper also shows how the market for standards can shape competition in the market for flowers by altering the terms of participation in the growing market segment for 'sustainable' flowers. Through the new standard harmonization initiative Fair Flowers Fair Plants, Dutch growers are now able to compete in the market for socially labelled flowers which before was restricted to Southern producers.



# 1. Introduction

Private standards in horticultural and agrofood value chains have evolved considerably over time, in the functions they perform, in their institutional structure, but also in the issues they seek to regulate and how this regulation is exercised. As established standards have evolved, new standards emerge regulating new issues or new combinations of issues (for example bananas that are at the same time certified Fairtrade and organic). With the proliferation and development of standards, there has also been an evolution of new institutions setting standards and assessing conformity, including standards-setting bodies, auditors, and certification and accreditation agencies (NRC, 1995; Hatanaka et al., 2005). More broadly, an audit 'industry' and audit 'culture' have been constructed and nurtured serving to proliferate the role that standards play as a mode of regulation. At the same time, there has been a shift from an economy of quantities to an economy of qualities spurring the proliferation and increased importance of standards focusing on sustainability issues (Power, 1997; Henson and Humphrey, 2008; Busch, 2000; Busch and Bain, 2004). It is these 'sustainability' standards that I focus on in this paper, and more precisely standards that cover the social aspects of the cut flower production process (although most standards cover both social and environmental issues, my focus is on the social aspects related to employment).

The implementation of private sustainability standards such as the ones for horticultural produce needs to be seen in the social and economic context in which these value chains operate. The changing nature of consumption patterns in northern countries has increased the importance of branding and product differentiation shifting focus from price-based competition toward quality, innovation and value-added as key performance criteria for suppliers. Underlying this trend is the increasing salience of credence<sup>1</sup> factors among the growing number of middleclass consumers who are no longer solely concerned with price, quality and safety, but also about the social and environmental conditions under which products are produced (Reardon et al., 2001; Ponte and Gibbon, 2005).

The proliferation of 'sustainability' initiatives constitutes a new form of regulation where private actors such as NGOs and industry associations are involved in negotiating standards for labour and the environment, and for monitoring compliance to these standards. These new systems of regulation have expanded rapidly across industries of interest to critical western consumers such as garments, toys, forest products, oil and gas, agricultural products, chemicals and electronics (Gereffi et al., 2001; Utting, 2002; O'Rourke, 2006). These new and private systems of regulation however

<sup>1</sup> Credence attributes in products are 'aspects that cannot be known to consumers through sensory inspection or observation-in-consumption' (Reardon et al., 2001).



remain highly disputed, particularly since the intended positive impact on producers, workers and the environment is by no means guaranteed. Standard initiatives have been criticised for implementing a Northern agenda on Southern producers and workers, for not being sensitive to local specific conditions, and for providing consumers with a false sense of problem solving (Barrientos et al., 2003; Utting, 2005; O'Rourke, 2006; Blowfield & Dolan, 2008). Others, on the other hand, argue that such private initiatives are more efficient than traditional labour or environmental regulation and moreover suit the current global production system (see for instance Bernstein, 2001). An interesting but underexplored feature of sustainability standards is their differential impact on different value chain actors (see Bain, 2005; Hatanaka et al., 2005) and how standards can affect the terms of competition between participants.

The cut flower industry is a particularly interesting example of the emergence and proliferation of standards that seek to regulate the social and environmental conditions of production. The character of cut flower production and trade has set the frame for some highly criticized working conditions in the industry. The largest developing country exporters (Kenya and Colombia) in particular have been favourite targets for campaigns demanding better environmental and social conditions both locally and in Europe and North America. In 2006, developing countries supplied 22 percent of EU imports of cut flowers and foliage and 60 percent of US imports, and their share is increasing<sup>2</sup>.

The seasonal nature of the cut flower trade, with demand peaking at European/US festivals such as Valentine's, Mother's day and Easter and lowest demand during the European/US summer, makes labour demand in production highly uneven. Seasonality is a major force behind the employment of large numbers of temporary workers at times of peak demand. The increase in sales to large retailers has further intensified the need for a flexible workforce to meet the ever-changing requirements of retailers, whose orders are often adjusted on the day of delivery (Hale & Opondo, 2005; Riisgaard, 2009). The perishability of the product means that workers often have to work long hours to complete critical tasks such as harvesting and spraying, but it is the heavy use of chemicals that constitutes the main health hazard to workers and the surrounding environment and communities. The floricultural sector makes intensive use of crop protection agents and fertilizers. This has to do with the nature of the high-productivity production process, the fact that growers tend to specialize in the cultivation of a few flowers or a single one (which increases the risk of attacks by diseases and pests), and the fact that certain export markets (notably Japan) demand the complete absence of any living insect or mite in imported flowers (van Liemt, 2000).

<sup>2</sup> Market shares for developing countries vary between flower types e.g. in the EU developing countries carnations has a share of (61%), foliage (46%) and roses (39%) (CBI, 2007).

The industry has reacted to the criticized working conditions by adopting a range of private social and environmental standard initiatives since the mid 1990s. Initially, the codes mostly covered technical issues such as chemical usage and environmental management. The social components of codes relating to workers' welfare are a more recent addition (cf. Barrientos et al., 2003). The majority of standard initiatives have been conceived and formulated in Europe, but in recent years a variety of standard initiatives have also been developed in producer countries. Cut flower export trade associations in Kenya, Uganda, Zambia, Zimbabwe, Ethiopia, Ecuador and Colombia have all developed their own social standards (CBI, 2005; Dolan & Opondo, 2005). In all, at least 20 different social and or environmental standards (international and national) exist for cut flower export (CBI, 2005; Riisgaard 2007 & 2009).

In the flower industry, we thus have a standard landscape with many schemes existing in parallel, sometimes in competition and sometimes in cooperation, and with attempts at harmonization. These standards are not neutral mechanisms but institutional mechanisms that differ in the way they seek to implement their objectives and in the impact they have on intended beneficiaries and other value chain actors. In this relation the paper examines two issues. First, it explores overall trends in cut flower standards aiming at identifying whether (in terms of labour issues) there is a move towards more stringent standards or the reverse. Secondly, the paper explores how competition in the market for flower standards can shape competition in the market for flower goods. The two issues are explored via a broad mapping of standard functions and focus and via two case studies of standard convergence around a specific flower base code (the International Code of Conduct for Cut Flowers).

In the remainder of this paper, I first present theoretical discussions of standard 'parallelism' and of the role of standards in GVCs (section 2). In section 3, I relate these discussions to flower standards and the flower value chain. Section 4 presents two case studies that explore attempts at convergence around the International Code of Conduct for Cut Flowers.

The analysis presented in this paper relies on primary material gathered from 20 semi-structured interviews with representatives from flower standard schemes and other industry actors with follow up email and phone communication (see Appendix 1 for interview key). To supplement the analysis, I have further analysed materials produced by the standard initiatives themselves, including internal documents, web pages and press releases. Finally I have reviewed reports produced by industry stakeholders, multilateral agencies and donor organisations as well as published articles in academic journals and trade magazines.

## 2. Standards and Global Value Chains

### 2.1. STANDARDS AND GVC COORDINATION

The key role of standards in agricultural value chains is to facilitate their governance across space and the coordination between firms by transmitting credible information on the nature of products and the conditions under which they are produced, processed and transported (Humphrey and Schmitz, 2001; Ponte & Gibbon, 2005; Henson and Humphrey, 2008).<sup>3</sup> The global value chain approach developed by Gereffi and Korzeniewicz (1994) refers to an analytical framework that examines the cross-national activities of firms exploring how linkages between production, distribution and consumption of products are globally interconnected.

Apart from reducing transaction costs, the literature on global value chains identifies two distinct motives for explicit coordination in value chains (the focus here is on direct coordination of activities between enterprises, not on overall chain governance). The two reasons are risk management and product differentiation (Henson and Humphrey, 2008).<sup>4</sup> There is a constant search for ways to reduce the costs of coordination offered through the codification of information required to conduct a transaction (Nadvi and Wältring, 2004; Gereffi et al., 2005; Gibbon and Ponte, 2005; Nadvi, 2008). Standards codify arrangements for handling risk and product differentiation. At the same time, standards shift the obligations and the costs of meeting the standard upstream from the buyer to the seller (Hatanaka et al., 2005; Hughes, 2005 & 2006; Henson and Humphrey, 2008; Nadvi, 2008; Ponte, 2008).<sup>5</sup>

<sup>3</sup> Nadvi (2008) examines if compliance with standards leads to a lower level of explicit coordination of ties between global retailers and lead firms and their developing country suppliers. He concludes that regarding process standards results are mixed: 'On process standards, it is less clearly apparent that codification through standards implies a necessary move in the governance pendulum from greater to less (explicit) coordination by lead firms.' (Nadvi 2008: 332, italics inserted by me). According to Nadvi the effect depends very much on the specific standard, the form of compliance monitoring and the risks for lead firms associated with compliance failure.

<sup>4</sup> Humphrey and Schmitz (2001) argue that firms control risk through providing non-standard levels of assurances about factors such as reliability of delivery, product quality, product safety, production processes, etc. Such assurances require inter-firm coordination. Standards, at the same time, provide a mechanism for the transmission of information where buyers look to purchase non-standard products, normally as a means to competitive advantage through product differentiation.

<sup>5</sup> Without an established quality standard, the buyer would have to search out companies that meet its quality requirements and possibly pay a premium for requiring a non-standard level of quality. With the standard, it is the supplier that has to gain certification and bear the risk that the investment in certification may not produce a return.

According to Henson and Humphrey (2008), the two motives for value chain coordination correlate to two functions that private standards perform in relation to value chains. Following the categorizations of Aragrande et al. (2005), Henson and Humphrey thus distinguish two categories of standard in agrofood chains. '*Risk management standards*' where the predominant role is to provide a level of assurance that a product is in compliance with defined minimum product and/or process requirements. And '*product differentiation standards*' where standards are mainly aimed at differentiating the firm and/or its products in the 'eyes of the consumer' most often through a consumer label. According to Henson and Humphrey, it is possible to categorise most private standards into one of these two categories, although they recognise that some private standards have dual functions.

Henson and Humphrey (2008) argue that risk management and product differentiation standards operate variously along the continuum of a particular attribute (the issue governed by the standard) relative to a defined minimum level. 'Thus, risk management standards are employed to ensure that a product is endowed with at least the minimum acceptable level of the attribute, as demanded by the market and/or required by regulations'. Beyond this minimum level, standards act to differentiate the product according to this same attribute. As the positions of the minimum along the spectrum of possible levels differ across attributes, they expect the relative role of risk management and product differentiation standards to diverge. Therefore, risk management standards tend to predominate for food safety, where the minimum level is high and there is little scope for differentiation. On the other hand, the minimum level is low for attributes such as worker rights or animal welfare, leaving substantial scope for differentiation and, hence a major role for product differentiation standards. Henson and Humphrey argue that while product differentiation plays a larger role within so called sustainability standards, risk management plays a larger role in food safety standards. However, the standard landscape and thus the ratio between risk management and product differentiation is far from static. Historically, risk management standards have focused predominantly on food safety attributes, but threats to brand image arise from a variety of sources, and the scope of 'risk control' standards therefore has tended to expand. Henson and Humphrey suggest that there is an upward trend in the minimum level as consumer expectations and/or regulatory requirements are enhanced. 'This suggests that the territory currently governed by product differentiation standards will cede ground to risk management standards, while product differentiation standards will shift their focus to attributes where there remains substantive scope for differentiation.' (Henson and Humphrey, 2008).

## 2.2. VALUE CHAIN ACTORS, STANDARDS AND POWER

Different actors inside (and outside) the value chain prioritise risk management or product differentiation differently and gain different benefits from standards. For buyers (or branded producers), standards can form part of company strategies, with risk management tackling issues of regulatory compliance and brand protection, while product differentiation is one of the strategies used for gaining market shares. For buyers, the key role of standards is to reduce information costs, especially in the context of concerns about the credence characteristics of products and quality-based competition. But standards also function to redistribute these costs along value chains, from dominant buyers (notably retailers) to their suppliers. Therefore, from a global value chain perspective, quality standards shift the power balance further downstream. The cost of complying with yet another quality standard is often borne solely by the supplier and the expansion of third party auditing<sup>6</sup> has pushed the cost of monitoring towards the producer (Bain, 2005; Hatanaka et al., 2005; Hughes, 2005).

But producers can however also gain a comparative advantage over non certified producers via compliance to standards. Some producer organisations develop their own standards. These are used to distinguish agricultural commodities from particular regions or based on particular production systems. The Kenya Flower Council standard, the Colombian 'Florverde' standard and the Ecuadorian 'Flor de Ecuador' are all examples where standards are designed to assure buyers that flower producers (members of particular producer associations) in these countries are meeting or exceeding current buyer expectations. Standards (and particularly labels) from producer associations can also be seen as an effort to establish brands further up the value chain, enhancing the market power and returns of participants (Duguid, 2003). If a producer association is successful in developing a label that consumers want, retailers (despite their leading role in the value chain) will be forced to source from the label owners, thus, reducing their sourcing options and power (Henson & Humphrey, 2008; Humphrey, 2008). As a result, retailers have an interest in undermining the product differentiation labels of producers or, alternatively, in gaining control over them (the same mechanism can be argued to prevail for other non-retailer standard initiatives). Producer organizations also have an interest in elaborating (or benchmarking to) standards that are invisible to consumers, because they provide assurances to retailers about conformity to specific quality requirements and at the same time they allow producers to control the benefits and costs associated with certification against the standard.

<sup>6</sup> First-party auditing represents forms of internal corporate self-regulation. Second-party auditing involve industry associations in verifying compliance while third-party certifications have non-corporate coordinating bodies monitoring compliance.

But other actors related to the value chain also have an interest in standards. This includes stakeholders like NGOs, trade unions and business associations and also actors involved in the 'business of standards' such as standard setting bodies, auditors and certification agencies. The interests of these actors may be different and sometimes conflicting. Some actors are mostly interested in the influence obtainable through controlling (or partly controlling) a sought after standard, while other actors are more interested in the economic rents that can be extracted from participating in standard setting, monitoring and certification.

### 2.3. 'PARALLELISM', 'FORUM SHOPPING', COMPETITION AND COLLABORATION

The diverging interests of different actors and the role that standards play in how lead-firms are governing value chains make standards highly contested arenas. Consequently, we often see a wide range of standard schemes working in parallel to develop, promulgate and implement standards aiming to achieve more or less the same ends. Abbott and Snidal (2006) term this 'parallelism', describing the sometimes supportive, sometimes competitive relations among independent standard schemes working in parallel within roughly the same issue area. As they observe, parallelism opens up opportunities for forum shopping in two senses. Actors (both NGOs and firms) can choose to participate in alternative standard schemes to address the problem, while standard schemes themselves can 'shop' for business by competing for participation on different margins (e.g., content of rules, use of consumer pressures, mergers among schemes) (Abbott & Snidal, 2006).

This argument is picked up by Macdonald (2007) in her discussion of sustainability standards in the coffee industry where she argues that the landscape of parallel standard schemes opens up a large discretionary space for buyers in which they can define the substance and scope of how they respond to activist demands for sustainability in production. According to Macdonald this has consequences for the ability to realize consistent forms of empowerment for workers and producers in developing countries because the discretionary space allows multiple systems to coexist in parallel with consistent forms of empowerment only being achieved by those participating in 'niche' supply chains (Macdonald, 2007).

This position seems to support the notion that parallelism is counter productive in terms of empowerment and thus leads to a race towards the lowest standards (at least within mainstream markets). Another study, also on coffee standards, by Reynolds et al. (2007) reaches a similar conclusion. Looking at the five major consumer labels in coffee they ask if these initiatives largely hold the bar (i.e. halting the decline in social and environmental conditions caused by receding state regulations), or if they actually raise the bar (bringing about improvements in social and

environmental conditions). While they do find that some standard initiatives raise the bar, they conclude that standards that seek to raise ecological and social expectations are likely to be increasingly challenged by those that seek to simply uphold current standards (Raynolds et al., 2007). A similar conclusion is reached by Mutersbaugh in his study on harmonisation in fairtrade and organic standards. He finds that there is a drive towards global standards and that this spurs a tendency towards 'a "lowest common denominator", minimizing protections in national standards and displacing more comprehensive network-based standards' (Mutersbach, 2005: 2039).

Ingenbleek and Meulenber discuss competition between parallel standards. As they put it, competition is 'a battle between those that find themselves doing "good" and those that find themselves doing even "better".' (Ingenbleek and Meulenber, 2006). They find that standard organizations experience competition from both existing and new standards, but they also find that collaboration is on the rise. That is, standard organizations may collaborate with and align themselves to other standard organisations in different ways (Fairtrade for example collaborates with organic in certification of exotic fruits). In some cases, standard organizations choose not to compete, but rather to adjust their standard to the requirements of a dominant standard (e.g. GLOBALGAP).

The second facet of 'forum shopping', mentioned above, relates to the notion that standard schemes themselves can 'shop' for business by competing for participation (Abbott & Snidal, 2006). Ingenbleek and Meulenber (2006) examine the strategies that standard organisations pursue to put their sustainability objectives into practice. In their comparison of ten sustainability standard schemes, they find that many strategic differences between schemes can be traced back to two types of standard organizations: those weighing principles over size, and those weighing size over principles. The most essential difference is thus found in the trade-off between the principles of sustainable production and the size of the program, i.e. the number of farmers that adopt the standard. This is consistent with Macdonald's (2007) claim that high principles (or in her words, 'consistent forms of empowerment' (2007: 808) will only be achieved in marginal standard schemes.

According to Ingenbleek and Meulenber, standard schemes follow either a differentiation or a lowest cost strategy when targeting markets. In a differentiation strategy (pursued by schemes that weigh principles over size), a standard scheme enables primary producers to differentiate themselves from mainstream producers on the basis of sustainability and communicate this to the end-consumer. Standard organizations that weigh size over principles apply lower sustainability requirements in their standards, and thus require relatively lower investments from farmers than differentiators. Farmers producing under such standards add value to retailing and or processing firms because they increase their brand image and protect these firms to some extent from the

attacks of action groups. However these standards are not communicated directly to the end-consumers.

The difference in strategies of standard schemes identified by Ingenbleek and Meulenbergh can be related to the difference between product differentiation and risk management standards pointed out by Henson and Humphrey (2008). Thus, standard organizations weighing principles over size use product differentiation standards, and those weighing size over principles use risk management standards.<sup>7</sup>

This distinction between product differentiation standards (standard schemes weighing principles over size) and risk management standards (standard schemes weighing size over principles) indicates that some standard initiatives seek to raise the bar (bringing about sustainable improvements in social and environmental conditions) while others largely seek to hold the bar (i.e. halting the decline in social and environmental conditions). In the critical literature on sustainability standards there seems to be general consensus on the fact that multistakeholder standards using third party auditing and involving local actors in standard implementation lead to better social and environmental results (see for example Utting, 2005; O'Rourke, 2006; Barrientos and Smith, 2007; Blowfield & Dolan, 2008; Riisgaard, 2009).

In terms of the social content and outcome of standards, a distinction has been drawn between standards that focus on 'enabling rights' versus standards that focus on 'protective rights' (Rodriguez-Garavito, 2005). Where 'protective rights' refer to issues such as health and safety, minimum wages, overtime etc., 'enabling rights' refer to rights such as freedom of association and the right to collective bargaining – rights that enable the workers to define and fight their own battles. A similar division is developed by Barrientos and Smith (2007), who distinguish between standards which focus on 'outcome standards' versus standards that focus on 'process rights'. Process rights, for example the principles of freedom of association and no discrimination, describe intrinsic principles of social justice that enable workers to claim their rights. These process rights provide a route to the negotiation of and access to other entitlements and specified conditions of employment, such as a health and safety policy, minimum wages, working hours and deductions for employment benefits such as health insurance and pensions. These entitlements and specified conditions of employment are labelled outcome standards (Barrientos & Smith, 2007). See Table 1

<sup>7</sup> Ingenbleek and Meulenbergh are much less explicit about the risk management functions and instead put more emphasis on the low cost and size prioritization of some standard schemes.



for an illustration of the concepts linked in the discussion so far (although obviously some standards fit less well in these ideal typical categories).

**TABLE 1. TYPES OF STANDARD SCHEMES**

<b>Type 1 standard schemes</b>	<b>Type 2 standard schemes</b>
Schemes weighing size over principles	Schemes weighing principles over size
Focus mainly on risk management	Focus mainly on product differentiation
Focus on protective rights (outcome standards)	Focus on enabling rights (process rights)

In a comprehensive study of the effects of social standards amongst suppliers to members of the Ethical Trading Initiative<sup>8</sup>, it was found that while standards were having an effect on outcome standards, they were having little or no effect on process rights and furthermore failed to reach the most marginalised (often female) workers such as casual, migrant or subcontracted workers (Barrientos & Smith, 2007; see also Nelson et al., 2007 for similar findings). The fact that most standards have more impact on outcome standards (protective rights) than process rights (enabling rights), is related to the way standards are audited and reflects the dominance of a technical compliance perspective characterised by checklist auditing and self-assessments which is less capable of identifying process rights (Barrientos & Smith, 2007).

A serious challenge for standard initiatives that seek to promote enabling rights is that they demand more resource intensive and costly monitoring procedures (for example using participatory interview techniques and participation of local stakeholders). Furthermore, not all value chain actors are interested in promoting enabling rights, thus the scaling up of initiatives focusing on enabling rights is a big challenge.

<sup>8</sup> The ETI is a UK initiative to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions.

## 3. Social and Environmental Standards in Cut Flowers

### 3.1. THE LANDSCAPE OF FLOWER STANDARDS

In table 2, I have provided the basic features of standards aiming to advance social or social and environmental conditions in the production of cut flowers. The Table lists a total of 13 standards and this does not include unilateral retailer codes (all major UK retailers have their own; e.g. Tesco's 'Nature's choice'). Furthermore the Table only includes selected national standard initiatives and only standards that have some element of social issues (for example it excludes organic standards).

The first standards that emerged in the industry were mainly set by buyers or producer groups and tended to be weak on social issues and rely mainly on internal monitoring. During the 1990s, there was a development towards the use of third party monitoring and the emergence of new multistakeholder initiatives. Standards furthermore have tended to broaden from only covering cut flowers to including pot plants and foliage.

As illustrated in Table 2, there are many standards operating in parallel in more or less the same issues of social and environmental conditions of flower production. As we shall see below, these standard schemes place themselves differently according to the distinctions outlined in Table 1. Nevertheless the extent of parallelism in flowers standards has spurred competition, collaboration, and attempts at harmonization. Competition is present, for example, between the three consumer labels Fairtrade Labelling Organization (FLO), Fair Flowers Fair Plants (FFP) and Flower Label Program which all sell 'fair' flowers to consumers in Europe. Collaboration is widespread, particularly in the form of alignment. Thus several producer associations have benchmarked their standards to the GLOBALGAP standard, and at least five standards claim to be based on the International Code of Conduct for Cut Flowers (ICC). Additionally, a very ambitious harmonisation attempt has been unfolding in the flower sector in the last four to five years in the form of the Fair Flowers Fair Plants (FFP) initiative which will be given specific attention later in this paper.

**TABLE 2. SOCIAL AND ENVIRONMENTAL STANDARDS IN CUT FLOWERS**

<b>Standard</b>	<b>Origin and structure</b>	<b>Release</b>	<b>Characteristics and cooperation</b>
<b><i>Northern sectoral</i></b>			
GLOBALGAP (flowers and ornamentals)	Coalition of mainly British supermarkets	2003	Good agricultural practices with a small section on worker health, safety and welfare
Milieu Programma Sierteelt (MPS)	Dutch growers and auctions	1995	Environmental management (MPS A, B, C) with optional social qualification (MPS-SQ –based on the ICC code) and MPS-GAP (benchmarked to GLOBALGAP). MPS-A together with MPS-SQ has been benchmarked to FFP
Veriflora	American growers and retailers	2005	Environmental and social certification system
<b><i>Southern sectoral (examples)</i></b>			
Kenya Flower Council (KFC) Code of Practice	(KFC) Association of Kenyan flower exporters	1998	Environmental and social certification system benchmarked to GLOBALGAP and with a recognition agreement with Tesco's 'Nature's choice' from 2006. KFC is certified to ISO 65 guidelines
FlorVerde	Asocoflores (association of Colombian flower growers)	1998	Environmental and social certification system. Is benchmarked to GLOBALGAP
FlorEcuador	Expoflores (association of Ecuadorian flower growers)	2005	Environmental and social certification system
<b><i>Multistakeholder or NGO consumer labels</i></b>			
The Fairtrade Labelling Organization (FLO) (flowers and plants)	Fairtrade labelling organisations and fairtrade producer networks	2006	Principles of fairtrade including a minimum price and a fairtrade premium, Until 2006, fairtrade flowers were certified by Max Havelaar cooperating with FLP and MPS
Flower Label Program (FLP)	German importers and wholesalers, NGOs and trade unions	1996	Environmental and social certification system benchmarked to the ICC base code
Fair Flowers Fair Plants (FFP)	Union Fleurs (the International Floricultural Trade Association), NGOs and unions	2005	Environmental and social labelling scheme based on both the ICC and MPS-A criteria
Rainforest Alliance (flowers and ferns)	Environmental NGO	2001	Certification system for conservation of biodiversity and sustainable livelihoods
<b><i>Multistakeholder base codes (no certification system)</i></b>			
International Code of Conduct for Cut Flowers (ICC)	Developed by a coalition of European NGOs and the International Union of Food and Agricultural Workers (IUF)	1998	Base code with criteria on human rights, labour conditions and basic environmental criteria.
The Ethical Trading Initiative (ETI)	An alliance of UK companies, NGOs and trade unions	1998	Social base code (not restricted to cut flowers).
The Horticultural Ethical Business initiative	Kenyan flower growers and labour NGOs	2003	Base Code on Social Accountability for The Flower Industry based on the ETI

Flower standards can be argued to diverge on five key dimensions (see Table 3). These dimensions include the characteristics listed in Table 1 as well as monitoring procedures, actors involved in standard setting and how the standard is communicated: 1) private business standards (elaborated by buyers or producer groups) versus collective private standards (elaborated by multiple stakeholders including NGOs and/or trade unions); 2) third party monitoring versus first or second party monitoring; 3) standards focusing mainly on risk management (and size) versus standards focusing mainly on product differentiation (and principles); 4) standards that are communicated to consumers (consumer labels) versus business-to-business standards; 5) standards focusing on protection rights versus standards focusing on enabling rights<sup>9</sup>. Furthermore, some standards are national in scope (mainly those created by developing countries producer associations) while other standards are international. Some standards are aimed solely or mainly at the EU market, while others target the US market.

In this paper, I focus on standards that are aimed at the EU market since this is where we see the largest proliferation of standards. Furthermore, most standards are aimed either at the EU or the US market and the two sets of standards differ in history and content. While flower standards emerged in the mid 1990s for the EU market, standards aimed at the US flower market appeared later. Another difference concerns the relative weight put on social versus environmental issues. Neither Veriflora nor Rainforest Alliance (two standards aimed particularly at the US market) are very stringent on social issues but focus mainly on environmental concerns. Organic standards have increased in popularity over the last years in the US market, while organically certified flowers have only just begun to emerge in the EU market.

Of the standards aimed at the EU, MPS, GLOBALGAP and retailer codes are by far the biggest in terms of number of producers certified. It is not known how many producers are certified to GLOBALGAP or retailer codes, but any producer exporting to British retailers will have to be certified<sup>10</sup>. MPS has almost 4000 certified growers – although most to their environmental or GAP schemes only. These standards are business standards (MPS is owned by the Dutch auctions and flower growers which produce more than half the flowers sold in the EU<sup>11</sup>, while GLOBALGAP

<sup>9</sup> In Table 3, I label standards as 'focusing on enabling rights' when they contain specific procedures aimed at enabling workers, such as demanding elected worker committees, using participatory social auditing techniques and inclusion of local worker NGOs and trade unions in implementing and monitoring.

<sup>10</sup> UK is the second largest European consumer of flowers after Germany and in the UK the majority of flowers are now sold by retailers (CBI, 2007).

<sup>11</sup> In February 1995 MPS was turned into a national association of all the Dutch flower auction houses, the Federation of Agricultural and Horticultural Organisations, Netherlands and the Glasshouse Cultivation (<http://www.mps.com/asp/page.asp?sitid=437>) (accessed 29.01.2009).

was initiated by a group of large European retailers<sup>12</sup>). These standards are business to business standards and thus are not communicated directly to consumers.

**TABLE 3. KEY DIMENSIONS OF DIVERSITY**

Standard	Number of certified growers <sup>13</sup>	Business standard	Collective standard	Third party auditing	First / second party auditing	Mainly risk management	Mainly product differentiation	Protective rights/ Outcome standards	Enabling rights/ Process rights	Business to Business	Consumer label	Presence in EU market	Presence in US market
Retailer codes	?	x			x	x		x		x <sup>14</sup>		x	
GLOBAL-GAP	?	x		x		x		x		x		x	
MPS-(A,B,C,GAP)	3800	x		x		x		x		x		x	
MPS-SQ	115	x		x			x		x	x		x	
Veriflora	39	x		x			x	x			x		x
Kenya Flower Council	50	x			x <sup>15</sup>	x		x		x		x	
FlorVerde	108	x		x		x		x			x	x	x
Flor-Ecuador	92	x			x	x		x		x		x	x
Fairtrade (FLO)	42		x	x			x		x		x	x	x
Flower Label Program	58		x	x			x		x		x	x	
Fair Flowers Fair Plants (FFP)	165		x	x			x		x		x	x	
Rainforest Alliance	35		x		x		x	x			x		x
ICC	-		x	-	-		x		x	x		x	
ETI	-		x	-	-		x		x	x		x	
HEBI	-		x	-	-		x		x	x		x	

In terms of market coverage, social and environmental standards have become mainstream in flowers. A rough estimate puts between 50% and 75% of flowers imported into the EU as adhering

<sup>12</sup> Retailers sell an estimated 25-30% of flowers in the EU (CBI, 2007).

<sup>13</sup> As appear on standard websites as of November 2008. Unfortunately the number of certified growers does not say anything about the volume or value of certified flowers. In developing countries the largest farms are most often certified and often to multiple standards.

<sup>14</sup> Some retailer codes like Tesco's 'Nature's choice' is a consumer label.

<sup>15</sup> KFC also has a gold standard which requires third party auditing. Nine farms are certified to the gold standard

to one or more of the standards mentioned in Table 3. However the vast majority of these standards are business to business standards (governed by business and not communicated to the consumer). As illustrated in Table 3, these standards also tend to focus mainly on risk management and while most now use third party monitoring and mention freedom of association and the right to collective bargaining, most still focus on protective rights, not enabling rights. In terms of the earlier discussion on whether standards seek to raise the bar on social issues or keep the bar, Table 3 suggests that large standards (in terms of number of producers certified) do not aim at raising the bar. The standards that aim at raising the bar (here seen as collective standards using third party certification and focusing on enabling rights) are mainly consumer labels operating in niche markets. Thus the current state of affairs seems to confirm the findings from other commodities related in section 2 (Mutersbaugh, 2005; Macdonald, 2007; Reynolds et al., 2007).

The standards that are communicated through a consumer label characterise a much smaller portion of the market (no exact figures exist, but an estimate puts their market share between 5% and 10% depending on the country).<sup>16</sup> The standards (aimed at the EU market) that communicate through a consumer label tend to be collective standards focusing mainly on product differentiation and enabling rights/process rights (conversely, for the US market, consumer labels tend to focus more on protection rights/outcome standards).

However the share of consumer labelled flowers has been rising quite rapidly over the last years (sales of Fairtrade flowers, for example, increased by 66% from 2006 to 2007).<sup>17</sup> Furthermore, the ambitious harmonisation initiative carried out by Fair Flowers Fair Plants (FFP) (as will be illustrated later in this paper), has potential to significantly increase the market share of labelled flowers.<sup>18</sup> Thus it can be argued that standards seeking to raise the bar on social issues are becoming more important. At the same time it is important to differentiate within the 'high bar' category and ask for whom is the standard seeking to raise the bar. This will be illustrated in case study 1 later in this paper where I look at standards from a trade union perspective.

<sup>16</sup> This estimate is based on figures from the Flower Label Program (which has a 3% market share in Germany) as well as on estimates provided by representatives from Fairtrade Labelling Organization and Union Fleurs (interviews 7 & 19, 2008).

<sup>17</sup> [www.fairflowers.net/flowers.html](http://www.fairflowers.net/flowers.html) accessed July 2008

<sup>18</sup> The forecasted potential of FFP is based on a rapid increase in FFP participants (with a 414% increase from 2007 to 2008). FFP listed 3,587 participants on October 10, 2008. Of these, 165 were producers, 235 traders and 3,187 sales outlets. The forecast is also based on the following: FFP certified products can be traded through the Dutch auction system; and FFP is backed by very influential industry actors (Flower News 12 2008b).

### 3.2. CUT FLOWER STANDARDS AND VALUE CHAIN STRUCTURES

The way the value chain is structured influences the types of standards that are demanded and consequently changes in value chain structure can influence the incentive to adopt particular standards. It also means that actors' position in the value chain affects their interests in relation to standards. Consequently, before I move onto discussing the two case studies, I will briefly introduce the dominant value chain structures and their relation to standards. Although most standards are beginning to cover foliage and pot plants, most sustainability certification still takes place in cut flowers wherefore in this paper I limit myself to looking at that particular value chain.<sup>19</sup>

The cut flower value chain is undergoing structural shifts in its EU distribution channels as supermarkets increasingly source directly from suppliers in developing countries, thereby cutting out wholesalers and the Dutch auction system (Thoen et al., 2000; CBI, 2007). Simply put, the flower value chain for import into the EU entails two distinctive strands (the direct strand and the auction strand). The Dutch flower auctions (owned by the Dutch flower growers) 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, although the auctions still remain the most significant way that cut flowers reach European wholesalers and retailers (in 2006, the auctions had an estimated 40% market share of flowers) (CBI, 2007). To counter the move away from the auctions, the auctions have developed a 'direct sales' facilitator (The Intermediary Office) that connects a buyer directly with a producer. This department is still relatively small, but it has been estimated that it may cover 30% of auction turnover by 2020 (CBI, 2007).<sup>20</sup>

The Dutch auctions basically function as a distribution centre, absorbing large quantities of flowers that are re-packed and sold to buyers (mainly wholesalers) from all over the world. The auction strand is characterised by relatively loose trading relationships because of the market-based type of coordination, at the auction point, which makes explicit governance along the whole chain difficult to achieve. For that reason, social standards so far have not played a significant role for flowers sold through the auction. Until 2007, the only standard that was differentiated at the auction clock was

<sup>19</sup> For pot plants the role of the garden centers and lumberyards is much stronger than in the flower chain with more direct high volume deals between growers and retailers. Extra EU imports are much lower for pot plants than cut flowers and foliage. At the Dutch auctions 37% of turnover is pot plants while 63% is cut flowers and foliage (Hemert, 2005; CBI, 2007).

<sup>20</sup> The auctions also have a remote buying service where traders purchase products online. The share of electronic sales had increased dramatically since its introduction (CBI, 2007).

MPS-A,B,C (the environmental standards owned by Dutch growers, who also own the auctions). While a range of different standards are required to enter direct retailer chains, social and environmental standards are not currently a requirement to access the Dutch auctions.<sup>21</sup> As a result, few farms supplying only the auctions are certified to standards other than MPS-A, B or C.

The Fair Flowers Fair Plants (FFP) harmonisation attempt, however has managed to negotiate an agreement with the FloraHolland auctions (FloraHolland represents 98% of the turnover at the Dutch auctions). From January 2007, the auctions started indicating FFP certification at the clock front and in their supply systems. This is the first time that auction buyers are able to differentiate products that are certified to a social standard or a consumer label (interview 9, 2008).<sup>22</sup> Given the market share of flowers that go through the auction, this development could increase the overall market share of labelled flowers.

The direct strand of the value chain is governed closely by the buyers (mainly large retailers, but also flower shop franchises)<sup>23</sup> who set specific criteria concerning product quality, price and logistics but also concerning production processes. Social and environmental standards are one of the governance tools through which retailers seek to reduce risks, minimize costs and differentiate their products. Certification to social and environmental standards is most often a requirement for producers exporting through this channel and since different buyers prefer different standards, it is not unusual for producers to be certified to several different standards.

<sup>21</sup> Nevertheless around 55% of flowers supplied to the auctions comply with an MPS standard (interview 9, 2008).

<sup>22</sup> According to an FFP representative, the 'F' at the auction is more of a symbolic mark since the clock system is too simple and too fast to use this as a differentiator. However it is much more important in electronic sales which now accounts for 40% of the turnover at the auction (Interview 5, 2008).

<sup>23</sup> Large retailers have an estimated market share of 25-30% in the EU (the biggest share is in the UK with 60-70 %. The UK is the biggest flower consumer in the EU). Another development is the growth of franchise florists (or florist chains) also capturing market shares rapidly. A study on France (the fourth biggest market in the EU) shows the market share of franchise florists to be 20% in 2005 (CBI, 2007; Filho, 2008). Internet flower sale is also on the rise and many will offer a choice between certified and non certified flowers.



## 4. Two Flower Case Studies

In this section I present two case studies which although very different, describe attempts at convergence around a particular set of criteria namely those of the International Code of Conduct for Cut Flowers (ICC). The first case study is about how the ICC became the main reference for the social content of most standards aimed at the EU market. Adoption of this base code however has been interpreted differently with different consequences for stakeholders such as trade unions. The second case study is on the Fair Flowers Fair Plants (FFP) initiative which aims at converging existing standards to the FFP label through benchmarking to the FFP criteria. This case study exemplifies how developments in standards can influence the competitive advantages of different value chain actors. Before presenting the two case studies, the standard schemes involved are briefly presented:

*The Flower Label Programme* was created in 1996 as a business-to-business code between German importers association and the Association of Flower Producers and Exporters of Ecuador (EXPO-FLORES) but in 1999 it developed into a multistakeholder organisation with NGO and trade union representation. The Flower Label Program is now a consumer label based on an environmental and social certification system benchmarked to the ICC base code. The Flower Label Program certified flowers are sold through florists in Germany, Switzerland and Austria.

*The Fairtrade Labelling Organizations International (FLO)* is a non-profit association involving 23 member organizations including labelling initiatives and producer networks. FLO develops Fairtrade standards and provides support to Fairtrade certified producers through a producer support system. FLO awards a fairtrade label to products that have been produced in developing countries according to principles of fairtrade, including a minimum price and a fairtrade premium that the producer in agreement with worker representatives must invest in projects enhancing their social, economic and environmental development. For flowers, the premium is now set at 10% of the FOB (free on board) price.<sup>24</sup> FLO certified flowers are sold mainly in supermarkets and flower chains including Tesco, Sainsbury and Interflora.

*Fair Flowers Fair Plants (FFP)* is an international initiative aimed at creating a harmonised, global standard for flowers and plants. FFP was initiated in 2002 by Union Fleurs (the International Flower Trade Association uniting national producer, importer and traders organisations) and a demand from Union Fleur members to harmonize the plethora of social and environmental initiatives in the sector (interview 5, 2008). But early in the process NGOs, unions and other standards were

<sup>24</sup> (<http://www.fairtrade.net/flowers.html>).

involved, particularly MPS and the Flower Label Program. FFP is a consumer label launched in 2005, present so far in seven European countries (Sweden, Germany, France, UK, Netherlands, Denmark and Switzerland) in supermarkets, florists and flower chains. FFP consist of a social and an environmental part and demands that growers are certified to a standard that is equivalent to the ICC (for the social part) and to MPS-A (a Dutch environmental standard) for the environmental part.

*Milieu Programma Sierteelt (MPS)* is a business to business standard system owned by the Dutch auctions and Dutch growers associations. It was developed in 1993 and certifies companies to MPS-A, B or C depending on their environmental performance on a range of indicators. In the later years the MPS scheme has gradually expanded and now offers a range of certificates including MPS-GAP (benchmarked against GLOBALGAP), MPS-SQ (certificate for social aspects developed in close cooperation with Dutch NGOs and unions), MPS-Quality and MPS-QualiTree (quality care certificates) and finally Florimark Production (awarded when a company complies with all MPS certificates).<sup>25</sup>

*The International Code of Conduct for the Production of Cut Flowers (ICC)* was developed by a coalition of European NGOs and the International Union of Food and Agricultural Workers (IUF) in 1998. The ICC is a base code (it does not have a standard organisation behind it) that can be adopted by any standard scheme. It contains criteria on human rights, labour conditions and basic environmental criteria

#### 4.1. CASE STUDY 1: TRADE UNION EMPOWERMENT AND THE DEVELOPMENTS OF THE INTERNATIONAL CODE OF CONDUCT FOR THE PRODUCTION OF CUT FLOWERS (ICC).

The ICC code has formed the basis for the social content of many other standards (MPS-SQ, FLO, Flower Label Program, FFP, HEBI and the KFC code). Most of these belong to the group of standards aimed at raising the bar. However within this category of standards there are different interpretations of how to raise the bar. There are also differences in what kind of bar should be raised and who should reap the benefits. As will be illustrated in the following discussion, this has quite different implications for local trade unions and NGOs.

The ICC represented the beginning of trade union involvement in private standard setting in flowers. Preceding its involvement with the ICC, the International Union of Food, Agricultural,

<sup>25</sup> (<http://www.my-mps.com/asp/page.asp?sitid=503>).

Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) had tried to run traditional organising campaigns in flower producing countries. These were ultimately found to be based on insufficient union strength at national level. At the same time, a plethora of standards (mostly unilateral) were emerging that favoured employers instead of unions. In this context, the IUF decided to challenge unilateral business codes of conduct (weak in content, scope and monitoring), constructively engage in private standard setting and build its own multi-stakeholder model standard, the ICC (interview 12, 2008 & interview 13, 2006).

This base code was established by an alliance (the International Flower Coordination)<sup>26</sup> between the IUF, IUF affiliates and several NGOs. The ICC aim at guaranteeing that flowers have been produced under socially and environmentally sustainable conditions and provide a concise statement of minimum labour, human rights and environmental standards for the international cut-flower industry. It is based on ILO core labour standards, with implementation mechanisms designed to include the meaningful participation of workers, local organisations and unions (ICC, 1998; interview 12, 2008).

The ICC formed the centrepiece of a campaign to regulate work and employment in flower production. Initially, importers in Germany were targeted, with success, to accept the ICC. In 1999 the Flower Label Program standard was benchmarked against the ICC. Shortly after the German campaign, the Dutch MPS initiative was targeted and this led after several years of discussions to the development of the MPS Socially Qualified standard (MPS-SQ) also based on the ICC (ILRF 2003, interview 1 & 12, 2008). The ICC has also indirectly formed the basis for the FLO Fairtrade standard for flowers<sup>27</sup> and the social criteria for certification to the FFP label is the ICC.

Even though several standard schemes are based on the ICC code, the interpretation of how to involve NGOs and trade unions differ significantly between standard schemes. A section on

<sup>26</sup> The ICC was negotiated by the IUF, the Flower Campaign Germany (Bread for the World, FIAN, terre des hommes), IG BAU (Trade Union for Construction, Agriculture and Environment, Germany), FNV (Trade Union Confederation, Netherlands), OLAA (Organisatie Latijns Amerika Activiteiten, Netherlands), INZET (Netherlands), Fair Trade Center (Sweden), the Flower Coordination (Switzerland) and Christian Aid (UK) (ICC, 1998).

<sup>27</sup> FLO started certifying flowers as a pilot project on two farms in Kenya in 2004. At that time Max Havelaar Switzerland was the only certifier of Fairtrade flowers and they used MPS-QS or the Flower Label Program certification as a requirement to join the Max Havelaar programme while Max Havelaar coordinated the premium (interview 11, 2008). When other FLO organisations started to express interest in fairtrade certified flowers, FLO decided to centralise the certification procedure through FLO and FLO-CERT (the certification arm of FLO). Thus in December 2005 FLO took over the flower scheme from Max Havelaar and benchmarked the Flower Label Program and MPS-SQ schemes (thus indirectly the ICC) against FLO standards and the result was the FLO standard for flowers (Interview 10, 2008).

implementation in the ICC code, on the involvement of NGOs and unions states: '1. To overview the implementation of the Code of Conduct an independent body, accepted by all parties involved (for example trade unions, NGOs, employers), shall be formed. 2. This body will set the terms for an independent process of verification of compliance with the Code of Conduct.' (ICC, 1998)

Adjoining the ICC code are the ICC guidelines which interpret how the code should be read. The first version of the guidelines<sup>28</sup> does not elaborate on the participation of NGOs and unions. In 2003 FIAN Germany, Switzerland and Holland updated the guidelines of the ICC<sup>29</sup> which now state that 'during the audit, a trade union and/or NGO representatives are present as observers' (Both ENDS, 2005).

This particular way of securing local trade union and NGO participation in the actual audits constitute a unique strategy the equivalent of which, to my knowledge, is not seen in any other private social or environmental standard scheme. In section 2, I related findings which strongly suggested that social auditing while having an effect on the more visible aspects of standards, such as health and safety and working hours (outcome standards), it is having little or no effect on more embedded process rights issues such as discrimination and freedom of association (Barrientos & Smith, 2007). Seen in this light, audit shadowing by local NGOs and trade unions might help to remedy this serious shortcoming of social auditing.

But even though this 'high bar' base code has been adopted by several standard schemes, the way they adopted it differs. MPS-SQ and later FFP have institutionalised audit shadowing as recommended in the ICC guidelines version II. In the Flower Label Program participation of unions and NGOs is guaranteed in the institutional structure of the organisation and is implemented in the auditing procedures as follows: 'Workers, trade unions and NGOs have the right to join the inspections.' (FLP guidelines, 2007)<sup>30</sup>. However the Flower Label Program does not inform unions and NGOs automatically about the inspections, nor do they pay allowances for observers. Basically unions and NGOs are just free to ask if they can join the inspections (interview 6 & 7, 2008).<sup>31</sup>

<sup>28</sup> <http://www.flowercampaign.org/code-of-conduct/implementation/> accessed 29.01.2009

<sup>29</sup> The ICC founders disagreed on whether or not audits had to be done with the participation of local trade union and NGO observers (Interview 14, 2008). The updated version was mailed around to all the ICC partners. No objections were received so from that time on most partners accepted the guidelines version two (published by Both Ends in 2004/5) (Interview 14, 2008)

<sup>30</sup> [http://www.fairflowers.de/fileadmin/f...sch/FLP\\_Guidelines\\_Version\\_4\\_2008.pdf](http://www.fairflowers.de/fileadmin/f...sch/FLP_Guidelines_Version_4_2008.pdf) (accessed 25.02.2009).

<sup>31</sup> Contrary to this, FFP and MPS-SQ pay the expenses of the observers. The Flower Label Program does however always ask unions to participate when they arrange worker seminars and furthermore they often consult unions before first audits and conduct unannounced visits as response to complaints.

The FLO standard for Flowers and Plants for Hired Labour<sup>32</sup> (although indirectly based on the ICC), does not mention the inclusion of trade unions or NGOs (interview 10, 2008). In FLO, the only issues explicitly concerning trade unions are the provisions in the FLO generic standard for hired labour relating to the right to organize and to collective bargaining. This way FLO can be a medium for collective bargaining, since the growers are expected to respect these rights, but there is no institutionalized connection to trade unions – neither in the standard organization or in implementation. As commented by a FLO representative, ‘FLO standards don’t really have anything to do with unions, the weight in FLO standards is put on other issues such as the trade contracts and the premium committee’ (interview 10, 2008).

The discussion on how different standard schemes (all seemingly based on the ICC code) interpret the requirement in the ICC code on NGOs and trade union involvement illustrates that when standards choose to align themselves to a base code, interpretation is important and has consequences for stakeholders (in this case for trade unions and NGOs). FFP, MPS-SQ and the Flower Label Program are based on internationally-recognised minimum labour standards and institutionalise active inclusion of local NGOs and unions in standard setting and monitoring (although the Flower Label Program in a much weaker form). The FLO Fairtrade standard is also based on internationally recognised minimum labour standards, but emphasis is not placed on active inclusion of local NGOs and unions but on active inclusion of workers (through the premium committees) and on addressing terms of trade through contractual requirements.

This first case study has several implications. First, it shows that when harmonisation occurs via adoption of a base code (like the ICC) then the standard schemes that are adopting it have a large discretionary space for interpretation, with different consequences for stakeholders like trade unions. Secondly, there is a need to differentiate among different standards that seek to ‘raise the bar’ on social issues. For production-end stakeholders, it matters whether the standard focuses on active inclusion of local NGOs and unions (empowering these stakeholders and potentially addressing more locally embedded and hidden problems like for example discrimination or exploitation of subcontracted, casual or migrant workers) or whether the standard focuses on addressing the terms of trade (aiming at empowering producers via contractual requirements) and active inclusion of workers (via involvement in spending the premium). However, it is also important to keep in mind, that in practice (as illustrated in Riisgaard, 2009), the outcome for different local stakeholders varies not just according to standard content but also according to practical and local interpretations of

<sup>32</sup> [http://www.fairtrade.net/fileadmin/us...owers\\_and\\_Plants\\_HL\\_March\\_2007\\_EN.pdf](http://www.fairtrade.net/fileadmin/us...owers_and_Plants_HL_March_2007_EN.pdf) (accessed 03.01.2009).

standard implementation and according to the relative strength and positioning of local stakeholders.

#### 4.2. CASE STUDY 2: HARMONISATION OF STANDARDS - FAIR FLOWERS FAIR PLANTS (FFP)

At the beginning of the millennium, the number of parallel standards in the flower industry had reached a level where both producers and traders were demanding that their international coordinating body Union Fleurs take action to harmonize them (interview 5, 2008). At the same time, Union Fleurs' members felt a need to be able to communicate to the consumer which flowers were 'fair' flowers (given that most existing standards were of the business to business type) (interview 19, 2008). Thus a combination of risk management and product differentiation needs can be identified. To enhance credibility, NGOs, unions and other standard initiatives (particularly MPS and the Flower Label Program) were involved early in the process (interview 19, 2008). The aim of FFP was to harmonise existing standards, but they discovered that it was not possible to convince the existing standard schemes give up their own standards. Therefore, FFP decided on a label idea based on existing standards benchmarked to the criteria of FFP (namely the ICC and MPS-A). This way, it would be possible to keep all existing standard schemes but harmonize them through benchmarking to the FFP criteria and unite them under one consumer label (interview 1-5, 2008).

This modular approach is interesting because in theory it makes it possible to unite very different standard schemes and have multiple standard organizations capable of certifying, while only communicating one harmonized label to the consumer. Having multiple standards benchmarked to the FFP criteria in theory means that FFP will be able to capture producers that are already certified to other standards. This modular approach is also interesting in relation to the distinctions between standard functions discussed in section 2. FFP demands that growers are certified to a standard that is equivalent to the ICC (for the social part) and to MPS-A for the environmental part. This way FFP is combining a product differentiation standard (the ICC) with a risk management standard (MPS-A) and at the same time combining a standard that weighs principle over size focusing on enabling rights (the ICC) and a standard that weighs size over principle (MPS-A). FFP is growing rapidly and if growth continues, this modular strategy will possibly lead to existing risk management standards (like the producer association standards) being transformed into product differentiation standards. It also means that FFP might have found an answer to the dilemma of how to scale up 'high bar' standards.

However, harmonising existing standard schemes under one FFP consumer label has turned out to be difficult. So far there are still three existing (and competing) consumer labels for flowers in the EU market (FLO, the Flower Label Program and FFP) and FFP has only accepted one certification

agency, namely ECAS (which is the certification arm of MPS) and benchmarked one standard (MPS). In practice this means that MPS/ECAS currently occupies the very privileged position of being the only standard and certification agency benchmarked to FFP. While the inclusion (and currently privileged position) of MPS has spurred disagreement with other standard schemes (as we shall see below) it has also meant that FFP has been able to sign in a lot of MPS certified producers (thus taking advantage of the size strategy of MPS). The cooperation with MPS also means that FFP have been able to strike a historical deal with the Dutch auctions (as explained in section 3, the auctions own MPS and now identify FFP certified flowers at the auction clock).

The fact that MPS-A was chosen as the environmental criteria for FFP has also led to serious disagreement amongst existing standard schemes in the sector (interviews 1-8, 2008). As mentioned, the Flower Label Program was very active in the development of the FFP scheme, and it expected that it would be asked to certify the social part of FFP (interview 7, 2008). As FFP evolved, it was decided that any existing standard could apply to be benchmarked against FFP criteria. Certification agencies could likewise apply to be benchmarked against FFP minimum conditions for certification agencies and become accepted to carry out audits for FFP (interview 1-6, 2008). The disagreement over the structure of FFP culminated in 2005 when the Flower Label Program board decided to leave FFP one month before its official release (interview 5, 7 & 8, 2008).<sup>33</sup> This happening left the Flower Label Program severely crippled<sup>34</sup> and the Flower Label Program is considering re-entering into dialogue with FFP if certain conditions are met, including that the Flower Label Program is accepted as a consumer label in Germany, Austria and Switzerland; that the environmental part of FFP is based on transparent environmental standards (not MPS-A); and that the Flower Label Program members are represented in the governing body of FFP (FLP document January 2008).

Like the Flower Label Program, the three biggest developing country producer organizations; Expoflores (Ecuador), Kenya Flower Council (Kenya) and Asocolflores (Colombia) were initially very favorable towards the FFP initiative. They had all applied to be benchmarked against FFP (both

<sup>33</sup> The Flower Label Program strongly disagreed with a EU subsidy application sent by Union Fleur and supported by the Dutch government on behalf of FFP. They particularly disagreed with the fact the Flower Label Program was not mentioned as another certifying agency - only MPS/ECAS was. Furthermore, MPS was also to receive some funding which the Flower Label Program considered unfair competition (interview 7 & 8, 2008).

<sup>34</sup> The break with FFP also led to internal disagreements in the Flower Label Program. The association of German florists (FDF) and the association of German flower importers and wholesalers (BGI), both co-founders of the Flower Label Program stepped out of the Flower Label Program and joined FFP. The trade union IG-BAU, decided to leave their position in the board vacant while they joined FFP (where they are board members) (interview 7 & 8, 2008). Recently IG-BAU has decided to re-occupy their position on the board in an attempt to foster dialogue and mediate between FFP and the Flower Label Program (interview 7, 2008).

as standards and as certification agencies) but all three producer organizations have postponed their application until clarification is reached on the role of MPS in FFP (interview 5, 2008). According to Kenya Flower Council, the problem with FFP is that for the environmental part they demand benchmarking to MPS-A which is another (and competing) standard scheme. In the opinion of KFC, FFP needs to be an overall label based on principles independent of all actual standards schemes and until this has been achieved the KFC benchmark application is on hold. Asocolflores also demand equal rules for all and furthermore insist on the use of internationally accredited certification agencies (interview 18, 2009).

The disputes between FFP and the Flower Label Program and producer association standards shows how inter-standard competition and conflicting interests need to be balanced carefully if harmonization attempts are to be successful. The board of FFP has responded to the criticism levied against it by setting up a committee that will work on developing FFP's own environmental definitions (based on a system equivalent to but not dependent on MPS-A) thus making FFP more transparent and independent from existing standard schemes.<sup>35</sup> But this development has just begun in 2008 and is expected to take some time to be effective (interview 1-5, 2008). Recently, several organizations have applied to be benchmarked against FFP. The Italian Fiore Giusto has applied to be benchmarked both as a standard and as a certification agency and the certification agencies Forest Garden Products based in Sri Lanka and RINA SpA based in Italy have applied to be benchmarked as certification agencies (Flower News, 2008a & 2008b). FFP is hoping that this together with the remaking of the environmental criteria will resolve the disagreements and that other standards and certification agencies will follow suit.

### 4.3. DISCUSSION OF CASE STUDIES

The case studies illustrate four main points. First, the FFP harmonization attempt points to the sharp competition and conflicting interests amongst standard schemes. Second, FFP is shown to open new competitive strategies for European wholesalers and Dutch flower growers. Third, the harmonization of flower standards has shown potential to 'lift the bar' by transforming risk management standards into product differentiation standards. And forth, it matters whether harmonisation occurs via adaption of a base code (like the ICC) or via benchmarking (like FFP).

<sup>35</sup> FFP is currently using the definitions (which inputs are allowed and in what quantities) of MPS and these are not transparent. Because MPS is a patented system it is not disclosed how the definitions are set and it is not clear how ratings are decided and calculated for different inputs.



FFP is the result of standard parallelism in the flower sector. The difficulties that FFP faces in harmonizing existing standards are a sign of the sharp competition and conflicting interests amongst standard schemes and standard actors. FFP is based on a modular structure which seeks to sign up producers certified to existing standards by enrolling existing standard schemes under the FFP label. Existing standard schemes however have their own interests to defend depending on whether they mainly use risk management standards or product differentiation standards with a consumer label.

For standard schemes which focus mainly on product differentiation and have a consumer label like Fairtrade (FLO) and the Flower Label Program it is important to defend the identity and legitimacy connected to the consumer label. Thus Fairtrade has not been interested in cooperating with FFP and prefers to compete for flower outlets and consumers. Unlike Fairtrade the Flower Label Program has been declining in size and is trying to negotiate a role for itself in FFP where: a) it can retain its identity (through double labelling); b) it obtains power within the organizational structure of FFP (demanding direct representation in the governing body of FFP); and c) it competes on equal terms with other standard schemes within FFP (by demanding that the environmental criteria of FFP are made independent of MPS).

Concerning risk management standards, MPS has already chosen to cooperate with FFP. MPS has reached a very privileged position within FFP (although this will probably change in the future) and a resulting increase in demand for certification to MPS standards (interview 6, 2008). The developing country producer association standards on the other hand have put cooperation on hold. They are however interested in benchmarking (particularly if they, like KFC, to a large degree depend on the EU market and the auction channel) because this will give them a comparative advantage over non certified producers while reducing the costs of standard compliance and make them less dependent on foreign certification agencies. What they hope for is that the environmental criteria of FFP are made independent of MPS to avoid and what they perceive as unfair competition between standard schemes within FFP.

There are indications that FFP will increase in size. The number of FFP participants has increased rapidly by 414% from 2007 to 2008.<sup>36</sup> The fact that important stakeholders in the cut flower industry like Union Fleur (uniting producers and traders covering an estimated 80-90% of the EU flower market) and the Dutch auctions chose to support FFP also has important implications for the competitiveness of FFP and this relates to the second point I wish to discuss (interview 19, 2008).

<sup>36</sup> On October 10th 2008 FFP listed 3587 participants. Of these 165 were producers, 235 traders and 3187 sales outlets (Flower News 12, 2008b).

The FFP harmonisation attempt is the first time that traders (via Union Fleurs) have been involved in setting social and environmental standards.<sup>37</sup> If we look at importers and wholesalers, this broad group of value chain actors had previously been excluded from standards setting and only traders operating in the 'direct' value chain strand could trade labelled flowers. With FFP, importers and wholesalers have played a role in shaping the governance structure of the standard and this has given them the possibility of playing a more prominent role in exploiting economic rents from standards - because traders in the auction strand are now able to trade labelled flowers (interview 20, 2009).

Interestingly, FFP has also changed the competitive strategies available to the Dutch flower growers (who account for half of total production value in the EU and around 35% of all flowers sold in the EU) (CBI, 2007). The Dutch flower growers have been threatened by increasing imports of flowers from developing countries. Moreover, most Dutch growers are co-owners of the auctions and are obliged to sell all their produce through the auctions.<sup>38</sup> Before FFP, the only social consumer label available to developed country growers was the Flower Label Program aimed almost solely at the German florist market (the label only has one certified producer from a developed country while the Fairtrade label is only available to developing country producers). Thus before FFP came into existence there was a market (small but growing rapidly) for socially certified flowers, which the Dutch growers were not able to enter: a) because of restrictions inherent in existing standards and b) because they are obliged to sell through the auctions where previously product differentiation by a label was not possible. For the Dutch growers, FFP offers an opportunity to enter the market for flowers differentiated by social certification - in January 2009, 120 out of the 167 certified FFP producers were from the Netherlands.<sup>39</sup>

Also the Dutch auctions gained from the new FFP initiative. The auctions in recent years have been under increasing pressure from 'direct' sales where importing wholesalers sell directly particularly to large retailers and flower franchises. One of the demands in the direct strand apart from large volumes, stable supply and high performance logistics, is certification to social and environmental standards. Until FFP came into existence, the auctions were not able to deliver this and by allowing

<sup>37</sup> German traders are involved in the Flower Label Program but the initiative is limited to the German (and to a lesser extent the Austrian and Swiss) market.

<sup>38</sup> 79% of the Dutch flowers and 83% of pot plants are traded through the Dutch auctions (Hemert, 2005).

<sup>39</sup> <http://www.fairflowersfairplants.com/en/find-participants.aspx> accessed 12.01.2009

identification of FFP certification at the clock, the auctions are hoping to regain some of lost flower trade.<sup>40</sup>

The third point I wish to discuss is whether parallelism has spurred a race to the bottom in flower standards. The answer seems to be no. For standards aimed at the EU market, risk management standards such as retailer codes and GLOBALGAP still dominate in number but amongst other standards, in general there are indications of a 'race to the top'. If FFP gains currency with consumers and other standards schemes (particularly the not very stringent developing country producer association standards) benchmark to FFP, then the benchmarking process can raise the bar of existing risk management standards by turning them into product differentiation standards. Certainly from the perspective of local NGOs and trade unions it would open up possibilities of empowerment (for these organisations but hopefully also for the workers which interests they purport to represent) due to the FFP demand for audit shadowing by local NGOs and trade unions. While room for some optimism, most standards still do not address the terms of trade (such as low prices and increasing quality demands or retailer practises such as just in time ordering) which constrain suppliers' ability to comply with social standards (Hughes, 2001; Oxfam, 2004; Barrientos & Smith, 2007).<sup>41</sup> Contrary to the EU case studies, in the US standards are at the moment converging around the lowest common denominator at least when it comes to social issues and empowerment of workers and trade unions.

Finally, the two case studies discussed in this paper suggest that it matters whether harmonisation occurs via adaption of a base code (like the ICC) or via benchmarking (like FFP). Concerning the former method, the standard schemes that are adopting it have a large discretionary space for interpretation. Benchmarking on the other hand implies that the standard organisation issuing the authorization (e.g. FFP) decides the limits of interpretation and in the case of FFP secures that active inclusion of local NGOs and unions is followed.

<sup>40</sup> A concrete example of the auctions losing market share to value chain strands that channel certified produce is the case of the Swiss flower market. In the past almost a 100% of flowers destined for Switzerland were channeled through the auctions whereas now only around 10% goes through them because the market has been taken over by Fairtrade (interview 3, 2008).

<sup>41</sup> FLO Fairtrade standards do to some degree address terms of trade and the Ethical Trading Initiative has established a project group on purchasing practices which addresses the way in which retailers purchase constrains suppliers ability to meet codes of practice (<http://www.ethicaltrade.org/Z/actvts/exproj/purchprac/index.shtml#docs> accessed 04.02.2009)

## 5. Conclusion

The analysis carried out in this paper suggests cautious optimism about developments in flower standards where we see a trend towards the scaling up of 'higher bar' standards. At the moment in the cut flower industry less stringent standards are still predominant, but so called 'higher bar' standards are gaining importance and are entering new value chain strands (the 'traditional' Dutch auction strand). The harmonization initiative Fair Flowers Fair Plants (FFP) has potential to scale up 'higher bar' standards by benchmarking risk management standards to the FFP criteria thereby multiplying the practice of active inclusion of local NGOs and trade unions in monitoring standard compliance. By doing so it empowers these stakeholders and potentially addresses more locally-embedded and hidden compliance issues such as discrimination or freedom of association. However, most flower standards still do not address the terms of trade (e.g. low prices, increasing quality demands, and retailer practises such as just in time ordering) which constrain suppliers' ability to comply with social standards.

This paper also shows how the market for standards can shape competition in the market for goods by altering the terms of participation in the growing market segment for 'sustainable' products. This is related to the functions that some standards play in GVCs as product differentiators. Flower standards may affect competition in the market for flower goods via altering the terms of participation between value chain actors and between value chain strands. For developed country producers, the new label FFP offers an opportunity to enter the market for flowers differentiated by social certification. This market segment was formerly restricted to developing country producers whom, if certified, could gain a competitive advantage vis à vis developed country producers and vis à vis non certified developing country producers. The entrance of FFP thus effectively alters the terms of competition in the market segment for sustainability labelled flowers where developing countries now have to compete with developed country producers.

Finally, this paper shows that the market for standards can affect competition between specific value chain strands. Thus, the auction strand and the actors participating in this strand can now for the first time offer products certified to a sustainability label. Before the entrance of FFP, product differentiation by a social label was restricted to 'direct' value chain strands which in this respect had a competitive advantage vis a vis the auction strand.

In a previous study (Riisgaard, 2009), I argued that retailer-driven strands offer more room for labor organizations (because of the standard demand) than the traditional auction strand. The development of FFP to some degree challenges that earlier conclusion; however it is still early to conclude on the impact of FFP and currently the majority of sustainability standards are still found outside the auction strand. Nevertheless, the findings of this paper highlight the dynamic nature of both

standards and value chains and consequently a need to regularly revisit the relationship between them and how this might relate to labour opportunities and strategies.

At the moment in the cut flower industry, so called 'higher bar' standards are growing and entering new value chain strands. 'Fair labelled flowers' in the minds of many consumers will spur images of 'a fair deal' for Southern workers and Southern producers. However, in practice, while Fair Flowers Fair Plants has real potential to further worker empowerment, the deal for Southern producers is perhaps less clear since they now have to compete with developed country producers for whom certification is perhaps less of a challenge.

The direction of and degree to which the market for standards will shape the terms of competition in the market for flowers in the future will depend on developments in the demand for sustainability labelled products and the success of particular standard initiatives, together with other commercial considerations. Nevertheless, it remains a serious shortcoming in most GVC research that alterations in the terms of competition are attributed only to dynamics relating to the market for goods (in the form of value chain restructuring, changes in demand, upgrading etc) - changes in the market for standards will need to be taken into consideration more systematically than is currently the case.

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# Appendix 1

Interviews with the representatives from the following organizations were conducted between July 2008 and January 2009 (apart from interview 13 which was conducted in 2006):

- Interview 1: OLAA (FFP), Amsterdam 13.08.2008
- Interview 2: Both Ends (FFP), Amsterdam 13.08.2008
- Interview 3: Secretariat of the FFP review committee, Amsterdam 13.08.2008
- Interview 4: FNV Bondgenoten (FFP), Amsterdam 13.08.2008
- Interview 5: FFP, Honselersdijk 14.07.2008
- Interview 6: MPS/ECAS, Honselersdijk 14.07.2008
- Interview 7: FLP, Cologne 08.09.2008
- Interview 8: FIAN and FLP, Cologne 08.09.2008
- Interview 9: FloraHolland (Quality Division), Honselersdijk 14.07.2008
- Interview 10: FLO (Bonn), phone 29.09.2008
- Interview 11: Former FLO (East Africa), questions answered in writing 19.09.2008 & 22.09.2008
- Interview 12: IUF (Global), Geneva 17.10.2008
- Interview 13: IUF (Africa), Kenya 12.04.2006
- Interview 14: OLLA (FFP), phone, 17.11.2008
- Interview 15: Jens Holst A/S (Danish wholesaler), Copenhagen 18.11.2008
- Interview 16: Kenya Flower Council, phone 20.11.2008
- Interview 17: Expoflores, phone via interpreter 08.12.2008
- Interview 18: Asocolflores, phone 28.01.2009
- Interview 19: Union Fleurs (and Swedish wholesaler) phone 13.12.2008
- Interview 20: Jens Holst Holland (wholesaler) phone 31.01.2009





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