

Don't let
poor purchasing practices
undermine
workers' rights
your ethical policy
your company's efficiency

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The problem: precarious employment

Workers in retail supply chains face:

- Repeat short-term contracts
- Little access to maternity or sick leave
- Low piece rates, high pressure targets
- Excessive and underpaid overtime
- Undermined in organising for rights

Three core tools for ensuring labour standards:

 Worker organisation

 National labour laws

 Retailer codes and audits

But poor purchasing practices
undermine all these tools

Acona's analysis

Poor purchasing practices on:

Time &
speed



Flexibility &
Seasonality



Cost
& risk



1. Time and speed



Critical path management

- Seek flexible, responsive chain
- But poor internal communications
- And last minute, late decisions



Demands on suppliers

- Shorter lead times
- Last minute changes
- Fines for late delivery

Time and Speed...

Suppliers pass it on to workers

- High pressure shifts
- No time for toilet breaks
- Excessive overtime



Kenyatta, 6, waits till after dark for his mother to come home.

She is doing unpaid overtime in a Nairobi garment factory.

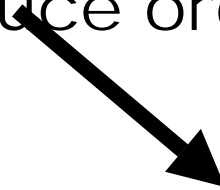


2. Flexibility and seasonality



Forecasting ...

- Forecasting is never accurate
- Last minute changes, peak periods
- Cancel or reduce orders



Demands on suppliers

- Small orders, more repeats
- Flexi- production planning
- Short term relationships

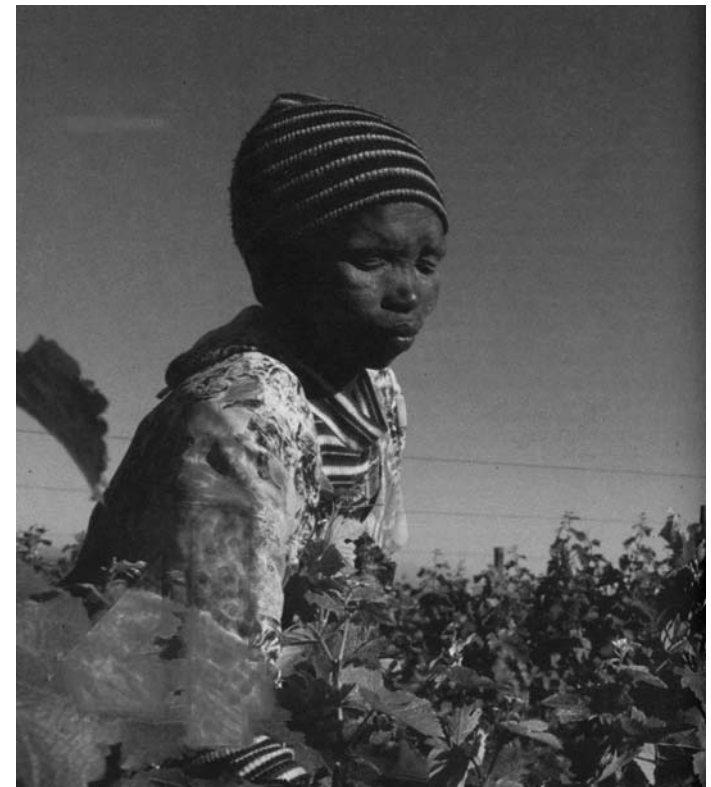
Flexibility and seasonality...

Suppliers pass it on to workers

- Repeat, short term contracts
- Mandatory overtime
- Bring in casual labour

“The only ham left in the sandwich is our labour costs. If the supermarkets squeeze us, it’s the only place where we can squeeze”.

South African apple farmer,
exporting to UK.

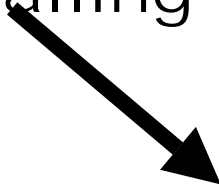


3. Cost and risk:



Delivering low prices

- Retail price points: flat - £4.99
- Investors: rising expectations
- Competitors: falling prices



Demands on suppliers

- Higher quality, lower prices
- Promotions paid by supplier
- Shorter credit repayment

Cost and risk...

Suppliers pass it on to workers

- Low wages, long hours
- Unpaid overtime
- Poor health and safety conditions



Spectrum Sweater Factory,
Bangladesh

Collapsed 12 April 2005



Undermining ethical policy

- Ethical team focus on monitoring suppliers – the problem ‘out there’
- Seen as “sales prevention team”

Undermining company efficiency

- Poor critical path management harms the company, too
- Weakens relations with key suppliers

Double standards

“Buyers are caught in a high-pressure culture of weekly reporting on their sales and profit margin targets.

Ethical trade just doesn't fit neatly into numbers and so it gets left out of the picture”

Former fresh produce buyer,
at a leading UK supermarket

Double standards

“I know how to deal with the ethical code people from my many years’ experience.

I can judge the balance of power between buying departments and those responsible for codes of conduct to see where the *real* power lies”

Garment factory manager,
Shenzhen, China



The solution?

Integrate ethical policy into commercial practice:

Get the mandate from the top.

- Promote workers' empowerment
- Combine labour codes with...
- Improving purchasing practices

How?

- Simplify, clarify decision-making
- Sharpen forecasting
- Retrospective costing for buyers
- 360 degree buyer assessments



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