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Study aims

The aim of this 3 year study (2002-2005)¹ was to assess the social impact of the adoption of codes of practice, in order to establish whether codes of practice can make a positive difference to workers' conditions and livelihoods and to impoverished local communities in Sub-Saharan Africa. This understanding is important for informing future private sector, governmental and non-governmental policies.

Two industries were selected – the South African wine industry and the Kenyan cut flower industry; chosen because of the advanced stage of code development and uptake compared to other export agriculture industries in Africa and hence the likelihood that they would yield insights in relation to social impact. This paper presents the findings from the South African wine industry study.



Vineyards outside Stellenbosch.

Forces for change in the South African wine industry

South Africa is currently the world's eighth largest wine producer. Wine exports were 240 million litres in 2004; around 33% of total production. The most important wine market in the world is Western Europe, where 70% of the world's wines are still made and consumed. Britain is the world's biggest importer of wine and the fourth largest wine market. South Africa's share of the UK market was just over 9% in 2003, with over 60% sold by supermarkets. Markets are also expanding in Netherlands, Germany, Scandinavia and USA.

The South African wine industry supports full time employment for approximately 67,000 people. A similar number of seasonal workers are employed on a part-time basis during the grape harvest. Together with employment in wine retailing and wine tourism, the industry supports approximately 257,000 people.

The South African industry has faced a range of challenges in recent years, including the end of apartheid, social change, sweeping new legislation, agricultural deregulation, reintegration into international markets,

changes within those markets and competition from other wine producing countries. Globalisation, deregulation and legislative change are reshaping traditional industry power relations between growers, cellars and retailers. The wine grape commodity system is being restructured in complex and contradictory ways with consequences for growers. Compliance with ethical labour standards has been just one of the issues facing producers.

Labour arrangements until the 1980s were characterised by racially hierarchical, paternalistic relationships, with farm owners seeing themselves as the benevolent, but firm protectors and disciplinarians of an appreciative population of on-farm servants. During the 1980s, initiatives for 'social upliftment' sought to improve productivity, reduce social costs and improve the international image of the industry. However, these efforts did not succeed in transforming on-farm practice.

Potentially, equitable change in the South African wine industry could be promoted by trade unions, farm worker share equity schemes, institutional changes within the industry and codes of practice. Unionisation in most parts of the rural Western Cape has been slow, partly because strategies derived from the industrial urban sector are not well suited to the environment of wine farms. An important additional challenge is the organisation of vulnerable African and female seasonal workers.

Prospects for equitable change arising out of formal transformation in the industry are uncertain; to date the industry has not sufficiently responded to the challenges of broadening economic participation and in creating and sustaining rural livelihoods.

Codes of practice in the South African wine industry

Codes of practice arrived in the South African wine industry in 1998 when the UK-based Ethical Trading Initiative (ETI) began a pilot involving six wine producers supplying UK supermarkets. The aim was to learn how to adapt the base code to local social, economic and environmental contexts and to test methods of auditing, involving multiple stakeholders.

The pilot included four private cellars/estates and two cooperative wineries. In 2002, a private cellar in Paarl achieved certification under the Council for Economic Priorities' SA8000 labour code which is broadly similar, to the ETI code, but requires third party inspection and formal systems for managing aspects of labour relations, remuneration, contracts and welfare. Following the pilot, the Wine Industry Ethical Trade Association was created to further embed change and ensure continuity. (Box 1)

¹ This briefing paper is an output from a project funded by the UK Department for International Development (DFID) for the benefit of developing countries. The views expressed are not necessarily those of DFID. The paper is one of a series presenting the project findings; these and the full project report on the Social Impact of Codes of Practice in the South African wine industry are available at the website: www.nri.org/nret

Box 1. The Wine Industry Ethical Trade Association WIETA (<http://www.wieta.org.za/>) was launched in November 2002 after the ETT's South African 'wine pilot' came to a close. It is a voluntary association of diverse stakeholders in the South African wine industry whose ultimate goal is to improve the conditions of workers in the wine industry. The WIETA code is based upon the ETI base code and South African legislation, but provides greater detail on the principles most applicable to the South African wine industry. It now has 77 members, among which are two UK retailers, some high profile producers in SA and a few of the bigger co-operative cellars. By October 2004, 35 firms had been audited, and 6 had been accredited.

Worker priorities and code provisions

At the start of this study, participatory assessment of the priorities of different groups of workers, categorised by gender and work status, identified considerable overlap in the long lists of needs articulated by each group, but also differences in the way they were ranked. Higher wages were a priority common to all groups, but job security ranked top of the list for casual workers. Some of the ETI and SA8000 code provisions correspond closely to the priorities identified by workers (e.g. the right to a 'living wage'), but housing, which was high among workers' concerns, is not included, although the WIETA code does now make provision for respecting worker housing and tenure security.

Other worker priorities that ranked quite highly but were not adequately covered by codes, included;

- Sustained opportunities for training;
- Access to information on company performance;
- Consultation in decision-making;
- Better health care for children;
- Employer support for children's education;
- Tackling alcohol abuse and domestic violence.

Whilst labour codes of practice cannot necessarily be expected to cover all of the priorities of workers, it is clear that there is some divergence between code provisions and worker priorities in some key areas.

Impact on workers

Structured interviews with workers and managers over a three year period generated data on the relative material wealth, social well-being and empowerment of men and women workers at code adopting companies compared to non-adopting companies. The overall finding was that workers at code adopting companies in the Cape wine lands are better off than their counterparts at non-adopting companies – whether they are employed on a permanent or seasonal basis.

Permanent workers

- Permanent workers at code adopting companies are *materially* better-off than those at non-adopting companies, earning 100 Rand per week more than their counterparts in 2004, and owning more homes, durables and cars. The gap between wage levels of permanent workers at adopting and non-adopting farms widened over the course of the study. Housing quality for permanent workers at adopting

companies is much higher than at non-adopting farms (re electricity provision, washing and sanitation facilities), although a higher percentage of permanent workers at adopting farms live off-farm.

- The educational level of permanent workers at adopting farms is higher – which is possibly why workers at these farms are employed in more skilled and better-paid jobs, with more scope for upward mobility than on non code adopting farms.
- In terms of *social well-being*, permanent workers at adopting companies are also better off than those at non-adopting companies, experiencing a greater feeling of job and tenure security, higher health care subsidies, better access to day care facilities, protective clothing and HIV/AIDS education. There was no evidence of the 'tot' system (payment in alcohol) or child labour on either type of farms, and few workers reported physical abuse by the employer.
- Permanent workers at adopting companies are also better off in terms of *empowerment* indicators compared to those at non-adopting companies – more of the former have written employment contracts, one-fifth benefit from some empowerment scheme. However, more workers are unionised in non-adopting companies compared to adopting companies. This could be due to the better working and living conditions of those on adopting farms, but could also result from the strong anti-union attitudes shown by at least 2 of the adopter managers.



Grape harvest outside Stellenbosch

However, the better position of permanent workers at code adopting companies compared to non-adopting companies cannot be solely attributed to the impact of codes of practice. An important factor is the socially progressive nature of the companies that have led the way in code adoption. Three of the five code adopters in the study can be said to be amongst the most progressive companies in the industry and had already introduced social development programmes well before the adoption of codes in 1999/2000.

The cases of the two cooperative farms adopting the code are quite contrasting. In one, the code has had no visible effect. In the other, code implementation has had

a great effect on permanent workers through a programme of improvements launched soon after code adoption, including written contracts, upgrading of worker housing and storage rooms for pesticides. Member farmers were directed by the cooperative board to cease practices such as the tot system to avoid losing listing by a British supermarket. The code provided the necessary pressure in a situation of weak state enforcement of the law.



Grape Harvest in the Elgin region

Gender comparisons among permanent workers

The study found that on code adopting farms, male workers make up a third of the permanent work force and are on average, better off than their female counterparts.

- In terms of *material wealth*, a higher % of men on code adopting farms are literate and have better-paid jobs than women. Men earn considerably more than women and have more durable possessions. The wage gap widened over the period of study.
- More men have their partners working on the farm. More men live off farm, giving them more job mobility, although quality of housing is on a par for men and women.
- In terms of *social well-being*, women do better than men on six out of 11 indicators (e.g. % who never suffer verbal abuse by the employer, % of children's education subsidised by the employer etc). However women suffer more job insecurity because their continued employment may depend upon their partner keeping his job.
- Paradoxically more women than men have a feeling of tenure security.
- There is parity on *empowerment* indicators, except for the benefits of an empowerment scheme, in which more men than women are members.

On non-adopting farms in the study, conditions for permanent women workers are generally on a par with permanent male workers, although the male workers outnumber women by more than 5 to 1. Men are better off in terms of material wealth, but women are better off in social well-being (e.g. subsidised medical care).

Casual workers

The relative position of casual workers at code adopting and code non-adopting companies was also analysed and the study found that casual workers at code adopters are better off than their counterparts at non-adopting companies on indicators of material wealth, social well-being, housing and empowerment.

The cash wage for casuals at both types of companies rose over the two-year period, although much more dramatically in the case of adopting farms, bringing these casual workers up to the level of permanent workers at non-adopting companies. The permanent workers at non-adopters enjoy better quality housing, but casual workers at code adopters do better with regard to material wealth.

A gender analysis shows that casual male workers employed by code non-adopting companies do least well of all worker categories. On most indicators of material wealth, social well-being and empowerment, casual women workers do better than their male equivalents on non-adopting farms.

Overall, the analysis of the data indicates the following ranking for different categories of workers.

Ranking of workers in terms of impact indicators

Category of workers			
1.	Permanent male workers at adopting companies		
2.	Permanent women workers at adopting companies		
3	Permanent male workers at non-adopting companies	Permanent women workers at non-adopting companies	Casual workers at adopting companies (2004)
4.	Casual women workers at non-adopting companies		
5.	Casual male workers at non-adopting companies		

It is clear from this analysis that casual workers at *non-adopting* farms are in the most disadvantageous position in the South African wine industry.

- **The status of the company (code adopting or code non-adopting) is the most important variable determining the position of workers.** Permanent women workers at code adopting companies are better off than permanent male workers at non-adopting companies, and casual workers at code adopters are on a par with the latter.
- **Job status (permanent or casual) is more important than gender in determining the position of workers** - permanent women workers are better off than casual male workers at adopting companies. Permanent women workers are on a par with permanent male workers at non-adopters and the former are better off than casual male workers at non-adopting companies.
- **Even at code adopting companies there is a marked difference between the position of permanent and casual workers** – the former often share in the benefits of an empowerment scheme, a subsidised pension scheme, medical care, etc, while casuals recruited off-farm only earn a wage. Only in one out five cases do casual workers share in on-farm medical care and the company recruit the same workers year after year. In the other 4 cases, no 'regular employment' is provided as required by some of the codes and as articulated by casual workers in the participatory research phase.

- **Neither a pre-existing ethos of social responsibility, nor codes of practice have substantially narrowed the gap between permanents and casuals at adopting companies.** The study provides further evidence for the trend for the core of permanent, on-farm workers to get smaller, while casual labour increases and the divide between these two sectors of the labour market deepens. There are gender dimensions to these employment trends. Over the period of the study, both the adopting and non-adopting farms reduced the number of women in their permanent employ and there was also a decline in the proportion of female casual workers at both types of farm.



Vineyards between Paarl and Malmesbury.

Managers' views

A range of positive views on codes were expressed by managers of adopting farms; they were said to have improved access to export markets; strengthened capacity amongst worker representatives, increased awareness of health and safety issues and prompted them to put a management information system in place. By the end of the study, managers of non-adopting farms were more aware of codes and 3 had signed up to WIETA. However, none of the farm managers – whether adopter or (previously) non-adopter - thought that adoption had given them a competitive advantage in the market. Since retailers do not require their suppliers worldwide to implement codes of practice, suppliers who have adopted codes face competition from those who have not.

Wider impacts

Virtually unknown before 1998, the idea of 'codes of practice' has become diffused throughout large parts of the South African wine industry. The ETI pilot in particular can be said to have led to a **normalisation of the notion of minimum labour standards** in the wine industry discourse and to the development of a change agenda in regions where the pilot has been active. The introduction of codes has focused the debate on social change and human development, informing exporters in clear terms what the most important foreign markets require in terms of labour, health and environmental standards.

Thus, if workers' lives in these regions change for the better over the next few years, it is also because the codes have provided a clear, simple benchmark. In that sense they will have an effect on whole communities.

There is potential for greater code impact in future as the ETI pilot project is rolled out via WIETA. The rapid expansion of WIETA is in itself a significant impact, despite problems with code proliferation leading to a sense of code 'overload' and concerns over the monitoring of social improvement and the costs and efficacy of auditing. A particular challenge is to increase the membership of South African retailers, labour brokers and non-exporting companies.

Key Policy Implications

A key area requiring attention is **the need for improved worker awareness of codes**. Communication and integration of codes into day-to-day company practice is essential to keep them 'alive' as part of a more 'transparent' and participatory management style. Codes should not be defined as a management issue alone; workers and their representatives at cellars and farms need training in their implementation and monitoring. To sustain motivation and commitment, benefits to the business flowing from adoption also need to be communicated to all company employees.

The increasing competition in the international wine industry is stimulating the trend towards casualisation of the labour force. The demand for improved quality encourages investment in skills training for a shrinking specialised core of permanent and increasingly male employees, while the drive to cut costs promotes the use of more cheaply employed casual workers for unskilled tasks. Given the market pressures, it is **unlikely that codes could be extended to casual workers on a scale significant enough to address the growing distinctions between casual and permanent workers**.

The relationships between suppliers and retailers in international markets are crucial and can either support, or undermine initiatives to improve worker welfare. The potential for wider code adoption is heavily influenced by how retailers do business and how this impacts on suppliers. There is little incentive for suppliers to adopt codes when retailers' purchasing practices are determined by market-driven price negotiations and business outcomes, or when suppliers are expected to absorb the additional costs of code compliance. For code implementation to have a real impact, **changes are needed in the purchasing and business practices of retailers, which imply reform in the governance of the buyer-driven value chain**.

The history of codes of practice in the Cape wine industry shows that adoption will proceed more rapidly and commitment will be more sustainable, if retailers who insist their suppliers comply with ethical labour codes, share in the costs involved. Conversely, codes will grow in popularity if the returns on investment in codes 'come back to the farm gate'. Although an increasing number of farmers and cellars are embracing codes, the main motivation is to secure market entry. **If ethical commitment could be linked to clear financial incentives, codes of practice would spread much faster and would be adopted more fully and enthusiastically by farm owners and managers**.