

INTERNATIONAL LABOUR ORGANIZATION  
Sectoral Activities Programme

**The impact of global food chains on employment  
in the food and drink sector**

**Issues paper for discussion at the Tripartite Meeting to Examine  
the Impact of Global Food Chains on Employment**

Geneva, 2007

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## Introduction

This issues paper has been prepared by the International Labour Office as the basis for discussions at the Tripartite Meeting to Examine the Impact of Global Food Chains on Employment, 24–27 September 2007, organized as part of the ILO's Sectoral Activities Programme.

The Governing Body of the ILO decided at its 292nd Session in March 2005 that an international tripartite meeting for the food and drink sector would be held in the 2006–07 biennium, and subsequently decided at its 297th Session that the Meeting would examine the impact of global food chains on employment and the associated social and labour implications, and would focus on the need to strengthen social dialogue in order to achieve better policy coherence.

The Meeting will be composed of all interested Governments, 18 Employer representatives and 18 Worker representatives, selected after consultations with the respective groups of the Governing Body. The purpose of the Meeting is to consider this issues paper and, on that basis, adopt conclusions to strengthen social dialogue to address the impact on employment in the food and drink industries of trends in global food chains. The Meeting may also adopt resolutions.

The ILO's Sectoral Activities Programme, as defined by the ILO programme and budget, aims to help governments and employers' and workers' organizations to develop their capacity to deal equitably and effectively with the social and labour problems of particular economic sectors. It also offers a means of alerting the ILO to specific sectoral social and labour issues.



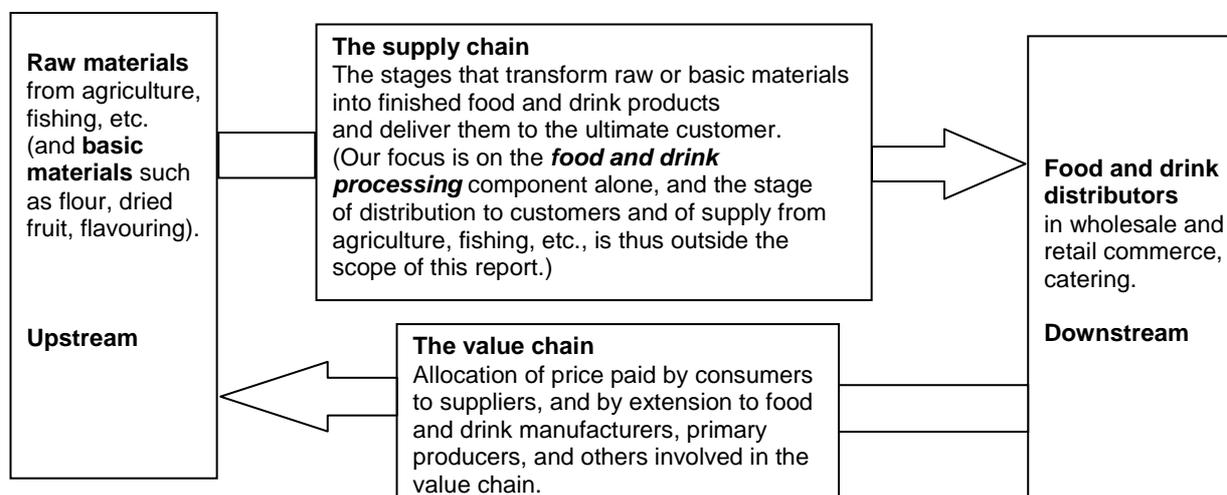
# 1. Global food chains

Consumers in Ohio stop by the supermarket fruit counter and reach out to put in their trolley a bunch of grapes grown in Chile. In Europe, shoppers eye the carefully packaged fresh green beans flown in the night before from Kenya. In Japan, diners sit down in a restaurant to enjoy a tuna steak caught by fishermen off the coast of Sri Lanka. In global fast-food restaurants in Romania or Australia, customers can buy food and drink that was produced and processed by the same fast-food company in the Russian Federation or through a supplier company in Brazil or Africa.

For many of us, the food we need every day to survive and thrive as human beings no longer comes primarily from the area where we live. Particularly for industrialized countries, the products sold in shops or the meals enjoyed in restaurants come from all corners of the world. The food chain that links farmer with consumer, once local, is now a global one.

This in itself is not new: food products have been exported and imported since time immemorial. However, recent years have seen radical changes in the development of these global food chains. What was once, more often than not, a non-integrated supply chain arrangement which saw a product making its way step by step through a series of intermediaries and markets towards an eventual buyer has been transformed. Each stage of this food supply chain and value chain is now likely to be closely linked together, so that, from grower to buyer, the partners in the chain are aware of their role in a single process (a simplified diagram of the chain is given in figure 1.1, and this topic is covered in greater detail in Chapter 3). In other words, global food chains are increasingly subject to the process of vertical coordination.

Figure 1.1. Supply chains and value chains in the food and drink processing sector



The importance of wholesale markets, where suppliers collectively offered their products for sale, buyers came to make their purchases, and prices fluctuated according to market supply and demand, has diminished considerably. Increasingly, producers operate for a known client, as part of a pre-arranged contractual agreement that binds the farmer, the export or transport agency, the processor and the retailer into a closely monitored and controlled chain.

Vertical coordination requires a coordinator, and this role is increasingly being taken on by a small number of very large lead firms. These lead firms exercise considerable power throughout the chain, determining which companies participate in the chain (and

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which are excluded), how the different partners in the chain will be rewarded, where risk will be concentrated, what kinds of standards will be adhered to, and the prices that will be paid by consumers.

In the case of some products (for example, coffee), the lead firms may be powerful food manufacturers and processors or fast-food retailers. In the United States, for example, fast-food companies are the largest purchasers of beef. For other food products, large supermarket chains may take on this role – this is likely to be the case with fresh fruit and vegetables, for example. However, the key part played by lead firms is often similar: they will establish the terms of the agreement and, to a large extent, the price that will be paid.

It is possible to identify four broad types of companies that are strongly involved in food production, processing and distribution. These are:

- (i) large food retailers or supermarkets (for example, Wal-Mart, Carrefour, Tesco, Metro);
- (ii) large food-processing companies (such as Nestlé, Unilever, Danone, Sysco);
- (iii) large fast-food chains (such as McDonald's, KFC, Starbucks, Subway); and
- (iv) other non-food firms (such as Benetton) and private equity firms (such as Texas Pacific, Apax) operating fast-food and/or food-processing operations.

Examples of these complicated patterns of activity include fast-food companies like McDonald's, which organize the agricultural production of their raw produce through supplier companies, may directly operate their own food-processing plants (for example, the McComplex in Moscow), and own other sandwich and pizza brands. Similarly, a number of the large food retail supermarket companies operate their own food-processing plants, and some food-processing companies (such as Unilever) have owned some of the smaller fast-food brands. This process is further complicated by the involvement of other non-food companies (like the Benetton group) operating a number of international fast-food chains (such as Autogrill or SpizziCo) and by the increasing involvement of private equity firms.

These developments, taken together with an increasing focus on “brand management” and other trends such as the growth in atypical employment, outsourcing and subcontracting of work, and the increased prevalence of format franchising (particularly among the fast-food giants), are arguably placing workers in a more precarious situation.<sup>1</sup>

The growth of these powerful integrated food chains is leading to increased concentration at different stages of the chain. Recent years have seen greater concentration – through mergers and acquisitions (M&As) – of large multinational retailers (the top ten global food retailers reportedly control an astonishing 24 per cent of market share in global food sales), and a similar process has taken place in food manufacturing and processing. In addition, there has been phenomenal growth and increasing competition in the fast-food sector, together with an increasing number of competitors, often leading to saturated and highly competitive markets, which place downward pressure on labour costs. These developments will be examined in more detail later in this issues paper. Growing concentration is also taking place further upstream; although agricultural production still remains much more fragmented than in later stages of the chain, there is nonetheless

<sup>1</sup> T. Royle and B. Towers (eds): *Labour relations in the global fast-food industry* (London, Routledge, 2002) and other works by the same author.

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considerable concentration globally at the very top end of the chain, in the supply of agricultural inputs such as seeds and pesticides.

Our focus in this issues paper will be on the central and, to a lesser extent, the later stages of the food chain (food processing, manufacture, and distribution to retailers and wholesalers), rather than on agricultural production. The food and drink manufacturing industry is a broad one and can be defined as the preparation of food and drink products ready for sale and consumption. It involves the sourcing of ingredients, processing, preservation and packaging. It also includes product research and design, market research and marketing.

The food and drink processing sector corresponds to the United Nations International Standard Industrial Classification of all Economic Activities (ISIC), Revision 3, under “Tabulation category D: Manufacturing, 15, Manufacture of Food Products and Beverages”. It includes the following broad categories: 151 Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats; 152 Manufacture of dairy products; 153 Manufacture of grain mill products, starches and starch products, prepared animal feeds; 154 Manufacture of other food products; and 155 Manufacture of beverages.

As we shall see, the development of vertically integrated food chains is transforming the food choices available to the consumer, but it is also having significant effects on the individuals who earn their living in the various sectors involved: not just on farmers but also those who work for the food-processing companies and exporters, for the food manufacturers, for restaurants and bars, and for the large supermarket chains. These changes are complex and may bring individual workers both benefits and disadvantages. This issues paper examines these in more detail later.

First, however, it is appropriate to outline some of the factors that have been bringing about these developments. We shall look initially at changes in consumer demand.

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## 2. Trends in consumer demand for food and drink products

In general, as disposable incomes rise, the proportion of an individual's or household's budget spent on food is reduced. In other words, there is more left over, after the essentials of life have been acquired, to spend on other things. Nevertheless, the actual amount spent on food and drink products has been increasing year on year in all parts of the world, as table 2.1 shows.<sup>1</sup>

Table 2.1. Consumer expenditure on food and drink 2001–05 (US\$ billion), with forecasts for 2006–07

	2001	2002	2003	2004	2005	2006	2007
North America	709.4	735.3	774.1	837.7	901.9	956.7	990.8
Japan	414.0	398.8	428.0	463.0	459.2	451.6	493.1
Western Europe	807.6	881.4	1 075.4	1 213.2	1 241.0	1 268.8	1 386.0
Transition economies	161.1	182.7	215.6	264.3	320.3	362.0	411.6
Asia and Australasia (excluding Japan)	620.3	650.8	721.5	795.5	879.3	960.6	1 037.5
Latin America	263.9	223.0	227.0	252.4	296.9	324.0	328.5
Middle East and Africa	90.3	86.5	94.8	108.4	123.4	135.0	144.4
World	3 066.5	3 158.4	3 536.4	3 934.5	4 221.9	4 458.7	4 791.9

Sources: Company reports; Economist Intelligence Unit reports.

As table 2.1 illustrates, consumer expenditure on food and drink worldwide increased by 37 per cent between 2001 and 2006, which meant an average annual growth rate of 7 per cent. This is despite the fact that in many countries food prices have been tightly pegged or have actually fallen in real terms, as retailers and food processors exercise their muscle in driving down producer prices. Increases were particularly marked in the transition economies and in Western Europe.

Over the next decade, food markets in OECD countries are expected to show continued and steady, if unspectacular, growth. In developing countries, per capita food consumption is also rising. In Asia and Latin America in particular, demand is now being boosted by strong economic growth and an increased preference for meat and processed food brought about by urbanization and higher standards of living. Some analysts, viewing these trends, have expressed concern that the surge in global food consumption could lead to a global food shortage.

<sup>1</sup> This and other statistical and research material in this report is drawn from work undertaken by Clara Foucault-Mohammed (ILO, Sectoral Activities Branch).

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Within these overall trends, we can identify particular developments. In industrialized countries and in the richer parts of developing countries, for example, social and demographic changes have affected food preferences in various ways. Increasing time pressures and higher disposable incomes combine to create a “cash rich, time poor” economy in which people are prepared to spend more for the sake of speed and convenience in many aspects of their lives, including food purchases. The increasing participation of women in the workforce, the increasing numbers of single-person households, and the ageing of populations, all lead to a shift towards “convenience food” and reliance on the food service industry (eating out, takeaways, home deliveries, and so on).

International tourism and more culturally diverse societies (the result of international migration) also lead to changes in food tastes. There is a growing demand in industrialized countries for food products associated with the cuisines of, for example, the Indian subcontinent, China, Thailand, Viet Nam, North Africa and Central America. National and multinational food manufacturers are extending their brands to include “ethnic” products.

Consumers are asking for more variety in the food available to them, and they are more demanding in terms of the perceived quality and freshness of the products they are offered. They also expect products such as fruit and vegetables to be available all year round, even when they are “out of season” in their own country. This trend in particular relies on the ability of suppliers to source these products globally. A recent ILO report<sup>2</sup> illustrates this with reference to grapes: “In the United States, domestic supplies from California are now supplemented during their off-season by imports from Chile and Mexico ... while EU supplies of grapes come from the southern EU producers from July to September, from Chile and South Africa between January and March, and from Brazil for the months in between.”

We can also note that processed foods (such as canned fruits and vegetables, cereals, and breakfast foods) can be imbued with an element of prestige that makes them attractive to consumers as their incomes increase, particularly among higher income groups in developing countries.

There are other factors at work in influencing consumer behaviour patterns. First, recent years have seen recurrent, if often short-lived, crises in industrialized countries around issues of food safety. Most recently, this has been focused on concerns over strains of avian flu spreading from infected poultry and wild birds to humans. The spread of the avian influenza A (H5N1) strain had a substantial short-term impact on business and employment in agriculture and food processing in the past two years, while retail commerce and catering were also affected. However, as table 2.2 reminds us, this is simply the latest of a string of issues that have arisen over the quality and safety of food.

<sup>2</sup> S. Best and I. Mamic: *Global agri-food chains: Employment and social issues in fresh fruit and vegetables*, draft paper (not yet published) prepared for the ILO Office, Bangkok.

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**Table 2.2. Examples of major food crises in industrialized countries**

Year	Event	Country
1987–88	Beef hormone scare	Italy/European Union
1988	Poultry salmonella outbreak	United Kingdom
1989	Growth regulator (alar) scare for apples	United States
1993	E.Coli outbreak in fast-food hamburgers	United States
1996	Bovine Spongiform Encephalopathy (BSE)	United Kingdom
1996–99	Microbiological contamination, berries	United States, Canada
1995–present	Avian flu	Various countries across Asia, Europe and Africa
1999	Dioxin in animal feed	Belgium
2000	Large-scale poisoning, dairy	Japan
2001	Contaminated olive oil	Spain

Source: Adapted from S. Jaffee: "Food safety and agricultural health standards: Challenges and opportunities for developing country exports", Report 31207, Washington, DC, World Bank, 10 Jan. 2005.

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Concerns over food safety have had a direct effect on the way global food chains have developed in recent years, firstly, in establishing the notion of traceability at the heart of the industry. Tracing a beef product back to the original herd or animal, for example, requires all the participants in the supply chain to understand the importance of this task. It encourages a move away from anonymous wholesale markets towards increasingly buyer-defined global supply chains.

Consumers – in part, perhaps, because of food scares but also because of media attention to obesity – are becoming more conscious of the need to choose healthier foods (or at least foods that appear to be healthier). There is a small, but growing, market in industrialized countries for organically produced food. This demand was originally met by specialist shops, but is now increasingly being catered for by the major supermarket chains. There are consumer concerns, too, about excessive fat, trans fatty acids, salt and sugar in processed food. Companies in the food service industry are responding to these trends: McDonald's, for example, has tried introducing salads to complement its core hamburger range.

We can also detect what could be the beginnings of a reaction against global sourcing of food among some consumers. At present, this is limited to a very small section of the community and should not be overemphasized. Nevertheless, the interest in buying locally produced food and drink (for instance, direct from farmers and growers in street markets) is growing among consumers in some industrialized countries. This is combined with climate change concerns regarding the cost, in terms of CO<sub>2</sub> emissions, of freighting (particularly airfreighting) food around the globe. Some consumers are expressing an interest in the number of "food kilometres" or "food miles" clocked up by products available in their local supermarkets, and are trying to avoid food that has been brought unnecessarily long distances.

These concerns may grow in the future, but are already having repercussions. For example, when press attention in the United Kingdom focused on the implications for climate change of vegetables being airfreighted from Kenya, farmers and food processors in Kenya immediately voiced their concerns about the possible implications for their businesses and jobs.

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Another small sector of the market, but one that has grown rapidly in some countries, is that of fair trade. The idea of developing alternative global food chains, directly linking socially concerned consumers in industrialized countries with the producers in developing countries who are promised an equitable share of the final price paid for the products, can be traced back to the development of alternative trade organizations (ATOs) in the 1950s and 1960s. However, it is in the last ten years that the idea of fair trade in commodities such as coffee, tea, chocolate and bananas, has really taken off, particularly in Europe. Key markets include the Netherlands, Germany, Denmark, Switzerland and the United Kingdom. Significantly, major brands are responding to this consumer interest: Nestlé has recently introduced a quasi-fair trade coffee product, and several supermarket chains have their “own-brand” fair-trade product ranges. Some chains of coffee houses have switched to selling only fair-trade coffee.

The growth of fair trade, whereby consumers voluntarily choose to pay a price premium to benefit producers, suggests that at least some members of the public have an interest in the processes by which food reaches the market. However, fair trade remains a tiny part of the total global food trade. Furthermore, there are issues to face in maintaining the credibility of fair trade as the market expands.

It is thus possible to identify a number of trends in consumer demand which directly influence the development of the global food and drink industry. However, it is also necessary to remind ourselves that consumer demand can itself be influenced and affected by the efforts of large retailers and food manufacturing companies, for example through marketing and advertising activities. Many people these days are short of time for cooking, and there is also an incentive for retailers and manufacturers to promote processed foods, since there is usually substantially greater profit to be derived from a ready-made meal than from selling the unprocessed ingredients. There is also more scope for obtaining profit from a premium brand (the “best” cooked meat or cheese, the “really tasty” organic chicken) than from mass-market items.

Retailers have expended considerable efforts in recent years to understand their customers’ behaviour better, through, for example, the compilation of detailed databases of individual customers’ purchases (acquired through loyalty schemes) and the socio-demographic profiling of store neighbourhoods. Although controversial on privacy grounds, there is potentially great scope for extending this analysis with the ability that retailers will soon have to monitor, via radio frequency identification (RFID) tags, each individual purchase of separate items of stock.

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### **3. Trends in food and drink production, processing and distribution**

#### **3.1. The global value chain**

The first chapter of this issues paper introduced the idea of the growth of integrated, globally operating food chains. This is the most significant development in recent decades in relation to food and drink manufacture, and we need now to explore the implications.

It is the vertical coordination linking members of a supply chain that is so important to each of those members. Previously, the way in which farmers and suppliers interacted with their markets was different: farmers would produce a product first and then set out to find a market for it, hoping that they had “struck lucky” and would find buyers – hoping, too, that the price applying at the time they took the product to market would be a good one. Depending on the length of the supply chain, similar interactions might take place further on in the process of getting the product to the eventual consumer.

The focus now has switched from what the supplier can offer to what the buyer requires. In a global food chain, farmers no longer produce first and then look for a market. Instead, those who control the supply chain decide what they believe the consumer needs, or can be enticed to want, and then proceed to design the supply chain required to deliver those products. Products can be tailored to consumer specifications right from the beginning. Food delivery chains, in other words, are more and more demand-led; so much so that it might seem more appropriate to talk of “demand” rather than “supply” chains.

To analyse these global food chains more closely, however, it may be useful to apply the evolving methodology of global value chain analysis. This approach looks at the value added to a product as it passes through all the stages of the supply chain, from raw material to finished product.

For example, the eventual price at which a litre of milk is sold to a consumer reflects the work that the farmer has done in maintaining a herd of dairy cattle. However, it also reflects the value added later in the supply chain, for example by the work of the milk wholesaler or consolidator, the packaging process, transportation, retailing and marketing. A value chain like this one is relatively short; others (particularly those involving processed food sourced globally) can be much longer and more complex. The principle, however, is the same: value is added to primary products at each stage through human labour, the use of capital equipment, and the application of knowledge and information.

The benefits that accrue to members of a global supply chain are highly skewed in favour of the lead firm in the chain. An analysis of the distribution of the value of vegetables imported from Africa to the British market, as shown in table 3.1, found that the producers receive a relatively small share of the eventual sale income, with much the largest share going to the supermarket, which in this instance is in control of the supply chain.

**Table 3.1. Income distribution for African fresh fruit and vegetable exports to the United Kingdom (percentage of final price)**

	Mangetout from Zimbabwe	Fresh vegetables from Kenya
Total price	100	100
Supermarket	45	46
Importer	12	6
Airfreight and handling	20	21
Packaging	5	13
Exporter	6	–
Producer	12	14

Source: S. Best and I. Mamic: *Global agri-food chains*, op. cit.

A similar exercise for bananas exported from Ecuador to the United Kingdom found that plantation owners received 10 per cent of the share of income from banana sales. Only 1.5 per cent reached the workers in the banana plantations.

This sort of division in the way value is shared reflects in large measure the differentials in power between members of an integrated chain. It is because of the perceived inequalities in the terms of trade in the global food industry that the notion of fair trade products, discussed in the last chapter, has come to be developed, in an attempt to ensure that more value is kept with the primary producers. However, there are likely to be additional reasons why the lead firm in a chain apparently benefits disproportionately. In many cases, this lead partner is likely to be occupying the “squeeze point” or bottleneck of a supply line. With regard once again to the example of the banana trade in the United Kingdom, it has been pointed out that some 2,500 plantations and 15,000 small or medium-sized growers (and 400,000 plantation workers) are supplying bananas to a consumer market of 60 million people. However, between them is a bottleneck where the supply chain is controlled by just five companies (Dole, Chiquita, Del Monte, Fyffes and Noboa) which between them account for 88 per cent of the banana ripening and distribution business, while the retail market is controlled by five supermarket giants controlling 70 per cent of the grocery market.

In other words, if we use the “upstream to downstream” analogy for a supply line, we can picture a very wide stretch of water having to pass through narrows, before eventually widening out again. It is perhaps not surprising that there is a strong drive towards further “narrowing” of this squeeze point, through M&A activity among companies.

There is another point to bear in mind. Value is increasingly allocated not primarily to those who supply a physical product but to those who can bring to bear the information needed to make the global food chain work successfully. The implementation of information technology has been crucial in enabling lead firms to determine likely consumer demand and establish food chains. It is central to the concept of food traceability, which as we have seen is becoming increasingly important. Technology has also helped the food and drink industry move from a static to a dynamic approach to global food chains. There has been a general shift from a “stock-based” logic, the aim of which has been the efficient management of storerooms, to a “flow-based” logic, which aims to ensure the availability of the right kind of product, in the right quantity, in the right place and at the time it is required.

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Technology will continue to transform the industry as we move increasingly into a knowledge-based economy. For example, RFID tags, mentioned in Chapter 2, are now central to the tracking of consignments and will increasingly be used to monitor individual stock items. Some retailers are already demanding that the stock items they order be supplied with RFID tags: unlike bar codes, which they replace, each individual item can have its own unique identifier.

However, it is not information technology itself but the ability to select and use information that is important. The food and drink industry here resembles other manufacturing sectors. Indeed, just as we are seeing the growth of “manufacturers without factories” (one example is the clothing companies that outsource the actual production of their items, simply exploiting their brand name and knowledge of customer demand), so too in the food and drink business we can expect brands to grow in importance. Food processors that currently run their own factories to produce their own goods may find that there are commercial benefits in outsourcing the production processes to third parties and simply maintaining their brand for the interface with consumers.

### **3.2. Some trends in global food chains <sup>1</sup>**

Recent years have seen changes in the types of food products that are being traded internationally.

Even with the growing globalization of food chains, roughly half of all trade in agricultural products takes place between industrialized countries. The European Union is the most important trading bloc, responsible for about 30 per cent of agricultural trade flows. Other regional trade blocs, such as the one created by the North American Free Trade Agreement (NAFTA), are also important. In overall terms, the contribution of developing countries to world agricultural trade has actually declined over the past half-century, from 40 per cent in 1960 to 30 per cent today.

Developing countries have been hard hit, most particularly by a decline in the market for agricultural commodities such as coffee, cocoa, tea and sugar. The price index for these traditional commodities fell by 47 per cent in the two decades between 1982 and 2001, and in most cases prices are expected to remain static in real terms for at least the next few years. These dramatic price falls have been caused by a number of factors, including oversupply.

In recent years, developing countries have staged something of a recovery, in part by expanding trade between themselves and partly by diversifying into non-traditional products and processed food. The fastest-growing product groups are fresh fruit and vegetables (usually linked for statistical purposes with trade in cut flowers), and fresh and processed seafood. Table 3.2 shows the current importance of these product sectors for developing countries and in terms of overall world agricultural exports. These data can be contrasted with those for more traditional tropical products.

<sup>1</sup> This section in particular draws on the work of Sarah Best and Ivanka Mamic.

**Table 3.2. Changing structure of world agricultural trade (percentage of total world trade)**

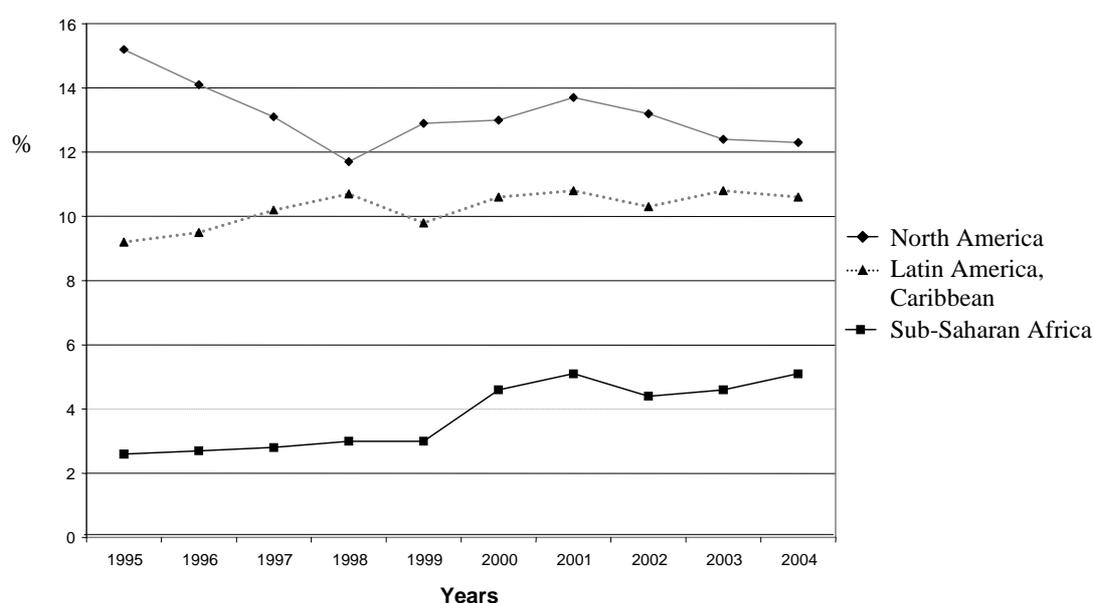
	1980–81 (%)	2000–01 (%)
Coffee, cocoa, tea		
Developing countries	18.3	8.5
World exports	8.5	5.4
Sugar and confectionery		
Developing countries	10.5	4.3
World exports	6.4	3.1
Fish (fresh, processed)		
Developing countries	6.9	19.4
World exports	6.0	12.2
Fruits, vegetables, flowers		
Developing countries	14.7	21.5
World exports	13.7	18.9

Source: From S. Best and I. Mamic: *Global agri-food chains*, op. cit., adapted from COMTRADE data compiled by M. Aksoy, in "The evolution of agricultural trade flows", in M. Aksoy and J.C. Beghin (eds): *Global agricultural trade and developing countries* (Washington, DC, World Bank, 2005), Ch. 2.

### 3.3. Trends in products – Some examples

If we focus briefly on one of these rapidly growing sectors, that of fresh and processed fish, we note that this market is now becoming significant in the exports of regions such as Latin America and the Caribbean, and sub-Saharan Africa (see figure 3.1).

**Figure 3.1. Fish (live or dead, chilled or frozen) – Exports by subregions, 1995–2004 (percentages of world total)**



Source: *International Trade Statistics Yearbook*, United Nations, 2006.

Fish can also be increasingly important at individual country level. Viet Nam, for example, tripled the value of its exports of processed fish products in six years, from US\$500 million in 1997 to US\$1.5 billion in 2002.

The story of fish, from the time it is first caught until the time it is sold (either fresh or in processed form) to the consumer, demonstrates how globalizing supply chains can work. For example, the main countries producing canned tuna are Thailand, Spain and the United States. Spain produces a significant proportion using frozen tuna and loins, which it imports from Ecuador, the Bolivarian Republic of Venezuela and Costa Rica. In the Americas, the main canneries are located in the United States but much of the pre-canning processing takes place in American Samoa and Mexico. The canneries increasingly use precooked or frozen tuna loins from Fiji, Trinidad and Tobago, Thailand and Ecuador. In addition, American tuna canning companies have themselves set up facilities in countries with low labour costs, notably Thailand and Ecuador.

Developing countries, as we have seen, are increasingly growing fresh fruit and vegetables for direct sale in industrialized countries; this process has only become possible with the development of sophisticated integrated food chains, which ensure that products can reach their destination in the (often short) period of time before they perish. The concentration of exports for particular varieties of fruit and vegetable from individual countries can be striking, as table 3.3 makes clear.

Table 3.3. Concentration of fresh food, fruit and vegetable exports, 2001

Product	Leading country suppliers	Joint per cent of world exports (value)
Asparagus	Peru, Mexico, Thailand	94
Mangos	Brazil, Mexico, Philippines	62
Pineapples	Costa Rica, Côte d'Ivoire	61
Bananas	Ecuador, Colombia, Costa Rica	60
Avocados	Chile, Mexico	53
Tomatoes	Mexico, Syrian Arab Republic	52

Source: S. Best and I. Mamic: *Global agri-food chains*, op. cit., drawn from N. Diop and S.M. Jaffee: "Fruits and vegetables: Global trade and competition in fresh and processed product markets", in M. Aksoy and J.C. Beghin (eds): *Global agricultural trade in developing countries*, op. cit., Ch. 13.

As we saw previously, the share of the total value from the sales of fruit and vegetables that remains with the original producer may typically be around 10–12 per cent. The challenge for developing countries is to retain more of the value added during the food chain by exporting processed goods, rather than the original product. In the Caribbean, for example, firms are expanding into the market for fruit juices, which attract higher prices than the fruit themselves. Over the 2001–05 period, CARICOM member States boosted the value of their production of unfermented fruit and vegetable juices by 6 per cent per annum. Some of this trade growth was within the CARICOM trade bloc, although sales also grew dramatically in, for example, the United Kingdom.

However, many food and drink products from developing countries face high tariffs and other barriers in the markets of industrialized countries. Developing countries' attempts to promote processing industries have been hampered by tariff escalation (higher import duties on processed products compared to raw materials). Not surprisingly, one of the central demands of developing countries in the current Doha Development Round of trade negotiations is for substantial cuts in these barriers.

### 3.4. Structure and composition of the food-processing sector

Table 3.4 gives a list of the top 12 food and drink processors in 2006. It will be noted that eight of these companies are based in the United States.

Table 3.4. Top 12 food and beverage companies, by sales, 2006

No.	Company	Home country	Turnover (US\$ million)	Profit (US\$ million)	Employees
1	Nestlé	Switzerland	74 659	6 416.0	260 000
2	Unilever	United Kingdom/Netherlands	49 581	4 679.0	179 000
3	PepsiCo	United States	32 562	4 078.0	157 000
4	Sara Lee	United States	19 727	719.0	137 000
5	Coca-Cola and Coca-Cola Enterprises	United States	41 810	5 386.0	132 300
6	Tyson Foods	United States	26 014	353.0	114 000
7	Groupe Danone	France	16 455	1 819.0	88 184
8	Inbev	Belgium	14 483	1 123.0	77 000
9	ConAgra Foods	United States	15 516	641.5	38 000
10	Anheuser-Busch	United States	15 036	1 839.0	31 485
11	Archer Daniels Midland	United States	35 944	1 044.0	26 000
12	Bunge	United States	24 275	530.0	22 000

Source: Compiled from Fortune Global 500, 2006.

These large multinationals have grown through a process of high-profile M&As. Nestlé is, perhaps, the best illustration of this M&A-led growth. Founded in the 1860s by a pharmacist, Henri Nestlé, specifically to develop a food for babies who could not breast feed, the company was involved in its first merger, with a condensed milk company, as early as 1905. In 1947, it merged again, with Maggi, and again in 1960, with Crosse & Blackwell, in 1971 with Libbys, and in 1973 with Stouffers. By the mid-1980s, the company had acquired several additional companies, the biggest of which was the American company Carnation. Among its biggest acquisitions in the 1990s was Ralston Purina. Unilever has similarly developed by acquiring, among others, Brooke Bond, Bestfoods, and Ben & Jerry's Homemade Ice Cream. Tyson Foods, the world's largest poultry company, made numerous acquisitions, particularly in the years 1966–89. The food and drink sector continues to see major M&A activity, and this is likely to continue. Although the largest companies are huge in terms of their turnover, the sheer size and diversity of the global food industry leaves plenty of room for further consolidation.

The ideal, from a food producer's point of view, would be to have global brands that could sell worldwide. That this may be possible with beverages is shown by the power of, for example, the Coca-Cola brand name. However, it can be argued that global food brands may be harder to establish, since food consumption is still strongly influenced by local tastes and preferences. The global food-processing company Nestlé, for example, has argued that there is no generic "global consumer" and therefore no possibility of centralizing production just on global brands, although fast-food companies believe that small adaptations in menus may be all that is required, with companies like McDonald's, KFC, Burger King, Starbucks and others selling their products worldwide.

Nestlé (which employs in total around 250,000 people worldwide) in fact operates a decentralized network, with more than 40 factories in the ASEAN region alone. Under its “centres of excellence” programme, it has set up production centres for breakfast cereals in the Philippines, chocolate and confectionery in Malaysia, non-dairy creamer in Thailand, soy sauce in Singapore, and instant coffee in Indonesia. Like Nestlé, Unilever also has a decentralized strategy, with a presence in almost every country. However, like other food multinationals, it is attempting to achieve efficiencies by switching from local or national to global buying.

At regional level, there are also some significant food manufacturing and processing companies. Mexico’s Grupo Bimbo, for example, is the largest food company in many Latin American countries, with subsidiaries in Argentina, Brazil, Colombia, Costa Rica, Chile, El Salvador, Guatemala, Honduras, Nicaragua, Peru, Bolivarian Republic of Venezuela and Uruguay, as well as in the United States and China. In Asia and Africa, companies of note include Charoen Pokphand (Thailand), San Miguel (Philippines), SAB Miller (South Africa, headquarters in the United Kingdom) and Want Want Holdings (Singapore).

### 3.5. Structure and composition of food distribution and retailing

Table 3.5 shows the top ten companies in terms of food distribution and retailing.

Table 3.5. Top ten food retailers, by sales, 2004

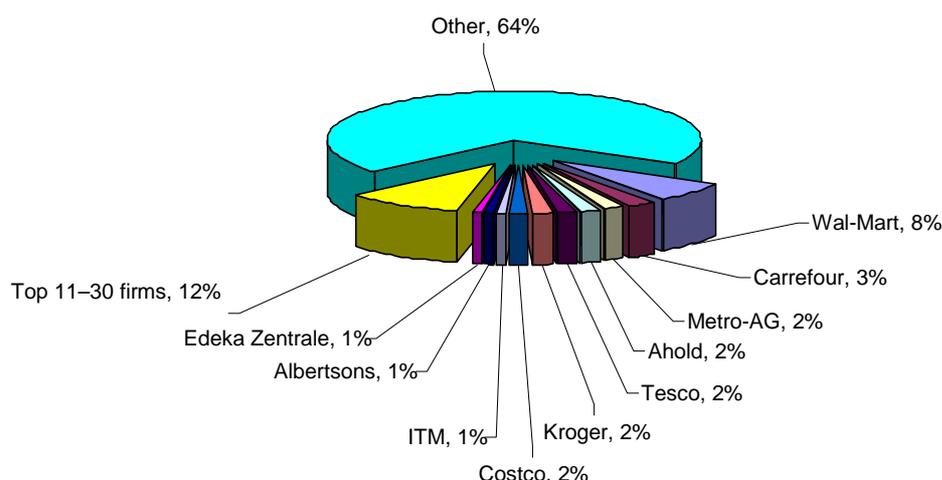
			US\$ million sales, 2004
1	Wal-Mart	United States	287 989 *
2	Carrefour	France	99 119
3	Metro	Germany	76 942
4	Ahold	Netherlands	70 439
5	Tesco	United Kingdom	65 175
6	Kroger	United States	56 434
7	Costco	United States	52 935
8	ITM (Intermarché)	France	51 800
9	Albertson’s	United States	39 897
10	Edeka Centrale	Germany	39 100

\* Total turnover, including food products.

Source: ETC Group: *Oligopoly, Inc. 2005*, Dec. 2005, quoted in S. Best and I. Mamic, *Global agri-food chains*, op. cit.

As figure 3.2 makes clear, these ten companies between them control 24 per cent, and the next 20 companies another 12 per cent, of the total global market share.

Figure 3.2. Top ten food retailers, and the next 20 firms, by market share, 2004



Source: ETC Group: *Oligopoly, Inc. 2005*, op. cit., quoted by S. Best and I. Mamic in *Global agri-food chains*, op. cit.

More recent data (table 3.6) provide an indication of employment in a slightly different list of ten leading food retailers in 2006, classified in terms of employee numbers (again covering all retail operations, not just food and drink).

Table 3.6. Top ten food and drink retailers, by employment, 2006

			US\$ million revenue, 2006	Employees, 2006
1	Wal-Mart	United States	315 654	1 800 000
2	Carrefour	France	94 455	440 479
3	Kroger	United States	60 553	290 000
4	Tesco	United Kingdom	71 128	273 024
5	Albertson's	United States	40 397	234 000
6	Metro	Germany	72 814	204 076
7	Groupe Auchan	France	42 073	175 584
8	Royal Ahold	Netherlands	56 427	167 801
9	Costco	United States	52 935	85 250
10	Aeon	Japan	39 480	54 161

Source: Fortune Global 500, 2006.

One of the key developments in global food chains over the past decade has been the rise of the food retail sector. By 2005, supermarkets and hypermarkets in the United States accounted for at least 62 per cent of all food retail sales (some assessments place this even higher, at 70–80 per cent). Wal-Mart, one of the largest global companies in any sector, operates in the United States, Canada, China, Japan, Mexico, the United Kingdom and several other countries, and has just moved into the Indian market in partnership with Bharti (a leading local telecommunications service provider). The French retailer Carrefour operates in over 30 countries, has a strong presence in Spain and Italy as well as France, with interests also in China and Latin America. The German company Metro has the majority of stores in its home market, but also has some operations in China, a strong and growing presence in Eastern Europe, and plans further expansion globally, including in India and China. Tesco, the leading British retailer, operates 75 per cent of its stores in the United Kingdom, 12 per cent in Eastern Europe and 9 per cent in China, and is also

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expanding steadily in East Asia and Eastern Europe. It also plans to establish a strong presence in the United States through a new subsidiary chain “Fresh and Easy”. The company has announced that it will be investing an average of £250 million to open 100 stores annually offering fresh, healthy foodstuffs at affordable prices.<sup>2</sup>

Although these large chains are at their strongest in North America and Europe, the supermarket/hypermarket format is spreading to the rest of the world, and other countries have major operators that are becoming larger through acquisitions, one example being Ito Yakado in Japan. By 2000, supermarkets in Latin America had on average 50–60 per cent of national food retail business, with the highest levels of concentration in the two largest regional economies, Brazil and Argentina. The Latin American supermarket sector is increasingly dominated by foreign-owned companies, including Carrefour, Tesco and Wal-Mart.

Although outside the range of this issues paper, it can be noted that these companies have considerable power in non-food as well as food products. Wal-Mart, for instance, dominates global supply chains in areas such as leisure clothing and household utensils; these supply chains operate in a way comparable to the global food chains. China is a particularly important source for Wal-Mart stock.

<sup>2</sup> Z. Wood: “Tesco puts the cart before the trolley in bid to crack America”, in *The Observer* (London), 10 June 2007, at <http://observer.guardian.co.uk/business/story/0,,2099240,00.html>.

## 4. Impact on employment and working conditions

### 4.1. Impact on the number of jobs

The food and drink industry is a major source of employment worldwide, as table 4.1 shows. As a leading manufacturing sector, food and drink processing in 2005 accounted for 4 per cent of world GDP and employed 22 million people.

Table 4.1. Employment in the food and drink products manufacturing industry (thousands of workers, 2002)

Country or territory	Employment	Country or territory	Employment
Albania	3.8	Kazakhstan	76.6
Algeria	44.0	Latvia	35.0
Argentina	197.8	Lebanon	18.4
Australia	172.1	Lithuania	50.0
Austria	84.8	Former Yugoslav Rep. of Macedonia	11.0
Azerbaijan	15.0	Mauritania	1.0
Belgium	93.1	Mexico	1 047.7
Bermuda	1.1	Netherlands	148.2
Botswana	7.0	New Zealand	63.8
Brazil	1 273.9	Norway	51.0
Bulgaria	95.1	Panama	16.0
Canada	280.2	Peru	69.0
China	3 630	Philippines	456.0
Hong Kong, China	15.8	Poland	431.3
Macao, China	1.3	Portugal	103.1
Colombia	98.1	Moldova, Rep. of	44.0
Costa Rica	44.9	Romania	163.3
Croatia	52.0	Russian Federation	1 975.4
Cyprus	9.0	San Marino	5.9
Czech Republic	88.1	Saudi Arabia	47.2
Denmark	85.2	Serbia and Montenegro	647.4
Ecuador	75.1	Slovakia	65.0
Eritrea	3.5	Slovenia	25.0
Estonia	19.4	South Africa	176.1
Ethiopia	34.0	Spain	373.3
Finland	39.1	Sri Lanka	69.4
France	576.4	Sudan	71.8
Georgia	17.3	Switzerland	61.0
Germany	783.5	Syrian Arab Republic	70.6
Greece	121.6	Turkey	339.2

Country or territory	Employment	Country or territory	Employment
Hungary	124.1	Ukraine	459.3
Iceland	10.0	United Arab Emirates	24.0
India	1 636.5	United Kingdom	504.5
Indonesia	558.1	United States	1 701.2
Ireland	48.0	Yemen	20.7
Italy	319.1	Zimbabwe	154.6
Japan	1 596.1		
Jordan	21.0	World total	21 859.1

Source: Compiled from LABORSTA, ILO.

Well over 1 million people work for one of the large multinational food and drink manufacturing companies. As mentioned earlier, Nestlé employs around a quarter of a million employees, as does Unilever. Other major employers (2002 data) include Sara Lee (154,000), PepsiCo (142,000), Tyson (120,000) and Kraft (109,000), and this list is by no means exhaustive. The top ten fast-food companies (mostly American-owned) employ approximately 5 million workers, with McDonald's alone contributing over 1.5 million to this statistic. Supermarket enterprises Wal-Mart, Tesco and Carrefour employ 2.25 million workers in over 30 countries.<sup>1</sup>

Employment data (using UN International Standard Industrial Classification ISIC Code 15, Manufacture of food products and beverages) shows a mixed picture in recent years. According to OECD data, employment in the sector has grown in some OECD countries: France, for example, reportedly saw a 7.3 per cent increase between 2003 and 2005, Spain a 6.7 per cent increase, and Canada 1.9 per cent. On the other hand, other countries appear to have recorded falls in employment. In the United States, for instance, employment reportedly declined from 1.68 million in 2003 to 1.64 million in 2005.

There is some suggestion that jobs in industrialized countries may be at risk from outsourcing and relocation of work to lower-cost destinations. One European Union food company has reportedly declared that by 2010 half of its new products will be outsourced and produced outside the EU, compared with 20 per cent in 2006. There has also been intra-EU outsourcing to new Central and Eastern European Member States. Remote relocation of manufacturing and processing facilities to lower-cost regions has also been practised by American and Japanese food companies, while outsourcing and co-packaging increasingly take place within, among and between developed and developing countries.

The story is similarly mixed if we compare the situation today with that of ten years ago. In the majority of industrialized countries, employment statistics in food and drink processing reflect a process of decline or, at least, stagnation during the period 1997–2004. A small number of countries seem to have countered this trend: they include Canada, France and Italy. It has to be admitted, however, that different data sets give different, and on occasion conflicting, pictures.

The situation in developing countries is equally complex. Some analysts suggest that there have recently been high levels of growth in employment in the food and drink processing sector. The ASEAN Yearbook, for example, has suggested that employment in Thailand in the sector more than doubled between 2000 and 2004. Mexico and the

<sup>1</sup> T. Royle and L. Ortiz: "Analysing the dominance effect: Employee relations practices in the Spanish supermarket sector", in *British Journal of Industrial Relations* (forthcoming).

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Philippines also, according to another report, have seen a significant increase in employment in recent years. On the other hand, this increase does not appear to be universal: data for South Africa, for example, suggest a loss of one worker in six in the sector between 1997 and 2004.

In China, total employment in food and drink manufacturing stood at 3.7 million in 2003. More than 50,000 established food companies accounted for 11 per cent of China's GDP (2005 figures). In India, the growth of domestic companies, combined with a growing trend among global manufacturers to outsource to India, has seen the sector expanding in recent years, to the position in 2006 where the processed food market was worth 32 per cent of the total food market, or US\$29.4 billion, in a total estimated market of US\$91.66 billion. The food-processing industry is one of the largest industries in India – it is ranked fifth in terms of production, consumption, export and expected growth.<sup>2</sup> Nevertheless, one report suggests that employment in the sector has actually fallen to around 1.6 million in recent years.

It is therefore not easy to generalize about the effect of increasing globalization of food chains on employment in the sector worldwide. It may also be that there are statistical aberrations caused by the large grey area between agriculture and food processing, and between food manufacture and food distribution/retailing.

## 4.2. Impact on the content of jobs

The current configuration of global food chains affects all those employed at the different stages of production and processing. “Upstream”, the proportion of the labour force working on the land has fallen markedly, especially in developed countries. The industrialization of farming and agro-food processes has, in effect, shifted the locus of much of the work from the field to the factory or the packaging plant. The seasonal rhythms of agricultural work have been displaced for many by the rhythms of food-processing assembly lines. To this extent, many workers in the agro-food industries are more like workers in automobile or electronics production than farmers.

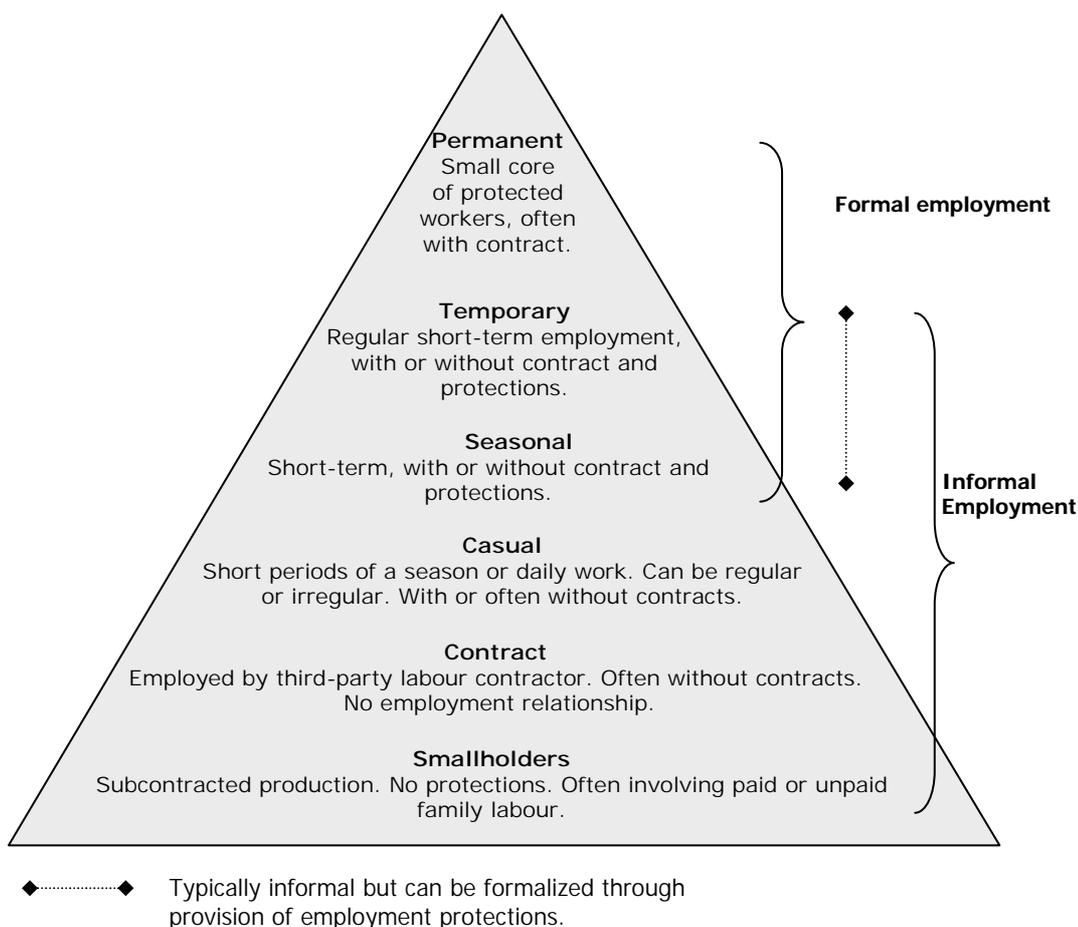
Worldwide competition in globalized food chains imposes its own logic on the characteristics of the labour market. Business today demands round-the-clock schedules and flexibility, this flexibility being reflected in the terms of employment and working conditions in the industry.

This growing “flexibilization” of the labour force is akin to what was described in the related sector of horticulture in a previous report for the ILO.<sup>3</sup> This suggests that there is a pyramid-shaped continuum of employment relations in the sector, represented in figure 4.1.

<sup>2</sup> According to the India Brand Equity Foundation, 2007, in its report on the food-processing sector available at <http://www.ibef.org/industry/foodindustry.aspx>.

<sup>3</sup> C. Dolan and K. Sorby: *Gender and employment in high-value agriculture industries* (Washington, DC, World Bank, 2003), Agriculture and Rural Development Working Paper, Series No. 7.

Figure 4.1. Pyramid of employment relations in the horticulture sector



Source: Adapted from C. Dolan and K. Sorby: *Gender and employment in high-value agriculture industries* (Washington, DC, World Bank, 2003), Agriculture and Rural Development Working Paper; Series No. 7.

As the authors observe, a common strategy in horticulture is for employers to hire a small nucleus of permanent, skilled workers who are retained throughout the year, plus a larger periphery of low-skilled workers on flexible arrangements who can be pulled in and out of work as needed. They go on to comment that this same process of flexibilization has been reported in food packing houses as well as on the land itself.

Flexible work can take various forms, while levels of employment protection can vary widely within and between individual countries, making comparisons difficult. However, the general point is that permanent workers usually have more formal work arrangements, meaning that their work is covered by a contract, protected by labour laws, and provides access to certain social security and employment benefits. By contrast, temporary, casual and contract staff tend to have more informal relationships, often working without a contract and finding themselves without access to key labour rights and benefits.

Evidence from particular countries suggests that, as producers become locked into global food chains and as their prices come under intense downward pressure from lead firms later in the chain, they seek to maintain their own profitability by increasing their use of flexible labour. A study from the United Kingdom, where in 2002–03 a cut-throat price war by supermarkets on bananas led to prices for this fruit falling by over 20 per cent, has suggested that the extremely low prices then being paid would have made it impossible for Costa Rican growers to continue to pay their workers the legal minimum wage.

As in many other sectors, it is often women workers who are disproportionately represented in casual and informal work. Although in most countries more men than women are employed in the food and drink processing industry, the percentage of women in the industry remains a significant one. As table 4.2 shows, there remains globally a considerable pay differential between men and women in food and drink processing, which is likely to be only partly accounted for by the higher number of women working on a part-time or casual basis.

**Table 4.2. Women's wages as a percentage of men's in food and drink manufacture, selected countries, 1999–2005**

	1999	2000	2001	2002	2003	2004	2005
Australia		91		88		87	
Brazil	67	69	70	70			
Costa Rica							75
Egypt	76	74	78	73	81		
France	71	72	73	74			
Korea, Republic of	52	52	50	53	53	53	52
Spain	86	86	86	89	85	85	86
Switzerland		75		76		78	
Thailand			73	87	82		
Ukraine				85	85	86	83
United Kingdom	78	77	77	75	79	83	

Source: LABORSTA, 2006.

The development of global food chains is also having an effect on labour migration, both within and between countries. Research in Kenya has found that 100 per cent of packing house workers surveyed, and 86 per cent of farm workers, were migrants from other parts of the country, with migration equally prevalent among men and women.<sup>4</sup> In the Seychelles, the chronic shortage of labour in the tuna industry has reportedly driven enterprises to rely on migrant labour from the Philippines, Kenya and Madagascar for their processing plants.<sup>5</sup>

Migrant workers are also widely used in industrialized countries in agriculture and horticulture packing houses.

<sup>4</sup> See C. Dolan and K. Sutherland: *Gender and employment in the Kenya horticulture value chain* (Norwich, University of East Anglia), Discussion Paper 8, 2002.

<sup>5</sup> In the largest factory, nearly 50 per cent of the workforce consisted of foreign labour mainly from the Philippines, Kenya and Madagascar, according to P. Michaud: "Experience from the bilateral fisheries access agreement, impact on the economy and implications for Seychelles of the outcome of the WTO mediation on the case of tuna between the EU and Thailand and the Philippines", paper presented at the EU/ACP International Seminar on Fisheries Agreements, ACP Secretariat, Brussels, 7–9 April 2003, available at <http://www.cta.int/events2003/fisheries/Michaud-full-EN.pdf>.

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Migrants are among the most marginalized groups in society and are particularly at risk from exploitation at work. They are more likely than other groups to be unaware of their legal rights and less likely to be members of trade unions. Those working in irregular situations are particularly vulnerable.

Attention has also been focused on the considerable number of food and drink manufacturing plants that are located in export processing zones (EPZs). Workers in these factories may not appear in official employment statistics for the countries concerned, and are also likely to find themselves outside much of the protection offered by employment legislation. Young workers, and particularly young women workers, predominate in food-processing work in EPZs for a number of reasons, including the seasonality of the work and the high turnover of staff. Labour in meat- and fish-processing enterprises located in EPZs is for the most part low skilled, requiring flexibility but little supervision. Some EPZs also have processing plants producing higher value added products, such as chocolates, confectionery, wines and spirits. Jobs here, although highly seasonal, are typically more stable.

If workers in food manufacturing are to some extent spared the particular health and safety concerns facing agricultural workers in connection with the use of pesticides and chemicals, it remains true that packing and processing can be repetitive work requiring high levels of dexterity and often leading to muscular pain and discomfort. Musculoskeletal disorders have been identified as a problem, for example, for poultry pluckers and fish processors. A study of over 70 workers in a fish-processing plant in Ghana found the entire sample to be suffering from high levels of work strain.<sup>6</sup>

As with our assessment above of the effect of global food chains on the numbers of jobs in the sector, any account of the implications for the quality and type of jobs must inevitably be cautious in its conclusions. There is clearly a world of difference between a modern plant operated by a major food manufacturer in an industrialized country and a small, informal food packing plant in a developing country. In both industrialized and developing countries, however, the structural changes being brought about globally in the food industry can have far-reaching, but also contradictory, implications for the quality of work. In general, those in formal employment are most likely to be the beneficiaries; those in casual, temporary and informal working relationships – above all, women workers, migrant workers and young workers – are most likely to be the ones who suffer.

### 4.3. Impact on industrial relations

The processes described in this issues paper, which are changing the nature of the global food industry, will also have an impact on industrial relations and social dialogue in the sector.

There is potential for better industrial relations and higher levels of compliance with core labour standards from which both companies and workers would benefit – particularly through greater involvement and participation of lead firms at all stages of the food supply chain. Traceability of food products back to their source, as well as being valuable in terms of food safety, also has implications for large multinationals that operate “downstream” and are aware of the need to minimize reputational risk by ensuring that their products are produced by suppliers and contractors providing good employment conditions for their

<sup>6</sup> R. Quansah: “Harmful postures and musculoskeletal symptoms among sanitation workers of a fish processing factory in Ghana: A preliminary investigation”, in *International Journal of Occupational Safety and Ergonomics* (Warsaw, Poland), Vol. 11, No. 2, 2005, pp. 171–180.

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workers. At the same time, as we have seen in relation to fair trade, a sector of the consumer market is taking an interest in the way the products they buy are produced; this concern extends to labour issues and employment conditions, but will not always have a practical outcome in these terms.

On the other hand, there is also a potential downside to the development of global food chains. One concern already mentioned in the discussion on flexibilization of the workforce is the tendency of powerful lead firms to exert strong downward pressure on the prices they pay their suppliers, particularly in developing countries, so that it becomes impossible for those suppliers to pay decent, or even legal, wages, or to provide good employment conditions for their workers. This risk is particularly high when food retailers' competitive strategies are predominantly price-based. In other words, the picture is potentially a mixed one.

There is a foundation of good practice on which to build. The social partners in the food manufacturing industry have a record of successful collective bargaining in companies all over the world. To take just one example among many, Nestlé Asia-Pacific has signed collective agreements in several countries covering a wide range of issues including respect for trade union rights and protection against victimization for union activities, equality of opportunities, non-discrimination on grounds of age, sex, race or religion, negotiation over new technology, reductions in working hours and reviews of shift patterns, and exchanges of information. Similarly, over a dozen enterprise-level collective bargaining agreements (CBAs) in the food and drink sector, negotiated either at shop-floor or federation level and renewable every three years, have been signed since 1992 in eight Latin American countries.<sup>7</sup>

There have also been some pioneering moves in the sector to formalize broad-based principles for industrial relations at a global level, in the international framework agreements that have been signed between several individual companies in the food and drink industry and Global Union federations. In the case of French multinational Danone and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), for example, the first discussions about industrial relations at an international level go back as far as 1985, and agreements between Danone and the IUF were signed in 1989, 1992, 1994 and 1997.

International framework agreements such as these can ensure that a commitment to core labour standards is established at the heart of global food chains. Extending the conditions of these agreements to suppliers and contractors provides one way in which the powerful lead firms in supply chains can seek to encourage good industrial relations throughout the chain. This is not to say that framework agreements by themselves necessarily bring about in practice everything that both sides of the social partnership process would like to achieve.

If collective agreements at national level, and international framework agreements covering the global operations of multinationals, are the more familiar side of social partnership and industrial relations, there is also a wide range of voluntary standards and codes that may also aim to ensure compliance with core labour standards and good employment conditions.

One of the distinctive features of the growth of global food chains in recent years has been the proliferation of standards that now operate, sometimes imposed externally and sometimes developed internally, typically by the lead firms in individual chains.

<sup>7</sup> Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Panama and Peru.

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It can be argued that national collective agreements, national law, and national trade union movements, are still the only effective means of protecting workers' interests; questions remain about the efficacy of international framework agreements and the various voluntary standards (such as corporate social responsibility – CSR) and public codes of conduct that are supposed to help ensure compliance with core labour standards and good employment conditions. Nevertheless, there has been a considerable proliferation of private codes (such as CSR) and public codes among large companies.

Public standards (such as the Codex Alimentarius of the World Health Organization (WHO) and the Food and Agriculture Organization (FAO), or recent legislative requirements introduced by the EU) primarily mark a new concern with issues of public food safety as the food chain becomes more complex and more fully globalized. But there are also external standards established by other actors, such as NGOs, producer associations and multi-stakeholder groups, which are concerned with a range of other issues. One example is the work of Fair Trade Labelling Organizations International, which oversees the licensing of the fair trade brand internationally. As this body points out,

The problems experienced by producers and workers in developing countries differ greatly from product to product. The majority of coffee and cocoa, for example, is grown by small farmers, working their own land and marketing their produce through a local cooperative. For those producers, receiving a minimum price for their beans may be more important than any other aspect of fair trade. Most tea, however, is grown on estates. The biggest concern for workers employed on tea plantations is likely to be fair wages and decent working conditions.<sup>8</sup>

To address this, there are two sets of Fair Trade Generic Standards. The first covers small farmers' organizations, such as growers' cooperatives. The second, which is designed to cover companies employing staff, requires, among other things, the payment of decent wages, respect for the right of workers to join trade unions, and the acceptance of labour standards in issues such as training, grievance procedures and social protection.

Fair trade is one of a wide range of issues covered by codes, not all of which are concerned with employment issues. There are codes and standards dealing with topics such as organic goods, animal welfare (such as identifying "dolphin friendly" tuna) and environmental stewardship through green production strategies based on the principle of environmental sustainability. There are also codes developed by sectoral trade associations and export organizations in particular countries, such as those developed by the Fresh Produce Exporters' Association of Kenya (FPEAK) and the Zambia Export Growers' Association (ZEGA).

Some companies in the food and drink sector are choosing to use the international social accountancy standard SA8000 to assess their operations. More generally, numerous food and drink companies have signed up to the UN Global Compact. It should be remembered that the ILO Declaration of 1998 and its follow-up,<sup>9</sup> the Tripartite

<sup>8</sup> See Fair Trade Labelling Organizations International web site: <http://www.fairtrade.net>.

<sup>9</sup> ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted by the International Labour Conference of the International Labour Organization at its 86th Session (Geneva, June 1998).

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Declaration on multinational enterprises and social policy,<sup>10</sup> and the OECD guidelines,<sup>11</sup> also provide generic codes for multinational enterprises.

Participants in a global food chain may well therefore find that their involvement is subject to a wide range of codes, standards, conditions and performance indicators. Some of these are binding but many are voluntary, and some will directly concern employment issues. However, as with most codes of conduct, questions remain about their effectiveness when there are arguably no sanctions or only very limited sanctions, for non-compliance.

Just how effective are voluntary codes and standards? According to a recent ILO paper which focused primarily on conditions in developing countries,<sup>12</sup> there is evidence that codes have had some positive benefits both for employers and workers. The report identifies four areas where improvements in employment conditions have been recorded:

- improved health and safety measures (such as improved washing and toilet facilities, the provision of potable water, medical service and health education);
- formalization of employment relations through written contracts, the introduction of pro-rata benefits for seasonal and temporary workers, and the transfer of casual workers to fixed-term or permanent contracts;
- provision of on-site benefits (such as upgraded accommodation, subsidized meals); and
- measures addressing gender discrimination and gender issues.

However, the report also makes the following assessment: “In terms of worker impacts, the studies found evidence that the hoped-for benefits of codes were not always reaching workers. Most striking is the very low level of workers’ knowledge about codes, even though many of these codes had been implemented for several years. Among those who did know of codes’ existence, most thought they related to technical production specifications and were not aware they involved workers’ rights.” Furthermore, even if workers are aware of such codes, questions remain about the ability of workers to “mobilize” the potential that may be available through such codes. The continuing decline in international trade union density in the food and drink processing sector, and more especially in related segments such as supermarkets and global fast-food chains, may make it more difficult, not only in developing countries but also in industrialized countries, to ensure decent work.

<sup>10</sup> Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted by the Governing Body of the International Labour Office at its 204th Session (Geneva, November 1977), as amended at its 279th Session (Geneva, November 2000).

<sup>11</sup> *OECD Guidelines for Multinational Enterprises*, Revision 2000, OECD, Paris.

<sup>12</sup> This section draws on S. Best and I. Mamic: *Voluntary social initiatives in fresh food and vegetable value chains*, draft paper (not yet published) prepared for the ILO Office, Bangkok.

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## 5. Suggested points for discussion

1. How are recent trends in employment in the food and drink sector influenced by the growth and development of global food chains?
2. How is global supply chain management affecting employment and work organization in the food and drink sector?
3. What are the most important skills requirements for the future of the industry?
4. What role can social dialogue play in the context of globalized food chains?
5. How can the ILO help employers and workers in the food and drink sector to meet the challenges of global food chains?