Branch guide to ethical procurement

Supporting members

Defending services
Introduction

The public sector in the UK spends billions of pounds each year on the procurement of goods and services. In our increasingly globalised world, these goods come from supply chains which reach every corner of the planet. As trade unionists, we should be concerned with the employment rights and conditions of people working around the world. When these workers are involved in producing goods for use by public bodies in the UK, we have a real opportunity to influence employers to take a lead in ethical procurement. Using their buying power there is a genuine chance to improve the lives and working conditions of many millions of working people.

This guide covers:

1. An introduction to the principles of ethical procurement
2. Case studies – ethical procurement in practice
3. Tips for branches on promoting ethical procurement
1 An introduction to the principles of ethical procurement

What is ethical procurement?

‘The assumption of responsibility of a company for the labour and human rights practices in its supply chain’. – Definition from the Ethical Trading Initiative

It is estimated that local government spends around £12 billion a year on buying goods and services in the UK2 through procurement. UNISON branches are most familiar with procurement which concerns the privatisation of services which our members deliver, dealing with TUPE and pensions issues and monitoring contracts. In the past, the purchase of goods has not been an issue for us if it has not directly affected our members.

However, with our international links and affiliations, we believe there are wider benefits for UNISON as a trade union to take an interest in the issues surrounding the conditions of workers in the supply chains when purchasing goods. Local authorities purchase large quantities of goods on a regular basis – such as paper and staff uniforms – and as such they have considerable purchasing power. Branches should ask your employers what consideration they have given to ensuring that the goods they buy have not been manufactured at the expense of workers’ health and wellbeing – in supply chains in the UK as well as worldwide.

The Ethical Trading Initiative (ETI) is a key UK organisation which brings together companies, trade unions and voluntary organisations to work in partnership to improve the conditions of poor and vulnerable workers across the world.

The ETI estimates that each year their work touches the lives of 9.8 million workers, who work either growing or producing consumer goods such as clothing, footwear and flowers. Companies sign up to a labour code which they expect all their suppliers to work towards. The ETI base code stipulates the following key principles:

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practised
8. Regular employment is provided
9. No harsh or inhumane treatment is allowed3

Many large multi-national companies are signed up to the ETI, as part of corporate social responsibility programmes and a sign of the importance many western consumers place on the principles of ethical trade. Exposure of the working conditions in factories producing clothes for UK high street names in the past decade have influenced consumer spending habits, pushing companies into taking greater interest in the conditions within their complex supply chains.

1 http://www.ethicaltrade.org/
2 Government Procurement Service http://gps.cabinetoffice.gov.uk/i-am-buyer/sectors/local-government
3 For more detail on the code, see the ETI website: http://www.ethicaltrade.org/sites/default/files/resources/ETI%20Base%20Code%20-%20English_0.pdf
The ETI is probably the largest initiative of its kind and whilst it does not require companies to be ‘perfect’ to sign up, it does require commitment to work towards improving conditions, regular audits and meaningful action where unethical practices are uncovered. The ETI is a tripartite body with membership from business, trade unions and NGOs. Experience shows that methods other than boycotts of companies and suppliers can help improve conditions – the ETI approach focuses on support and education to enable suppliers to improve their practices. It is also important to stress that, although much of the focus on ethical trade is on developing countries, it also covers supply chains in the UK – a point which should be of interest to local authorities.

Procurement issues
Many local authorities are risk averse when it comes to procurement practices, not wishing to undertake any activity which could be legally challenged. Getting your employer to consider ethical procurement means asking them to approach the process in a more creative and confident way.

European procurement rules^4 allow authorities to include appropriate considerations in their technical specifications. They cannot require products to bear a specific ethical trade label or certification but can instead state the general standards the products must meet – as long as these relate to the characteristics, performance or production processes of the products. Contracting authorities may stipulate which ethical trade labels/certifications they believe fulfil these criteria, but they must always allow other means of proof.

Contracting authorities cannot use the labour conditions of the workers involved in their current production processes as selection criteria for choosing between contractors. However they can:

- write the required labour standards into the contract document – although the conditions do not need to be met at the time a contractor submits their bid. (These requirements must be published in the contract notice)
- incorporate labour standards criteria into the successful supplier’s contract as contract performance clauses
- require the contractor to impose the same standards on their own suppliers (ie sub-contractors)
- monitor their contractors’ performance against these criteria, and provide financial incentives / disincentives for good/poor performance
- invoke breach of contact conditions if the contractor persistently fails to adhere to the agreed criteria^5.

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Ethical Trading Initiative or FAIRTRADE?

There are many different ways to make procurement more ethical. The Ethical Trading Initiative and FAIRTRADE have been popular with UNISON members in workplaces around the UK.

The Ethical Trading Initiative works with companies and trade unions to help companies improve workers’ rights in their supply chains. It cannot guarantee that a company is ethical but if companies are members of the ETI they have committed to improving workers’ rights in their supply chains, and will be implementing a strategy to do this.

You can ask your council to:

- Use the ETI’s informative and accessible materials
- Include membership of the ETI in contracts
- Use the ETI base code to identify the required labour standards for contract documents or performance contracts

The FAIRTRADE mark is awarded to products that meet a fair trade standard. Its purpose is to get a better deal for disadvantaged farmers and workers in developing countries. The fairtrade standards are agreed through a process of research and consultation with key participants in the fairtrade scheme, including producers themselves, traders, non-governmental organisations, academic institutions and labelling organisations such as the Fairtrade Foundation. This certification does not involve trade unions or assess fairtrade practices in the supply chain. Nonetheless, the fairtrade mark is very well known and popular with both the public and companies.

In 2013, Scotland became a Fairtrade country. A number of local authorities in the UK are already Fairtrade towns and cities, including Leeds and Newcastle, both of whom procure Fairtrade certified goods such as tea, coffee and sugar for use in meetings and sale in staff canteens. Newcastle’s procurement strategy includes reference to Fairtrade considerations:

‘Products from developing countries are often sold at prices that do not afford their producers a decent standard of living. ‘Fairtrade’ aims to alleviate poverty and ‘humanises’ the trade process by making

Example:

If a contracting authority wants to buy ethical trade coffee or fruits, it can insert in the ‘contract performance conditions’ a clause requesting the supplier to pay the producers a price permitting them to cover their costs of sustainable production, such as decent salaries and labour conditions for the workers concerned, environmentally friendly production methods and improvements of the production process and working conditions.

From: Buying social – a guide to taking account of social considerations in public
the producer-consumer chain as short as possible so that consumers become aware of the culture, identity and conditions in which producers live. Newcastle has been a ‘Fairtrade City’ since February 2003. We are committed to increasing the awareness of Fairtrade throughout Newcastle and (where appropriate) to explore the scope for procuring Fairtrade products.\(^6\).

If your local authority has already made a commitment to buying Fairtrade products, this may mean they are more receptive to the principles of ethical procurement.

You can ask your employer to commit to:

- Supplying fairtrade products in local authority venues and events
- Gaining fairtrade status for the council, workplace or town

Is all fairtrade certified?

Some organisations are purely dedicated to trading fairly and have been doing so for many years before Fairtrade certification was established. The process of agreeing international Fairtrade standards can take time, and for many of the products these organisations sell, there may not yet be standards available to certify their products. You can find these organisations listed at:

- wfto.com
- bafts.org.uk

There are some other companies making their own ‘fair trade’ claims without having the independent scrutiny of the Fairtrade Certification Mark. You need to ask what these claims are based upon. If you want to be sure that farmers and workers are receiving the better deal offered by Fairtrade, always look for the FAIRTRADE Mark.

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2 Case studies – ethical procurement in practice

Paris city council
Paris city council’s clothing office provides clothing for 29,000 employees, placing around 300 orders per year with suppliers. In doing so it has integrated social and environmental considerations into its purchasing procedures, asking suppliers to sign a declaration committing them to respect fundamental rights of their workers. This declaration includes explicit reference to the minimum age of workers and is based on those rights defined by the International Labour Organisation (ILO). To ensure compliance, the council requires suppliers to be subject to checks by independent verifiers, who may make recommendations which then have to be implemented.

Welsh Health Supplies
In 2009, NHS Wales convened a project board to look at a contract for 150,000 new nurse and midwife uniforms. The procurement exercise was carried out by Welsh Health Supplies (WHS), which conducted a sustainability risk assessment as part of the process – a requirement for all contracts above £25k. The risk assessment highlighted a number of areas, including labour issues in the supply chains. As a result WHS mapped the supply chain for uniforms from fabric manufacture through the dyeing process and garment production, which demonstrated that poor labour standards were a risk beyond the first tier, right down the supply chain.

In order to address this issue, the competitive dialogue process stipulated that the contractor would be required to ensure compliance with ETI base code throughout the supply chain and be subject to audits. The successful contractor was selected in late 2009, with WHS commenting that “the inclusion of compliance with the ETI Base Code as a contractual obligation added minimal cost to the procurement process, as these costs were borne by the successful contractor”.

Ethical procurement for health
The NHS spends £30 billion per year on goods and services from a global supply chain – everything from surgical instruments manufactured in Pakistan, to security services in the UK. The ethical procurement for health initiative was launched in 2011 as a result of collaboration in the health sector between the BMA, Medical Fair and Ethical Trade Group and the Department of Health, led by the ETI. The initiative encourages a step by step and progressive approach to ethical trade within the NHS, helping to benchmark and monitor progress against the ETI base code. The initiative is further supported by training and e-learning packages launched in 2012.

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7 Case study featured in Buying social: a guide to taking account of social considerations in public procurement (European Commission, 2010)
10 For more information, see the Ethical procurement for health workbook: http://www.ethicaltrade.org/sites/default/files/resources/EPH_Workbook.pdf
Yorkshire and the Humber joint procurement arrangement for Fairtrade products

Leeds City Council co-ordinated the tender process on behalf of thirteen councils in the region. The invitation to tender covered the supply of Fairtrade drinks and foodstuffs to councils including leisure, social services and schools. The contract states that the products supplied must be Fairtrade and that where equivalent to the Fairtrade mark independent third party evidence of compliance must be supplied. Additional fair trade and social criteria regarding supply chain policies, communications activities and sustainability were also taken into account during the tender evaluation process.

The framework agreement is open to other interested local authorities and public institutions to join at any time and Leeds City Council is actively promoting it to local institutions to raise awareness.

The principles behind ethical procurement underpin many of our key ideals as trade unionists, in promoting and defending the rights of workers around the world. As such, focusing on ethical procurement can provide a means of engaging existing members in campaigning activity and promoting the work of trade unions to potential members. It is an especially good way to engage young members. It can also help to open up a more positive engagement with your council on procurement issues – which might spill over into improving your ability to influence decisions about the procurement of services too.

- Involve your branch international officer – and if you don’t have one elect one!
- Talk to your members about their interest in the issues surrounding ethical procurement – you’ll probably find many already make informed choices about their own everyday and household purchases. This is no different to the purchasing choices a local authority has to make – these are just on a larger scale, arguably meaning they have greater influence and purchasing power
- Invite a representative of the ETI, Labour Behind the Label or War on Want to address a branch meeting – this may help inspire members to take action to help secure the rights of workers outside of your workplace
- Ask members from different parts of the council what goods are bought in bulk – uniforms, equipment, food – to begin a mapping exercise of where the principles could be applied
- See if individual members or a group of members are interested in taking on the issue as a small project – talking to the councillors and procurement officers, raising public awareness and seeking to apply the principles as a pilot project to a forthcoming contract
- Consider working with your authority to put on training from the ETI for branch officers and council procurement officers
- Find out from the council what they already do to promote ethical procurement – talk to procurement officers or look at the authority’s procurement strategy
- If there is interest, consider asking your council to create an ‘ethical champion’ – either an officer or a councillor to work with the branch to promote ethical procurement
- Find out if there is a local Fairtrade or international development group in your area and see if you can engage with them
- Remember that the ETI stress the need to work in partnership to improve conditions in supply chains – branches should approach employers to work together positively on the issues, rather than seeking to get them to act by shaming them.
- Contact the International Unit at UNISON Centre for more information about ethical procurement and fair trade and visit the webpage.

3 Tips for branches on promoting ethical procurement
Further information:

UNISON International
unison.org.uk/international/index.asp

Ethical Trading Initiative
ethicaltrade.org/

Fairtrade Foundation
fairtrade.org.uk/

TUC: A trade union guide to ethical trade
tuc.org.uk/extras/TUCethicalTradeleaflet.pdf

Labour Behind the Label
labourbehindthelabel.org

War on Want
waronwant.org

People and Planet
peopleandplanet.org

Playfair 2012 campaign (Olympic suppliers)
playfair2012.org/

Corporate social responsibility:
Prospect case studies of successful engagement with employers
prospect.org.uk/campaigns_and_events/international/keyissues/csr

Ethical Consumer
ethicalconsumer.org/home.aspx

International Labour Organisation
ilo.org