

ALP Policy Paper – March 2010

Labour Provider Auditing and Accreditation

The Findings of the Equalities and Human Rights Commission

In March 2010 the Equality and Human Rights Commission (EHRC) reported from its inquiry into recruitment and employment in the meat and poultry processing sector that:

“The current system of ethical auditing by supermarkets is not uncovering the problems in the agency supply chain, despite almost exclusive reliance upon these audits as the tool for monitoring the supply chain. Ethical audits are not giving a true snapshot of the range and extent of problems facing agency workers. There are several reasons for this:

- *The current risk assessment is based on worldwide labour conditions, such as in India and China, and needs recalibrating for the UK.*
- *There is no standard audit methodology for auditing under the ETI base code.*
- *The reliance on self-audits completed by meat processing firms as the primary means of flagging up issues of concern and for supermarkets to assess whether a firm’s standards pose a risk. ASDA, for example, stopped using self auditing around 6 years ago on the basis that ‘self audits are not worth the paper they are written on’.*
- *External audits, although likely to be more reliable than self-audits, are not always conducted by auditors who are sufficiently skilled in identifying issues of discrimination and harassment.”*

The EHRC recommends that:

“To enable supermarket auditing systems to drill down the supply chain more effectively, we recommend that audits are:

- *made appropriate to the risks in the UK;*
- *not reliant on a system of self-assessment;*
- *carried out by skilled auditors with the experience and investigatory skills necessary to identify issues highlighted in this report,*
- *able to overcome the factors which are preventing agency workers giving an accurate picture of the conditions in which they work.”*

The Association of Labour Providers concurs with this finding by the EHRC and fully supports the recommendation.

This ALP policy paper proposes how this recommendation should be implemented and applied.

The Current Position

- The Gangmasters Licensing Authority is an intelligence led, risk based regulator. It quite correctly focuses on cases where workers are most at risk. In 2009 it conducted 127 compliance inspections. With 1200 licence holders a labour provider may expect an inspection every 9 years or less.
- ETI member retailers require self-assessment and depending on risk, independent auditing of suppliers. This may include a review of labour provider practices against ETI Base Code standards. However the ETI code is not sufficient on its own as a basis to fully audit labour providers. Feedback suggests that audits are inconsistently applied and quite cursory in their review of labour providers.
- In the UK food supply chain, rogue labour provider malpractice remains the greatest labour related brand reputation risk to the retailers.

The Proposal

Commercially mandatory accreditation for all labour providers in the UK retailer supply chain.

Graded levels of accreditation – to promote and reward good practice e.g. Compliant; Improved; Advanced.

Accredited independently such as ALP Accredited Status or with BRC. Annual re-accreditation.

Carried out by independent social compliance auditing companies to a standard audit methodology.

Biased towards worker interviews and experiences.

Set up cost to be funded by retailers. Ongoing audit costs to be split three ways between labour provider, labour user and labour provider. Appropriate contracting methods to be defined with auditing companies.

The Requirements for an Effective Scheme

To be effective such an accreditation scheme must:

- Be commercially mandatory by the retailers for their suppliers.
- Achieve actual improvement to worker welfare and standards.
- Provide market differentiation i.e. act as an incentive to labour providers to achieve higher levels of accreditation to demonstrate good practice to win new business.
- Provide assurance of brand protection in the supply chain.
- Focus on partnership with labour users to improve processes to work towards best practice.
- Be transparent. Labour providers should have clarity regarding the standards and have the tools to enable them to self-assess in preparation for the formal audits.
- Be consistent. There should be a common standard of interpretation by all auditors.
- Be recognised by the Gangmasters Licensing Authority as a risk reducing factor.
- Reduce the burden, cost and inconsistency of current client auditing.
- Accord responsibility correctly - identifying unethical, illegal requirements imposed by labour users outside of the control of the labour provider.

The Auditing Process

- Standard audit methodology based on the GLA licensing standards and relevant additional elements of the ETI Base Code.
- Social compliance auditors must be approved Lead Assessors with a recognised qualification and a minimum 20 days social auditing experience; undergo ALP led “Complying with the GLA Standards” training; conduct 2 witnessed audits to sign off as competent; conduct minimum of 10 audits and undergo 1 witnessed audit each year.
- A body, including the ALP, will be required to establish Audit Methodology; Consistency of interpretation and Protocols regarding: Pre-Audit paperwork; LP/LU/ Worker Interview protocols; CAP process etc.
- Accreditation of multiple Branch/Site labour providers based on appropriate sampling. Auditing can be rolling. Sampling based on number of Branches and Sites and worker density.
- Labour provider completes an annual SAQ using the ALP Agency Labour Compliance Audit Tool. Labour provider can self assess using this tool in preparation.
- Annual accreditation. All audits are planned. Auditor chooses Branch/Site locations.
- Auditing consists of labour provider, labour user and worker interviews. A high proportion of the process focuses on the worker experience.
- Corrective actions to be posted on Sedex in accordance with SMETA principles. There is a period of grace to complete corrective actions before results.
- Corrective actions may be focused on the labour provider, labour user or both depending on responsibility.
- Appeals and complaints against auditors and findings to be heard by an Appeals Panel.
- Protocols to be established should an accredited labour provider have their licence revoked by the GLA.