

The rise of 'Southern' social standards in India: the case of the tea industry

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The context of research

Case study: the Indian tea industry

Justification for study:

- Sizeable growth in Southern (especially domestic) market for Indian tea with overall decline in tea consumption in “Western” markets
- Strong confluence of social standards: public and private, national and transnational, within the India tea sector
- Shifting commercial and geographical dynamics are leading to the emergence of new institutions which seek to re-embed production within social norms



Conceptualising social standards (I)

Social standards defined as ‘private forms of governance rather than public regulations, specifically focusing on multi-stakeholder and fair trade initiatives addressing rights and conditions of wage labour and smallholder livelihoods’ (Pickles et al, 2016:6).

Yet, social standards do not operate in isolation from public labour regulations, and often they make reference to pre-existing state legislation

Conceptualising social standards (II)

How institutions constrain (“embed”) economic activity in the pursuit of social goals

The cognate **GVC/GPN frameworks** can help to explain how commercial actors organise production under globalisation, and how they are in turn governed by other institutional actors (Henderson et al, 2002; Gereffi et al, 2005)

Yet the extent to which institutions are capable of embedding the firms is largely dependent upon institutional type/power as well as the changing geographies of production and consumption

Co-production of institutional arrangements and governance structures *‘in a state of perpetual dynamic transformation’* (Neilson & Pritchard, 2009:56)

Commercial actors and engagement with social standards

Lead firms (Unilever and Tata Global Beverages) with high market concentration- both globally and within India

Both firms increasingly engaging with private standards to regulate social conditions in their supply chains:

- **Ethical Tea Partnership**-both joined in 1997, Unilever later left
- **Rainforest Alliance**- Unilever global commitment partnership from 2007 (Lipton brand), Tata joined in 2010 (Tetley brand)
- **Trustea** – Hindustan Unilever and Tata Global Beverages launch the standard with the Tea Board of India in 2013 for the domestic market

Production in India in plantation segment is regulated under the **Plantation Labour Act (1951)**



Three challenges to the regulation of social standards within Indian tea production

Key commercial transformations in the organisation of production (at the global and national level) are posing considerable challenges to those institutional actors seeking to embed firms within social norms:

Challenge I: the transition of vertically integrated production to global value chains, with significant implications for the governance of social standards- *lead firms dis-embed from state regulations (PLA) and re-embed within transnational standards*

Challenge II: the growth of Southern end markets- *suppliers disembedded from transnational private standards (Rainforest Alliance, Fair Trade, Utz Certified)*

Challenge III: the increase in smallholder production relative to the plantation segment – *disembedded from national public regulations (Plantation Labour Act)*

Challenge I and III are in large part a consequence of the Indian tea crisis of 2002-3

The shift to small grower production

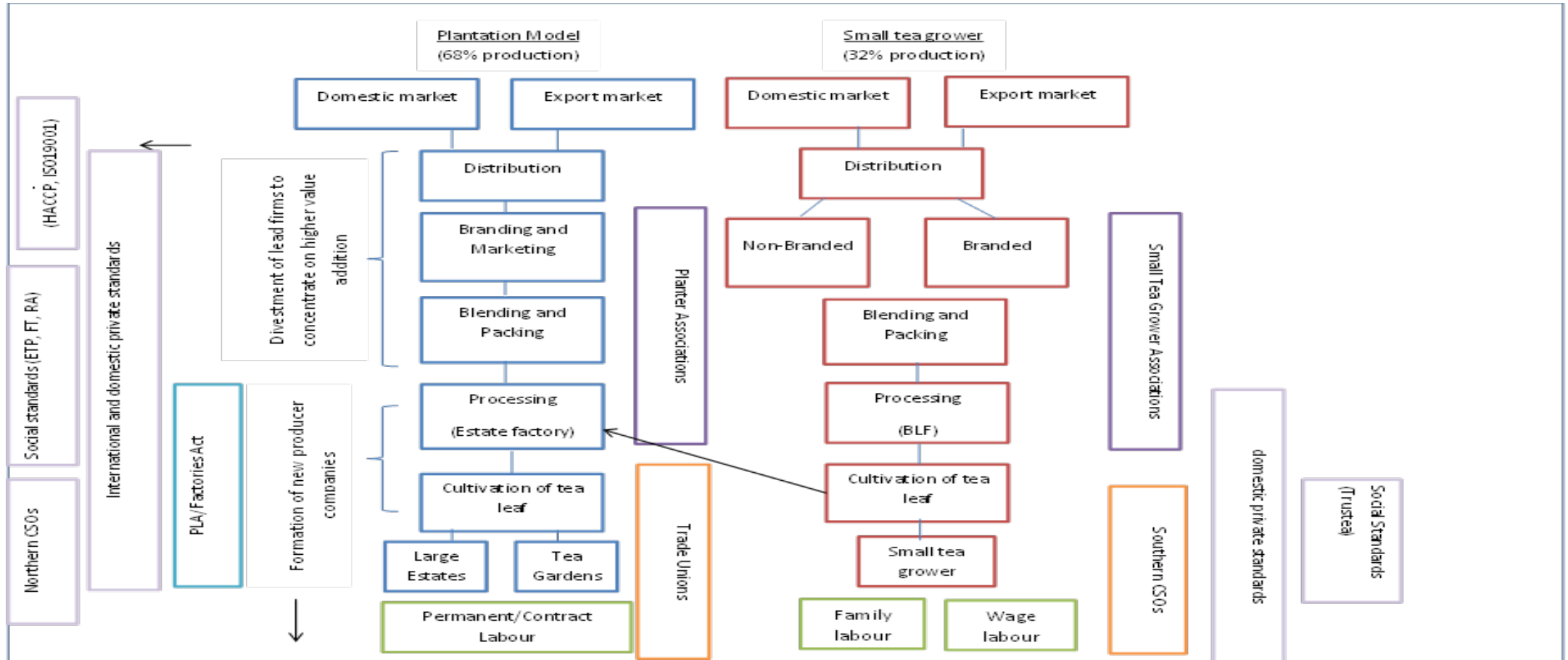
The shift to small tea production in India 1991-2013

Table showing Percentage (%) of Production small growers versus plantation estates in India 1991-2013

Year	Small growers	Plantation estates
1991	7%	93%
2001	24%	76%
2011	28.39%	71.61%
2012	32.24%	67.76%
2013	31.23%	68.77%

Source: Industry Source (HUL)

GPN of plantation versus small tea production in India



The historical response of Indian civil society

Indian NGOs have been pivotal in shaping a movement for standards in the domestic market. Such efforts began in 2002 as a response to the tea crisis

There were many drivers to this:

- Lead firms engaged in social standards in 'Northern' markets- so why not in India?
- Growth of small tea production, divestment of lead firms – who would now regulate?
- Historical initiatives: JustTEA (2002) and EqualiTEA (2006)
- JustTEA “beyond CSR”- what happens to the workers when the plantations are abandoned?
- EqualiTEA- active engagement with small tea growers- direct trade with consumers- resembling fair trade model common in the EU markets
- Limitations

The rise of a new social standard: Trustea

Trustea is set to become the world's largest certifier of sustainable tea production

Trustea's motto is "for the industry, by the industry" and is positioned as an Indian response to sustainability challenges in tea production and a multi-stakeholder initiative

Core members: The Tea Board of India, Tata Global Beverages and Hindustan Unilever.

Yet...

Rainforest Alliance and other Northern certifiers are members of the steering committee

Supplier firms don't see this as their standard- it is led by lead firms such as Unilever and Tata

To what extent is Trustea driven by the historical struggles of Indian NGOs versus the interests of global firms who operate in Northern markets? i.e. to what extent is it Indian?

Why now? Is it because of consumer pressures in India for ethical tea? Or for other reasons?



Trustea is a confluence of interests across markets and 'territories'

Trustea's relationship with historical CSO struggles:

- Strong state inclusion- Tea Board of India is a key partner
- Working to certify small tea grower certification – responsive to changing political economy of tea production (in comparison to 'Northern' standards)
- Solidaridad India is the core NGO driving Trustea

Trustea's relationship with commercial 'global' interests and markets:

- Solidaridad is originally Dutch and still retains strong financial links with the Netherlands
- Shift to Southern markets – tea that was once destined for export under certification is now being consumed in Southern markets
- Lead firms need to create new quality standards for the small tea growers- Trustea is a chance to ensure that new supply chains are formalised whilst evading unionised labour

Conclusions:

- The emergence of private standards in the Indian tea industry shows that social standards are not always driven by CSOs- but are now a strategic part of the commercial sourcing
- The arrival of social standards in Indian markets does not necessary mean an Indian agenda, nor does it mean a Northern co-opting of the politics of standards.
- In fact, networks of actors who transcend territorial borders are negotiating standards that on the one hand have been influenced by local historical efforts to address increasing informality in the tea sector, whilst providing the infrastructure for lead firms
- Institutional pressures to re-embed firms emanate from different motivations- not always a purely social force

For more information on the 'rising powers' of China, India and Brazil and their engagement with global labour standards please visit our website:

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