

GIUSEPPE D'ONOFRIO

**FIRMS, LABOR, MIGRATIONS  
AND UNIONS WITHIN TOMATO  
VALUE CHAIN IN SOUTHERN ITALY**





Giuseppe D'Onofrio

Firms, labor, migrations  
and unions within tomato value  
chain in Southern Italy

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*To all the workers I met*



# Introduction

The organization of production in value chains has permitted manufacturers and retailers alike to establish international production networks geographically dispersed changing the nature of production and employment relations in the global economy. This transition has produced several transformations in food and agriculture and has resulted in the emergence of *retailers* as big buyers in the global agro-food system.

The theoretical approach of *global value chains* has provided a useful analytical framework to explain how production is organized in agri-food sector within which the value chain is driven by big retailers. In buyer-driven chains retailers not only control distribution but also shape production, processing and consumption. Their market concentration and their power to unilaterally dictate terms, prices and conditions to suppliers have resulted in the worsening of working conditions within supply firms. Suppliers are often squeezed by retailers to reduce prices in order to meet retailers' demands and are forced to employ cheap labor.

Italy is the world's third largest producer of industrial tomatoes after the U.S. and China and the largest producer in Europe. The *sixty percent* of the production is absorbed by foreign markets such as Germany, UK, France, USA, Japan and Russia. The transformation of Italian tomato processing in a retailer-driven chain is indicated by the massive presence, especially in the *southern district*, of a large number of processing companies that produce for the market of *private labels*.

Food retail chains only provide brands and a market to the tomatoes they purchase from Italian suppliers. These suppliers are processing companies located mainly in the provinces of Naples and Salerno that transform fresh tomatoes into products such as peeled tomatoes, pulp, sauce, and concentrate. The processing companies buy tomatoes from organizations of agricultural producers (OPs) that are supplied from several farms both large and small. Capitanata (an area of Puglia region) is the first supplier of fresh tomatoes of southern Italian processing companies. The territory is characterized by a strong presence of immigrant workers that make up the main source of seasonal

labor for the agricultural companies of the province involved in the production of industry tomatoes. The production processes and working conditions within supply firms located in this area are heavily influenced by the actions of other firms included in the value chain and by the decisions and power of global buyers who are at the top of agri-food chain.

The structure and characteristics of the chain, the relationships of power and authority between companies within it, the instability and seasonality of production, and growing international competition push small farms to use cheap and flexible workforce in order to respond to the demand of food retail chains and processing firms at the lowest possible cost. The firms located in the lower rings of the value chain respond to their need for flexible and low-cost labor through the activation and exploitation of economic and extra-economic elements in order to maximize their profits.

The research aims to study the structure and the mechanisms that regulate the working of *tomato value chain*, the power and economic relations between lead firms and other companies included in their supply chain and how the dynamics of production network and the social context shape labour relations and working conditions within supply firms located at the lower rings of the supply chain.

The case study is the tomato value chain of southern Italy district and the farm labor in Capitanata (Puglia region). The research aims to answer these specific questions:

- What is the structure and what are the mechanisms that regulate the working of supply chains in the agri-food industry and the large retailers?
- How is the tomato chain structured, which actors define what the chain requires, and how are these requirements transmitted to the various actors in the chain?
- What are the economic and power relations between lead firms and small enterprises included in their supply chain and what is their relative power?
- Who determines the conditions of work within supply firms?
- To what extent wages, rights, social protection in the small firms located at the lower rings of the supply chain are af-

ected by the decisions, strategies and policies implemented by buyers?

- What is the role of the social context?
- How can lead firm power be regulated?
- Can still trade unions have a role in fighting the deterioration of labour relations in the lower rings of supply chain? By which strategies?

In terms of the research methods applied, the study builds upon a qualitative analysis of archive-documentation, secondary literature and semi-structured interviews; and it has been undertaken in three major steps. First, along the collection of secondary and primary documentation, fifteen interviews were carried out in Naples, Salerno and Foggia, with experts on the sector and various companies constituting the GVC: the producers, the intermediate traders and the processing companies. After such 'top-down' study of tomato value chain, the working conditions of the farmhands have been analysed through semi-structured interviews with workers and unions delegates. Twenty-five interviews were organised with workers living in the informal settlements (or *ghettos*) at the Foggia district. Such fieldwork was carried out with the support of five migrant workers, using snowball sampling, during the summers of 2017 and 2018 (during the harvesting season), in a very difficult context characterized by a lack of social and work rights, and by strong housing segregation and poverty. This methodological choice has been carried out according to sociological literature. Indeed, this sampling technique is useful to study those groups composed of members who keep unknown their identity, such as irregular workers<sup>1</sup>.

Finally, trade unions strategies and labour regulation issues have been analysed through ten interviews to trade union officials, employers' organizations and labour inspectors in the regions of Foggia and Rome.

The research is structured as follows.

In the first chapter I will describe the changes in the organization of production and in the international division of labor with the emergence of a new class of capitalists that become the dominant drivers of the globalization of production. By using global value chains literature I will describe how in global value chains economic and power asymmetrical relations be-

<sup>1</sup> P. Corbetta, *Metodologia e tecniche della ricerca sociale*, Il Mulino, Bologna, 1999, p. 350.

tween firms has meant intense pressure on suppliers who must keep wages low and resist improvements in labor standards. Finally I will discuss how the restructuring of global production has been supported not only by capital mobility but also by labour mobility insofar as in industrial sectors with lower capital accumulation and greater geographical-fixity, migrant workers have come to constitute a key segment of the labour forces.

In the second chapter I will analyse the power of retailers and their role in leading global agri-food system. Furthermore, I will discuss how the emergence of a new food regime and the growing buyer power of transnational retail chains have restructured production and labor in the agricultural sector. The incorporation of southern Italian agricultural production in retailer-driven chains will be analyzed taking into account the role played by international migrations and exploitation of labor, especially migrant labor, within this area.

In the third chapter I will analyze the structure and the composition of Italian tomato value chain and power and economic relations between firms within it. I will focus on the Southern District, where the majority of processing firms that supply European large retailers through *private labels* is concentrated. Through interviews with processors and member of producers and industries association I will show how the pricing policy of international retail chains organised in buying alliances or buying groups result in a competitive pressure over manufacturers to reduce costs.

In the fourth chapter, through interviews with farmers and tomato-picking workers in the province of Foggia, I will analyze how vertical pressures exercised by several firms within tomato value chain lead to the deterioration of labor relations in small agricultural companies located in Capitanata. Then I will focus on the struggles of both FLAI-CGIL and USB in their active assistance to displaced and marginalised workers in the province of Foggia. Finally, I will briefly discuss the limits and possibilities of the strategies that these two unions have adopted and succinctly advance what it can be learnt from them.

# I

## Capital and Labor dynamics

### **1.1. Fragmentation, disintegration and labor division**

The contemporary global economy is based on functional and spatial fragmentation of production processes. Since the eighties, the production of goods and services has been disintegrated, reorganized and redistributed around the world on a global scale. It has taken on the shape of a reticular chain of production whose units are scattered across continents<sup>1</sup>.

The industrial structures of several countries are linked with networks of suppliers and workers across the world. The production processes, that in the past have been vertically integrated with entire production occurring in “one place” and in “one go”, have increasingly become fragmented into separate production blocks. Nowadays, these production blocks are no longer produced by one company, at the same time, in one place and in the same country. The physical separation of different parts of the production process allows producers located in different countries to create cross-border production networks. The labor-intensive production blocks are often located in countries with lower wages, lower working conditions, and diminishing workers’ rights. These outsourced production blocks need to be integrated and coordinated by different service links under the form of transportation, communication, and various kinds of knowledge. The possibility to segment the production and outsource individual processes has brought several scholars to speak of fragmentation of production<sup>2</sup>.

<sup>1</sup> L. Gallino, *Il lavoro non è una merce. Contro la flessibilità*, Laterza, Bari, 2007.

<sup>2</sup> R. W. Jones, *Globalization and Fragmentation of Production*, Seoul Journal of Economics, 14, 1, 2001: 1-13. R. W. Jones, Henryk Kierzkowski, *A Framework for Fragmentation*. In Arndt S.W, Kierzkowski H (eds.), *New Production Patterns in the World Economy*, Oxford University Press 2001.

The changes in the way the global economy is organized are linked to several organizational and technological shifts that have transformed the nature of production, trade, investment, and employment. As noted by David Harvey, «the transition to flexible accumulation was in part accomplished through the rapid deployment of new organizational forms - just in time, etc. - and new technologies in production. Speed-up was achieved in production by organizational shifts towards vertical disintegration - subcontracting, outsourcing, etc. - that reserved the Fordist tendency towards vertical integration»<sup>3</sup>. If the vertically integrated method of production - the so-called Fordist model - has represented for many decades the main form of the organization of production, for Feenstra «the rising integration of world markets has brought with it a disintegration of the production process, in which manufacturing or services activities done abroad are combined with those performed at home. Companies are now finding it profitable to outsource increasing amounts of the production process, a process which can happen either domestically or abroad»<sup>4</sup>.

In fact, since the seventies production processes began to structure themselves around the activities of the networks of geographically dispersed firms, linked functionally but legally independent, which contribute together to the production of a single good or service. A key role in this process has been the possibility for companies to draw upon *offshoring outsourcing*. The first wave of global outsourcing began in the 1960s and 1970s with the exodus of production jobs in shoes, clothing, cheap electronics, and toys. This process combines two phenomena. First, *outsourcing* is a practise used by companies to reduce costs by transferring parts of work to external suppliers rather than having them completed internally. In recent years, the tendency of many businesses is to outsource the production of a wide range of goods and services to specialized firms. Second, *offshoring* refers to the decision of moving the supply of goods and services from domestic to overseas locations. These activities may be carried out in facilities owned, in whole or in part, by the parent company, transnational suppliers, or local

<sup>3</sup> D. Harvey, *The condition of postmodernity: An Enquiry into the Origins of Cultural Change*, Oxford: Blackwell, 1989, p. 284.

<sup>4</sup> Robert C. Feenstra, *Integration of Trade and Disintegration of Production in the Global Economy*, *Journal of Economic Perspectives* 12, 4, 1998: 31-50, p. 31.

suppliers<sup>5</sup>. As reported by the United States International Trade Commission in the report *Shifts in US merchandise trade*, in 2001 offshoring concerned the production of 90 percent of all U.S. consumer electronics, 80-85 percent of all footwear, toys, luggage and handbags, watches, clocks, games, and television sets, 70 percent of all bicycles, 60 percent of all computers, and 57 percent of all apparel<sup>6</sup>.

The geographical shift of industries is not a new phenomenon. As noted by J. Smith, «the wildfire of outsourcing spread during the past three decades is the continuation, on a vastly expanded scale, of capital's eternal quest for new sources of cheaper, readily exploitable labor-power»<sup>7</sup>. David Harvey uses the term "spatial fix" «to describe capitalism's insatiable drive to resolve its inner crisis tendencies by geographical expansion and geographical restructuring»<sup>8</sup>. As noted by Beverly Silver, *spatial fix* has been always used by capital (in the form of transnational corporations, companies etc.) as a tool to exceed the profitability of crises and control of the workforce. The same process has been registered in the 1950's when many companies in the automobile sector decided to move production from the U.S. to Western Europe, as a result of the mobilizations of workers and increased protection granted to workers. Some years later, companies moved from Western Europe to Mexico, Brazil, and South Africa. In addition, in the early seventies, many investments had been moved from these countries over to South Korea. The purpose of these shifts was to take advantage of cheap labor and non-unionized workforce<sup>9</sup>. This trend is confirmed also by the recent studies of Bronfenbrenner and Luce who analysed the impact of shifts of production on jobs in the U.S., China, and around the globe and estimated that the number of jobs involved in shifts of production from the U.S. to China and Mexico each year between 1992 and 2001 was

<sup>5</sup> G. Gereffi, *The new offshoring of jobs and global development*, ILO Social Policy Lectures, Jamaica, December 2005.

<sup>6</sup> United States International Trade Commission: *Shifts in US merchandise trade 2001*, Appendix C, Washington, DC, USITC, 2002.

<sup>7</sup> J. Smith, *Imperialism in the Twenty-First Century. Globalization, Super-Exploitation, and Capitalism's Final Crisis*, NYU Press and Monthly Review Press, 2016, p. 39.

<sup>8</sup> D. Harvey, *Globalization and the Spatial fix*, *Geographische revue*, 2, 2001: 23-30, p. 24.

<sup>9</sup> Beverly J. Silver, *Le forze del lavoro. Movimenti operai e globalizzazione dal 1870*, Bruno Mondadori, Milano, 2008.

between 70,000 and 100,000 jobs. They have highlighted how «it seems difficult to deny a systematic pattern of firm restructuring that is moving jobs from union to non-union facilities within the country, as well as to non-union facilities in other countries»<sup>10</sup>.

Smith argues that the outsourcing of production takes two basic forms: «foreign direct investment (FDI), where the production process is moved overseas but kept in-house (*in-house relation between the parent company and its overseas subsidiary*), and arm's-length outsourcing, when a firm outsources part or all of the production process to an independent supplier, independent in the sense that the *dominant* firm owns none of it even though it may control its activities in many ways»<sup>11</sup>. The main strategy of large companies in recent years is to take up arm's length outsourcing rather than FDI. As noted by Susan Hayter, «a distinguishing characteristic of the current phase of globalization is that economic activity is not only global in scope but also global in organization»<sup>12</sup>.

Until the seventies, the processes of production took place in vertically integrated companies. When multinational companies moved their production to other countries, they did it through *foreign direct investments* (FDI) and ownership factories keeping their vertically integrated form. Since the seventies, the phenomenon of globalization and several organizational and technological changes have resulted in new ways of organizing production. Large companies started transforming their vertically integrated structures into networks of decentralized companies - scattered all over the world - which incorporated external suppliers and customers. These production units are no longer part of the same company or its subsidiary and rather became independent units of global production chains indirectly controlled by large companies. As noted by Barrientos, «a shift has taken place, particularly in many final goods and service sectors, from control of production by MNEs through ownership of overseas subsidiaries or franchises towards out-sourcing of production to suppliers where there is no legal ownership,

<sup>10</sup> K. Bronfenbrenner and S. Luce, *The Changing Nature of Corporate Global Restructuring: The Impact of Production Shifts on Jobs in the U.S., China and Around the Globe* (Washington, DC: U.S.-China Economic and Security Review Commission), 2004, p. 38.

<sup>11</sup> J. Smith, *Imperialism in the Twenty-First Century*, op. cit., p. 68 (My Italics).

<sup>12</sup> S. Hayter, *The social dimension of global production systems: A review of the issues*, Working Paper No. 25, ILO, Geneva, 2004, p. 1.

but over whom global corporate buyers are able to exert a high level of control. Corporate buyers may be international agents, brands or retailers. They are not necessarily northern based, and increasingly dominant firms are emerging within regional production networks inside Asia, Africa and Latin America»<sup>13</sup>.

As mentioned earlier, such international outsourcing, initially took place in labor-intensive industries (such as apparel, footwear, and toys) and later on also in industries such as agro-food and services. Rapid technological advancement and lowered costs in transport, communications and information technology simplified the outsourcing of production by MNCs and brand-name companies to developing countries<sup>14</sup>. An incentive to “de-verticalize” and buy goods and services from outside vendors, as noted by Smith, is that arm’s length also signifies *hands clear*: «the outsourcing firm externalizes not only commercial risk and low value-added production processes, it also externalizes direct responsibility for pollution, poverty wages, and suppression of trade unions»<sup>15</sup>.

As noted by Gereffi «a global manufacturing system has emerged in which production and export capabilities are dispersed to an unprecedented number of developing as well as industrialized countries»<sup>16</sup>.

These shifts of the organization of production have led to the creation of a “new class of capitalists”, as TNCs, *Marketers*, and *Brand-named manufactures*, and Big Retailers like Walmart, Tesco, Carrefour, etc., become the dominant drivers of the globalization of production. The growth of the power of this new class of capitalists - and their ability «to coordinate and control supply chain operations in more than one country even if they do not own them»<sup>17</sup> - have marked the supremacy of commercial capital on manufacturing capital.

<sup>13</sup> S. Barrientos, *Global Production Systems and Decent Work*, ILO, Geneva, 2007, p. 3.

<sup>14</sup> S. Barrientos, F. Mayer, J. Pickles, A. Posthuma, *Decent Work in Global Production networks: Framing the policy debate*, International Labour Review, 150, 3-4, 2011: 229-317.

<sup>15</sup> J. Smith, *Imperialism in the Twenty-First Century*, op. cit., p. 81

<sup>16</sup> G. Gereffi, *The global economy: Organization, governance and development*. In N. Smelser & R. Swedberg (eds.) *Handbook of Economic Sociology*, Chapter 8, Princeton University Press, 2005: 160-182, p. 163

<sup>17</sup> P. Dicken, *Global Shift: Mapping the Changing Contours of the World Economy*, The Guilford Press, New York London, Sixth Edition, 2007, p. 60.

In the new global economy the old and classic conception of “international division of labor” - based on the polarization of the world economy in a core and dependent periphery - no longer applies. In the eighties, Fröbel and several colleagues argued that the spatial and functional fragmentation of the processes of production through the relocation of production in low-wage economies had produced a *new international division of labor* that took advantage of advanced transport and communication technologies to promote the global segmentation of the process of production<sup>18</sup>. As noted by Starosta and Charnock «the popularized version of the new international division of labour (NIDL) thesis on the process of global restructuring argues that, faced with declining profitability in advanced capitalist countries (mainly due to rising wages), transnational corporations (TNCs) started to relocate labour-intensive manufacturing to the, then so-called, Third World, thus acting as a major factor in the industrial decline that seemed to prevail in the former countries in the late 1970s and early 1980s. Third World countries, for their part, provided TNCs with a huge potential reserve of cheap and disciplined labour-power. Combined with technological advances in the means of communication and transport, the increasing fragmentation of production processes and the consequent simplification of semi-skilled and unskilled tasks together created a tendency for the establishment of export-oriented world market factories in the Third World»<sup>19</sup>. Starosta argued that the NIDL thesis had to be reconsidered and revised since the solid agents which had driven these transformations had not been exclusively TNCs: «the geographical relocation of the valorisation of capital based on the exploitation of relatively cheap and compliant labor power might as well take place through the development of competitive ‘national’ capitals in the so-called ‘periphery’ or ‘semi-periphery’. Moreover, these global transformations have been mediated by the policies of nation-states and the struggles of workers. In this sense, TNCs, ‘national’ capitals from the ‘periphery’, states and workers’ agency have certainly been different active forces whose actions have personified

<sup>18</sup> Fröbel, Folker, Jürgen Heinrichs, and Otto Kreye. *The New International Division of Labor*, Cambridge: Cambridge University Press, 1980.

<sup>19</sup> G. Charnock, G. Starosta (Eds.), *The New International Division of Labour. Global Transformation and Uneven Development*, Palgrave Macmillan, 2016, p. 80

the unfolding of the underlying determinations of these global transformations»<sup>20</sup>.

Nowadays the contemporary international division of labor is even more complex: «it incorporates a great number of diverse and spatially separated workforces who undertake specific compartmentalised tasks and who are connected to the larger process through various forms of social organisation – ranging from the bureaucratic control of multinational firms, to market exchanges, social networks of subcontracting firms, and intricate webs of financing – that facilitate complex flows of goods, money and information»<sup>21</sup>.

For some scholars, the new articulation of the processes of production on a global scale has resulted in positive effects for the industrializing countries by enabling their participation and integration in the global economy. However, for many critical scholars of the world system these shifts in the global economy have not fixed economic and power asymmetric relations between the global North and South and have further contributed to the strengthening of the imperialist nature of the world economy: on the one hand Southern nations still compete with one another in order to offer cheap labor to large northern companies by decreasing worker's rights; on the other hand, northern companies still compete with other northern companies in order to outsource production to low-wage countries in a rapid and efficient manner.

By studying the new international division of labor as an underlying basis of globalization process, Taylor notes how «the exercise of power affects the geographical distribution of productive activities – with the technology and branding functions held by companies in the advanced industrial countries and low-cost, labour-intensive processing peripheralised to the developing world – thereby feeding into the uneven development of global capitalism»<sup>22</sup>.

Although trends in global industrial organization have been characterized by an increasing regionalization of economic activities and thereby new areas of inclusion, the analysis of

<sup>20</sup> G. Starosta, *The Outsourcing of Manufacturing and the Rise of Giant Global Contractors: A Marxian Approach to Some Recent Transformations of Global Value Chains*, *New Political Economy*, 15:4, 543-563, 2010, p. 557.

<sup>21</sup> M. Taylor (Eds.), *Global Economy Contested. Power and conflict across the international division of labour*, Routledge, London, 2008, p.11.

<sup>22</sup> *Ibidem*, p.17.

the structure of the new global capitalist economy suggest that capital-labor relations have become a relation between Northern capital and Southern labor in which power and profits remain concentrated in imperialist countries which still drive the global economy<sup>23</sup>.

The globalization of the processes of production and the possibility for companies to substitute higher paid domestic labor with low-wage southern labor also had an impact on workers and the labor market in the global north. As a result of increasing competition and downward pressure on wages, the labor market in developed countries had become increasingly flexible, labor deunionized, informalized and casualized, the working class fragmented and disorganized and workers no longer retained protection from state regulation of capital-labor relations. Dunn explored the connection between the dynamics of uneven development at a global level – those which produce “core” and “peripheral” countries and zones in the world system – and the processes of class formation within countries. He argues that «world class system may be understood as a continuum from protected labor<sup>24</sup> through wage labor to coerced labor which roughly corresponds to the core/periphery hierarchy»<sup>25</sup>. As highlighted by J. Bair «core and periphery each encompass a particular mix of labor forms along the continuum, with the former concentrating more commodified and protected labor than the latter»<sup>26</sup>. To sum up, the uneven structure of a capitalist world economy is answered by an unequal structure of a world-class system both at a nation and worldwide level.

## 1.2. Global restructuring and global migrations

The global restructuring of productive activities has brought impact also to the transnational movement of labor in devel-

<sup>23</sup> J. Smith, *Imperialism in the Twenty-First Century*, Op. cit.

<sup>24</sup> Citing Chase-Dunn, protected labor “in the sense that trade unions, welfare legislation, and/or other politically articulated institutions (such as immigration controls) give them some protection from competition in the world labor market and some advantages in the struggle with capital”, p. 39.

<sup>25</sup> C. Chase-Dunn, *Global Formation: Structures of the World Economy*, second edition. Lanham, MD: Rowman & Littlefield, (1998 [1989]), pp. 39-40.

<sup>26</sup> J. Bair, M. Verner, *New Geographies of Uneven Development in Global Formation: Thinking with Chase-Dunn*, *Journal of World Systems Research*, Vol. 23, Issue 2, 2017: 604-619, p. 612.

oped countries. As noted by Smith, during the neoliberal era the phenomenon of economic restructuring takes place in two ways: outsourcing and migration. They have become two aspects of the same phenomenon and two fundamental ways used by capital to increase profits: «through the emigration of production to low-wage countries, or the immigration of low-wage migrant workers for exploitation at home»<sup>27</sup>.

The transnational movement of labor originates and develops in line with the movements of capital from northern to southern countries. The correlations between the globalization of production through the exporting of jobs to developing countries and the growth of global migration have been discussed by Sassen. She argued that migrating for work in low wage labor markets in developed countries is linked to some shifts in the economic and social structure of the developing countries as a result of their industrialization. Furthermore, the increasingly concentration of immigrant labor in some sectors of developed economies, for example, the service sector, may be viewed as one of the constraints in the transformation of the international division of labor insofar as some low-wage jobs cannot easily be exported<sup>28</sup>.

Pradella and Cillo, in a study on labor, exploitation, and immigration in Western Europe, argue that migrations are crucial for the reproduction of global capitalism and need to be analyzed while bearing in mind the international dynamics of accumulation and restructuring processes of production. They state that «contemporary migratory movements need to be understood against the backdrop of the growth in the global industrial reserve army of labor (which plays a fundamental role in the disciplining of labor) due to the processes of impoverishment, rural dispossession and production restructuring occurring in the Global South in the neoliberal period. An abundant labor supply, in fact, creates the conditions for the compression of wages and puts pressure on employed workers, limiting their claims, and these workers are forced by the low level of real wages to prolong the working day, reducing the demand for labor power and permitting a greater labor supply in the market - in a vicious circle of impoverishment and exploitation»<sup>29</sup>.

<sup>27</sup> J. Smith, *Imperialism in the Twenty-First Century*, cit., p. 188.

<sup>28</sup> S. Sassen, *The Mobility of Labor and Capital: A Study in International Investment and Labor Flows*, Cambridge: Cambridge University Press, 1998.

<sup>29</sup> L. Pradella, R. Cillo, *Labor, Exploitation and Migration in Western Europe*:

The presence of immigrant labor in Northern countries meets the demand for cheap labor in the domestic labor markets. Migrant workers tend to accept lower wages and terms and conditions of employment than local workers and satisfy the dirty, dangerous and hard labor demand in several sectors as agriculture, hospitality, construction, care, etc. This process is the result of the combination and interaction of different elements as labor market and migration policies aim to create a different system of rights and employment structure. As highlighted by Robinson, if the capital in developed countries needs the labor power of transnational migrants, this labor power must be tightly kept under control in order to keep immigrant labor low-cost and flexible for companies: «state controls over immigrant labor and the denial of civil, political, and other citizenship rights to immigrant workers are intended not to prevent but to control the transnational movement of labor and to lock that labor into a situation of permanent insecurity and vulnerability»<sup>30</sup>. The creation of categories such as “citizen” and “immigrant” is fundamental because «the super-exploitation of an immigrant workforce would not be possible if that workforce had the same civil, political and labor rights as citizens, if it did not face the insecurities and vulnerabilities of being undocumented or illegal»<sup>31</sup>.

The relation between labor markets and immigration controls (aimed to regulate not only conditions of the entrance as well as the conditions of stay) have been explored by Anderson who argues that immigration controls produce precarious workers who have certain types of relations with employers and the labor market. This happens in three ways: the selection of legal entrants, molding of employment relations, and the creation of institutionalised uncertainty<sup>32</sup>.

For many scholars, immigration controls do not penalize only migrant workers by denying them social and labor rights, but also contributes to a more general process of labor market

*An International Political Economy Perspective*, in L. Waite, G. Craig, H. Lewis, K. Skrivankova (Eds.), *Vulnerability, Exploitation and Migrant. Insecure Work in Globalised Economy*, Palgrave Macmillan, 2015, p. 47.

<sup>30</sup> W. I. Robinson, X. Santos, *Global Capitalism, Immigrant Labor, and the Struggle for Justice*, Class, Race and Corporate Power: Vol. 2: Iss. 3, Article 1, 2014, pp. 6-7.

<sup>31</sup> *Ibidem*, p. 7.

<sup>32</sup> B. Anderson, *Migration, immigration controls and the fashioning of precarious workers*, *Work, Employment and Society*, Vol. 24(2): 300-317, 2010.

segmentation and the deterioration of labor conditions of the entire working class.

### 1.3. Global Value Chains

In the global economy, international trade is coordinated by lead firms. The activities of these firms are organized in global value chains. The concept of *global value chains*, along with other concepts and tools such as *global commodity chains* (GCCs), *global supply chains* (GSCs) and *global production networks* (GPNs), has been used since the early 1990s to capture and describe the dynamics of global production and distribution and the functioning of the contemporary capitalist system. The term value chain «describes the full range of activities that companies and workers do to bring a product/good from its conception to end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer»<sup>33</sup>. A value chain includes activities that can be contained within a single firm or can be divided among different companies. A value chain becomes global when the activities are divided among different companies across different countries. The division of functional and spatial activities is based on the idea that some activities in the chain are performed better by external and independent companies than within vertically integrated companies<sup>34</sup>.

Within value chains, not all firms are equal in terms of economics power and organizational skills and the firms that exercise more power are defined as *lead firms*. The lead firm may be defined as the company that controls, integrates and coordinates the activities geographically distributed of other firms included within the global supply chain. In GVCs, the capabilities of lead companies to govern the chain provide them with the power to decide *where to produce, what has to be produced, how and under what conditions, and for what price*. In a way, they exercise considerable power over other companies included in their chain<sup>35</sup>. These lead firms, often MCNs, tend to increase

<sup>33</sup> [www.globalvaluechains.org/concept-tools](http://www.globalvaluechains.org/concept-tools).

<sup>34</sup> C. Lane, *National Capitalism and Global Production Networks: An Analysis of their Interaction in two Global Industries*, in *Socio-Economic Review*, 6, 2, 2008: 227-260.

<sup>35</sup> G. Gereffi, J. Humphrey, T. Sturgeon, *The Governance of Global Value Chain*, *Review of International Political Economy* 12, 1, 2005:78-104.

and maintain their specialization in the *upstream* (R&D, design capabilities) and *downstream* (marketing networks, distribution, post-sale services) segments of the value chain while outsourcing the rest (manufacturing and assembly functions). The specialization in the upstream and downstream segments of the value chain allows them to secure a high economic return in terms of investment and competitive advantage<sup>36</sup>. A recent example of this trend comes from the automobile industry in which some activities that were previously conducted 'inside' the corporation - as the manufacturing of components used to assemble automobiles- are increasingly being contracted out. In 1999, General Motors, the world's largest automobile producer, decided to spin-off its components manufacturing subsidiary company *Delphi* in order to make it more competitive in terms of production costs<sup>37</sup>. The strategy of international outsourcing, instead, allows lead firms to obtain a more flexible organization of the processes of production, maximise efficiency, minimise waste, respond to changing consumer demand, ensure a constant supply of goods at competitive prices and to leave the burden of responsibilities relating to labor rights and working conditions on the suppliers. In a global economy, lead firms aim to benefit from differentials in wage levels and employment conditions through outsourcing and they place pressure on their suppliers, which, in turn, are forced to pass this pressure onto other firms and on their workers<sup>38</sup>. The outsourcing is used by lead firms to exceed the limits set by national regulatory frameworks and bargaining structures and to seek competitive advantage through cheap labor. Indeed, international outsourcing is designed to take advantage of differences among countries in terms of labor regulation and employment conditions<sup>39</sup>.

The transformation of global production has increasingly challenged also the ability of the nation states to regulate or hold MNEs accountable. In many cases, governments have

<sup>36</sup> P. Dicken, N. M. Coe, M. Hess, H. W. Yeung, *Making connections: Global production Networks and World City Networks*, *Global Networks* 10, 1, 2010: 138-149.

<sup>37</sup> A. Rannie, A. Herod, S. McGrath-Champ, *Global production networks, labor and small firms*, *Capital & Class*, 37, 2, 2013: 177-195.

<sup>38</sup> J. Flecker, *Outsourcing, Spatial Relocation and Fragmentation of Employment*, *Competition & Change*, 13, 3, 2009: 251-266.

<sup>39</sup> P. K. Robinson, H. Rainbird, *International Supply Chains and the Labour Process*, *Competition & Change*, 17, 1, 2013: 91-107.

lured overseas investments and contracts by offering tax and regulatory concessions. Indeed, in the global economy, many manufacturing and assembly activities carried out for lead firms are located in exporting-processing zones (EPZs). These areas had been created in the early sixties in order to attract investments and employment by providing factories, infrastructure, and benefits in terms of fiscal and financial incentives. In the last twenty years, the number of EPZs in the world has grown exponentially from 80 in 1975 to 3.000 in 2002. The number of countries with EPZs has grown from 25 to 116 in 27 years. More than 70 percent of the global EPZ workforce is located in China<sup>40</sup>. In many of these zones, where foreign companies produce mainly for export, the working conditions are characterized by low wages, gender discrimination, excessive working hours and bad health and safety standards<sup>41</sup>. As noted by ILO, «working conditions and industrial relations in these zones often do not meet the standards set out in ILO instruments. The biggest challenge facing workers in these zones is in the area of freedom association and collective bargaining»<sup>42</sup>.

As noted by Lidia Greco, in the global economy we are witnessing a new international division of labor characterised by a widespread use of vertical ties, in the form of subcontracting and international outsourcing, with which lead companies give up the direct control of production preferring the indirect control of a chain<sup>43</sup>. Commodity chains -based on subcontracting and outsourcing- in which indirectly controlled companies produce goods and services on behalf of lead companies are key to understanding the workings of a new capitalist system. The increasing dominance of lead companies is characterised by the commercial power they exert over suppliers. Suppliers, in fact, are increasingly dependent on sales to large firms and on their price policy. The spatial and functional fragmentation of the processes of production allows lead firms to compare the costs

<sup>40</sup> G. Gereffi, *The new offshoring of jobs and global development*, op. cit.

<sup>41</sup> AA. VV., *Behind the Brands Name. Working Conditions and Labour Rights in Export Processing Zones*, International Confederation of Free Trade Unions (ICFTU), 2004.

<sup>42</sup> [http://www.ilo.org/actrav/areas/WCMS\\_DOC\\_ATR\\_ARE\\_EPZ\\_EN/lang-en/index.htm](http://www.ilo.org/actrav/areas/WCMS_DOC_ATR_ARE_EPZ_EN/lang-en/index.htm)

<sup>43</sup> L. Greco, *Produzione globale, lavoro e strategia sindacale: alcune riflessioni a partire dalla teoria delle catene globali del valore*, in V. Borghi, L. Dorigatti, R. Rizza, V. Telljohann (a cura di), *Lavoro e partecipazione. Sindacati e movimenti sociali nella globalizzazione dei processi produttivi*, Franco Angeli, Milano, 2011.

and capabilities of suppliers on a global scale and move production blocks between different suppliers and countries. The rise of prices, competition and the fluctuations of the demand for goods and services prompt supplier firms to subcontract production blocks to other small firms, through the use of labor contractors and intermediaries, which make use of informal work and cheap labor. These firms and their workers are often unknown to the lead firm and their relations with the lead firm are “indirect relations”<sup>44</sup>. For example, the football manufacturing value chain that is controlled by companies as Nike, Puma, Adidas, etc., some phases of the process of production are outsourced. The outsourcing of the process of stitching balls is carried out through more than 3000 subcontractors that act as a link between suppliers and stitchers. The stitchers are paid per unit and are generally either employed by the subcontractors or are self-employed<sup>45</sup>.

Global value chains include large, medium-sized and small firms across multiple tiers and different countries in both the formal and informal economies. The power and economic relations between lead firms and other enterprises included in their supply chain are asymmetrical. This asymmetry is reflected in an unequal distribution of profits and opportunities among the firms along the value chain and with a deterioration of the labor relations especially to the detriment of the workers located in the lower ring of the production chain forced to accept working conditions characterised by informal work, cheap labor and lower levels of social protection.

As noted by Milberg and Arnim, «the asymmetry of market structures in global production networks, with oligopoly firms in lead positions and competition among first and certainly second-tier suppliers, has meant intense pressure on suppliers who, in seeking to maintain markups, must keep wages low and resist improvements in labor standards that might lead to a shift in the supply process to another firm or country»<sup>46</sup>.

In the global value chains, only the first-tier suppliers have contractual relationships with the lead firm. The subcontract-

<sup>44</sup> ILO, Report IV, *Decent work in a global supply chain*, 2016, 105th Session.

<sup>45</sup> P. Lund-Thomsen et al., *Labour in global value chains: Work conditions in football manufacturing in China, India and Pakistan*, Development and Change, 43, 6, 2012: 1211-1237.

<sup>46</sup> W. Milberg, R. Von Arnim, *U.S. Offshoring: Implications for Economic Growth and Income Distribution*, Schwartz Center For Economic Policy Analysis The New School, Working Paper 2006-3, p. 17.

ed second-tier suppliers, often composed of very small companies, have no formal contractual relationship with the lead firm. The lead firm is not the legal employer of the workers of subcontracted companies and has no formal responsibility for their working conditions<sup>47</sup>. The workers of subcontracted companies have a *substantial* but *not formal* employment relationship with the lead firm. Still, the subcontracted companies must answer to the requests of the lead firm and deal with all the disadvantages regarding the cutting of labor costs and the ever-increasing flexibility generated by the competitiveness of the global economy.

As noted by Gereffi, «the global economy is increasingly concentrated at the top and fragmented at the bottom, both in terms of countries and firms. Because of this structure, profits are driven down at the base of global value chains because of intense competition, and there is no money for reinvestment, innovation, or for improving wages and profits among smaller producers»<sup>48</sup>. The suppliers, therefore, «have no rents to share with employees, and can survive only if wages are kept at a minimum. The increased use of sweatshop labor today, which has come with the rise in arm's-length outsourcing, can be seen as tied to global production sharing»<sup>49</sup>.

The revolution in transportation and communications technology has permitted manufacturers and retailers alike to establish international production and trade networks geographically distributed, changing the nature of production and labor relationships. One of the sociological theories that analyses the articulation of new capitalist structure is the *global value chains theory* (GVCs). Developed since the nineties, this approach looks at the organization of global industries through the analysis of their structure and activities. In the context of globalization, the activities that constitute a value chain are generally carried out in inter-firm networks on a global scale. The interconnection across companies or sectors through supply networks or financial links are multiple and intense. In this context, «the GVCs methodology is a useful tool to trace the shifting patterns of global production, link geographically dispersed activities

<sup>47</sup> ILO, Report IV, *Decent work in a global supply chain*, 2016, 105th Session.

<sup>48</sup> G. Gereffi, *The new offshoring of jobs and global development*, ILO Social Policy Lectures, Jamaica, December 2005, p. 40.

<sup>49</sup> W. Milberg, *Labor and the Globalization of Production. Causes and Consequences of Industrial Upgrading*, Palgrave Macmillan Ltd, 2004, p. 10

and actors of a single industry, and determine the roles they play in developed and developing countries alike»<sup>50</sup>.

Global value chains include two main types of firms: «*lead firms*, which are typically transnational corporations (TNCs) headquartered in the advanced industrial countries, who control and define the main activities in terms of price, delivery and performance, and the *supplier companies* who produce the goods and services in GVCs, generally located in developing countries. Thus, the *GVC enterprise sector* links both developed and developing countries into a common global supply chain»<sup>51</sup>. As noted by Gereffi, GVC focuses on the sequences of tangible and intangible value-adding activities, from conception and production to end use. Therefore, GVC analysis allows us to understand the organization and the working of the global industries both *from the top down* (how lead firms “govern” their global-scale affiliate and supplier networks) and *from the bottom up* (how these business decisions affect the trajectory of economic and social “upgrading” or “downgrading” in specific countries and regions)<sup>52</sup>.

There are four basic dimensions that GVC methodology explores: (1) an input-output structure (which describes the process of transforming raw materials into the final product through the breakdown of the chain into different segments of activities); (2) a geographical consideration (degree of geographical distribution); (3) a governance structure, which explains how the value chain is controlled; (4) an institutional context in which the industry value chain is embedded<sup>53</sup>. A further element of analysis referred to as *upgrading* has been added to these four dimensions: it indicates the ability of firms to move to a stronger position in the chain through product design, processing or industrial orientation in order to access higher value activities.

As previously stated, the term “value chain” describes the full range of activities that companies and workers do to bring a

<sup>50</sup> G. Gereffi, K. Fernandez-Stark, *Global value chain analysis: a primer*, Center on Globalization, Governance e Competitiveness, Duke University, Durham, North Carolina, USA, 2011, p. 2.

<sup>51</sup> G. Gereffi, X. Luo, *Risks and Opportunities of Participation in Global Value Chains*, World Bank Working Paper, 2014, p. 5.

<sup>52</sup> G. Gereffi, K. Fernandez-Stark, *Global value chain analysis*, Op. cit.

<sup>53</sup> G. Gereffi, *The organization of Buyer-Driven Global Commodity Chains: How US Retailers Shape Overseas Production Networks*. In G. Gereffi, M. Korzeniewicz (eds.), *Commodity Chains e Global Capitalism*, Praeger, Westport, 1994: 95-122.

product/good from its conception to end use and beyond. This generally includes activities such as research and design, production, distribution and marketing, and sale and support to the final consumer (input-output structure). Once a general knowledge of the industry has been identified, *segments/activities* of the chain can be identified and differentiated by considering the value they add to the product. For example, *the apparel value chain* is organized around five main *activities/segments*: (1) raw material supply, including: natural and synthetic fibers; (2) provision of components, such as the yarns and fabrics manufactured by textile companies; (3) production networks consisting of garment factories, including their domestic and overseas subcontractors; (4) export channels established by trade intermediaries; and (5) marketing networks at the retail level<sup>54</sup>. Each of these segments (or nodes) of the chain is composed of *firm networks* and each of them involves the acquisition and organization of input, workforce, transportation, distribution, and consumption. The different segments (nodes) of the chain link firms, workers and economies of different countries. An excellent example of how value chains link different geographic spaces is the Apple iPhone. It is designed in California but 90 percent of its components are manufactured outside the USA. It is assembled in China using advanced semiconductors from Taiwan and Germany, memory chips from South Korea and Japan, chipsets from the United Kingdom, display panels from Taiwan and South Korea, and rare metals from China and Africa<sup>55</sup>.

In a global value chain, the firms that develop and sell brand-name products control how, when, and where manufacturing will take place, and how much profit emerges at each stage. The most important value-adding activities are intangible services that occur before and after the process of production. The profits come from combinations of high-value activities such as research, design, sales, marketing, and services. These activities are crucial in order to capture the largest share of gains. Keeping in mind the example of Apple, if we try to break down and

<sup>54</sup> K. Fernandez-Stark, S. Frederick, G. Gereffi, *The Apparel Global Value Chain. Economic Upgrading and Workforce Development*, Center on Globalization, Governance e Competitiveness, Duke University, Durham, North Carolina, USA, November 2011.

<sup>55</sup> J. Donaghey, J. Reinecke, C. Niforou, B. Lawson, *From employment relations to consumption relations: balancing labor governance in global supply chains*, *Human Resource Management*, 53, 2, 2014: 229-252.

analyse the gains from the iPhone between Apple, its suppliers, cost of materials, China labor (for components and assembly) and Non-China labor (for manufacturing components), we can note that 58.5 percent of the gains is gained by Apple, 14.3 percent by suppliers, 3.5 percent by Non-China labor, 1.8 percent by China labor and 21.9 percent is spent on the materials<sup>56</sup>.

As far as the *governance* dimension is concerned, Gereffi defines it as «authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain»<sup>57</sup>. The analysis of *governance* - the ability of more powerful firms to dominate and control the activity of weaker firms in the chain - allows one to understand how a chain is controlled and coordinated when certain exponents in the chain have more power than others and how they appropriate and/or distribute the value that is created. As noted by Robinson and Rainbird, in a global economy outsourcing, as well as the geographical distribution of activities, results in a loss of direct control typical of the hierarchical relationships within the firm. This shift prompts the lead firm to find alternative mechanisms for controlling the processes of production. The control of inter-firm relations is exercised not through ownership but through *governance*: the capacity to exercise control through the specification of the product, quality standards, quantities, delivery dates, and price<sup>58</sup>.

The dimension of the governance is significant in terms of understanding what firm leads the chain, the mechanisms that lead companies' use to control quality and price in contexts where production and distribution have been outsourced to other companies. The governance is described by Gereffi in terms of "buyer-driven" and "producer-driven" chains. *Producer-driven* chains refer to those high capital and technology industries such as automobiles, computers, aircraft and electrical machinery. In these industries, the control of the production system is managed by transnational corporations (TNCs) or large vertically integrated firms through their administrative headquarters. In these chains, the lead firms tend

<sup>56</sup> Jenny Chan, Ngai Pun and Mark Selden, *The politics of global production: Apple, Foxconn and China's new working class*, New Technology, Work and Employment, 28, 2, 2013: 100-115.

<sup>57</sup> G. Gereffi, *The organization of Buyer-Driven Global Commodity Chains*, op. cit., p. 97.

<sup>58</sup> P. K. Robinson, H. Rainbird, *International Supply Chains and the Labour Process...*, op. cit.

to keep control of the high capital activities internally and to outsource high labor-intensive activity through international subcontracting<sup>59</sup>. *Buyer-driven chains* refers to high-intensity labor sectors such as garments, footwear, toys, consumer electronics, agri-food, in which the lead firms are *big retailers* like Wal-Mart, Tesco, Marks & Spencer, and *marketers* and *brand-named manufacturers* such as The Limited, The GAP, H&M, Benetton, Nike, Reebok, Levi Strauss, Hugo Boss, Diesel, etc. These lead firms tend to make use of decentralized production networks located in low-wage economies where production is carried out by independent factories. These independent factories produce finished goods or components of parts following the set guidelines of buyers that design the products. The main characteristic of these large companies is that they do not own any production facilities: they are companies without factories. These lead companies (Retailers, Marketers, and Brand-Name manufacturers) do not have any direct involvement in the production and have shifted towards activities that add value in the chain. They only design and/or market, but they do not produce any of the products they sell. In these chains, the market power gains do not result from the technology advances but from product innovation, design, brand, sales, distribution, marketing, and financial services. In the buyer-driven chains, the lead companies tend to operate through complex networks of geographically distributed contractors whose tasks are to contract manufacturing to independent factories and verify that the production of the products corresponds to the specifications provided by the buyers. These lead firms may decide to outsource part or all of their activities such as manufacturing, packaging, and distribution, to different agents around the world. «The main job of the core company in this commodity chains is to manage these production and trade networks and make sure all the pieces of the business come together as an integrated whole»<sup>60</sup>.

In buyer-driven chains, the localization of manufacturing processes in low-age economies aims to quickly respond to fluctuations and changes in consumer demand and production costs that usually affect some sectors. The vast contracting networks allow buyers to buy commodity and labor only when

<sup>59</sup> G. Gereffi, *The organization of Buyer-Driven Global Commodity Chains*, op. cit.

<sup>60</sup> *Ibidem*, p. 99.

they need leaving on suppliers or subcontractors the costs and risks associated with the ownership of production facilities. «Contracting means that the so-called manufacturer need to employ any production workers, run the risk of unionization or wage pressures, or be concerned with layoffs resulting from changes in product demand»<sup>61</sup>. The competitive pressure tends to rise mainly within the segments of the chain where the processes of production are located. This has considerable implications on the working conditions of employees because the competitive pressure on the firm networks that make up these segments prompts companies to cut labor costs. This may be carried out through cutting wages or using subcontracting.

The degree of the geographical distribution of the chains, their governance structure, and their organizational complexity depends on different factors such as labor, markets, and technology. The *more globalized* chains affect sectors such as apparel, toys, shoes, etc., in which the capital may fluctuate more easily and the competition between firms becomes more intense due to the easy replicability of the economic activities. In this sector, the lead firms tend to focus on the upstream and downstream segments of the value chain outsourcing the production to supplier networks located in different parts of the world. The *less globalized* chains include sectors such as the automobile in which high levels of technology and knowledge render the competition between firms more difficult. These chains are shorter than others because the lead firm tends to keep high-value activities internally and in developed economies and outsource only a short portion of the activities to other firms in more competitive countries in terms of labor costs.

In the global economy, the expansion of production capabilities and the participation of a wide range of firms and countries in global value chains do not necessarily result in the reduction of poverty and the improvement of work and employment conditions and relations. This occurs because in the global value chains the governance is typically exercised by lead firms that have the power to control and decide how the chain will be divided, what role will be allocated to each firm in terms of division labor and how much profit will be allocated to each

<sup>61</sup> R. P. Appelbaum, G. Gereffi, *Power and Profits in The Apparel Commodity Chains*. In E. Bonacich, L. Cheng, N. Chinchilla, N. Hamilton and P. Ong (Eds.), *Global Production: The Apparel Industry in the Pacific Rim*, Chapter: 3, Temple University Press, 1994: 42-62, p. 44.

firm. As noted by Flecker, the quality of work and the nature of labor relations are determined by the position of a firm in a value chain, by the degree of dependence between firms and by the way in which power and authority operate in supply relations<sup>62</sup>.

#### **1.4. Working Conditions and labor regulation in the global supply chains**

The GVC theory aims to analyse the global economy by looking at the functioning of global production networks. The emphasis of the GVC theory is on the governance mechanism within global value chains and on the relations between firms linked by the flow of commodities. Instead, less attention has been paid to labor issues concerning low wage levels, deterioration of working conditions, overwork, informal work, unsafe working conditions, lack of freedom of association, and the role of the protagonists called to regulate labor relations and economic activities on a global scale. While many scholars state that the geographical distribution of economic activities has created many opportunities for workers in developing countries, others highlight how the organization of production in global value chains has also resulted in the split of the processes of production in many segments and in the location of labor-intensive segments in low-wage economies leading to the proliferation of sweatshops. This process responds to the need of capital to find social-spaces conditions that are able to ensure the reproduction of *surplus*.

According to Clelland, sweatshops in global commodity chains may be conceptualized as *dark value* following the shift from a focus on industry/firm-centric analysis of added value to a focus on the forms of hidden value that capitalists expropriate from workers. For Clelland, commodity chains are surplus-extraction chains based on massive transfers of dark value from under-compensated formal labor, from informal sector labor, from unpaid household labor and from unpaid ecological externalities. This dark value may be found in all factors of production and its transfer occurs any time a capitalist obtains a component of production at less than the average world-mar-

<sup>62</sup> J. Flecker, *Outsourcing, Spatial Relocation and Fragmentation of Employment*, op. cit.

ket price. This dark value benefits not only capitalists but consumers as well in the form of lower prices<sup>63</sup>.

The shifts recorded within the organization of the global economy lead us to analyse three fundamental issues. The first one involves the consequences of this new organization of global production on the work activities and on the workers. The second and strictly interconnected issue is who determines the conditions of work within global supply chains. These questions deserve to be better researched.

As noted by Pun Ngai, «the dominant buyers in buyer-driven chains are able to control production (e.g. delivery dates, quality standards, design specifications) over long distances without exercising ownership»<sup>64</sup>. Non-ownership of suppliers, in fact, enables them to impose flexible fluctuating conditions according to their needs. For instance, global sourcing provides them with the possibility to order a constantly variable amount of goods and products in such a way in order to suit changing consumers' demand. At the same time, flexible labor and the use of overtime enable them to adapt to the fluctuating demand of products and to the rapidly changing consumers' tastes. These shifts in the organization of production have changed the nature of employment relations in the contemporary capitalist system resulting in a transition from secure work to flexible and informal work. The heightened competition which arises from international trade is a key factor in shaping the dynamics of jobs and job quality. Indeed, in the global economy, high degrees of production flexibility, variable and short-term orders, the rise of competition, fluctuations, and changes in the consumers' demands are all factors that have contributed to the growth of flexible, insecure and informal work<sup>65</sup>. The possibility for employers to hire workers for a brief time in order to satisfy the fluctuation of the demand, allows them to keep labor costs low and to respond easily to buyers' demands. As

<sup>63</sup> Donald A. Clelland, *Unpaid Labor as Dark Value in Global Commodity Chains*. In Wilma A. Dunaway (Eds.) *Gendered commodity chains. Seeing Women's work and Households in Global Production*, Stanford University Press, 2004. Donald A. Clelland, *The Core of the Apple: Dark Value and Degrees of Monopoly in Global Commodity Chains*, Journal of World Systems Research, Volume 20, Number 1: 82-111, 2014.

<sup>64</sup> Ngai-Ling Sum, Pun Ngai, *Globalization and Paradoxes of Ethical Transnational Production: Code of Conduct in a Chinese Workplace*, Competition & Change, Vol. 9, No. 2, June 2005 181-200, p. 184.

<sup>65</sup> ILO, Report VI, Decent Work and Informal Economy, 90Th Session, 2002.

noted by Barrientos in a research on the fruit export sector in South Africa, the participation in global value chains may have contradictory effects, both for producers and workers. In South Africa, most of the fruit export goes to supplying big retailers, who have avoided direct investments in production and are only specialized in marketing and in the coordination of their supply chains. Also in this sector, as well as in the apparel and electronics sectors, lead firms tend to shift to those activities that add value in the chain such as investments in postharvest facilities and the optimisation of logistics. The participation of South Africa's firms in global value chains has not resulted in an increase in the quality of jobs. Instead, it has had three simultaneous effects: «firstly, increasing competition at the production level, thus reducing real prices paid to producers for exported fruit, which dominant global buyers (supermarkets) are able to exploit; secondly, stimulating a significant change in employment strategies of producers, thus increasing the informalisation of fruit work, especially through the increased use of contract labor; thirdly, driving up the standards producers have to meet to sell to large supermarkets, both in terms of the quality of their product and the conditions of employment of their workers»<sup>66</sup>.

The informalisation and the deterioration of employment relations in supply chains are often the gateways to forced labor because the informalities enable them to avoid several low obligations and formal arrangements. As noted by Ashley, the existence of forced labor in supply chains is a problem that is inextricably linked to global commerce. The term “forced labor” «refers to situations in which persons are coerced to work through the use of violence or intimidation or by more subtle means such as accumulated debt, retention of identity papers, or threats of denunciation to immigration authorities»<sup>67</sup>. For Allain and his colleagues, «it is now commonplace to frame analyses of forced labor in the context of such product supply chains. Because each stage involves the deployment of labor, forced labor can, in principle, arise at any of the stages in the

<sup>66</sup> S. Barrientos, A. Kritzinger, *The poverty of work and social cohesion in global export: the case of South African fruit*. In D. Chidester, P. Dexter and J. Wilmot (eds.) *What Holds Us Together: Social cohesion in South Africa*, Cape Town, HSRC Press, 2003, p. 116.

<sup>67</sup> Ashley Feasley, *Eliminating Corporate Exploitation: Examining Accountability Regimes as Means to Eradicate Forced Labor from Supply Chains*, *Journal of Human Trafficking*, 2:1, 15-31, 2016, p. 17.

product supply chain. However, forced labor is usually associated with activities towards the beginning of these supply chains such as agriculture, fishing, etc.»<sup>68</sup>.

The impact of the organization of production in GVCs on working conditions has been discussed by several economists and sociologists and also analysed in the 2013 World Investment Report. The report argues that: «buyer-driven GVCs are typically focused on reduced sourcing costs, and in many labor-intensive industries this means significant downward pressure on labor costs and environmental management costs. Some suppliers are achieving reduced labor costs through violations of national and international labor standards and human rights laws. Practices such as forced labor, child labor, failure to pay minimum wage and illegal overtime work are typical challenges in a number of industries. In addition to downward pressure on wages, the drive for reduced costs often results in significant occupational safety and health violations»<sup>69</sup>. As the result of the rise of global competition, very often global buyers face pressures to reduce costs in their global value chains. This signifies in pressures on both wages and working conditions: «pressures on costs from global buyers mean that GVC-related employment can be insecure and involve poor working conditions. While some core workers for key suppliers gain most in terms of pay and benefits, companies supplying global buyers frequently reduce costs by employing temporary or casual workers in their plants and outsourcing work to subcontractors where working conditions are considerably poorer»<sup>70</sup>.

As mentioned in the previous section, the organization of processes of production in GVCs and the fragmentation of production activities on a global scale also result in the fragmentation of the liabilities of employers insofar as the use of subcontracting and triangular relationships of employment relations make it difficult to identify who would be responsible for bad working conditions in global supply chains.

The issue related to the fragmentation of liabilities leads us to the third fundamental issue: how can the power of lead firms and labor relations be regulated. The multiscale future of globalization brings us to also consider the role of the state in the

<sup>68</sup> J. Allain, A. Crane, G. LeBaron, L. Behbahani, *Forced labour's business models and supply chains*, Joseph Rountree Foundation, 2013, p. 40.

<sup>69</sup> UNCTAD, World Investment Report 2013, p. 162.

<sup>70</sup> *Ibidem*, p. 158.

regulation of labor and economic activities. Globalization has led to a reconfiguration of state-market relations in the economic domain. Economic globalization, for instance, by no means necessarily translates into a diminution of state power; rather, it is transforming the conditions under which state power is exercised<sup>71</sup>. The state in a global economy continues to act as a protagonist of regulation. Its regulatory action is structured on a double tier: on the one hand, it provides the conditions for accumulation, on the other hand, it provides a framework for labor market regulation. In the last few decades, following neoliberal politics, state regulatory action has been focused especially on setting up new spaces for capitalist accumulation, promoting a *re-regulation* of capital and labor relations. State action has been characterized by several measures aiming to promote a globalization process by setting up ZES, adopting company-friendly policies in order to snare investments, adopting more flexible labor regulatory regime, etc.

One of the asymmetries resulting from the globalization of economies is the gap between the global dimension of production and the domestic dimension of labor regulation. Indeed, in the last few decades, the huge power of lead firms and the global dimension of the organization of production have resulted in a strong demand for the regulation of labor and economic activities to be moved from a national to a global level. Industrial relations are internationalizing rapidly by developing new protagonists and forms of governance to deal with the regulation of labor<sup>72</sup>. As noted by Niforou, «the high complexity of GVCs and the absence of a global overarching authority have been balanced by the emergence of governance mechanisms of different forms and at different levels»<sup>73</sup>.

In other words, numerous forms of governance have emerged since the 1980s in response to the absence of an international framework to prevent or regulate the excess of globalization in terms of social and environmental impacts and the violations of human rights. “New protagonists” such as transnational corporations, ONG, NATO, have emerged alongside “traditional”

<sup>71</sup> D. Held, A. McGrew, *Globalization*, Entry for *The Oxford Companion to Politics of the World*, 2001.

<sup>72</sup> A. Hassel, *The Evolution of a Global Labour Governance Regime*, *Governance*, Vol. 21, No. 2: 231-251, 2005.

<sup>73</sup> C. Niforou, *Labor leverage in Global Value Chains: the role of interdependencies and multi-level dynamics*, *Journal of Business Ethics*, Vol. 130, Issue 2: 301-311, 2015, p. 305.

ones - such as states, trade unions, and international organizations - and have created *different forms of regulations*. The labor regulation demand, due to the weakness of traditional protagonists and state regulation compared to capitalist power, has mainly resulted in the growth of *private regulation*, also called *soft* or *self-regulation*. The main protagonists of this type of regulation are transnational corporations. The tools used to ensure respect for some rules (mainly workers' rights and environmental protection) by the firms included in their supply chains are: codes of conduct, quality assurance (Q.A.), accounting and management standards, international framework agreements (IFAs).

Through codes of conduct, in particular, firms agree to comply with many rules in order to ensure good working conditions, health, and safety in the workplace, no forced labor, no child labor, decent wages, no overtime work, anti-discrimination, freedom of association and collective bargaining<sup>74</sup>.

Private regulation especially stems from the need of many lead firms to preserve their image and market power avoiding *name and shame campaigns* led mostly by ONGs<sup>75</sup>. In this form of regulation, the ONGs, often the expression of consumer power, therefore become a new protagonist that is able to influence consumers' views and to place pressure on companies in order to encourage them to implement appropriate codes of conduct.

The main criticism regarding codes of conduct refers to the fact that this instrument is an expression of a form of regulation that is not binding on firms and it takes place without negotiation and in a voluntary and unilateral manner, confusing rights with business rules. Furthermore, codes of conduct are considered an exercise of hypocrisy due to their incompatibility with the real requests made by lead firms (in terms of costs reduction) to their suppliers and are viewed by trade unions as an excuse to exclude them from decisions relating to labor issues and labor organization in the workplace<sup>76</sup>. In addition, an-

<sup>74</sup> R. Pearson, G. Seyfang, *New hope or false dawn? Voluntary codes of conduct, Labor regulation and Social Policy in Globalized World*, Global Social Policy, Vol. 1, Issue 1: 49-78, 2001.

<sup>75</sup> For examples: <http://laborbehindthelabel.org/>, <https://cleanclothes.org/>, etc.

<sup>76</sup> P. Ngai, *Global production, company codes of conduct, and labor conditions in China: a case study of two factories*, The China Journal, NO. 54: 101-113, 2005; J. Roman, *The trade union solution or the NGO problem? The fight for Global*

other limit of this tool, as proven by a research on the working conditions within Nike supply chains, concerns the difficulties of monitoring for compliance of factory activities with codes of conduct<sup>77</sup>.

Another instrument of private global labor governance is the *International Framework Agreements* (IFAs). IFAs are agreements between single multinational enterprises (MNE) and global union federations (GUFs) that set out frameworks for industrial relations throughout the corporation and sometimes its supply chain. Through IFAs, multinational enterprises undertake to ensure some of the workers' rights. Until 2010, 80-plus IFAs existed in the world, covering approximately 6.3 million workers excluding suppliers and sub-contractors. As noted by Papadakis, «IFAs aim at jointly promoting and monitoring fundamental labor standards across the worldwide operations of MNEs, in particular in the areas of freedom of association and the right to collective bargaining, but also of good labor relations and decent conditions of work»<sup>78</sup>. Citing Hammer, «based on different sectoral determinants, industrial relations structures and forms of organising, an analytical distinction is drawn between “bargaining” agreements and “rights” agreements. This distinction relates to the conclusion, the content as well as the procedure of IFAs»<sup>79</sup>. The IFAs differ from other instruments of regulation because they are the outcome of direct negotiations between the representatives of management and workers in an MNE and because they open doors to the monitoring of supply chains by trade unions. IFAs allow therefore to achieve several aims: to ensure fundamental rights to MNE workers and suppliers and subcontractors MNE workers, to acknowledge trade union legitimacy, and to improve international cooperation between different actors and organizations. One of the IFA limits lies in the fact that the vast majority of IFAs can be found in “producer-driven chains”, such as the automotive and electrical industries, rather than “buyer-driven chains”. As stated by Papadakis,

*Labor Rights*, Development in Practise, Vol. 14, Issue 2: 100-109, 2004.

<sup>77</sup> Richard M. Locke, F. Qin, A. Brause, *Does monitoring improve labor standards? Lessons from Nike*, *Industrial and Labor Relations Review*, 61 (1): 1-31, 2007.

<sup>78</sup> K. Papadakis, *Shaping Global Industrial Relations The Impact of International Framework Agreements*. In Konstantinos Papadakis (Eds.), Palgrave Macmillan, 2011, p. 2.

<sup>79</sup> N. Hammer, *International Framework Agreements: Global Industrial Relations Between Rights and Bargaining*, *Transfer*, 11(4), pp. 511-530, 2005, p.512.

«MNEs governing these chains usually have a hierarchical, vertically integrated production structure. They are also often characterized by strong relationships between MNEs and their first-tier suppliers, by a solid workplace organization throughout the chain, and by strong home-country unions and work councils that become instrumental in the monitoring and implementation of IFAs. This feature creates a suitable institutional environment for IFAs. In contrast, IFAs have difficulty in securing a presence in “buyer-driven” global supply chains, which are characterized by an outsourcing of most if not all of the MNE production to developing-country suppliers. MNEs operating in “buyer-driven” industries, such as the garment or banana supply chains, not only are very remote from the actual workplace in which their products are manufactured, but are also often embedded in a culture of union avoidance»<sup>80</sup>. In conclusion, we can say that through IFAs trade unions are able to participate in the shaping of a global labor governance system and to promote the claims of workers in the processes of the globalization of the economy.

Private regulation calls into question the issue of *enforceability* of used tools, that is, to what extent they are able to protect workers' rights and to regulate employment relations. The voluntary nature of instruments and the lack of a penalty system renders a firm's commitment toward establishing maintaining and monitoring labor standards no longer dependent on the respect of the law but on the business decisions of the single firm.

The shifts in the global economy not only require new global governance but also a change in the strategy of trade unions aimed to articulate the representation of workers' claims on a global scale alongside value chains. This is the greatest challenge for the contemporary labor union movement in the globalized era.

<sup>80</sup> K. Papadakis, *Shaping Global Industrial Relations*, Op. Cit., p. 6.

## II

# Across agri-food chains: retailers, agriculture and migrations

### 2.1. Retailing revolution

Large retailers are a typical example of buyer-driven chains. The rise and spread of large retail firms have had many implications on employment structure, wages, class dynamics, poverty and public assistance of developed and developing countries<sup>1</sup>.

Many studies have highlighted how retail growth destabilized traditional grocery stores<sup>2</sup>, affected local food production systems<sup>3</sup>, and had an impact (directly and indirectly) on labor relations<sup>4</sup>.

Nowadays big retailers play the same role as the great manufacturing firms of the Fordist era. As noted by Lichtenstein, «at the crux of the global supply chains stand the Wal-Marts, the Home Depots, and the Carrefours of our time. They make the markets, set the prices, and determine the worldwide distribution of labor for the gigantic stream of commodities that now flows across their counters»<sup>5</sup>.

<sup>1</sup> K. Stainback, E. Ekl, *The spread of "big box" retail firms and spatial stratification*. *Sociology Compass*. 2017;11:e12462. <https://doi.org/10.1111/soc4.12462>.

<sup>2</sup> C. Fishman, *The Wal-Mart Effect: How the World's Most Powerful Company Really Works—and How It's Transforming the American Economy*. New York: Penguin, 2006.

<sup>3</sup> T. Reardon, P. Timmer, J. Bergedue, *The rapid rise of supermarkets in developing countries: induced organizational, institutional, and technological change in agri-food systems*. *Conf., Int. Soc. New Inst. Econ.*, Tucson, AZ, Sept. 30-Oct. 3, 2004.

<sup>4</sup> E. Brooks, *Transnational campaigns against child labor: the garment industry in Bangladesh*. In *Coalitions Across Borders: Transnational Protests and the Neoliberal Order*, ed. J Bandy, J Smith, pp. 121-39. Lanham, MD: Rowan & Littlefield, 2005.

<sup>5</sup> N. Lichtenstein, *Supply Chains, Workers' Chains, and the New World of Retail Supremacy*. *Labor* 1 March 2007; 4 (1): 17-31. doi: <https://doi.org/10.1215/15476715-2006-032>, p.17.

The workings of mega-retailers reflect a new regime of production (just in time) and accumulation (flexible accumulation) of global capitalism. For D. Harvey «flexible accumulation rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption. It's characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation»<sup>6</sup>.

Abernathy (1999), analysing the retail sector, used the term *lean retailing revolution* in order to describe new technologies and management practices adopted and refined by several companies. This revolution involved new information technologies, new product labelling, and new methods of distribution<sup>7</sup>. Lean retailers no longer have warehouses full of products ready to be sold. They simply own the products on the selling floor. On Sunday nights, after weekend sales are declared, products are ordered by retailers through a computerized inventory system. The order is electronically transmitted to the offshore suppliers on the same night. On Mondays, suppliers ship the ordered products in containers and the products usually arrive at a retailer's distribution center by Wednesday of the same week<sup>8</sup>. This new supply chain management system allowed for the shifting of risks and costs of unstable consumer demand from retailers to suppliers.

Therefore, production requires that retailers and supply chain firms be functionally linked. Analysing the working of Wal-Mart, Lichtenstein wrote: «using a wide variety of new information technologies, these retailers collect point-of-sale (POS) data and relay it electronically through their supply chain to initiate replenishment orders almost instantaneously. When Wal-mart sells a tube of toothpaste in Memphis, that information passes straight through to the P&G headquarters office in Cincinnati, flashing directly to an offshore toothpaste factory, which adjusts its production schedule accordingly»<sup>9</sup>.

<sup>6</sup> D. Harvey, *The condition of postmodernity*, cit., p. 147.

<sup>7</sup> F.H. Abernathy, J. T. Dunlop, J. H. Hammond, D. Weil, *A Stitch in Time: Lean Retailing and the Transformation of Manufacturing Lessons from the Apparel and Textile Industries*, Oxford University Press, New York, 1999.

<sup>8</sup> F. H. Abernathy, A. Volpe, D. Weil, *The future of the apparel and textile industries: prospects and choices for public and private actors*, Environment and Planning A, volume 38, pp. 2207-2232, 2006.

<sup>9</sup> N. Lichtenstein, *Supply Chains, Workers' Chains*, cit., p. 21.

As noted by Halebsky, the *rationalization* of many managerial tasks by the use of computer technologies and the *restructuring* of the retail industry by mergers and acquisitions have resulted in the creation of powerful retailers in the form of superstores and chain stores<sup>10</sup>.

The globalization of supply chains, the impact of IT and the revolution of logistics allowed big retailers to increase their profit margins by expanding in lower-wage economies and obtaining lower prices from their international suppliers. In addition to controlling suppliers' costs, big retailers have also benefited from macroeconomic contexts unfavorable to labor in high-wage economies further increasing gains and their market power. As noted by Baud and Durand: «first, they have expanded their activities in low-wage countries where labour militancy is weak. Moreover, globalization and the introduction of information technologies in the work process have worsened the position of low-skilled workers in high-income economies, fuelling a systemic rise in inequalities. Labour in the retail sector has been severely exposed to this adverse evolution because the sector is a labour intensive tertiary industry, markedly segmented in terms of workforce remuneration and with a large proportion of low skilled workers»<sup>11</sup>. Several studies<sup>12</sup> highlighted mechanisms used by big retailers to control labor costs such as part-time labor, gender pay gap, unpaid overtime, union discriminations, and subcontracting, etc.

To sum up, the rise of the power of big retailers and the increasing of their profit margins has been carried out through several factors as globalization, new information technologies, the revolution of logistics, low prices and the intensification of worker exploitation within both domestic and foreign labor markets.

<sup>10</sup> S. Halebsky, *Superstores and the Politics of Retail Development*, City & Community 3(2):115 - 134, 2004.

<sup>11</sup> C. Baud, C. Durand, *Financialization, globalization and the making of profits by leading retailers*, Socio-Economic Review, Volume 10, Issue 2, 2012: 241-266, p. 255.

<sup>12</sup> N. Lichtenstein, *Wal-Mart: The Face of the Twenty-First Century Capitalism*. New York: New Press, 2006; B. Ehrenreich, *Nickel and Dimed. On (Not) Getting By in America*. New York: Owl Books, 2001.

## 2.2. Global agro-food system and transnational supermarket chains

Innovations in communications and technology, logistics development, new management practices, international trade, and increased capital mobility enabled retailers to purchase from producers worldwide. These changes also have an effect on the food and agricultural sector which is controlled by a few leading food retailers.

As noted by Burch and Lawrence, in the past the role of the retail sector was to market products realized by the manufacturing industry. From the late 1960s, control over the establishment and management of agri-food supply chains passed from food manufacturers to supermarkets leading to a reconfiguration of the manufacturer-dominated supply chain. Flexible systems of production based on contracts, extensive shift work, and continuous production have been exported to production sites all over the world. Many developing countries have been incorporated into the supply chain as sources of cheap processed foodstuff and fresh fruit and vegetables in demand by consumers in the North<sup>13</sup>.

This shift in power has resulted in two factors: «the first is the emergence of a monopsony in distribution, in which a relatively large number of food processing companies are forced to sell their products to a limited number of globally-focused retailers who exercise enormous purchasing power in an increasingly concentrated market; the second is the growing significance of supermarket “own brand” products (referred to as *private labels* in the US) and supermarket “generic brands” (typically marketed under a “No Frills” or “Savings” label), which have in recent years come to compete with the branded products of the established food manufacturing companies»<sup>14</sup>.

As highlighted by Konefal et al., the transition from a Fordist to a flexible accumulation has produced three transformations in food and agriculture and has resulted in the emergence of *Transnational Supermarket Chains* (TSCs) as the most powerful protagonists in the global agro-food system<sup>15</sup>.

<sup>13</sup> D. Burch, G. Lawrence, *Towards a third food regime: behind the transformation*, *Agric Hum Values*, 26: 267-279, 2009.

<sup>14</sup> D. Burch, G. Lawrence, *Supermarket own brands, supply chains and the transformation of the agri food system*. *International Journal of Sociology of Agriculture and Food*, 2005, 13(1): 1-18, p. 1.

<sup>15</sup> J. Konefal, M. Mascarenhas, M. Hatanaka, *Governance in the global agro-*

The *first* transformation affects the scale and geography of agro-food networks shifting from local, regional and national networks to a global network. The global reach of agri-food supply chains - allowed by free international trade, foreign investments, and logistics development - enables fresh and processed agri-food products to be shipped across national borders.

The *second* transformation is the emergence of buyer-driven commodity chains and the rise of the power of Transnational Supermarket Chains as big buyers in the global agro-food system. As argued also by Lee et al., in globalized agri-food chains power has shifted in favor of retailers vis-à-vis producers. «In advanced economies and developing nations as well, modern retailers and supermarkets have grown ever larger, and as lead firms, they drive the agrifood chains linking daily grocery shoppers to small farmers around the world. Their enormous buying power and well-known consumer brands allow them to dictate cost-cutting measures and enhanced standards to their suppliers»<sup>16</sup>.

The third transformation affects the changes in market differentiation and consumption patterns. Lead firms aim to take competitive advantage not only by price-based competition but also through the development of products that allow them to distinguish themselves from competitors.

These changes shaped the form of a new food system characterized by a flexible production and international sourcing of food products set by international retailers and based on convenience, freshness, innovation, and health<sup>17</sup>.

Analyzing the transformations of the global agro-food system Bonanno et al. highlighted how corporations «have sought cheaper sources of labor and land; captured the benefits of improved technologies of transportation; and whipsawed nation-states and localities into providing tax incentives and benefits, to satisfy their individual “bottom lines” - that is, their profits»<sup>18</sup>.

The emergence of TSCs signifies that they determine the quality and the type of food that people consume, its cost, how and

*food system: Backlighting the role of transnational supermarket chains*, Agriculture and Human Values, 2005, 22: 291-302.

<sup>16</sup> J. Lee, G. Gereffi, J. Beauvais, *Global value chains and agrifood standards: challenges and possibilities for smallholders in developing countries*, Proceedings of the National Academy of Sciences of the United States of America, 2012, vol. 109, no. 31: 12326-31, p. 12326.

<sup>17</sup> D. Burch, G. Lawrence, *Towards a third food regime...*, cit.

<sup>18</sup> A. Bonanno, L. Busch, W. Friedland, L. Gouveia, E. Mingione, *Introduction*, In A. Bonanno, L. Busch, W. Friedland, L. Gouveia and E. Mingione (eds.), *From*

where it should be produced and at what price. TSCs not only control distribution but also decisively shape the production, processing, and consumption of food as a result of their enormous buyer power<sup>19</sup>. These retailers have avoided direct involvement in production focusing mainly on the activity that adds value in the chain<sup>20</sup> - marketing, developing their own brands, investing on postharvest facilities, barcoding products, ready-prepared vegetables and salads, logistics etc. - and the coordination of their supply chains. These firms have invested heavily in the development of their supply chains, greatly increasing monitoring and the control of suppliers. As noted by Brown and Sander, «increasingly, the competitive advantage of supermarkets in the north is a function of how well they can manage their supply chain. Their business model - focusing on maximizing returns for shareholders and keeping costs competitively low for consumers - demands increasing flexibility through “just in time delivery, tighter control over inputs and standards and ever-lower prices»<sup>21</sup>.

Supermarket chains have great power. As highlighted by Ploeg, «it is becoming difficult, if not often impossible, for farmers to sell food ingredients or for consumers to buy food outside of the circuits that they control»<sup>22</sup>.

The excess capacity in overseas factories and the concentration of buying power in the retail sector<sup>23</sup> allow them to push the costs and risks of business down the supply chain, dictating cost-cutting measures to their suppliers. Furthermore, their requirements have led to the decline of smallholders who have been squeezed by large-scale producers and excluded from the supermarket supply chain. For example, the horticulture industry in sub-Saharan Africa is dominated by a few large exporters that are supplied mainly by large producers<sup>24</sup>. The rise of the

*Columbus to ConAgra: The Globalization of Agriculture and Food*, Lawrence, Kansas: University of Kansas Press, 1994, p. 15.

<sup>19</sup> D. Burch, G. Lawrence, *Supermarket and agri-food supply chains. Transformations in the production and consumption of foods*, Edward Elgar Publishing, 2007.

<sup>20</sup> G. Gereffi, *The Global Economy*, cit.

<sup>21</sup> O. Brown, C. Sander, *Supermarket buying power: Global supply chains and smallholder farmers*, International Institute for Sustainable Development, 2007.

<sup>22</sup> J.D. van der Ploeg, *The food crisis, industrialized farming and the imperial regime*, *Journal of Agrarian Change*, 10 (1), 2010: 98-106, p. 101.

<sup>23</sup> G. Gereffi, *The organization of Buyer-Driven*, cit.

<sup>24</sup> G. Gereffi, *The Global Economy*, cit.

power of supermarket chains has resulted in the development of global oligopolies in the retail sector and their increasing market power. As noted by Dolan and Humphrey on European food retailers «food retailing has become increasingly concentrated in Europe. In 1996, the top five supermarket chains had a total food market share of more than 50 percent in all but three EU countries (Spain, Greece, and Italy). This process is particularly noticeable in the UK, where the largest six food retailers had captured a 76 percent share of fruit and vegetable sales by 1997»<sup>25</sup>. Oligopolistic competition results in a small number of retailers that fight amongst themselves by using marketing and product differentiation in order to capture market share and customer loyalty. As argued by Burch and Lawrence «this intense competition means that each of the major supermarket chains seeks to buy high-quality product lines at the lowest possible price, which is reflected further upstream in the supply chain as food manufacturers bear down on their suppliers (i.e. the farmers), and farmers attempt to bear down on their suppliers»<sup>26</sup>.

The restructuring and control of the global agro-food system by TSCs is now being exercised through the mechanism of *standards*. In order to supply supermarket chains, producers have to meet food standards such as quality (appearance, cleanliness, taste), safety (pesticide or artificial hormone residue, microbial presence), authenticity (guarantee of geographical origin or use of traditional processes) and the goodness of production processes (with respect to worker health and safety, or to environmental contamination)<sup>27</sup>. These standards may work as a barrier mainly for smallholders in developing countries, because they are unable to meet them, therefore, forcing their exclusion by supermarket chains. For the purpose of remaining included in the chain, suppliers are usually subject to an audit and must demonstrate that they can meet the standards set by supermarket chains<sup>28</sup>. Suppliers unable to do so are excluded and marginalized.

An example of European private standards for the production of fresh fruits and vegetables comes from Euro-Retailer Produce

<sup>25</sup> C. Dolan, J. Humphrey, *Governance and trade in fresh vegetables: The impact of UK supermarkets on the African horticulture industry*, *Journal of Development Studies*, 2000, 37(2): 147-176, p. 148.

<sup>26</sup> D. Burch, G. Lawrence, *Supermarket own brands...*, cit.

<sup>27</sup> T. Reardon, E. Farina, *The rise of private food quality and safety standards: Illustrations from Brazil*, *International Food and Agribusiness Management Review*, 2002, 4(4): 413-421.

<sup>28</sup> Dolan et al., cit.

Working Group Good Agricultural Practices (EUREPGAP<sup>29</sup>) set by a consortium of leading European retailers known as the Euro-retailer produce working group (EUREP). The focus of Eurepgap is food safety and quality as well as the provisions on labor and environmental impacts. If a producer or supplier wants to sell to any of the leading European TSCs they need to comply with the standards set by EUREP. As noted by Konefal at al., «the unequal power of suppliers vis-a`-vis retailers is also evident in the EUREPGAP standard itself. The way EUREPGAP has been structured, suppliers are responsible for the costs of complying with EUREPGAP in terms of both technological and organizational upgrades and certification. For many smaller suppliers, compliance is too expensive. Consequently, smaller sized suppliers are being squeezed out of business or have had to re-orient their products to other, often less profitable, markets. The effect is that an increasingly consolidated retail sector is dealing with an increasingly consolidated network of suppliers»<sup>30</sup>.

Although standards are necessary for increasingly globalized and geographical distributed agro-food systems, they represent a strong mechanism of control because through private standards TSCs decide on factors such as who the producers will be, where the location of production is and what are the conditions of production. As stated in the previous chapter, when control cannot be exercised through ownership it is then exercised through *governance*, namely: the specification of the product, quality standards, quantities, delivery dates, and price.

The changes in capitalist food and farming systems have led several scholars such as Burch and Lawrence to discuss *third food regime*. Unlike first and second food regimes - respectively based on wheat and sugar trade and on industrial agriculture - the third food regime «is one that is lead by global corporations that are profiting from the re-organisation of agri-food chains»<sup>31</sup>.

### 2.3. Retailers' power

In the last couple of decades, the aspect of grocery retailing had profoundly changed with the emergence and the increased prevalence of large retail chains. As noted by Dobson, «where once retail markets were highly fragmented, consisting predominantly of traditional independent retailers, they have become highly

<sup>29</sup> [http://www2.globalgap.org/fruit/index\\_html](http://www2.globalgap.org/fruit/index_html)

<sup>30</sup> Konefal et al., cit., p. 298.

<sup>31</sup> D. Burch, G. Lawrence, *Towards a third food regime...*, cit., p. 267.

consolidated, driven by a process of organic growth and mergers by leading retailers. The result has been the marginalisation of small independent retailers, restricted to acting as convenience stores (for so-called top-up shopping), and market domination by a limited number of large-format, multiple-store retailers that attract the bulk of consumer spending»<sup>32</sup>.

*Tab. 1. Retailers' global geography*

	Region/country profiles, FY2015				Level of globalization by region/country, FY2015		
	Number of companies	Average retail revenue (US\$M)	Share of top 250 companies	Share of top 250 revenue	% Retail revenue from foreign operations	Average Countries	% Single-country Operators
TOP 250	250	\$17.234	100.0%	100.0%	22.8%	10.1	33.2%
Africa Middle-East	9	\$6.734	3.6%	1.4%	35.1%	11.3	0.0%
Asia Pacific	59	\$10.545	23.6%	14.4%	10.7%	3.8	45.8%
China/Hong Kong	14	\$11.341	5.6%	3.7%	17.1%	4.1	57.1%
Japan	30	\$9.337	12.0%	6.5%	10.4%	4.4	40.0%
Other Asia Pacific	15	\$12.219	6.0%	4.3%	6.4%	2.4	46.7%
Europe	85	\$17.727	39.0%	35.0%	39.6%	16.0	17.6%
France	12	\$29.522	4.8%	8.2%	46.0%	30.8	0.0%
Germany	17	\$24.762	6.8%	9.8%	47.0%	15.9	5.9%
UK	15	\$16.619	6.0%	5.8%	16.6%	15.7	20.0%
Other Europe	41	\$11.762	16.4%	11.2%	40.6%	11.9	26.8%
Latin America	9	\$7.615	3.6%	1.6%	23.7%	2.7	33.3%
North America	88	\$23.300	35.2%	47.6%	13.6%	9.2	43.2%
US	82	\$23.974	32.8%	45.6%	13.8%	9.7	41.5%

*Source: Deloitte, Global Powers of Retailing 2017, The art and science of customers.*

<sup>32</sup> P. Dobson, *Retailer buyer power in European markets: lessons from grocery supply*, Loughborough University Business School, Working Paper No. 2002-1, p.7.

Retail chains have become increasingly concentrated both at the national level and international level because they have also sought to extend their operations abroad (Tab. 1).

In 1999, the ten largest retailers controlled 30% of all retail food sales in the European Union. This level had increased by 25% from 1993 to 1999<sup>33</sup>. In 2013 the percentage of market share of the top 10 food retailers in Europe was 16.8<sup>34</sup>.

As highlighted by Dobson, «the substantial market shares held by the leading retailers have offered them increased ability to exercise substantial buyer power over suppliers. With their control of shelf space and the greatly reduced number of competitors, therefore offering fewer alternatives for suppliers seeking a route to market, these large retailers have in effect become “gatekeepers” for access to consumers. This, in turn, has allowed these large retailers greater prospect of obtaining price concessions from suppliers as well as being able to charge suppliers directly for access to their stores and impose other restraints on suppliers»<sup>35</sup>. These benefits allowed the largest retailers to reinforce their competitive advantage and increase their power of laying down their terms and conditions to suppliers. The buyer power of these large retailers has become so big that it undermined the market survival of many suppliers and shaped the working conditions within supply firms.

The prevalence of these large retail chains and the unequal power of suppliers, vis-à-vis retailers, has resulted in increasing friction among them, forcing several national authorities to reflect on what they call *Buyer Power* of large retail chains and its effects on suppliers and consumers.

As noted by Dobson «retailer buyer power is essentially the ability of leading retail firms to obtain from suppliers more favorable terms than those available to other buyers, or which would otherwise be expected under normal competitive conditions»<sup>36</sup>. Buyer power signifies that retailers are able to control the terms and conditions of supply. As highlighted by Dobson, buyer power gives retailers not only the possibility to obtain low prices. It also manifests itself by pushing several contrac-

<sup>33</sup> Ibidem.

<sup>34</sup> European Commission, *The economic impact of modern retail on choice and innovation in the EU food sector*, Final Report, September, 2014.

<sup>35</sup> P. Dobson, *Retailer buyer power in European markets...*, cit., p.1.

<sup>36</sup> P. W. Dobson, *Exploiting Buyer Power: Lessons from the British Grocery Trade*. Antitrust Low Journal, Vol. 72: 529-562, 2005, p. 532.

tual obligations onto suppliers: «these include direct retailer financial benefits that take the form of additional payments or discounts, including “listing charges,” where buyers require payment of a fee before goods are purchased from the listed supplier; “slotting allowances,” where fees are charged for store shelf-space allocation; retroactive discounts on goods already sold; and unjustifiably high contributions to retailer promotional expenses»<sup>37</sup>.

Buyer power can also be used by retailers to impose several conditions onto suppliers not just related to prices, such as terms of payment, delivery conditions, the possibility of unilaterally modified contractual conditions, the power of de-listing, etc. Analyzing power and economic asymmetric relations between retailers and suppliers becomes crucial as well as the question of *trade spending*, deeply linked to the buyer power of retailers.

The term *trade spending* refers to all the fees paid by suppliers to retailers in order to remunerate the promotional, distributional and sales activities and services offered by retailers. Therefore, trade spending refers to all business practices by which retailers require to pay fees to suppliers in order to support, promote, or simply sell their products. The main feature of these fees is that their trading takes place secretly, without any public communications of the conditions, and suppliers must pay these fees before they are able to supply their products. These fees may be required for several activities such as marketing campaigns, the introduction of new products, etc.<sup>38</sup>.

Following Dobson, in order to understand the increasing power of retailers over suppliers it is important to recognize the three interlinked roles that retailers have from the prospective of producers: «first, retailers are producers’ customers; they buy their products for resale to ultimate consumers. Second, they act as competitors when they sell “own-label” (otherwise known as “private label” or “store brand”) products in competition with producer branded goods. Third, they are suppliers that “sell” shelf space, either directly through listing or slotting fees or indirectly through requiring lower prices from producers as a condition of stocking, and advertising space, such as through promotional support payments»<sup>39</sup>.

<sup>37</sup> Ivi.

<sup>38</sup> Autorità garante della concorrenza e del mercato (Agcm), *Indagine conoscitiva IC43*, Settore della grande distribuzione organizzata, 2013.

<sup>39</sup> P. W. Dobson, *Exploiting Buyer Power...*, cit., p. 536

To what extent has the growth of retailers' power affected the Italian food market? What is the composition of the Italian food retail sector and what has been the growth of retail chains in the last decades?

Italian retail sector is organized around three types of retail: grande distribuzione (GD), distribuzione organizzata (DO) and independent groceries (Ind). The *GD* is a chain composed of several sales points controlled by a big company or by a group of companies. The *DO* is a chain composed of several sales points controlled by single owners (usually small and medium companies) linked together by a working relationship set by contractual constraints or forms of association. Whilst leaving a certain degree of autonomy to any single owner, much of the activities such as logistics, price policies, supply networks, etc., are centralized and controlled by the top of the association.

*Tab. 2. Incidence rates per type of retail (2011)*

<b>type</b>	<b>% of sales</b>	<b>% of m2</b>	<b>% in numbers</b>
DO	56,3%	59,3%	65,6%
GD	43,0%	38,2%	29,5%
IND	0,7%	2,5%	5,0%
Total	100,0%	100,0%	100,0%

*Source: Author's elaboration on Agcm 2012*

Following the statistical data of Federdistribuzione<sup>40</sup>, from 1996 to 2010 the food retail sector in Italy has grown 71 percent in terms of business volume. The turnover of food retail chains increased from 48 billion in 1996 to 82 billion in 2010. At the same time, the turnover of traditional grocery stores decreased by 55 percent. From 1996 to 2009, the number of sales points of food retail increased 47 percent while traditional grocery stores decreased 18 percent during the same period<sup>41</sup>.

From 1996 to 2013, the percentage of food distributed in retail chains had grown from 50.2 percent to 72.4 percent. During the

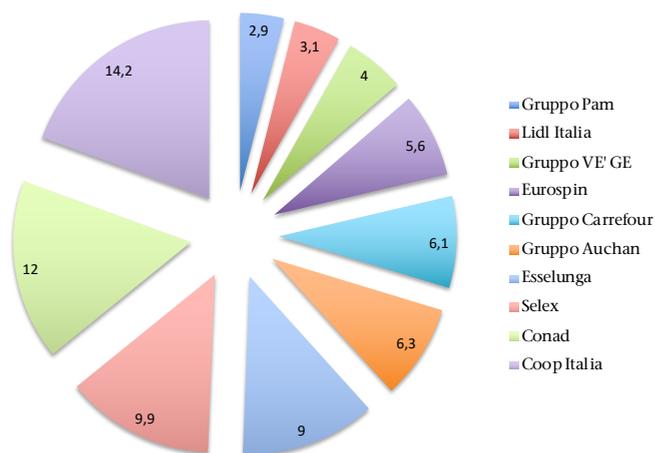
<sup>40</sup> National retail chains federation.

<sup>41</sup> Cfr. Autorità garante della concorrenza e del mercato..., cit.

same period, the percentage of food distributed in traditional grocery stores decreased from 40.6 percent to 17.5 percent<sup>42</sup>.

The Italian retail market is highly fragmented (Figure 1): the top 3 supermarket chains had achieved 36% of total market share compared to 61% of the top 3 supermarket chains in the UK, 53% in France and 54% in Spain<sup>43</sup>.

Figure 1. Top ten players of the Italian food retail sector and their market share (%)



Source: Ac-Nielsen 2017

As shown by a study carried out by the Italian Antitrust, *buyer power* also affects Italian food retail chains. Trade spending has an impact of 11 percent on the profits of suppliers while it represents a large source of profit for retailers<sup>44</sup>. Furthermore, as noted by Barbera et al., the increasing power of big players have squeezed the profitability from small farmers in favor of traders and bank services providers. For every 100 euros spent by families for farm products only 22.50 £ wind up in the pockets of farmers while 36 £ to those of traders. The net value for farmers is 1.80 £ while for traders it is 15 £<sup>45</sup>.

<sup>42</sup> Federdistribuzione, *La mappa del sistema distributivo in Italia*, 2014.

<sup>43</sup> Federdistribuzione, *La distribuzione moderna in Italia*, 2017.

<sup>44</sup> Cfr. Autorità garante della concorrenza e del mercato (Agcm), *Indagine conoscitiva IC43*, Settore della grande distribuzione organizzata.

<sup>45</sup> Aa. Vv., *L'estrazione di valore nell'economia fondamentale*, in F. Barbera, J. Dagnes, A. Salento, F. Spina (eds.), *Il capitale quotidiano. Un Manifesto per l'economia fondamentale*, Donzelli Editore, Roma, 2016.

## 2.4 Corporate food regime and the restructuring of Italian agriculture

The dominance of big supermarket chains, their market concentration, and their power to unilaterally dictate terms, prices, and conditions to suppliers have resulted in the worsening of working conditions and job security within supply firms. Suppliers are often squeezed by retailers to reduce prices in order to meet retailers' demands and are forced to employ cheap labor. The imbalances of power are having a big impact on rural communities of many countries in terms of marginalization of small-scale farmers and the increasing exploitation of agricultural labor forces, in particular, migrant workers.

The growth of the power of supermarket chains is an expression of a *new food regime*. As described by McMichael, «food regime analysis emerged to explain the strategic role of agriculture and food in the construction of the world capitalist economy. It identifies stable periods of capital accumulation associated with particular configurations of geopolitical power, conditioned by *forms of agricultural production and consumption relations* within and across national spaces»<sup>46</sup>. Since the end of the eighties this new food regime, that of transnational corporation, has profoundly restructured production (increasingly intensive, industrialized, specialized and standardized) and labor (increasingly cheap, flexible and exploitable) in the agricultural sector.

As noted by McMichael, «agro-industrialisation increasingly replicates the spatial mobility of manufacturing systems, including the sub-division of constituent processes into global commodity chains (such as the animal protein complex). And, to the extent that it is premised on the incorporation (contract farming for agribusiness) and/or dispossession of smallholders, it has a labour reserve at its disposal»<sup>47</sup>.

As mentioned above, the new food regime, called *corporate food regime*, is characterized by a hegemonic power exercised by several international institutions (such as WTO, IMF, WB) and corporations<sup>48</sup>.

<sup>46</sup> P. McMichael, *A food regime genealogy*, The Journal of Peasant Studies, Vol. 36, No. 1, 2009, 139-169, p. 139.

<sup>47</sup> Ibidem, p. 161.

<sup>48</sup> P. McMichael, *Global development and the corporate food regime*. In: F.H. Buttel and P. McMichael (eds.), *New directions in the sociology of global development*, Oxford: Elsevier Press, 2005.

As highlighted by McMichael «transnational corporations typically subcontract with Third World peasants to produce specialty horticultural crops and off-season fruits and vegetables. They also process foods (such as fruit juices, canned fruits, frozen vegetables, boxed beef, and chicken pieces), often in export processing zones, for expanding consumer markets in Europe, North America and Pacific-Asia»<sup>49</sup>.

Corporations and international institutions are also driving *land grabbing*<sup>50</sup>: large-scale land acquisitions, either buying or leasing, by governments and transnational companies, which involves several countries in continents such as Africa, South America, and Asia. From 2006 to 2011, foreign group companies have bought more than 200 millions hectares of land, mostly in Africa<sup>51</sup>. Land grabbing is a key aspect of the new global agro-business pattern and is fully integrated into the new food regime promoted by corporations and international institutions.

Following Friedmann, the corporations are leading the transnationalization of agri-food capital by establishing a global private regulation in order to organize steady production and consumption conditions that can allow investments, supplies, and sales on a “global scale”<sup>52</sup>. This new power has resulted in a concentration process to the benefit of corporations both on the side of input supply (seeds, fertilizers, pesticides) as well as on the side of processing, distribution and the sale of food<sup>53</sup>. Nowadays, agro-food corporations control 40% of global trade food: 20 companies control the global trade of coffee, six companies control 70% of the global trade of corn and only one company controls 98% of packaged tea<sup>54</sup>. The new food regime is also characterized by a selective appropriation from agro-food corporations of social demands for fair trade, consumer

<sup>49</sup> P. McMichael, *Development and social change. A global perspective*, Thousand Oaks, CA: Pine Forge Press, 1996, p. 105.

<sup>50</sup> Cfr., S. Liberti, *Land Grabbing. Come il mercato delle terre crea il nuovo colonialismo*, Minimum Fax, Roma, 2011.

<sup>51</sup> S. Sassen, *Espulsioni. Brutalità e complessità nell'economia globale*, Il Mulino, Bologna, 2015.

<sup>52</sup> H. Friedmann, *From colonialism to green capitalism: social movements and the emergence of food regimes*, in F.H. Buttel, P. McMichael (eds.), *New directions in the sociology of global development*, Vol. 11, Elsevier, Oxford, 2005, pp.229-267.

<sup>53</sup> Ibidem.

<sup>54</sup> R. Patel, *I padroni del cibo*, Feltrinelli, Milano, 2015, p. 79.

health, and animal welfare<sup>55</sup>. As noted by Corrado, the setting of standards such as quality, safety, environmental protection, etc., has driven the reorganization of global agri-food chains by corporations (mainly big supermarket chains) which are now able to decide who has to produce, what has to be produced, where and at what price<sup>56</sup>.

The reorganization of the global agro-food system and the incorporation of agricultural production in retailer-driven chains - in which flow commodities, technologies, and capital - has also affected southern European countries. The region has undergone several changes in the structure of production and agrarian relations<sup>57</sup>. The number of farms has steadily decreased while the average size of farms has grown. The restructuring has also affected production (through the development of intensive production of fruit and vegetables for transnational supermarket chains) and labor (through the extensive use of a cheap and flexible migrant labor force) changing profoundly the way by which food is produced and sold and the composition of the rural working class<sup>58</sup>.

As noted by Corrado, the agriculture of these areas has become increasingly *dependent* on agri-food systems, especially processing factories and supermarket chains, enduring price pressures exercised by international competition<sup>59</sup>. Analyzing the supply chain of orange juice in southern Italy, Mostaccio highlighted how the price pressure has increasingly become a way used by multinational companies to exercise power over suppliers causing their inclusion or exclusion from agri-food chains<sup>60</sup>.

Across the Mediterranean, international competition takes place mainly between Southern European countries and some MENA countries. There are two factors underlying this compe-

<sup>55</sup> H. Friedmann, *From colonialism to green capitalism*, cit.

<sup>56</sup> A. Corrado, *Il paradigma dei semi. Crisi agro-alimentare e reti per un'altra agricoltura*, Aracne, Roma, 2010.

<sup>57</sup> Cfr., A. Corrado, C. De Castro & D. Perrotta, (Eds.), *Migration and agriculture. Mobility and change in the Mediterranean area*, London: Routledge, 2016.

<sup>58</sup> A. Corrado, C. De Castro & D. Perrotta, *Cheap food, cheap labour, high profits: agriculture and mobility in the Mediterranean. Introduction*, in A. Corrado, C. De Castro & D. Perrotta, (Eds.), *Migration and agriculture...*, cit.

<sup>59</sup> Cfr. C. Colloca, A. Corrado, *Trasformazioni meridionali: migranti e aree rurali. Un'introduzione*, in C. Colloca, A. Corrado (eds.), *La Globalizzazione delle campagne...*, cit.

<sup>60</sup> F. Mostaccio, *La guerra delle arance*, Rubbettino, Soveria Mannelli, 2012.

tion: trade policies, in particular the EU's CAP and the partnership agreements between the EU and some MENA countries, and the growth and dominance of supermarket chains<sup>61</sup>. Indeed, as noted by Corrado et al., «supermarket chains can buy (cheap) agricultural products in various parts of the globe, thus exacerbating the competition between farmers in different countries. This is evident, for example, in the production of fresh strawberries and tomatoes on both sides of the Mediterranean, especially in Morocco and Spain. As mentioned, a number of mainly European corporations produce or simply trade in both countries, in order to meet the year-round demand for seasonal and counter-seasonal fresh products among the European supermarket chains. This process is favoured by EU trade policies, which displace the EU-Morocco trade barrier southwards on a seasonal basis in relation to the production of fresh fruit and vegetables»<sup>62</sup>.

To sum up, agriculture is increasingly becoming globalized. The global trade of food, enabled by its transformation in *commodity*, involves more and more firms and countries that compete with each other. The central nodes of the network that control global agri-food systems are increasingly located at a far distance from areas where labor and production take place. Global trade has rendered increasingly cheap food that comes from distant countries and produced on a large industrial scale. The driving force behind this process is the international trade agreements (GATT, TTP, EPA, etc.) by which corporations (bio-tech corporations, food multinationals, big retailers, and financial protagonists) aim to remove trade barriers, transforming significant parts of the world into huge areas of free trade<sup>63</sup>.

## 2.5. Agriculture and labor migrations in Italy

As mentioned in the previous chapter, *mobility* continues to support global capitalism in important aspects. The spatial and functional fragmentation of the processes of production allowed capitalist industries to compare costs and capabilities of suppliers on a global scale and move production between different suppliers and countries taking advantage of cheap

<sup>61</sup> A. Corrado, C. De Castro & D. Perrotta, *Cheap food, cheap labour...*, cit.

<sup>62</sup> Ibidem, p. 8.

<sup>63</sup> S. Liberti, *I signori del cibo. Viaggio nell'industria alimentare che sta distruggendo il pianeta*, Minimum Fax, Roma, 2016.

labor and a non-unionized workforce. In low wage industries that cannot move easily, including industrial agriculture, food processing, extractive and service industries, migrant workers have come to constitute a key segment of the labor force insofar as some low-wage jobs cannot easily be exported<sup>64</sup>. Hence, outsourcing and migration (i.e. mobility of capital and labor) have become two aspects of global restructuring and two fundamental ways used by capital to increase its profits<sup>65</sup>.

In southern Europe countries, migrations have allowed the restructuring of the agricultural sector and ensured agri-food capital to increase its profits<sup>66</sup>. After the Second World War, Italy started to also turn into an immigration country. One of the first sectors of the Italian labor market affected by the presence of migrant workers was agriculture. The emergence of migrations in Italy coincides, in fact, with the restructuring of agriculture production and with the transformation of agri-food chains.

Within Italian agriculture, migrations began in Sicily during the seventies with migrants arriving from Tunisia and other Maghreb countries. Then in the eighties, migrants started to arrive from Sub Saharan Africa and later, during the nineties, from Eastern Europe<sup>67</sup>. Only since the early 2000s did the agriculture sector begin to employ an increasing number of immigrant workers. Their presence in the sector has been steadily growing especially in the last two decades<sup>68</sup>.

Following official statistics, in 2015, foreign workers in the agriculture sector were 405,000: 52% of them (211,000) were EU citizens (mainly Romanian, Polish, and Bulgarians) and 48% (194,000) were non-EU citizens (mainly Indians, Moroccans, and Albanians)<sup>69</sup>.

This data is underestimated because, as highlighted by the National Agrarian Economy Institute, a structural component of the Italian agriculture sector is the large use of *irregular work*.

<sup>64</sup> S. Sassen, *The Mobility of Labor and Capital*, cit.;

<sup>65</sup> J. Smith, *Imperialism in the Twenty-First Century*, cit.;

<sup>66</sup> Cfr., C. Colloca, A. Corrado (eds.), *La Globalizzazione delle campagne. Migranti e società rurali nel Sud Italia*, Franco Angeli, Milano, 2013.

<sup>67</sup> E. Pugliese, *L'Italia fra migrazioni internazionali e migrazioni interne*, il Mulino, Bologna, 2006.

<sup>68</sup> L. Pisacane, *Lavoratori immigrati nell'agricoltura italiana: numeri e sfide verso una prospettiva di integrazione*, in C. Bonifazi (Eds.) *Migrazioni e integrazioni nell'Italia di oggi*, CNR-IRPPS, Roma, 2017.

<sup>69</sup> Crea, *Annuario dell'agricoltura italiana 2015*, Roma, 2017, p. 165.

The estimates indicate the presence of 400,000 irregular workers in Italian agriculture<sup>70</sup>. This practice mainly affects immigrant workers employed in the harvesting of tomatoes, fruit, grapes, and olives, and it especially takes place in the southern Italy countryside<sup>71</sup>.

The exploitation of labor, especially migrant labor, has been one of the primary factors in the restructuring of the Italian agricultural sector in the context of neoliberal globalization. As noted by Corrado, «the over-exploitation of migrant labour appears to be one of the strategies employed by southern European farmers in resisting the liberalization of international markets and the retailer driven transformation of supply chains»<sup>72</sup>.

As mentioned in the previous section, the power of food retail chains over suppliers comes from their market food domination, from their role as “gatekeepers” for access to consumers, and from the growing concentration in the sector. The deterioration of working conditions of farmhands can be considered a response of southern European farms to the pressure of vertical food chains and therefore the result of power and economic asymmetrical relations between lead firms and small farms included in their supply chain. Within these farms, which carry out their activities during the periods of “great harvests”, the pricing policy imposed by buyers is reflected on a great demand for unskilled, flexible, precarious and cheap labor. In southern Italy, this demand is covered by migrant workers from Africa and Eastern Europe, and it is linked to the “seasonal circuits”<sup>73</sup> of the agricultural labor force. The majority of these workers live in poor conditions within makeshift slums built by workers themselves along the countryside. The system of hiring day laborers is managed by informal intermediaries called *Caporali*, and the farm work is carried out in sweatshop working conditions: bad health and safety conditions, with a lack of labor, social and human rights<sup>74</sup>. Typical examples are the Capitanata

<sup>70</sup> Cfr. *Agromafie e Caporalato*, Terzo Rapporto, Osservatorio Placido Rizzotto (Eds.), Ediesse, Roma, 2016.

<sup>71</sup> Inea (Istituto Nazionale di Economia Agraria), *Gli immigrati nell'agricoltura italiana*, M. Cicerchia, P. Pallara (Eds), Roma, 2009.

<sup>72</sup> A. Corrado, C. De Castro & D. Perrotta, *Cheap food, cheap labour...cit.*, p. 10.

<sup>73</sup> MSF (Medici senza frontiere), *I frutti dell'ipocrisia. Storie di chi l'agricoltura la fa. Di nascosto*, Sinnos, Roma, 2005.

<sup>74</sup> MSF (Medici senza frontiere), *Una stagione all'inferno*, [www.medicisenzafrentiere.it/](http://www.medicisenzafrentiere.it/), 2008; L. Palmisano, I. Sagnet, *Ghetto Italia. I braccianti stranieri tra*

(an area of the Puglia region), which every year between July and September attracts more than 22,000 farm hands for the tomato harvesting season<sup>75</sup>, the Plain of Sibari and Gioia Tauro (Calabria region), that attracts more than 12,000 farm hands for the fruit harvesting season<sup>76</sup>, the Plain of Sele<sup>77</sup> for the rocket and strawberry harvesting season, the Salento area<sup>78</sup> for the watermelon harvesting season, etc.

The use of a cheap and flexible workforce, in the context of neoliberal globalization, has been fundamental for the survival and for the incorporation of small farms in the supply chains of agro-food industries and large retailers. Furthermore, it has allowed to help keep labor costs low and to respond quickly to “just in time” demands of food retail chains and processing firms.

To sum up, the growing power of retail chains and their price policy over suppliers underpins the overexploitation of migrant workers and the large use of illegal intermediaries in Italy's agriculture sector. In addition, for some scholars the large use of cheap migrant workers in agriculture and their segregation in this sector has been encouraged by migration flows policies managed by national and supranational governments. In fact, in southern Italy, centers for migrants have been used as pools of cheap labor<sup>79</sup>; the map of these centers follows the geography of agriculture production and the spatial concentration of migrant labor forces<sup>80</sup>.

*caporalato e sfruttamento*, Fandango, Roma, 2015.

<sup>75</sup> Cfr., A. Leogrande, *Uomini e caporali. Viaggio tra i nuovi schiavi nelle campagne del Sud*, Mondadori, Milano, 2008; F. Fanizza, *L'immigrazione nelle aree rurali della Puglia: il caso della Capitanata*, in C. Colloca, A. Corrado (Eds.), *La Globalizzazione delle campagne...*, cit.

<sup>76</sup> Cfr., F. Mostaccio, *La guerra delle arance*, cit; A. Corrado, *Territori circolanti. Migrazioni e agricoltura nella piana di Sibari*, in C. Colloca, A. Corrado (eds.), *La Globalizzazione delle campagne...*, cit.

<sup>77</sup> Cfr., G. Avallone, *Sfruttamento e resistenze. Migrazioni e agricoltura in Europa, Italia, Piana del Sele*, Ombre Corte, Verona, 2017; A. Botte, *Mannaggia la miseria. Storie di braccianti stranieri e caporali nella Piana del Sele*, Roma, Ediesse, 2009.

<sup>78</sup> Cfr., Aa.Vv., *Sulla pelle viva. Nardò: la lotta autorganizzata dei braccianti immigrati*, DeriveApprodi, Roma, 2012.

<sup>79</sup> A. E. Castronovo, *Dentro un limbo. Marginalizzazione e resistenza dei richiedenti asilo del Cara di Mineo*, in C. Benvegnù, F. E. Iannuzzi (Eds.) *Figure del lavoro contemporaneo. Un'Inchiesta sui nuovi regimi della produzione*, Ombre Corte, Verona, 2018.

<sup>80</sup> G. Nigro, *Lavori in corso. Pratiche e idee per la liberazione del lavoro migrante*,

What is the composition of the migration flows in Italy's agriculture sector?

Before answering this question, it should be noted that Italian agriculture, as underlined by Perrotta, often works as a "clearing house" of the Italian labor market in so far as agriculture represents a space where excess migrant labor forces can find precarious shelter in times of economic crises while waiting for better job opportunities<sup>81</sup>. In fact, as noted by Caruso and Corrado, in the last few years, southern Italy agriculture, as well as that of the Spanish one, has seen a great increase of migrant workers due to economic crises. The crises have pushed the migrant labor force towards agriculture by favoring the settlement of many migrant workers in this sector<sup>82</sup>.

Nowadays, the Italian countryside is crossed by heterogeneous migrations flows in terms of ethnicity, migration patterns and the legal status of migrant workers. In the southern agricultural sector, most migrant workers come from Africa and Eastern Europe. Following Perrotta<sup>83</sup>, in relation to migrant workers coming from Africa, we can identify three paths of migrants: 1) migrants that move from one area to the next in southern Italy in relation to the seasonal labor demand of the important harvests; 2) migrants that leave southern Italy after obtaining a legal status in order to travel to northern Italy to work in a factory; 3) migrants who lose their jobs in northern Italy or migrants on vacation that decide to work for a short period of time in agriculture until the end of their holiday. In relation to migrant workers, mainly Romanian and Bulgarian, from Eastern Europe, we can identify workers that live and work steadily all year round in the Italian agricultural sector and workers who live steadily in their country or in other European countries, moving to rural areas of Italy or to other

in Aa.Vv. *Sulla pelle viva...*, cit.; C. Colloca, A. Corrado, *Trasformazioni meridionali: Migranti e aree rurali...*, cit.

<sup>81</sup> D. Perrotta, *Il lavoro migrante stagionale nelle campagne italiane*, in M. Colucci e S. Gallo (Eds.) *L'arte di spostarsi. Rapporto 2014 sulle migrazioni interne in Italia*, Donzelli, Roma, 2014.

<sup>82</sup> F. Caruso, A. Corrado, *Migrazioni e lavoro agricolo: un confronto tra Italia e Spagna in tempi di crisi*, in M. Colucci, S. Gallo (Eds.), *Tempo di cambiare. Rapporto 2015 sulle migrazioni interne in Italia*, Donzelli, Roma, 2015.

<sup>83</sup> D. Perrotta, *Il lavoro migrante stagionale nelle campagne italiane*, cit.; D. Perrotta, *Traiettorie migratorie nei territori del pomodoro. Rumeni e burkinabé in Puglia e Basilicata*, in C. Colloca, A. Corrado (Eds.), *La Globalizzazione delle campagne*, cit., pp.118-140.

southern European countries during the period of important harvests.

Regarding intra-European migrations, as noted by Andrijašević and Sacchetto, they can no longer be considered a linear movement between two countries (from a home country towards a destination country) or as a circular flow (from a born country towards a destination country and vice-versa) but need to be considered multidirectional flows linked to labor market policies; intra-European mobility, in fact, is on the rise within an open but stratified labor market that is used by migrants to their advantage in order to improve their working and living conditions<sup>84</sup>.

As highlighted by Rigo and Dines, nowadays the work in the agricultural sector is increasingly viewed by migrants no longer as temporary employment but as long-term employment, even if seasonal and cyclical<sup>85</sup>. Until a few years ago, several research studies showed how most of the migrant workers in the agriculture sector were illegal both in terms of residence permits and employment status. At present, in almost every Italian region, the majority of workers in the agriculture sector originate from the European Union<sup>86</sup>, mainly from Romania, Poland, and Bulgaria. Extra-European immigrant workers come mainly from India, Morocco, and Albania<sup>87</sup>. Immigrant workers from Africa are mainly from sub-Saharan Africa, albeit to a lesser extent than in the past, and are still present within the Italian agriculture sector, especially in the south: most are asylum-seekers and others have subsidiary or humanitarian protection<sup>88</sup>.

<sup>84</sup> R. Andrijašević, D. Sacchetto, *Il lavoratore multinazionale in Europa. Costrizioni e mobilitazioni*, in S. Chignola, D. Sacchetto (Eds.), *Le reti del valore. Migrazioni, produzione e governo della crisi*, DeriveApprodi, Roma, 2017, pp. 12-30.

<sup>85</sup> E. Rigo, N. Dines, *Lo sfruttamento umanitario del lavoro. Ipotesi di riflessione e ricerca a partire dal caso delle campagne del Mezzogiorno*, in S. Chignola, D. Sacchetto (Eds.), *Le reti del valore*, cit., pp. 90-107.

<sup>86</sup> Inea (Istituto Nazionale di Economia Agraria), *Indagine sull'impiego degli immigrati in agricoltura in Italia*, Roma, 2014.

<sup>87</sup> Fondazione Fai-Cisl Studi e Ricerche, *Lavoratori immigrati in agricoltura*, Quaderni.1, 2017.

<sup>88</sup> A. Barbieri, G. A. Bari, M. Pesca, Medu, *Terraingiusta: indagine sulle condizioni di vita e di lavoro dei braccianti stranieri in agricoltura*, Dossier Statistico Immigrazione 2015, Centro Studi e Ricerche IDOS, Edizioni Idos, Roma, 2015, pp. 281-286.

Even though a part of immigrant farmworkers in the Italian agriculture sector has a residence permit<sup>89</sup> and an employment contract, these conditions are often not enough to protect them from abuse and exploitation. As has been shown by the NGO MEDU through a research carried out in southern Italy, «to have an employment contract is no guarantee of equal and right employment relation» for many workers<sup>90</sup>.

The working conditions of farmhands are extremely rigid especially in southern Italy, in the areas as Campania, Puglia, Calabria, and Basilicata. In these areas, low wages and exploitation are commonplace<sup>91</sup>. In terms of working and living conditions, the most vulnerable workers are extra-European migrants, especially Sub-Saharan Africans. Minimum wages, both with and without contracts, are less than those set by national and provincial collective contracts of employment. The salary does not exceed 40 euros and depends on the type of product harvested and on the migrant's nationality: 30 to 35 euros for Eastern Europe migrants and 20 to 25 euros for African migrants<sup>92</sup>.

Regarding these conditions, there is a need for farmers to control the risks of a production system characterized by increasing international competition and is deeply connected to the pricing policy of big buyers such as food retail chains. As highlighted by Corrado «the liberalization of the agricultural market and therefore exposure to international competition, and the restraints and pressures upstream and downstream in the production process imply that the only variable able to be adjusted by the farmer is the cost of labor»<sup>93</sup>. The need to keep labor costs low and meet the last minute demand force farmers to use informal labor contractors and piecework pay. Most of the workers are paid for each filled basket/crate. The pay is between 3.50 to 5.00 euros for each filled basket/crate. Workers

<sup>89</sup> Ibidem, p. 283.

<sup>90</sup> MEDU (Medical Doctors for Human Rights), *TerraIngiusta. Rapporto sulle condizioni di vita e di lavoro dei braccianti stranieri in agricoltura*, 2015, p. 86.

<sup>91</sup> L. Zanfrini, *Tra terra e cibo. Il lavoro immigrato nella filiera alimentare*, in Caritas e Migrantes, XXIV Rapporto Immigrazione 2014, p. 336.

<sup>92</sup> A. Corrado, D. Perrotta, *Migranti che contano. Percorsi di mobilità e di confinamenti nell'agricoltura del Sud Italia*, in "Mondi Migranti" 3/2012, pp. 103-128.

<sup>93</sup> A. Corrado, *Clandestini in the Orange Towns, Race/Ethnicity: Multidisciplinary Global Contexts*, Vol. 4, No. 2, *Reworking Race and Labor* (Winter 2011), pp. 191-201, Indiana University Press, 2011, p. 196.

also have to pay the labor contractor 5 euros per day for the transportation cost and 0.50 cent for each filled basket/crate. By piecework pay, the salary of the farmhands may vary from 25 euros to 80 euros per day according to the production speed and day labor demand<sup>94</sup>.

As highlighted by Rigo and Dines, regarding claims of workers that are now, although cyclically, a structural and stable component of agricultural labor forces, firms and governments are not responding by social and labor policies but through emergency measures, treating these workers in the same way as refugees<sup>95</sup>.

Changes within the global food chains over recent decades have had a significant impact on the demand and deployment of informal workers in many countries. The massive employment of a casual immigrant labor force provides flexibility to the farmers in order to easily satisfy buyers' orders at a low labor cost. Furthermore, the large use of immigrant labor enables local agriculture systems to implement what Colloca and Corrado call "outsourcing in place"<sup>96</sup>.

To sum up, the change of food regimes, the reorganization of global agri-food systems, the rise of international competition, the incorporation of small-farms in global agri-food supply chains, the fluctuations and changes in consumer demand and the growing power of food retail chains are all factors to take into account in order to understand the working of agriculture sector and the way by which the agriculture labor force and labor market are managed.

<sup>94</sup> Cfr. *Agromafie e Caporalato*, cit.

<sup>95</sup> Cfr., E. Rigo, N. Dines, *Lo sfruttamento umanitario del lavoro*, cit.

<sup>96</sup> C. Colloca, A. Corrado, *Trasformazioni meridionali*, cit.

## 3

# The tomato value chain

The aim of this chapter is to demonstrate how European retailers, controlling the market and the distribution of processed tomato, actually control this commodity chain. The control of the chain is not exercised directly through ownership but indirectly through *governance*: specification of the product, quality standard delivery dates and, above all, quantities and price. The focus will be on the Southern District, where the majority of processing companies that supply European large retailers through *private labels* is concentrated.

### 3.1. The rings of the tomato supply chain

Italy is the world's third largest producer of industrial tomatoes after the U.S. and China and the largest producer in Europe. Tomato production is the strength of the Italian agro-food system. The turnover is 3 billion euros on a yearly basis<sup>1</sup>. The Italian tomato is grown on 70.000 hectares: 30.000 of these are located in the Southern district (mainly in the provinces of Foggia, Caserta, and Potenza), 40.000 in the northern district (mainly in the provinces of Parma, Piacenza, and Ferrara)<sup>2</sup>. There are four main tomato products: Peeled whole tomatoes (mainly exported), Pulp (diced or crushed), Sauce and Concentrate/Paste.

As reported by the National Canneries Association (ANICAV), the value of export of Italian tomatoes is 1.6 billion. *Sixty percent* of the production is absorbed by foreign markets such as Germany, UK, France, USA, Japan, Russia, and only forty percent by the domestic market<sup>3</sup>. Furthermore, Italy holds the first position in the ranking of global suppliers of tomato paste and

<sup>1</sup> [www.anicav.it](http://www.anicav.it)

<sup>2</sup> F. Ciconte, S. Liberti (Eds.), *Spolpati. La crisi dell'industria del pomodoro tra sfruttamento e insostenibilità*, Terzo rapporto della campagna #Filiera Sporca, 2017.

<sup>3</sup> <http://www.anicav.it/news/2017/3/21/464>

concentrate (26%), followed closely by China (25%) and the U.S. (12%)<sup>4</sup>.

What is the *structure* and what are the *mechanisms* that regulate the functioning of the Italian tomato supply chain?

Retailers, especially European, purchase tomato products from Italian suppliers. These suppliers are processing companies that transform fresh tomatoes into products such as peeled tomatoes, pulp, sauce, and concentrate. The processing companies buy tomatoes from organizations of agricultural producers (OPs). The OPs are supplied from several farms both large and small. The price of tomatoes is fixed by industry organizations and OPs once per year, but can be modified later on according to yield and quality. In 2018, the average contract price in the South is 87 euros per ton for round tomatoes and 97 euros per ton for oblong tomatoes (only grown in the South)<sup>5</sup>. In the North, the average contract price is 79.75 euros per ton<sup>6</sup>.

### *Processing companies*

The production of tomatoes is located both in Northern and Southern Italy with many differences between the two areas.

According to the national agency for the disbursements in the agriculture sector, in 2010, 75% of the Italian processing companies were located in the South, mainly in the Campania Region, 19% in the North, mainly in the Emilia-Romagna region, and only 6% in Central Italy<sup>7</sup>. The same spatial concentration is noted by Ismea, according to which in 2016 there are 21 processing companies in the Northern district (these represent 95% of tomatoes processed in the area) and 70 processing companies in the Southern district (these represent 95% of tomatoes processed in this area)<sup>8</sup>.

<sup>4</sup> Ismea, *I numeri della filiera del pomodoro da industria*, Roma, 2017.

<sup>5</sup> [www.agrisole.ilsole24ore.com/art/filiere/2018-05-15/siglato-accordo-2018-il-pomodoro-industria-bacino-centro-sud-165029.php?uuid=AE6ApmoE](http://www.agrisole.ilsole24ore.com/art/filiere/2018-05-15/siglato-accordo-2018-il-pomodoro-industria-bacino-centro-sud-165029.php?uuid=AE6ApmoE)

<sup>6</sup> <https://agronotizie.imagelinenetwork.com/vivaismo-e-sementi/2018/02/13/pomodoro-da-industria-c-e-l-accordo-per-la-campana-2018/57500>

<sup>7</sup> [https://www.agea.gov.it/portal/page/portal/AGEAPageGroup/Home-OLDAGEA/01DX\\_AIUTIDOMANDAUNICA/09\\_PrugnePeschePerePomodori/05\\_ElencoImpreseTrasformatriciRiconosciute/Elencopomodoro200910.pdf](https://www.agea.gov.it/portal/page/portal/AGEAPageGroup/Home-OLDAGEA/01DX_AIUTIDOMANDAUNICA/09_PrugnePeschePerePomodori/05_ElencoImpreseTrasformatriciRiconosciute/Elencopomodoro200910.pdf)

<sup>8</sup> Ismea, *I numeri della filiera del pomodoro da industria*, Roma, 2017

In the northern district (Parma, Piacenza, and Ferrara) production is focused on tomato concentrate (39.3%), pulp (35%), sauce (27.3%). In the southern district (Salerno and Naples) production is focused on the *San Marzano variety* and peeled tomatoes (44%), pulp and sauce (48%), and tomato concentrate (8%)<sup>9</sup>.

The main difference between these two production areas relates to the distance between the farms and canneries: whereas in northern Italy the production and processing take place in the same area (a short distance away), in southern Italy the processing takes place mainly in the provinces of Salerno, Naples as well as in the province of Foggia (200 km away), to be exact, in *Capitanata* (Puglia region) and Potenza (Basilicata region)<sup>10</sup>.

As reported by Anselmo Botte, a farmer trade unionist of the province of Salerno:

At the origin of this distance between farms and canneries is the relocation of production from Campania to Capitanata during the 1980s due to a virus called *mosaico del cetriolo* (CMV). Since the beginning of the nineties, the tomato chain in southern Italy has become longer and more fragmented (Interview with Anselmo Botte).

Other causes, as noted by Perrotta, such as the urbanization of the province of Salerno, and the need for more fertile and bigger plots of land has contributed to this relocation<sup>11</sup>.

### *Producers Organizations (POs)*

The role of the organizations of producers is to plan the production for their associates both in terms of quantity and quality. Furthermore, they assist farms in creating innovation, oppose the asymmetries of power within the agri-food chain and boost competitiveness. They heavily control relations between farmers and processing companies insofar as they sell and bill processing companies for tomatoes on behalf of farmers.

In the northern district there are 16 POs: Afe, Ainpo, Apo Conerpo, Apofruit, Apol, Asipo, Asport, Cia, Cico, Cio, Apoe,

<sup>9</sup> Ibidem.

<sup>10</sup> Cfr. D. Perrotta, *Processing tomatoes in the era of the retailing revolution. Mechanization and migrant labor in northern and southern Italy*, in Alessandra Corrado, Carlos de Castro, Domenico Perrotta (Eds.), *Migration and agriculture. Mobility and change in the Mediterranean Area*, London, Routledge, 2016, pp. 58-75.

<sup>11</sup> Ibidem.

Minguzzi, OP Ferrara, Pempacorero, Poa, and Casalasco. In the southern district, instead, there are more than 30 POs<sup>12</sup>; some of them are: APO Foggia, Aspo Frutta, Mediterraneo, Futuragri, Paco, Apom, Conapo, APOD, P.O.A., Assodaunia, Fimagri, Geafruit, La Palma, Caccavelli, etc.

As we will see further on, the role of these organizations has been much in debate, especially in the southern district, for they operate as traders searching to achieve benefits for them rather than the advantages for producers.

### *Farms*

According to national statistical data of 2017, Italy has produced more than 5 million tons of industrial tomatoes. The total cultivated land is more than 70.000 hectares mainly located in the South and the North (See Tab 1.). The average size farm is 5.5 hectares per farm in the South and 19 hectares per farm in the North<sup>13</sup>.

<i>Tab. 1 Production and cultivated land of Italian industrial tomatoes (Year 2017)</i>		
	Total production - Quintals	Total land - Hectares
North	26.070.693	35.919
Center	2.396.149	4.386
South	24.075.139	35.233
Italy	52.541.981	75.538
<i>Source: Author's results on <a href="http://agri.istat.it">agri.istat.it</a></i>		

The main areas of industrial tomato production are Puglia (17.146.500 quintals in 2017) and Emilia Romagna (18.479.800 quintals in 2017). These two regions produced the largest proportion of industrial tomatoes in Europe and together account for about 70% of Italy's production (see Tab. 2)<sup>14</sup>.

<sup>12</sup> Ismea, *I numeri della filiera del pomodoro da industria*, Roma, 2017.

<sup>13</sup> Ismea, *I numeri della filiera...*, cit.

<sup>14</sup> Authors' results on [agri.istat.it](http://agri.istat.it)

*Tab. 2 Production and cultivated land of industrial tomatoes in Emilia Romagna and Puglia (Year 2017)*

	Total production - Quintals	Total land - Hectares
Emilia-Romagna	18.479.800	24.834
Piacenza	8.000.000	10.100
Parma	2.895.400	4.666
Reggio nell'Emilia	552.000	850
Modena	646.000	760
Bologna	222.600	305
Ferrara	4.702.060	6.380
Ravenna	1.382.640	1.646
Forlì-Cesena	65.600	82
Rimini	13.500	45
Puglia	17.146.500	19.170
Foggia	16.150.000	17.000
Bari	30.000	100
Taranto	202.500	450
Brindisi	380.000	1.000
Lecce	304.000	380
Barletta-Andria-Trani	80.000	240
<i>Source: Author's results on agri.istat.it</i>		

In the Puglia region, the production is concentrated in the province of Foggia: 94% of all the region's production and 30.7% of all of Italy's production comes from this province. In the Emilia Romagna region, it accounts for about 35% of Italy's production. The production is mainly located in the provinces of Piacenza, Ferrara, and Parma that represent, respectively, 43%, 25% and 16% of all of the region's production<sup>15</sup>.

According to the National Census of Agriculture (2010), in the Puglia region, there are 20,603.49 hectares of cultivated land and 2,354 farms for the production of industrial tomatoes.

<sup>15</sup> Author's results on *agri.istat.it*

The majority of these farms (1,901) are located in the province of Foggia. In the Emilia Romagna region, there are 26,707.58 hectares of cultivated land for the production of industrial tomatoes and 1,591 farms: 439 in the province of Piacenza, 256 in Parma, 383 in Ferrara and 114 in the province of Modena. While in the Emilia Romagna region the average size farm is 16.78 hectares per farm, in the Puglia region it is 8.75 hectares<sup>16</sup>.

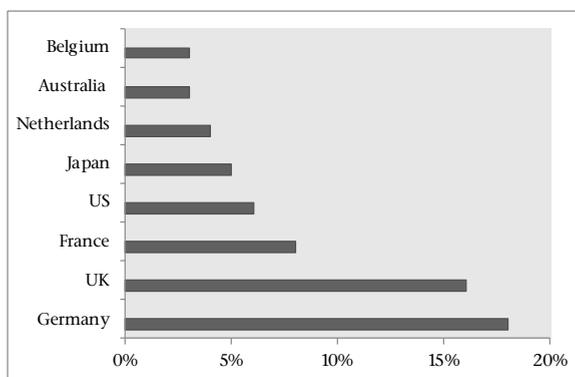
The structure of property in the south is, therefore, more fragmented. Furthermore, the sector seems to be less mechanized than that of northern Italy because the harvesting of tomatoes is mainly carried out manually.

### *Markets and Buyers*

As previously mentioned, foreign markets absorb sixty percent of the Italian industrial tomato production. The major world markets of Italian tomatoes are Europe (63% of total export), America (10% of total export) and Asia (10% of total export)<sup>17</sup>.

According to international trade statistics, in 2017 the most important foreign markets remained Germany (18%), UK (16%), France (8%), USA (6%) and Japan (5%) (see figure 1).

*Figure 1. Share in value of Italy's exports in 2017 (%)  
Product: 2002 Tomatoes, prepared or preserved*



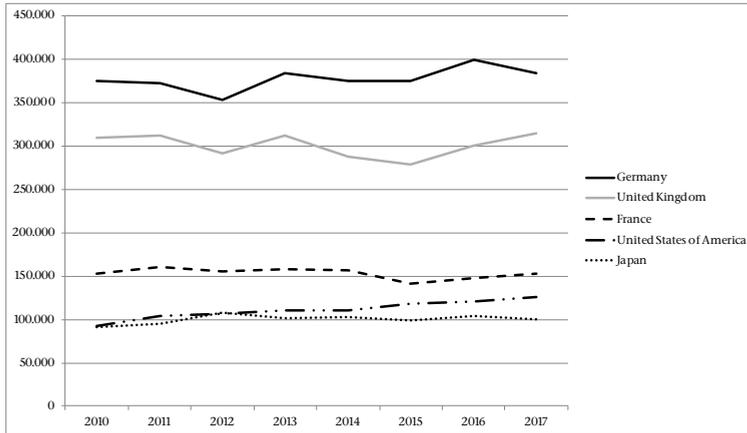
*Sources: Author's results on Trade Map - International Trade Statistics*

<sup>16</sup> Author's results on <http://dati-censimentoagricoltura.istat.it/Index.aspx>

<sup>17</sup> Author's results on *International trade statistics*.

From 2010 to 2017, Italy has exported almost two million tons of tomatoes per year. The quantity of Italian tomatoes purchased every year by major global buyers has remained stable over the years (See Figure 2).

*Figure 2. Exported quantity of Italian Tomatoes, Tons (Years 2010 to 2017)  
Product: 2002 Tomatoes, prepared or preserved*

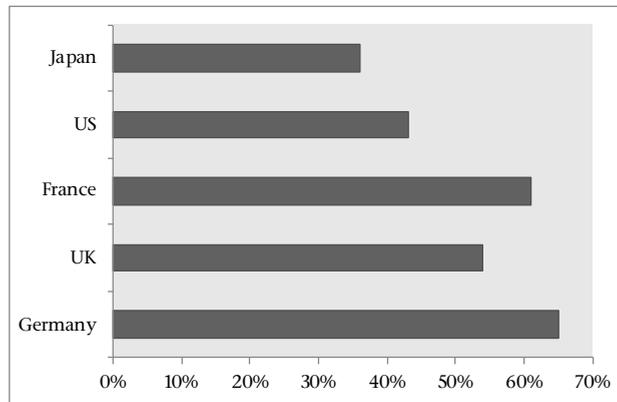


Sources: Author's results on Trade Map - International Trade Statistics

Italy is the first supplier of industrial tomatoes for many countries, especially for European countries. In 2017, 65% of tomatoes imported by Germany, almost 400,000 tons, originated from Italy. After Germany, the main importers of Italian industrial tomatoes are France and the United Kingdom. In these countries, 61% and 54% of imported tomatoes originate from Italy (see Figure 3).

The main buyers of Italian industrial tomatoes are large food retail chains. With the decline of traditional grocery stores, these chains, along with their huge purchasing power, control the commodity's market and sales. As we will see further on, their power to set prices, production standards and conditions of supply have resulted in a race to the bottom. The reductions of the prices of this product mainly affect farm workers involved in tomato harvesting.

Figure 3. Share of tomato products imported from Italy (%) (Year 2017)  
Product: 2002 Tomatoes, prepared or preserved



Sources: Author's results on Trade Map - International Trade Statistics

### 3.2. Italian processing of tomatoes as a buyer-driven chain: findings from Southern Italy district

In 2003, Pritchard and Burch argued that the European tomato processing sector did not represent an example of a buyer-driven chain<sup>18</sup>. In 2016, Perrotta highlighted how the Italian tomato production chain has responded to retail power and has become retailer-driven. Indeed, whereas in past the opponents of farmers used to be processors, now the bargaining power is no longer in the hands of the canneries but in those of retailers<sup>19</sup>. As reported by one of the founders of the tomato processing district of Northern Italy «the power dynamic within the different phases of production has changed radically in Italy since the early 1990s, with the development of modern distribution. In the rest of Europe and the western world, the dynamics of the retail market were far more advanced. In the early 1990s, when we changed our legislation, we began to see shopping small and large retail chains spring up and increase their share in the market as well as their negotiating power»<sup>20</sup>.

<sup>18</sup> B. Pritchard and D. Burch. *Agri-Food Globalization in Perspective: International Restructuring in the Processing Tomato Industry*. Aldershot, Hants, England: Ashgate, 2003.

<sup>19</sup> D. Perrotta, *Processing tomatoes in the era of the retailing revolution...*, cit.

<sup>20</sup> Ibidem, p. 12-13.

The transformation of Italian tomato processing in a retailer-driven chain is indicated by the massive presence, especially in the *southern district*, of a large number of processing companies that produce for the market of *private labels*. We can define private labels as «products that are developed, branded and marketed by retailers rather than food manufacturers. Retailers develop and sell private label products in order to make their retail proposition more attractive to consumers by enhancing product choice and value for money»<sup>21</sup>.

As reported by the president of the National Canneries Association, it is predominantly the southern district that is included in this market segment:

As you may know, the total turnover for Italian tomatoes is more than 3 billion euros on a yearly basis with foreign markets absorbing 60% of the production. The southern district, in particular, specializing in the peeled tomato production, holds the most important role in exporting. Here, 70% of the production is exported: Europe, America, Australia, and Japan. Our suppliers are all Italian because tomatoes need to be processed within 24 hours of harvesting. In the southern district, 90% of the processing companies are concentrated in the provinces of Naples and Salerno, named *Agro nocerino-sarnese*. The processing industry in these two provinces has a turnover of 1.5 billion euros. More than 1 billion originates from the exports. More than one-third of the economic activities of the ports of Naples and Salerno is due to the cannery industry of *Agro nocerino-sarnese*. Every year in this area 3 billion cans are filled and 375,000 km of labels are printed. If one were to line up 3 billion of the cans, one after the other, it would circle the earth at least seven times over. The canned industry in the Campania region employs over 12,000 seasonal workers and 3,000 permanent workers. A company that produces 50,000 tons of tomatoes per year, for example, employs 100 seasonal workers and has an average turnover of 5 million euros.

In the *Agro nocerino-sarnese*, there are 70 processing companies. Most of them are small companies. 80% of tomatoes are processed by 20 companies and the remaining 20% by 50 companies. Five large companies such as Doria Spa (owner of three factories), *Giaguaro* (owner of two factories), *Attianese* (owner of two factories), etc., produce almost 200,000 tons of tomatoes per year; twelve companies produce between 50,000 to 100,000 tons of tomatoes per year; almost sixty companies produce less than 50,000 tons of tomatoes per year. The major buyers of processed tomatoes are catering to the industry and food retail sectors. The companies in this area that actually own brands are very few. More than 80% of the tomato production of the *Agro nocerino-sarnese* is for private labels of food retailers. The food retail sector represents the main buyer of tomatoes transformed in this area, espe-

<sup>21</sup> LEI, Wageningen UR, *The impact of private labels on the competitiveness of the European food supply chain*, European Union, 2011, p. 35.

cially since they are destined for abroad. More than 70% of the exports are for private labels of big food retail chains such as Tesco, Sainsbury's, Lidl, Aldi, etc. 94% of tomatoes processed by Doria Spa, for example, is for private labels. If one visits a UK supermarket to buy a can of tomatoes the label will indicate that it had been produced in Italy by Doria Spa for Tesco or Sainsbury's (Interview with the President of Anicav).

Therefore, food retail chains only provide brands and a market to the tomatoes they purchase from Italian suppliers. Doria Spa, one of the most important companies of the Southern district and the first Italian producer of baked beans, is, in fact, the first company in the British private label tomato market<sup>22</sup>. 94.8% of the turnover of this company comes from the private labels market<sup>23</sup>.

The European Union is the world's leading region in terms of the private labels share of the food market. As highlighted by Corrado et al., «thanks to private labels, retailers have been able to impose their own standards on suppliers, covering a wide range of aspects such as quantity, quality, prices, food safety, environmental protection, packaging, as well as the logistics of delivering products, and in doing so have gained a further competitive advantage on other companies, such as processors»<sup>24</sup>.

As noted by Burch and Lawrence, the development and the spread of private labels has resulted in increasing competition between supermarkets' own brands and the branded products of food companies<sup>25</sup>.

The growing significance of private labels and the increasing amount of shelf space that they command within supermarkets signifies that there is less shelf space available for branded products of food manufacturing companies. Furthermore, retailers play the role of *double agent* because they treat the brands of producers as their customers (in buying and reselling brands) as well as their competitors (in developing goods with private labels). Therefore, retailers may take advantage of their double agent position and may use their power as gatekeepers for access to consumers in order to undermine brands and increase the sales of private labels products.

<sup>22</sup> Cfr. L. Brancaccio, *L'oro Rosso. Potenzialità e Limiti Del Distretto Del Pomodoro Dell'Agro Nocerino Sarnese*, in *Meridiana*, no. 84, 2015, pp. 41-66, p. 65.

<sup>23</sup> <http://www.gruppolidoria.it/IT/investor-relations/financial-highlights.xhtml>

<sup>24</sup> A. Corrado et al., *Cheap food, cheap labour, high profits...*, cit., p. 9.

<sup>25</sup> D. Burch, G. Lawrence, *Supermarket own brands, supply chains...*, cit.

In this regard the owner of the *La Fiammante* brand describes the competition between supermarkets' own brands and food manufacturing companies and the risk for the latter to be forced out of business by food retail chains.

My main buyers are food retail chains (Conad, Coop, Carrefour, Decò, Sigma, etc.) and the catering industry that nowadays is a robustly booming market. 60% of the production is for food retailers and the remaining 40% for the catering industry. 85% of the entire production is for our brand *La Fiammante* and only 15% is for private labels. So, for example, we supply Conad with both our brand and private labels. Nowadays, the first goal of every food retail chain is to sell private labels products. The main problem is that they also control the selling and distribution of brand products. This results in increasing competition between them and us. This competition forces us to spend 8 million euros per year on marketing in order to increase customer loyalty and product demand. The price of my product will always be higher than private label products because I have to spend money to compete with them. If the food retail chains want to force you out of the business they can do so easily and quickly.

We chose to have our own brand because it is the only way we can achieve an identity in the market, make certain of achieving customer loyalty and, above all, to achieve higher profit margins. This happens because customers trust you and are willing to pay more for your product. (Interview with the Owner of branded processing firm *La Fiammante*).

### **3.3. Economic and power relations within the tomato value chain of the southern Italy district**

What are the economic and power relations between firms within the tomato value chain of the southern district and what is their relative power?

#### *POs and farmers*

As previously mentioned, the role of these organizations has been much debated, especially in the southern district, because they operate as *traders* seeking to obtain benefits for them rather than advantages for producers.

The main problems of the Southern district are linked to the large number of POs that operate in this area. If there are 16 POs that supply 25 processing companies in the northern district, there are 35 POs that supply more than 70 factories in the south. The primary role of POs is to aggregate the tomato supply because factories cannot approach 1000 small farmers to purchase tomatoes that they need and balance

the relations between supply and demand. POs also have the purpose of helping farmers during the production process and to ensure the quality of production by providing agronomic support and by ensuring the implementation of quality standards. This is what they should do but often it does not occur... (Interview with the President of Anicav).

Within the tomato chain, the supply of the product to processing companies is strongly controlled by POs because they sell and bill tomatoes to processing companies on behalf of farmers. In the southern district, the main problem is that many of these POs do not consist of producers but traders who take advantage of supplying tomatoes to processing firms. Furthermore, the majority of these POs are located in the Campania region, a great distance from where tomato cultivation usually takes place. The wrongdoing of some of these POs, as reported by a farmer, starts before the harvesting through the use of several mechanisms:

...They provide plants for free to farmers with the purpose of obtaining their loyalty; they sell fertilizers to producers and gain a percentage on the sales; they provide free equipment for irrigating fields; they also pay money (between 1000 to 1500 euros per hectare) to farmers in order to help them pay rent for the fields because many of these farmers are not the actual owners (Interview with the P., local farmer, Foggia).

The tendency of many Southern POs to renounce an efficient organization of the supply chain and to operate as traders seeking to obtain their own benefits rather than for producers finds definition in the way by which they control and manage the tomato supply to processing companies. As explained in the first section, the price of tomatoes is established by industry organizations and OPs once per year before the harvesting season begins. While in the northern district this rule is observed by and is valid for all the participants, in the southern district it is disregarded and the price of tomatoes mainly depends on the amount of the seasonal production and the negotiations between one single PO and one single processing firm. Indeed, the main source of profits for these traders comes from their ability to sell tomatoes to processing companies at a higher price than the price paid by traders to the farmers.

During the harvesting season, these traders provide logistic support to farmers in order to move tomatoes from the fields to the processing companies. This should be done for free but for every truck that is provided to the farmer traders ask 50 euros. Every day, during the harvesting, thousands of trucks leave the fields to supply industries. The main

profits for these traders occur when they take tomatoes from farmers for a price and then sell them to processors for a higher price. Their main source of profits comes from this activity. This problem stems from the incapacity of farmers, especially in the south, to become organized and have an organization set up to be able to place their own interests before those of traders.

I have seen very strange practices in this sector. For example, for each truck of tomatoes I purchase from a PO, more or less 2400 euros, I have to verify it through a sort of proof of purchase. They often falsify these proofs, through the use of a pc program, and then they declare to farmers that the processor had only paid 2000 euros for the truck of tomatoes falsely claiming that the quality of the product was not up to par. In this way, they cheat farmers by pocketing 400 euros. Furthermore, these traders are organized in cooperatives. The cooperatives have management costs. When a cooperative shows a farmer an invoice of 2,000 euros paid by a processor, they declare that 10% of this amount has to be kept for the management costs of the cooperative. In the end, the farmer has earned only 1800 euros while the trader has earned 600 euros without doing anything (Interview with the Manager of local processing firm, Salerno).

Factual evidence shows how, especially in the Southern district, most of the activities of POs are oriented toward the search of annuities rather than toward an efficient organization of the supply chain<sup>26</sup>.

I have calculated that a trader earns about 30% of his total turnover without doing anything. Many farms economically crushed by the activity of these traders ended up on the auction block and were subsequently taken over by these traders. Today, many ex-farmers have become employees of these traders. Moreover, these traders have many of the production quotas that enable them to obtain subsidies from the Common Agricultural Policy (C.A.P.) of the European Union. They obtain funds without ever having worked the lands (Interview with the Manager of local processing firm, Naples).

The presence of these traders who take advantages of the mismanagement of the supply chain not only forces the southern district to become less competitive but it mainly and seriously undermines the incomes of farmers by creating conditions for the employment of informal and low-wage workers.

An example of a short and fair chain that was able to balance the economic and power relations between farmers and processors through several years of organization come from the brand *La Fiammante*.

<sup>26</sup> See also F. Ciconte, S. Liberti (Eds.), *Spolpati. La crisi dell'industria del pomodoro*, cit.

I set a fixed price for tomatoes every year in November. It is one thing to grow tomatoes and then set a price. It is another to set a price and let the producer decide whether or not he should grow the tomatoes at that price. I'm able to ensure that the farmers obtain 10% more than the set price by industry organizations and Ops every year. This is because my suppliers have set up a PO, and the name is *Mediterraneo*, which supply just *La Fiammante*. They supply me with a very good product and I'm able to pay them more. We also offer financial support to suppliers in order to help them cover part of the production costs because most of them are small and medium farms that are not able to receive credit from the bank circuit (Interview with the Owner of branded processing firm *La Fiammante*).

To sum up, the experiment of *La Fiammante* aims to balance the relations between farmers and processors by setting a tomato price before the harvesting season and by pushing traders out of business. Although this strategy works, the overcoming of supply chain problems cannot be left to the initiative of single companies but needs a common strategy set by all the participants as producers and processors.

According to the president of Anicav, only the establishment of an *Inter-Professional Agency* could ensure an efficient management of the economic relations between farmers and processors, avoiding all the misinterpretations within the supply chain that undermine their economic activities.

We usually buy tomatoes directly from POs. Nowadays our need is to have an Inter-professional Agency (OI), which already exists in the North, that able to associate farmers and processors by using a common governance system. The main objectives of this agency are three: 1) to regulate relations between farmers and processors; 2) to regulate the planning and production processes; 3) to apply "erga omnes" agreements set by the agency. The agency also provides a penalty system for firms that do not respect the rules. Another objective of this agency is the implementation of a promotion and enhancement product policy (Interview with the President of Anicav ).

### *Food retail chains and processors*

A further element that has lead to worsening economic conditions for farmers and the deterioration of labor relations - especially to the detriment of workers placed in the lower ring of the supply chain - is the pricing policy of international retail chains that represent the main buyers of tomatoes processed within southern Italy district.

Through private labels, retailers are changing the relationships between them and manufacturers transforming the latter into their producers. Food retail chains, as previously explained, are able to exercise control on manufacturers no longer through ownership but through the specification of the product, quality standards, quantities, delivery dates, and prices. Through the development and distribution of private labels, the control and the economic power of food retail chains over producers has become increasingly stronger. As highlighted by one of the most important institutes for social-economic research in the fields of agriculture «this control within a principal-agent relationship means that retailers can generally exercise very significant buying power over private-label producers because they can easily substitute one producer for another with minimal switching costs while ensuring that producers compete vigorously for contracts (such as through an *auction system* where lowest unit price offers determine the award of private label supply contracts)»<sup>27</sup>.

This power asymmetry also affects the economic relations between food retail chains and the Italian canned tomato industry. It occurs especially in the southern district where processing companies that produce for private labels market are concentrated.

This sector is heavily influenced by big food retail chains because production mainly takes place with private labels. If one has a brand, it can also be introduced to food retailers. If one doesn't have a brand, nothing can be accomplished. Furthermore, this is a sector that is linked to the agricultural supply chain. The agricultural supply chain is heavily dependent on the climate factor and as a result, this prevents industries from making predictions on the quantity and quality of the production. Since industries are forced to close contracts with retailers prior to a harvest, this can have negative effects on the business activities of all the operators in the supply chain. Unfortunately, food retail chains have an enormous ability to concentrate on their demand. On the other hand, we are not able to concentrate on our supply, due to a very strong fragmentation, and so we are forced to endure their downward price policy, which often ends up being below production costs. The tomato, for example, is considered a commodity and therefore all the elements linked to the price are considered more important than those related to quality. Retailers have a huge dominance over the concentration of purchases, in the sense that there are just a few stakeholders who implement the policies of aggregation in the purchasing phase. On the other hand, there are many of us but we are

<sup>27</sup> LEI, Wageningen UR, *The impact of private labels on the competitiveness of the European food supply chain*, European Union, 2011, p. 38.

fragmented and do not have the tools for concentrating our supply. Therefore, when they announce a demand, a downward race among the processors begins to lower the price of the product and cover the demand. Competition has become even stronger because all the companies that meet the demand for retailers produce the same type of product. This is the reason why a jar of tomato costs 1/3 of what a cup of espresso coffee costs (Interview with the President of Anicav).

The power asymmetry is further strengthened by the *auction system* by which buying groups buy tomatoes from private label suppliers. The aim of this system is to purchase the product as cheaply as possible therefore triggering a fierce competition between private label suppliers.

Today, a jar of tomatoes costs less than a pack of gum. The problems of the supply chain could be solved even with a 10% increase in the price of the product. That is, instead of paying 50 cents for the jar of tomatoes, you pay 55. Unfortunately, this cannot be carried out because the market is massively controlled by large retailers and they are interested in keeping the price of the product for the final consumer as low as possible. Today, sales to the food retail chains can be performed by private negotiations or through the mechanism of online auctions. The auctions can be set up by the buying groups during the period from the end of May to the beginning of September, that is, before the beginning of the harvest season and production, and may consider only private label products. The problem with an auction is *double depreciation*. The auction operates in the following manner. The group would announce: I have a *tender* for 20 million bottles and invite ten processing companies to the auction. Each of these companies would make an offer. A traffic-like light appears on the screen. If the light is red, it means that the bidder's placed offer is distant from whoever had made the best offer. If the light is orange, it means that the bidder is approaching the best offer. If the light is green, this means that the bidder's placed offer is the best, that is, the most economically advantageous. At the end of the auction, the lowest offer is identified and this offer becomes the starting point for the next auction. After ten days all the companies are called to participate in the second auction. The starting price, that is, the auction base price, would be the lowest offer identified at the end of the first auction. Each processor participating in the auction has two minutes to place a second offer. The one that offers the product at the lowest price wins. The problem is that the second offer would not take place on the upside but on the downside. Obviously, at this stage, one would be forced to lower further the price of the product. The last auction was for a total of 6 million euros for a production of 20 million bottles<sup>28</sup> won by two of the processors, one from the south and one from the north, at 31.5 cents a bottle. This means that the bottle of tomato sauce will be sold at a price of

<sup>28</sup> Cfr. <https://www.internazionale.it/reportage/stefano-liberti/2018/07/25/passata-pomodoro-eurospin>

45-50 cents (Interview with the Owner of branded processing firm *La Fiammante*).

The problem of the auction, as reported by several processors, is represented by the fact that the first auctions that are lost are those that then determine the reference price for that product on the market. That is, the buyers will be able to tell the processors: during the last auction the bottle was sold at 33 cents and therefore I am not willing to pay more than 35 cents per bottle. This is very dangerous and could scare away many processors.

Another problem is that these auctions often take place before the harvest season. Processing companies that win an auction may not even have all tomatoes they need in order to meet the supply contract. This is one of the reasons that can push private label processors, especially larger ones, to resort to *short selling*.

Larger companies are those that mainly participate in auctions. In the southern areas, there are about ten of these companies. If smaller companies are not able to enter into this or other markets, they sell their products to larger companies through intermediaries. The value of the industrial exchange in the Nocerine-Sarnese agricultural area is 60%. For example, if a big processing firm needs a ton of tomatoes because it has to supply Conad, it can buy it from another processor and then place a supermarket label on it. What could also happen is a processor wins an important auction and it runs out of its product. In the meantime, a repeat customer's order comes in and it does not have the goods to supply it. So, what can be done at this point? It could resort to *short selling*. It could simply call an intermediary who would, in turn, buy the product from another company and then supply the repeat customer. Several Italian brands, for example, buy tomatoes through an agency and limit themselves to just placing a label on them (Interview with the Manager of local processing firm, Naples).

This auction system is not regulated by any law. The only constraint for processors is to not sell tomatoes below the production costs. This constraint is often circumvented by private label processors lowering the referring production price due to the strong competition between them<sup>29</sup>.

The point is if you calculate the costs you will understand that it is impossible to sell a bottle of tomato sauce to food retailers for 31 cents. To me, tomatoes cost 0.34 cents per bottle without adding indirect costs such as labeling, packaging, quality control costs, waste disposal, factory maintenance, etc. How could I sell it for 31 cents to them? This means that you would have to save or cut corners on something or somewhere. So, how would you do so? You would have to butcher

<sup>29</sup> Cfr. F. Panié, G. Mininni (Eds.), *#ASTEnetevi, Grande distribuzione organizzata. Dalle aste on-line all'inganno del sottocosto*, FLAI CGIL, December 2017.

the agricultural part in order to be able to meet costs. Therefore, I have chosen to no longer participate in auctions. I think that a 10% increase on the final price of the product would be enough to guarantee higher profit margins for the supply chain! (Interview with the Owner of branded processing firm *La Fiammante*).

### *The role of buying alliances*

The online auction system was created fifteen years ago and only affects private labels product. In the past, online auctions were organised by national buying alliances. In the last few years, instead, they have become organised by *international buying alliances*.

International food retail alliances emerged in the mid to late 1980s. An important feature of these alliances is the existence of a central secretariat to facilitate the coordination between members. One of the main reasons for the development of these alliances was to counter the power of manufacturers that were increasing their hold in the food market through cross-border mergers and acquisitions and joint venture activities<sup>30</sup>.

Nowadays a large and increasing share of the European food market is in the hands of international buying alliances. A *buying alliance* or *buying group* is an organization created by several retailers in order to improve their purchasing power vis-à-vis to manufacturers and distributors as well as enhancing their market competitiveness compared to other types of retail players<sup>31</sup>. The main aim of these alliances is to negotiate, implement and coordinate common supplies in order to obtain better purchase prices for their members by leveraging on their associated power. Each retailer informs the central secretariat on the quantity of goods that it needs. The central secretariat collects the orders and purchases the goods for their members.

In addition to the already mentioned objective of achieving better prices, as noted by Balan, there are other objectives such as distributing international private brands of the retail mem-

<sup>30</sup> T. Robinson, C. M. Clarke-Hill, *International alliances in European retailing*, *The International Review of Retail, Distribution and Consumer Research*, Vol. 5, Issue 2: 167-184, 1995.

<sup>31</sup> C. Balan, *The Alliances of European Retailers and Their Effects in the Field of Marketing and Supply Chain*, *The Romanian Economic Journal*, Year X, NO. 25 BIS, 2007.

bers, exchanging information and know-how among members and creating partnerships for the expansion in new markets<sup>32</sup>.

The most important European buying alliances are: EMD (European Marketing Distribution) with 14 food retail chains in more than 15 countries<sup>33</sup>; *AMS Sourcing B.V.* with 10 retailers (Morrison, Ahold, Booker, Dansk Supermarked Gruppen, Esselunga, etc.) in 22 countries such as the Netherlands, UK, Italy, Sweden, Portugal, etc. Its members serve a billion customers every week and have a global turnover of 100 billion euros<sup>34</sup>; *Coopernic* that sources and negotiates on behalf of Coop (Italia), E. Leclerc (France), Delhaize (Belgium) and Rewe Group (Germany) that together have a turnover of 125 billion euros; Alidis-Agenor, that is a Swiss-based Buying Alliance for six of the major European retailers for whom it buys national brands and Private Label; another buying alliance was created in 2018 between Tesco e Carrefour<sup>35</sup> that together control more than 19,000 stores. All of these buying alliances are sourced by manufacturers for the production of private brands that will be distributed by the alliance members at the European level.

In 2007 the top 15 retailers and retail alliances in Western and Central Europe had a combined share of 77% of the sales value<sup>36</sup>. As reported by the manager of one processing company:

These buying alliances act on behalf of big food retail chains that serve a billion customers. A few years ago a big buying alliance, Coopernic, had organised an online auction of 17 million euros for the supply of industrial tomatoes for the private labels of its members. The problem is that these alliances, with their huge buying power, can achieve further lower prices from producers, pushing manufacturers that own a brand out of the sales market, especially small ones like me. To sum up, these alliances aim to crush *brand manufacturers* and *producers* at the same time (Interview with the Manager of local processing firm, Salerno).

The development of buying alliances is, therefore, changing the economic and power relations between retailers and suppliers. These changes are also affecting the industrial tomato sector with a big negative impact throughout the supply chain especially to the detriment of small farms and farmhands. This

<sup>32</sup> Ibidem.

<sup>33</sup> <http://www.emd-ag.com/our-members/members.html>

<sup>34</sup> <https://www.ams-sourcing.com/ams/>

<sup>35</sup> <https://www.theguardian.com/business/2018/jul/02/tesco-carrefour-strategic-alliance-french-retailer-prices>

<sup>36</sup> C. Balan, *The Alliances of European Retailers...*, cit.

is particularly striking in the southern district where the production of industrial tomatoes on behalf of private labels of European retail alliances is concentrated.

What are the responses from Italian industrial organizations toward buying alliances power? How can the power of lead firms be regulated?

According to the National canneries association, the market cannot be modified through a *trust response* due to increased international competition.

Nowadays retailers can purchase food products in several places in the world. We cannot establish a coalition by telling them “we are not willing to sell our products below this price”. This is because there are other companies in Europe and in the world that willing to sell the same products at the price set by big buyers. Furthermore, it’s impossible to respond individually to buyers’ demand when they organize online auctions. You cannot say to processors “you have to take part in the auction organised by Tesco, you in those organised by Lidl, etc.” (Interview with the President of Anicav).

For industrial organizations, the main strategy for responding to the power of buying alliances is the implementation of a value-added product policy. This signifies in promoting local characteristics of the products, setting up a common brand, obtaining a protected geographical indication (P.G.I.) certification and then requesting for a higher price of the product and redistributing it throughout the supply chain.

Other strategies are the elimination of the double downward system for online auctions through a government response and the establishment of a *minimum price* that is able to ensure fair supply chains. Through the establishment of a minimum price, one can say to consumers “if you buy a can of tomatoes below this price it means that the product comes from a supply chain that doesn’t respect labor rights”. (Interview with the President of Anicav).

## IV

### Made in Capitanata. Labor in the lower rings of the tomato value chain

As stated in the previous chapters, during the last few decades agricultural production in southern Italy had suffered profound shifts that have affected farms and workers. The deterioration of working conditions of farm hands can be considered a structural element of industrial tomato production of the southern district and as the result of power and economic asymmetrical relations between “lead firms” (buyers) and other firms included in their supply chain.

The structure and characteristics of the chain, the relationships of power and authority between companies within it, the instability and seasonality of production, and growing international competition have made the entire production process centered on the ability of companies to resort to a highly flexible and low-cost labor force.

In the production chains, however, companies respond to their need for flexible and low-cost labor through the activation, exploitation and emphasizing of social differences - race, gender, age, citizenship, immigration status - existing between the labor force in order to maximize their profits<sup>1</sup>.

In response to the structural pressures originating from the characteristics of the chain, companies that are included in the tomato chain emphasize the social segmentations of the labor force present in the territory where these companies are located.

Within the companies located in the lower links of the industrial tomato production chain, the labor force used is, in fact, strongly racialized. This labor force is locally and socially built according to the sub-standard working conditions, that is, comparably inferior to those that are generally accepted be-

<sup>1</sup> A. Tsing, *Supply Chains and the Human Conditions*, Rethinking Marxism, 21(2), pp. 148-176, 2009.

cause they are immigrants, foreigners, precarious workers and in conditions of housing marginalisation.

The activation and exploitation of this extra-economic element in order to increase the share of surplus to be retained, and therefore resist the pressures exerted by other companies in the chain, allows companies to strengthen and reproduce the social differences that exist between the labor force and, at the same time, legitimize their use of a flexible, precarious and low-cost labor force. Furthermore, within supply chains diversity is activated and exploited not only in order to extract surplus but also to control the labor force<sup>2</sup>.

The ability of companies included in the chain to emphasize economic and extra-economic elements also involves the social reproduction of the labor force<sup>3</sup>. The use of a flexible and low-cost labor force is, in fact, favored by the methods of the spatial arrangement of workers and by the compression of the cost of reproduction of the agricultural labor force in the Italian countryside.

#### **4.1 Migrant workers in Capitanata**

According to official statistics, in 2015 the number of non-EU citizens employed in Apulian agriculture was 19,430 and originated from Macedonia, Pakistan, Maghreb, Senegal, India, Sri Lanka, Albania, Eritrea, Ethiopia, Ukraine, Somalia, and the former Yugoslavia<sup>4</sup>. However, the main component of foreign workers in agriculture in the region was made up of EU citizens (30,048)<sup>5</sup>. The latter originated mainly from Eastern Europe, primarily from Romania and Bulgaria; with regard to these two groups, according to unofficial estimates, there are about 28,000 Romanian laborers and 5,000 to 5,200 Bulgarian laborers present throughout the territory of Puglia<sup>6</sup>.

<sup>2</sup> Ibidem.

<sup>3</sup> Cfr. G Alberti, D. Sacchetto, F. A. Vianello (Eds.), *Spazio e tempo nei processi produttivi e riproduttivi*, Sociologia del Lavoro no. 146, Franco Angeli, Milan, 2017.

<sup>4</sup> Cfr. Crea, *Annuario dell'agricoltura italiana 2015*, Rome, 2017, p. 172

<sup>5</sup> Ibidem.

<sup>6</sup> F. Carchedi, *Il lavoro indecente nel settore agricolo. Casi di studio territoriali. Puglia: il caso di Borgo Mezzanone*, in Osservatorio Placido Rizzotto (Eds.) *Quarto Rapporto Agromafie e Caporalato*, FLAI CGIL, Rome, Ediesse, 2018.

The main work activity carried out by immigrants in the Apulian agricultural sector is the harvesting of produce: 78% of the total foreign labor force was employed in this activity. According to official statistics, 8.8% of non-EU workers and 10% of EU workers employed in Apulian agriculture were hired with informal contracts. Almost 90% of total EU and non-EU workers in the region earned a salary that did not correspond to union rates and therefore was considered irregular<sup>7</sup>.

The area with the highest agro-food vocation of the Puglia region is Capitanata, a territory with an area of 7,000 square kilometers that is part of the province of Foggia. 94% of the tomato production is concentrated in this area for the entire Puglia region and 30.7% of the entire national production<sup>8</sup>. According to the National Census of Agriculture (2010), in the Puglia region, there are 20,603.49 hectares of cultivated land and 2,354 farms for the production of industrial tomatoes. The majority of these farms (1,901) are located in the province of Foggia<sup>9</sup>. The production of tomatoes in this area supply the processing industries of the southern tomato district, which mainly operate for the private labels market of big food retail chains.

The territory is characterized by a strong presence of immigrant workers that make up the main source of seasonal labor for the agricultural companies of the province involved in the production of industry tomatoes. The agricultural vocation of the province, with various productions according to the seasons, was one of the factors that brought on the influx of thousands of foreign laborers in Capitanata. According to official statistics, in fact, 53.4% of the total number of foreign workers employed in this province work in the agricultural sector<sup>10</sup>.

The territory of the Foggia province is characterized by the presence of laborers of different ethnicities and nationalities who follow a plurality of migratory models. In addition to immigrant workers, EU as well as non-EU, who permanently live more or less in the province, there are the migrant laborers who follow diverse cycles of the seasonal agricultural harvest in the

<sup>7</sup> Cfr. Crea, *Annuario dell'agricoltura italiana 2015*, Rome, 2017.

<sup>8</sup> See Chapter III.

<sup>9</sup> Authors' elaboration on <http://dati-censimentoagricoltura.istat.it/Index.aspx>

<sup>10</sup> AA. VV., *Puglia. Rapporto Immigrazione 2016*, Dossier Statistico Immigrazione 2016, Centro Studi e Ricerche IDOS, Edizioni Idos, Rome, 2016, pp. 424-428.

countryside of Southern Italy, and migrants who live in an European Union country who move to Capitanata for a short period of time during the tomato harvesting period.

As noted by Daniele Iacovelli, general secretary of the Flai-Cgil union in Foggia:

In agriculture, workers are registered through the civil status lists where the employment is reported<sup>11</sup>. At the end of the Nineties, a very low number of immigrant workers, about a few hundred, were registered in the civil status lists of the Foggia province. Based on the latest data available, relating to 2017, there are 50,000 agricultural workers in the civil status lists of the Foggia province<sup>12</sup>. 15,000 of these workers are immigrants. Of the 15,000 immigrant workers, 5,000 are of African origin and 12,000 of European origin. In the latter case they are mainly Bulgarians and Rumanians<sup>13</sup>. In the case of Romanians, we had discovered a reversal of the trend compared to the past, in the sense that for the 2017 year, the number of Romanians present had decreased by 2000 units compared to the previous year. This was due to the fact that laborers had understood that working conditions were quite heavy and not very profitable. It is a bit similar to what had happened with Albanians: they had arrived, verified the conditions of the territory and then decided to abandon it because they were not as enticing as they were made to believe. The only component that has been constantly growing over the years is the African one.

According to Iacovelli, many of these laborers, holders of legal residence permits, carry out their work activities informally and without any kind of guarantee:

Many of the immigrant laborers employed in the agricultural sector of the Foggia province carry out their work that is mainly undeclared. Of the 5,000 Africans present in the civil status lists of the province, 3800

<sup>11</sup> Employers of agriculture work, in Italy, when declaring the employment and salary data of laborers, must complete and submit to INPS a so-called "agricultural labor declaration" (DMAG). The law provides for the possibility for employers to present the declaration at the end of each quarter. This mechanism often leads to tax and contributory frauds for the employer tends to declare only a part of the working days actually carried out by the laborer to the authorities.

<sup>12</sup> The lists of agricultural laborers, published annually by INPS, allows us to obtain just a partial idea of the recruited agricultural labor force because after a recruitment, rarely does a registration follow of all the working days carried out by the laborer and the payment of the relative social security taxes by the employer.

<sup>13</sup> If the main foreign communities employed in the agricultural sector of the Puglia region are Romanian and Bulgarian, 70% of the Bulgarian laborers of the entire region are concentrated in the province of Foggia (Cfr. F. Carchedi, *Il lavoro indecente nel settore agricolo...*, cit.).

do not reach the threshold of 51 working days<sup>14</sup>. It is the same situation with Bulgarians and Romanians: out of the 12,000 registered workers, more than 2000 have only one or two registered working days. Half of the immigrant laborers employed by the farms in the province have an average of two to ten legally registered working days per year. Is it possible that a laborer leaves Romania, arrives here, lives in a farmhouse, perhaps under blackmail by a recruiter of day laborers, just to obtain ten days of work? This means that the employer is limited to registering just a small part and not the total number of days actually worked by the farm worker. It is therefore evident that a large part of the immigrant agricultural labor force present in the civil status lists of the municipalities of the province perform work that is mainly undeclared, rarely gray, and with a salary that does not correspond in the least to that established in the provincial labor contract (Interview with FLAI-CGIL Foggia secretary).

As observed by Perrotta and Sacchetto, a central element in the management of labor and the labor market in the Italian countryside is represented by housing segregation<sup>15</sup>.

In the province of Foggia, as well as in all the provinces of the Italian countryside, low-wage migrant laborers have settled in the many informal settlements of the province<sup>16</sup>. In the Capitanata area, they mainly live in informal camps - farmhouses, abandoned buildings, and shacks - located almost all near the countryside and quite far from the city center. The separation between laborers and the local population takes on different forms: spatial, economic, cultural and political<sup>17</sup>. The main settlements of the province are Borgo Mezzanone, known as "La Pista", consisting mainly of shacks and where more than two thousand migrants of predominantly African nationality live during the summer season; "Borgo Tre Titoli" in Cerignola, consisting of country farmhouses housing a hundred migrants mainly from Ghana; the Ex Daunialat Factory, with a presence of about one hundred people, the only settlement located in the city center of Foggia; the encampment of San Marco in Lamis, consisting of farmhouses where about another one hundred people live; the settlement of Poggio Imperiale, where more

<sup>14</sup> In agriculture, 51 days of work represent the minimum threshold for access to social safety cushions.

<sup>15</sup> D. Perrotta, D. Sacchetto, *Il ghetto e lo sciopero: braccianti stranieri nell'Italia Meridionale*, in V. Borghi, M. Zamponi (Eds.) *Terra e Lavoro nel capitalismo contemporaneo*, Sociologia del Lavoro 128, Franco Angeli, Milan, 2012.

<sup>16</sup> Cfr. Medici Senza Frontiere, *Fuori Campo. Insediamenti informali, marginalità sociale, ostacoli all'accesso alle cure e ai beni essenziali per migranti e rifugiati*, February 2018.

<sup>17</sup> Cfr. D. Perrotta, D. Sacchetto, *Il ghetto e lo sciopero*, cit.

than one hundred and fifty people live during the summer season<sup>18</sup>; the Great ghetto of Rignano, a shantytown inhabited by more than five hundred people and another settlement, called “cicerone” is located between the ghettos of Rignano and Arpinova, where another two hundred people live.

There is also the Bulgarian ghetto of Borgo Mezzanone where there are several agglomerations, consisting of caravans, makeshift houses, and temporary tents, where more than a thousand Bulgarian Roma live<sup>19</sup>.

The ghettos represent areas that Gambino defines as a condition of “seclusion”, a spatial arrangement that is different from the internment because it formally allows the subjects a spatial freedom, but which in fact entraps him in the meantime in a precise location<sup>20</sup>. Throughout the province, however, there are hundreds of informal settlements of very small dimensions where migrant laborers form small groups and find shelter. These are places without any utilities - water, electricity, heating, etc. - where legal and illegal immigrants decide to settle even for very long periods of time.

As Daniele Iacovelli states:

Although in several areas the concentration is greater, for example at the “Pista” in Borgo Mezzanone where 2000 people live and the ghetto of Rignano where more than 1000 people live, the vast majority of the laborers live in hundreds of informal settlements located in different areas of the provincial territory. Throughout the Capitanata, we estimate that there is a presence of 15,000 immigrant workers in agriculture. The presence of these workers in the two main ghettos of the province, Borgo Mezzanone, and Rignano, does not concern the more than 30% of the total presence of immigrant laborers in the province (Interview with FLAI-CGIL Foggia secretary).

These places represent the main labor reserves from which intermediaries and employers tap into during the tomato harvest season. The residential segregation in the Italian countryside is produced by the mixture of a multiplicity of factors such as legislation on migration and labor, the impossibility of accessing the private market of rentals, the informality of labor relations

<sup>18</sup> Some of the laborers living in this settlement died in the summer of 2018 when returning from work in the fields.

<sup>19</sup> F. Carchedi, *Il lavoro indecente nel settore agricolo. Casi di studio territoriali. Puglia: il caso di Borgo Mezzanone*, cit.

<sup>20</sup> Cfr. F. Gambino, *Migranti nella tempesta. Avvistamenti per l'inizio del nuovo Millennio*, Verona, Ombre Corte, 2003, cit. in D. Perrotta, D. Sacchetto, *Il ghetto e lo sciopero*, op. cit.

(many of these laborers work without a contract or a faulty contract), low salaries and the seasonality of employment. In the province of Foggia, the tomato harvest, in fact, requires the availability of labor for a very limited period of time; the beginning of July to the end of August. During this season, the laborer usually cannot perform more than fifty total days of work. The inability of the local agricultural system to provide work and salary on an annual basis, therefore, contributes to the expanding of time spent by a laborer in these settlements. If they do not move to other regions, or simply fail to achieve stable and lasting employment, the laborers end up trapped in these settlements.

As Najm, a Sudanese laborer in the Rignano ghetto explains:

Most of the people living in the ghetto stay here all year round because they do not know where to go. We do not have work, we do not have money, and many do not have legal documents. Where do you want us to go? One can stay here even without legal documents; it is like a big family. And then we still have to pay off the debts owed to the taxi who got us here to Italy, we cannot spend the little money we earn (Interview with Najm, Ghetto of Rignano, Foggia).

Among the informal settlements, there is a high level of laborer mobility. In fact, many laborers tend to move from one settlement to another in the same province on the basis of specific needs of daily life and work. When laborers try to get out of these settlements, even for home reasons, the same logic of subjugation governing labor relations also repeats. This is the case of Abdul, a Senegalese laborer living in an informal settlement located near a provincial road of the city:

I moved from the ghetto to the countryside to go work on a farm. I slept in a room with 5 other people in a country house owned by the Italian head. I worked 10 hours a day for 3 euros an hour. I picked tomatoes, cabbage, asparagus, celery, beets, fennels, etc. However, I also had to pay for a place to sleep, 6 euros a day. I paid 180 euros a month when there were 30 days in the month and 185 euros when it had 31 days. Two hours of work a day went to just paying the rent. Even if you did not work, you still had to pay six euros a day to sleep. It was cheaper to live at the ghetto because you did not have to pay rent and you kept whatever you earned. At the ghetto, you save one euro a day because the transportation costs only 5 euros. When I left the company, I moved to this big house with other friends (Interview with Abdul, informal settlement of Via Manfredonia, Foggia).

In recent years in the Capitanata plain, the number of people living in these settlements has increased considerably. Growth

had affected not only the number but also the average time spent by immigrants in these areas. At the origin of this process there are several changes that have been recorded in the southern border of the Mediterranean, in particular, the increase in the number of landings on Italian territory following the outbreak of the Arab springs as well as the breakdown of international geo-political balances<sup>21</sup>, changes concerning the migration policy of the Italian government and the management of the reception system, the economic and employment crisis that had hit the country beginning in 2008, and several changes in the method of production recorded in the Foggia countryside, in particular, the increase in levels of the mechanization of agricultural production<sup>22</sup> that has made the presence of many immigrant workers on the territory higher compared to the true needs of agricultural businesses.

The informal settlements of the Capitanata have gradually turned into places where shelter can be found not only for the immigrant labor force expelled from different sectors of the labor market in the country but also for many immigrants who have recently arrived on the Italian territory and hold international protection.

In the past, settlements would empty out during the winter seasons. The laborers closely followed the seasonal cycles of the agricultural harvest seasons or returned to work in factories up in the North. The economic crisis and then the increase of landings on the Italian coast has meant that the presence of immigrants in these settlements became more sedentary. The ghetto of Rignano, for example, was originally a spontaneous village of laborers. It has now become a village organized, managed and controlled by a few, especially by the recruiters of day laborers, and is inhabited throughout the year. This transition occurred as a result of the Arab springs. Between 2012 and 2016, the landings increased and so did the presence of migrants on our territory. The reception system could not manage these arrivals and set forth a path of integration for everyone, such as the start of SPRAR projects<sup>23</sup>, and therefore many migrants invaded the ghettos

<sup>21</sup> According to data provided by ACNUR on arrivals just by sea in Euro-Mediterranean countries (Greece, Italy, Malta and Spain), in 2011, following the Arab Springs, the number of landings in Italy had doubled compared to the previous peak of 2008, when about 36 thousand arrivals had been registered, reaching a total of 64 thousand.

<sup>22</sup> According to the Cgil union, beginning in 2015, in the plain of Capitanata, the tomato harvest season has undergone a substantial increase in the level of mechanization. According to the trade unions, mechanization involves 70% of the total production in the province.

<sup>23</sup> The Protection System for Asylum Seekers and Refugees (SPRAR) consists

and the countryside, remaining trapped in these places. Where could all of these people have gone? I have also met people who have had their homes up north mortgaged and wound up living here. Within the large settlements, those who had some extra money had organized themselves to manage the lives of others: work, daily life (washing clothes, cooking, etc.), leisure, etc. Control within these places went from being in a productive sphere to a reproductive one. (Interview with Concetta, social worker).

In the last few years, the informal settlements of the Foggia province were invaded by many of the immigrants who had emerged from the reception centers who did not manage to benefit from the second reception programs arranged by the SPRAR network. This was the case of Malam, a holder of a residence permit for humanitarian reasons, who along with other immigrants had to leave the Center of Extraordinary Reception (CAS) in Abruzzo where he lived. He lives with fifteen other people in a large farmhouse.

I arrived in Italy in 2014. I am from Guinea-Bissau. I am married and have two children, one that is twelve and the other, seven, whom I left in Africa with my wife. I am thirty-eight. I did not know anyone in Italy. I left from Libya and arrived in Sicily, Messina to be exact. I remained there for four months before I was transferred to a reception center in Abruzzo. I stayed in Abruzzo for a year and four months and then I was transferred again to a small town where I remained for three years. The complex was very far from the town center. It was located in a very isolated countryside, where only us Africans lived. In all, we were twelve men. The complex was closed by the prefecture and everyone had to look for a new place to stay. I arrived in Foggia three months ago with eight other friends, in the month of June, for the tomato harvest season. I don't know when I'll leave because I've found other friends here and I like being here. I'm looking for a job that would give me the chance to build a life in Italy. Without work, it is impossible to live. I am now trying to obtain a legal work contract so that I can stay in Italy without having problems with the law. For now, I have a residence permit for humanitarian reasons (Interview with Malam, informal settlement of San Severo, Foggia).

The direct consequence of these changes of an endogenous and exogenous nature has been the broadening of low-cost la-

of a network of local authorities which, for the implementation of projects of integrated reception, have access, within the limits of available resources, to the National Fund for Asylum Policies and Services. At a local level, the local authorities, with the support of the third sector, guarantee interventions of "integrated reception" that go beyond the sole distribution of food and accommodations, also providing complementary measures of information, accompaniment, assistance and guidance, through the construction of individual itineraries for socio-economic integration. <https://www.sprar.it/>

bor areas for local agricultural businesses and the radicalization of labor exploitation. Although the exploitation also concerns EU and non-EU immigrants with regular residence permits, for many of the migrants without a residence permit the condition of irregularities on the territory has contributed to a further increase in blackmail in the labor market by employers strongly limiting their wage demands. This is what has emerged from the story of Thierno, a Senegalese laborer.

I had a residence permit for humanitarian reasons. It is currently expired and I am waiting for a renewal. They have told me that it is very difficult to obtain a renewal without an employment contract. I work day to day in the countryside and only for a few months a year. I always work for the same owner but I do not have a contract. I pick tomatoes, asparagus, artichokes, etc. I earn 25 euros for each day of work. It is not much, but not having to pay the rent is enough for me. When I ask for more, the owner tells me that 25 euros is already more than enough because I am not allowed to stay in Italy and if the police ever stop him while on our way to work he would risk prison. I know that it is all just an excuse to not pay more (Interview with Thierno, informal settlement of Arpinova, Foggia).

#### **4.2 Farm work in Capitanata: sweatshop, labour contractors, circumventing regulations**

In the province of Foggia, ninety percent of those employed in agriculture, both natives and immigrants, do not have a correct salary framework. Irregular work concerns the entire workforce, but it registers high percentages especially among immigrant workers<sup>24</sup>.

The provincial collective labor agreement in the province of Foggia provides a work schedule of six hours and thirty minutes a day with a daily pay of fifty-four and fifty-eight euro cents. In the countryside of Capitanata, only Italian workers are able to get this pay. Immigrant workers, both EU and non-EU, take what is commonly called "*paga di piazza*" (public pay), which ranges from a minimum of three euros and a maximum of four euros per hour. Instead, in the case of piecework, pay is by "*cassone*" (chest) and it is attested at three euros and fifty cents per chest. The two methods result in the same pay for in order to fill 15 chests it would take a laborer more than ten

<sup>24</sup> Interview with Daniele Iacovelli, Flai-Cgil.

hours, therefore, the pay almost always comes to being thirty-five/forty euros a day. Only a few, especially those who have greater physical strength, working on a piecework basis with a pay per chest, manage to earn more, but are forced to work for more than twelve consecutive hours. It is not rare, in fact, to see laborers pick tomatoes until late at night with small flashlights attached to their bodies. African laborers are by far the most oppressed because many of them are without regular residence permits and are therefore blackmailed more often and more likely to accept low wages.

The regulation of labor relations in the tomato sector takes place mainly in an informal manner and through the appeal of agricultural companies to those that are commonly referred to as “*caporali*” (informal labour contractors/recruiters of day laborers).

The informal labour contracting is an ancient and widespread phenomenon in the plains of Capitanata, as well as in all of Southern Italy. In the past, companies had an intermediary of reference in every municipality in order to obtain laborers that were available for every harvesting season: tomatoes, broccoli, asparagus, etc. The intermediary was in charge of contacting the laborers, gathering them together and accompanying them to work. For the intermediation, little or nothing was asked in return. Over the years, the farms had entrusted these subjects who carried out the intermediary service, therefore, establishing solid bonds with them.

The restructuring of Italian agriculture in the last three decades in terms of production and labor has also transformed the profile of this figure. Today’s recruiter is an informal intermediary, often a laborer or former laborer belonging to the different immigrant communities present in the territory, who recruits workers on behalf of a third party company and keeps for himself, through different methods, a part of the salary paid by the business for every single laborer. The majority of the recruiters operating in the Italian countryside belong to the various foreign communities present in the territory. They mainly recruit laborers who belong to their own national or ethnic group.

As widely discussed in the previous chapters, agricultural farms are now included within transnational agri-food chains led by big buyers. These companies need to resist the pressure that is carried out by companies at the head of the transnational supply chains, keeping labor costs as low as possible. Factors

such as production instability and harvest seasonality also require the availability of a very flexible workforce. The informal labour contractors satisfy the needs of flexibility desired by companies, helping the latter to manage the highs and lows in labor demand through the provision of temporary and low-cost labor. They then benefit and profit from the inability of the public protagonist to regulate the encounter between the demand and supply of labor, the needs of companies to keep labor costs low and the inability of local labor markets to provide a temporary labor force on a *just in time* basis. In transnational production networks, the informal labour contractor carries out three fundamental functions: *coordination* (organizing and coordinating the supply of the labor force on the basis of specific requests by companies), *information* (connecting with different groups of laborers and helping to overcome informational obstacles between entrepreneurs and workers), *efficiency* (reduces transaction costs related to the search and recruitment of a certain number of laborers to be employed at a certain time)<sup>25</sup>.

As a local farmer in the province of Foggia explains:

It is difficult for the employer to organize a team of laborers independently. It is not easy to find thirty people in a few hours who would come to pick tomatoes on your farm. The company cannot contact laborers one at a time and take them to the fields to do one or more days of work. It is easier to contact an intermediary and entrust him with the organizing of the labor force. During the harvest season, you have to be efficient; you must quickly contact and organize the team, and have the necessary means to accompany the laborers to the farm. Then you have to consider that the majority of the farm companies are small. With almost any company the harvest stage could last even a week, and not all can afford to be organized and efficient (Interview with E., local farmer, Foggia).

The resorting to informal labour contractors is also simplified by the fragmentation of the agricultural production system of the province, in particular, by the presence of small businesses that are unable to develop forms of aggregation and for which harvesting by hand<sup>26</sup> is the only possible method of production:

<sup>25</sup> Cfr. S. Barrientos, *Labour chains: analysing the role of labour contractors in global production networks*, University of Manchester, Brooks World Poverty Institute, Working Paper 153, July 2011.

<sup>26</sup> According to estimates by the CGIL trade union organization, harvesting by hand makes up for 30% of the total tomato production in the province.

Companies that produce tomatoes are very small<sup>27</sup> and cannot afford to buy machinery. The machinery, in fact, is usually rented. Obviously, the owner of the machinery would say: if I have to come to you and you have only three hectares, I would rather prefer to go to someone else who has twenty because I could spend the entire day on a single field, not going from one farm to the next, and earning a lot more. It would not be worth it for the owner of the machinery to go to ten different farm businesses who have three to four hectares each. He would waste more time and earn less. So, if you have a small business like mine, you have to pick the tomatoes by hand (Interview with the A., local farmer, Foggia).

The farm businesses in the area make use of these informal intermediaries, but do not carry out any kind of control over them. In the Foggia countryside, the informal labour contractors are responsible for different kinds of abuse and labor exploitation. These intermediaries, who have very strong consolidated economic relationships with local businesses, dictate the working and salary conditions of the laborers on *behalf of the businesses* and have the power to control the agricultural labor market in the province.

As noted by Giovanni Mininni, general secretary of Flai-Cgil union:

The informal labour contractor represents the “armed wing” of the agricultural company because entrepreneurs are aware that without recruiters they would encounter enormous difficulties in finding low-cost laborers who are willing to offer their skills for a few euros per hour. The recruiter is a very useful tool for companies that want to reduce costs and retain more profit margins from their business activities. If a company were to recruit laborers on a legal basis it would have to abide by a provincial contract and pay laborers € 54.58 a day for 6 hours and thirty minutes of work. Labor costs represent the only expense for a company to leverage on. For the rest, it is not possible to do so with fuel, equipment, plant protection products, etc. The point is the productive system of the province is not interested in developing forms of aggregation aiming towards the valorization of its products in order to obtain a higher market price. The only strategy producers use to remain in the market is to go to the laborer and say: there are many of you in the province of Foggia; I can pay you a maximum of 30 euros a day. If you can agree to that then come to work, otherwise stay at home (Interview with the General secretary of Flai Cgil, Rome).

<sup>27</sup> As mentioned in the previous chapter, the structure of properties in the south is more fragmented than the north. In the Puglia region, the average size farm is 8.75 hectares per farm.

The need to keep labor costs low and meet the *just in time* demand force farmers to refer to informal labor contractors.

Based on stories from laborers, labor exploitation mainly affects working hours and wages. The control of the labor force by recruiters is organized on different levels and covers a series of activities ranging from the transportation of the laborer to the workplace, up to the payment of wages at the end of the season, passing through a series of services provided by the recruiter directly on the worksite, earning economic compensation as a result. At dawn, laborers are overloaded into vans without insurance and any type of safety measure and are then accompanied to crammed fields; they are obliged to pay the recruiter five euros a day for the ride to the countryside. They also often buy water and food from him; in some cases, especially when the pay is carried out by piece, the laborers are also forced to pay part of their earnings to the recruiter;

Omar, a farm laborer from Guinea-Bissau, describes the conditions he worked in in the tomato companies of the province.

In Foggia, working in the countryside is very heavy. In order to do this work, you must first eat well. Only if you eat well will you be able to do your job according to the boss. Then, if you go to work, there must be a start and end time, otherwise, it is not work. The work I do is untimed and very heavy. They also gave me a contract, but I know the contract is false because the contract should state the start and end times and how much money I earn per hour. I work ten hours a day. A working day is thirty-five euros for ten hours of work.

There are those who pay 3.50 euros per hour and those who pay 4 euros. It depends on the boss; there are the good ones and the not so good ones. However, this is not legal because the work is very heavy and should be compensated more. When you come home, you feel very tired, so you have to eat well.

We go out at four in the morning to go to work. There are those who return at half past three in the afternoon, some at half past four and some even later. It depends on the work to be done. There are no fixed hours. If you want, you can work every day, even on Saturdays and Sundays. The problem is thirty-five euros a day is nothing. Then you have to pay five euros for the taxi ride to the countryside and you eventually earn just thirty euros. This must end because this is not good. You can work like this for eight years, but in the end, you are nobody to the state because you have always worked without a contract. If I had a contract instead, I could find a home and be in good standing with a residence permit. The team consists of twenty-five/thirty people. In one day, we could fill even seven trucks, all by hand. The countryside is all around here, half an hour/an hour away from the ghetto. The owners of the farms are all Italians. They don't care about the contract or us, they don't even give us a bottle of water, we have to buy it from the boss. You just have to do your job. Then, when you finish - after

twenty days, a month, a month and a half - the Italian recruiter pays the black boss who takes the workers to the fields (Interview with Omar, informal settlement of Borgo Mezzanone, Foggia).

The transportation of laborers to the countryside is not always carried out directly by the recruiter. The recruiter has several "work teams" and coordinates the supply of labor to more businesses. More often, he entrusts them to the same laborers. Usually, a trusted member of the work team is given the task of driving the van and accompanying the laborers to the working field. The laborer in charge is exempted from the cost of the taxi service and has the additional task of collecting the fees paid by each member of the team for the taxi service. This is the case of Bangi, a laborer from Sierra Leone and former resident of the Rignano ghetto.

I arrived in Lampedusa on August 8, 2013. I am twenty-eight years old and I come from Sierra Leone. Before arriving in Italy, I worked in Libya for a year. I did everything, any kind of work. The situation was very dangerous in Libya, I saw people dying while walking the streets. So, I decided to take a boat and come to Italy. From Lampedusa, I was transferred to a Sprar center in Ravenna, where I stayed for two years. After two years in Ravenna without work, I decided to go to work in the countryside here in Foggia. I arrived at the Rignano ghetto on April 9, 2016. As soon as I arrived, while I was looking for work, I met a girl who told me that a friend of hers was looking for a laborer who could also drive a van. There was a team of eight people to bring to the fields every morning but there was no driver. The van belonged to this person. I would leave in the morning with eight other men and go to work. I also worked the fields with them. I took 5 euros from every person for the transportation fee and then, at the end of the evening, I gave the money to the owner of the van. I did not pay my 5 euros because I drove the van and the transportation fee was free. Now I work with another boss. Work is very heavy. The workday starts at 6 in the morning and ends at 4/4.30 in the afternoon. We have one break that lasts half an hour. In the countryside, you never work less than ten hours because the pay is three euros per hour. If you work ten hours you earn 30 euros. Then you have to pay 5 euros for transportation. You have to work as hard as you can because the harvesting season for us laborers only lasts a few months. The first year I arrived at the ghetto I worked 26 days a month for three months. When you are very tired, you can stop for a maximum of 3/4 days; no more than that, because you have to work and earn all that you can during the season (Interview with Badgi, informal settlement of via Manfredonia, Foggia).

The temporary nature of the labor demand requires many laborers to accept piecework, payments per chest, in order to increase the daily pay and the total wages at the end of the harvest season. Piecework represents an incentive to increase

the rhythm of work up to the limit of physical possibilities. It creates a true form of self-exploitation because it pushes the laborers to work to the maximum with the mirage of earning a few euros more. The excessive physical concentration, which the laborer undergoes, ends up debilitating his bodily health. This is what emerges from the story of a Senegalese laborer:

I always work by chest because I earn more. In a day, I can even fill fifteen chests. Each chest is worth 3.50 euros. I work this way because when the harvest season arrives, I have to take advantage and earn all that I can because the harvest does not last more than two months. During the tomato season, I work almost every day. Sometimes I rest because the work is quite heavy and it hurts my back (Interview with Amadou, informal settlement of Borgo Mezzanone, Foggia).

One of the elements that associates with the story of the interviewees is the complaint expressed by the laborers regarding the control performed by the recruiters with the methods as well as the time it takes for the payment of wages. Farm laborers collect the wages for the days worked at the end of the season. Increasingly, however, they find it difficult to collect the entire sums of money they are entitled to because the intermediary tends to keep a small part for himself. This control performed by the intermediaries further reduces the salaries of the laborers by extracting other value from their labor performance.

Mbaye, a Senegalese laborer, explains:

We workers are paid at the end of the harvest season. When we finish, the recruiter comes and says: "you worked twenty days, you thirty, you twenty-five, etc.", and then he pays us. But there are also those who do not pay. The black recruiter gets the money from the Italian one, they split it half-and-half, and then he "eats" everything. I am still waiting for money from my boss. He claims that it hasn't arrived. I cannot do anything because I don't have a contract. There are those who even have to wait two or three months to be paid. Then, when they do pay you, you do not even get all the money for the days worked. Even if I call the police, I have no legal documents proving that I worked for him. That is the problem. This thing has to end! Some of the laborers, who come here only during the harvest period, sometimes are forced to leave Foggia without even being paid (Interview with Mbaye, informal settlement of San Severo, Foggia).

The risk that a laborer is not paid, or collects only part of his wages, also emerges from the story of another Senegalese laborer:

I always work in the countryside now, above all with tomatoes. I earn 4 euros an hour and I always pay 5 euros for transportation. I can sur-

vive with the money I earn. The problem is when you work in the countryside you then have to wait two months to be paid for your days of work. Nobody pays immediately. My boss pays, but I have to wait. There are also those who do not pay at all or keep a part of the money for themselves (Interview with Samba, informal settlement of Borgo Mezzanone, Foggia).

Although recruiters and agricultural companies are directly responsible for the poor working conditions of laborers in the tomato industry chain, it should however be emphasized that the processes and working conditions in companies supplying industry tomatoes are heavily influenced by the actions of other companies included in the value chain and by the decisions and power of global buyers who are at the head of agri-food transnational chains.

As discussed in the second chapter, the possibility for companies to make use of a flexible and low-cost labor force represented the only method to remain incorporated in the transnational agri-food networks, take on international competition and resist the pricing policy imposed by big buyers.

The use of labor contractors and a temporary and low-cost labor force allows suppliers to respond to the demand of international buyers at the lowest possible cost. In the tomato industry chain, the farmers of Capitanata satisfy the requests for supply of processing companies located in the province of Naples. These processing companies are specialized in the supply of private label products to large international buyers. These big buyers seek to maximize their market share by obtaining products by suppliers at the lowest possible costs.

As widely discussed in the previous chapter, large retailers, united in buying alliances, buy industrial tomatoes at an ever-lower price through the mechanism of double-reduction online auctions. The tomatoes are sold by the processor at a market price that often and only manages to cover direct costs (raw material, transport, labor, processing costs, etc.) excluding all those that are related to depreciation, labeling, maintenance of facilities, quality controls, etc. (indirect costs)<sup>28</sup>. The only possibility for the processor to remain in the market is to place pressure on the cost of the raw material, therefore, obtaining the lowest possible prices from the producers.

<sup>28</sup> See third chapter.

For the producers, the constant decrease in the price of tomatoes is confronted by the pressure of labor costs, which for them is the only entry of expenditure which to act on.

This year, round tomatoes were sold at 87 euros per ton, which would amount to 0.087 per kilo. You must keep in mind that the fixed price is not always respected. However, even if you pay €87 a ton, the final price will always be different because you have to remove all the waste and unripe tomatoes. The price may seem high, but in reality, it isn't. The fact is the average yield per hectare ranges anywhere from 900 to 1000 quintals, depending on the crops. To harvest 5 hectares of tomato I need 20 workers a day for 5 days. A company like mine of five hectares can earn between 9,000 and 10,000 euros a year from the sale. But then I have to subtract all the expenses that I have to bear: fuel, seedlings, fertilizers, herbicides, and plant protection products. How can I pay laborers €54 a day and pay their taxes and dues? What is left for me? (Interview with the A., local farmer, Foggia).

The availability of flexible and low-cost labor is for companies located in the lower rings of the chain - those involved with low added value activities - a true buffer against the risks deriving from the instability of production and against the competitive pressure carried out on them from other companies in the chain. The demand for flexibility and competitiveness from companies situated in the intermediate segments and at the top of the chain is passed onto the laborers of the supplying companies, therefore, creating and reinforcing the practices of informal regulation of labor relations (illegal employment, use of labor contractors, etc.) and further worsening working conditions (salaries, wages, hours, rhythms, etc.). The possibility for these companies to continue to extract a share of the surplus from the production activity can only be achieved by the exploitation of the more informal and invisible segments of the labor force present on the territory, such as migrant laborers.

### **4.3 Trade union's action in fighting the deterioration of labour relations: strategies, limits, obstacles and responsibilities**

This section discerns two set of strategies which could potentially complement each other in the empowerment of migrant workers<sup>29</sup>. On the one hand, trade unions may seek to modi-

<sup>29</sup> Cfr. S. Marino, *Trade Union Inclusion of Migrant and Ethnic Minority Workers: Comparing Italy and the Netherlands*, European Journal of Industrial Relations, 18 (1), 2012, pp. 5-20; S. Marino, R. Penninx and J. Roosblad, *Trade Unions*,

fy state's *mediation* in the labour market and, hence, look for the state's intervention in the recognition and defence of 'the whole' working class' rights, including migrants', within a specific territory. On the other hand, in conditions in which the former strategy is not successful<sup>30</sup>, trade unions may also seek to directly organise and mobilise workers, in a sort of strategic by-pass of labour laws and paternalistic behaviour towards unorganised workers<sup>31</sup>, to achieve an *immediate* improvement of the living and working conditions. What is at stake is that since migrants struggles lie well-beyond normalized patterns of collective bargaining, «trade unions today must act as a civil society actor ... rather than as a strictly labour-related interest body»<sup>32</sup>.

In Italy the relations between trade unions and migrant workers have represented a special case comparing to other European countries<sup>33</sup>. In between the 1980s and 1990s actions of the main the Italian trade unions (CGIL-CISL-UIL) toward migrant workers have been based on inclusion and cooperation. Starting with an approach oriented to provide services and solutions for practical problems, trade unions aimed to involve migrant workers in unions' membership enabling their participation and inclusion within unions' organization<sup>34</sup>. However, since the 2000s their attitude to empower migrant workers has been increasingly undermined by economic crises<sup>35</sup> and by

*Immigration and Immigrants in Europe revisited: Union's attitudes and actions under new conditions*, Comparative Migration Studies 3(1), 2015, pp. 1-16.

<sup>30</sup> Cfr. J.F. Rye and J. Andrzejewska, *The structural disempowerment of Eastern European migrant farm workers in Norwegian agriculture*. Journal of rural studies, 26(1), 2010, 41-51; B. Selwyn, *Social upgrading and labour in global production networks: A critique and an alternative conception*, Competition & Change, 17(1), 2013, 75-90.

<sup>31</sup> Cfr. B. Rogaly, *Migrant Workers in the ILO's Global Alliance Against Forced Labour Report: a critical appraisal*, Third World Quarterly, 29(7), 2008, 1431-1447.

<sup>32</sup> S. Marino, R. Penninx and J. Roosblad, *Trade Unions, Immigration and Immigrants ...*, cit., p.10.

<sup>33</sup> Cfr. Rinaldini M., Marino S., *Trade unions and migrant workers in Italy: Between labour and social rights*, in Trade Unions and Migrant Workers, Edward Elgar Publishing, 2017, pp. 266-286.

<sup>34</sup> Cfr. S. Marino, M. Rinaldini, *Il rapporto tra sindacati e immigrati in Italia in una prospettiva di lungo periodo*, La rivista delle Politiche Sociali 2-3/2015, Ediesse, Roma, 2015, pp. 87-112.

<sup>35</sup> Cfr. L. Pradella, R. Cillo, *Immigrant Labour in Europe in Times of Crisis and Austerity: An international Political Economy Analysis*, Competition and change, 19 (2), 2015, pp. 145-160.

the less influence of Italian trade unions in socio-economic decision-making processes at state level<sup>36</sup>. As a result, the current relation between trade union and migrant workers in Italy has lost its original trait based on inclusion and cooperation<sup>37</sup>. In a context of European unions decline in organizing migrant workers, the action of the main Italian trade union in the agri-food industry confirms: (1) the loss of capacity to organize and protect migrant workers from work exploitation; and (2) that the prevalence of conservative positions among major trade unions sows the seeds for new forms of class resistance and organisation to emerge.

### *CGIL: The Contractors Law and the Caravans*

Italian trade unions have not been successfully responding to the shifts in the organization of production and labour relations in agri-food sector. Their action is still linked to a strategy that aims to counter labour exploitation, and therefore claim more rights and better working conditions, by putting pressure mainly upon 'direct employers'. The actions of the main Italian trade unions against the exploitation of migrant farmhands have taken place in line with this pattern of union's response oriented to exercise legal pressure on the "formal"/"direct" employers, i.e. the farmers.

The most important trade union in the Italian agricultural sector is FLAI-CGIL.<sup>38</sup> In the last few years its response toward labour exploitation has been implemented both at national and local levels. At *national level* the union has put the issue of labour exploitation of farmhands in Italian countryside on the policy agenda of the Italian Department of Agriculture and achieved the inclusion of new requirements in labour law (199/2016). The law is the outcome of several sector strikes, demonstrations and national campaigns organized in the last few decades both by migrant farmhands and Italian trade unions in order to denounce work exploitation and informal work

<sup>36</sup> S. Marino, *Trade Union Inclusion of Migrant and Ethnic Minority Workers: Comparing Italy and the Netherlands*, *European Journal of Industrial Relations*, 18 (1), 2012, pp. 5-20.

<sup>37</sup> Cfr. S. Marino, M. Rinaldini, *Il rapporto tra sindacati e immigrati in Italia*, cit.

<sup>38</sup> FLAI (Agroindustry workers federation) is a Trade Union of Italian General Confederation of Labour (CGIL) that organises farm workers and agri-food workers. The number of its affiliates is 250.090 at 31/12/2017.

in agricultural sector<sup>39</sup>. It contains several measures against informal work and labour exploitation in the agricultural sector. The most important measure affects the fight against labour exploitation punishing informal labour contractors and employers by imprisonment of between one and six years<sup>40</sup>. Furthermore, the law provides the government to take judicial control over the firm where the workers have been exploited illegally, and establish the proceedings for their regularisation in terms of wages, contracts and social security contributions. The law also set up the 'High Quality Farm Work Network': job centers, employment agencies, workers' organizations, and employers may join the network on a voluntary basis in order to manage at local level the demand and supply of (migrant) labour within agricultural areas.

At *local* or *workplace level* proper, where labour exploitation takes place, FLAI's response has been organised in different ways, depending on the type of production and on the number of union's members available in the territory. In the province of Foggia, FLAI's response has been organized around three actions: First, support migrant workers through assistance points wherein free services as check on social security position, wages and work contracts were offered. Second, support to migrant workers through 'street unions squads'. During the summer harvesting season, for three months, the squads go out early in the morning every day. In Capitanata each squad consists of three trade unionists. On three caravans, trade unionists travel around the countryside to meet farm workers and give them information about their working rights - wages, working time, health, contracts, social security, unemployment benefits and especially information about the possibility to denounce informal labour and exploitation to the labour inspectorate. Their major aim is to meet workers, make direct contact with them and, when possible, encourage them to come to the union's office. As reported by a street unionist:

"If we find evidence of labour exploitation taking place we cannot stop the labour process. We rather prefer to meet the workers later in order to protect them from the employer and labour contractors. For example, last year, a Moroccan worker got beat when he denounced

<sup>39</sup> A. Valentini, *Dalla denuncia alla proposta, dal sindacato di strada alla legge n.199/2016 in Agromafie e Caporalato*, Quarto Rapporto, Osservatorio Placido Rizzotto (Eds.), Ediesse, Roma, 2018, pp. 26-28.

<sup>40</sup> See <http://www.gazzettaufficiale.it/eli/id/2016/11/3/16G00213/sg>

his employer during a labour inspector control. So, it is obvious, that it's definitely safer if we meet them later in a different place far from employers and labour contractors" (Interview with Tony, street unionist, Foggia).

The third action consists in supporting migrant workers to build a 'grass-root union representation' system. More specifically, the FLAI-CGIL is training migrant trade unionists in order to have delegates in the main informal settlements of the Capitanata, by giving them the skills to support other migrant workers in their claims. The action is still on-going and it seeks to train at least sixteen trade unionists in the province of Foggia who will be able to give information to the farmhands about their working rights. These trade unionists shall have the responsibility of pushing workers to denounce exploitation, informal labour contractors and informal employers to have right wage and better working conditions.

FLAI's efforts to develop these two mentioned strategies, at the national and local levels, have barely up until today produced positive results. For example, despite unions' membership has increased among migrant workers - today almost the 30% of FLAI-CGIL union's membership in the province of Foggia are foreign workers<sup>41</sup>- the number of legal-complaints for labour exploitation is still low. In 2017, within the entire province, only forty workers reported to the labour inspectorate and the general working conditions of migrant farmhands remains miserable.<sup>42</sup> Moreover, the 'High Quality Farm Work Network' set up by the law (199/2016) has been a failure because very few employers have joined it<sup>43</sup> and, most problematically, because the law provides no disposition for any extra budgetary expenditure to secure its real implementation at workplace level.

The enforcement of labour law cannot be left to the voluntary implementation of employers nor to the periodic supervision of labour inspectors that will more often than not interpret the law softly. Instead, it is rather up to the capacity of unionised workers to *actively* defend and implement their rights at the workplace. A *formalist* or *institutionalist* perspective may obviate that class power relations are constituted integrally, by

<sup>41</sup> Following latest available data in 2015 the FLAI-CGIL union's members in Puglia Region were 35.020: 7.298 in Foggia, 2.973 in Andria, 6.657 in Bari, 7.692 in Brindisi, 5.370 in Lecce, 5.030 in Taranto (Archivio Tesseramento CGIL).

<sup>42</sup> Interview with Daniele Iacovelli FLAI-CGIL (August 2018).

<sup>43</sup> Interview with Daniele Iacovelli FLAI-CGIL (August 2018).

formal and informal relations<sup>44</sup> and, most importantly, that it is the capital-labour relationship which constitutes labour's exploitation, i.e. that regardless the provisions established by labour law, it is the *concrete* relationship in between tomato producers and migrant workers what determines the actual conditions in which the labour process is organised and its produce distributed in South Italy<sup>45</sup>.

FLAI's efforts to inform and mobilise migrant workers against their 'direct employers' is hindered by some infrastructural constraints. In not transcending the representative structure that the union preserves, it maintains a union structure functional to support the interests of core workers who are already organised, rather than of incorporating workers located in the periphery of labour market. The adoption of various 'organising' strategies of migrant workers after a critical reading of the limits to social dialogue and institutionalised forms of collective bargaining<sup>46</sup> has not really taken place in this case-study. Significantly, in the province of Foggia the number of FLAI union officials is only six, a ridiculous number for the amount of workers living from the agricultural industry and the approximately 20,000 migrant workers who have few power resources. Whether if it can be argued that FLAI has adopted a multi-level strategy in the empowerment of migrant workers in Foggia, through the caravans and information points that we have mentioned, is quite problematic because most of the migrant workers have had none or very little connection with this actions<sup>47</sup> and, hence, have suffered from the limited infrastructural resources that have been devoted to them.

In addition to these infrastructural constraints, we can spot a weakness in FLAI's culture to produce the necessary cognitive knowledge<sup>48</sup> to learn from and incorporate migrant workers'

<sup>44</sup> Cfr. S. Marino, *Trade Union Inclusion of Migrant and Ethnic Minority Workers*, cit.; P. Fairbrother, *Rethinking trade unionism: Union renewal as transition*, *Economic and Labour Relations Review* 26(4), 2015, pp. 561-576.

<sup>45</sup> D. Spencer, *Braverman and the contribution of labour process analysis to the critique of capitalist production-twenty-five years on*, *Work, Employment and Society* 14(2): 2000, pp. 223-243.

<sup>46</sup> Cfr. S. Marino, R. Penninx and J. Roosblad, *Trade Unions, Immigration and Immigrants...*, cit. pp. 11-12

<sup>47</sup> Interview with Samba, immigrant farmhand (August 2017).

<sup>48</sup> Cfr. C. Lévesque, G. Murray, *Renewing union narrative resources: How union capabilities make a difference*, *British Journal of Industrial Relations*, 51(4), 2013, 777-796.

claims, especially in the capacity to voice the interests of the most mobile seasonal workers. FLAI's strategy has been rather predominantly oriented to put pressure exclusively on the direct employer and prohibit irregular work. The law punishes informal labour contractors and direct employers not contemplating in the least the role played by leading firms in determining the prices and, so, the working conditions and labour processes within the supplying firms of the GVC. FLAI's strategy has been thought and adopted vertically, and have not sought to build alliances with other workers and trade unions operating across the agri-food sector to update, learn from and unify their claims. As it will be shown in the next section, FLAI's demands remain distant from the more urgent needs that migrant workers have both at the workplace and in their living areas. In trying to voice them better, however, a grass-root union has taken some space and deployed its efforts to build the associational ties that FLAI has missed to produce.

#### *Radical Unions Creating the Space for Migrants' Empowerment*

As noted by Appay (1998), in the context of GVCs, acting upon the smaller 'direct employers' can be an ineffective or even counterproductive strategy because their profits, which derive from unstable contracts with larger firms that buy their products, are too limited for a substantial raise of wages and the improvement of working conditions<sup>49</sup>. Workers face the challenge of finding different strategies in order to put pressure on real employer and counteract the deterioration of labour relations within supply firms<sup>50</sup>.

In the Italian agri-food sector it is the work of USB (Unione Sindacale di Base) which we may say to be heading towards this direction. USB is an independent union that was born in 2010 as an alternative to historical and traditional Italian trade unions, including FLAI-CGIL. This union is far less representative in terms of union's delegates and has far fewer resources than the main Italian confederations. The action of this union aims to regain social and union's rights through the strategies of or-

<sup>49</sup> B. Appay, *Economic Concentration and the Externalization of Labour*, *Economic and Industrial Democracy*, 19 (1), 1998, pp. 161-194.

<sup>50</sup> J. Wills, *Subcontracted Employment and its Challenge to Labor*, *Labor Studies Journal*, 34 (4), 2009, pp. 441-460.

ganising and unionising the workers along the entire agri-food chain, 'from field to table'. This trade union asserts the role of migrant farmhands in Italian agriculture and the amount of economic value produced by them within agri-food sector. The union denounces to be the oligopolistic power and pricing policy of the firms at the head of agri-food chains the cause for labour over-exploitation in the agricultural sector<sup>51</sup>.

The strategy of this union is based on building an integral alliance between local workers and farmers, and national consumers so that they can pressure 'from the beginning until the end' of the GVC the dominant firms at the top of agri-food chains. Their major claim is to defend the production of healthy food through securing a decent life for all the workers. The workings of the union have led to the birth, in September 2016 in Venosa<sup>52</sup>, of the 'USB National coordination group' for agri-food sector with delegates for any territorial agricultural area. Two years later, a trade unionist member of this group, Soumaila Sacko, got murdered in Calabria in June 2018. In response, USB organised a regional strike in Calabria and a national demonstration in Rome.<sup>53</sup> In August 2018, other 12 migrant farmhands died in Foggia when the migrant driver who was taking them home, and who had also been working all the day long, went-off the road. USB and other Italian Unions organized a huge strike in Foggia in order to claim their rights and better working conditions for all farmhands.

In September 2018, after several demonstrations, USB has presented in Foggia a platform for the respect of the agricultural workers' union and social rights. The platform aims to introduce an ethical code within agri-food supply chains able to ensure respect for the workers' union and social rights and for the rights of farmers and consumers<sup>54</sup>. The most important points of the platform are: equal work and equal pay (decent work and

<sup>51</sup> Cfr. USB, *Agricoltura Eticoltura. Per un sistema agroalimentare basato sul rispetto della dignità e dei diritti sindacali dei lavoratori, sui doveri dei produttori e sui diritti di tutti i cittadini a produzioni sane*, Foggia, 22 Settembre 2018.

<sup>52</sup> Venosa is located in the province of Potenza in Basilicata Region. Also in this region immigrant farmhands and farmers supply fresh tomatoes to southern Italian processing companies.

<sup>53</sup> [http://www.usb.it/index.php?id=1132&tx\\_ttnews\[tt\\_news\]=102925&cHash=b98630024b](http://www.usb.it/index.php?id=1132&tx_ttnews[tt_news]=102925&cHash=b98630024b)

<sup>54</sup> Cfr. USB, *Agriculture/Ethiculture, A Platform for the respect of the agricultural workers' union and social rights*, Foggia, 22 September 2018.

fair pay), compliance with employers' social security contributions, the regularisation of migrants and refugees (the repeal of Bossi-Fini law and the access to the *residence permit for social protection* according to the art. 18 (286/1998) and the delinking of residence permit from labour contract)<sup>55</sup>, solutions to the structural housing problem (with the direct involvement of local authorities, employers and workers to provide affordable housing for all migrant workers), a public management of work recruitment, and the conditionality of the aids for firms (European subsidies subject to the compliance with minimum standards of workers' rights)<sup>56</sup>.

According to USB, only by rethinking the whole agri-food system and the consequent policies that regulate the agricultural world, it could rebuild the proper balance between producers, consumers and workers<sup>57</sup>. Last September of 2018, in Foggia, the union opened a great international campaign that aims to involve all stakeholders along the global tomato value chain: siding farmers and labourers, as well as consumers and authorities at the European, national and local levels<sup>58</sup>. The outcome of this action will depend on how much this union will be capable of pressuring leading firms and governmental authorities to affect the production, logistic and marketing strategies of the former, i.e. from the relations in between firms within agri-food supply chains up until their merchandise to the consumers, and the infrastructural resources of the latter to provide political solutions to the dire living conditions of the workers at the local level. In the day this section is been written, the fight for producing an integral solution is still on-going.

### *Limits and possibilities of Italian Unions' action*

Based on the findings presented in the section we can to conclude by advancing four arguments. First, against the progressive deterioration of living standards of tomato-picking migrant workers, the agricultural federation of the major socialist Italian trade union *Confederazione Generale Italiana del Lavoro* (CGIL), i.e. FLAI-CGIL, has directed most of its organisational

<sup>55</sup> The residence permit for social protection is issued to the community and non EU-person who has been in situations of violence or serious sexual and/or labour exploitation related to certain serious crimes.

<sup>56</sup> Cfr. USB, Agriculture/Ethiculture, *A Platform for the respect of...*, cit.

<sup>57</sup> Cfr. USB, *Agricoltura Eticoltura. Per un sistema agroalimentare...*, cit.

<sup>58</sup> Ibidem.

resources into the negotiation and validation of a national-level labour law that criminalizes labour contractors for hiring 'illegal' workers. Although the law is more than welcome, as it encourages 'direct employers' to legalise irregular employment relations if they want to avoid prison, the strategy is flawed because the law provides no dispositions for any extra budgetary expenditure to secure its real implementation at workplace level. Trade unions then must adopt the supervisory role of the state but without having as many infrastructural resources and political power to enforce it. Nevertheless, and as it has also been show, FLAI-CGIL has complemented such national strategy through an increasing engagement at the local-level: informing migrant workers on legal and working issues, unionising migrant workers, and denouncing criminal contractors. Although 30% of the FLAI-CGIL membership is of foreign origin, we can argue that the union has not been effective in the mobilisation of migrant workers since, among other things, has not deployed as many resources to such purpose as they would be necessary, e.g. the union has only made use of three union officials to organise and supervise around 20,000 migrant workers who are geographically dispersed.

Second, a more radical and grass-root union, the USB, has by-passed FLAI-CGIL's strategy and engaged with the contractor-worker relationship 'from below'. Instead of criminalising the employer and ignoring their crucial position in the value chain, USB has made repeated efforts to gather primary information of the entrenched structure of the tomato-picking industry. USB has repeatedly organised meetings and networked with marginalised and highly-precarious migrant workers, as well as with other civil society organisations. The result has been a more nuanced understanding of the real conditions and needs of these workers who, among other things, demand a legal-status and citizenship that the labour-law falls to secure. However, we can also argue that such strategy has failed to substantially improve workers' conditions because USB is a small union and lacks the infrastructural resources that bigger unions have. In this sense, to directly engage with the employers and the workers is not in opposition to FLAI-CGIL's strategy, but we can understand it as rather complementary<sup>59</sup>. A complemen-

<sup>59</sup> Cfr. S. Marino, *Trade Union Inclusion of Migrant and Etnich Minority Workers...*, cit.; S. Marino, R. Penninx and J. Roosblad, *Trade Unions, Immigration and Immigrants...*, cit.

tary strategy that stresses that trade unions need to be built as much 'from below' as from 'from above'.

Third, the Foggia experience shows that FLAI-CGIL has: (1) incorporated or voiced the demands of those who they pretend to represent quite limitedly; and (2) that in so doing it has predominantly reproduced its already-existing organisational structure that separates 'insiders' who already have institutionalised patterns of collective bargaining from the 'outsiders' who lack them<sup>60</sup>. Or put it differently, traditional trade unions in Italy have not yet redirected significant resources to defend and unionise those workers who are more in need, and they have neither made the effort to educate their 'core' membership that such strategy ought to be prioritised under current historical conditions. It follows that major Italian trade unions have not advanced the interests of all workers under a unitarian strategy, but that they have rather reproduced to an extent the strong class-fractioning processes prevailing global capitalism that, no matter how contradictorily, homogenise and downgrade workers position vis-à-vis capital<sup>61</sup>.

Fourth, the strategic division in between 'insiders' and 'outsiders' locates migrant workers on a secondary plane within the overall strategy of union renewal. This may have much more important repercussions for the workers in the short-run than what we may even think of. The increasing pauperisation and fragmentation of farmhands does not only erode the ideological power of trade unions to gather and mobilise workers along left-solidarity transformative projects, but most importantly, it gives the space for a fascist management of migration and integration policies, based on criminalization of immigrant workers and on an increasingly declining of their social rights, hence, contributing to the reproduction of a social construction according to which the immigrant workforce can be everlastingly exploited.

<sup>60</sup> R. Hyman, *Industrial Relations: A Marxist Introduction*. London: MacMillan, 1975: 44-60.

<sup>61</sup> Cfr. G. Starosta, *Global commodity chains and the Marxian law of value*, *Antipode*, 42(2), 2010, 433-465; G. Charnock, G. Starosta, *Introduction: The New International Division of Labour and the Critique of Political Economy Today*, In G. Charnock and G. Starosta G. (Eds.), *The New International Division of Labour*. Palgrave Macmillan, London, 2016, pp. 1-22.

# Conclusions

The farm labour needs to be analysed taking into account several transformations that have affected the changes in food regimes, the restructuring of agriculture in terms of labour and production in the age of neoliberal globalization, the structure and the composition of the transnational agri-food chains, the increasingly power of the buying alliances in Europe and their pricing policy vis-à-vis to manufacturers and suppliers.

Since the end of the eighties a new food regime, characterized by a hegemonic power exercised by transnational agri-business chains, has profoundly restructured production (increasingly intensive, industrialized, specialized and standardized) and labor (increasingly cheap, flexible and exploitable) in the agricultural sector.

The emergence of big buyers as transnational supermarket chains has led to a reconfiguration of the manufacturer-dominated supply chain moving the control over agri-food supply chains from food manufacturers to retailers. Retailers have become “gatekeepers” for access to consumers. Their control over suppliers is exercised not through ownership but through *governance*. They are able to control the terms and conditions of supply and therefore the quality and the type of food that people consume, its cost, how and where it should be produced and at what price.

The exploitation of labor, especially migrant labor, has been fundamental for the incorporation of agri-food suppliers in retailer-driven chains. The mobility of labour, in addition to the mobility of capital, has been a fundamental way used by agri-food capital to increase its profits.

The use of cheap migrant labour has allowed also southern European farms to respond to the pressure of vertical agri-food chains. Within these farms, which carry out their activities during the periods of “great harvests”, the pricing policy imposed by buyers is reflected in a great demand for unskilled, flexible, precarious and cheap labor. In southern Italy agriculture this demand is covered by migrant workers from Africa and Eastern

Europe who represent the main pool of cheap labour for the agricultural firms.

This cheap and flexible migrant workforce - characterized by heterogeneous migration patterns and different immigration status - is also employed in the harvesting of tomatoes within small firms located in Capitanata included in the production chain driven by big retailers. The production processes and the working conditions in these firms need to be analysed taking into account the structure of the tomato value chain in southern Italy district.

Food retail chains are the main buyers of tomatoes processed within southern Italy district. More than 80% of the tomato processed in this district is for private labels of food retailers. Through the development and distribution of private labels the control of retailers over farmers and processors has become increasingly stronger. Their power is further strengthened by the *pricing policy* by which Italian and European retailers, organised in buying groups, buy tomatoes from private label suppliers. Furthermore, using their power as gatekeepers for access to consumers they try to undermine brands and increase the sales of private labels products.

The economic and power asymmetrical relations between firms within the chain have a big negative impact throughout the supply chain especially to the detriment of farmhands located in the lower rings of the production chain. The power of retail chains to set prices, standards and conditions of supply have resulted in a race to the bottom mainly affecting farm workers. Within the farms a labor force strongly racialized carry out its work activity informally and without any kind of guarantee. Labor exploitation mainly affects working hours and wages. Farmhands take what is commonly called "*paga di piazza*" (public pay), which ranges from a minimum of three euros and a maximum of four euros per hour. Instead, in the case of piecework, pay is by "*cassone*" (chest) and it is attested at three euros and fifty cents per chest. Most of them, trying to earn more, are pushed to work for more than twelve consecutive hours.

Within tomato supply chain migrant workers have come to constitute a key segment of the labor force insofar as they allow agricultural firms to keep low labor cost and to cope to network pressures. The management and the control of this labor force are achieved through housing segregation and informal

labour contracting. In the province of Foggia low-wage migrant laborers have settled in the many informal settlements of the province. These places represent the main labor reserves from which informal labour contractors and employers tap into during the tomato harvest season. Factors such as production instability and harvest seasonality require the availability of a very flexible workforce. The informal labour contractors satisfy the needs of flexibility desired by companies, helping the latter to manage the highs and lows in labor demand through the provision of temporary and low-cost labor. Furthermore, the constant decrease in the price of tomatoes push producers to reduce labor costs using informal laborers. The availability of flexible and low-cost labor allows agricultural firms to respond to the pressures carried out on them from other companies in the chain.

The shifts in the organization of production and labor relations in agri-food sector has pushed Italian trade unions to find different strategies in order to fighting the deterioration of labour relations within supply firms.

If the FLAI-CGIL has directed most of its organisational resources into the negotiation and validation of a national-level labour law that criminalizes labour contractors, the USB has by-passed FLAI-CGIL's strategy and engaged with the contractor-worker relationship 'from below'. Furthermore, USB' action aims to put pressure on lead firms, affecting their decisional and organization processes and the relations between firms within agri-food supply chains, through a strong alliance between workers, farmers and consumers. The two union strategies are not in opposition between them. As said in the previous section they instead pointed out how trade unions need to be built as much 'from below' as from 'from above'.



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