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Worker Equity in Food and Agriculture

Practices at the 100 largest and most influential U.S. companies

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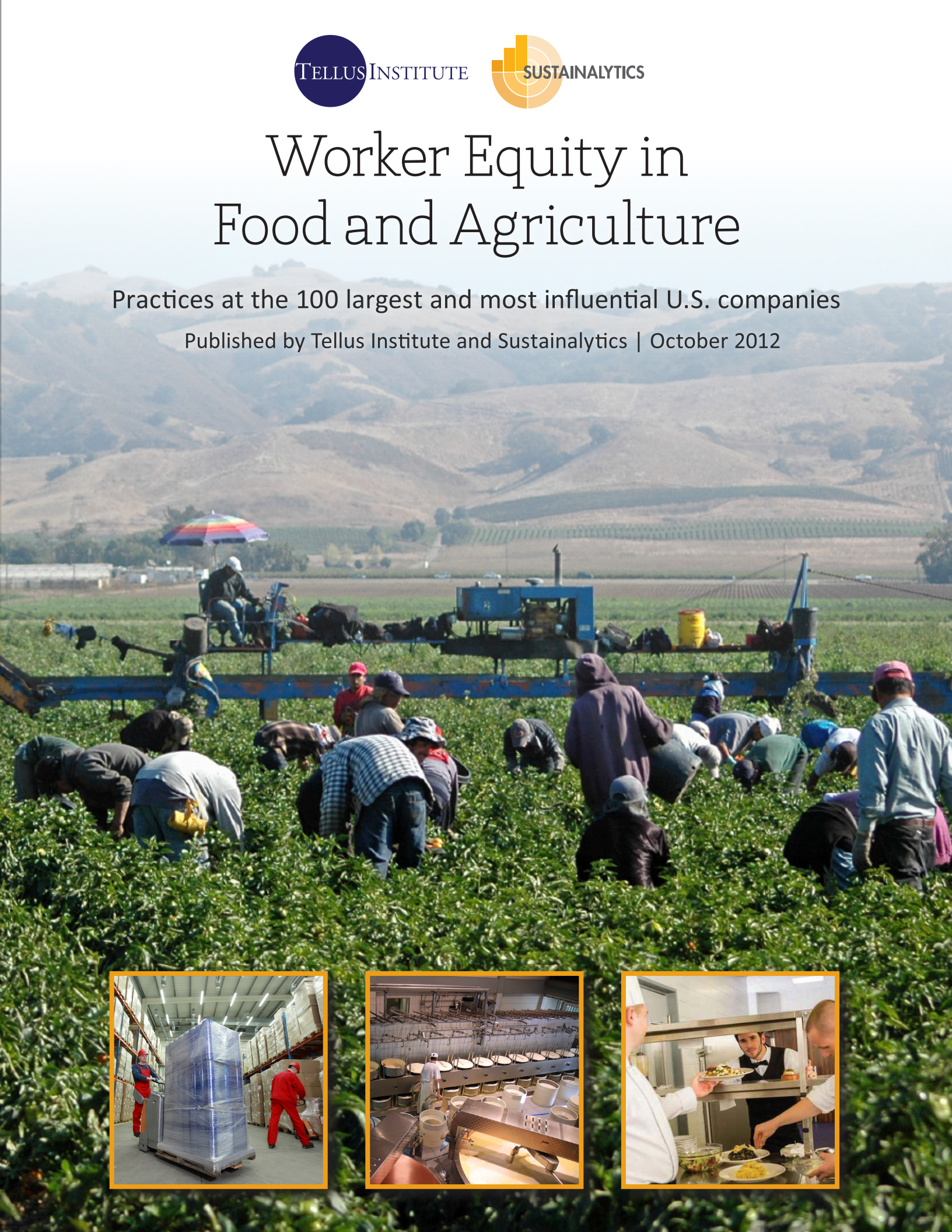

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Tellus Institute (www.Tellus.org) is a 35-year-old nonprofit research and consulting organization working for a Great Transition to a fair, just, and sustainable economy, with a staff of design specialists in corporate social responsibility, impact investing, ecological science, and community well-being.

Sustainalytics (www.Sustainalytics.com) is a global responsible investment research firm specializing in environmental, social and governance research and analysis, with 20 years of experience serving institutional investors; offices in Boston, Toronto, Amsterdam, Frankfurt, Singapore, and elsewhere.

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Executive Summary

The rise of the global food movement has brought significant innovation in areas such as organic foods, farmers' markets, community agriculture, urban gardens, and Slow Food. Yet the food movement has a blind spot — worker welfare. Despite what may be commonly assumed, food that is sustainable, organic, or locally grown, is often produced under highly inequitable working conditions, locally and globally. There has been an overarching tendency in the food movement to prioritize health concerns, environmental impact, and animal welfare over worker health and well-being. Why are working conditions being ignored? When we pull back the veil on this overlooked issue, what do we find?

An understanding of the social impact of the food and agriculture industry requires insight into *worker equity*, a concept that embraces many issues: fair wages, safe working conditions, the right to organize, job security, professional development opportunities, and employee engagement. Worker equity is about the quality of jobs and the quality of life at work. It represents a critical area of exposure for food and agricultural companies, and is an issue that is sure to escalate in the coming years. Worker equity issues surface across the entire value chain, from farmworkers and factory workers to distributors, retailers, and restaurants. At each stage, worker welfare can be significantly compromised, in areas such as health and safety, wages, working hours, and freedom of association.

Worker equity practices at the largest companies are particularly critical in shaping industry trends, since every subsector of the field – agricultural products, beverages, packaged food, wholesale suppliers, food retail, and restaurants – is dominated by four to five companies. In 2007, four companies sold half the world's seeds; more than 70 percent of beef in the U.S. is processed by three companies; and just four companies process close to 60 percent of pork and chicken.[1]

This report sets out to review the landscape of company practices and policies in worker equity at the 100 largest companies in the food and agriculture industry in the U.S. market. While harmful practices are widespread – and in some ways the industry norm – there are also promising examples of emerging best practices. This report attempts to address both trouble spots and best practices. The latter are highlighted here as precedents that other companies might follow, and as an indication of potential avenues for impact and influence.

While the emphasis of this study is on U.S. companies and employees, the findings have a far-reaching impact at the global level. Because they represent major brands, many of the companies tracked have significant global influence through their products and supply chains. Moreover, the plight of employees and contractors is linked throughout many regions of the world, particularly because, regardless of where food is grown, its distribution is global.

Key findings

- **The lack of reporting and transparency on social issues by all companies – particularly private companies – is a core stumbling block to understanding true company practices.** Human resource data (most notably, wages) from individual companies is considered proprietary and is not made public. While many companies in this industry, especially publicly traded ones, publish corporate social responsibility (CSR) reports, social issues such as worker treatment receive significantly less coverage than environmental or governance issues. Moreover, among those reports that do address social issues, the emphasis on working conditions tends to focus on overseas suppliers, often overlooking egregious conditions in the U.S.

- **Despite the public's tendency to focus on high-profile, publicly traded companies, such as Walmart and Costco, private companies and cooperatives have a significant footprint in the food and agriculture sector.** Of the list of 100 largest and most influential food companies in the U.S., 42 are either privately held (including **Cargill**, with $108 billion in revenue) or are cooperatives (such as **CHS Inc.**, with $25 billion in revenue, or **Land O'Lakes**, with $11 billion in revenue). Many of these companies tend to be even less transparent on social and worker issues than their publicly traded peers.

- **Many of the companies assessed have a mixed track record when it comes to worker equity practices, demonstrating inconsistent performance in this area.** Firms tend to excel in one area and lag in another. As such, rather than assigning overall rankings from 1 to 100, this project has ranked companies according to unique areas of preparedness and performance under key thematic headings**. Walmart** is making strides in addressing supply chain exposure, but perpetuates poor working conditions and low wages among its direct employees. **DuPont** publishes a robust CSR report but features minimal emphasis on worker and social issues. **Ahold** has excellent policies on worker equity and is 100 percent unionized in the Netherlands, yet appears to be violating its own standards in the U.S. as it fights unions in some locations.

- **Concentration may well be the most significant factor in understanding food and agriculture companies.** A small handful of firms hold significant control over every subsector in this industry. For example, among beef packers, four firms (**Tyson**, **Cargill**, **Swift**, and **National Beef Packing**) control 84 percent of the market. In flour milling, three firms (**Cargill/CHS**, **ADM**, and **ConAgra**) control 55 percent of the market. Pork, turkey, chicken, and soybean processing have from 55 to 80 percent of their markets controlled by four firms.[2] Similarly, just four companies control at least three-quarters of international grain trade. In the U.S., ten companies alone account for half of food and beverage sales.[3]

- **Exemption from wage and hour laws is a key barrier to worker equity among food and agriculture companies.** The restaurant industry is among the fastest growing sectors of the economy and employs 10 million workers – the majority of whom are women. Yet restaurants offer many of the nation's lowest wage jobs, with few benefits. In 2010, seven of the 10 lowest-paying occupations were in restaurants. A key reason for this trend is that the federal wage for tipped workers is fixed well below the standard minimum wage; in the U.S. it has remained at $2.13 since 1991. Food servers rely on food stamps at nearly twice the rate of the population overall.[4] Many agricultural workers are also exempt from minimum wage and hour laws, and because much agricultural work is done by illegal immigrants, even fewer protections apply. Across the U.S. food industry, frontline workers earn a median salary of only $18,900 a year.[5]

- **Whereas a commitment to worker equity must stem from the top, only 18 companies tracked in this study reference a board or management-level committee tasked with social oversight**. An example is the French firm **Danone**, which has a social responsibility committee at the board level overseeing the company's CSR strategy. Even among these 18 leaders, most offer limited disclosure on the focus and composition of their social committees. The majority of companies provide no evidence of a formal accountability framework to address social impacts.

- **Few companies received top scores for key employee-related policies, and where these policies exist they are often ineffectively implemented.** Approximately one in five companies tracked has exemplary policies on freedom of association and the elimination of discrimination. However, even where such policies exist, they are often poorly enforced and in some cases blatantly violated. For example, in 2011 **Ahold** was alleged to have denied the right of unionization to the employees of its 25 Martin brand stores in Richmond, Virginia, despite having strong group policies against such practices.

- **At least one-third of companies assessed have some degree of union representation, which positively impacts wages**. At least three companies have extremely high union density, with 75 percent or more of their workforce covered by collective bargaining: **Danone**, **Safeway**, and **Kroger**. The grocery industry in general is about one-third organized. Unions make a difference in wages: a unionized cashier makes $13/hour, while a non-union cashier makes $9.25, representing a 40 percent premium. In poultry, fish, and meat processing, the difference is $16.50/hour vs. $12/hour.

- **Wages vary by subsector, with restaurant workers earning the lowest amount.** In the production of food, with employers such as **Cargill** and **Land O'Lakes**, the median hourly wage is $10.10. In the processing of food – including companies like **Perdue** and **Kraft**, the median hourly wage is $13.06. Warehousing and distribution pays a median hourly wage of $13.28. The retail sector, with firms like **Kroger** and **BJs**, pays a relatively low median hourly wage of $9.69. Finally, restaurants and food service providers, which include companies such as **Starbucks** and **Darden Restaurants**, pay the lowest median hourly wage of $9.11 (including tips).

- **Compensation for food industry CEOs offers a stark contrast to the pay of average workers**. The highest paid CEOs receive a total compensation package of between 475 times and 1,023 times that of their typical worker (topped by Steve Ellis at **Chipotle Mexican Grill**.)

- **Some food employers pay frontline workers substantially higher than average wages.** Nine companies on this list made *Fortune* magazine's Best Places to Work list, which is based in part on wages, including **Publix Super Markets**, **Whole Foods Market**, **Wegmans Food Markets**, and **Starbucks**. The highest paying company was **General Mills**, where operators, the most common job for hourly workers, were paid $52,145. After four years, cashiers at **Costco** can earn $43,000 a year – more than double the $18,380 national mean wage for U.S. cashiers overall.

- **Some of the most dangerous jobs in the U.S. are found in the food industry.** Injuries are especially prevalent in warehousing, farm labor, and food processing. While the fatality rate for all industries is 3.5 per 100,000 workers, in agriculture the rate is over 25, and for warehousing and transportation jobs it is 15.[6] Of the companies assessed, three firms had ten or more fatalities in the last three years: **Associated British Foods**, **Nestlé**, and **Coca-Cola**.

- **Preliminary findings suggest a direct correlation between worker equity and food safety.** A study by the United Food and Commercial Workers International Union found that employee empowerment through unions helped employees speak up about food safety and resulted in fewer meat recalls in unionized plants compared to non-unionized ones. Among the reasons for this difference are that unionized plants may have lower turnover, have a greater culture of safety, and allow workers to negotiate with management over equipment and staffing.

- **Food and agriculture companies face considerable exposure to labor rights violations among suppliers, many of whom are based in countries lacking basic worker protections.** Of particular concern for the food processing industry are the supply chains of major commodities such as cocoa, soy, sugar, and palm oil. Food retailers have also long been accused of serious labor violations in their supply chains, particularly at factories across Asia.

- **Meanwhile, companies face considerable human rights exposure in their own backyards, refuting the perception that locally grown equates with ethically grown.** Allegations of inequitable working conditions among food companies also occur in developed countries such as the U.S., in part due to subcontracting. For example, **Kraft Foods** has been criticized for outsourcing manufacturing jobs to a company that is reportedly anti-union and has been cited numerous times by the National Labor Relations Board for violations of U.S. laws.

- **Four companies assessed take the lead with strong supply chain policies and programs, all of which are European-based companies.** Despite the minimal inclusion of non-U.S. companies in this study, **Danone**, **Tesco**, **Syngenta**, and **Ahold** surpassed their U.S. peers as clear leaders. This result illustrates that U.S. companies are falling behind their European counterparts, which may be linked in part to greater consumer awareness in Europe about supply chain issues as compared to U.S. consumers.

- **The business case for improved worker equity practices has yet to be fully articulated**. Anecdotal evidence suggests that low-road practices have negative consequences such as low morale, high

turnover, labor disputes, and poor product quality and customer service. But more systematic research is needed. There is a significant opportunity for collaborative research and analysis among responsible investors, academics, the labor movement and companies themselves, to identify material linkages between worker equity and business success. There is also an opportunity to enhance social impact metrics and promote meaningful and consistent social disclosure among companies.

- **By situating worker equity issues alongside public health, animal welfare and environmental concerns, there is an opportunity to position these issues more prominently.** Through stronger messaging, the plight of food workers has the capacity to widely resonate throughout a growing global food movement of conscientious consumers at a time when public attention to food production is at its peak.

Table 1. 100 Largest and Most Influential Food and Agriculture Companies in the U.S.

Size Rank	Company	Headquarters	Type	Food Segment	Revenue (Millions)	Employees
1	Walmart Stores, Inc.	Bentonville AR	Public	Food Retail	408,085	2,100,000
2	Nestlé S.A.	Switzerland	Public	Packaged Food	111,969	281,000
3	Cargill, Inc.	Wayzata MN	Private	Agricultural Products; Meat	107,882	131,000
4	Tesco PLC	United Kingdom	Public	Food Retail	86,707	492,000
5	Costco Wholesale Co.	Issaquah WA	Public	Food Retail	77,946	128,000
6	The Kroger Co.	Cincinnati OH	Public	Food Retail	76,733	338,000
7	Archer Daniels Midland Co.	Decatur IL	Public	Agricultural Products	61,682	30,700
8	Unilever plc	United Kingdom	Public	Packaged Food	59,352	167,000
9	PepsiCo, Inc.	Purchase NY	Public	Beverages; Packaged Foods	57,838	294,000
10	Kraft Foods, Inc.	Northfield IL	Public	Packaged Food	49,207	127,000
11	Bunge Limited	White Plains NY	Public	Agricultural Products	45,707	33,021
12	Safeway, Inc.	Pleasanton CA	Public	Food Retail	41,050	180,000
13	SUPERVALU, Inc.	Eden Prairie MN	Public	Food Retail/Supplier	40,597	142,000
14	Koninklijke Ahold N.V.	Netherlands	Public	Food Retail	39,598	122,027
15	Sysco Corp.	Houston TX	Public	Foodservice Supplier	37,243	46,000
16	The Coca-Cola Co.	Atlanta GA	Public	Beverages	35,119	139,600
17	JBS S.A.	Greeley CO	Public	Packaged Meat	33,158	128,036
18	E. I. du Pont de Nemours and Co.	Wilmington DE	Public	Seed, etc.	32,730	60,000
19	McLane Company, Inc.	Temple TX	Private	Wholesale Supplier	32,687	15,000
20	George Weston Limited	Canada	Public	Food Retail	32,182	142,000
21	Mars, Inc.	Mclean VA	Private	Packaged Food	30,000	65,000
22	Tyson Foods, Inc.	Springdale AR	Public	Packaged Meat	28,430	115,000
23	Publix Super Markets, Inc.	Lakeland FL	Private	Food Retail	25,328	148,000
24	CHS, Inc.	Saint Paul MN	Co-Op	Agricultural Products	25,268	8,666
25	Compass	United Kingdom	Public	Foodservice Supplier	24,740	471,108
26	McDonald's Co.	Oak Brook IL	Public	Restaurant	24,075	400,000
27	Danone	France	Public	Packaged Food	22,809	100,995
28	C&S Wholesale Grocers, Inc.	Keene NH	Private	Food Retail/Supplier	19,400	15,000
29	Sodexo	France	Public	Foodservice Supplier	19,380	379,137
30	U.S. Foodservice, Inc.	Rosemont IL	Private	Foodservice Supplier	18,862	25,000
31	Associated British Foods plc	United Kingdom	Public	Packaged Food	15,895	102,000
32	General Mills, Inc.	Minneapolis MN	Public	Packaged Food	14,636	35,000
33	ARAMARK Co.	Philadelphia PA	Private	Food Service	12,572	254,000
34	Kellogg Co.	Battle Creek MI	Public	Packaged Food	12,397	30,645
35	Dean Foods Co.	Dallas TX	Public	Dairy	12,123	25,780
36	ConAgra Foods, Inc.	Omaha NE	Public	Packaged Food	12,015	23,200
37	Monsanto Co.	St. Louis MO	Public	Seed, etc.	11,820	26,100
38	Syngenta	Switzerland	Public	Seed, etc.	11,640	26,200
39	Yum! Brands, Inc.	Louisville KY	Public	Restaurant	11,343	215,460
40	Smithfield Foods, Inc.	Smithfield VA	Public	Packaged Meat	11,203	46,350
41	Land O'Lakes, Inc.	Arden Hills MN	Co-Op	Dairy	11,146	9,000
42	Starbucks Co.	Seattle WA	Public	Restaurant	10,707	149,000
43	H. J. Heinz Co.	Pittsburgh PA	Public	Packaged Food	10,495	34,800
44	Performance Food Group Co.	Richmond VA	Private	Foodservice Supplier	10,100	9,800
45	BJ's Wholesale Club, Inc.	Westborough MA	Private	Food Retail	10,051	24,800
46	Dairy Farmers of America, Inc.	Kansas City MO	Co-Op	Dairy	9,800	3,725
47	Wakefern Food Co.	Elizabeth NJ	Co-Op	Wholesale Distribution	9,458	1,304
48	Whole Foods Market, Inc.	Austin TX	Public	Food Retail	9,006	54,850
49	Sara Lee Co.	Downers Grove IL	Public	Packaged Food	8,339	21,000
50	Campbell Soup Co.	Camden NJ	Public	Packaged Food	7,676	17,500
51	Associated Wholesale Grocers	Kansas City KS	Co-Op	Wholesale Distribution	7,252	1,024
52	Hormel Foods Co.	Austin MN	Public	Packaged Meat	7,221	19,400
53	Darden Restaurants, Inc.	Orlando FL	Public	Restaurant	7,113	178,500
54	Dole Food Company, Inc.	Westlake Village CA	Public	Fruits and Vegetables	6,890	74,300
55	U.S. Premium Beef, LLC	Kansas City MO	Private	Packaged Meat	6,849	9,100
56	Saputo, Inc.	Canada	Public	Dairy	6,200	10,200
57	GROWMARK, Inc.	Bloomington IL	Co-Op	Seed, etc.	6,132	1,876
58	Wawa, Inc.	Media PA	Private	Food Retail; Dairy	5,890	16,289
59	Hershey Co.	Hershey PA	Public	Packaged Food	5,671	12,400
60	Dr Pepper Snapple Group, Inc.	Plano TX	Public	Beverages	5,636	19,000
61	Giant Eagle, Inc.	Pittsburgh PA	Private	Food Retail	5,290	36,000
62	Wegmans Food Markets, Inc.	Rochester NY	Private	Food Retail	5,150	38,000
63	OSI Group, LLC	Aurora IL	Private	Packaged Meat	5,150	19,100
64	Perdue, Inc.	Salisbury MD	Private	Packaged Meat	4,992	23,068
65	J. M. Smucker Co.	Orrville OH	Public	Packaged Food	4,605	4,500
66	J.R. Simplot Co.	Boise ID	Private	Fruits and Vegetables	4,600	10,000
67	Corn Products International, Inc.	Westchester IL	Public	Agricultural Products	4,367	10,700
68	Ralcorp Holdings, Inc.	St. Louis MO	Public	Packaged Food	4,049	10,800
69	Golden State Foods Corp.	Irvine CA	Private	Food Service; Distribution	4,000	3,000
70	Kangaroo Holding, Inc.	Tampa FL	Private	Restaurant	3,922	116,000
71	Unified Grocers, Inc.	Commerce CA	Co-Op	Wholesale Distribution	3,921	928
72	United Natural Foods, Inc.	Providence RI	Public	Wholesale Supplier	3,757	6,900
73	Fresh Del Monte Produce, Inc.	Coral Gables FL	Public	Fruits and Vegetables	3,550	42,000
74	Wendy's Co.	Dublin OH	Public	Restaurant	3,416	64,100
75	Golub Co.	Schenectady NY	Private	Food Retail	3,370	23,844
76	McCormick & Co., Inc.	Sparks MD	Public	Packaged Food	3,337	7,500
77	Ag Processing, Inc.	Omaha NE	Co-Op	Agricultural Products	3,288	1,187
78	Chiquita Brands International, Inc.	Cincinnati OH	Public	Fruits and Vegetables	3,230	21,000
79	Mead Johnson Nutrition Co.	Glenview IL	Public	Packaged Food	3,142	6,500
80	Brinker International, Inc.	Dallas TX	Public	Restaurant	3,081	45,000
81	California Dairies, Inc.	Visalia CA	Co-Op	Dairy	2,963	678
82	Rich Products Co.	Buffalo NY	Private	Packaged Food	2,900	7,500
83	Hostess Brands, Inc.	Irving TX	Private	Wholesale Supplier	2,798	21,962
84	Burger King Holdings, Inc.	Miami FL	Private	Restaurant	2,502	38,884
85	Pinnacle Foods Finance LLC	Mountain Lakes NJ	Private	Packaged Food	2,437	5,000
86	Foster Poultry Farms	Livingston CA	Private	Packaged Meat	2,200	10,500
87	HP Hood LLC	Lynnfield MA	Private	Dairy	2,200	4,500
88	Jack in the Box, Inc.	San Diego CA	Public	Restaurant	2,190	25,700
89	Darigold, Inc.	Seattle WA	Co-Op	Dairy	2,100	1,240
90	Koch Foods, Inc.	Park Ridge IL	Private	Packaged Meat	2,000	14,000
91	Limagrain	France	Co-Op	Seed, etc.	1,993	7,200
92	The Schwan Food Company	Marshall MN	Private	Packaged Food	1,964	17,000
93	Chipotle Mexican Grill, Inc.	Denver CO	Public	Restaurant	1,836	26,500
94	Bob Evans Farms, Inc.	Columbus OH	Public	Restaurant	1,680	44,819
95	The Cheesecake Factory, Inc.	Calabasas Hills CA	Public	Restaurant	1,660	31,500
96	Ocean Spray Cranberries, Inc.	Lakeville-Middleboro MA	Co-Op	Fruits and Vegetables	1,589	2,000
97	Panera Bread Company	St. Louis MO	Public	Restaurant	1,540	15,900
98	Associated Milk Producers, Inc.	New Ulm MN	Co-Op	Dairy	1,400	1,700
99	American Crystal Sugar Co.	Moorhead MN	Co-Op	Agricultural Products	1,204	1,361
100	Wayne Farms LLC	Oakwood GA	Private	Packaged Meat	1,082	9,200
				TOTAL	2,113,494	9,054,164

Note: Rank is by total revenues for FY2010 or FY2011. "Headquarters" column represents city where the U.S. headquarters is located, or designates a nation if headquartered abroad. Revenues are total global company revenues, not only food-related sales.

Summary of Methodology

The top 100 largest and most influential food and agriculture companies in the U.S. market were selected through a process that considered hundreds of publicly traded, private, and cooperative companies in the U.S. and abroad. All companies considered generated at least one billion USD in revenues. The selection process also considered the number of people employed by each company. Industry segmentation represented another criterion, with the aim of including top companies from each subsector, including agricultural production, food processing, wholesale distribution, food services, and retail. The universe was defined based on company data from fiscal year 2010 or 2011, using the latest available data as of January 2012.

Once the company universe was defined, an advisory panel was convened, including leading experts in the field, to discuss key trends, identify appropriate performance indicators, and brainstorm potential avenues of influence. The advisory panel met in person in Boston for a full-day session, helped shape the report, assisted with fact checking, reviewed drafts, and was available for interviews and queries.

Worker equity management and performance data was obtained from Sustainalytics' global platform for 55 publicly traded companies and two private firms. Sustainalytics is a global research provider with 20 years of experience gathering information on the environmental, social, and governance (ESG) performance of public companies. For these 57 companies, selected indicators of worker and social equity performance were aggregated into four categories: oversight and disclosure; worker equity policies and practices; health and safety; and supply chain worker treatment. Compensation data was collected separately using a number of sources, including *Fortune* magazine, Food Chain Workers Alliance, U.S. Bureau of Labor Statistics, and input from the advisory panelists.

A survey on worker equity practices was sent to all 100 companies, although few companies chose to participate. All publicly traded companies tracked in Sustainalytics' database were sent a copy of their assessment and given a chance to make revisions or updates.

For private and cooperative companies, additional research was conducted focusing on policies and practices on CSR disclosure and management. A scan for controversies and incidents was also run for each company – reaching back three years – through a large database of news sources. Hoover's database was used for basic data on company revenue, industry subsector, lines of business, and number of employees. For more detail on methodology, consult the Appendix.

Part I: Understanding the Overall Landscape

The invisible hardship of workers throughout the value chain

> "Ironically, food workers face the highest levels of food insecurity in the U.S."

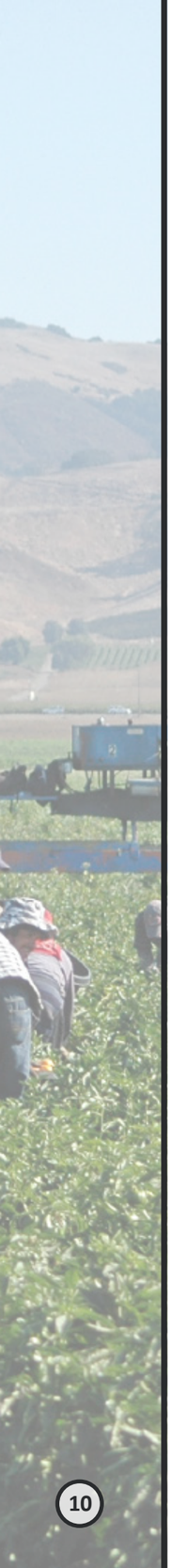
Food and agriculture is the single largest industry in the world. In the U.S., it represents an economic engine of $1.8 trillion—more than 13 percent of GDP.[7] Ironically, workers producing and delivering food to consumers face the highest levels of food insecurity in the U.S. Their wages are well below the national average and they are exposed to various health and safety risks, affecting direct employees and suppliers.

The nature and degree of impact and exposure facing food workers varies considerably at each stage of the value chain, from production and processing to distribution, services, and retail. While each of these sub-industries could be the focus of a stand-alone report on worker equity, this study aims to provide a high level overview of working conditions across the value chain. With growing consumer interest in the origin, quality, and sustainability of food – from field to table – critically overlooked working conditions must be factored into the equation.

Among the 100 largest companies in food and agriculture, the largest segment of companies (one-third) is food processors. The largest number of employees is found within three industry subsectors: food processing, food service/restaurants, and retail markets. While these figures account for direct employees only, when including supply chain and contract workers, farmworkers constitute the base of the global food supply chain.

> "There are an estimated 1.4 million crop workers in the U.S. and more than half are estimated to be undocumented."

For ***farmworkers*** conditions are difficult in a variety of ways. There are an estimated 1.4 million crop workers in the U.S. and more than half are estimated to be undocumented; since they are in the country illegally, they are unlikely to blow the whistle on bad practices to relevant authorities. "It's easy to take advantage of people in these conditions," said Irit Tamir from Oxfam America, a member of the advisory panel convened for this report. She notes that farmworkers are excluded from most provisions of the Fair Labor Standards Act, lacking the protection of basic labor and safety standards afforded other workers – even though farmworkers toil in often riskier conditions. They generally do not receive overtime payments or unemployment insurance, and their minimum wage is comparatively low.



For ***factory workers*** employed at food processing and manufacturing plants, health and safety risk are a significant area of exposure. The U.S. Bureau of Labor Statistics estimates that food manufacturing has one of the highest occupational injury and illness incidence rates among all industries, with animal slaughtering plants having the highest incidence rate among all food manufacturing industries. Food processing jobs involve repetitive, physically demanding work, and there is an increased risk of repetitive strain injuries. Working conditions also include standing for long periods and lifting heavy objects or using dangerous tools and machines for cutting, slicing, and grinding.[8] Furthermore, food processing plants often face labor disputes surrounding unionization, wages, and working conditions. Recent studies suggest a potential correlation between poor working conditions at food processing plants and food safety incidents, stemming from low morale, poor safety culture, and chronic fatigue.

Fierce competition among ***food retailers*** leads companies to constantly seek cost-saving strategies, which often include lower wages for workers, reduced employee benefits, and fewer permanent and full-time positions. As a result, a high percentage of grocery store workers are temporary, seasonal, casual, or disenfranchised workers, who face job insecurity, low pay and overtime hours. Consequently, lawsuits alleging labor violations, such as unpaid overtime, discrimination, and poor working conditions are common in this sector.

> “Food servers rely on food stamps at nearly double the rate of the general U.S. population.”

Workers in the ***restaurant industry*** face still other challenges. Seven of the 10 lowest paid occupations in the U.S. are in restaurants. The federal minimum wage for servers and other tipped workers has remained frozen at a paltry USD $2.13 per hour for 20 years. The tip credit system, prevalent in the U.S., allows employers to use customers’ tips to pay the minimum wages. The U.K. — where the minimum wage for workers above 21 years of age is GBP 6.19 per hour (as of October 1, 2012) — chose to abolish the tip credit system in 2009; it now requires that tipped workers be paid the full minimum wage from the company, as opposed to through tips. The February 2012 report *Tipped Over the Edge*, from Restaurant Opportunities Centers (ROC) United, reported that nine out of 10 restaurant workers have no employer-paid sick days or health insurance. Women, who represent the majority of restaurant workers, face five times more harassment than female workers across other industries. ROC United reports that servers rely on food stamps at nearly double the rate of the general U.S. population. “Essentially,” the authors wrote, “many of the workers who serve America its food cannot afford to eat.”[9]

Major companies in food and agriculture, for the most part, do not appear to identify strong worker treatment as a driver of business performance. Driven by the need to grow, process, and sell as much food as possible, as cheaply as possible, companies often treat employee labor as an input into that process, to be purchased as inexpensively as possible. Working conditions of employees – both direct employees and supply chain workers – often remain invisible to company decision-makers. Lamentably, the daily struggles of these workers are off the radar of both employers and consumers.

The structure of the industry

If the daily travails of workers are invisible to the management of major companies in food and agriculture, part of the reason is the enormous size of these companies and the resulting remoteness from on-the-ground daily operations.

The power of concentration

The concentration of power and market share may well be the most significant factor in understanding the structure of the food and agriculture industry. A small handful of firms hold significant control over every sector. For example, among beef packers, four firms control 84 percent of the market. These are Tyson (No. 22 on the list of 100), Swift (subsidiary of JBS USA Holdings, Inc. – No. 17), and National Beef Packing (subsidiary of U.S. Premium Beef, No. 55). In flour milling, three firms control 55 percent of the market: CHS (No. 24), Archer Daniels Midland (No. 7), and ConAgra Foods (No. 36). Pork, turkey, chicken, and soybean processing each have from 55 to 80 percent of their markets controlled by four firms.[10] Just four companies control at least three-quarters of international grain trade. In the U.S., ten companies account for half of food and beverage sales.[11]

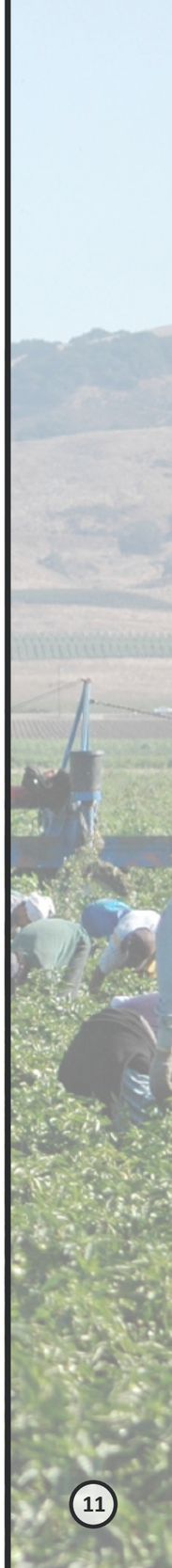
> “Five companies – Walmart, Kroger, Safeway, Supervalu, and Ahold – account for half of grocery sales in the U.S.”

In grocery stores, the degree of concentration held by one firm is massive. Last year, **Walmart (No. 1)** by itself captured 25 percent of the $550 billion Americans spent on groceries. In 29 metropolitan markets, it accounts for more than 50 percent of grocery sales. Walmart’s domination has prompted other firms to consolidate, with regional chains like **Kroger (No. 6)** and Fred Meyer combining to form national chains. In 2011, only five companies, including Walmart, Kroger, **Safeway (No. 12)**, **Supervalu (No. 13)**, and **Koninklijke Ahold (No. 14)**, accounted for approximately half of all grocery sales in the U.S.[12]

Market power permits large firms to pressure farmers into accepting low prices for commodity goods. A U.S. Department of Agriculture (USDA) analysis found that big retailers use their market power to pay less for apples, lettuce, and other produce than they would pay in a competitive market. Further, the USDA Research Service found that, between 1990 and 2009, the farmers’ share of each dollar that consumers spent on pork fell from 45 cents to 25 cents.[13]

The power of retailers and other companies higher up the food chain has a considerable impact on the potential to improve pay and conditions for farmworkers. According to Oxfam America’s Irit Tamir, for every dollar a consumer pays for an apple, the farmer gets just 11 cents. In trying to pressure farmers to pay farmworkers more, “we are fighting the wrong battle,” she said. “We need to get to the 89 cents” – which means focusing less on farmers and more on the processors, distributors, and retailers that absorb a disproportionate percentage of the food dollar.

Market power also gives firms leverage to push for lower wages and to combat unionization. The meat-packing industry offers a powerful example of this trend. At one time, meat-packing jobs were among the highest paid industrial jobs in the U.S., with one of the lowest turnover rates. Much like



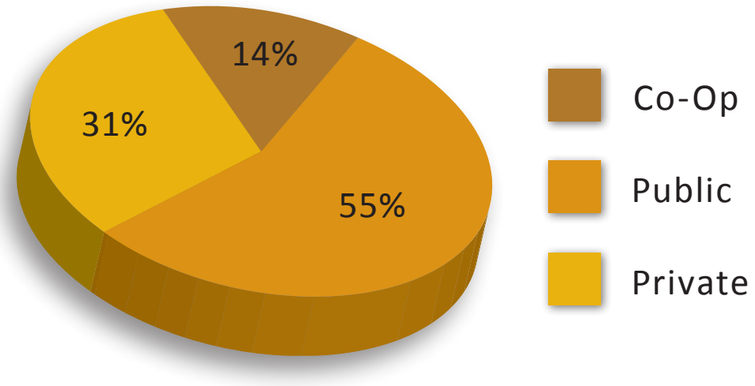
autoworkers' jobs, meat-packing jobs were once a pathway to the middle class. Yet, beginning in the 1960s, Iowa Beef Packers (IBP), which later became International Beef and was ultimately bought by Tyson**,** began to revolutionize the industry. It recruited immigrant labor, deskilled jobs, and battled unions. Firms that wanted to compete with IBP were forced to adopt similar methods. Wages across the industry fell by as much as 50 percent, making meat-packing one of the nation's lowest paying industrial jobs. In recent years, unions have been resurgent in meat-packing. Today, meat and pork processing industries are roughly 70 to 80 percent unionized, with significantly lower rates of pay.[14]

Today, Walmart, more than any other firm in the world, sets labor standards across its vast network of direct employees and the many industries that feed its supply chain. As the largest employer in the nation, with 2.1 million employees, Walmart has been accused of driving a low-wage strategy throughout the economy via its direct employees and network of contractors and suppliers.

The role of ownership models

Despite the public spotlight cast on large, high profile, publicly traded companies, such as Walmart and Costco (No. 5), private companies and cooperatives have a significant footprint in the food and agriculture sector. In the list of 100 companies tracked only 57 are publicly traded; 14 are cooperatives and 28 are privately held. Private companies can be substantial players, such as Cargill, with $107.8 billion in revenues; and food services firm **ARAMARK (No. 33**) with over 250,000 employees.

Figure 1. Ownership Structure of Top 100



Within private ownership, there can be a great deal of variation in ownership structures, with implications for workers. It is beneficial to understand a particular company's ownership structure before beginning engagement. **Burger King (No. 84),** for example, is today controlled by the hedge fund 3G Capital, which has put the firm under pressure to increase profits, resulting in mass layoffs at its Miami headquarters. "It's been run as a cash cow for Wall Street," Bob Goldin of Technomic, a food service consulting firm, told the *New York Times.* In June 2012, the hedge fund took the company public again, while retaining a 76 percent stake. As the business drivers shift toward collecting fees and rents, involvement in daily operations decreases. This lack of hands-on involvement may leave less opportunity for engagement and influence.[15]

On a more positive note, private ownership can also foster a humane workplace. A good example is family-owned **Wegmans (No. 62),** a company with $5.1 billion in revenue, 38,000 employees, and 79 supermarkets along the East Coast. As *The Atlantic* reported recently, Wegmans has a "cult-like loyalty among its customers," sends hundreds of employees around the world to become experts in their products, and says its workers are its most important resource. "When you think about employees first, the bottom line is better," said Kevin Stickles, vice president for human resources. "We want our employees to extend the brand to our customers." Executives say the company can more freely invest in its employees because it does not owe fiduciary responsibility to absentee shareholders.[16] Wegmans has long been on *Fortune*'s list of the 100 Best Companies to Work For.

Cooperatives have a surprisingly large presence in food and agriculture. These include farmer-owned cooperatives like CHS Inc., with $25 billion in revenue; **Land O'Lakes (No. 41),** with $11 billion in revenue; and **Ocean Spray Cranberries (No. 96),** with considerable brand recognition**.** As producer cooperatives, these companies are run in the interests of their members (the farmers) and are governed by them, under a principle of one person, one vote.

> "Family ownership at Wegmans helps foster a humane workplace for its 38,000 employees."

CHS, for example, is governed by a 17-member board directly elected by its producers, and all CHS directors are active farmers and ranchers. CHS is a diversified energy, grains, and food company that is the nation's leading cooperative and a Fortune 100 company. The company is unusual in the fact that it also has shares of stock trading on the NASDAQ stock exchange; these are preferred shares, which behave more like debt and confer limited voting rights. This ownership and capitalization design makes CHS responsive to the farmers and ranchers who produce its products, not to financial markets. This ownership structure, in part, helped the firm recently win honors as one of the top places to work in Minnesota, as named by the *Minneapolis Star-Tribune*.[17]

Farmer ownership can be a more stable, transparent, and accessible form of ownership than that of publicly traded companies. Moreover, being a farmer-owned cooperative "almost insists on a more progressive attitude toward labor," said Theresa Marquez from Organic Valley, a Wisconsin-based, farmer-owned organic dairy company that is not included in the 100 largest list (but may soon be, given its 2011 revenues of $716 million and continuing double-digit growth). Minimum wage at Organic Valley is $11 an hour. "Do our families (the farmer owners) pay their workers better? Some of them do," she notes. "Others do not"; each of the company's 1,700 farmer-members is an individual business.

It is important to note that many cooperatives on the list of 100 largest food and agriculture companies are *purchasing cooperatives,* formed to enhance the buying power of member corporations. These include **Associated Wholesale Grocers, (No. 51)** and **Unified Grocers (No. 71),** large wholesale grocery distribution companies. These cooperatives are no more likely to be values-driven businesses than any other company.

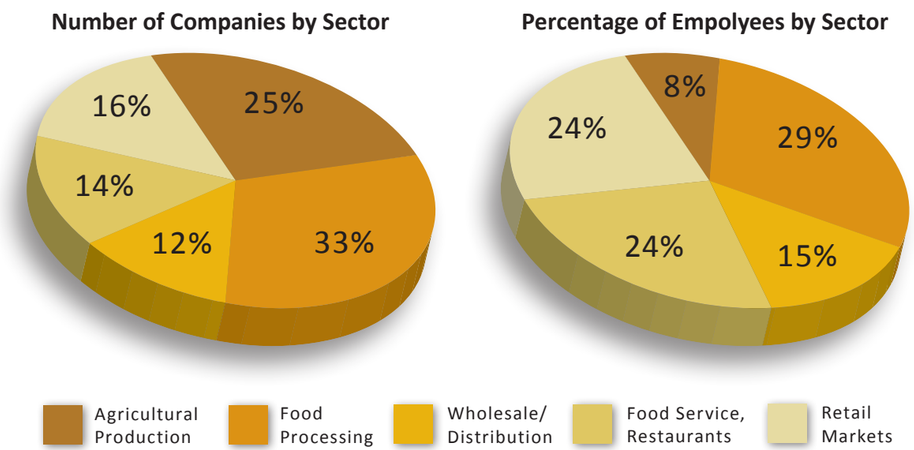
Even with farmer-owned cooperatives, not all exemplify best practices. Darigold (No. 89), a farmer-owned dairy cooperative with $2 billion in revenue, headquartered in Seattle, has recently been the

subject of a campaign by the United Farm Workers and other groups. In January 2012, the Community Alliance for Global Justice held a march to Darigold headquarters to support workers; one-third of former company workers say they were fired after attempting to form a union.[18] Elsewhere, the Teamsters asked Top Food store customers in many cities to boycott Darigold products, after hundreds of Teamsters were locked out of their jobs by Darigold management.[19] According to Robin Jaffin, director of supplier programs at Verite, "If it's a small-holder farm, it's harder to impact the practices, compared to large agribusiness, which have management systems in place."

Still another ownership model at play among some of the private companies tracked is employee ownership. **Publix Supermarkets (No. 23)** is majority-owned by its 148,000 employees, and is the largest majority-employee-owned firm in the U.S. It has earned a spot on the *Fortune* list of the 100 Best Companies to Work For, and it is a place where an hourly deli clerk makes an annual salary of nearly $27,000 and voluntary turnover is just three percent.[20] Yet, it is currently being targeted by the Coalition of Immokalee Workers (CIW), because Publix has refused to join other companies in guaranteeing better conditions and pay for tomato pickers in its supply chain. On the other hand, CIW reports increased support for its campaign from Publix employees, to whom the board of directors is ultimately accountable.[21]

Besides Publix, at **Wawa Inc**. **(No. 58)** approximately half of its 18,000 employees have a 30 percent ownership stake through their employee stock ownership plan (ESOP). There is also an ESOP program at **Golub Corporation**'s Price Chopper chains **(No. 75)**.

Figure 2. Number of Companies and Percentage of Employees by Sector



Part II: Study Findings – Worker Equity Practices Among 100 Largest Firms

1. Oversight and disclosure

A company's commitment to worker equity begins with effective oversight and disclosure. The best companies disclose not only their social and environmental policies but also their *outcomes,* though in the case of worker equity, such outcome-based reporting is almost entirely missing. Given these challenges, it is useful to keep in mind that any analysis of worker equity practices is constrained due to inadequate disclosure.

To effectively address key social impacts, oversight must extend from the board of directors all the way down to factory or farm management. Though it is common for companies to create board responsibility for *corporate governance* practices, few companies explicitly assign formal board or executive oversight of *social* issues. Among the 57 companies for which Sustainalytics data was available, 32 companies had delegated board or management-level oversight broadly to environment, social and governance (ESG) issues. Yet, only 18 of these companies disclosed explicit formal oversight of *social issues*, such as labor standards, employee development, or health and safety.

> "Fewer than 1 in 5 companies shows evidence of having a high-level committee tasked specifically with oversight of worker equity issues."

French firm **Danone (No. 27)** has a committee at the board level that oversees the company's corporate social responsibility (CSR) strategy, which addresses employees, customers, and suppliers, in assessing the company's non-financial performance. Another 12 companies reference a management-level committee tasked with social oversight, yet offer limited disclosure on the committee's focus, composition and level of responsibility. The remaining firms (44 of the 57 companies tracked by Sustainalytics) provide no evidence of a formal accountability framework to address social impacts.

Engaging stakeholders

Stakeholder engagement is one effective way for companies to begin addressing social risks. A food company's stakeholders extend beyond its shareholder, employee, and customer base to include farmers, suppliers, contractors, subcontractors, and society at large. According to a 2012 joint report by Sustainalytics and Ceres, *The Road to 2020: Corporate Progress on the Ceres Roadmap for Sustainability*, companies in the food sector are not sufficiently leveraging the opportunity to engage stakeholder input. **PepsiCo (No. 9)** and **Darden Restaurants (No. 53)** were among the few recognized for making progress in stakeholder engagement efforts.[22]

Campbell Soup (No. 50) also demonstrates considerable leadership in terms of stakeholder engagement. It solicits feedback from suppliers, employees, investors, consumers, community groups and policy

makers on issues such as health and nutrition, food safety and quality, environmental stewardship, community relations, and employee engagement. It then conducts a materiality assessment of these issues to help develop its sustainability strategy. The company discloses its engagement efforts in its sustainability reporting.

Among the public companies assessed, **Coca-Cola Company (No. 16)** is unique in its disclosure of regulatory risks involving public health and obesity in its mainstream financial filings. More common is the practice of publishing such information in stand-alone CSR or sustainability reports.

While a majority of the publicly traded food and agriculture companies assessed (39 out of 57) release a sustainability report that at least minimally addresses social issues, the quality of reporting is not robust or comparable. These companies often disclose information about the various social programs they are involved in, but the reports tend to focus on philanthropic activities as opposed to worker equity policies and performance. It is particularly challenging to gather consistent social data in the form of measurable and quantifiable metrics, such as employee turnover rates, workforce composition, health and safety incidents, fatalities, and results of supply chain audits.

Among publicly traded companies studied in this report, only 16 out of the 55 companies tracked by Sustainalytics (29 percent) release sustainability reports with *dedicated and detailed sections on social issues,* namely addressing labor, supply chain, and community. Even the leaders in this area fall short when their social disclosure is compared with their governance and environmental reporting. There has been much progress in terms of *environmental disclosure*, with the development of reporting initiatives such as the Carbon Disclosure Project and the use of common quantitative performance metrics, such as greenhouse gas emissions, ISO 14001 certifications, and water, waste and energy intensity. But a harmonized reporting system for *social metrics* is lacking.

Table 2. Selected Top Publicly Listed Companies for Oversight and Disclosure

Company	Score	Why they're on top
Syngenta AG	100	A Corporate Responsibility Panel at the senior executive level advises on corporate responsibility (CR) priorities and oversees CR reporting. In its annual report, the company integrates social, environmental and financial performance, providing significant social disclosure, with a particular focus on food security.
H. J. Heinz Company	98	Heinz's 2011 CSR Report was externally verified according to the AA1000 (2008) Assurance Standard and provides information about labor standards, employee programs, community initiatives, and safe and healthy food. The company has a CSR committee reporting three times a year to the board.
Danone	93	The company is particularly strong in terms of governance of health issues related to its products. Oversight of social issues by management is linked to compensation in the form of social business objectives including labor indicators, such as job security, employee training and development.
Coca-Cola Company	93	Coca-Cola has a board-level public issues and diversity review committee. In its financial filings, the company discloses regulatory risks involving public health and obesity. The company has strong social supply chain policies and discloses supply chain audits results.
Unilever	90	Unilever's Sustainable Living Plan Steering Team oversees corporate responsibility initiatives. The company has set up specialist teams to work on different sustainability issues, including health and safety, and sustainable sourcing of supplies.
ConAgra Foods, Inc.	88	The company has recently developed a corporate responsibility steering committee at the executive level. It oversees the company's CSR strategy, which focuses on people (employees and customers), community, and the environment, and has an employee engagement component. The company discloses social information in its CSR report.
Kellogg Company	88	The company has a board-level committee to oversee social issues and links executive compensation to organizational objectives, including diversity and safety. In its CSR report, the company provides information on workplace programs and performance.
Tesco PLC	86	Tesco has a corporate responsibility committee comprised of 12 senior executives who review Tesco's performance four times a year against its Group Key Performance Indicators set by the board, which include sustainability and corporate responsibility targets.
Compass Group PLC	83	The company has strong oversight of health and safety in particular. Its UK Executive Committee is supported by the Health, Safety and Environment (HSE) Director and receives weekly and monthly HSE reports advising of critical issues.
Nestlé S.A.	83	Nestlé's latest CSR report is written according to GRI Application Level A+ and is externally verified. The company has assigned executive-level oversight of social issues and has strong human rights and labor policies and management systems in place. It also has strong disclosure of social performance with regards to its own operations and its supply chain.

The table above highlights some of the publicly traded companies with relatively strong practices in oversight and disclosure of worker and social issues.

Because public companies are more exposed to scrutiny by civil society and the media, in addition to being held accountable to their shareholders, their level of social disclosure is somewhat higher than that of private companies. It is no surprise that transparency on social metrics is especially weak among private companies. Of the private and cooperative companies contacted for input for this report, only two answered the survey, and the information they provided was quite limited. Most do not publicly disclose any formal oversight of social impacts and few publish robust sustainability information.

> "Two private companies were notable for excellent CSR disclosure: Mars and CHS Inc."

Of the 42 companies assessed for which Sustainalytics data was not available (primarily private or cooperative companies), 15 had very minimal or no mention of sustainability on their websites. Twelve of the 42 had full CSR reports available on their websites or extensive disclosure of sustainability in terms of environment, employees, and the community. These include ARAMARK Corp., **Bob Evans Farms, Inc. (No. 94)**, **C&S Wholesale Grocers, Inc. (No. 28)**, CHS Inc., **Foster Poultry Farms (No. 86)**, **J.R. Simplot**

Co. (No. 66), Land O'Lakes, Inc., **Mars, Inc. (No. 21)**, **OSI Group, LLC (No. 63)**, **Perdue Inc. (No. 64)**, and Publix Super Markets, Inc. Two companies were notable for their extensive coverage: private firm Mars for its extensive web disclosure of social equity and environmental policies, and cooperative CHS Inc. for its disclosure on its website and its openness in fully replying to this study's survey .

2. Worker equity policies and practices

What does it mean to have strong worker equity practices? There are a number of emerging standards that attempt to delineate detailed metrics for this issue, but a simple framework was adopted for this study, addressing the following elements:

- Living wage;
- Worker rights (maximum hours, minimum wages, and freedom from discrimination);
- Job security;
- Voice at work;
- Freedom of association;
- Wellness and safety;
- Training and professional development;

From a company perspective, good jobs begin with good company policies. Advisory panel member Aaron Bernstein's recent study for the Harvard Labor and Worklife Program, benchmarking 2,500 companies across many industries, found that only 28 percent of companies had a publicly disclosed policy on human rights, or a social code of conduct that covered their own operations and their supply chains.[23]

Among the 57 companies Sustainalytics tracked for this report, only a minority received top scores for key employee-related policies. Strong employee-related policies are detailed statements that address issues such as freedom of association, discrimination and working conditions, and are based on international standards, such as the International Labor Organization's (ILO) conventions.

Table 3. Top Scores in Employee-Related Policies

Employee-related policy	No. receiving top score	Percent receiving top score (out of 57 companies)
Freedom of association	10	18%
Formal policy on core labor rights	5	9%
Policy on elimination of discrimination	12	21%

Unionization

In the food industry in general, unionization is higher than many other industries. Approximately one-third of grocery stores are unionized, for example. Yet, unionization rates are difficult to determine, as many companies do not disclose the percentage of their workforce that is unionized. Unions themselves are also often reluctant to list all of the workplaces where they have contracts.

At least 33 companies tracked have some union representation. Among the publicly traded companies tracked by Sustainalytics, 11 have a rate of unionization exceeding 50 percent. Three of these companies

> "One-third of grocery stores are unionized, higher than other industries."

stand out, with 75 percent or more of their workforce covered by collective bargaining. These companies are Danone, Safeway, and Kroger. Grocery chain Supervalu follows close behind with a union density of between 50 and 74 percent of its workforce.

Unions are widely associated with better worker treatment and make a noteworthy difference in wages. Despite the fact that wages across the U.S. have fallen by a third since the 1970s and early 1980s, in real terms, there still is a union premium in food retail and food processing industries. Whereas in food retail a unionized cashier makes about $13/hour, a non-union cashier makes $9.25, representing a 40 percent premium. In poultry, fish, and meat processing, the difference is $16.50/hour vs. $12.hour.[24]

Decent hourly wage rates do not always add up to a sufficient annual income, due to the prevalence of part-time work in the industry. For the typical grocer in the U.S., 70 percent of employees work on a part-time basis. Part-time workers typically constitute a transient and disenfranchised workforce, often denied the same benefits as their full-time counterparts.

The public and private companies listed below have been singled out for best practices in relation to worker equity policies and practices, based on a range of sources including Sustainalytics' Global Platform, *Fortune*'s list of the 100 Best Places to Work, and other sources. Given the lack of consistently disclosed data on these issues, the emphasis for this section is on best practices rather than scores.

Table 4. Selected Top Companies for Worker Equity Policies and Practices

Company	Best place to work lists	Ownership type	Sector	Why they're on top
Dole Food Co. Inc.	No	Public	Fruits and vegetables	Strong policy on elimination of discrimination and a commitment to honor ILO conventions on freedom of association. Relatively low number of temporary workers, and relatively high rate of unionization. Received top score for employee policies and practices among its peers tracked by Sustainalytics.
Campbell Soup Co.	Yes	Public	Packaged food	22% of US employees are unionized. Employee turnover dropped significantly in recent years. The company's human rights principles include recognition of employees' freedom to associate and bargain collectively.
Costco	Yes	Public	Retail	Average base hourly pay is $13.87. After four years cashiers can earn $43,000, more than double national average. Company promotes largely from within.
Danone	Yes	Public	Packaged food	Working with labor unions, created a worldwide diversity program and established a post for Director of Diversity. In 2011, 88% of employees were covered by collective bargaining.
General Mills	Yes	Public	Packaged food	85% of officers have been promoted from within. Most common hourly job, operator, pays average $52,145 annually. Hourly employees receive 75 hours of training a year.
H. J. Heinz Co.	No	Public	Packaged food	60% of US and Canadian employees covered by collective bargaining. Its Global Operating Principles respect freedom of association and the company offers a wide range of health and wellness programs to workers.
Publix Super Markets	Yes	Private, majority-employee-owned	Retail	Largest majority employee-owned company in the U.S. Employees receive generous annual stock infusions. Most common hourly job, deli clerk, pays $26,753. Hourly employees receive 80 hours professional training a year.
Sodexo S.A.	No	Public	Food service supplier	North American operations have 300 collective bargaining agreements. 25% of executive bonuses linked to qualitative targets, including diversity.
Syngenta AG	Yes	Public	Seeds, etc.	Its program to reduce health and safety incidents has led to noteworthy decline in lost-time incident rate. Also recognizes ILO conventions in its policies.
Tesco PLC	Yes	Public	Retail	Human Rights Policy supports ILO conventions and UN Universal Declaration of Human Rights. Has diversity council with directors drawn from across the company.
Wegmans Food Markets	Yes	Private, family owned	Retail	This family-owned company has only 4% voluntary turnover. Its average annual pay for hourly customer service job is $29,286. Named to Fortune 100 Best Places to Work list every year from 1998 to 2012.
Chiquita International Brands	No	Public	Fruits and vegetables	Signed an agreement with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) and the Coordinadora Latinoamericana de Sindicatos Bananeros (COLSIBA), to adhere to the ILO conventions on labor standards. 60% of employees are unionized.
The Coca-Cola Company	Yes	Public	Beverages	Listed on the 2011 World's Best Multinational Workplaces list published by the Great Place to Work Institute. Its workplace rights policy is guided by the Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work and the United Nations Global Compact.

Fortune magazine's 100 Best Places to Work list, based primarily on direct surveys of employees and also on wages paid to the most common job category in each company, included nine of the 100 companies on this list. Three were retail stores – Publix Super Markets**, Whole Foods Market (No. 48),** and Wegmans Food Markets**.** Two were restaurants – Darden Restaurants and **Starbucks (No. 42).** Three were food processing companies – **General Mills (No. 32), J.M. Smuckers (No. 65),** and **McCormick & Co. Inc. (No. 76).** One was an agricultural company – **Monsanto (No. 37**). Family-owned, Wegmans Food Markets was named to the list every year from 1998 to 2012. At least six other companies on our list of 100 have made more than two best-places-to-work type listings – including **Kellogg (No. 34), Kraft (No. 10), McDonald's (No. 26),** Monsanto, PepsiCo, and Supervalu.

> "Brown's Super Stores is a unionized employer that has begun a project to open food stores in four food deserts in Philadelphia."

Another large food company worth mentioning for good worker equity practices is **Wakefern Corporation** (**No. 48**, with $9 billion in revenue). Wakefern is a cooperative wholesale distribution business owned by its retailer members. Prominent among them is Brown's Super Stores Inc., which operates ten ShopRite supermarkets in Pennsylvania's Delaware Valley and employs more than 2,300 workers. Run by Jeffrey Brown, it is a unionized employer that has begun a project to open food stores in four food deserts in Philadelphia. The first was in Eastwick, a store that created 250 unionized jobs with good benefits, and is staffed with employees from the neighborhood. For two consecutive years Brown's was recognized as The Best Employer in the Philadelphia region by the *Philadelphia Business Journal.* The contest was decided entirely by employees, who took part in a questionnaire administered by an independent company.

Controversies and incidents

If there are bright spots among the 100 companies studied, there are also many controversies and troubling incidents. Even some of leaders highlighted in the table above, including **Tesco (No. 4)** and **Heinz (No. 43)**, have experienced strained labor relations in recent years. Yet, the following four firms stand out for employee controversies.

Koninklijke Ahold N.V. (No. 14): This European company is a signatory to the UN Global Compact principles; as such it is expected to respect its employees' freedom of association. But in August 2011, Giant Carlisle, a U.S. division of Ahold, was accused of denying its employees this right. When 11 groups of Ahold USA employees and representatives of the United Food & Commercial Workers International Union (UFCW) visited 70 Giant Carlisle stores in Eastern Pennsylvania, all managers refused to allow the union representatives into their stores. Similarly, in April 2011, Ahold was alleged to have denied the right of unionization to employees of its Martin brand (25 stores in the U.S. acquired in 2010) in Richmond, Virginia. The inconsistent regional application of Ahold's policies and practices suggests weakness in its accountability structure. The anti-union behavior witnessed in the U.S. contradicts its strong employee relations track record in Europe, where the company is headquartered and subject to more stringent labor regulations.

Tyson Foods (No. 22): Over the past three years Tyson Foods has been involved in a number of controversies relating to compensation, discrimination, and health and safety. It faced several legal proceedings for allegedly violating the Fair Labor Standards Act in relation to overtime compensation for the time required for employees to put on and remove protective clothing. In several lawsuits, the company did not admit to any wrongdoing but agreed to compensate employees. In October 2011, the U.S. District Court in Georgia approved a $32 million settlement to 7,000 poultry workers. This set a

precedent in the meat-packing industry, where lawsuits on this issue are common. In October 2011, the company was fined $2.25 million for gender discrimination in hiring, reportedly the largest fine in the history of the Office of Federal Contract Compliance Programs (OFCCP). While the company has an anti-discrimination policy, its practices suggest that policy is not adequately enforced.

> "Between 2001 and 2009, 17 percent of Tyson's non-unionized plants experienced a product recall, as compared to only 4 percent of unionized plants."

Furthermore, the United Food and Commercial Workers International Union (UFCW) found that between 2001 and 2009, 17 percent of Tyson's non-unionized plants experienced a product recall, as compared to only 4 percent of unionized plants, highlighting noteworthy links between food safety and labor standards. UFCW suggests that unionized food processing plants are more likely to have satisfied employees, a culture of safety, and therefore, fewer health and safety incidents.[25]

Walmart (No. 1): This high profile company has been implicated in a significant number of employee-related lawsuits, many certified as class actions. The lawsuits have alleged violations of wage and hour laws, failure to pay overtime wages, forcing employees to work off the clock, discrimination, and illegal compensation. More than 70 labor-related class action lawsuits have been filed over the past decade, totaling upwards of $640 million in settlements. Moreover, Walmart continues to systematically prevent its employees from unionizing, with tactics including intimidation of union supporters and store closures where unionization efforts have succeeded.

Nestlé (No. 2): In the last three years, Nestlé has been involved in a series of controversies concerning basic labor rights and trade union relations. The company has been accused of firing employees who participated in strikes, suspending union leaders and intimidating union members. Compared to its peers, Nestlé appears to be systemically involved in conflicts with unions, despite its policy on freedom of association, which states that the company refrains from "any action restricting the employee's right to be, or not to be, affiliated with a union."

3. Compensation

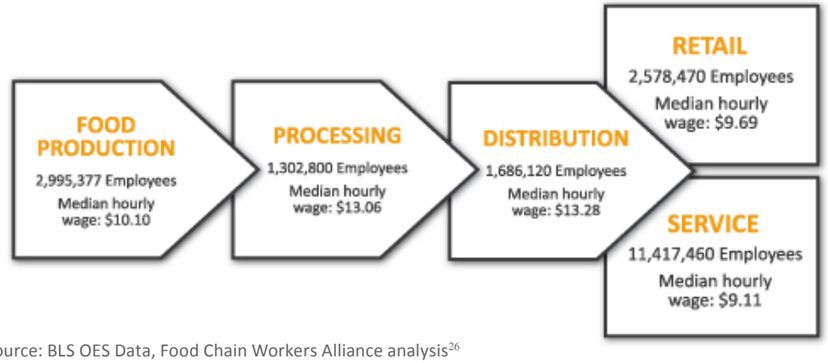
One of the most basic indications of how a company treats its workers is how it compensates them. While many companies claim they have competitive salaries and benefits, there is little publicly available data by which to confirm this. Advertised benefits are often intended for executive-level jobs or for full-time employees, though many companies are increasingly hiring part-time workers. For these reasons, compensation practices are best understood at the broader industry level.

Overall, the food and agriculture industry employs nearly 20 million workers in the U.S., or one in five of all private sector workers. Within this broad field, different subsectors have varying pay scales. In the **production** of food, with companies such as Cargill and Land O'Lakes, there are some 3 million workers earning a median hourly wage of $10.10. In the **processing** of food – including meat-packing companies

> "The food and agriculture industry employs one in five of all private sector workers."

like Perdue and packaged food firms like Kraft – there are 1.3 million employees earning a higher median hourly wage of $13.06. Warehousing and **distribution** includes companies like **McLane Company (No. 19),** and others, where 1.7 million employees earn the highest of all sectors, with a median hourly wage of $13.28. The **retail** sector includes grocery chains like Kroger and big box stores like **BJs Wholesale Club (No. 45);** in this sector 2.6 million employees earn a relatively low median hourly wage of $9.69. Finally, restaurants and **food service providers** include chains like Starbucks and Darden Restaurants (the group that owns Red Lobster and Olive Garden). Here we find by far the most employees, 11.4 million, earning the lowest income, a median hourly wage of $9.11 including tips.

Figure 3. Employees in U.S. Food Industry Sectors and Median Hourly Wage of Frontline Workers, 2010



Source: BLS OES Data, Food Chain Workers Alliance analysis[26]

Compared to other frontline workers in the U.S. economy, food industry workers earn about one-third less.[27] In 2010, the median income of frontline workers across the food industry was just $18,900.[28] This is well below the 2010 U.S. poverty threshold for a family of four, at $22,050.[29] Ironically, those workers producing and delivering food to consumers face the highest levels of food insecurity in the U.S. According to the Food Chain Workers Alliance, 79 percent of the 629 workers they surveyed across the food chain do not have or do not know if they have paid sick days. Many do not have employee-sponsored health insurance and cannot afford to purchase it on their own.[30]

> "In the food industry, many jobs are exempt from the wage and hour laws that protect other workers in the U.S."

One variable which sets the food industry apart is that many jobs are exempt from the wage and hour laws that protect other

workers in the U.S. The federal minimum wage for tipped employees has been frozen at $2.13/hour since 1991.[31] As a result, restaurant servers have three times the poverty rate of the rest of the U.S. workforce.[32] In contrast, in Western Europe, restaurant servers generally earn a higher hourly wage or even salaries; many restaurants automatically add service charges to the cost of meals, as tipping is not as customary, leaving workers with a more stable income.

For non-crop workers as well, compensation has been affected by the increase over the last 20 years in "non-standard," temporary, or part-time work. Since the average part-time worker gets only 60 percent of the wage rate of a full-time worker, the impact on employee income is profound. Non-standard employment has been particularly prevalent in grocery stores and warehouses.[33]

Compensation for food industry jobs at the CEO level offers a stark contrast to the pay of average workers. The highest paid CEOs are bringing in total compensation packages of between 475 times their typical worker (i.e., David Novak at **Yum! Brands [No. 39]**) and 1,023 times their typical worker (i.e., Steve Ellis at **Chipotle Mexican Grill [No. 93]**.)

Table 5. 10 Highest Paid CEOs vs. Typical Worker Pay

Company, CEO	Base salary	Total compensation	Multiple of pay of a typical worker in same sector
Coca-Cola, Muhtar Kent	$1,350,000	$21,161,811	779
Chipotle Mexican Grill, Steve Ellis	$1,280,769	$19,391,571	1023
Walmart Stores, Michael Duke	$1,264,775	$17,587,215	873
Starbucks, Howard Schultz	$1,382,692	$16,079,480	849
Kraft Foods, Irene Rosenfeld	$1,540,212	$15,737,266	579
PepsiCo, Indra Nooyi	$1,584,615	$14,086,390	519
Yum! Brands, David Novak	$1,474,038	$12,904,667	475
DuPont, Ellen Kullman	$1,332,500	$12,297,608	585
Monsanto, Hugh Grant	$1,409,179	$11,238,123	535
Archer Daniels Midland, Patrica Woertz	$1,300,000	$10,913,742	520

Source: CEO pay figures from Equilar Inc., published in "Executive Pay," *New York Times,* June 17, 2012.
Note: Wage of a typical worker is derived by using the median wage of frontline workers by sector and assuming a 40-hour work week for a full year. Yet, a 40-hour week is not typical in all sectors.

Best practices in compensation

Among major food employers that manage to pay frontline workers substantially higher than average wages, perhaps the most prominent is Costco (No. 5, with $78 billion in revenue). When Jody Heymann and Magda Barrera, authors of the book *Profit at the Bottom of the Ladder,* visited Costco the company had starting wages significantly higher than the minimum wage; cashiers started at twice the minimum wage. The average base hourly pay at Costco is $13.87 and after four years cashiers can earn $43,000, more than double the national average wage of $18,380 for U.S. cashiers overall. For truck drivers, starting wage was three times the required minimum. Because of its reputation for providing good jobs, Costco faced less opposition from communities than competitors like Walmart when it sought sites for its warehouses.[34]

> "At General Mills, the most common hourly job, operator, pays $52,145."

Based on available data, the highest paying company was General Mills, where operators, the most common job for hourly workers, were paid $52,145. The company also offers fully paid sabbaticals to employees, and hourly employees receive 75 hours of training a year. Moreover, 85 percent of officers were reportedly promoted from within .

Table 6. Wage data from Fortune's Best Places to Work list

Company	Type	Most common job (salaried)	Average annual pay**	Most common job (hourly)	Average annual pay**
Agricultural Production					
Monsanto (2010)	Public	Research & Development	$100,147	Manufacturing & Production	$48,307
Food Processing					
General Mills	Public	Retail Sales Representative	$47,199	Operator	$52,145
J.M. Smuckers Co. (2011)	Private	Route Sales Representative	$51,075	Consumer Comm. Center Rep.	$27,400
McCormick & Co. (2010)	Public	Finance	$115,000	Manufacturing Role	$46,750
Restaurants / Food service					
Darden Restaurants	Public	Restaurant Manager	$56,991	Server	$24,499
Starbucks Corp.	Public	Store Manager	$53,634	Distribution Partner	$33,614
Retail					
Publix Super Markets	Private	Store Manager	$110,644	Deli Clerk	$26,753
Wegmans Food Markets	Private	Store Department Manager	$56,040	Store Customer Service	$29,286
Whole Foods Market	Public	Store Team Leader	$80,199	Cashier	$26,812

**Company data is for 2012 unless otherwise noted.

4. Health and safety

Some of the most dangerous jobs in the U.S. are found in the food industry, where numerous injuries and fatalities occur each year. Injuries are especially prevalent in warehousing work, farm labor, and food processing. While the fatal injury rate for all industries is 3.5 fatalities per 100,000 workers, in agriculture the rate is over 25, and for warehousing and transportation jobs it is 15.[35]

> "While the fatal injury rate for all industries is 3.5 fatalities per 100,000 workers, in agriculture the rate is over 25."

The ILO estimates that globally, 170,000 agricultural workers are killed each year on the job, 40,000 of whom die due to pesticide poisoning.[36] Millions of others are injured due to accidents involving machinery, or exposure to pesticides and other agro-chemicals. Due to the lack of reporting in developing countries, actual figures may, in fact, be even higher. The ILO states that the fatality rate of the global agricultural industry has remained high over the last decade, as compared to other high risk sectors, such as mining and construction, which have been reducing their fatality rates.

That being said, many companies in the industry have implemented health and safety policies and programs according to the Occupational Health and Safety Assessment Series (OHSAS) 18001 framework. Best practices also include disclosure of health and safety performance, as well as targets and deadlines to reduce health and safety incidents.

Table 7. Top Company for Each Subsector for Health and Safety

Sector	Company	Score	Why they're on top
Seed, etc.	Monsanto Co.	86	Has goal of production sites achieving Occupational Health and Safety Administration (OSHA) Voluntary Protection Program (VPP) Star Status or equivalent certification. In FY2009/2010, more than 75% of its sites had attained this certification.
Packaged Foods	Kellogg Co.	78	Has an environmental and safety management system that is aligned with ISO 14001 and ISO 18001. Has relatively clean health and safety record.
Packaged Meat	Cargill, Inc.	71	Sets strong goals for reducing recordable injury frequency rate to 0 by 2015. Ninety of Cargill's facilities have been certified as OHSAS 18001:2007 compliant.
Beverages	Dr. Pepper Snapple Group.	66	In 2011, created new safety board, chaired by CEO, composed of senior executives meeting quarterly to review safety standards, set goals, oversee training, and monitor performance. One goal is 25 percent reduction in lost-time injury frequency by 2015.
Wholesale / Distribution	Sysco Corp.	65	Has committed to partner with the OSHA through its Voluntary Protection Program, which recognizes businesses and worksites demonstrating excellence in occupational safety and health.
Agricultural Products	Archer Daniels Midland Co.	60	Takes safety performance into account in executive remuneration. Annual cash bonuses based on individual and company performance.
Food Retail	Tesco PLC	46	Top among food retail companies studied, but still has major trend in lost-time incidents and some serious health and safety controversies.
Food Service/ Restaurants	Yum! Brands, Inc.	38	Has a number of programs in place to continuously improve health and safety programs, including safety lessons and reviews in all U.S. restaurants. In the U.S., injury frequency rates in company-owned restaurants have declined 59 percent between 1997 and 2009.

Worker safety conditions vary so much from one subsector to the next, with farms, packaged foods, and warehousing constituting the most dangerous subsectors in the food industry. However, non-compliance is widespread across the industry as a whole**.** Agricultural work, packaged foods, distribution and warehousing jobs constitute the most dangerous subsectors in the food industry. Many incidents may also go unreported, due to employees' fear of losing their jobs or facing other repercussions.

Farm safety: Fatalities involving agricultural workers, including farmworkers and laborers, rose nearly 23 percent, from 127 in 2009 to 156 in 2010.[37] Without proper protections, the back-breaking, physical labor of growing and harvesting food puts field workers at risk of heat exhaustion, dehydration, and a variety of injuries. Farm workers also face exposure to toxic chemicals, contact with animals confined in tight quarters, and dangerous machinery and tools. Pesticide poisoning alone reportedly accounts for the death of approximately 40,000 agricultural workers each year.[38] Additional risk is posed by the fact that farms are located in remote locations, far from medical attention.[39]

Packaged food processing: Food processing in general contains many dangers. But the worst offender for injuries in packaged food is the meat processing industry. Slaughtering and carving up animals is inherently dangerous work, but the dangers are accentuated by company practices. Profit margins per chicken or per cut of meat are very low, often a few pennies per pound, so competitive advantage rests on squeezing out the highest volume of production in the shortest possible time.[40] The incidence rate for animal slaughtering workers is 6.9 per 100 full-time employees, nearly double the incidence rate for all workers in U.S. industry of 3.8.[41] Of the packaged food companies assessed, three firms had ten or more fatalities in the last three years: **Associated British Foods (No. 31),** Coca-Cola and Nestlé.

In the 2004 Human Rights Watch report, *Blood, Sweat and Fear*, conditions in U.S. meat and poultry processing plants were explored through a series of interviews with employees and employers. They concluded that the poor conditions in those plants were set up by the industry itself:

> *"Unlike workers in many U.S. manufacturing sectors, most meat and poultry workers do not face employers' threats to move their plants to other countries where wages and workers are suppressed. Some analysts argue, however, that this fact has not blocked a 'Third World' strategy by the U.S. meat and poultry industry. They contend that instead of exporting production to developing countries for low labor costs, lax health, safety and environmental enforcement, and vulnerable, exploited workers, U.S. meat and poultry companies essentially are reproducing developing country employment conditions here."*[42]

> "Some of what makes meat and poultry processing so dangerous is the increasing speed on the lines that move the animals past the workers."

Some of what makes the industry so dangerous is the increasing speed on the lines that move the animals past the workers. Increased line speeds mean that workers using sharp knives and other implements must attempt to make the same cuts faster, thereby risking serious injuries; the increased pressure of faster, repetitive motions on the body also causes greater incidence of muscoskeletal disorders. While the USDA sets the permissible line speeds, they are doing so in the interest of food safety, and allow increased line speeds as long as products are uncontaminated. While some precision is lost due to increased speeds and inspectors cannot focus on all products coming off the line so quickly, food safety has reportedly not diminished significantly. The Occupational Safety and Health Administration (OSHA), responsible for worker safety, has not set any line speed limitations to protect workers, despite evidence showing increased risks for those workers.[43]

Warehousing and distribution: The fatal injury rate for the warehousing industry is higher than the national average for all industries. Hazards include the unsafe use of forklifts, improper stacking of products, improper use of personal protective equipment, inadequate fire safety provisions, and repetitive motion injuries.[44] In 2010, the rate of non-fatal occupational injuries and illnesses requiring days away from work was 430 per 10,000 full-time warehousing and distribution workers, more than three and a half times the national rate across all occupations.[45]

Some examples of the most serious incidents involving companies tracked are highlighted below:

Packaged food companies

- **Cargill**: Following two fatal incidents in 2010, Cargill's health and safety policy and performance has been closely scrutinized by OSHA, particularly at Cargill Meat Solutions.
- **Coca-Cola:** Seven company employees and nine contractors died in 2010 in various safety and traffic-related incidents, including one boiler incident in India that killed four contractors. The company had 29 employee and contractor fatalities between 2008 and 2010.

Seed and agricultural chemical companies

- **DuPont**: In May 2011, the company was fined for 17 serious violations of workplace safety. In November 2010, the explosion of a 10,000-gallon chemical tank in New York killed one worker and injured another. In January 2010, a release of phosgene resulted in the death of an employee, and following investigations by OSHA and the U.S. Chemical Safety Board, that plant was shut down by the company.

Fruits and vegetables companies

- **Dole Food Company Inc.:** This company has been involved in numerous lawsuits related to its use of DBCP on farms throughout the 1970s, an agriculture chemical linked to male sterility. In the 1990s Nicaraguan workers brought lawsuits against Dole seeking compensation for sterility, alleging that the company continued using the chemical after the U.S. Environmental Protection Agency cancelled its registration. Three major cases were dismissed from 2009 to 2011 due to false claims, witness intimidation, and obstruction of justice.

Restaurants and food service companies

- **Sodexo**: In July 2010, OSHA fined the company for nine serious safety hazards that endangered workers and could have harmed students served at school cafeterias where the violations occurred. The supervisor who alerted OSHA to these dangers has since been pushed out of his job and has filed a complaint that Sodexo retaliated against him.

Food retail companies

- **Publix Super Markets:** In 2012, OSHA cited Publix for 16 safety and health violations at a distribution facility after receiving a complaint that a worker's hand was amputated while cleaning conveyor equipment. Due to repeat violations, OSHA has placed Publix in its Severe Violator Enforcement Program, which mandates targeted follow-up inspections.[46]

5. Supply chain worker treatment

Among the many areas of concern in supply chain management in food and agriculture is the widespread use of disenfranchised workers, including illegal immigrants, children and forced labor. Agricultural producers also make use of temporary, informal and migrant workers, who not only face job insecurity, low wages and harsh working conditions, but may also be exposed to harmful pesticides during production.

The food processing industry faces considerable exposure to labor rights violations among suppliers, many of whom are based in countries lacking basic worker protections. Of particular concern are the supply chains of major commodities such as cocoa, soy, sugar, and palm oil. Growing demand for palm oil, sourced primarily from Indonesia and Malaysia, is associated with adverse social impacts, alongside well understood environmental impacts; palm oil production is often linked to land grabbing, violation of indigenous rights, and poor working conditions. Similarly, the cocoa industry, based primarily in West Africa, has been in the spotlight for labor rights issues, particularly for the use of child and forced labor. **Hershey (No. 59)** has been the ongoing target of many non-governmental organization (NGO) campaigns, including the International Labor Rights Forum, linking child labor to Hershey's supply chain and criticizing the company for its lack of transparency and its failure to solicit third-party verification and certification programs.[47]

Meanwhile, companies face considerable human rights exposure in their own backyards, refuting the perception that locally grown equates with ethically grown. In the U.S. privately owned Perdue Farms was implicated in a class action lawsuit filed in federal court in Alabama, accused of knowingly hiring illegal immigrants. The plaintiffs alleged that Perdue has conspired to hire large numbers of illegal immigrants, driving down wages of legal workers below market levels. Allegations of inequitable working conditions among food retailers occur in developed countries such as the U.S. as well, in part due to subcontracting.

According to advisory panelist, Robert Dennill of Equilateral Associates, a former executive in corporate social responsibility with major food distributor, Aramark, and with Gap Inc.:

> *"In a nutshell, the food and agriculture industry is considered far behind where other industries are in terms of worker treatment. It's facing supply chain issues that the apparel industry grappled with in the 1990s. Some of the most egregious problems are just down the road in the U.S. Yet companies pay more attention to what happens offshore, in areas like sugar, tea, and the other usual suspects. There's almost no attempt to understand what goes on domestically. There's an assumption that if production occurs in the U.S., it's got to be good. When companies do address worker treatment issues, it's ad hoc. One-off. They don't see it as part of the fabric of how they do business."*

> "The food and agriculture industry is facing supply chain issues that the apparel industry grappled with in the 1990s."

In addition to the processing industry, the food retail industry is also involved in supply chain incidents among manufacturers, primarily based in Asia. Retailers like super centers and hypermarkets have long been accused of serious labor violations in their supply chains, particularly at factories. For example, Walmart has repeatedly been accused by NGOs of sourcing goods, such as clothes, gemstones, toys and food, from countries where labor laws and enforcement are weak and where child labor, forced labor, unsafe working conditions and gender discrimination are prevalent. In April 2012, the company was implicated in labor rights violations involving migrant workers from Cambodia and Myanmar employed by a seafood supplier based in Thailand. Walmart was pressured to investigate allegations surrounding unfair wages, unsafe working conditions, and confiscation of passports, and to ensure supplier compliance with its ethical sourcing policy.[48]

While even the leaders are not free from controversies, companies without effective supply standards or monitoring systems are more exposed to involvement in controversies. To uphold universal human rights, companies need to set broad supply chain standards, covering issues such as *child labor, forced labor, health and safety, discrimination, unfair wages and working hours, living and working conditions, and disciplinary practices.* Leading companies often align policies with internationally recognized standards, such as ILO Conventions and the UN Universal Declaration on Human Rights.

Of the 57 companies evaluated for supply chain policies and programs, there are six companies taking the lead – five of which are European companies. The top four are Danone**, Syngenta (No. 38),** Koninklijke Ahold N.V. and Tesco PLC. **Sodexo (No.29)**, also European, ties with Starbucks Corporation at the fifth position for supply chain management. This result illustrates that U.S. companies overall are falling behind their European counterparts, which may be linked in part to greater consumer awareness in Europe about supply chain issues as compared to U.S. consumers.

Danone stands out among its peers for best practices in supply chain management. The company has strong social supply chain standards that are aligned with the ILO standards, as well as a formal supply chain monitoring system. The company's "Respect" program (established in 2003) enables it

> "Danone has strong social supply chain standards aligned with ILO standards, as well as a formal monitoring system."

to monitor suppliers' compliance with its Fundamental Social Principles, and to assess the risk of non-compliance. In addition to requiring suppliers to sign a specific clause incorporated into its general procurement contracts, Danone requests self-assessments, through which suppliers fill in questionnaires and commission external parties to conduct social audits. Danone reports on the number of audits performed and the regions covered, citing any instances of non-compliance.

Notably, 18 of 57 companies studied disclose no monitoring activities at all; 17 have only limited monitoring; and 22 reference robust monitoring systems. In many cases where some monitoring takes place, it is limited to first-tier suppliers, overlooking many issues occurring further down the supply chain. Only four companies, including Danone, Tesco, The Coca-Cola Company, and Nestlé, indicate strong social audits of suppliers, such that they conduct regular external audits of at least their main suppliers with significant disclosure of audit results.

Several supply chain-related controversies, such as the use of child labor in cocoa production or the health impacts of certain pesticides, implicate the industry as a whole, leaving little room to assign accountability to individual companies. This makes it incumbent on the largest and most influential food companies to take the lead in making change. As Robin Jaffin of Verite said, "These issues are not addressable by single companies. They are social issues."

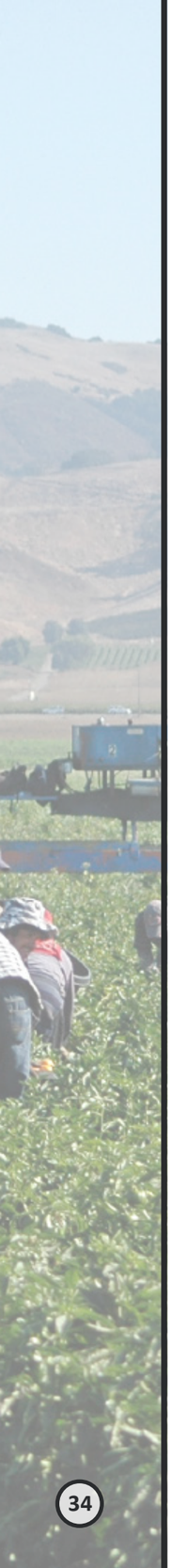
> "These issues are not addressable by single companies. They are social issues."
> – Robin Jaffin, Verite

Of course, larger social issues require a multi-stakeholder approach, but there is much that companies can do within their sphere of influence. There have also been some collaborative efforts in the industry. For example, the Global Social Compliance Program is a business-driven coalition aiming to improve supply chain practices through a collaborative approach. This approach takes the focus off compliance audits, concentrating resources instead on capacity building for contractors. The Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 by companies including Unilever, to develop a more transparent sourcing system and standards for palm oil, including contracts, specifications, tracking and tracing, and best practice criteria for plantations.'

Some leading companies are taking noteworthy steps in the right direction, as shown in the following chart.

Table 8. Top Publicly Traded Companies in Supply Chain Practices

Company	Score	Why they're on top
Danone	100	Requires suppliers to adhere to its Fundamental Social Principles, which are aligned with ILO conventions. The company's Respect program provides structure in monitoring supplier compliance, and includes external social audits. Audit results are disclosed.
Tesco PLC	94	Founding member of the Ethical Trading Initiative and adopted the base code that follows ILO Conventions. The company has over 60 Ethical Champions within its global commercial teams to support its Trading Fairly program.
Syngenta AG	93	Assesses seed suppliers against standards developed by the Fair Labor Association (FLA). FLA conducts independent three-day audits of the seed-supply farms that include site visits, document verification, and interviews with workers at times when risk of non-compliance is highest.
Koninklijke Ahold N.V.	93	Ahold maps the locations of its own-brand products to the last stage of production to determine if they are sourced from high risk countries. It monitors its own-brand suppliers against Business Social Compliance Initiative Standards.
Starbucks Corporation	88	In 2011, Starbucks became a member of the Global Social Compliance Program, which aims to improve working conditions of global supply chains. The company conducts supplier audits to ensure compliance with social standards and discontinues relations with suppliers that are unwilling to structurally address incidents of non-compliance.
Sodexo S.A.	88	In 2011, 87% of suppliers had signed its code of conduct. Sodexo assists its suppliers in complying with its social supply chain standards, providing training sessions for small and medium-sized companies. The company set a goal to establish a Supplier Advisory Board in 2012.
Coca-Cola Company	84	Coca-Cola regularly conducts third-party independent audits of its suppliers to ensure compliance with social standards. The company engages with its top global suppliers to work collaboratively on human rights issues.
General Mills, Inc.	83	General Mills participates in the AIM-PROGRESS Responsible Sourcing task force to promote responsible sourcing by sharing best practices. Conducts third-party audits of suppliers and implements remediation actions.
Sysco Corp.	83	Sysco's supplier code of conduct explicitly refers to ILO conventions. The company conducts a supplier social responsibility assessment as part of its supplier approval process.
Costco	83	Costco has detailed social supply chain standards. Critical violations of its standards (slave labor, human trafficking) are addressed through action plans, and issues must be addressed within 48 hours of an audit.
McCormick & Co., Inc.	83	McCormick has a detailed supplier code of conduct for all vendors that outlines standards regarding child labor, forced labor, working hours and conditions, compensation, and anti-discrimination, as well as business ethics. The company also has a Global Sourcing Program that encourages suppliers to partner with farmers to better manage the quality and integrity of products.



Part III: Potential Avenues of Influence

High road vs. low road

Low-road wage strategies and working conditions constitute a risky approach to management which exposes companies to low morale, high turnover, labor disputes, and penalties. In an industry facing considerable employee-related risk (primarily via health and safety and supply chain exposure), a high level of company preparedness is required. Forward-looking companies are taking the high road, and are benefiting from doing so through recruiting and retaining loyal and productive employees and contractors.

A comparison between worker equity practices at Walmart and Costco highlights a core distinction between high road and low road approaches. For example, Walmart has been singled out and targeted for its deeply rooted culture of paying low wages and squeezing workers for greater output. Yet, there is mounting evidence that this business model may be reaching its limits. Walmart's same-store sales have been shrinking for several years, and in 2010, the company began losing market share to competitors. The company has responded by reducing staffing levels in an effort to cut costs.[49]

Conversely, Costco pays its employees well, providing them with training and development opportunities, and promoting from within. Such practices reduce turnover, improve service, enhance the customer experience, and contribute to increased company success. Costco competes head to head with Sam's Club, which is owned by Walmart. That Costco is winning this competition may be a sign that good worker equity practices are an approach whose time has come.

In a rigorous study of high-road business practices, *Profit at the Bottom of the Ladder: Creating Value by Investing in Your Workforce,* Jody Heymann and colleagues from McGill University selected Costco as one of a number of companies that excel at improving the conditions of workers at the bottom of the corporate ladder – and in so doing build company success. The study found Costco's average wage to be 42 percent higher than that of Walmart's Sam's Club. Costco's annual turnover of 24 percent represented half of Walmart's 50 percent turnover. Moreover, after the first year, Costco turnover dropped to less than six percent. At the same time, Costco sold nearly twice as much – 70 percent more per square foot – than Sam's Club. Costco also had an extremely low shrink rate (merchandise lost to employee theft) at 0.02 percent, compared to an industry average of between 2 and 4 percent.

As Costco chief financial officer Richard Galanti explained:

> *"You pay a living wage that's better than anyone else, provide affordable, quality health care, and you'll be able to hire who you want. If you hire who you want and treat them right, they'll stay longer. If they stay longer and like you, they're going to report on the employee that's stealing out of the back door. They're going to pick up the crushed soda can on their way back in from lunch. They're going to smile when a customer asks a question."*[50]

The presumed necessity to compete by driving down wages is a misperception, argued Zeynep Ton recently in *Harvard Business Review.* She found a number of food retailers (including Costco and Trader Joe's) that invested heavily in their employees through good wages and training and also offered low prices, provided better customer service, and enjoyed solid financial performance. "Bad jobs are not a cost-driven necessity but a choice," she concluded.[51]

Building on this realization, some companies are revisiting their low-road, cost-cutting strategies. For example, self-checkouts at supermarkets are beginning to be replaced with people again, and staffed meat counters are being added, as a way to increase customer engagement. UK's Tesco, in its 2011/2012 reporting, highlighted its need to create more jobs, add positions to current stores, and increase staff training and development to help improve its customer service. In the 16 stores where such changes were made as a trial, the company noted improved financial performance.[52]

> "A UFCW study found that employee empowerment through unions helped employees speak up about food safety and resulted in fewer meat recalls."

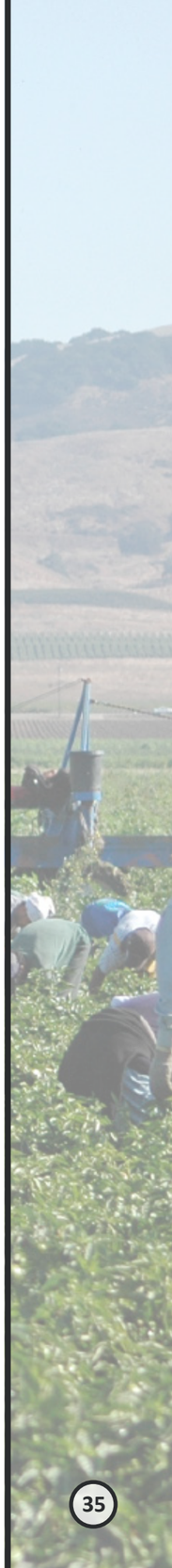
Moreover, the cost-cutting model is simultaneously increasing the risk to worker and food safety. Noteworthy preliminary findings suggest a direct correlation between worker equity and food safety. A study by the United Food and Commercial Workers International Union found that employee empowerment through unions helped employees speak up about food safety and resulted in fewer meat recalls in unionized plants compared to non-unionized plants. The study looked at recall records from 2001 to 2009 at the 450 largest meat and poultry plants in the U.S., finding product recalls from 21 percent of non-unionized plants versus only 12 percent of unionized plants. Among the reasons for the lower number of recalls are that unionized plants may have lower turnover, have a greater culture of safety, and allow workers to negotiate with management over equipment and staffing. Business leaders that are accustomed to avoiding unions may be overlooking the critical role that they play in specific industries, such as meat-packing.[53]

Similar conclusions have been made in Australia by the National Union of Workers who reported that increased use of contractual, casual labor in the poultry industry threatens food safety. It is argued that indirect employment leads to a greater number of workers processing poultry without adequate training for food handling. Given that a contractual workforce is more transient, it is difficult to guarantee food safety, which requires a stable work environment where workers are continuously trained to a particular standard.[54]

If further analysis into the link between food safety and worker equity supports such conclusions, the outcomes should bode well for food workers. Given heightened public attention toward food safety in recent years, any evidence of effective precautionary measures to mitigate recalls, outbreaks, or other related scandals are likely to be embraced by food companies, regulators, and consumers.

The business case for worker equity

Is there a way for company interests to be more closely aligned with employee interests? This question is at the heart of making the business case for enhanced worker equity. Making the business case is about finding strategies and solutions which demonstrate that it is in companies' best interests to create good working conditions, because doing so has a positive operational and reputational benefit. And as this study has found, many companies in food and agriculture have already recognized and leveraged strong worker equity practices – in different ways and to varying degrees – suggesting that the business case is real and compelling. While there is insufficient research published to support this relationship, anecdotal evidence suggests a potentially strong material link.



The need is to articulate the materiality link more clearly, as has been done for key environmental performance metrics. And for this to happen, companies need to broaden their definition of sustainability to include social issues alongside environmental issues. A key challenge to making the business case for worker equity, advisory panel members stressed, is that while environmental initiatives can save money for companies, paying good wages costs money. However, a happier and healthier workforce can lead to enhanced productivity and employee retention, improved customer service, and the long-term sustainability of a company.

Possible pathways for change

What tangible steps might be taken, to move worker equity higher on the corporate agenda?

- **Develop the business case for improved worker equity practices.** The intangible value of investing in working conditions makes it challenging to articulate in terms of material benefits. However, much like investments in environmental efforts, investments in worker equity have long-term benefits. Research highlighting critical linkages between worker equity and profitability is currently limited and needs development.
- **Enhance metrics to measure key areas of social impact.** Practitioners in the responsible investment community have a key role to play in collaborating with companies (both sustainability and human resources teams), labor unions, NGOs and academics to identify meaningful social performance metrics which can be consistently utilized to benchmark social performance.
- **Push for company disclosure on social issues.** Transparency on company impact and preparedness on worker equity issues, such as wages, benefits, employee development programs, turnover rates, etc., allow for a more robust understanding by stakeholders of a company's long-term stability and sustainability. Investor and multi-stakeholder coalitions can play a critical role in pushing for enhanced social disclosure to ensure that there is a consistent set of data which can be benchmarked. This includes devising ways to draw wage data out of the shadows.
- **Build the corporate capacity to tackle these issues.** There are so many programs and certifications, companies often do not know how to navigate through it all. Companies might be brought together to collectively explore social impact footprinting, for example, rather than having each firm begin to navigate the terrain alone. Pilot projects can be encouraged, in areas such as the new classification of Domestic Fair Trade. Multi-stakeholder initiatives can be convened to enable firms to share best practices and collaborate with key stakeholders.
- **Lastly, situate worker equity issues alongside public health, animal welfare, and environmental concerns**. In doing so, there is an opportunity to elevate the critical issues raised in this report and communicate them more broadly. Through stronger messaging, the plight of food workers might resonate widely with a growing global movement of conscientious consumers at a time when public attention on food production is at its peak.

Appendix

Company selection methodology

The top 100 largest and most influential food and agriculture companies in the U.S. were chosen through a meticulous process that considered hundreds of publicly traded, private and cooperative companies based in the U.S. and abroad.

We defined "food and agriculture" companies to be any companies that take part in the production of food, or process, market, or sell (both wholesale and retail) the food consumed in the U.S. On the production side, this includes edible agricultural products (i.e., grain and other commodity production and processing), seeds, fruits and vegetables, meat (beef, chicken, pork, etc.), dairy production and products, packaged foods, and beverages. On the sales and marketing side, we included wholesale distributors, wholesale suppliers, food service suppliers, retailers (i.e., grocery and convenience stores), restaurants, and food service companies (i.e., the companies serving schools, hospitals and workplace cafeterias).

We primarily focused on U.S.-based companies, but in a few cases, included some international companies which have a significant presence in the U.S. (i.e., Nestlé S.A., JBS, SA, Koninklijke Ahold N.V., Saputo Inc., Chiquita Brands International, Limagrain). Many of these companies have U.S. subsidiaries or a U.S. headquarters and can be directly engaged within the U.S.*

Because the primary aim of this list is to identify the largest companies in food and agriculture, we defined "large" as having to do, first, with the flow of sales. Thus, the first criterion for inclusion in the list was revenue. All companies that were considered for the list had earned at least USD $1 billion in revenues in 2010. This revenue cut-off resulted in well over 150 companies. This expanded list of companies by revenue predominantly included publicly traded companies, yet many of the smaller companies are private and cooperative companies. After reducing our list to 100 companies, the final breakdown of company types is 58 percent public, 28 percent private, and 14 percent cooperative.**

Table 9. Breakdown by Ownership Structure

Ownership Structure	Count
Co-Op	14
Public	58
Private	28
TOTAL	100

* We removed most of the large European grocery chains from the list, even though some had a presence here in the US.

**Sustainalytics was able to provide this data on the majority of publicly traded companies (55 of 58), along with two private companies, while the remaining companies (42), including all private and cooperative companies, as well as three public companies' were researched using the Hoover's database.

We have extensive data on most, but not all, of the public companies through the Sustainalytics Global Platform. The three public companies which were not in the Sustainalytics platform did not undergo in-depth analysis, and were researched in less detail alongside the private and cooperative companies using the Hoover's database and company websites. However, two private companies were covered by Sustainalytics (Cargill and BJ's) and underwent in-depth data analysis as well. Thus, there are a total of 57 scored companies based on available data from Sustainalytics, two of which are private companies.

Our second criterion for inclusion was the number of people employed by the company. We also considered what subsector of the food and agriculture industry the companies were involved in, with the aim of including top companies from each subsector. In some cases, this meant excluding some larger companies (by revenue and/or employee number) in order to represent what we deemed to be an important part of the food and agriculture industry in the U.S.

Many of the smaller companies on the list are private and cooperative companies, and while they have smaller revenues, we found that they still have significant impact on the food and agriculture industry in the U.S. For example, while agricultural cooperatives often have smaller numbers of employees listed than public companies of similar sizes, these employee numbers do not include the employees of their member farmers, which would increase their impact significantly. Thus, we occasionally favored including a smaller cooperative company over another publicly traded company. Also, we made an effort to include a sizable number of private companies, especially when they appear to be important players in certain food sectors. For instance, in the packaged meat subsector, more than half of the 11 companies included are in fact private companies, and the remainder are public; none are cooperatives in that sector at this revenue level.

We found that several of the large public companies had private subsidiaries that also made the list, so we worked to remove this type of duplication. Another duplication we avoided was listing two different companies with the same trademark, as with Fresh Del Monte Produce Inc. and Del Monte Corporation, two distinct companies which share the same branding and have similar revenue. We opted to include only Fresh Del Monte Inc. because it had roughly four times the number of employees, and because it is working directly on fresh fruits and vegetables. Del Monte Corporation would have fit in our packaged food subsector, which was already well represented.

Table 10. Companies broken down by sub-sector

Food and agriculture sub-sector	Number of companies
Agricultural Products	7
Beverages	3
Dairy	9
Food Retail	16
Food Service	2
Food service supplier	5
Fruits and Vegetables	5
Packaged Meat	11
Packaged Food	21
Restaurant	13
Seed, etc.	5
Wholesale Distribution	4
Wholesale supplier	5
Total (with overlap)	106

Note: Some companies have been counted in multiple subsector categories, resulting in a total count in this chart of greater than 100.

General research methodology

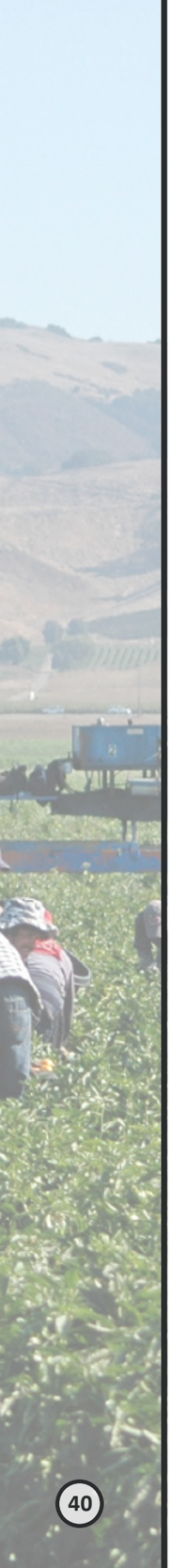
Convening an advisory panel

To advise this research, the organizers convened an advisory panel of leading thinkers in the field to discuss key trends, identify appropriate performance indicators, and brainstorm potential avenues of influence. Advisers were Shelley Alpern, Clean Yield Asset Management; Catherine Benoit, Earthster; Aaron Bernstein, Harvard Labor and Worklife Program; Robert Dennill, consultant and former CSR director at Aramark; Hal Hamilton, Sustainable Food Lab; Robin Jaffin, Verite; Ruth Rosenbaum, CREA: Center for Reflection, Education and Action; and Irit Tamir, Oxfam America. The advisory panel met in person in Boston, helped shape the report, assisted with fact checking, reviewed drafts, and was available for interviews and queries. Additional advisors, including Michael Musuraca from the labor movement, were interviewed to supply additional perspectives.

Though the authors of this study retain full responsibility for any errors that remain, we are grateful for the added due diligence provided by our advisers in this large and highly nuanced research undertaking.

Research process

Relatively complete social data was available for 57 companies, 55 of these publicly traded, and two private firms. For these 57, selected indicators of worker equity performance were aggregated from the Sustainalytics' Global Platform. Sustainalytics is a global research provider with 20 years of experience gathering information on the environmental, social, and governance (ESG) performance of publicly traded companies, which is primarily used by institutional investors. Sustainalytics' research process



includes a rigorous assessment of company documents, media sources, online databases, government sources and NGO research, as well as direct communication with key stakeholders. The data assessed in this report represents a snapshot of company ESG performance data compiled as of April 2012.

Company reporting corresponds to fiscal year 2010 or 2011, depending on fiscal year-end and reporting schedules.

An additional layer of original research was conducted to supplement Sustainalytics' baseline data, focusing on quality of disclosure on social issues and selected worker equity issues. This research was collected from company documents in the first quarter of 2012, derived from the most recent company reporting available at the time.

We compiled data into five categories, representing measures of worker and social equity performance.

1. **Oversight and disclosure:** This included a look at corporate social responsibility (CSR) reporting quality and board oversight of social issues.
2. **Worker equity policies and practices:** Here we examined policies on freedom of association, core labor rights, and the elimination of discrimination, as well as practices in employee training, turnover, percent of employees covered by collective bargaining, top-employer recognitions, and various labor controversies.
3. **Compensation:** Because compensation data is not consistently available for individual companies, here we looked at broad measures by industry, supplemented by anecdotal data about best practices and CEO pay.
4. **Health and safety:** Data included programs and targets to improve performance, trend in lost-time incident rates, number of employee fatalities, and controversies or incidents.
5. **Supply chain worker treatment:** Here we looked at scope and quality of supply chain standards, monitoring and audits, and controversies or incidents.

Publicly traded vs. privately held companies and cooperatives

One challenge of this research was finding consistent information about privately held companies and cooperatives, because these types of companies do not have the same ethos of disclosure as publicly traded companies. A survey on worker equity practices was sent to all 100 companies, but very few private/cooperative companies chose to participate. All publicly traded companies tracked in Sustainalytics' database were also sent a copy of their current social assessment and given a chance to make corrections or updates.

For private and cooperative companies, and the three public companies not tracked in the Sustainalytics' database, we conducted original research into policies and practices using two methods. First, we conducted an assessment of CSR disclosure and management, with an emphasis on social issues, by reviewing company websites**.** Second, we ran a scan for controversies and incidents on each company – reaching back three years – through a large database of news sources. We also used the Hoover's database, which provided basic data on company revenue, industry subsector, lines of business, and number of employees.

Sustainalytics' data sources

Sustainalytics' analysis is supported by a comprehensive set of data gathered through a variety of primary and secondary sources, and specialized third-party data providers. The majority of the information consulted is publicly available, often through subscription. Company reporting constitutes the starting point for research, with key sources including sustainability reports, financial reporting, and websites, along with direct company feedback. Dow Jones' Factiva database is used to conduct a thorough media search of all companies (including their subsidiaries) on a monthly basis. Other core sources include the UN Global Compact, OECD Watch and Business & Human Rights to name a few. Further, each analyst also tracks industry-specific sources tailored to the key ESG issues in their peer groups.

Data collection frequency and process

The data assessed in this report represents a snapshot of company performance based on data compiled in Sustainalytics' Global Platform as of April 2012. As such, company reporting corresponds to fiscal year 2010 or 2011, depending on fiscal year-end and reporting schedules. Sustainalytics updates information derived from media and NGO sources on a monthly basis, while other centralized data points are updated on a quarterly to semi-annual basis.

Verification and quality assurance

Sustainalytics applies a rigorous quality assurance process, which includes an internal peer review of all company profiles prior to company verification and tabulation of scores. The peer review process is designed to ensure overall consistency and quality standards in accordance with Sustainalytics' analyst guidelines and conventions. Consistent with Sustainalytics' standard research process, all companies were contacted and sent a draft copy of their report for verification. Any feedback communicated by companies tracked in this report has been processed and assessed .

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