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# Humanising Business Through Ethical Labelling: Progress and Paradoxes in the UK

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ABSTRACT. Labelling schemes are practical arrangements aimed at making 'ethical' products widely available and visible. They are crucial to expanded development of ethical markets and hence to the addition of moral dimensions to the normally amoral behaviour linking consumers and retail and production businesses. The study reported here attempts to assess the contribution of UK ethical, social and environmental certification and labelling initiatives to 'sustainable' consumption and production. The research sought to assess the overall potential of initiatives to inject human values into the supply-distribution chains, through a qualitative survey of 15 of the 26 main UK initiatives: in social justice, animal welfare and environmental sustainability from the agriculture, food processing, timber, aquaculture, textiles and personal care sectors. By analysing the basic characteristics and concepts of these labels and investigating the emergence of labelling initiatives, we assess whether labels help add an ethical dimension, or whether, in some respects, they also reduce such missions to the technical management of adding only another 'utility' to a product. The analysis assesses whether the gradual 'mainstreaming' of ethical initiatives such as 'Fairtrade' risks subsuming ethical goals within business participants' competitive and profit-oriented logics. However, the contrasting perspectives revealed between rival labelling initiatives show that the scope and functions of labelling projects go beyond the manifest ones of information communication between consumers and producer and actually introduce elements of socio-political regulation. These are essential for more sustainable and ethical business practices and are an integral part of any humanisation of business involvement.

KEY WORDS: ethical labelling, corporate responsibility, ethical business, civil society regulation, Fairtrade

The objective of the marketing of 'ethical products' can be described as aiming to 'transform their markets into institutions which place people and the environment at the centre of production, trade and consumption' (Taylor, 2005, p. 144). But this movement entails a paradox for the development of more human-centred business. Labelling is a market-based tool which turns ethical qualities into a product characteristic: intrinsically practical arrangements aimed at making 'ethical' products widely available and visible. The aim is to provide consumers with additional useful and credible information so their preference for products which are more ethical can be realised with greater ease, and adverse and iniquitous environmental, social and human consequences of trading and consumption will be discouraged. However, the increasing logic of the initiatives is to incentivise businesses to take up the signals on labels because making the 'special circumstances' of production and trade of labelled goods visible entails price premiums or competitive advantages for participating firms.

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There is thus an implicit paradox in efforts to expand the use of ethical labels. Labelling initiatives aimed at making trade and business more ethical need not imply direct ethical commitment on the part of distributors and retailers. Ethical commitment may often be implied by some change agent along the supply chain, but business and markets may remain amoral and partly, but significantly, motivated by instrumental gain.

The research on which the present article is based sought to assess the overall potential of labelling to inject human values into business practices, in the light of the above paradox. Are schemes designed to place human values at the centre of commercial transactions destined to rely upon the logic of profit-maximisation which they seek to challenge?

Previous studies either have focussed on a particular dimension of the labelling phenomenon, such as its economic, organisational, or political aspects (e.g. Bartley, 2003; Bougherara and Grolleau, 2002; Crespi and Marette, 2003; De Boer, 2003; Haufler, 2003; Sto et al., 2005; Zadek et al., 1998) or have examined different dimensions but restricted the focus to a single type of initiative, such as Fairtrade or sustainable agriculture (e.g. Raynolds et al., 2007; Renard, 2003; Taylor, 2005). In contrast, the distinctiveness of the present study consists in attempting a multi-dimensional analysis across a broad and representative range of labelling schemes. Because this approach is relatively ambitious the present study confines itself to a single country in order to minimise the complications from different national, socio-cultural and political contexts. Nevertheless, the scale and logic of ethical labelling identified here may develop similarly in other countries. In that case, other societies may be able to learn both positive and negative lessons from patterns in the UK, which is our national focus.

The research on which the present article is based was conducted through a classification and comparison of the range of initiatives present in the United Kingdom. The UK was chosen for two main reasons. Firstly, this country has some of the highest participation levels in international labelling schemes as well as probably the widest range of civil society campaigns promoting ethical labels. For example the Fairtrade initiative in the UK is described as having 'the most dynamic Fairtrade market in the world – here you can find the widest range of products, the most diverse range of companies involved and the most active grassroots campaigning network' (Fairtrade Foundation, 2008). Secondly, in the last two years all of the major British food retailers – a sector dominated by corporations with multinational operations – have officially adopted social and environmental labelling schemes, bringing ethical consumerism into the 'mainstream' of retailing.

Our UK survey required representatives of many of the major schemes to answer two main questions. Firstly, does the subsumption of ethical values into primarily amoral and utilitarian market processes dilute or neutralise ethical concerns? Secondly, is the definition, construction and control of these new markets essentially an exercise in technical management, or are more fundamental socio-political conflicts and processes involved? The latter question is raised because such conflicts may indicate differences in the relative priorities that contending parties may give, either to ethical, more human-centred values, or to narrow economic advantage.

Business-specific or industry-only certifications were not included in this research. Labelling schemes in the UK are primarily outcomes of interactions between private businesses and civil society groups, such as NGOs. As a result, labelling seems to be simply one form of a wider trend towards the 'privatisation of regulation'. It could be seen as merely a pragmatic adoption of business rationality, bringing in expertise and credibility and providing means to coordinate and control increasingly complex supply chains and the demand for quality, plus a strategic shift towards market mechanisms. However, the qualitative survey of 15 of the 26 main initiatives in the UK, on which we report in the third section of this article, shows that the scope of labelling functions differently for different stakeholders. Those functions go beyond the manifest ones of information communication between consumers and producer and actually introduce elements of socio-political regulation that are essential for more sustainable and ethical business practices.

After reviewing general theories and analyses of the feasibility of ethical consumer behaviour in the first section of this article, in the second section we map the main UK certification and labelling initiatives which cover: environmental sustainability, social justice, and animal welfare in the agriculture, food processing, timber, aquaculture, textiles and

personal care sectors. From this empirical review we generate a classification of the market coverage of NGO-inspired multi-stakeholder initiatives aimed at the environmental and social impact of production and trade and seeking to transform the markets of specific products through engagement with business. By describing the emergence of labelling initiatives and the basic characteristics and concepts of sustainability labels, it is suggested that labels may indeed reduce the ethical characteristics to another 'utility' of a product.

However, by introducing consumer-supported ethics into product markets through labelling initiatives two interacting but contrasting tendencies are created. Firstly, the implementation of labelling schemes entails a narrow instrumental and technical logic which is its manifest function, i.e. to supply consumers with information about the qualities of products or production and supply processes. The gradual 'mainstreaming' of ethical initiatives, such as Fairtrade, entails risks of corporate strategies subsuming ethical goals within business participants' competitive and profit-oriented logics. Secondly, however, this amoral and technical process has a less manifest socio-political dimension bound up with the broader issues of 'private' or 'civil society regulation' which is the focus of the third section.

The fourth section, reporting on our interview survey,[1] reveals contrasting perspectives between rival labelling initiatives and that the establishment and refining of labelling agreements entails complex social commitments and interactions between firms and NGOs. In these interactions the micro-ethical norms of the different actors play an important role in the nature of the schemes being adopted. Thus, ethical values are not left only for the consumer to decide on. They appear in and influence the formation and development of the schemes before these present ethical choices to consumers. However, we begin our analysis with a brief review of the ethical dimensions of consumption in relation to labelling initiatives.

## Theories of ethical consumerism: from personal choice to the politics of ethical regulation

The ethical, social or environmental characteristics of products or their production in general cannot be observed in a commodity, or experienced by using it. These characteristics are linked to production and trading processes and not the physical qualities of a product (Crespi and Marette, 2003). Therefore, the sustainable aspects of a product only 'exist' for the consumer if their presence is communicated (Hirschman, 1970; Schoenheit, 2004). In practical terms, product labelling is thus essentially a tool to provide consumers with simple, useful and credible information of complex issues along the supply chain. With the help of the initiatives, ethical aspects are being turned into a product quality in which sellers can compete in the form of 'niche markets'.

However, this model does not cover the demand side of the emergence of labelling and certification initiatives, i.e. the *motivation* of consumers to include ethical, social and environmental concerns into their consumption behaviour or the actual strength of consumer purchasing power; especially when compared to institutional purchasing power. To clarify these gaps we need to look at the concept of political consumerism and the social construction of sustainable production and consumption.

Political consumerism contradicts conventional economic assumptions of a pure utility maximisation of individual economic actors. Consumers include ethical, social or environmental aspects into their consumption decisions and do not separate their roles as citizens and as consumers (Holzer, 2006; Schoenheit, 2007). Political consumerism theory is closely linked to *socio-economic* explanations of consumption and other transactions as always embedded in and conditioned by social relationships (e.g. Granovetter, 1985). Socio-economics argues that consumers are not driven by 'mono-utility' (Etzioni, 1988) alone, but have a duality of motivations that also include considerations of general well-being.

A growing symbolic and personal significance of consumption in contemporary society (Hansen and Schrader, 1997) has been interpreted not only as demanding more responsibility, but also as an opportunity for redefining consumption to counteract the very damage in social or environmental terms done by consumption patterns, since it allows consumption to be charged with political or ethical meanings (Kennedy, 2003; Micheletti et al., 2003). However, integration of ethical concerns into purchasing decisions seems to be based on private and/or public motivations. Hence, 'lifestyle' and 'political

versions' (Schoenheit, 2007) of the phenomenon can be distinguished, as reflected in the different uses of the terms green/ethical and political consumerism, respectively. Empirically, consumers' motivations might be a mix of both motivations and are only of secondary importance in the labelling context.

The first case of more private motivations is mainly based on an internal conflict experienced by the consumers who see their own consumption contributing to social or environmental problems with consumption as self-expression (Schoenheit, 2007). Labels in this respect can be seen as a tool to signal the alternatives that make consumers' life styles compatible with their ethical or political concerns (Renard, 2003). The second case is based less on individual preferences than on what consumers think they should do collectively as a group (Bougherara and Grolleau, 2002). Here consumers' choice of producers and products is done with the goal of influencing the behaviour of others and 'changing objectionable institutional or market practices' (Micheletti et al., 2003, p. xvi). In other words 'Political consumerism means doing politics through the market' (Holzer, 2006, p. 406), but as a collective statement. Labelling initiatives can provide a platform for this collectivisation.

Social movements and their organisations allow this collectivising of individual choice, so it becomes 'a societal fact instead of an individual quirk' (Holzer, 2006, p. 410). The direct purchasing power of individuals is less important than the derived social power that is created when consumers 'lend' their purchasing power to social movements; which transforms economic means into political power (Holzer, 2006, p. 407). This construction of a collective statement allows activists to 'deploy existing consumer concerns in the cause of influencing corporations' (O'Rourke, 2005, p. 117), often merely on the threat of consumer action. Labelling initiatives have to be seen as part of a broader social movement which helps to mobilise individuals by creating forms of collective action with a common language and 'identities' for the involved consumers.

By transforming individual choices into an aggregate sign for the marketplace these initiatives can also act as 'signalling agents' towards producers and businesses. Thus the ethical market is not only made visible but producers are also able to search and establish new market positions; as it is easier to read consumer preferences (Holzer, 2006, p. 412). Or, to use another explanatory device, this collectivising effect introduces Hirschman's 'voice' into a market place (Schoenheit, 2007) in which individual consumers otherwise have only the options of 'exit' and 'loyalty', i.e. to buy or not to buy a product that might interfere with their personal convictions. Social movement organisations can add the option of voice, by turning private concerns into a public statement.

Labelling initiatives can also act to change public opinion and awareness in addition to 'making sense' of highly complex issues for individuals as discussed above. In this function they allow public identification, discussion and definition of issues of sustainable consumption, an important aspect in terms of agenda-setting and positioning issues and labels in the 'public mind' (Klintman, 2006; Micheletti et al., 2003). The success of market campaigns in this context is often seen as depending on the identification of a 'specific problem that resonates with consumers' (O'Rourke, 2005, p. 124), linking it to larger issues and then translating it into 'wrong choices' and consumer alternatives.

The shopping experience is reframed as a political action in the minds of consumers. This awareness and communication aspect is important not only on the consumer side but also on the production side. Through standard-setting, for example, sustainability problems are made communicable for producer networks. A common language and platform to share knowledge is provided, which is essential for producer education and capacity building, or to improve communication along the supply chain.

Yet the practical functions of labelling – translating individuals' personal and moral preferences and values into organisational frameworks or market signals –need entail no ethical or cultural rapport on the part of producers and sellers, although in some cases they are based on moral motivation by producers or other change agents within the supply chain. By identifying a supply of goods to the ethical choices of consumers they are merely ensuring that preferences and supplies are effectively aligned through realising this potential in markets. This pragmatic tendency is becoming more prevalent as labelling schemes expand into 'mainstream' sales and retailing, as will be explained below in the section: 'Towards NGO-business partnerships and 're-regulation''. Of course, there may be cases where labelled

goods are offered without explicit consumer demand but because retailers apply ethical sourcing/CSR policies, or even some more idealistic motives, such as whole foods/world shops explicitly founded to support ethical or alternative lifestyle products.

However, the translation process of values to concrete business practices entailed in the labelling process is a complex and highly political process, involving different interests amongst the stakeholder groups who come together to establish or extend the initiatives. The definition of relevant issues, whether producers' poverty or environmental pollution, or the models put forward as the solutions for these issues by labelling initiatives, are rarely perceptually clear but are socially constructed through discourses and debates. Thus, the standards established are subject to debates and disputes depending on the different expectations of the actors involved; and therefore are also subject to political strategies and power relations.

### *Summary*

Labels work through the main mechanisms of 'informing and influencing' (Zadek et al., 1998, p. 28). And in this function of providing means of information and influence, labels link producers and consumers and therefore serve as a bridge between the different ends of the supply chain. In this core role, labelling initiatives can moralise and humanise key aspects of business processes by providing credible and practical information for consumers, so they can apply personal convictions in their consumption choices. But labelling can also help producers and business to communicate 'sustainable' benefits in a credible way while offering strategic options to improve competitive positions based on sustainable production.

Beyond these practical advantages, however, labelling initiatives have a wider scope. In addition to these core functions, labelling initiatives have to be understood as potentially realising a bigger role and also for different, other groups. They also function politically by providing a platform to negotiate and influence 'sustainable' practices, offering a means for social movement organisations to put pressure on business and provide a tool for policy makers that creates incentives for business to move towards more sustainable business practices. In society as a whole they can help to create awareness about certain sustainability issues and the implications of our consumption patterns.

## Scope and scale of the 'ethical labelling landscape' in the UK

Ethical products are products traded and produced in compliance with a set of criteria aimed at improving socio-economic and/or environmental conditions involved in their trade/production. Overtly designating some products as ethical signifies assurance to consumers that the labelled products meet certain key and advertised ethical criteria; not necessarily all non-labelled products are unethical in their production and supply. Ethical products still only account for slightly more than 5% of the average expenditures of a UK household but many product areas that can be broadly defined as 'ethical' on the basis of labelling schemes have experienced important growth rates in recent years. The Ethical Consumerism Report 2007 (The Cooperative Bank, 2007) predicts that the market share of 20% might be hit within the next year or two and records growth rates for the main ethical categories, as follows.

- Organic food and drinks (18%),
- Fairtrade food and drinks (46%),
- 'Freedom foods' (6%)
- Sustainable fish (224%),
- Ethical cleaning products (26%),
- Sustainable timber (−3%),
- Ethical clothing (79%),
- Ethical cosmetics (22%).

Food and clothing products tend to predominate in the ethically labelled sector for a variety of reasons. One is their occurrence where supply chains are not too complex (e.g. food rather than high-tech products) because they involve a limited number of raw materials and production steps which makes labelling and certification more easily feasible. Another factor is higher public awareness due to media exposure of exploitative food and garment production and adverse environmental agricultural practices. Moreover, labelling is more feasible in mass consumption products and also more achievable where strong retailers, as in

groceries and garments, can demand appropriate standards of their suppliers. The value of the total UK market in 2006 amounted to £32.3 billion (approximately 40 billion euros). Starting with an index of labelling initiatives by the UK Government's DEFRA (2007), plus other labels identified through web research, a content analysis from the initiatives' web pages produced the following classification based on the:

- issues they address,
- sectors in which they operate and product ranges certified, and
- geographic scope of each initiative.

In total 26 initiatives were identified that operated as independent and non-governmental, third-party verifiers with a product-related labelling scheme that seeks to improve the impact of production or trade on environment or people.[2] It is important to mention that this list might not be comprehensive, since not only is it difficult to judge these criteria in an absolute way, but also the number of available labels is steadily rising, e.g. through the importation of labelled products.[3]

*Issues addressed*

The product label standards can be grouped into three main types of issues.

- Environmental sustainability, including biodiversity, health of the soil, sustainable management of resources
- Social Justice, including fair trade, labour and human rights, development issues
- Animal welfare

In some cases, labels focus on specific issues whereas, in other cases, product labels address more than one of these areas. For example, one approach that is increasingly widely used is the combination of environmental and social standards.

*Sectors and products covered*

The vast majority of labelling initiatives in the UK operate mainly in the sector of agriculture and food processing. Other sectors include timber, aquaculture, textiles and personal care products. In addition to these larger areas, there are also labelling initiatives for very specific product sectors like marine aquarium fish or the rug industry. From a consumer perspective, the range of ethical products includes ethical food, green home, and personal products (including clothing) (The Cooperative Bank, 2006).

*Geographic scope*

Most labelling schemes are part of an international network. However, the degree of internationalisation of their operations varies significantly. Some of the initiatives span the globe with their chain of custody and traceability schemes, whereas others, mainly the farm assurance schemes, operate on a more local or national level with very loose links to initiatives in other countries. The list in Table I provides a more graphic summary of the range of labelling initiatives of independent UK organisations that issue product-related labels and address environment and social concerns in production and trade.

These initiatives in Table I can be grouped together into four broad categories sharing similar characteristics.

(1) *Organic agriculture* is one of the most important groups, in terms of sales, popularity, age and number of labelling initiatives (Mintel, 2006); this group holds a special position for several reasons. Firstly, the organic standard is protected by law. Additionally, 'organics' also allude to issues of health. Hence, the organic labelling initiatives neither operate in a fully non-governmental sphere, nor do they address issues only of specialised ethical concern.
(2) *Fair trade is*, like organics, one of the older and most popular groups in terms of consumer awareness and sales (Mintel, 2006). Fair trade mainly addresses issues of international trade and related social injustice and poverty issues, with usually a strong focus on developmental aspects. The Equitrade and Rugmark initiatives can also be grouped with the Fair Trade foundation in this category.

TABLE I

Ethical, social and environmental labelling initiatives in the UK[a]

| Logo | Name | Description | Standards | Sectors |
|---|---|---|---|---|
| FAIRTRADE | Fair Trade Mark Fair Trade Foundation | Fair trade | Social (labour, welfare) Environmental developmental (trade) | Agricultural products, processed food, wine, cotton, flowers |
| CHANGE OUR WORLD EQUITRADE | Equitrade Foundation | Poverty reduction through market access for Southern producers | Developmental (market access) Social Environmental | Chocolate (Pilot project) |
| RUGMARK | Rugmark | Child labour free Fair wage | Social (labour) Developmental | Hand-knitted rugs |
| | Rainforest Alliance | Sustainable agriculture, forestry and tourism | Social (labour) Environmental | Coffee, tea, cocoa; fruit, flowers; wood; tourism |
| UTZ CERTIFIED Good inside | UTZ Certified (formerly UTZ Kapeh) | Responsible production and sourcing of coffee | Social Environmental Management | Coffee |
| fair flowers fair plants | Fair Flowers Fair Plants | Sustainable flowers | Social (labour) Environmental | Flowers and plants |
| SOIL ASSOCIATION ORGANIC STANDARD | Soil Association | Organic farming and production | Environmental Social | Agricultural products, processed food, textiles, personal care, wood |
| ORGANIC FOOD FEDERATION | Organic Food Federation | Organic farming, production and aquaculture | Environmental | Agricultural products, processed food, personal care, fish |
| ORGANIC FARMERS & GROWERS | Organic Farmers and Growers | Organic farming and production | Environmental | Agricultural food, processed foods, personal care, textiles |
| sopa | Scottish Organic Producers Association | Organic farming and production | Environmental | Agricultural food products, processed foods |
| demeter | Demeter/Bio-dynamic Farming Association | Bio-dynamic and organic farming and production | Environmental | Agricultural food products, processed foods |

TABLE I

continued

| Logo | Name | Description | Standards | Sectors |
|---|---|---|---|---|
| | Irish Organic Farmers and Growers Association | Organic farming and production | Environmental | Agricultural food products, processed foods |
| | Organic Trust | Organic farming and production | Environmental | Agricultural food products, processed foods |
| | Marine Stewardship Council | Sustainable fisheries | Environmental | Fisheries |
| | Forest Stewardship Council | Sustainable forestry | Environmental | Wood and wood products |
| | Programme for the Endorsement of Forest Certification | Sustainable forestry | Environmental | Wood and wood products |
| | Marine Aquarium Council | Sustainable marine aquarium organisms | Environmental | Marine aquarium organisms |
| | Nature & More | Organic and bio-dynamic agriculture, ethical trade | Environmental Social | Fruits and vegetables Wine |
| | LEAF marque | Sustainable agriculture | Environmental | Farming |
| | Freedom Foods | Farm animal welfare | Animal welfare | Agricultural food products |
| | Oekotex Standard 1000 | Organic textiles | Environmental | Textiles |
| | EKO SKAL Sustainable textiles | Sustainable textiles | Environmental | Textiles |

TABLE I

continued

| Logo | Name | Description | Standards | Sectors |
|---|---|---|---|---|
| | Eco Cert | Organic cosmetics | Environmental | Personal care products |
| | Go Cruelty Free – BUAV | Humane cosmetics, without animal testing | Animal welfare | Personal care products |
| | Seedling Symbol Vegetarian Society | Vegetarian food, GMO free, animal welfare | Environmental Animal welfare | Food |
| | Carbon Label Carbon Trust | Reduction of carbon emissions | Environmental | Case studies with food and personal care products |

[a]See note 2.

(3) *Holistic approaches* is a group which focuses on international trade and combines social and environmental issues. These bodies, such as The Rainforest Alliance, UTZ certified or Fair Flowers Fair Plants, are relatively young organisations and are usually less linked to civil society movements.

(4) *Sustainable management of natural resources* is also a slightly younger group which mainly focuses on the environmental side of one specific sector, such as forestry, fishery and marine aquarium organisms. They are mainly designed as multi-stakeholder initiatives.

The ethical labelling landscape in the UK can thus be summarised as follows. There are three major areas of environmental, social and animal welfare in UK labelling which are dominated by Fair Trade and Organic Certification, although a wide range of other labels exist. The sustainable management of resources and the initiatives that adopt a more holistic approach, combining social and environmental standards, constitute the other increasingly important categories. Labelling initiatives are very much focused on primary commodity markets and spreading into the directly linked areas of processed products. Textile certification is an area that also seems to be becoming increasingly more important.

## Labelling as 'private regulation' and political processes

From a societal perspective the proliferation of certification and labelling initiatives is often explained in the context of the emergence of new forms of non-governmental regulation resulting from significant changes in the structure of markets and politics and consequent changes in the strategies of governments, civil society and the private sector (Haufler, 2003). One of these outcomes is the apparent *privatisation of regulation* arising from a decrease in state capacity and an increase in corporate power (O'Rourke, 2003, p. 4). With globalisation and economic liberalisation and market integration the private sector is strengthened and the capacity of national governments limited (cf. Bendell, 2004; Haufler, 2003; Scholte, 2000; Strange, 1996).

This decrease of state capacity and the dominance of the neo-liberal policy paradigm means

governments opt for deregulation, liberalisation and decreased state spending (Bartley, 2003) with the free trade agenda limiting the available policy options significantly. The neo-liberal mindset also fuels the preference of policy makers for 'soft regulation' which is perceived as superior – as more flexible, innovative and pragmatic – than the traditional, slow, antiquated, or innovation-adverse 'command and control' approach (O'Rourke, 2003; Utting, 2005). More generally, national bureaucracies seem unable to cope with the newly emerging social and environmental consequences of industrial growth.

Non-state regulation comes in several forms: market-based mechanisms, private voluntary initiatives or public disclosure systems. But as each promises to address some of the demands of corporate accountability brought forward to governments by civil society without extra state commitments – having to increase budgets or staff for example – private regulation becomes an increasingly attractive alternative (O'Rourke, 2003). Such arrangements might also imply some scope for more morality in business regulation. Market actors who adopt voluntary controls make moral choices to do so, instead of merely complying with state diktats. However, as we shall see, in ethical labelling schemes the reality is more complex than autonomous moral choices.

### *Activist pressure, business self-regulation and credible authentication*

One result of this 'institutional crisis' (Newell, 2000) is that the strategies of civil society actors have also changed. Frustrated with defeats at the national level or with international negotiations that were slow and often unproductive, NGOs increasingly turned their attention directly to business (Bartley, 2003; Bendell, 2004). Instead of lobbying governments, activists now organise in international coalitions and target multinational companies in their campaigns in order to fight what they see as the social and environmental consequences of economic growth and corporate power (Bendell, 2004; O'Rourke, 2003). Since the nineties these campaigns have become high profile, accusing and challenging multinationals on environmental destruction, human right abuses or the exploitation of workers. Making use of the new vulnerability of the targeted companies campaigners have hit out corporations' reputation and brand image (Haufler, 2003; Klein, 1999).

Against this background of pressure from 'social movement activity and public controversy about the social or environmental dimensions of the industry' (Bartley, 2003, p. 442), some business actors started to engage in new initiatives, too. They engaged in self-regulation measures, such as corporate codes of conduct or industrywide standards that addressed social, environmental or labour issues. A new discourse of 'enlightened business' and the 'business case' of a proactive stance towards responsible business behaviour also appeared (Bendell, 2004). But self-regulation initiatives lack accountability to external actors with standard-setting and monitoring mainly done by the companies themselves or other self-appointed organisations. These initiatives were thus often strongly criticised by NGOs for being nothing more than 'window-dressing' or attempts to pre-empt mandatory regulation. Attempts at self-regulation and its limitations, therefore, led to demands for systems that could credibly authenticate environmental and social claims (Haufler, 2003; Utting, 2005).

### *Towards NGO-business partnerships and 're-regulation'*

Although historically 'extremely suspicious of market mechanisms, weakening state roles, and privatized regulation' (O'Rourke, 2003, p. 5), NGOs increasingly chose to become involved in regulation and monitoring through multi-stakeholder initiatives or to design schemes to 'transform the markets of specific products by shifting demand from problematic products to improved products' (O'Rourke, 2005, p. 116). Describing this strategic shift as 'Third-wave environmentalism' Murphy and Bendell (1997) describe it as an explosion of NGO and civil society engagement with business, linked to a philosophical shift that questions pure confrontation as too ideological and emphasises the importance of a more solutions-oriented approach. Often termed 'ecological modernisation' Sto et al. (2005) describe it as 'a political 'right turn' for the environmental movement and a 'left turn' for industry' (Ibid., p. 17). It is characterised by a belief in pragmatic technological and managerial solutions to environmental problems that, based on consensus, lead to improvement

through incremental changes in behaviour, with measures framed as providing profitability opportunities and as 'win–win' situations.

From a corporate point of view, engagement in multi-stakeholder initiatives or other partnering projects with NGOs is therefore seen as making business sense, like for example bringing in expertise and credibility (Murphy and Bendell, 1997; Newell, 2000). Measures like certification and labelling schemes additionally provide means to coordinate and control both increasingly complex supply chains and the demand for quality. The significance of current multilayered governance arrangements is highly debated, but the involvement of stakeholders is generally seen as potentially adding democratic value to the regulatory arrangement, especially when compared to the roles of big and powerful multilateral governance institutions that are criticised for lacking democratic justification (Bendell, 2004).

However, civil regulation can also be criticised, both for the danger of moving power and authority to equally unaccountable actors (Bendell, 2004; Utting, 2005) and for reinforcing structural inequalities such as power imbalances along the supply chain by relying on market-based schemes and therefore orthodox economic thinking. Labelling initiatives that focus on the working conditions of small producers in developing countries, for example, might not be able to transform their trading relations to powerful buyers in the North. However, it might be exactly this power, in the form of time and price pressure, which is the root cause of problems on the production side.

These problems aside, viewing the emerging multilayered system of governance as a form of re-regulation, Utting's concept of 'articulated regulation' suggests that proper links between different layers of governance can create an effective system of regulation. Synergies can be achieved between mixtures of public and private regulation: the threat of mandatory regulation, national legislation on soft law, market-based incentives through public procurement, references to international law, or voluntary approaches that become hardened over time once they are more accepted.

Another form of articulated regulation that is particularly relevant for the politics of labelling initiatives is the 'confrontation-collaboration nexus'. The 'co-existence of these two forms of civil society regulatory action… often accounts for the ratcheting up and scaling-up of particular multi-stakeholder initiatives' (Utting, 2005, p. 10). This dual presence of collaboration and confrontation in the strategies of NGOs for influencing business behaviour (cf. Murphy and Bendell, 1997; O'Rourke, 2005) refers to the combination of more formal collaborative activities like standard-setting, certification and labelling and more informal activities and activism, or 'street regulation', such as protests, watch-dog activities and boycotts. Its success can be attributed to the fact that it offers a framework for change and the institutionalisation of the change process through collaboration activities, whereas the confrontation side is a key driver to maintain honesty and dynamism.

## Origins, structure and dynamics of the initiatives

A more detailed analysis of the scope and dynamics of the aims and activities of the initiatives described above will help us to determine whether ethical concerns persist. This analysis also investigates whether the definition, construction and control of these new procedures and markets is becoming essentially an exercise in technical management – that is a focus on the implementation of procedures in which efficiency of costs and outcomes and not values or socio-environmental impacts are the guiding criteria. Or, in contrast, whether the process is one involving more fundamental socio-political conflicts and processes in which value choices still play an important role. This analysis is based on a qualitative survey of 15 initiatives[4] and focuses particularly on their:

- origins and reasons for their emergence
- activities and different approaches to ethical labelling
- perception of challenges and limitations.

### *Origins and reasons for initiatives' emergence*

The context of the emergence of most initiatives is often described as a response to crises in the respective industries. These crises included increasing concerns and negative publicity about the proliferation of harmful trade or business practices, or even a threat for

the sustainability of the industry, either because of imminent legislation or because of the decline of important resources. Accordingly, the initiatives which emerged were linked either to 'ethical' demands from politics and society for more responsible practice, or to the need of industries and companies to demonstrate their responsibility or even to ensure the long-term sustainability of their industry.

The emergence of the organic certifiers is an exception in this context. Some of the labels were started as early as '70s or '80s in order to identify the produce from farmers committing to alternative agricultural practices that had been promoted by a larger social movement for even longer. In general, several groups from industry and civil society came together in the foundation of the initiatives' organisations; e.g. organic certification initiatives emerged from pre-existing farmer associations or cooperatives.

### *Activities and different approaches to ethical labelling*

The core activity of all certification and labelling initiatives consists in 'operating' an assurance system on the completion of which the awarding of the label is based. These systems can be very complex and include elements of standard-setting, certification and accreditation. The design and robustness of monitoring procedures constitute an important basis for the initiatives' credibility and legitimacy.

However, we also find that proponents of the labelling initiative see their role as more than 'just' information provision and assurance; they engage in additional activities too. In doing so, their understanding of their roles and organisational philosophies vary. It is remarkable to what extent most of the initiatives emphasise their uniqueness and how they differ in their opinion of what sustainable practices look like, and how best to promote them. Most of the *additional activities* can be identified as being in the area of communication and education, targeted at consumers, producers, other businesses or public policy, such as capacity building, campaigning or lobbying.

There are some general patterns in the different approaches the initiatives take towards their own role. Firstly, there is the theme of labelling as the promotion and identification of alternative production methods on one side and the promotion of minimum standards or best practice for a whole industry on the other. Or, in other words, creating market access for alternatives and potentially less well-known producers contrasts with transforming the 'conventional players'. In this context we can also observe market segmentation. At one end are niche players that are positioned in the rather high-end market for very demanding ethical consumers, and at the other end, there is the more 'corporate social responsibility' approach that seeks to provide 'sustainable products' for all and targets the more mainstream or passive consumer and business. Accordingly the understanding of the functions of the label as such also vary: from the label as a way for smaller companies to 'champion their brand' (the traditional approach of the first fair trade labels as tools for ensuring quality and market access for less well-known producers) to the label as a 'shadow label' – a qualifier in ethical terms for major and otherwise well-known brands.

Another interesting aspect was the relationship between 'assurance' and 'capacity building'. Here the initiatives' perspective, on how they see their role, moves between the focus on ensuring product integrity as a primary goal and, on the other side, the promotion and support for certain practices as a main goal – with the label at the end only as a stamp of approval. Commonalities in approach were, however, balanced by the fact that every single initiative emphasised its particular difference and uniqueness in approach. Many interviewees stressed that each programme served a particular role and the importance of communicating this difference, and they even spoke of a complementarity of initiatives, differing in the 'strictness' of their approaches.

The variety and heterogeneity of the different approaches illustrates that this area is still highly value-driven in the sense that initiatives not only have their own interpretation of what constitutes sustainable practice in their area, or in other words, of what the 'ideals to achieve' or 'ills to avoid' are. They also differ significantly in their approach on how change towards this practice can be achieved and how it should be promoted.

### *Perceptions of drivers and motivation for the uptake of labels*

The motivations of organisations to become part of a particular certification system were described,

however, as a duality of economic incentive and more idealistic and ethical motivations. Although numerous interviewees mentioned the importance of involving importers because 'it is the right thing to do', in general, economic motivation was described as being the most important factor. This emphasis was described as arising either because of higher prices, or for direct market access, e.g. because retailers require certification. On the less market-driven side, the opportunity to get recognition for what is being done and the possibility to improve an organisation's image and relations with governments and NGOs were also mentioned. In some cases, it was reported, enterprises join because of economic incentives and – once they have joined – learn to appreciate other benefits of improved conditions and thus also adopt a more normative conviction for participation.

Many initiatives stressed the role of large buyers, especially of retailers, as important change agents who press for certification, either as a reaction to the growing market potential based on changing consumer preferences, or because of emerging CSR agendas or ethical sourcing policies. In some cases retailers' involvement is also linked to more practical reasons of ensuring future supply of their raw material or quality management along the supply chain.

### *Challenges and limitations*

The empirical evidence from our survey illustrated the limitations of labelling and certification initiatives as a market-based tool, a point of critique that is often made in this context (see, e.g. Raynolds et al., 2007; Taylor, 2005): Due to their operation within a commercial context and being subject to these market rules, labelling initiatives have to face diverse external and internal pressures. For instance, they have to appeal to their important audiences, e.g. by focusing on issues that resonate strongly with consumers or that fit well into the ethical sourcing policies of retailers and large buyers. Also the long-term sustainability of this tool to promote sustainable business practices is often questioned since it depends on consumer or retailer interest that might fade over time.

Achieving '*buy-in*', i.e. the commitment of producers and retailers along the supply chain to become associated, or work with a particular label and its procedures, is crucial for labelling initiatives. This aim is based on the premise of many of the initiatives' thinking that to transform the sector in which they operate significantly it is important to reach that 'tipping point' where certification is no longer voluntary in an industry, but becomes a 'must' because there are more goods labelled than are not.

For the initiatives, achieving the uptake of their labelling schemes by retailers and producers might be linked to having to offer a

- wide coverage of issues and regions
- competitive and innovative service meeting the demand of the market
- degree of consumer awareness and appeal, depending on the trust associated with the labelling initiative and if it addresses the issues which concern consumers.

Being subordinated to such market logic also means that demand and supply issues are of huge importance for the further expansion of labelling. In some cases initiatives face a problem of not being able to certify as many goods as demanded. This may be due to a shortage of certified produce and raw material on which the production of labelled products depends, e.g. permitted feed for animals reared for organic meat. Or, it may happen that the integrity of the product along the whole supply chain is not ensured, e.g. when 'holes' in the certification process along the supply chain lead to the non-certification of products that were actually produced/reared for certification.

The *financial situation* of labelling initiatives can also be an operational reality that can deflect attention from their initial aims. Their lack of resources was mentioned as a major problem of many initiatives (interview survey July–August 2007) and this contrasts with the high expectations imposed on them: to ensure robust assurance systems, while at the same time remaining independent. Furthermore, they rely on the awareness of consumers, but have to compete with the substantial advertising budgets of large corporations. In this context of trying to keep a fragile balance, between market appeal, operational realities and the certification work, organisations might also sometimes be too overstretched to keep an eye on the indirect consequences of their activities. Good monitoring systems however will be indispensable to guarantee a true contribution to sustainable practices.

The importance of this point becomes clear when looking at the limitation of labelling initiatives in addressing structural issues. Labelling initiatives, it could be argued, cannot address the power imbalance favouring large buyers and retailers, but might even be reiterating it: a challenge for the success of labelling initiative as a whole not just for individual initiatives:

> The big problem area is the retailers. There are some very responsible retailers, and some that are not. Where they drive for cheap food, this comes at a huge environmental and social cost. [Interview with an initiative working in environmental farming July 2007]

Certification can increase the pressure within the supply chain coming from retailers, or even exclude those who are meant to benefit from it, such as small scale producers who cannot afford high certification costs.

### *The challenges of growth and 'mainstreaming'*

The management of all of the above complications becomes especially important in the current context of unprecedented growth. Many of the interviewees described the current developments as a crucial moment in the evolution of their initiative. However, this impact was often framed in the capacity of their organisational success and the increasing coverage of their label. Only a very few organisations actually monitor the impact of their certification through, for example, studies on the environmental impact of the certification scheme or a monitoring and evaluation system. Only one organisation referred to unintended indirect consequences of their certification system.

The unprecedented growth of labelling initiatives and the fact that they are to a large extent driven by retailers is the core of the so-called 'mainstreaming' phenomenon. Labelling initiatives are at the centre of this discussion, since they are usually seen as major enablers for the 'mainstreaming' of ethical consumerism (Raynolds et al., 2007; Renard, 2003). They have emerged out of the need to work within the mainstream market to have a greater impact and achieve their aims (Taylor, 2005). Mainstreaming therefore describes the move from 'ethical' products, mainly 'organics' and fair trade, out of their alternative niche into mainstream distribution channels – or, in other words, from farm, whole foods and independent 'ethical' retailers onto the supermarket shelves.

This mainstreaming process is usually associated with the targeting of the passively ethical consumers (Follesdal et al., 2003), i.e. a group of consumers which is not willing to take greater risk or efforts to involve ethical concerns into their purchase. Organisations like the coffee certifier 'UTZ Certified' explicitly target more mainstream consumers and producers based on the insight that people are interested in ethically produced and traded products, as long as this is not bound to excessive effort (O'Rourke, 2005). On the production side this development occurs in several trends, such as different specialist brands that are increasingly widely available (like the Traidcraft Geobar), big mainstream brands introducing products with an ethical positioning (like Nescafé Partners' Blend), and the increasing ethical stance of retailer's own-label product ranges (like SO organic or Co-op's Fair Trade Ranges) (Mintel, 2006).

Such developments apply not only to organics and fair trade products. They illustrate the evolution of the whole labelling landscape and its shifting focus from providing alternatives outside the market to the attempted directing of the mainstream markets in a more sustainable direction. We observed that the logics of most initiatives is based on the assumption that the highest impact is achieved with the widest coverage possible. Many mentioned that they were hoping to achieve this 'tipping point' one day, when their certification was not a voluntary plus or means of differentiation anymore but something expected by consumers. Expansion is mainly linked to the scope of initiatives' impact and to aspects such as market access for more producers or wider areas under sustainable management (Taylor, 2005). Furthermore, their market coverage and growth potential is also seen as essential for their power to shape global production, consumption and trade (Raynolds et al., 2007).

However, evidence from the interviews shows that this period of growth entails important problems for the performance of the labelling initiatives, such as coping with tensions within the movement or having to manage organisational challenges or

political pressures that can influence the outcomes of the certification system. Taylor describes this challenging situation as 'to pursue alternative values and objectives such as social justice and environmental sustainability without being captured by the market's conventional logic, practices and dominant actors'. He argues that, by operating within a market, labelling initiatives are subject to conventional commercial expectations which can dilute their initial objectives. They are therefore not 'likely by themselves to transform their markets into institutions which place people and the environment at the centre of production, trade & consumption' (Taylor, 2005, pp. 130, 144).

*Socio-political functions*

Labelling initiatives' function, as a platform for the negotiation of sustainable practices, is closely linked to stakeholder involvement in their governance and standard-settings. The evidence from the interviews revealed, however, that only a few initiatives approach stakeholder involvement in a transparent and systematic way. In this context a frequent point of criticism of labelling initiatives as a political tool is expressed. Should highly abstract and important concepts like sustainability be defined by private actors (De Boer, 2003)? The interviews show that differing initiatives are based on specific sets of values. This raises questions not only in terms of the degree of democracy, but also in terms of the impact towards achieving more sustainable consumption and production.

Evidence has shown that in some cases these initiatives step in when governments cannot tackle an issue on their own or that they help to 'harden' retailers' CSR promises. Labelling schemes alone may be insufficient to address sustainability issues in an effective way, but their interaction with other tools or broader issues is important (De Boer, 2003). The involvement of governments, or confrontational activities by NGOs, was mentioned by many of the interviewees as very helpful for the success of their initiatives. The example of the Fair Trade Foundation, one of the most successful initiatives in the ethical consumerism arena, highlights the significance of close links with other civil society organisations and their networks of volunteers. The mobilisation of these networks can help to overcome other limitations like financial resources, or also a lack of interest and motivation of consumers to change.

## Conclusions

Labelling initiatives, in their functions as market-based instruments, serve to translate value-based assumptions on better ways of doing business into business practices. By doing so they seek to spread more humane models of business on a large scale – or even try to make it part of general practice – without having to rely on the moral judgment of a few. We set out to answer two main questions about the rise of these initiatives from the UK evidence. Firstly, does the subsumption of ethical values into primarily amoral and utilitarian market processes dilute or neutralise ethical concerns? Secondly, is the definition, construction and control of these new markets essentially an exercise in technical management, or are more fundamental socio-political conflicts and processes involved?

Our evidence confirms that the functions of labelling initiatives go beyond the communication of consumer preferences and producer objectives. The most distinctive function of labelling as information for the consumer might be to provide communication between consumer and producer. But initiatives have also been founded to provide a platform for interaction, 'political' dialogue, on how to 'do' sustainability in their industry, and they are, in the UK context, almost all multi-stakeholder initiatives. Our data also shed some light on the general limitations of labelling initiatives as a market-based instrument and helps to locate them within a context of growth and 'mainstreaming' that constitutes both success and threat for the future for the labelling organisations. This focus on growth is particularly relevant, since the basic assumption of most of the initiatives, that further expansion is necessary for more positive impact, might entail the danger of undermining this very impact. The dynamics of the UK labelling landscape in the future depend on how this growth is managed. One very important variable will be the degree and nature of retailers' involvement

since they are important change agents who on the one hand push forward the adoption of labelling scheme, but on the other hand also hold an important position of power in the supply chain. Another would be the extent to which strong links with civil society will be created.

However, the research has also shown that the phenomenon of labelling initiatives is still highly value-driven in the sense of framing what sustainability in production and consumption means and how change towards it can be achieved. Accordingly, initiatives have particular ways of defining sustainability (or one part of it) in the sector in which they operate and how this should be achieved through certification and labelling along the supply chain. These assumptions are then reflected in their particular systems of assurance procedures and additional activities.

On the other hand, when it comes to the uptake and expansion of certification, economic interests are at least as important as idealistic motives. One could argue that this aspect stems from the nature of a market-based project that tries to 'translate' values into market dynamics. Due to this translation process into practical procedures and arrangements, all other actors that are then involved along the supply chain can bring about the problem of acceptance of values. They do not necessarily have to explicitly admit to the value system on which a label is based. Their commitment to a particular label might rather be due to very practical and non-ethical reasons.

In general, however, we can say that the insertion of ethical values into primarily amoral and utilitarian market processes while complicating and diffusing ethical concerns does not necessarily neutralise them. Indeed the definition, construction and control of these new markets turn out not to be simply an exercise in technical management. If anything it constitutes arenas in which the moral values of consumers and change agents are translated into socio-political conflicts and processes – whose outcomes may depend on the ways in which producers, retailers, civil society organisations, and policy makers interact within and around the initiatives. If the propensity to politic, to further ones' values, is as much a part of the human condition as the capacity to express those values, then we can certainly say that ethical labelling schemes are helping to humanise these aspects of business.

## Notes

[1] Phone Interviews were conducted with representatives of the following organisations between 18th July and 9th August 2007: Biodynamic Agriculture Association – Demeter Certification, UK; Equitrade Foundation, UK; Fair Flowers Fair Plants, Netherlands; Freedom Foods – RSPCA, UK; Forest Stewardship Council (FSC), UK; Linking Environment and Farming (LEAF); Marine Aquarium Council (MAC), France; Marine Stewardship Council (MSC); Oekotex; Switzerland; Organic Farmers and Growers; Programme for the Endorsement of Forest Certification (PEFC), UK; Rainforest Alliance; Rugmark, UK; Scottish Organics Producer Association (SOPA); UTZ Certified.

All UK labelling initiatives identified were targeted for interviews and contacted by email. Interviews with fifteen organisations were agreed, representing a positive response rate of 60%. Two organisations explicitly declined to participate citing their communications policy. Other non-participating organisations could not be included due to time constraints of the appropriate persons. The sample of these fifteen organisations represented most of the different organisational characteristics identified in the first stage of the study and can therefore be seen as sufficiently representative.

The interviewed representatives had a competent overall view of their organisation, as most were directors or communication officers. These telephone interviews lasted between 20 and 40 min and were recorded and transcribed. Clarifying email communications were also undertaken where necessary. Interviews were semi-structured and covered organisations' history, aims and objectives, governance structure and procedures, relations to other actors and their main challenges and outlook for the future.

[2] All information is based on a review of the respective websites. A list of the URL addresses is contained in the reference list.

[3] There are other product labels available on the UK market that are also related to the ethical, social and environmental labels examined here but that did not explicitly concern general ethical trading. Examples of such labelling initiatives are those that address food safety, faith specific production of food, (e.g. Kosher and Halal foods), waste and recycling issues, energy use of products, fair trade on a company level, and sustainability issues within service sectors, such as tourism, or construction trades.

[4] The following section is entirely based on the information collected through the interviews. As interviewees were promised that information would be kept

confidential, quotes are not linked to the name and affiliation of interviewees. Furthermore, it is important to note that rather than examining technical detail, the emphasis in the interviews lay on the broader aspects of the roles of labelling initiatives.

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