

# Strengthening Recycling Value Chains:

## *Petco's Inclusive Employment Practices Support Environmental & Social Goals*

Corporate priorities, government policies, and public demand are driving companies across the world to improve their environmental and social footprint. In South Africa, the Petco Producer Responsibility Organisation NPC is scaling up the recycling of plastics, while improving livelihoods for waste pickers and reducing stigma.



### The Challenge

Petco is a collective organization set up and owned by members, such as Coca-Cola, Unilever, and PepsiCo, to fulfill their extended producer responsibility (EPR) obligations in South Africa, by taking accountability for their products throughout their entire life cycle. EPR schemes are becoming common worldwide, and South Africa's scheme is mandated by legislation. However, in the early 2000s, low prices, insufficient market demand, and limited consumer interest in recycling provided little incentive for waste pickers to collect PET waste. Additionally, waste picking was—and remains—heavily stigmatized.

### Inclusive Employment Solutions

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**Participation**

Provision of gloves, safety glasses, and protective equipment. Training on safe collection methods. Targeted recruitment to identify candidates with disabilities for 'learnerships' at Petco's recycling partners.
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**Advancement**

Training and capacity building to help self-employed waste pickers build their own buy-back centers and small businesses.
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**Resilience**

Raises awareness on how to access state benefits. Supported waste pickers during COVID-19 lockdowns.
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**Empowerment**

Public campaigns on the value of waste picking. Provision of uniforms and badges to build recognition. Transparent payments. Supports self-organization of informal workers.

### Benefits for Business

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**Human Capital Performance**

From 2004 to 2021, volumes of collected PET waste rose 1700%. At the individual level, collection grew three-fold.
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**Supply Chain Resilience**

Labor supply and collection capacity increased. In 2022, 66% of PET from Petco members in South Africa was collected for recycling.
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**Reputation & Risk Management**

Petco members can better meet sustainability and recycling targets.

### Benefits for workers

While very few waste pickers were collecting PET in the early 2000s, this now provides livelihoods for an estimated 52,000 people in South Africa and generated over \$186,000 in earnings for waste pickers in 2021. Increased demand contributed to a nine-fold rise in payments per kilogram of waste. After training, several individuals who ran home-based collections now manage large warehouses.



**Industry:** Collection and recycling

**Structure:** A Producer Responsibility Organisation (PRO) operating in a mandatory extended producer responsibility environment with 28 members, including Coca-Cola, Unilever, PepsiCo, plastics manufacturer Safripol, and retailer Pick n Pay. Petco is committed to driving change towards a circular economy in South Africa's packaging industry. Petco drives recycling activities, unlocking the collection and recycling value chain, guiding product design, stimulating end-use markets for recycled material, carrying out education and awareness initiatives and building local infrastructure and capacity.

**Base of the pyramid workforce:** Petco uses member funds to invest in recycling infrastructure and pay recyclers who purchase post-consumer polyethylene terephthalate (PET) typically used in plastic bottles and containers and Liquid Board Packaging (LBP) from waste pickers and buy-back centres. Petco estimates around 52,600 informal waste pickers supply South African recyclers, of which 38% are women.



## How Petco Puts Inclusive Employment Solutions into Practice

Petco took a value chain approach to make PET collection more attractive by developing the consumer market for recycled content and improving recycling infrastructure, while also supporting fairer prices and better working conditions for waste pickers.



### Participation: Reduce entry barriers

Petco learned that waste pickers were reluctant to spend their mobile data consulting websites, so in 2020 it built a free WhatsApp platform to provide access to crucial industry information, to enable more efficient collection, and to promote knowledge sharing among these informal workers (see Figure 1). The platform also serves as a communication tool for Petco, and it can also use data generated from the quiz function to identify knowledge gaps among waste pickers and tailor training.

The total number of users of Petco's WhatsApp for Business platform grew from just 48 in 2020 to 9,189 in 2022. Over 60,000 interactions were recorded in 2021, with waste pickers most often requesting information on starting a recycling business and locations of nearby buy-back centers.



### Participation: Ensure safe working conditions

Improving safety for workers at the base of the pyramid not only supports workers' health and well-being, it also enables their ongoing participation in employment. Recognizing the hazards involved in waste picking, Petco provides basic protective equipment such as bags, gloves, safety glasses, and masks, as well as training for informal waste pickers on safe collection methods.

Petco also conducts site visits to identify ways to grow the collector base and volume of material collected. It sponsors the provision of infrastructure and equipment to support individual waste pickers, as well as micro, small and medium-sized enterprises (MSMEs), co-operatives and community-based organizations.<sup>2</sup> The company provided 182 collection projects with bailing, weighing, storage, transportation, protection, and other equipment in 2019-2021. A third of these projects were led by women.

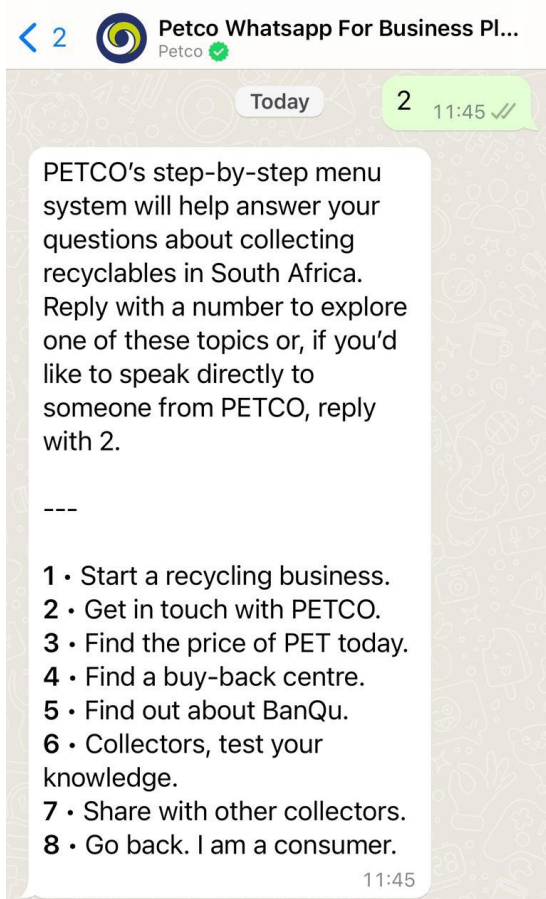


Figure 1: Petco WhatsApp for Business platform



### Advancement: Build capacity for self-employment

Petco works with local authorities and stakeholders, including buy-back centers, recyclers, and waste pickers' organizations, to identify and invite waste pickers to recycling workshops that provide basic training on sorting and separation. A total of 77 recycling workshops were conducted from 2019 to 2021, reaching 3,446 attendees, at least 37 percent of whom were women.

Following recycling workshops, waste pickers may be invited to attend further accredited training organized and sponsored by Petco, with a view to helping them build sustainable small businesses, such as buy-back centers. Courses run for one to three days and include business training and basic mathematics. A total of 486 waste pickers have taken part in 14 accredited training sessions over the past three years, of which 53 percent were women and 6 percent were persons with disabilities.

### Supporting and monitoring inclusion

Petco supports skills development for youth with intellectual disabilities who face particular barriers in accessing education and employment. It does this by sponsoring year-long disability learnerships with its recycling partners. Beneficiaries of these work-based learning programs are identified by a specialist service provider. So far five of seven participants secured permanent employment with Petco member companies.

Petco collects gender, age and disability-disaggregated data on beneficiaries of training and other support to ensure the inclusion of particularly marginalised groups.



### Empowerment: Recognize value of work

Petco supports initiatives that raise awareness of the value of waste pickers work in order to address social stigma that acts as a barrier to recycling. In 2019, Petco and other private sector actors partnered with the African Reclaimers Organization (ARO) to pilot a recycling program connecting consumers and waste pickers in two Johannesburg suburbs. Residents were encouraged to separate their recyclables, which were subsequently collected by ARO's waste pickers.

The project contributed to greater community support for recycling, with 66 percent of participating waste pickers reporting an increase in the number of households they collect from. Greater household participation in recycling enabled greater earnings as waste pickers were able to collect from more households per visit, as well as more frequently. There was also a positive impact on community attitudes towards waste pickers, with over 90 percent of participating residents stating they supported allowing waste pickers to collect recyclables, and more than 80 percent believed waste pickers should be paid for their work.<sup>3</sup> Petco also provides waste pickers with branded bags, bins, uniforms, and equipment, and supports the provision of identity cards for ARO members. This helps waste pickers access local neighborhoods. In addition, awareness-raising campaigns are conducted via billboards social media to educate consumers about the value of waste pickers' work and to inspire others to start their own collection businesses.



### Resilience: Improve access to benefits

Petco collaborated with its recycling partners and other producer responsibility organizations to support waste pickers who were unable to work during COVID-19 lockdowns. It distributed food vouchers to almost 4,000 collectors and their families, and donated face shields, N95 masks, hand sanitizer, and blankets to waste pickers. The company also shared information about how to access state support with informal sector stakeholders and small to medium sized enterprises (SMEs).



### Empowerment: Provide fair and clear terms of work

To promote transparency in the sector, Petco works with buy-back centers to support the adoption of the BanQu tech platform. The platform allows centers to record and track their recycling transactions with waste pickers. At the same time, individual waste pickers are provided with a permanent digital record of their earnings which can be used to access credit, which is particularly important given that informal workers are largely unbanked. The platform has been introduced at 38 buy-back centers, covering over 2,400 waste pickers, with Petco aiming to register 100 centers and 10,000 waste pickers by the end of 2022.



### Empowerment: Support self-organization of informal workers

Waste picker organizations such as ARO and the South African Waste Pickers Association (SAWPA) have been instrumental in educating consumers about recycling, as well as in advocating for better working conditions for waste pickers through local-level engagement with municipalities. Petco assists ARO by providing enterprise development support and paying for mobile data to enable ARO representatives to join online meetings.

"Petco's contributions have absolutely had an impact on the destigmatization of reclaimers. Just wearing a recognizable uniform makes a world of difference in terms of how people view you. Uniforms help identify reclaimers as people who are at work, as opposed to criminals."

Eli Kodisang, African Reclaimers Organization

## The Benefits for Business: Petco's Experience

Petco's efforts to expand collection and advance better working conditions have increased the quantity and quality of material supplied to its recycling partners, thereby helping to meet its collection and recycling goals and ensure members' compliance with South African legislation.



### Supply Chain Resilience

Petco's use of inclusive employment practices helped to increase collection capacity across South Africa, a key challenge for the PET industry, particularly in rural areas where collections are limited. While few waste pickers were collecting post-consumer PET material in the early 2000s, it is estimated that the informal collection of PET material now provides livelihoods for over 52,000 people.<sup>4</sup>

As demand for recycled products increased, so did prices. Petco says the average price per kilogram of collected PET waste rose nine-fold, from \$0.03 per kilogram in 2004 to \$0.30 in 2020. In turn, higher prices incentivized more waste pickers to engage in PET collection, and the volume of PET material collected rose from less than 5,000 tons in 2004 to over 83,000 tons in 2022. In addition, the share of PET material collected for recycling grew from 16 percent in 2005 to 69 percent in 2022, while 66 percent of PET packaging placed on the South African market by Petco members was collected for recycling.



### Human capital performance

Waste picker training and consumer education campaigns have resulted in greater separation of recyclables at the source, including at the household level. This allows waste pickers to spend less time separating and more time collecting, positively impacting their earnings. In addition, work to de-stigmatize waste picking means that waste pickers are increasingly allowed to access gated communities for collection. Some communities have even allocated specific days for collection, meaning that waste pickers who previously may have had only 30 minutes to sort recyclables can now do so over two days. As a result of these efforts Petco reports collection rates have grown threefold at the individual level.

"To succeed as a company, we need to address the whole value chain, including collectors working at the very beginning of the value chain. They collect 60 to 70 percent of recyclables, so, as a company, we cannot grow if we leave them out."

Belinda Booker, Collections and Training Manager, Petco



### Reputation and risk management

Petco's practices to support waste pickers enable its members to meet their sustainability and recycling goals, helping mitigate the reputational risks associated with PET production. For numerous members like Safripol, supporting under-served communities within the recycling value chain aligns with their corporate values.<sup>5</sup> Another member, Coca-Cola, has sought to replicate Petco's model beyond South Africa as part of its corporate sustainability strategy, World Without Waste.<sup>6</sup> Petco's members are now particularly well-placed to comply with South Africa's new mandatory EPR requirements, and to integrate informal waste pickers into the post-consumer collection value chain.

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## Endnotes & Sources

Company data was provided by Petco, and interviews conducted with company representatives in February and March 2022, and with the South African Waste Pickers Association (SAWPA) and African Reclaimers Organization (ARO) in March 2022. Additional sources include:

<sup>1</sup> Petco. nd. How Is PET Recycled? What Does the Growth of PET Recycling in South Africa Look Like?

<https://Petco.co.za/how-is-pet-recycled/>

<sup>2</sup> Petco. 2020a. Review of Petco Activities 2019.

[https://Petco.co.za/wp-content/uploads/2020/07/Petco-2019-Annual-Review\\_FINAL.pdf](https://Petco.co.za/wp-content/uploads/2020/07/Petco-2019-Annual-Review_FINAL.pdf)

<sup>3</sup> Petco. 2020b. Unique Pilot Programme Boost for Recycling Sector Reeling From the Covid-19 Lockdown. (1 June 2020).

<https://Petco.co.za/unique-recycling-programme-a-boost-for-informal-sector/>

<sup>4</sup> Petco. 2021. Review of Petco Activities 2020.

[https://Petco.co.za/wp-content/uploads/2021/07/Petco-2020-Annual-Review\\_FINAL.pdf](https://Petco.co.za/wp-content/uploads/2021/07/Petco-2020-Annual-Review_FINAL.pdf)

<sup>5</sup> Naik, Sameer. 2020. "SA waste picker's recycling project receives national acclaim" (20 December 2020). IOL.

<https://www.iol.co.za/saturday-star/news/sa-waste-pickers-recycling-project-receives-national-acclaim-0903b58e-7ab4-4a06-ae5f-102ccaaa83e8>

<sup>6</sup> The Coca-Cola Company. 2018. "Progress Against a World Without Waste" (10 September 2018).

<https://www.coca-colacompany.com/news/progress-against-a-world-without-waste>

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